

EATON VANCE CORP  
Form 10-Q  
March 08, 2017

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

**Quarterly Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934**  
For the quarterly period ended January 31, 2017

or

**Transition Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-8100

**EATON VANCE CORP.**

*(Exact name of registrant as specified in its charter)*

Maryland 04-2718215  
*(State or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)*

Two International Place, Boston, Massachusetts 02110  
*(Address of principal executive offices) (zip code)*

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

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Indicate by check-mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No "

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer "  
Non-accelerated filer " (Do not check if smaller reporting company) Smaller reporting company "

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes "  
No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| <u>Class:</u>                                   | <u>Outstanding as of January 31, 2017</u> |
|---|---|
| Non-Voting Common Stock, \$0.00390625 par value | 114,770,708 shares                        |
| Voting Common Stock, \$0.00390625 par value     | 442,932 shares                            |

Eaton Vance Corp.

Form 10-Q

As of January 31, 2017 and for the

Three Month Period Ended January 31, 2017

## Table of Contents

| Required Information |  | Page Number Reference |
|----------------------|--|-----------------------|
| Part I               | <u>Financial Information</u>   |                       |
| Item 1.              | <u>Consolidated Financial Statements</u>   | 3                     |
| Item 2.              | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 37                    |
| Item 3.              | <u>Quantitative and Qualitative Disclosures About Market Risk</u>                            | 59                    |
| Item 4.              | <u>Controls and Procedures</u>   | 59                    |
| Part II              | <u>Other Information</u>   |                       |
| Item 1.              | <u>Legal Proceedings</u>   | 60                    |
| Item 1A.             | <u>Risk Factors</u>  | 60                    |
| Item 2.              | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>                           | 60                    |
| Item 6.              | <u>Exhibits</u>  | 61                    |
|                      | <u>Signatures</u>  | 62                    |

**Part I - Financial Information**

**Item 1. Consolidated Financial Statements**

**Eaton Vance Corp.**

**Consolidated Balance Sheets (unaudited)**

| (in thousands)                            | January 31,<br>2017 | October 31,<br><b>2016</b> |
|---|---------------------|----------------------------|
| Assets                                    |                     |                            |
| Cash and cash equivalents                 | \$320,113           | \$424,174                  |
| Management fees and other receivables     | 186,330             | 186,172                    |
| Investments                               | 705,197             | 589,773                    |
| Deferred sales commissions                | 31,396              | 27,076                     |
| Deferred income taxes                     | 65,597              | 73,295                     |
| Equipment and leasehold improvements, net | 45,023              | 44,427                     |
| Intangible assets, net                    | 96,529              | 46,809                     |
| Goodwill                                  | 248,091             | 248,091                    |
| Loan to affiliate                         | 5,000               | 5,000                      |
| Other assets                              | 55,328              | 85,565                     |
| Total assets                              | \$1,758,604         | \$1,730,382                |

*See notes to Consolidated Financial Statements.*

**Eaton Vance Corp.****Consolidated Balance Sheets (unaudited) (continued)**

| (in thousands, except share data)  | January 31,<br>2017 | October 31,<br><b>2016</b> |
|--|---------------------|----------------------------|
| Liabilities, Temporary Equity and Permanent Equity                       |                     |                            |
| Liabilities:   |                     |                            |
| Accrued compensation   | \$ 65,305           | \$ 173,485                 |
| Accounts payable and accrued expenses                                    | 67,723              | 59,927                     |
| Dividend payable   | 37,036              | 36,525                     |
| Debt   | 571,946             | 571,773                    |
| Other liabilities  | 123,354             | 75,069                     |
| Total liabilities  | 865,364             | 916,779                    |
| Commitments and contingencies (Note 18)                                  |                     |                            |
| Temporary Equity:  |                     |                            |
| Redeemable non-controlling interests                                     | 149,418             | 109,028                    |
| Permanent Equity:  |                     |                            |
| Voting Common Stock, par value \$0.00390625 per share:                   |                     |                            |
| Authorized, 1,280,000 shares   |                     |                            |
| Issued and outstanding, 442,932 and 442,932 shares, respectively         | 2                   | 2                          |
| Non-Voting Common Stock, par value \$0.00390625 per share:               |                     |                            |
| Authorized, 190,720,000 shares   |                     |                            |
| Issued and outstanding, 114,770,708 and 113,545,008 shares, respectively | 448                 | 444                        |
| Additional paid-in capital   | 2,777               | -                          |
| Notes receivable from stock option exercises                             | (10,141 )           | (12,074 )                  |
| Accumulated other comprehensive loss                                     | (51,455 )           | (57,583 )                  |
| Retained earnings  | 801,451             | 773,000                    |
| Total Eaton Vance Corp. shareholders' equity                             | 743,082             | 703,789                    |
| Non-redeemable non-controlling interests                                 | 740                 | 786                        |
| Total permanent equity   | 743,822             | 704,575                    |
| Total liabilities, temporary equity and permanent equity                 | \$ 1,758,604        | \$ 1,730,382               |

*See notes to Consolidated Financial Statements.*

**Eaton Vance Corp.****Consolidated Statements of Income (unaudited)**

| (in thousands, except per share data)   | Three Months Ended  |           |
|---|---------------------|-----------|
|   | January 31,<br>2017 | 2016      |
| Revenue:  |                     |           |
| Management fees   | \$304,653           | \$283,042 |
| Distribution and underwriter fees   | 18,959              | 19,058    |
| Service fees  | 28,911              | 27,259    |
| Other revenue   | 2,436               | 2,197     |
| Total revenue   | 354,959             | 331,556   |
| Expenses:   |                     |           |
| Compensation and related costs  | 135,135             | 122,510   |
| Distribution expense  | 31,117              | 28,483    |
| Service fee expense   | 26,927              | 24,595    |
| Amortization of deferred sales commissions  | 3,854               | 4,044     |
| Fund-related expenses   | 10,875              | 9,163     |
| Other expenses  | 41,615              | 42,136    |
| Total expenses  | 249,523             | 230,931   |
| Operating income  | 105,436             | 100,625   |
| Non-operating income (expense):   |                     |           |
| Gains and other investment income, net  | 494                 | 2,840     |
| Interest expense  | (7,347 )            | (7,342 )  |
| Other income (expense) of consolidated collateralized loan obligation (CLO) entity: |                     |           |
| Gains and other investment income, net  | -                   | 3,279     |
| Interest and other expense  | -                   | (1,836 )  |
| Total non-operating expense   | (6,853 )            | (3,059 )  |
| Income before income taxes and equity in net income of affiliates                   | 98,583              | 97,566    |
| Income taxes  | (36,748 )           | (36,843 ) |
| Equity in net income of affiliates, net of tax                                      | 2,506               | 2,509     |
| Net income  | 64,341              | 63,232    |
| Net income attributable to non-controlling and other beneficial interests           | (3,630 )            | (4,846 )  |
| Net income attributable to Eaton Vance Corp. shareholders                           | \$60,711            | \$58,386  |
| Earnings per share:   |                     |           |
| Basic   | \$0.55              | \$0.52    |
| Diluted   | \$0.53              | \$0.50    |
| Weighted average shares outstanding:  |                     |           |
| Basic   | 110,267             | 111,641   |
| Diluted   | 114,671             | 114,603   |
| Dividends declared per share  | \$0.280             | \$0.265   |

*See notes to Consolidated Financial Statements.*



**Eaton Vance Corp.****Consolidated Statements of Comprehensive Income (unaudited)**

| (in thousands)   | Three Months Ended<br>January 31, |           |
|--|-----------------------------------|-----------|
|  | 2017                              | 2016      |
| Net income   | \$ 64,341                         | \$ 63,232 |
| Other comprehensive income (loss):   |                                   |           |
| Amortization of net gains (losses) on derivatives, net of tax  | 4                                 | 3         |
| Unrealized holding gains (losses) on available-for-sale investments and reclassification adjustments, net of tax | 327                               | (658 )    |
| Foreign currency translation adjustments, net of tax   | 5,797                             | (14,065 ) |
| Other comprehensive income (loss), net of tax  | 6,128                             | (14,720 ) |
| Total comprehensive income   | 70,469                            | 48,512    |
| Comprehensive income attributable to non-controlling and other beneficial interests                              | (3,630 )                          | (4,846 )  |
| Total comprehensive income attributable to Eaton Vance Corp. shareholders  | \$ 66,839                         | \$ 43,666 |

*See notes to Consolidated Financial Statements.*



## Eaton Vance Corp.

## Consolidated Statements of Shareholders' Equity (unaudited)

| (in thousands)  | Permanent Equity    |                         |                            |  |   |                   | Temporary Equity                         |                        |                                      |
|---|---------------------|-------------------------|----------------------------|--|---|-------------------|--|------------------------|--------------------------------------|
|   | Voting Common Stock | Non-Voting Common Stock | Additional Paid-In Capital | Notes Receivable from Stock Option Exercises | Accumulated Other Comprehensive Income (Loss) | Retained Earnings | Non-Redeemable Non-Controlling Interests | Total Permanent Equity | Redeemable Non-Controlling Interests |
| Balance, November 1, 2016   | \$2                 | \$444                   | \$-                        | \$(12,074)                                   | \$(57,583)                                    | \$773,000         | \$786                                    | \$704,575              | \$109,028                            |
| Net income  | -                   | -                       | -                          | -  | -   | 60,711            | 892                                      | 61,603                 | 2,738                                |
| Other comprehensive income  | -                   | -                       | -                          | -  | 6,128   | -                 | -  | 6,128                  | -                                    |
| Dividends declared (\$0.280 per share)  | -                   | -                       | -                          | -  | -   | (32,260)          | -  | (32,260)               | -                                    |
| Issuance of Non-Voting Common Stock:  |                     |                         |                            |  |   |                   |  |                        |                                      |
| On exercise of stock options  | -                   | 3                       | 26,215                     | (330)  | -   | -                 | -  | 25,888                 | -                                    |
| Under employee stock purchase plans   | -                   | -                       | 1,516                      | -  | -   | -                 | -  | 1,516                  | -                                    |
| Under employee stock purchase incentive plan                                      | -                   | -                       | 324                        | -  | -   | -                 | -  | 324                    | -                                    |
| Under restricted stock plan, net of forfeitures                                   | -                   | 6                       | -                          | -  | -   | -                 | -  | 6                      | -                                    |
| Stock-based compensation  | -                   | -                       | 20,178                     | -  | -   | -                 | -  | 20,178                 | -                                    |
| Tax benefit of stock option exercises   | -                   | -                       | 4,858                      | -  | -   | -                 | -  | 4,858                  | -                                    |
| Tax benefit of non-controlling interest repurchases                               | -                   | -                       | 3,659                      | -  | -   | -                 | -  | 3,659                  | -                                    |
| Repurchase of Non-Voting Common Stock   | -                   | (5)                     | (53,596)                   | -  | -   | -                 | -  | (53,601)               | -                                    |
| Principal repayments on notes receivable from stock option exercises              | -                   | -                       | -                          | 2,263  | -   | -                 | -  | 2,263                  | -                                    |
| Net subscriptions (redemptions/distributions) of non-controlling interest holders | -                   | -                       | -                          | -  | -   | -                 | (874)                                    | (874)                  | 44,152                               |
| Reclass to temporary equity   | -                   | -                       | -                          | -  | -   | -                 | (64)                                     | (64)                   | 64                                   |
| Purchase of non-controlling interests   | -                   | -                       | -                          | -  | -   | -                 | -  | -                      | (6,941)                              |
| Other changes in non-controlling interests  | -                   | -                       | (377)                      | -  | -   | -                 | -  | (377)                  | 377                                  |

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|                           |     |       |         |            |            |           |       |           |           |
|---------------------------|-----|-------|---------|------------|------------|-----------|-------|-----------|-----------|
| Balance, January 31, 2017 | \$2 | \$448 | \$2,777 | \$(10,141) | \$(51,455) | \$801,451 | \$740 | \$743,822 | \$149,418 |
|---------------------------|-----|-------|---------|------------|------------|-----------|-------|-----------|-----------|

*See notes to Consolidated Financial Statements.*

## Eaton Vance Corp.

## Consolidated Statements of Shareholders' Equity (unaudited) (continued)

| (in thousands)  | Permanent Equity    |                         |                            |  |                                      |                      |                   | Non-Redeemable Non-Controlling Interests | Total Permanent Equity | Temporary Equity |
|---|---------------------|-------------------------|----------------------------|--|--------------------------------------|----------------------|-------------------|--|------------------------|------------------|
|   | Voting Common Stock | Non-Voting Common Stock | Additional Paid-In Capital | Notes Receivable from Stock Option Exercises | Accumulated Other Comprehensive Loss | Appropriated Deficit | Retained Earnings |  |                        |                  |
| Balance, November 1, 2015   | \$2                 | \$451                   | \$-                        | \$(11,143)                                   | \$(48,586)                           | \$(5,338)            | \$684,845         | \$1,725                                  | \$621,956              | \$88,913         |
| Net income  | -                   | -                       | -                          | -  | -                                    | 1,912                | 58,386            | 932                                      | 61,230                 | 2,002            |
| Other comprehensive loss  | -                   | -                       | -                          | -  | (14,720)                             | -                    | -                 | -  | (14,720)               | -                |
| Dividends declared (\$0.265 per share)  | -                   | -                       | -                          | -  | -                                    | -                    | (30,493)          | -  | (30,493)               | -                |
| Issuance of Voting Common Stock   | -                   | -                       | 232                        | -  | -                                    | -                    | -                 | -  | 232                    | -                |
| Issuance of Non-Voting Common Stock:  |                     |                         |                            |  |                                      |                      |                   |  |                        |                  |
| On exercise of stock options  | -                   | 1                       | 5,667                      | (531)  | -                                    | -                    | -                 | -  | 5,137                  | -                |
| Under employee stock purchase plans   | -                   | -                       | 1,610                      | -  | -                                    | -                    | -                 | -  | 1,610                  | -                |
| Under employee stock purchase incentive plan                                      | -                   | -                       | 255                        | -  | -                                    | -                    | -                 | -  | 255                    | -                |
| Under restricted stock plan, net of forfeitures                                   | -                   | 5                       | -                          | -  | -                                    | -                    | -                 | -  | 5                      | -                |
| Stock-based compensation  | -                   | -                       | 18,234                     | -  | -                                    | -                    | -                 | -  | 18,234                 | -                |
| Tax benefit of stock option exercises   | -                   | -                       | 2,261                      | -  | -                                    | -                    | -                 | -  | 2,261                  | -                |
| Repurchase of Voting Common Stock   | -                   | -                       | (77)                       | -  | -                                    | -                    | -                 | -  | (77)                   | -                |
| Repurchase of Non-Voting Common Stock   | -                   | (9)                     | (28,135)                   | -  | -                                    | -                    | (45,197)          | -  | (73,341)               | -                |
| Principal repayments on notes receivable from stock option exercises              | -                   | -                       | -                          | 972  | -                                    | -                    | -                 | -  | 972                    | -                |
| Net subscriptions (redemptions/distributions) of non-controlling interest holders | -                   | -                       | -                          | -  | -                                    | -                    | -                 | (773)                                    | (773)                  | 400              |
| Reclass to temporary equity   | -                   | -                       | -                          | -  | -                                    | -                    | -                 | (119)                                    | (119)                  | 119              |

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|  |     |       |      |   |            |            |           |           |         |                    |
|--|-----|-------|------|---|------------|------------|-----------|-----------|---------|--------------------|
| Purchase of non-controlling interests      | -   | -     | -    | - | -          | -          | -         | -         | -       | (6,202)            |
| Other changes in non-controlling interests | -   | -     | (47) | ) | -          | -          | -         | -         | (47)    | ) 47               |
| Balance, January 31, 2016                  | \$2 | \$448 | \$-  |   | \$(10,702) | \$(63,306) | \$(3,426) | \$667,541 | \$1,765 | \$592,322 \$85,279 |

*See notes to Consolidated Financial Statements.*

**Eaton Vance Corp.****Consolidated Statements of Cash Flows (unaudited)**

| (in thousands)   | Three Months Ended<br>January 31, |           |
|--|-----------------------------------|-----------|
|  | 2017                              | 2016      |
| <b>Cash Flows From Operating Activities:</b>   |                                   |           |
| Net income   | \$64,341                          | \$63,232  |
| Adjustments to reconcile net income to net cash (used for) provided by operating activities: |                                   |           |
| Depreciation and amortization  | 4,494                             | 5,414     |
| Amortization of deferred sales commissions   | 3,855                             | 4,044     |
| Stock-based compensation   | 20,178                            | 18,234    |
| Deferred income taxes  | 11,101                            | 6,666     |
| Net losses (gains) on investments and derivatives  | 3,935                             | (585 )    |
| Equity in net income of affiliates, net of amortization                                      | (2,506 )                          | (2,519 )  |
| Dividends received from affiliates   | 2,905                             | 2,931     |
| <b>Consolidated CLO entity's operating activities:</b>                                       |                                   |           |
| Net losses on bank loans, other investments and note obligations                             | -                                 | 464       |
| Amortization   | -                                 | 15        |
| Net increase in other assets and liabilities, including cash and cash equivalents            | -                                 | 81,271    |
| Changes in operating assets and liabilities:   |                                   |           |
| Management fees and other receivables  | (124 )                            | 15,060    |
| Investments in trading securities  | (113,213)                         | (24,094 ) |
| Deferred sales commissions   | (8,174 )                          | (4,958 )  |
| Other assets   | 11,356                            | 22,679    |
| Accrued compensation   | (108,269)                         | (118,954) |
| Accounts payable and accrued expenses  | 7,515                             | 2,433     |
| Other liabilities  | 63,534                            | 15,895    |
| Net cash (used for) provided by operating activities   | (39,072 )                         | 87,228    |
| <b>Cash Flows From Investing Activities:</b>   |                                   |           |
| Additions to equipment and leasehold improvements  | (2,435 )                          | (2,947 )  |
| Issuance of loan to affiliate  | -                                 | (5,000 )  |
| Net cash paid in acquisition   | (52,016 )                         | -         |
| Proceeds from sale of investments  | 4,102                             | 8,416     |
| Purchase of investments  | (32 )                             | (33 )     |
| Consolidated CLO entity's investing activities:  |                                   |           |
| Proceeds from sales and maturities of bank loans and other investments                       | -                                 | 16,872    |
| Purchase of bank loans and other investments   | -                                 | (99,785 ) |
| Net cash used for investing activities   | (50,381 )                         | (82,477 ) |

*See notes to Consolidated Financial Statements.*



**Eaton Vance Corp.****Consolidated Statements of Cash Flows (unaudited) (continued)**

| (in thousands)   | Three Months Ended  |           |
|--|---------------------|-----------|
|  | January 31,<br>2017 | 2016      |
| <b>Cash Flows From Financing Activities:</b>   |                     |           |
| Purchase of additional non-controlling interest  | (9,451 )            | (15,580 ) |
| Proceeds from issuance of Voting Common Stock  | -                   | 232       |
| Proceeds from issuance of Non-Voting Common Stock  | 27,734              | 7,007     |
| Repurchase of Voting Common Stock  | -                   | (77 )     |
| Repurchase of Non-Voting Common Stock  | (53,601 )           | (73,341 ) |
| Principal repayments on notes receivable from stock option exercises                                 | 2,263               | 972       |
| Excess tax benefit of stock option exercises   | 5,722               | 2,261     |
| Dividends paid   | (31,749 )           | (30,437 ) |
| Net subscriptions received from (redemptions/distributions paid to) non-controlling interest holders | 43,424              | (373 )    |
| Net cash used for financing activities   | (15,658 )           | (109,336) |
| Effect of currency rate changes on cash and cash equivalents   | 1,050               | (2,840 )  |
| Net decrease in cash and cash equivalents  | (104,061)           | (107,425) |
| Cash and cash equivalents, beginning of period   | 424,174             | 465,558   |
| Cash and cash equivalents, end of period   | \$320,113           | \$358,133 |
| <b>Supplemental Cash Flow Information:</b>   |                     |           |
| Cash paid for interest   | \$5,988             | \$5,986   |
| Cash paid for income taxes, net of refunds   | 4,321               | 5,272     |
| <b>Supplemental Disclosure of Non-Cash Information:</b>  |                     |           |
| Increase in equipment and leasehold improvements due to non-cash additions                           | \$275               | \$608     |
| Exercise of stock options through issuance of notes receivable                                       | 331                 | 531       |
| <b>Net Consolidations of Sponsored Investment Funds:</b>   |                     |           |
| Increase in investments  | \$91,135            | \$-       |
| Increase in other liabilities, net of other assets   | 51,177              | -         |
| Increase in non-controlling interests  | 29,969              | -         |

*See notes to Consolidated Financial Statements.*

**Eaton Vance Corp.**

**Notes to Consolidated Financial Statements (unaudited)**

**1. Summary of Significant Accounting Policies**

***Basis of presentation***

In the opinion of management, the accompanying unaudited interim Consolidated Financial Statements of Eaton Vance Corp. (the Company) include all adjustments necessary to present fairly the results for the interim periods in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Such financial statements have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures have been omitted pursuant to such rules and regulations. As a result, these financial statements should be read in conjunction with the audited Consolidated Financial Statements and related notes included in the Company's latest Annual Report on Form 10-K.

During the first quarter of fiscal 2017, the Company changed the description of a line item in the Consolidated Statements of Income from investment advisory and administrative fees to management fees. The change in the description had no impact on the Company's previously reported net income or financial position, and does not represent a restatement of previously reported financial results. Management fees are defined as including both investment advisory fees and administration fees for all periods presented.

***Adoption of new accounting standards***

The Company adopted the following accounting standards as of November 1, 2016:

- Consolidation - Accounting Standards Update (ASU) 2015-02, *Amendments to the Consolidation Analysis*
- Consolidation - ASU 2016-17, *Interests Held Through Related Parties That Are Under Common Control*
  - Debt issuance costs - ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*

The adoption of the amendments to the Consolidation guidance did not result in the consolidation of a previously unconsolidated legal entity or the deconsolidation of a previously consolidated entity. The amendment to the consolidation guidance that had the most significant impact on the Company's consolidation analysis is the elimination



of the deferral of accounting guidance that required separate evaluation for investment company variable interest entities (VIEs). The elimination of this deferral reduces the threshold used to evaluate whether the Company has a controlling financial interest in the Company's sponsored funds in which the Company holds a seed investment from an ownership percentage of 50 percent to 10 percent. The amended guidance also impacted the Company's evaluation of limited partnerships. Under the amended guidance, if limited partners with equity at risk in a limited partnership or similarly structured entity do not have either substantive kick-out rights over the general partner or substantive participation rights, the limited partnership is deemed to be a VIE. This update to the guidance resulted in the Company identifying that a private equity partnership managed by a third party that was previously considered a voting interest entity is now considered a VIE subsequent to the adoption of the amended guidance. The Company holds a variable interest in, but is not deemed to be the primary beneficiary of, this VIE. Refer to disclosure of this variable interest in Note 6, under the heading Other Entities.

The adoption of the new guidance related to debt issuance costs resulted in the Company changing the classification of certain debt issuance costs in its Consolidated Balance Sheets. All debt issuance costs were previously reported as a component of other assets. Debt issuance costs related to the Company's Senior Notes are now presented as a component of debt on the Company's Consolidated Balance Sheets. Amounts for the comparative prior fiscal year have been restated to conform to the current year presentation. This reclassification had no impact on previously reported net income or previously reported financial results.

The following table presents the effects of the change in presentation of debt issuance costs to the Company's previously reported Consolidated Balance Sheet:

### October 31, 2016

| (in thousands)   | As                  |                  |             |
|--|---------------------|------------------|-------------|
|  | Previously Reported | Reclassification | As Restated |
| Other assets   | \$87,759            | \$ (2,194)       | ) \$85,565  |
| Total assets   | 1,732,576           | (2,194)          | ) 1,730,382 |
| Debt   | 573,967             | (2,194)          | ) 571,773   |
| Total liabilities  | 918,973             | (2,194)          | ) 916,779   |
| Total permanent equity                                   | 704,575             | -                | ) 704,575   |
| Total liabilities, temporary equity and permanent equity | 1,732,576           | (2,194)          | ) 1,730,382 |

In addition to the above updates, the Company adopted ASU 2017-01, *Clarifying the Definition of a Business*, in conjunction with the acquisition of the assets of Calvert Investment Management, Inc. (Calvert Investments), which closed on December 30, 2016. This new standard provides an up-front quantitative approach, which is referred to as a "screen," to determine whether an entity is acquiring assets or a business. In applying the screen, the Company determined that substantially all of the fair value of the gross assets acquired was concentrated in a single identifiable asset or group of similar assets and that the assets acquired, therefore, did not qualify as a business. Disclosure of the acquisition is included in Note 9.

The Company's significant accounting policies related to each of the ASUs adopted as of November 1, 2016 are summarized below, as amended.

### *Principles of consolidation*

With limited exceptions, each of the Company's sponsored mutual funds is organized as a separately managed component (or series) of a series trust. All assets of a series irrevocably belong to that series and are subject to the liabilities of that series; under no circumstances are the liabilities of one series payable by another series. The Company's series trusts have no equity investment at risk, rather all equity is issued at the series level. However, decisions regarding the trustees of the trust and certain key activities of each series (i.e. sponsored fund) within the trust, such as appointment of each sponsored fund's investment adviser, typically reside at the trust level. As a result, shareholders of a sponsored fund that is organized as a series of a series trust lack the ability to control the key decision-making processes that most directly affect the performance of the sponsored fund. Accordingly, the Company believes that each trust is a VIE and each sponsored fund within the trust is a silo that also meets the definition of a VIE. Having concluded that each silo is a VIE, the primary beneficiary evaluation is focused on an analysis of economic interests in

the sponsored fund. The Company may hold a significant interest in the shares of a sponsored fund during the seed investment stage when the sponsored fund's investment track record is being established. The Company consolidates a sponsored fund when it has a controlling financial interest in a fund. Given the fees earned from each sponsored fund are commensurate with the services provided and consistent with market based terms, the Company has generally concluded that its asset management arrangements with sponsored funds represent variable interests that convey both power and economics to the Company in instances in which the Company possesses a greater than 10 percent ownership interest in the fund. Fee revenue earned on consolidated sponsored funds is eliminated in consolidation.

The Company regularly seeds new sponsored funds and therefore may consolidate a variety of sponsored funds during a given reporting period. Due to the similarity of risks related to the Company's involvement with each sponsored fund, disclosures required under the VIE model are aggregated, such as those disclosures regarding the carrying amount and classification of assets of the sponsored funds and the gains and losses that the Company recognizes from the sponsored funds.

When the Company is no longer deemed to hold a controlling financial interest in a sponsored fund, the Company deconsolidates the sponsored fund and removes the related assets, liabilities and non-controlling interests from its balance sheet and classifies the Company's remaining investment as available-for-sale. Because consolidated sponsored funds carry their assets and liabilities at fair value, there is no incremental gain or loss recognized upon deconsolidation.

The extent of the Company's exposure to loss with respect to a consolidated sponsored fund is limited to the amount of the Company's investment in the sponsored fund. The Company is not obligated to provide financial support to sponsored funds. Only the assets of a sponsored fund are available to settle its obligations. Beneficial interest holders of sponsored funds do not have recourse to the general credit of the Company.

### *Consolidation of VIEs*

Accounting guidance provides a framework for determining whether an entity should be considered a VIE and, if so, whether a company's involvement with the entity results in a variable interest in the entity. If the Company determines that it does have a variable interest in an entity, it must perform an analysis to determine whether it is the primary beneficiary of the VIE. If the Company determines it is the primary beneficiary of the VIE, it is required to consolidate the assets, liabilities, results of operations and cash flows of the VIE.

The Company's evaluation of whether it qualifies as the primary beneficiary of a VIE is complex. The Company is the primary beneficiary of a VIE if it has a controlling financial interest in the VIE. A company is deemed to have a

controlling financial interest in a VIE if it has both (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, and (ii) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

For collateralized loan obligation (CLO) entities, the Company must evaluate the relative size of the Company's residual interest and the overall magnitude and design of the collateral fees within each structure. There is also judgment involved in assessing whether the Company has the power to direct the activities that most significantly impact the VIE's economic performance and the obligation to absorb losses of or the right to receive benefits from the VIE that could potentially be significant to the entity.

While the Company believes its overall evaluation of VIEs is appropriate, future changes in estimates, judgments and assumptions, changes in the ownership interests of the Company in a VIE, and/or future accounting pronouncements may affect the resulting consolidation, or deconsolidation, of the assets, liabilities, results of operations and cash flows of a VIE.

### ***Debt issuance costs***

Deferred debt issuance costs are amortized using the effective interest method over the related debt term. Debt issuance costs related to the Company's Senior Notes are included in debt in the Company's Consolidated Balance Sheets. The amortization of deferred debt issuance costs is included in interest expense on the Company's Consolidated Statements of Income.

## **2. New Accounting Standards Not Yet Adopted**

### ***Statement of cash flows-restricted cash***

In November 2016, the Financial Accounting Standards Board (FASB) issued an amendment to existing guidance on the presentation and classification of restricted cash in the statement of cash flows. The amendment requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new guidance is effective for the Company's fiscal year that begins on November 1, 2018 and requires a retrospective approach to adoption. The Company is currently evaluating the potential impact on its Consolidated Financial Statements and related disclosures.

### ***Simplifying the test for goodwill impairment***

In January 2017, the FASB issued amended guidance that simplifies the test for goodwill impairment. The standard eliminates Step 2 from the goodwill impairment test. Under the amended guidance, an entity should perform its goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity will recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, but the loss cannot exceed the total amount of goodwill allocated to the reporting unit. The new guidance is effective for the Company's fiscal year that begins on November 1, 2020 and requires a prospective approach to adoption. Early

adoption is permitted for interim or annual goodwill impairment tests. The Company is currently evaluating the potential impact on its Consolidated Financial Statements and related disclosures.

### 3. Consolidated Sponsored Funds

The following table sets forth the balances related to consolidated sponsored funds at January 31, 2017 and October 31, 2016, as well as the Company's net interest in these funds:

| (in thousands)                               | January 31,<br>2017 | October 31,<br>2016 |
|--|---------------------|---------------------|
| Investments                                  | \$ 374,128          | \$ 248,036          |
| Other assets                                 | 10,047              | 10,984              |
| Other liabilities                            | (71,672 )           | (23,947 )           |
| Redeemable non-controlling interests         | (71,384 )           | (24,474 )           |
| Net interest in consolidated sponsored funds | \$ 241,119          | \$ 210,599          |

### 4. Investments

The following is a summary of investments at January 31, 2017 and October 31, 2016:

| (in thousands)                               | January 31,<br>2017 | October 31,<br>2016 |
|--|---------------------|---------------------|
| Investment securities, trading:              |                     |                     |
| Short-term debt securities                   | \$ 68,915           | \$ 85,822           |
| Consolidated sponsored funds                 | 374,128             | 248,036             |
| Separately managed accounts                  | 85,495              | 79,683              |
| Total investment securities, trading         | 528,538             | 413,541             |
| Investment securities, available-for-sale    | 10,148              | 13,312              |
| Investments in non-consolidated CLO entities | 3,927               | 3,837               |
| Investments in equity method investees       | 143,430             | 139,929             |
| Investments, other                           | 19,154              | 19,154              |
| Total investments                            | \$ 705,197          | \$ 589,773          |

#### *Investment securities, trading*

The following is a summary of the fair value of investments classified as trading at January 31, 2017 and October 31, 2016:



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| (in thousands)                       | January<br>31,<br>2017 | October<br>31,<br>2016 |
|--------------------------------------|------------------------|------------------------|
| Short-term debt securities           | \$68,915               | \$85,822               |
| Other debt securities                | 253,954                | 191,688                |
| Equity securities                    | 205,669                | 136,031                |
| Total investment securities, trading | \$528,538              | \$413,541              |

The Company recognized gains (losses) related to trading securities still held at the reporting date of \$2.3 million and \$(11.6) million for the three months ended January 31, 2017 and 2016, respectively, within gains and other investment income, net, in the Company's Consolidated Statements of Income.

*Investment securities, available-for-sale*

The following is a summary of the gross unrealized gains (losses) included in accumulated other comprehensive income related to securities classified as available-for-sale at January 31, 2017 and October 31, 2016:

| January 31, 2017<br>(in thousands)        | Gross Unrealized |          |         | Fair Value |
|---|------------------|----------|---------|------------|
|   | Cost             | Gains    | Losses  |            |
| Investment securities, available-for-sale | \$4,828          | \$ 5,329 | \$ (9 ) | \$ 10,148  |

| October 31, 2016<br>(in thousands)        | Gross Unrealized |          |          | Fair Value |
|---|------------------|----------|----------|------------|
|   | Cost             | Gains    | Losses   |            |
| Investment securities, available-for-sale | \$8,528          | \$ 4,798 | \$ (14 ) | \$ 13,312  |

Net unrealized holding gains (losses) on investment securities classified as available-for-sale included in other comprehensive income (loss) on the Company's Consolidated Statements of Comprehensive Income were \$0.5 million and \$(1.1) million for the three months ended January 31, 2017 and 2016, respectively.

The Company did not recognize any impairment losses on investment securities classified as available-for-sale for the three months ended January 31, 2017 or 2016.

The aggregate fair value of investments with unrealized losses at January 31, 2017 was \$0.3 million; unrealized losses related to these investments totaled \$9,000. No investment with a gross unrealized loss has been in a loss position for greater than one year.

The following is a summary of the Company's realized gains and losses recognized upon disposition of investments classified as available-for-sale for the three months ended January 31, 2017 and 2016:

| (in thousands)     | Three Months Ended<br>January 31, |        |
|--------------------|-----------------------------------|--------|
|                    | 2017                              | 2016   |
| Gains              | \$ 203                            | \$ 135 |
| Losses             | -                                 | -      |
| Net realized gains | \$ 203                            | \$ 135 |

*Investments in equity method investees*

The Company has a 49 percent interest in Hexavest Inc. (Hexavest), a Montreal, Canada-based investment adviser. The carrying value of this investment was \$140.7 million and \$137.3 million at January 31, 2017 and October 31, 2016, respectively. At January 31, 2017, the Company's investment in Hexavest consisted of \$5.3 million of equity in the net assets of Hexavest, definite-lived intangible assets of \$24.8 million and goodwill of \$117.3 million, net of a deferred tax liability of \$6.7 million. At October 31, 2016, the Company's investment in Hexavest consisted of \$5.3 million of equity in the net assets of Hexavest, definite-lived intangible assets of \$24.5 million and goodwill of \$114.1 million, net of a deferred tax liability of \$6.6 million. The investment is denominated in Canadian dollars and is subject to foreign currency translation adjustments, which are recorded in accumulated other comprehensive income (loss).

The Company has an option, exercisable in fiscal 2017, to purchase an additional 26 percent interest in Hexavest. As part of the purchase price allocation, a value of \$8.3 million was assigned to this option. The option is included in other assets in the Company's Consolidated Balance Sheets at January 31, 2017 and October 31, 2016.

The Company also has a seven percent equity interest in a private equity partnership managed by a third party that invests in companies in the financial services industry. The Company's investment in the partnership was \$2.8 million and \$2.6 million at January 31, 2017 and October 31, 2016, respectively.

The Company did not recognize any impairment losses related to its investments in equity method investees during the three months ended January 31, 2017 or 2016.

During both the three months ended January 31, 2017 and 2016, the Company received dividends of \$2.9 million from its investments in equity method investees.

### ***Investments, other***

Investments, other, consists of certain investments carried at cost totaling \$19.2 million at both January 31, 2017 and October 31, 2016.

During the fiscal year ended October 31, 2016, the Company participated as lead investor in an equity financing in SigFig, an independent San Francisco-based wealth management technology firm. The carrying value of Company's investment in SigFig was \$17.0 million at both January 31, 2017 and October 31, 2016.

## **5. Derivative Financial Instruments**

### ***Derivative financial instruments designated as cash flow hedges***

In fiscal 2013, the Company entered into a forward-starting interest rate swap in connection with the offering of its 3.625 percent unsecured senior notes due June 15, 2023 (2023 Senior Notes) and recorded the unamortized gain on the swap in other comprehensive income (loss). The Company reclassified \$50,000 of the deferred gain into interest

expense during both the three months ended January 31, 2017 and 2016 and will reclassify the remaining \$1.3 million of unamortized gain as of January 31, 2017 to earnings as a component of interest expense over the remaining term of the debt. During the next twelve months, the Company expects to reclassify approximately \$0.2 million of the gain into interest expense.

In fiscal 2007, the Company entered into a Treasury lock transaction in connection with the offering of its 6.5 percent unsecured senior notes due October 2, 2017 (2017 Senior Notes) and recorded the unamortized loss on the lock in other comprehensive income (loss). The Company reclassified \$56,000 of the deferred loss into interest expense during both the three months ended January 31, 2017 and 2016 and will reclassify the remaining \$0.1 million of unamortized loss at January 31, 2017 to earnings as a component of interest expense over the next eight months, which represents the remaining term of the debt.

***Other derivative financial instruments not designated for hedge accounting***

The Company utilizes stock index futures contracts, total return swap contracts and foreign exchange contracts to hedge the market and currency risks associated with its investments in certain consolidated

sponsored funds and separately managed accounts seeded for new product development purposes (consolidated seed investments).

The Company was a party to the following derivative financial instruments at January 31, 2017 and October 31, 2016:

|                               | January 31, 2017          |   | October 31, 2016          |   |
|-------------------------------|---------------------------|---|---------------------------|---|
|                               | Number<br>of<br>contracts | <b>Notional<br/>value</b><br><i>(in millions)</i> | Number<br>of<br>contracts | <b>Notional<br/>value</b><br><i>(in millions)</i> |
| Stock index futures contracts | 1,837                     | \$ 132.8  | 1,721                     | \$ 125.4  |
| Total return swap contracts   | 1                         | \$ 35.5   | 1                         | \$ 40.0   |
| Foreign exchange contracts    | 25                        | \$ 17.4   | 32                        | \$ 18.7   |

The Company has not designated any of these derivative contracts as hedging instruments for accounting purposes. The derivative contracts outstanding, and the notional values they represent at January 31, 2017 and October 31, 2016, are representative of derivative balances throughout each respective period.

The Company has not elected to offset fair value amounts related to derivative instruments executed with the same counterparty under master netting arrangements; as a result, the Company records all derivative financial instruments as either other assets or other liabilities, gross, on its Consolidated Balance Sheets and measures them at fair value. The following tables present the fair value of derivative financial instruments not designated for hedge accounting and how they are reflected in the Company's Consolidated Financial Statements as of January 31, 2017 and October 31, 2016:

| (in thousands)                | January 31, 2017 |                      | October 31, 2016 |                      |
|-------------------------------|------------------|----------------------|------------------|----------------------|
|                               | Other<br>assets  | Other<br>liabilities | Other<br>assets  | Other<br>liabilities |
| Stock index futures contracts | \$201            | \$ 2,514             | \$1,722          | \$ 130               |
| Foreign exchange contracts    | 128              | 160                  | 350              | 267                  |
| Total return swap contracts   | -                | 1,277                | -                | 418                  |
| Total                         | \$329            | \$ 3,951             | \$2,072          | \$ 815               |

Changes in the fair value of derivative contracts are recognized in gains and other investment income, net (see Note 13). The Company recognized the following net gains (losses) on derivative financial instruments for the three months ended January 31, 2017 and 2016:

|                               | Three Months<br>Ended<br>January 31, |          |
|-------------------------------|--------------------------------------|----------|
| (in thousands)                | 2017                                 | 2016     |
| Stock index futures contracts | \$(5,933)                            | \$8,983  |
| Foreign exchange contracts    | (27 )                                | 634      |
| Total return swap contracts   | (964 )                               | 2,770    |
| Total                         | \$(6,924)                            | \$12,387 |

In addition to the derivative contracts described above, certain consolidated seed investments may utilize derivative financial instruments within their portfolios in pursuit of their stated investment objectives. See Note 3 for discussion of consolidated sponsored funds.

6. Variable Interest Entities

*Investments in VIEs that are consolidated*

*Consolidated sponsored funds*

The Company invests in investment companies that meet the definition of a VIE. Disclosure regarding such consolidated sponsored funds is included in Note 3.

*Consolidated CLO entities*

As of January 31, 2017 and October 31, 2016, the Company was not deemed to be the primary beneficiary of any CLO entities; accordingly, no CLO entities have been consolidated at January 31, 2017 and October 31, 2016.

*Eaton Vance CLO 2015-1*

On September 21, 2016, the Company sold its 16.1 percent subordinated interest in Eaton Vance CLO 2015-1 to an unrelated third party, recognizing a gain on disposal of \$0.1 million. Although the Company continues to serve as collateral manager of the entity and therefore has the power to direct the activities that most significantly impact the economic performance of the entity, the Company concluded that it was no longer the primary beneficiary of the entity upon disposition of its 16.1 percent residual interest. As a result, the Company deconsolidated Eaton Vance CLO 2015-1 effective September 21, 2016.

Prior to the deconsolidation of Eaton Vance CLO 2015-1, changes in the fair values of bank loan investments resulted in a net loss of \$7.0 million for the three months ended January 31, 2016, while changes in the fair value of Eaton Vance CLO 2015-1's note obligations resulted in a gain of \$7.3 million over the same period. The net gain of \$0.3 million was recorded in gains and other investment income, net, of consolidated CLO entities on the Company's Consolidated Statement of Income.



For the three months ended January 31, 2016, the Company recorded net gains of \$1.4 million related to Eaton Vance CLO 2015-1. The Company recorded net gains attributable to other beneficial interests of \$1.9 million for the three months ended January 31, 2016. Net losses attributable to Eaton Vance Corp. shareholders was \$0.5 million for the three months ended January 31, 2016.

*Investments in VIEs that are not consolidated*

*Sponsored funds*

The Company classifies its investments in certain sponsored funds that are considered VIEs as available-for-sale investments when it is not considered the primary beneficiary of these VIEs (generally when the Company owns less than 10 percent of the fund). The Company provides aggregated disclosures with respect to these non-consolidated sponsored fund VIEs in Note 4.

*Non-consolidated CLO entities*

Non-consolidated CLO entities had total assets of \$1.9 billion and \$2.0 billion as of January 31, 2017 and October 31, 2016, respectively. The Company's variable interests in these entities consist of the Company's direct ownership in these entities and any subordinated management fees earned but uncollected. The Company's investment in these entities totaled \$3.9 million and \$3.8 million as of January 31, 2017 and October 31, 2016, respectively. Collateral management fees receivable for these entities totaled \$1.0 million and \$1.4 million on January 31, 2017 and October 31, 2016, respectively. The

Company did not provide any financial or other support to these entities that it was not previously contractually required to provide in any of the periods presented. The Company's risk of loss with respect to these managed CLO entities is limited to the carrying value of its investments in, and collateral management fees receivable from, these entities as of January 31, 2017.

The Company's investment in non-consolidated CLO entities is carried at amortized cost and is disclosed as a component of investments in Note 4. Income from these entities is recorded as a component of gains and other investment income, net, in the Company's Consolidated Statements of Income, based upon projected investment yields.

#### *Other entities*

The Company holds variable interests in, but is not deemed to be the primary beneficiary of, certain sponsored privately offered equity funds with total assets of \$14.8 billion and \$13.5 billion as of January 31, 2017 and October 31, 2016, respectively. The Company's variable interests in these entities consist of the Company's direct ownership therein, which in each case is insignificant relative to the total ownership of the fund, and any investment advisory fees earned but uncollected. The Company held investments in these entities totaling \$2.4 million and \$2.2 million on January 31, 2017 and October 31, 2016, respectively, and investment advisory fees receivable totaling \$0.9 million and \$0.8 million on January 31, 2017 and October 31, 2016, respectively. The Company did not provide any financial or other support to these entities that it was not contractually required to provide in any of the periods presented. The Company's risk of loss with respect to these managed entities is limited to the carrying value of its investments in, and investment advisory fees receivable from, the entities as of January 31, 2017. The Company does not consolidate these VIEs because it does not have the obligation to absorb losses or right to receive benefits that could potentially be significant to the VIE.

The Company's investments in privately offered equity funds are carried at fair value and included in investment securities, available-for-sale, which are disclosed as a component of investments in Note 4. The Company records any change in fair value, net of income tax, in other comprehensive income (loss).

The Company also holds a variable interest in, but is not deemed to be the primary beneficiary of, a private equity partnership managed by a third party that invests in companies in the financial services industry. The Company's variable interest in this entity consists of the Company's direct ownership in the private equity partnership which amounts to \$2.8 million and \$2.6 million at January 31, 2017 and October 31, 2016, respectively. The Company did not provide any financial or other support to this entity. The Company's risk of loss with respect to the private equity partnership is limited to the carrying value of its investment in the entity as of January 31, 2017. The Company does not consolidate this VIE because the Company does not hold the power to direct the activities that most significantly impact the VIE.

The Company's investment in the private equity partnership is accounted for as an equity method investment and disclosures related to this entity are included in Note 4 under the heading Investments in equity method investees.

## 7. Fair Value of Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables summarize financial assets and liabilities measured at fair value on a recurring basis and their assigned levels within the valuation hierarchy at January 31, 2017 and October 31, 2016:

### January 31, 2017

| (in thousands)  | Level 1   | Level 2   | Level 3 | Other<br>Assets<br>Not Held<br>at Fair<br>Value | Total     |
|---|-----------|-----------|---------|---|-----------|
| Financial assets:   |           |           |         |   |           |
| Cash equivalents  | \$17,923  | \$31,086  | \$ -    | \$-   | \$49,009  |
| Investments:  |           |           |         |   |           |
| Investment securities, trading:                             |           |           |         |   |           |
| Short-term debt securities                                  | -         | 68,915    | -       | -   | 68,915    |
| Other debt securities                                       | 24,470    | 229,484   | -       | -   | 253,954   |
| Equity securities   | 161,567   | 44,102    | -       | -   | 205,669   |
| Investment securities, available-for-sale                   | 7,755     | 2,393     | -       | -   | 10,148    |
| Investments in non-consolidated CLO entities <sup>(1)</sup> | -         | -         | -       | 3,927   | 3,927     |
| Investments in equity method investees <sup>(2)</sup>       | -         | -         | -       | 143,430   | 143,430   |
| Investments, other <sup>(3)</sup>                           | -         | 120       | -       | 19,034  | 19,154    |
| Derivative instruments                                      | -         | 329       | -       | -   | 329       |
| Total financial assets                                      | \$211,715 | \$376,429 | \$ -    | \$166,391                                       | \$754,535 |
| Financial liabilities:                                      |           |           |         |   |           |
| Derivative instruments                                      | \$-       | \$3,951   | \$ -    | \$-   | \$3,951   |
| Total financial liabilities                                 | \$-       | \$3,951   | \$ -    | \$-   | \$3,951   |

October 31, 2016

| (in thousands)  | Level 1   | Level 2   | Level 3 | Other<br>Assets<br>Not Held<br>at Fair<br>Value | Total     |
|---|-----------|-----------|---------|---|-----------|
| Financial assets:   |           |           |         |   |           |
| Cash equivalents  | \$21,875  | \$35,913  | \$ -    | \$-   | \$57,788  |
| Investments:  |           |           |         |   |           |
| Investment securities, trading:                             |           |           |         |   |           |
| Short-term debt securities                                  | -         | 85,822    | -       | -   | 85,822    |
| Other debt securities                                       | 18,757    | 172,931   | -       | -   | 191,688   |
| Equity securities   | 93,491    | 42,540    | -       | -   | 136,031   |
| Investment securities, available-for-sale                   | 11,051    | 2,261     | -       | -   | 13,312    |
| Investments in non-consolidated CLO entities <sup>(1)</sup> | -         | -         | -       | 3,837   | 3,837     |
| Investments in equity method investees <sup>(2)</sup>       | -         | -         | -       | 139,929   | 139,929   |
| Investments, other <sup>(3)</sup>                           | -         | 120       | -       | 19,034  | 19,154    |
| Derivative instruments                                      | -         | 2,072     | -       | -   | 2,072     |
| Total financial assets                                      | \$145,174 | \$341,659 | \$ -    | \$162,800                                       | \$649,633 |
| Financial liabilities:                                      |           |           |         |   |           |
| Derivative instruments                                      | \$-       | \$815     | \$ -    | \$-   | \$815     |
| Total financial liabilities                                 | \$-       | \$815     | \$ -    | \$-   | \$815     |

The Company's investments in these CLO entities are measured at fair value on a non-recurring basis using Level 3 inputs. The investments are carried at amortized cost unless facts and circumstances indicate that the investments (1) have been impaired, at which time the investments are written down to fair value. The Company did not recognize any impairment losses on investments in non-consolidated CLO entities during the three months ended January 31, 2017 or 2016.

(2) Investments in equity method investees are not measured at fair value in accordance with U.S. GAAP.

(3) Investments, other, include investments carried at cost that are not measured at fair value in accordance with U.S. GAAP.

### Valuation methodologies

#### Cash equivalents

Cash equivalents include investments in money market funds, government agency securities, certificates of deposit and commercial paper with original maturities of less than three months. Cash investments in actively traded money market funds are valued using published net asset values and are classified as Level 1 within the fair value

measurement hierarchy. Government agency securities are valued based upon quoted market prices for similar assets in active markets, quoted prices for identical or similar assets that are not active and inputs other than quoted prices that are observable or corroborated by observable market data. The carrying amounts of certificates of deposit and commercial paper are measured at amortized cost, which approximates fair value due to the short time between the purchase and expected maturity of the investments. Depending on the nature of the inputs, these assets are generally classified as Level 1 or 2 within the fair value measurement hierarchy.

*Investment securities, trading – short-term debt*

Short-term debt securities include certificates of deposit, commercial paper and corporate debt obligations with remaining maturities from three months to 12 months. Short-term debt securities held

are generally valued on the basis of valuations provided by third-party pricing services, as derived from such services' pricing models. Inputs to the models may include, but are not limited to, reported trades, executable bid and ask prices, broker-dealer quotations, prices or yields of securities with similar characteristics, benchmark curves or information pertaining to the issuer, as well as industry and economic events. The pricing services may use a matrix approach, which considers information regarding securities with similar characteristics to determine the valuation for a security. Depending on the nature of the inputs, these assets are generally classified as Level 1 or 2 within the fair value measurement hierarchy.

*Investment securities, trading – other debt*

Other debt securities classified as trading include debt obligations held in the portfolios of consolidated sponsored funds and separately managed accounts. Other debt securities held are generally valued on the basis of valuations provided by third-party pricing services as described above for investment securities, trading – short-term debt. Other debt securities purchased with a remaining maturity of 60 days or less (excluding those that are non-U.S. denominated, which typically are valued by a third-party pricing service or dealer quotes) are generally valued at amortized cost, which approximates fair value. Depending upon the nature of the inputs, these assets are generally classified as Level 1 or 2 within the fair value measurement hierarchy.

*Investment securities, trading – equity*

Equity securities classified as trading include foreign and domestic equity securities held in the portfolios of consolidated sponsored funds and separately managed accounts. Equity securities are valued at the last sale, official close or, if there are no reported sales on the valuation date, at the mean between the latest available bid and ask prices on the primary exchange on which they are traded. When valuing foreign equity securities that meet certain criteria, the portfolios use 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. In addition, the Company performs its own independent back test review of fair values versus the subsequent local market opening prices when available. Depending upon the nature of the inputs, these assets generally are classified as Level 1 or 2 within the fair value measurement hierarchy.

*Investment securities, available-for-sale*

Investment securities classified as available-for-sale include investments in sponsored mutual funds and privately offered equity funds. Sponsored mutual funds are valued using published net asset values and are classified as Level 1 within the fair value measurement hierarchy. Investments in sponsored privately offered equity funds that are not listed on an active exchange but have net asset values that are comparable to mutual funds and have no redemption restrictions are classified as Level 2 within the fair value measurement hierarchy.

*Derivative instruments*

Derivative instruments, which include stock index futures contracts, foreign exchange contracts and total return swap contracts, are recorded as either other assets or other liabilities on the Company's Consolidated Balance Sheets. Stock index futures contracts and total return swap contracts are valued using a third-party pricing service that determines fair value based on bid and ask prices. Foreign exchange contracts are valued by interpolating a value using the spot foreign exchange rate and forward points, which are based on spot rate and currency interest rate differentials. Derivative instruments generally are classified as Level 2 within the fair value measurement hierarchy.



**Transfers in and out of Levels**

The following table summarizes fair value transfers between Level 1 and Level 2 of the fair value measurement hierarchy for the three months ended January 31, 2017 and 2016:

| <i>(in thousands)</i>                              | Three Months Ended<br>January 31, |       |
|--|-----------------------------------|-------|
|  | 2017                              | 2016  |
| Transfers from Level 1 into Level 2 <sup>(1)</sup> | \$ 356                            | \$ 44 |
| Transfers from Level 2 into Level 1 <sup>(2)</sup> | 4                                 | 19    |

<sup>(1)</sup> *Transfers from Level 1 into Level 2 represent securities for which unadjusted quoted market prices in active markets became unavailable.*

<sup>(2)</sup> *Transfers from Level 2 into Level 1 represent securities for which unadjusted quoted market prices in active markets became available.*

**Level 3 assets and liabilities**

The Company did not hold any assets or liabilities valued on a recurring basis and classified as Level 3 within the fair value measurement hierarchy during the three months ended January 31, 2017. The following table shows a reconciliation of the beginning and ending fair value measurements of assets and liabilities valued on a recurring basis and classified as Level 3 within the fair value measurement hierarchy for the three months ended January 31, 2016:

| <i>(in thousands)</i>                 | Three Months Ended<br>January 31, 2016                            |   |
|---------------------------------------|---|---|
|                                       | Bank<br>Loan<br>Investments<br>of Eaton<br>Vance<br>CLO<br>2015-1 | Senior and<br>Subordinated<br>Note<br>Obligations of<br>Eaton Vance<br>CLO 2015-1 |
| Beginning balance                     | \$ -  | \$ -  |
| Transfers into Level 3 <sup>(1)</sup> | 700   | 390,654   |
| Ending balance                        | \$ 700  | \$ 390,654  |
|                                       | \$ -  | \$ -  |

Change in unrealized gains (losses) included in net income relating to assets and liabilities held

*(1) Transfers into Level 3 were the result of a reduction in the availability of significant observable inputs used in determining the fair value of certain instruments.*

As discussed more fully in Note 6, the Company deconsolidated Eaton Vance CLO 2015-1 on September 21, 2016.

## 8. Fair Value Measurements of Other Financial Instruments

Certain financial instruments are not carried at fair value, but their fair value is required to be disclosed. The following is a summary of the carrying amounts and estimated fair values of these financial instruments at January 31, 2017 and October 31, 2016:

| (in thousands)     | January 31, 2017 |            |                  | October 31, 2016 |            |                  |
|--------------------|------------------|------------|------------------|------------------|------------|------------------|
|                    | Carrying Value   | Fair Value | Fair Value Level | Carrying Value   | Fair Value | Fair Value Level |
| Loan to affiliate  | \$5,000          | \$5,000    | 3                | \$5,000          | \$5,000    | 3                |
| Investments, other | \$19,034         | \$19,034   | 3                | \$19,034         | \$19,034   | 3                |
| Other assets       | \$6,367          | \$4,449    | 3                | \$6,194          | \$4,328    | 3                |
| Debt               | \$571,946        | \$590,226  | 2                | \$571,773        | \$603,625  | 2                |

As discussed in Note 19, on December 23, 2015, Eaton Vance Management Canada Ltd. (EVMC), a wholly owned subsidiary of the Company, loaned \$5.0 million to Hexavest under a term loan agreement to seed a new investment strategy. The carrying value of the loan approximates fair value. The fair value is determined annually using a cash flow model that projects future cash flows based upon contractual obligations, to which the Company then applies an appropriate discount rate.

Included in investments, other, is a non-controlling capital interest in SigFig carried at \$17.0 million at both January 31, 2017 and October 31, 2016 (see Note 4). The carrying value of this investment approximates fair value, as the Company purchased this investment in the previous fiscal year and there have been no events or changes in circumstances that would have had a significant effect on the fair value of this investment at January 31, 2017.

Included in other assets at January 31, 2017 and October 31, 2016 is an option exercisable in fiscal 2017 to acquire an additional 26 percent interest in Hexavest carried at \$6.4 million and \$6.2 million, respectively. The fair value of this option is determined using a Monte Carlo model, which simulates potential future market multiples of earnings before interest and taxes (EBIT) and compares this to the contractually fixed multiple of Hexavest's EBIT at which the option can be exercised. The Monte Carlo model uses this array of simulated multiples and their difference from the contractual multiple times the projected EBIT for Hexavest to estimate the future exercise value of the option, which is then adjusted to present value.

The fair value of the Company's debt has been determined based on quoted prices in inactive markets.

**9.**

**Acquisitions**

*Atlanta Capital Management Company, LLC (Atlanta Capital)*

In the fourth quarter of fiscal 2016, the Company purchased a 0.9 percent profits interest in Atlanta Capital for \$1.9 million pursuant to the put and call provisions of the Atlanta Capital Plan. The transaction settled in November 2016.

In the third quarter of fiscal 2016, the Company exercised a call option requiring the non-controlling interest holders of Atlanta Capital to sell a 0.02 percent profit interest in Atlanta Capital for \$0.1 million pursuant to the terms of the original acquisition agreement, as amended. The purchase price of this transaction was based on a multiple of Atlanta Capital's earnings before taxes for the fiscal year ended October 31, 2015. The transaction settled in August 2016.

Total profit interests in Atlanta Capital held by non-controlling interest holders, including direct profit interests related to the original acquisition as well as indirect profit interests issued pursuant to the Atlanta Capital Plan, increased to 13.2 percent on January 31, 2017 from 13.0 percent on October 31, 2016, reflecting the transactions described above, and the grant of an additional 1.1 percent profit interest to employees of Atlanta Capital pursuant to the terms of the Atlanta Capital Plan in the first quarter of fiscal 2017. Non-controlling interest holders did not hold any capital interests in Atlanta Capital as of January 31, 2017.

#### ***Calvert Investments***

On December 30, 2016, the Company, through its newly formed subsidiary Calvert Research and Management, acquired substantially all of the assets of Calvert Investments for cash. The transaction was accounted for as an asset acquisition because substantially all of the fair value of the gross assets acquired was concentrated in a single identifiable intangible asset related to acquired contracts to manage and distribute sponsored mutual funds (the Calvert Funds). The Calvert Funds are a diversified family of responsibly invested mutual funds, encompassing actively and passively managed equity, fixed income and asset allocation strategies managed in accordance with the Calvert Principles for Responsible Investment. See Note 10 for a summary of the acquired intangible assets.

#### ***Parametric Portfolio Associates LLC (Parametric)***

In the first quarter of fiscal 2017, the Company exercised a call option related to non-controlling interests in Parametric issued in conjunction with the Clifton acquisition, resulting in the Company's acquisition of an indirect 0.5 percent profit interest and a 0.5 percent capital interest in Parametric. The transaction settled in January 2017 for \$6.9 million.

In the first quarter of fiscal 2016, certain non-controlling interest holders of Parametric exercised a put option and the Company exercised a call option related to non-controlling interests in Parametric issued in conjunction with the Clifton acquisition, resulting in the Company's acquisition of an indirect 0.5 percent profit interest and a 0.5 percent capital interest in Parametric. The put settled in November 2015 for \$4.1 million and the call settled in December 2015 for \$2.1 million.

In the fourth quarter of fiscal 2016, the Company purchased a 0.1 percent profit interests in Parametric for \$0.6 million pursuant to the put and call provisions of the Parametric Plan. The transaction settled in November 2016.

Total profit interests in Parametric held by non-controlling interest holders, including indirect profit interests issued pursuant to the Parametric Plan, decreased to 6.4 percent as of January 31, 2017 from 7.0 percent as of October 31, 2016, reflecting the transactions described above. Total capital interests in Parametric held by non-controlling interest holders decreased to 1.3 percent as of January 31, 2017 from 1.8 percent as of October 31, 2016.

***Tax Advantaged Bond Strategies (TABS)***

In fiscal 2009, the Company acquired the TABS business of M.D. Sass Investors Services for cash and future consideration. The Company will make a final contingent payment related to the acquisition of \$11.6 million in the second quarter of fiscal 2017 to the selling group based upon prescribed multiples of TABS's revenue for the twelve months ended December 31, 2016. The payment will increase goodwill by \$11.6 million as the acquisition was completed prior to the change in accounting for contingent purchase price consideration.

### 10. Intangible Assets

The following is a summary of intangible assets at January 31, 2017 and October 31, 2016:

**January 31, 2017**

| (in thousands)                            | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Net<br>Carrying<br>Amount |
|---|-----------------------------|-----------------------------|---------------------------|
| Amortizing intangible assets:             |                             |                             |                           |
| Client relationships acquired             | \$ 134,247                  | \$ (97,082 )                | \$ 37,165                 |
| Intellectual property acquired            | 1,025                       | (402 )                      | 623                       |
| Trademark acquired                        | 4,257                       | (545 )                      | 3,712                     |
| Research system                           | 639                         | (18 )                       | 621                       |
| Non-amortizing intangible assets:         |                             |                             |                           |
| Mutual fund management contracts acquired | 54,408                      | -                           | 54,408                    |
| Total                                     | \$ 194,576                  | \$ (98,047 )                | \$ 96,529                 |

**October 31, 2016**

| (in thousands)                 | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Net<br>Carrying<br>Amount |
|--------------------------------|-----------------------------|-----------------------------|---------------------------|
| Amortizing intangible assets:  |                             |                             |                           |
| Client relationships acquired  | \$ 133,927                  | \$ (94,873 )                | \$ 39,054                 |
| Intellectual property acquired | 1,025                       | (385 )                      | 640                       |
| Trademark acquired             | 900                         | (493 )                      | 407                       |

Non-amortizing intangible assets:

|   |            |            |             |
|---|------------|------------|-------------|
| Mutual fund management contracts acquired | 6,708      | -          | 6,708       |
| Total                                     | \$ 142,560 | \$ (95,751 | ) \$ 46,809 |

Amortization expense was \$2.3 million and \$2.2 million for the three months ended January 31, 2017 and 2016, respectively. Estimated remaining amortization expense for fiscal 2017 and the next five fiscal years, on a straight-line basis, is as follows:



| Year Ending October 31,<br>(in thousands) | Estimated<br>Amortization<br>Expense |
|---|--------------------------------------|
| Remaining 2017                            | \$ 6,717                             |
| 2018                                      | 8,927                                |
| 2019                                      | 4,978                                |
| 2020                                      | 3,807                                |
| 2021                                      | 2,282                                |
| 2022                                      | 2,154                                |

***Acquired intangible assets***

The following is a summary of the intangible assets acquired during the fiscal quarter ended January 31, 2017.

January 31, 2017

| (in thousands)                            | <b>Weighted-<br/>average<br/>remaining<br/>amortization<br/>period<br/>(in years)</b> | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Net<br>Carrying<br>Amount |
|---|---|-----------------------------|-----------------------------|---------------------------|
| Amortizing intangible assets:             |   |                             |                             |                           |
| Client relationships acquired             | 14.9  | \$ 320                      | \$ (2 )                     | \$ 318                    |
| Trademark acquired                        | 13.9  | 3,357                       | (20 )                       | 3,337                     |
| Research system                           | 2.9   | 639                         | (18 )                       | 621                       |
| Non-amortizing intangible assets:         |   |                             |                             |                           |
| Mutual fund management contracts acquired |   | 47,700                      | -                           | 47,700                    |
| Total                                     | 12.4  | \$ 52,016                   | \$ (40 )                    | \$ 51,976                 |

Amortization expense was \$40,000 for the three months ended January 31, 2017. Estimated remaining amortization expense for fiscal 2017 and the next five fiscal years, on a straight-line basis, is as follows:

| Year Ending October 31,<br>(in thousands) | Estimated<br>Amortization<br>Expense |
|---|--------------------------------------|
| Remaining 2017                            | \$ 356                               |
| 2018                                      | 474                                  |
| 2019                                      | 474                                  |

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|      |     |
|------|-----|
| 2020 | 297 |
| 2021 | 261 |
| 2022 | 261 |

## 11. Stock-Based Compensation Plans

The Company recognized compensation cost related to its stock-based compensation plans for the three months ended January 31, 2017 and 2016 as follows:

| (in thousands)                         | Three Months Ended<br>January 31, |           |
|--|-----------------------------------|-----------|
|  | 2017                              | 2016      |
| Omnibus Incentive Plans:               |                                   |           |
| Stock options                          | \$ 5,702                          | \$ 5,139  |
| Restricted shares                      | 12,074                            | 10,938    |
| Phantom stock units                    | 121                               | 27        |
| Employee Stock Purchase Plans          | 176                               | 211       |
| Employee Stock Purchase Incentive Plan | 53                                | 32        |
| Atlanta Capital Plan                   | 855                               | 765       |
| Parametric Plan                        | 940                               | 1,149     |
| Parametric Phantom Incentive Plan      | 378                               | -         |
| Total stock-based compensation expense | \$ 20,299                         | \$ 18,261 |

The total income tax benefit recognized for stock-based compensation arrangements was \$7.3 million and \$6.0 million for the three months ended January 31, 2017 and 2016, respectively.

### *Stock options*

Stock option transactions under the Company's 2013 Omnibus Incentive Plan (the 2013 Plan) and predecessor plans for the three months ended January 31, 2017 were as follows:

| (share and intrinsic value figures in thousands) | Shares   | Weighted-<br>Average<br>Exercise<br>Price | Weighted-<br>Average<br>Remaining<br>Contractual<br>Term<br><br>(in years) | Aggregate<br>Intrinsic<br>Value |
|--|----------|---|--|---------------------------------|
| Options outstanding, beginning of period         | 20,311   | \$ 33.52                                  |  |                                 |
| Granted  | 2,842    | 34.84                                     |  |                                 |
| Exercised  | (1,020 ) | 25.70                                     |  |                                 |
| Forfeited/expired                                | (6 )     | 39.33                                     |  |                                 |
| Options outstanding, end of period               | 22,127   | \$ 34.05                                  | 5.7  | \$ 189,212                      |

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|  |        |          |     |            |
|--|--------|----------|-----|------------|
| Options exercisable, end of period             | 12,772 | \$ 32.65 | 3.7 | \$ 133,269 |
| Vested or expected to vest at January 31, 2017 | 22,051 | \$ 34.04 | 5.7 | \$ 188,725 |

The Company received \$25.9 million and \$5.1 million related to the exercise of options for the three months ended January 31, 2017 and 2016, respectively.

As of January 31, 2017, there was \$60.0 million of compensation cost related to unvested stock options granted under the 2013 Plan and predecessor plans not yet recognized. That cost is expected to be recognized over a weighted-average period of 3.4 years.

### ***Restricted shares***

A summary of the Company's restricted share activity for the three months ended January 31, 2017 under the 2013 Plan and predecessor plans is as follows:

| (share figures in thousands)  | Shares  | Weighted-Average Grant Date Fair Value |
|-------------------------------|---------|--|
| Unvested, beginning of period | 4,157   | \$ 35.43                               |
| Granted                       | 1,498   | 35.06                                  |
| Vested                        | (1,076) | 32.80                                  |
| Forfeited                     | (22 )   | 35.58                                  |
| Unvested, end of period       | 4,557   | \$ 35.93                               |

As of January 31, 2017, there was \$131.4 million of compensation cost related to unvested restricted shares granted under the 2013 Plan and predecessor plans not yet recognized. That cost is expected to be recognized over a weighted-average period of 3.4 years.

### Phantom stock units

During the three months ended January 31, 2017, 10,160 phantom stock units were issued to non-employee Directors pursuant to the 2013 Plan. As of January 31, 2017, there was \$0.5 million of compensation cost related to unvested phantom stock units granted under the 2013 Plan not yet recognized. That cost is expected to be recognized over a weighted-average period of 1.5 years.

## **12.**

### **Common Stock Repurchases**

The Company's current Non-Voting Common Stock share repurchase program was announced on January 11, 2017. The Board authorized management to repurchase and retire up to 8.0 million shares of its Non-Voting Common Stock on the open market and in private transactions in accordance with applicable securities laws. The timing and amount of share purchases are subject to management's discretion. The Company's share repurchase program is not subject to an expiration date.

In the first three months of fiscal 2017, the Company purchased and retired approximately 0.4 million shares of its Non-Voting Common Stock under the current repurchase authorization and approximately 0.9 million shares under a previous repurchase authorization. Approximately 7.6 million additional shares may be repurchased under the current authorization as of January 31, 2017.

**13. Non-operating Income (Expense)**

The components of non-operating income (expense) for the three months ended January 31, 2017 and 2016 were as follows:

| (in thousands)                                     | Three Months Ended<br>January 31, |             |
|--|-----------------------------------|-------------|
|  | 2017                              | 2016        |
| Interest and other income                          | \$ 4,643                          | \$ 1,175    |
| Net gains (losses) on investments and derivatives  | (3,936 )                          | 585         |
| Net foreign currency gains (losses)                | (213 )                            | 1,080       |
| Gains and other investment income, net             | 494                               | 2,840       |
| Interest expense                                   | (7,347 )                          | (7,342 )    |
| Other income (expense) of consolidated CLO entity: |                                   |             |
| Interest income                                    | -                                 | 3,743       |
| Net losses on bank loans and note obligations      | -                                 | (464 )      |
| Gains and other investment income, net             | -                                 | 3,279       |
| Interest expense                                   | -                                 | (1,836 )    |
| Total non-operating expense                        | \$ (6,853 )                       | \$ (3,059 ) |

**14. Income Taxes**

The provision for income taxes was \$36.7 million and \$36.8 million, or 37.3 percent and 37.8 percent of pre-tax income, for the three months ended January 31, 2017 and 2016, respectively. The provision for income taxes in the three months ended January 31, 2017 and 2016 is comprised of federal, state, and foreign taxes. The differences between the Company's effective tax rate and the statutory federal rate of 35.0 percent are state income taxes, income and losses recognized by consolidated CLO entities and other non-controlling interests, and equity-based compensation plans.

No valuation allowance has been recorded for deferred tax assets, reflecting management's belief that all deferred tax assets will be utilized.

The Company considers the undistributed earnings of certain of its foreign corporations to be indefinitely reinvested in foreign operations as of January 31, 2017. Accordingly, no U.S. income taxes have been provided thereon. As of January 31, 2017, the Company had approximately \$51.4 million of undistributed earnings in certain Canadian, United Kingdom, Australian, and Japanese foreign corporations that are not available to fund domestic operations or to distribute to shareholders unless repatriated. Repatriation would require the Company to accrue and pay U.S. corporate income taxes. The unrecognized deferred income tax liability on these un-repatriated funds, or temporary

difference, is estimated to be \$6.3 million at January 31, 2017. The Company does not intend to repatriate these funds, has not previously repatriated funds from these entities and has the financial liquidity to permanently leave these funds offshore.

The Company is generally no longer subject to income tax examinations by U.S. federal, state, local or non-U.S. taxing authorities for fiscal years prior to fiscal 2013.



### 15. Non-controlling and Other Beneficial Interests

The components of net income attributable to non-controlling and other beneficial interests for the three months ended January 31, 2017 and 2016 were as follows:

| <i>(in thousands)</i>   | Three Months Ended<br>January 31, |             |
|---|-----------------------------------|-------------|
|   | 2017                              | 2016        |
| Consolidated sponsored funds  | \$ 15                             | \$ 509      |
| Majority-owned subsidiaries   | (3,718 )                          | (3,310 )    |
| Non-controlling interest value adjustments <sup>(1)</sup>                 | 73                                | (133 )      |
| Consolidated CLO entities   | -                                 | (1,912 )    |
| Net income attributable to non-controlling and other beneficial interests | \$ (3,630 )                       | \$ (4,846 ) |

<sup>(1)</sup>Relates to non-controlling interests redeemable at other than fair value.

### 16. Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss), net of tax, are as follows:

| <i>(in thousands)</i>  | Unamortized<br>Net Gains<br>(Losses) on<br>Derivatives <sup>(1)</sup> | Net Unrealized<br>Holding Gains<br>(Losses) on<br>Available-for-Sale<br>Investments <sup>(2)</sup> | Foreign<br>Currency<br>Translation<br>Adjustments | Total      |
|--|---|--|---|------------|
|  |   |  |   |            |
| Balance at October 31, 2016                                  | \$ 687  | \$ 2,943   | \$ (61,213 )                                      | \$(57,583) |
| Other comprehensive income, before reclassifications and tax | -   | 535  | 5,797   | 6,332      |
| Tax impact   | -   | (208 )   | -   | (208 )     |
| Reclassification adjustments, before tax                     | 6   | -  | -   | 6          |
| Tax impact   | (2 )  | -  | -   | (2 )       |
| Net current period other comprehensive income                | 4   | 327  | 5,797   | 6,128      |
| Balance at January 31, 2017                                  | \$ 691  | \$ 3,270   | \$ (55,416 )                                      | \$(51,455) |
| Balance at October 31, 2015                                  | \$ 674  | \$ 3,733   | \$ (52,993 )                                      | \$(48,586) |

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|  |        |          |   |            |   |            |
|--|--------|----------|---|------------|---|------------|
| Other comprehensive loss, before reclassifications and tax | -      | (1,080   | ) | (14,065    | ) | (15,145)   |
| Tax impact   | -      | 435      |   | -          |   | 435        |
| Reclassification adjustments, before tax                   | 5      | (21      | ) | -          |   | (16        |
| Tax impact   | (2     | )        | 8 | -          |   | 6          |
| Net current period other comprehensive income (loss)       | 3      | (658     | ) | (14,065    | ) | (14,720)   |
| Balance at January 31, 2016                                | \$ 677 | \$ 3,075 |   | \$ (67,058 | ) | \$(63,306) |

*Amounts reclassified from accumulated other comprehensive income (loss), net of tax, represent the amortization of (1) net gains (losses) on interest rate swaps over the life of the Company's Senior Notes into interest expense on the Consolidated Statements of Income.*

*Amounts reclassified from accumulated other comprehensive income (loss), net of tax, represent gains (losses) on (2) disposal of available-for-sale securities and were recorded in gains (losses) and other investment income, net, on the Consolidated Statements of Income.*

## 17. Earnings per Share

The following table sets forth the calculation of earnings per basic and diluted share for the three months ended January 31, 2017 and 2016:

| (in thousands, except per share data)                           | Three Months Ended |          |
|---|--------------------|----------|
|   | January 31,        |          |
|   | 2017               | 2016     |
| Net income attributable to Eaton Vance Corp. shareholders       | \$60,711           | \$58,386 |
| Less: Allocation of earnings to participating restricted shares | -                  | 628      |
| Net income available to common shareholders                     | \$60,711           | \$57,758 |
| Weighted-average shares outstanding – basic                     | 110,267            | 111,641  |
| Incremental common shares                                       | 4,404              | 2,962    |
| Weighted-average shares outstanding – diluted                   | 114,671            | 114,603  |
| Earnings per share:   |                    |          |
| Basic   | \$0.55             | \$0.52   |
| Diluted   | \$0.53             | \$0.50   |

During the three months ended January 31, 2016, the calculation of earnings per basic and diluted share included the allocation of earnings to participating securities using the two-class method.

Antidilutive common shares related to stock options and unvested restricted stock excluded from the computation of earnings per diluted share were approximately 8.1 million and 12.0 million shares for the three months ended January 31, 2017 and 2016, respectively.

## 18. Commitments and Contingencies

In the normal course of business, the Company enters into agreements that include indemnities in favor of third parties, such as engagement letters with advisors and consultants, information technology agreements, distribution agreements and service agreements. In certain circumstances, these indemnities in favor of third parties relate to service agreements entered into by investment funds managed and/or advised by Eaton Vance Management or Boston

Management and Research, both wholly owned subsidiaries of the Company. The Company has also agreed to indemnify its directors, officers and employees in accordance with the Company's Articles of Incorporation, as amended. Certain agreements do not contain any limits on the Company's liability and, therefore, it is not possible to estimate the Company's potential liability under these indemnities. In certain cases, the Company has recourse against third parties with respect to these indemnities. Further, the Company maintains insurance policies that may provide coverage against certain claims under these indemnities.

The Company and its subsidiaries are subject to various legal proceedings. In the opinion of management, after discussions with legal counsel, the ultimate resolution of these matters will not have a material effect on the consolidated financial condition, results of operations or cash flows of the Company.

## 19. Related Party Transactions

### *Sponsored funds*

The Company is an investment adviser to, and has administrative agreements with, certain sponsored funds, privately offered equity funds and closed-end funds for which certain employees are officers and/or directors. Revenues for services provided or related to these funds for the three months ended January 31, 2017 and 2016 are as follows:

| (in thousands)            | Three Months Ended<br>January 31, |           |
|---------------------------|-----------------------------------|-----------|
|                           | 2017                              | 2016      |
| Management fees           | \$214,749                         | \$201,547 |
| Distribution fees         | 18,281                            | 17,301    |
| Service fees              | 28,911                            | 27,259    |
| Shareholder services fees | 702                               | 588       |
| Other revenue             | 514                               | 537       |
| Total                     | \$263,157                         | \$247,232 |

For the three months ended January 31, 2017 and 2016, the Company had investment advisory agreements with certain sponsored funds pursuant to which the Company contractually waived \$3.7 million and \$3.8 million, respectively, of investment advisory fees it was otherwise entitled to receive.

Sales proceeds and net realized gains (losses) for the three months ended January 31, 2017 and 2016 from investments in sponsored funds classified as available-for-sale are as follows:

| (in thousands)              | Three Months Ended<br>January 31, |          |
|-----------------------------|-----------------------------------|----------|
|                             | 2017                              | 2016     |
| Proceeds from sales         | \$ 3,733                          | \$ 8,084 |
| Net realized gains (losses) | 203                               | 135      |

The Company bears the non-advisory expenses of certain sponsored funds for which it earns an all-in management fee and provides subsidies to startup and other smaller sponsored funds to enhance their competitiveness. For the three months ended January 31, 2017 and 2016, expenses of \$7.6 million and \$6.4 million, respectively, were incurred by the Company pursuant to these arrangements.

Included in management fees and other receivables at January 31, 2017 and October 31, 2016 are receivables due from sponsored funds of \$96.6 million and \$88.7 million, respectively and payables to sponsored funds of \$2.3 million and \$1.6 million, respectively.

*Loan to affiliate*

On December 23, 2015, EVMC, a wholly owned subsidiary of the Company, loaned \$5.0 million to Hexavest under a term loan agreement to seed a new investment strategy. The loan renews automatically for an additional one-year period on each anniversary date unless written termination notice is provided by

EVMC. The loan earns interest equal to the one-year Canadian Dollar Offered Rate plus 200 basis points and is payable quarterly in arrears. Hexavest may prepay the loan in whole or in part at any time without penalty. During the three months ended January 31, 2017 and 2016, the Company recorded \$40,000 and \$16,000, respectively, of interest income related to the loan in gains (losses) and other investment income, net, on the Company's Consolidated Statements of Income. As of January 31, 2017 and October 31, 2016, the Company has included \$14,000 and \$13,000, respectively, of interest receivable on the loan within other assets on the Company's Consolidated Balance Sheets.

### ***Hexavest agreements***

The Company has an agreement with Hexavest whereby the Company compensates Hexavest for sub-advisory services and Hexavest reimburses the Company for a portion of fund subsidies related to certain investment companies for which the Company is the investment adviser. During the three months ended January 31, 2017 and 2016, the Company paid Hexavest \$32,000 and \$80,000, respectively, in sub-advisory fees, and the Company received from Hexavest \$0.1 million and \$0.1 million, respectively, for reimbursement of fund subsidies. The net amount due to Hexavest under this arrangement included in other liabilities on the Company's Consolidated Balance Sheets at January 31, 2017 and October 31, 2016 was \$59,000 and \$13,000, respectively. In addition, the Company has an agreement with Hexavest whereby the Company is reimbursed for costs related to the sale of certain institutional separately managed accounts. During each of the three months ended January 31, 2017 and 2016, the Company earned \$0.5 million under this arrangement. The net amount due from Hexavest under this arrangement included in other assets on the Company's Consolidated Balance Sheets at January 31, 2017 and October 31, 2016 was \$0.2 million and \$0.3 million, respectively.

### ***Employee loan program***

The Company has established an employee loan program under which a program maximum of \$20.0 million is available for loans to officers (other than executive officers) and other key employees of the Company for purposes of financing the exercise of employee stock options. Loans outstanding under this program, which are full recourse in nature, are reflected as notes receivable from stock option exercises in shareholders' equity, and totaled \$10.1 million and \$12.1 million at January 31, 2017 and October 31, 2016, respectively.

## **20.**

### **Geographic Information**

Revenues by principal geographic area for the three months ended January 31, 2017 and 2016 are as follows:

|                | Three Months Ended |           |
|----------------|--------------------|-----------|
|                | January 31,        |           |
| (in thousands) | 2017               | 2016      |
| Revenue:       |                    |           |
| U.S.           | \$340,560          | \$319,109 |
| International  | 14,399             | 12,447    |
| Total          | \$354,959          | \$331,556 |



Long-lived assets by principal geographic area as of January 31, 2017 and October 31, 2016 are as follows:

| (in thousands)     | January 31,<br>2017 | October 31,<br>2016 |
|--------------------|---------------------|---------------------|
| Long-lived Assets: |                     |                     |
| U.S.               | \$ 42,779           | \$ 42,153           |
| International      | 2,244               | 2,274               |
| Total              | \$ 45,023           | \$ 44,427           |

International revenues and long-lived assets are attributed to countries based on the location in which revenues are earned.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

*This Item includes statements that are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding our expectations, intentions or strategies regarding the future. All statements, other than statements of historical facts, included in this Form 10-Q regarding our financial position, business strategy and other plans and objectives for future operations are forward-looking statements. The terms "may," "will," "could," "anticipate," "plan," "continue," "project," "intend," "estimate," "believe," "expect" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words. Although we believe that the assumptions and expectations reflected in such forward-looking statements are reasonable, we can give no assurance that they will prove to have been correct or that we will take any actions that may now be planned. Certain important factors that could cause actual results to differ materially from our expectations are disclosed in the "Risk Factors" in Item 1A in our latest Annual Report on Form 10-K. All subsequent written or oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by such factors. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.*

*The discussion and analysis below should be read in conjunction with the consolidated financial statements appearing elsewhere in this report. Management has presumed that the readers of this interim financial information have read or have access to Management's Discussion and Analysis of Financial Condition and Results of Operations appearing in our Annual Report on Form 10-K for the year ended October 31, 2016.*

#### Overview

Our principal business is managing investment funds and providing investment management and advisory services to high-net-worth individuals and institutions. Our core strategy is to develop and sustain management expertise across a range of investment disciplines and to offer leading investment products and services through multiple distribution channels. In executing this strategy, we have developed broadly diversified investment management capabilities and a highly functional marketing, distribution and customer service organization. Although we manage and distribute a wide range of investment products and services, we operate in one business segment, namely as an investment adviser to funds and separate accounts.

Through our subsidiaries Eaton Vance Management, Atlanta Capital Management Company, LLC (Atlanta Capital), Calvert Research and Management and other affiliates, we manage active equity, income and alternative strategies across a range of investment styles and asset classes, including U.S. and global equities, floating-rate bank loans, municipal bonds, global income, high-yield and investment grade bonds. Through our subsidiary Parametric Portfolio Associates LLC (Parametric), we manage a range of engineered alpha strategies, including systematic equity, systematic alternatives and managed options strategies. Through Parametric, we also provide portfolio implementation and overlay services, including tax-managed and non-tax-managed custom core equity strategies, centralized portfolio management of multi-manager portfolios and customized exposure management services. We also oversee the management of, and distribute, investment funds sub-advised by unaffiliated third-party managers, including global and regional equity and asset allocation strategies. Our breadth of investment management capabilities supports a wide range of products and services offered to fund shareholders, retail managed account investors, institutional investors and high-net-worth clients. Our equity strategies encompass a diversity of investment objectives, risk profiles, income levels

and geographic representation. Our income investment strategies cover a broad duration and credit quality range and encompass both taxable and tax-free investments. We also offer a range of alternative investment strategies, including commodity- and currency-based investments and a spectrum of absolute return strategies. As of January 31, 2017, we had \$363.7 billion in consolidated assets under management.

We distribute our funds and retail managed accounts principally through financial intermediaries. We have broad market reach, with distribution partners including national and regional broker-dealers, independent broker-dealers, registered investment advisors, banks and insurance companies. We support these distribution partners with a team of approximately 125 sales professionals covering U.S. and international markets.

We also commit significant resources to serving institutional and high-net-worth clients who access investment management services on a direct basis and through investment consultants. Through our wholly owned affiliates and consolidated subsidiaries, we manage investments for a broad range of clients in the institutional and high-net-worth marketplace in the U.S. and internationally, including corporations, sovereign wealth funds, endowments, foundations, family offices and public and private employee retirement plans.

Our revenue is derived primarily from management, distribution and service fees received from Eaton Vance, Calvert and Parametric funds and management fees received from separate accounts. Our fees are based primarily on the value of the investment portfolios we manage and fluctuate with changes in the total value and mix of assets under management. As a matter of course, investors in our sponsored open-end funds and separate accounts have the ability to redeem their investments at any time, without prior notice, and there are no material restrictions that would prevent them from doing so. Our major expenses are employee compensation, distribution-related expenses, facilities expense and information technology expense.

Our discussion and analysis of our financial condition, results of operations and cash flows is based upon our Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosures of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to goodwill and intangible assets, income taxes, investments and stock-based compensation. We base our estimates on historical experience and on various assumptions that we believe to be reasonable under current circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

## **Business Developments**

The Company is pursuing five primary business growth initiatives: (1) capitalizing on the Company's broad range of high-performing investment strategies to grow sales and gain market share in active management; (2) continuing to build out and pursue the market opportunity for the Company's Custom Beta lineup of rules-based separately managed account offerings; (3) further developing the Company's global investment capabilities and international distribution and client service resources to address identified market opportunities; (4) advancing NextShares™ exchange-traded managed funds toward commercial success; and (5) acquiring and integrating complementary investment management businesses in a period of potential industry consolidation.

As of January 31, 2017, the Company offered 70 U.S. mutual funds rated four or five stars by Morningstar™ for at least one class of shares, including 23 funds rated five stars for at least one class of shares. Although actively

managed strategies as a whole are losing share to passive investments, the Company believes that top-performing active strategies can continue to grow, particularly in asset classes where competition versus passive alternatives is less acute. In the first quarter of fiscal 2017, net flows into the Company's active strategies totaled \$1.2 billion.

The Company continues to experience strong growth in its Custom Beta lineup of rules-based separately managed account strategies, which include Parametric-managed core equities and Eaton Vance Management-managed municipal bond and corporate bond ladders. Compared to index mutual funds and exchange-traded funds, Custom Beta separate accounts provide clients with greater ability to tailor their market exposures to achieve better tax outcomes and to reflect client-specified responsible investing criteria, factor tilts and portfolio exclusions. In the first quarter of fiscal 2017, net inflows into the Company's Custom Beta strategies offered as retail managed accounts and high-net-worth separate accounts totaled \$5.4 billion.

Outside the United States, the Company continues to expand investment staff and commit additional client service and distribution resources to support business growth. On February 1, 2017, Eaton Vance Asia Pacific, Ltd. (Eaton Vance Asia Pacific) opened a Tokyo-based representative office to provide relationship management and client service support to clients in Japan and other parts of Asia.

The Company's NextShares initiative continues to progress toward broad market availability. As of the end of the first quarter of fiscal 2017, eight NextShares funds from three different fund families were available in the marketplace, with funds from two additional sponsors in registration. UBS Financial Services has announced its intent to begin offering NextShares through its U.S. financial advisors network later in 2017, which the Company believes will stimulate additional fund offerings.

In the first quarter of fiscal 2017, the Company announced completion of the purchase of substantially all of the business assets of Calvert Investment Management, Inc. (Calvert Investments) by Calvert Research and Management, a newly formed Eaton Vance subsidiary. At acquisition, Calvert Investments had \$11.9 billion of managed assets. Of this, \$2.0 billion was previously included in the Company's consolidated managed assets because Atlanta Capital is sub-adviser to one of the Calvert-sponsored mutual funds (the Calvert Funds). The Calvert Funds are one of the largest and most diversified families of responsibly invested mutual funds, encompassing actively and passively managed equity, fixed income and asset allocation strategies managed in accordance with the Calvert Principles for Responsible Investment. Responsible investing is a leading trend in asset management, appealing to the growing universe of investors who seek both financial returns and positive societal impact from their investments.

## **Consolidated Assets Under Management**

Prevailing equity and income market conditions and investor sentiment affect the sales and redemptions of our investment products, managed asset levels, operating results and the recoverability of our investments. During the first quarter of fiscal 2017, the S&P 500 Index, a broad measure of U.S. equity market performance, had total returns of 7.9 percent, and the MSCI Emerging Market Index, a broad measure of emerging market equity performance had total returns of 0.7 percent. Over the same period, the Barclays U.S. Aggregate Bond Index, a broad measure of U.S. bond market performance, decreased 2.1 percent.

Consolidated assets under management increased by \$27.4 billion, or 8 percent, in the first quarter of fiscal 2017 from \$336.4 billion on October 31, 2016 to \$363.7 billion on January 31, 2017. Growth in managed assets was driven by \$7.8 billion of positive net flows, the \$9.9 billion of new managed assets gained in the

acquisition of the business assets of Calvert Investments and \$9.6 billion of appreciation in the value of our managed assets due to favorable market action during the period.

The following tables summarize our consolidated assets under management by investment mandate, investment vehicle and investment affiliate as of January 31, 2017 and 2016. Within the investment mandate table, the “Portfolio Implementation” category consists of Parametric’s custom core equity strategies and centralized portfolio management services, and the “Exposure Management” category consists of Parametric’s futures- and options-based customized exposure management services.

***Consolidated Assets Under Management by Investment Mandate<sup>(1)</sup>***

| <i>(in millions)</i>        | January 31, |            | 2016      | % of       |      | % Change |
|-----------------------------|-------------|------------|-----------|------------|------|----------|
|                             | 2017        | % of Total |           | % of Total | %    |          |
| Equity <sup>(2)</sup>       | \$99,561    | 27 %       | \$83,351  | 28 %       | 19 % |          |
| Fixed income <sup>(3)</sup> | 65,025      | 18 %       | 52,756    | 17 %       | 23 % |          |
| Floating-rate income        | 34,139      | 10 %       | 32,676    | 11 %       | 4 %  |          |
| Alternative                 | 10,775      | 3 %        | 9,730     | 3 %        | 11 % |          |
| Portfolio implementation    | 80,129      | 22 %       | 58,920    | 19 %       | 36 % |          |
| Exposure management         | 74,110      | 20 %       | 65,146    | 22 %       | 14 % |          |
| Total                       | \$363,739   | 100 %      | \$302,579 | 100 %      | 20 % |          |

<sup>(1)</sup> *Consolidated Eaton Vance Corp. See table on page 46 for managed assets and flows of 49 percent-owned Hexavest Inc., which are not included in the table above.*

<sup>(2)</sup> *Includes assets in balanced and multi-asset mandates.*

<sup>(3)</sup> *Includes assets in cash management accounts.*

Equity assets under management included \$33.1 billion and \$29.5 billion of assets managed for after-tax returns on January 31, 2017 and 2016, respectively. Portfolio implementation assets under management included \$55.3 billion and \$39.2 billion of assets managed for after-tax returns on January 31, 2017 and 2016, respectively. Fixed income assets included \$35.6 billion and \$31.8 billion of municipal income assets on January 31, 2017 and 2016, respectively.

***Consolidated Assets Under Management by Investment Vehicle<sup>(1)</sup>***

January 31,



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| <i>(in millions)</i>                   | 2017      | % of<br>Total | 2016      | % of<br>Total | %<br>Change |
|--|-----------|---------------|-----------|---------------|-------------|
| Open-end funds <sup>(2)(3)</sup>       | \$89,127  | 25 %          | \$69,110  | 23 %          | 29 %        |
| Private funds <sup>(4)</sup>           | 28,879    | 8 %           | 25,475    | 8 %           | 13 %        |
| Closed-end funds <sup>(5)</sup>        | 23,796    | 7 %           | 23,203    | 8 %           | 3 %         |
| Institutional separate account assets  | 139,309   | 38 %          | 120,197   | 40 %          | 16 %        |
| High-net-worth separate account assets | 30,514    | 8 %           | 23,999    | 8 %           | 27 %        |
| Retail managed account assets          | 52,114    | 14 %          | 40,595    | 13 %          | 28 %        |
| Total                                  | \$363,739 | 100 %         | \$302,579 | 100 %         | 20 %        |

<sup>(1)</sup> Consolidated Eaton Vance Corp. See table on page 46 for managed assets and flows of 49 percent-owned Hexavest Inc., which are not included in the table above.

(2) Includes assets in NextShares funds.

Reflects the reclassification from institutional separate accounts to open-end funds of \$2.1 billion of managed

(3) assets of Calvert Equity Portfolio, which is sub-advised by Atlanta Capital, upon the Company's acquisition of the business assets of Calvert Investments on December 30, 2016.

(4) Includes privately offered equity, fixed income and floating-rate income funds and CLO entities.

(5) Includes unit investment trusts.

**Consolidated Assets Under Management by Investment Affiliate<sup>(1)</sup>**

| (in millions)                                  | January 31, |            | % Change |   |
|--|-------------|------------|----------|---|
|  | 2017        | 2016       |          |   |
| Eaton Vance Management <sup>(2)</sup>          | \$ 148,440  | \$ 135,352 | 10       | % |
| Parametric                                     | 185,885     | 150,488    | 24       | % |
| Atlanta Capital <sup>(3)</sup>                 | 19,549      | 16,739     | 17       | % |
| Calvert Research and Management <sup>(3)</sup> | 9,865       | -          | NM       |   |
| Total  | \$ 363,739  | \$ 302,579 | 20       | % |

(1) Consolidated Eaton Vance Corp. See table on page 46 for managed assets and flows of 49 percent-owned Hexavest Inc., which are not included in the table above.

(2) Includes managed assets of wholly owned subsidiaries and Eaton Vance-sponsored funds and accounts managed by Hexavest and unaffiliated third-party advisers under Eaton Vance supervision.

Consistent with the Company's policies for reporting the managed assets and flows of investment portfolios for which multiple Eaton Vance affiliates have management responsibilities, the managed assets of Atlanta Capital

(3) indicated above include the assets of Calvert Equity Portfolio, for which Atlanta Capital serves as sub-adviser. The total managed assets of Calvert Investments including assets sub-advised by other Eaton Vance affiliates, were \$11.9 billion as of January 31, 2017.

Consolidated average assets under management presented in the following tables are derived by averaging the beginning and ending assets of each month over the period. The tables are intended to provide information useful in the analysis of our asset-based revenue and distribution expenses. Separate account management fees are generally calculated as a percentage of either beginning, average or ending quarterly assets. Fund management, distribution and service fees, as well as certain expenses, are generally calculated as a percentage of average daily assets.

**Consolidated Average Assets Under Management by Investment Mandate<sup>(1)</sup>**

| (in millions) | Three Months Ended |      |        |
|---------------|--------------------|------|--------|
|               | January 31,        |      | %      |
|               | 2017               | 2016 | Change |

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|                             |           |           |    |   |
|-----------------------------|-----------|-----------|----|---|
| Equity <sup>(2)</sup>       | \$93,714  | \$87,632  | 7  | % |
| Fixed income <sup>(3)</sup> | 61,524    | 52,449    | 17 | % |
| Floating-rate income        | 32,960    | 34,159    | -4 | % |
| Alternative                 | 10,637    | 10,028    | 6  | % |
| Portfolio implementation    | 75,875    | 59,728    | 27 | % |
| Exposure management         | 70,230    | 64,335    | 9  | % |
| Total                       | \$344,940 | \$308,331 | 12 | % |

<sup>(1)</sup> Consolidated Eaton Vance Corp. See table on page 46 for managed assets and flows of 49 percent-owned Hexavest Inc., which are not included in the table above.

<sup>(2)</sup> Includes assets in balanced and multi-asset mandates.

<sup>(3)</sup> Includes assets in cash management accounts.

### Consolidated Average Assets Under Management by Investment Vehicle<sup>(1)</sup>

| <i>(in millions)</i>                   | Three Months Ended |           |          |   |
|--|--------------------|-----------|----------|---|
|  | January 31,        |           | % Change |   |
|  | 2017               | 2016      |          |   |
| Open-end funds <sup>(2)</sup>          | \$79,882           | \$72,327  | 10       | % |
| Private funds <sup>(3)</sup>           | 28,142             | 26,267    | 7        | % |
| Closed-end funds <sup>(4)</sup>        | 23,576             | 23,999    | -2       | % |
| Institutional separate account assets  | 135,089            | 120,387   | 12       | % |
| High-net-worth separate account assets | 28,094             | 24,314    | 16       | % |
| Retail managed account assets          | 50,157             | 41,037    | 22       | % |
| Total                                  | \$344,940          | \$308,331 | 12       | % |

<sup>(1)</sup> Consolidated Eaton Vance Corp. See table on page 46 for managed assets and flows of 49 percent-owned Hexavest Inc., which are not included in the table above.

<sup>(2)</sup> Includes assets in NextShares funds.

<sup>(3)</sup> Includes assets in privately offered equity, fixed income and floating-rate income funds and CLO entities.

<sup>(4)</sup> Includes assets in unit investment trusts.

### Consolidated Net Flows

Consolidated net inflows of \$7.8 billion in the first quarter of fiscal 2017 represented 9 percent annualized internal growth in managed assets (consolidated net inflows divided by beginning of period consolidated assets under management). For comparison, the Company had consolidated net inflows of \$5.3 billion in the first quarter of fiscal 2016, which represented 7 percent annualized internal growth in managed assets. On the basis of net contribution to management fee revenue, the Company's annualized internal management fee revenue growth rate (calculated as the management fees attributed to net new sales divided by management fees attributed to beginning of period assets under management) was 7 percent in the first quarter of fiscal 2017, as the revenue contribution from new sales during the quarter significantly exceeded the revenue lost from redemptions and other withdrawals. For comparison, internal management revenue growth was -1 percent in the first quarter of fiscal 2016, as the revenue lost from redemptions and other withdrawals exceeded the revenue contribution from new sales.

The following tables summarize our consolidated assets under management and asset flows by investment mandate and investment vehicle for the three months ended January 31, 2017 and 2016:

*Consolidated Assets Under Management and Net Flows by Investment Mandate<sup>(1)</sup>*

| (in millions)  | Three Months Ended  |           |        |                |
|--|---------------------|-----------|--------|----------------|
|  | January 31,<br>2017 | 2016      | %      |                |
|  |                     |           | Change |                |
| Equity assets - beginning of period <sup>(2)</sup>       | \$89,990            | \$90,013  | 0      | %              |
| Sales and other inflows                                  | 5,222               | 3,831     | 36     | %              |
| Redemptions/outflows                                     | (5,860 )            | (4,393 )  | 33     | %              |
| Net flows  | (638 )              | (562 )    | 14     | %              |
| Assets acquired <sup>(3)</sup>                           | 5,704               | -         | NM     | <sup>(5)</sup> |
| Exchanges  | 44                  | 13        | 238    | %              |
| Market value change                                      | 4,461               | (6,113 )  | NM     |                |
| Equity assets - end of period                            | \$99,561            | \$83,351  | 19     | %              |
| Fixed income assets - beginning of period <sup>(4)</sup> | 60,513              | 52,373    | 16     | %              |
| Sales and other inflows                                  | 5,681               | 4,933     | 15     | %              |
| Redemptions/outflows                                     | (4,333 )            | (4,177 )  | 4      | %              |
| Net flows  | 1,348               | 756       | 78     | %              |
| Assets acquired <sup>(3)</sup>                           | 4,170               | -         | NM     |                |
| Exchanges  | (107 )              | 30        | NM     |                |
| Market value change                                      | (899 )              | (403 )    | 123    | %              |
| Fixed income assets - end of period                      | \$65,025            | \$52,756  | 23     | %              |
| Floating-rate income assets - beginning of period        | 32,192              | 35,619    | -10    | %              |
| Sales and other inflows                                  | 4,971               | 1,904     | 161    | %              |
| Redemptions/outflows                                     | (3,306 )            | (3,428 )  | -4     | %              |
| Net flows  | 1,665               | (1,524 )  | NM     |                |
| Exchanges  | 120                 | (36 )     | NM     |                |
| Market value change                                      | 162                 | (1,383 )  | NM     |                |
| Floating-rate income assets - end of period              | \$34,139            | \$32,676  | 4      | %              |
| Alternative assets - beginning of period                 | 10,687              | 10,173    | 5      | %              |
| Sales and other inflows                                  | 1,098               | 1,220     | -10    | %              |
| Redemptions/outflows                                     | (940 )              | (1,209 )  | -22    | %              |
| Net flows  | 158                 | 11        | NM     |                |
| Exchanges  | (2 )                | 3         | NM     |                |
| Market value change                                      | (68 )               | (457 )    | -85    | %              |
| Alternative assets - end of period                       | \$10,775            | \$9,730   | 11     | %              |
| Portfolio implementation assets - beginning of period    | 71,426              | 59,487    | 20     | %              |
| Sales and other inflows                                  | 6,485               | 5,768     | 12     | %              |
| Redemptions/outflows                                     | (3,086 )            | (1,928 )  | 60     | %              |
| Net flows  | 3,399               | 3,840     | -11    | %              |
| Exchanges  | -                   | (11 )     | NM     |                |
| Market value change                                      | 5,304               | (4,396 )  | NM     |                |
| Portfolio implementation assets - end of period          | \$80,129            | \$58,920  | 36     | %              |
| Exposure management assets - beginning of period         | 71,572              | 63,689    | 12     | %              |
| Sales and other inflows                                  | 21,456              | 12,929    | 66     | %              |
| Redemptions/outflows                                     | (19,580 )           | (10,122 ) | 93     | %              |

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|  |           |           |     |   |
|--|-----------|-----------|-----|---|
| Net flows  | 1,876     | 2,807     | -33 | % |
| Market value change  | 662       | (1,350 )  | NM  |   |
| Exposure management assets - end of period                   | \$74,110  | \$65,146  | 14  | % |
| Total fund and separate account assets - beginning of period | 336,380   | 311,354   | 8   | % |
| Sales and other inflows                                      | 44,913    | 30,585    | 47  | % |
| Redemptions/outflows   | (37,105 ) | (25,257 ) | 47  | % |
| Net flows  | 7,808     | 5,328     | 47  | % |
| Assets acquired <sup>(3)</sup>                               | 9,874     | -         | NM  |   |
| Exchanges  | 55        | (1 )      | NM  |   |
| Market value change  | 9,622     | (14,102 ) | NM  |   |
| Total assets under management - end of period                | \$363,739 | \$302,579 | 20  | % |

- (1) *Consolidated Eaton Vance Corp. See table on page 46 for managed assets and flows of 49 percent-owned Hexavest Inc., which are not included in the table above.*
- (2) *Includes balanced and multi-asset mandates.  
Managed assets gained in the acquisition of the business assets of Calvert Investments on December 30, 2016.*
- (3) *Equity category and total acquired assets under management exclude \$2.1 billion of managed assets of Calvert Equity Portfolio sub-advised by Atlanta Capital that were previously included in the Company's consolidated managed assets as institutional separate account managed assets.*
- (4) *Includes cash management mandates.*
- (5) *Not meaningful (NM).*



*Consolidated Assets Under Management and Net Flows by Investment Vehicle<sup>(1)</sup>*

| (in millions)  | Three Months Ended  |            |             |   |
|--|---------------------|------------|-------------|---|
|  | January 31,<br>2017 | 2016       | %<br>Change |   |
| Fund assets - beginning of period <sup>(2)</sup>             | \$ 125,722          | \$ 125,934 | 0           | % |
| Sales and other inflows                                      | 10,969              | 8,258      | 33          | % |
| Redemptions/outflows   | (9,404 )            | (9,712 )   | -3          | % |
| Net flows  | 1,565               | (1,454 )   | NM          |   |
| Assets acquired <sup>(3)</sup>                               | 9,821               | -          | NM          |   |
| Exchanges <sup>(4)</sup>                                     | 2,115               | (55 )      | NM          |   |
| Market value change  | 2,579               | (6,637 )   | NM          |   |
| Fund assets - end of period                                  | \$ 141,802          | \$ 117,788 | 20          | % |
| Institutional separate account assets - beginning of period  | 136,451             | 119,987    | 14          | % |
| Sales and other inflows                                      | 24,633              | 16,731     | 47          | % |
| Redemptions/outflows   | (23,449 )           | (12,112 )  | 94          | % |
| Net flows  | 1,184               | 4,619      | -74         | % |
| Assets acquired <sup>(3)</sup>                               | 40                  | -          | NM          |   |
| Exchanges <sup>(4)</sup>                                     | (2,055 )            | (15 )      | NM          |   |
| Market value change  | 3,689               | (4,394 )   | NM          |   |
| Institutional separate account assets - end of period        | \$ 139,309          | \$ 120,197 | 16          | % |
| High-net-worth separate account assets - beginning of period | 25,806              | 24,516     | 5           | % |
| Sales and other inflows                                      | 4,563               | 2,264      | 102         | % |
| Redemptions/outflows   | (1,609 )            | (1,140 )   | 41          | % |
| Net flows  | 2,954               | 1,124      | 163         | % |
| Exchanges  | 14                  | 70         | -80         | % |
| Market value change  | 1,740               | (1,711 )   | NM          |   |
| High-net-worth separate account assets - end of period       | \$ 30,514           | \$ 23,999  | 27          | % |
| Retail managed account assets - beginning of period          | 48,401              | 40,917     | 18          | % |
| Sales and other inflows                                      | 4,748               | 3,332      | 42          | % |
| Redemptions/outflows   | (2,643 )            | (2,293 )   | 15          | % |
| Net flows  | 2,105               | 1,039      | 103         | % |
| Assets acquired <sup>(3)</sup>                               | 13                  | -          | NM          |   |
| Exchanges  | (19 )               | (1 )       | NM          |   |
| Market value change  | 1,614               | (1,360 )   | NM          |   |
| Retail managed account assets - end of period                | \$ 52,114           | \$ 40,595  | 28          | % |
| Total fund and separate account assets - beginning of period | 336,380             | 311,354    | 8           | % |
| Sales and other inflows                                      | 44,913              | 30,585     | 47          | % |
| Redemptions/outflows   | (37,105 )           | (25,257 )  | 47          | % |
| Net flows  | 7,808               | 5,328      | 47          | % |
| Assets acquired <sup>(3)</sup>                               | 9,874               | -          | NM          |   |
| Exchanges  | 55                  | (1 )       | NM          |   |
| Market value change  | 9,622               | (14,102 )  | NM          |   |
| Total assets under management - end of period                | \$ 363,739          | \$ 302,579 | 20          | % |

*(1) Consolidated Eaton Vance Corp. See table on page 46 for managed assets and flows of 49 percent-owned Hexavest Inc., which are not included in the table above.*

*(2) Includes assets in cash management funds.*

*Managed assets gained in the acquisition of the business assets of Calvert Investments on December 30, 2016. Fund category and total acquired assets under management exclude \$2.1 billion of managed assets of Calvert Equity*  
*(3) Portfolio sub-advised by Atlanta Capital that were previously included in the Company's consolidated managed assets as institutional separate account managed assets.*

*Reflects the reclassification from institutional separate accounts to funds of \$2.1 billion of managed assets of (4) Calvert Equity Portfolio sub-advised by Atlanta Capital upon the Company's acquisition of the business assets of Calvert Investments on December 30, 2016.*

As of January 31, 2017, 49 percent-owned affiliate Hexavest Inc. (Hexavest) managed \$14.5 billion of client assets, an increase of 11 percent from \$13.1 billion of managed assets on January 31, 2016. Other than Eaton Vance-sponsored funds for which Hexavest is adviser or sub-adviser, the managed assets of Hexavest are not included in Eaton Vance consolidated totals.

The following table summarizes assets under management and asset flow information for Hexavest for the three months ended January 31, 2017 and 2016:

***Hexavest Assets Under Management and Net Flows***

| (in millions)  | Three Months Ended  |           |             |   |
|--|---------------------|-----------|-------------|---|
|  | January 31,<br>2017 | 2016      | %<br>Change |   |
| Eaton Vance distributed:   |                     |           |             |   |
| Eaton Vance sponsored funds - beginning of period <sup>(1)</sup>               | \$ 231              | \$ 229    | 1           | % |
| Sales and other inflows  | 20                  | 7         | 186         | % |
| Redemptions/outflows   | (8 )                | (21 )     | -62         | % |
| Net flows  | 12                  | (14 )     | NM          |   |
| Market value change  | 12                  | (10 )     | NM          |   |
| Eaton Vance sponsored funds - end of period                                    | \$ 255              | \$ 205    | 24          | % |
| Eaton Vance distributed separate accounts - beginning of period <sup>(2)</sup> | \$ 2,492            | \$ 2,440  | 2           | % |
| Sales and other inflows  | 149                 | 4         | NM          |   |
| Redemptions/outflows   | (54 )               | (9 )      | 500         | % |
| Net flows  | 95                  | (5 )      | NM          |   |
| Market value change  | 79                  | (91 )     | NM          |   |
| Eaton Vance distributed separate accounts - end of period                      | \$ 2,666            | \$ 2,344  | 14          | % |
| Total Eaton Vance distributed - beginning of period                            | \$ 2,723            | \$ 2,669  | 2           | % |
| Sales and other inflows  | 169                 | 11        | NM          |   |
| Redemptions/outflows   | (62 )               | (30 )     | 107         | % |
| Net flows  | 107                 | (19 )     | NM          |   |
| Market value change  | 91                  | (101 )    | NM          |   |
| Total Eaton Vance distributed - end of period                                  | \$ 2,921            | \$ 2,549  | 15          | % |
| Hexavest directly distributed - beginning of period <sup>(3)</sup>             | \$ 11,021           | \$ 11,279 | -2          | % |
| Sales and other inflows  | 327                 | 129       | 153         | % |
| Redemptions/outflows   | (404 )              | (329 )    | 23          | % |
| Net flows  | (77 )               | (200 )    | -62         | % |

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|   |           |           |     |   |
|---|-----------|-----------|-----|---|
| Market value change                           | 594       | (546 )    | NM  |   |
| Hexavest directly distributed - end of period | \$ 11,538 | \$ 10,533 | 10  | % |
| Total Hexavest assets - beginning of period   | \$ 13,744 | \$ 13,948 | -1  | % |
| Sales and other inflows                       | 496       | 140       | 254 | % |
| Redemptions/outflows                          | (466 )    | (359 )    | 30  | % |
| Net flows                                     | 30        | (219 )    | NM  |   |
| Market value change                           | 685       | (647 )    | NM  |   |
| Total Hexavest assets - end of period         | \$ 14,459 | \$ 13,082 | 11  | % |

*Managed assets and flows of Eaton Vance-sponsored pooled investment vehicles for which Hexavest is adviser or (1) sub-adviser. Eaton Vance receives management revenue (and in some cases also distribution revenue) on these assets, which are included in the Eaton Vance consolidated results.*

*(2) Managed assets and flows of Eaton Vance-distributed separate accounts managed by Hexavest. Eaton Vance receives*

*distribution revenue, but not management fees, on these assets, which are not included in the Eaton Vance consolidated results.*

*Managed assets and flows of pre-transaction Hexavest clients and post-transaction Hexavest clients in Canada.  
(3) Eaton Vance receives no management fee or distribution revenue on these assets, which are not included in the Eaton Vance consolidated results.*

## Results of Operations

In evaluating operating performance, we consider net income attributable to Eaton Vance Corp. shareholders and earnings per diluted share, which are calculated on a basis consistent with U.S. GAAP, as well as adjusted net income attributable to Eaton Vance Corp. shareholders and adjusted earnings per diluted share, both of which are internally derived non-U.S. GAAP performance measures.

We define adjusted net income attributable to Eaton Vance Corp. shareholders and adjusted earnings per diluted share as net income attributable to Eaton Vance Corp. shareholders and earnings per diluted share, respectively, adjusted to exclude changes in the estimated redemption value of non-controlling interests in our affiliates redeemable at other than fair value (non-controlling interest value adjustments), closed-end fund structuring fees, payments to end service and additional compensation arrangements in place for certain Eaton Vance closed-end funds and other items management deems non-recurring or non-operating in nature, or otherwise outside the ordinary course of business (such as the impact of special dividends, costs associated with the extinguishment of debt and tax settlements). Adjusted net income attributable to Eaton Vance Corp. shareholders and adjusted earnings per diluted share should not be construed to be a substitute for, or superior to, net income attributable to Eaton Vance Corp. shareholders and earnings per diluted share computed in accordance with U.S. GAAP. We provide disclosures of adjusted net income attributable to Eaton Vance Corp. shareholders and adjusted earnings per diluted share to reflect the fact that our management and Board of Directors, as well as our investors, consider these adjusted numbers a measure of the Company's underlying operating performance. Management believes adjusted net income attributable to Eaton Vance Corp. shareholders and adjusted earnings per diluted share are important indicators of our operations because they exclude items that may not be indicative of, or are unrelated to, our core operating results, and may provide a useful baseline for analyzing trends in our underlying business.

The following table provides a reconciliation of net income attributable to Eaton Vance Corp. shareholders and earnings per diluted share to adjusted net income attributable to Eaton Vance Corp. shareholders and adjusted earnings per diluted share, respectively, for the three months ended January 31, 2017 and 2016:

| <i>(in thousands, except per share data)</i>              | Three Months Ended  |           |   |   |
|---|---------------------|-----------|---|---|
|   | January 31,<br>2017 | 2016      | % |   |
| Net income attributable to Eaton Vance Corp. shareholders | \$ 60,711           | \$ 58,386 | 4 | % |

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|  |           |   |           |     |
|--|-----------|---|-----------|-----|
| Non-controlling interest value adjustments <sup>(1)</sup>          | (73       | ) | 133       | NM  |
| Adjusted net income attributable to Eaton Vance Corp. shareholders | \$ 60,638 |   | \$ 58,519 | 4 % |
| Earnings per diluted share   | \$ 0.53   |   | \$ 0.50   | 6 % |
| Non-controlling interest value adjustments                         | -         |   | 0.01      | NM  |
| Adjusted earnings per diluted share                                | \$ 0.53   |   | \$ 0.51   | 4 % |

<sup>(1)</sup> Please see page 54 "Net Income Attributable to Non-controlling and Other Beneficial Interests," for a further discussion of the non-controlling interest value adjustments referenced above.

The 4% increase in net income attributable to Eaton Vance Corp. shareholders in the first quarter of fiscal 2017 compared to the first quarter of fiscal 2016 can be primarily attributed to the following:

An increase in revenue of \$23.4 million, or 7 percent, primarily reflecting the growth in managed assets, partially offset by lower average effective fee rates.

An increase in expenses of \$18.6 million, or 8 percent, reflecting an increase in compensation, distribution expense, service fee expense and fund-related expenses, partially offset by decreases in amortization of deferred sales commissions and other operating expenses.

A \$2.3 million decrease in gains (losses) and other investment income related to the Company's investment in sponsored products.

A \$1.4 million decrease in income contribution from the Company's consolidated CLO entities driven by deconsolidation of the Company's final consolidated CLO entity in the fourth quarter of fiscal 2016.

A decrease in income taxes of \$0.1 million.

A decrease in net income attributable to non-controlling and other beneficial interests of \$1.2 million, primarily reflecting a decrease in the net income of consolidated CLOs attributable to other beneficial interest holders.

Weighted average diluted shares outstanding were substantially unchanged in the first quarter of fiscal 2017 from the first quarter of fiscal 2016.

## Revenue

The primary drivers of our average annualized effective fee rates are the mix of our assets by product, distribution channel and investment mandate, and the timing and amount of performance fees recognized. Shifts in managed assets among products, distribution channels and investment mandates with differing fee schedules can alter the average effective fee rate earned on our consolidated assets under management. Our overall average annualized effective fee rate decreased to 40.9 basis points in the first quarter of fiscal 2017 from 42.7 basis points in the first quarter of fiscal 2016. Excluding performance-based fees, our average annualized effective management fee rate similarly decreased to 35.3 basis points in the first quarter of fiscal 2017 from 36.7 basis points in the first quarter of last year.

The following table shows our management fees, distribution and underwriter fees, service fees and other revenue for the three months ended January 31, 2017 and 2016:

| (in thousands)  | Three Months Ended |                  |        | % |
|-----------------|--------------------|------------------|--------|---|
|                 | January 31, 2017   | January 31, 2016 | Change |   |
| Management fees | \$ 304,653         | \$ 283,042       | 8      | % |

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|                                   |           |           |    |   |
|-----------------------------------|-----------|-----------|----|---|
| Distribution and underwriter fees | 18,959    | 19,058    | -1 | % |
| Service fees                      | 28,911    | 27,259    | 6  | % |
| Other revenue                     | 2,436     | 2,197     | 11 | % |
| Total revenue                     | \$354,959 | \$331,556 | 7  | % |

*Management fees*

The increase in management fees in the first quarter of fiscal 2017 from the same period a year earlier can be primarily attributed to the 12 percent increase in average consolidated assets under management, partially offset by a decline in our average annualized effective management fee rate. As noted above, our average



annualized effective management fee rate, excluding performance-based fees, declined to 35.3 basis points in the first quarter of fiscal 2017 from 36.7 basis points in the first quarter of fiscal 2016, primarily reflecting growth in assets in lower-fee investment mandates.

Average annualized effective management fee rates by investment mandate, excluding performance-based fees, for the three months ended January 31, 2017 and 2016 were as follows:

| (in basis points on average managed assets)      | Three Months Ended  |      |        |   |
|--|---------------------|------|--------|---|
|  | January 31,<br>2017 | 2016 | %      |   |
|  |                     |      | Change |   |
| Equity   | 63.1                | 62.7 | 1      | % |
| Fixed income                                     | 39.0                | 41.0 | -5     | % |
| Floating-rate income                             | 52.4                | 52.3 | 0      | % |
| Alternatives                                     | 63.3                | 63.5 | 0      | % |
| Portfolio implementation                         | 14.6                | 15.4 | -5     | % |
| Exposure management                              | 5.2                 | 5.1  | 2      | % |
| Average annualized effective management fee rate | 35.3                | 36.7 | -4     | % |

Average assets under management by investment mandate to which these fee rates apply can be found in the table “Consolidated Average Assets Under Management by Investment Mandate” on page 41.

Performance-based fees contributed \$0.2 million in the first quarter of fiscal 2017 and were negligible in the first quarter of fiscal 2016.

#### *Distribution and underwriter fees*

Distribution fees, underwriter fees and other distribution income for the three months ended January 31, 2017 and 2016 were as follows:

| (in thousands)     | Three Months Ended  |        |        |   |
|--------------------|---------------------|--------|--------|---|
|                    | January 31,<br>2017 | 2016   | %      |   |
|                    |                     |        | Change |   |
| Distribution fees: |                     |        |        |   |
| Class A            | \$ 164              | \$ 174 | -6     | % |
| Class B            | 245                 | 397    | -38    | % |
| Class C            | 15,136              | 15,328 | -1     | % |

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|   |           |           |     |   |
|---|-----------|-----------|-----|---|
| Class F                                 | 123       | -         | NM  |   |
| Class N                                 | 15        | 24        | -38 | % |
| Class R                                 | 379       | 321       | 18  | % |
| Private funds                           | 1,245     | 1,056     | 18  | % |
| Total distribution fees                 | \$ 17,307 | \$ 17,300 | 0   | % |
| Underwriter fees                        | 558       | 617       | -10 | % |
| Other distribution income               | 1,094     | 1,141     | -4  | % |
| Total distribution and underwriter fees | \$ 18,959 | \$ 19,058 | -1  | % |

*Service fees*

Service fee revenue increased 6 percent in the first quarter of fiscal 2017 from the same period a year earlier, primarily reflecting an increase in average assets under management in certain classes of funds subject to service fees.

*Other revenue*

Other revenue, which consists primarily of sub-transfer agent fees, miscellaneous dealer income, custody fees, Hexavest-related distribution and service revenue, and sub-lease income, was up 11% in the first quarter of fiscal 2016 from the same period a year ago, primarily reflecting higher miscellaneous dealer income.

*Expenses*

Operating expenses increased \$18.6 million, or 8 percent, in the first quarter of fiscal 2017 from the same period a year earlier, reflecting increases in compensation, distribution expense, service fee expense, and fund-related expenses, offset by decreases in amortization of deferred sales commissions and other corporate expenses as more fully described below. Expenses in connection with the Company's NextShares initiative totaled approximately \$2.0 million in the first quarter of fiscal 2017, an increase of 12 percent from \$1.8 million in the first quarter of fiscal 2016.

The following table shows our operating expenses for the three months ended January 31, 2017 and 2016:

| (in thousands)                             | Three Months Ended  |            |             |   |
|--|---------------------|------------|-------------|---|
|  | January 31,<br>2017 | 2016       | %<br>Change |   |
| Compensation and related costs:            |                     |            |             |   |
| Cash compensation                          | \$ 114,836          | \$ 104,249 | 10          | % |
| Stock-based compensation                   | 20,299              | 18,261     | 11          | % |
| Total compensation and related costs       | 135,135             | 122,510    | 10          | % |
| Distribution expense                       | 31,117              | 28,483     | 9           | % |
| Service fee expense                        | 26,927              | 24,595     | 9           | % |
| Amortization of deferred sales commissions | 3,854               | 4,044      | -5          | % |
| Fund-related expenses                      | 10,875              | 9,163      | 19          | % |
| Other expenses                             | 41,615              | 42,136     | -1          | % |
| Total expenses                             | \$ 249,523          | \$ 230,931 | 8           | % |

*Compensation and related costs*

The following table shows our compensation and related costs for the three months ended January 31, 2017 and 2016:

| (in thousands)                      | Three Months Ended  |           |             |   |
|-------------------------------------|---------------------|-----------|-------------|---|
|                                     | January 31,<br>2017 | 2016      | %<br>Change |   |
| Base salaries and employee benefits | \$59,533            | \$56,657  | 5           | % |
| Stock-based compensation            | 20,299              | 18,261    | 11          | % |
| Operating income-based incentives   | 34,358              | 31,598    | 9           | % |
| Sales incentives                    | 20,236              | 13,970    | 45          | % |
| Other compensation expense          | 709                 | 2,024     | -65         | % |
| Total                               | \$135,135           | \$122,510 | 10          | % |

Compensation expense increased by \$12.6 million, or 10 percent, in the first quarter of fiscal 2017. The increase was driven primarily by a \$2.9 million increase in base salaries and benefits driven by year-end compensation increases and the increase in headcount due to the Calvert Investments acquisition on December 30, 2016, a \$2.0 million increase in stock-based compensation due to higher annual stock-based compensation awards, a \$2.8 million increase in operating-income-based incentives due to an increase in pre-bonus adjusted operating income and a modest increase in bonus accrual rates and a \$6.3 million increase in sales-based incentive accruals driven by strong product sales. The decrease in other compensation is related to lower employee recruiting and termination costs.

*Distribution expense*

The following table shows our distribution expense for the three months ended January 31, 2017 and 2016:

| (in thousands)                               | Three Months Ended  |           |             |   |
|--|---------------------|-----------|-------------|---|
|  | January 31,<br>2017 | 2016      | %<br>Change |   |
| Class A share commissions                    | \$ 767              | \$ 545    | 41          | % |
| Class C share distribution fees              | 12,979              | 12,728    | 2           | % |
| Closed-end fund dealer compensation payments | 958                 | 988       | -3          | % |
| Intermediary marketing support payments      | 10,994              | 9,698     | 13          | % |
| NextShares distribution expense              | 11                  | -         | NM          |   |
| Discretionary marketing expenses             | 5,181               | 4,524     | 15          | % |
| Sub-accounting fees                          | 227                 | -         | NM          |   |
| Total  | \$ 31,117           | \$ 28,483 | 9           | % |

Distribution expense increased \$2.6 million, or 9 percent, in the first quarter of fiscal 2017 compared with the first quarter of fiscal 2016, primarily reflecting an increase in asset-driven intermediary marketing support payments to our distribution partners and an increase in discretionary marketing expenses related to significant corporate initiatives.

*Service fee expense*

Service fee expense increased \$2.3 million, or 9 percent, in the first quarter of fiscal 2017 from the same quarter a year earlier, reflecting an increase in average fund assets retained more than one year in funds and share classes that are subject to service fees.

*Amortization of deferred sales commissions*

Amortization expense decreased 5 percent in the first quarter of fiscal 2017 from the same period a year earlier, reflecting decreases in average Class B and Class C share deferred sales commissions partially offset by increases in deferred sales commissions related to privately offered equity funds. In the first quarter of fiscal 2017, 3 percent of total amortization related to Class B shares, 55 percent to Class C shares and 42 percent to privately offered equity funds. In the first quarter of fiscal 2016, 6 percent of total amortization related to Class B shares, 65 percent to Class C shares and 29 percent to privately offered equity funds.

*Fund-related expenses*

Fund-related expenses increased \$1.7 million, or 19 percent, in the first quarter of fiscal 2017 over the same period a year earlier, primarily reflecting an increase in fund subsidies and sub-advisory fees.

*Other expenses*

The following table shows our other expenses for the three months ended January 31, 2017 and 2016:

| (in thousands)          | Three Months Ended  |           |        |   |
|-------------------------|---------------------|-----------|--------|---|
|                         | January 31,<br>2017 | 2016      | %      |   |
|                         |                     |           | Change |   |
| Information technology  | \$ 17,695           | \$ 17,755 | 0      | % |
| Facilities-related      | 9,704               | 10,583    | -8     | % |
| Travel                  | 3,573               | 3,733     | -4     | % |
| Professional services   | 2,932               | 3,035     | -3     | % |
| Communications          | 1,254               | 1,381     | -9     | % |
| Other corporate expense | 6,457               | 5,649     | 14     | % |
| Total                   | \$ 41,615           | \$ 42,136 | -1     | % |

Other expenses decreased 1% in the first quarter of 2017 from the same quarter a year ago. Decreases in facilities-related, travel, professional services and communications expenses were partially offset by increased other corporate expenses. The increase in other corporate expenses primarily reflects costs associated with the Company's

transition services agreement related to the acquisition of Calvert Investments in the first quarter of fiscal 2017.

***Non-operating Income (Expense)***

The main categories of non-operating income (expense) for the three months ended January 31, 2017 and 2016 are as follows:

| (in thousands)                                       | Three Months Ended  |             |     | %<br>Change |
|--|---------------------|-------------|-----|-------------|
|  | January 31,<br>2017 | 2016        |     |             |
| Gains and other investment income, net               | \$ 494              | \$ 2,840    | -83 | %           |
| Interest expense                                     | (7,347 )            | (7,342 )    | 0   | %           |
| Other income (expense) of consolidated CLO entities: |                     |             |     |             |
| Gains and other investment income, net               | -                   | 3,279       | NM  |             |
| Interest and other expense                           | -                   | (1,836 )    | NM  |             |
| Total non-operating expense                          | \$ (6,853 )         | \$ (3,059 ) | 124 | %           |

Gains and other investment income, net, decreased by 83 percent in the first quarter of fiscal 2017 compared to the same period a year ago, reflecting decreases in net investment and foreign currency gains of \$4.5 million and \$1.3 million, respectively, partially offset by an increase in net interest income earned of \$3.5 million. In the first quarter of fiscal 2017, we recognized \$4.0 million of losses related to our seed capital investments and associated hedges, compared to \$0.6 million of gains related to our seed capital investments and associated hedges in the first quarter of fiscal 2016.

Interest expense was unchanged, reflecting consistent levels of interest accrued on our fixed senior notes.

**Income Taxes**

Our effective tax rate, calculated as income taxes as a percentage of income before income taxes and equity in net income of affiliates, was 37.3 percent in the first quarter of fiscal 2017 compared to 37.8 percent in the first quarter of fiscal 2016. Excluding the effect of the consolidated CLO entities' net income (loss) allocated to other beneficial interest holders, our effective tax rate would have been 37.3 percent and 38.4 percent in the first quarter of fiscal 2017 and 2016, respectively.



Our policy for accounting for income taxes includes monitoring our business activities and tax policies for compliance with federal, state and foreign tax laws. In the ordinary course of business, various taxing authorities may not agree with certain tax positions we have taken, or applicable law may not be clear. We periodically review these tax positions and provide for and adjust as necessary estimated liabilities relating to such positions as part of our overall tax provision.

***Equity in Net Income of Affiliates, Net of Tax***

Equity in net income of affiliates, net of tax, primarily reflects our 49 percent equity interest in Hexavest and our seven percent minority equity interest in a private equity partnership managed by a third party.

The following table summarizes the components of equity in net income of affiliates, net of tax, for the three months ended January 31, 2017 and 2016:

| (in thousands)                                       | Three Months Ended  |          |     | %<br>Change |
|--|---------------------|----------|-----|-------------|
|  | January 31,<br>2017 | 2016     |     |             |
| Investment in private equity partnership, net of tax | 109                 | 16       | 581 | %           |
| Investment in Hexavest, net of tax and amortization  | 2,397               | 2,493    | -4  | %           |
| Total  | \$ 2,506            | \$ 2,509 | 0   | %           |

***Net Income Attributable to Non-controlling and Other Beneficial Interests***

The following table summarizes the components of net income attributable to non-controlling and other beneficial interests for the three months ended January 31, 2017 and 2016:

| (in thousands)  | Three Months Ended  |             |      | %<br>Change |
|---|---------------------|-------------|------|-------------|
|   | January 31,<br>2017 | 2016        |      |             |
| Consolidated sponsored funds  | \$ 15               | \$ 509      | -97  | %           |
| Majority-owned subsidiaries   | (3,718 )            | (3,310 )    | 12   | %           |
| Non-controlling interest value adjustments <sup>(1)</sup>                 | 73                  | (133 )      | -155 | %           |
| Consolidated CLO entities   | -                   | (1,912 )    | NM   |             |
| Net income attributable to non-controlling and other beneficial interests | \$ (3,630 )         | \$ (4,846 ) | -25  | %           |

<sup>(1)</sup>Relates to non-controlling interests redeemable at other than fair value.

Net income attributable to non-controlling and other beneficial interests is not adjusted for taxes due to the underlying tax status of our consolidated subsidiaries, which are treated as partnerships or other pass-through entities for tax purposes.

**Changes in Financial Condition, Liquidity and Capital Resources**

The following table summarizes certain key financial data relating to our liquidity and capital resources on January 31, 2017 and October 31, 2016 and the uses of cash for the three months ended January 31, 2017 and 2016.



***Balance Sheet and Cash Flow Data***

| (in thousands)                        | January 31,<br>2017 | October 31,<br>2016 |
|---------------------------------------|---------------------|---------------------|
| Balance sheet data:                   |                     |                     |
| Assets:                               |                     |                     |
| Cash and cash equivalents             | \$ 320,113          | \$ 424,174          |
| Management fees and other receivables | 186,330             | 186,172             |
| Total liquid assets                   | \$ 506,443          | \$ 610,346          |
| Investments                           | \$ 705,197          | \$ 589,773          |
| Liabilities:                          |                     |                     |
| Debt                                  | \$ 571,946          | \$ 571,773          |

| (in thousands)       | Three Months Ended<br>January 31, |           |
|----------------------|-----------------------------------|-----------|
|                      | 2017                              | 2016      |
| Cash flow data:      |                                   |           |
| Operating cash flows | \$(39,072)                        | \$87,228  |
| Investing cash flows | (50,381)                          | (82,477)  |
| Financing cash flows | (15,658)                          | (109,336) |

***Liquidity and Capital Resources***

Liquid assets consist of cash and cash equivalents and management fees and other receivables. Cash and cash equivalents consist of cash and short-term, highly liquid investments that are readily convertible to cash. Management fees and other receivables primarily represent receivables due from sponsored funds and separately managed accounts for investment advisory and distribution services provided. Liquid assets represented 29 percent and 35 percent of total assets on January 31, 2017 and October 31, 2016, respectively. Not included in the liquid asset amounts are \$68.9 million and \$85.8 million of highly liquid short-term debt securities with remaining maturities between three and 12 months held as of January 31, 2017 and October 31, 2016, respectively, which are included within investments on our Consolidated Balance Sheets. Our seed investments in consolidated funds and separate accounts are not treated as liquid assets because they may be longer term in nature.

The \$103.9 million decrease in liquid assets in the first three months of fiscal 2017 primarily reflects cash used for operating activities of \$38.2 million, the repurchase of \$53.6 million of Non-Voting Common Stock, cash paid in acquisition of \$52.0 million, the payment of \$31.7 million of dividends to shareholders, the purchase of additional non-controlling interests for \$9.5 million and the addition of \$2.4 million in equipment and leasehold improvements,

offset by proceeds from net subscriptions received from non-controlling interest holders of \$43.4 million, proceeds from the issuance of Non-Voting Common Stock of \$27.7 million in connection with the exercise of employee stock options and other employee stock purchases, excess tax benefits of \$4.9 million associated with stock option exercises and net proceeds of \$4.1 million from the sale of investments classified as available-for-sale.

On January 31, 2017, our debt consisted of \$250 million in aggregate principal amount of 6.5 percent Senior Notes due in October 2017 and \$325 million in aggregate principal amount of 3.625 percent Senior Notes due in June 2023. The Company currently intends to seek refinancing of the \$250 million in senior notes due in October 2017 prior to maturity of those notes. In the event that the notes are not refinanced, it is the Company's intent to retire the notes using existing liquid assets.

We maintain a \$300 million unsecured revolving credit facility with several banks that expires on October 21, 2019. The facility provides that we may borrow at LIBOR-based rates of interest that vary depending on the level of usage of the facility and our credit ratings. The agreement contains financial covenants with respect to leverage and interest coverage and requires us to pay an annual facility fee on any unused portion. We had no borrowings under our revolving credit facility at January 31, 2017 or at any point during the fiscal quarter. We were in compliance with all debt covenants as of January 31, 2017.

We continue to monitor our liquidity daily. We remain committed to growing our business and returning capital to shareholders. We expect that our main uses of cash will be paying dividends, acquiring shares of our Non-Voting Common Stock, making seed investments in new products and strategic acquisitions, enhancing our technology infrastructure and paying the operating expenses of our business, which are largely variable in nature and fluctuate with revenue and assets under management. We believe that our existing liquid assets, cash flows from operations and borrowing capacity under our existing credit facility are sufficient to meet our current and forecasted operating cash needs. The risk exists, however, that if we need to raise additional capital or refinance existing debt in the future, resources may not be available to us in sufficient amounts or on acceptable terms. Our ability to enter the capital markets in a timely manner depends on a number of factors, including the state of global credit and equity markets, interest rates, credit spreads and our credit ratings. If we are unable to access capital markets to issue new debt, refinance existing debt or sell shares of our Non-Voting Common Stock as needed, or if we are unable to obtain such financing on acceptable terms, our business could be adversely affected.

### ***Recoverability of our Investments***

Our \$705.2 million of investments as of January 31, 2017 consisted of our 49 percent equity interest in Hexavest, positions in Company-sponsored funds and separate accounts entered into for investment and business development purposes, and certain other investments held directly by the Company. Investments in Company-sponsored funds and separate accounts and direct investments by the Company are generally in liquid debt or equity securities and are carried at fair market value. We test our investments, other than equity method investments, for impairment on a quarterly basis. We evaluate our investments in non-consolidated CLO entities and investments classified as available-for-sale for impairment using quantitative factors, including how long the investment has been in a net unrealized loss position, and qualitative factors, including the credit quality of the underlying issuer and our ability and intent to continue holding the investment. If markets deteriorate in the quarters ahead, our assessment of impairment on a quantitative basis may lead us to impair investments in future quarters that were in an unrealized loss position at January 31, 2017.

We test our investments in equity method investees, goodwill and indefinite-lived intangible assets in the fourth quarter of each fiscal year, or as facts and circumstances indicate that additional analysis is warranted. There have been no significant changes in financial condition in the first three months of fiscal 2017 that would indicate that an impairment loss exists at January 31, 2017.

We periodically review our deferred sales commissions and identifiable intangible assets for impairment as events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable.

There have been no significant changes in financial condition in the first three months of fiscal 2017 that would indicate that an impairment loss exists at January 31, 2017.

### ***Operating Cash Flows***

Cash used for operating activities totaled \$39.1 million in the first three months of fiscal 2017, compared to the \$87.2 million of cash provided by operating activities in the first three months of fiscal 2016. The decrease in net cash provided by operating activities year-over-year primarily reflects an increase in net cash used for the purchase of investments in trading securities, partially offset by an increase in the timing differences in the cash settlements of our other assets and liabilities.

### ***Investing Cash Flows***

Cash used for investing activities totaled \$50.4 million in the first three months of fiscal 2017 compared to cash used by investing activities of \$82.5 million in the first three months of fiscal 2016. The decrease in cash used by investing activities year-over-year can be primarily attributed to a decrease in the investing activities of the Company's consolidated CLO entities partially offset by cash paid in acquisition of \$52.0 million and a decrease of \$4.3 million in the net proceeds from purchases and sales of available-for-sale securities. The Company's final consolidated CLO entity was deconsolidated in the fourth quarter of fiscal 2016.

### ***Financing Cash Flows***

Cash used for financing activities totaled \$15.7 million in the first three months of fiscal 2017 compared to cash used for financing activities of \$109.3 million in the first three months of fiscal 2016. In the first quarter of fiscal 2017 we paid \$9.5 million to acquire additional interests in Atlanta Capital and Parametric, repurchased and retired a total of 1.3 million shares of our Non-Voting Common Stock for \$53.6 million under our authorized repurchase programs and issued 2.9 million shares of our Non-Voting Common Stock in connection with the grant of restricted share awards, the exercise of stock options and other employee stock purchases for total proceeds of \$27.7 million. As of January 31, 2017, we have authorization to purchase an additional 7.6 million shares under our current share repurchase authorization and anticipate that future repurchases will continue to be an ongoing use of cash. Our dividends declared per share were \$0.280 in the first quarter of fiscal 2017 compared to \$0.265 per share in the first quarter of fiscal 2016. We currently expect to declare and pay quarterly dividends on our Voting and Non-Voting Common Stock comparable to the dividend declared in the first quarter of fiscal 2017.



## **Contractual Obligations**

We have future obligations under various contracts relating to debt, interest payments and operating leases. During the first three months of fiscal 2017, there were no material changes to our contractual obligations as previously reported in our Annual Report on Form 10-K for the year ended October 31, 2016, except as discussed below.

Related to our acquisition of the Tax Advantaged Bond Strategies (TABS) business in December 2008, we are obligated to make one additional annual contingent payment based on prescribed multiples of TABS's revenue for the twelve months ending December 31, 2016. The Company will make this final contingent payment equal to approximately \$11.6 million in the second quarter of fiscal 2017.

Interests held by non-controlling interest holders of Atlanta Capital and Parametric are not subject to mandatory redemption. The purchase of non-controlling interests is predicated on the exercise of a series of puts held by non-controlling interest holders and calls held by us. The puts provide the non-controlling interest holders the right to require us to purchase these retained interests at specific intervals over time, while the calls provide us with the right to require the non-controlling interest holders to sell their retained equity interests to us at specified intervals over time, as well as upon the occurrence of certain events such as death or permanent disability. As a result, there is significant uncertainty as to the timing of any non-controlling interest purchase in the future. Non-controlling interests are redeemable at fair value or based on a multiple of earnings before interest and taxes of the subsidiary, which is a measure that is intended to represent fair value. As a result, there is significant uncertainty as to the amount of any non-controlling interest purchase in the future. Although the timing and amounts of these purchases cannot be predicted with certainty, we anticipate that the purchase of non-controlling interests in our consolidated subsidiaries may be a significant use of cash in future years.

We have presented all redeemable non-controlling interests at redemption value on our Consolidated Balance Sheet as of January 31, 2017. We have recorded the current quarter change in the estimated redemption value of non-controlling interests redeemable at fair value as a component of additional paid-in capital and have recorded the current quarter change in the estimated redemption value of non-controlling interests redeemable at other than fair value (non-controlling interests redeemable based on a multiple of earnings before interest and taxes of the subsidiary) as a component of net income attributable to non-controlling and other beneficial interests. Based on our calculations, the estimated redemption value of our non-controlling interests, redeemable at either fair value or other than fair value, totaled \$149.4 million on January 31, 2017 compared to \$109.0 million on October 31, 2016.

Redeemable non-controlling interests as of January 31, 2017 consisted of third-party investors' ownership in consolidated investment funds of \$71.4 million, non-controlling interests in Parametric issued in conjunction with the Clifton acquisition of \$6.9 million, non-controlling interests in Parametric issued in conjunction with the Parametric Risk Advisors final put option of \$12.1 million and profit interests granted under the long-term incentive plans of Parametric and Atlanta Capital of \$36.6 million and \$19.8 million, respectively, all of which are redeemable at fair value. Redeemable non-controlling interests as of January 31, 2017 also included non-controlling interests in Atlanta Capital redeemable at other than fair value of \$12.6 million. Redeemable non-controlling interests as of October 31, 2016 consisted of third-party investors' ownership in consolidated investment funds of \$24.5 million, non-controlling interests in Parametric issued in conjunction with the Clifton acquisition of \$13.9 million, non-controlling interests in Parametric issued in conjunction with the Parametric Risk Advisors final put option of \$12.1 million and profit interests granted under the long-term incentive plans of Parametric and Atlanta Capital of \$36.4 million and \$19.6 million, respectively, all of which are redeemable at fair value. Redeemable non-controlling interests as of October 31, 2016 also included non-controlling interests in Atlanta Capital redeemable at other than fair value of \$2.6 million.

## **Foreign Subsidiaries**

We consider the undistributed earnings of certain of our foreign corporations to be indefinitely reinvested in foreign operations as of January 31, 2017. Accordingly, no U.S. income taxes have been provided thereon. As of January 31, 2017, the Company had approximately \$51.4 million of undistributed earnings in certain Canadian, United Kingdom, Australian and Japanese foreign corporations that are not available to fund domestic operations or to distribute to shareholders unless repatriated. Repatriation would require the Company to accrue and pay U.S. corporate income taxes. The unrecognized deferred income tax liability on these un-repatriated funds, or temporary difference, is estimated to be \$6.3 million at January 31, 2017. The

Company does not intend to repatriate these funds, has not previously repatriated funds from these entities and has the financial liquidity to permanently leave these funds offshore.

### **Off-Balance Sheet Arrangements**

We do not invest in any off-balance sheet vehicles that provide financing, liquidity, market or credit risk support or engage in any leasing activities that expose us to any liability that is not reflected in our Consolidated Financial Statements.

### **Critical Accounting Policies**

There have been no updates to our critical accounting policies from those disclosed in Management's Discussion and Analysis of Financial Condition in our Form 10-K for the fiscal year ended October 31, 2016.

### **Accounting Developments**

See Note 2, "New Accounting Standards Not Yet Adopted," in Item 1, "Consolidated Financial Statements."

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

There have been no material changes in our Quantitative and Qualitative Disclosures About Market Risk from those previously reported in our Form 10-K for the year ended October 31, 2016.

### **Item 4. Controls and Procedures**

We evaluated the effectiveness of our disclosure controls and procedures as of January 31, 2017. Disclosure controls and procedures are designed to ensure that the information we are required to disclose in the reports that we file or

submit under the Exchange Act is recorded, processed, summarized and reported within the time period specified in the SEC's rule and forms. Disclosure controls and procedures include, without limitation, controls and procedures accumulated and communicated to our management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), to allow timely decisions regarding required disclosure. Our CEO and CFO participated in this evaluation and concluded that, as of January 31, 2017, our disclosure controls and procedures were effective.

There have been no changes in our internal control over financial reporting that occurred during the first quarter of our fiscal year ended October 31, 2017 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Part II - Other Information****Item 1. Legal Proceedings**

There have been no material developments in litigation previously reported in our SEC filings.

**Item 1A. Risk Factors**

There have been no material changes to our Risk Factors from those previously reported in our Form 10-K for the year ended October 31, 2016.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

The table below sets forth information regarding purchases of our Non-Voting Common Stock on a monthly basis during the first quarter of fiscal 2017:

**Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

| <b>Period</b> | (a)<br>Total<br>Number of<br>Shares<br>Purchased | (b)<br>Average<br>Price Paid<br>Per Share | (c)<br><b>Total Number of<br/>Shares Purchased<br/>as Part of Publicly<br/>Announced Plans<br/>or Programs<sup>(1)</sup></b> | (d)<br>Maximum Number<br>of Shares That May<br>Yet Be Purchased<br>Under the Plans<br>or Programs |
|---------------|--|---|--|---|
| November 2016 | 372,272  | \$ 34.84                                  | 372,272  | 2,547,708   |
| December 2016 | 402,549  | \$ 41.94                                  | 402,549  | 2,145,159   |
| January 2017  | 553,343  | \$ 42.92                                  | 553,343  | 7,621,182   |
| Total         | 1,328,164  | \$ 40.36                                  | 1,328,164  | 7,621,182   |

(1)

*We announced a share repurchase program on January 13, 2016, which authorized the repurchase of up to 8,000,000 shares of our Non-Voting Common Stock in the open market and in private transactions in accordance with applicable securities laws. This repurchase plan was terminated on January 11, 2017. A total of 6,029,366 shares were repurchased under the plan prior to termination.*

*We announced a share repurchase program on January 11, 2017, which authorized the repurchase of up to 8,000,000 shares of our Non-Voting Common Stock in the open market and in private transactions in accordance with applicable securities laws. This repurchase plan is not subject to an expiration date.*

**Item 6. Exhibits**

(a)

**Exhibits**

| <b>Exhibit No.</b> | <b>Description</b>  |
|--------------------|---|
| 31.1               | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002  |
| 31.2               | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002  |
| 32.1               | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002   |
| 32.2               | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002   |
| 101                | Materials from the Eaton Vance Corp. Quarterly Report on Form 10-Q for the quarter ended January 31, 2017, formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Stockholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) related Notes to the Consolidated Financial Statements, tagged in detail (furnished herewith). |



**Signatures**

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

EATON VANCE CORP.  
(Registrant)

DATE: March 8, 2017 /s/ Laurie G. Hylton  
(Signature)  
Laurie G. Hylton  
Chief Financial Officer

DATE: March 8, 2017 /s/ Julie E. Rozen  
(Signature)  
Julie E. Rozen  
Chief Accounting Officer