

# Evergreen

INVESTMENTS  
THAT STAND  
THE TEST OF TIME



## Utilities and High Income Fund (ERH)

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Mutual funds:

NOT FDIC INSURED	NOT BANK GUARANTEED	MAY LOSE VALUE
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## Why add a utility sector fund to a client's portfolio?

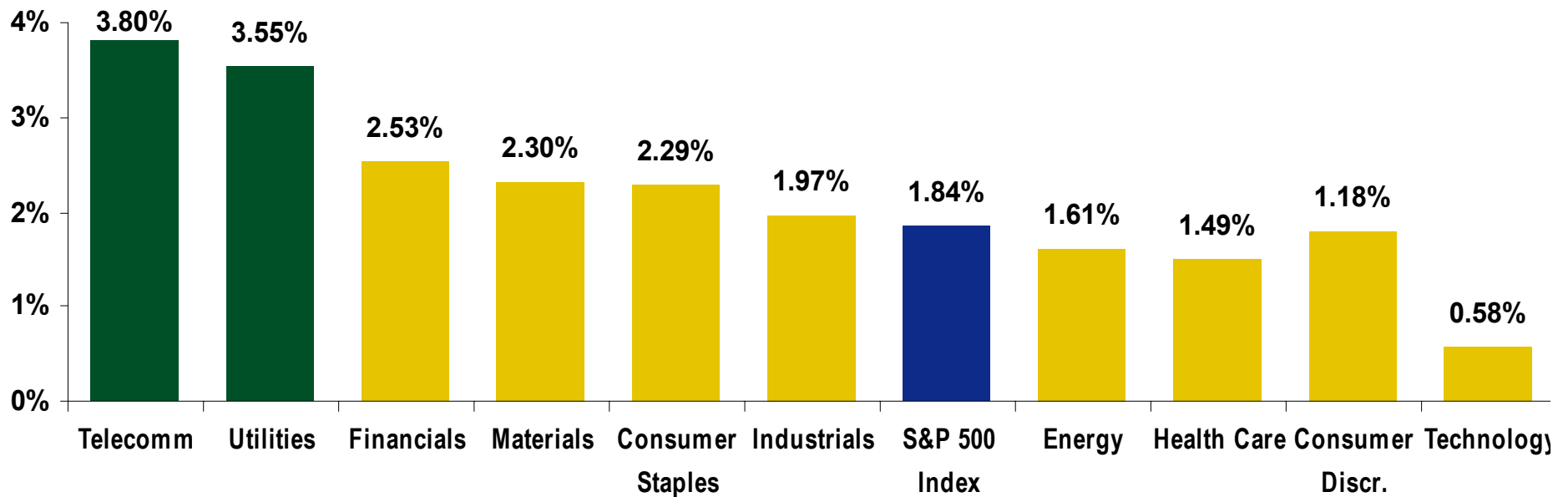
- Potential for attractive, tax-advantaged yields
- Strong fundamentals
- Key diversification benefits



## Why add a utility sector fund to a client's portfolio?

- The utility sector has historically provided nearly twice the yield of the S&P 500
- Allows the investment team to avoid “stretching for yield”

### Dividend yield for S&P 500 index sectors



Source: Factset, 2005

**Past performance is not indicative of future results.** Index returns do not include the effects of sales charges, fees, expenses, and or taxes. It is not possible to invest directly in an index.



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## Why add a utility sector fund to a client's portfolio?

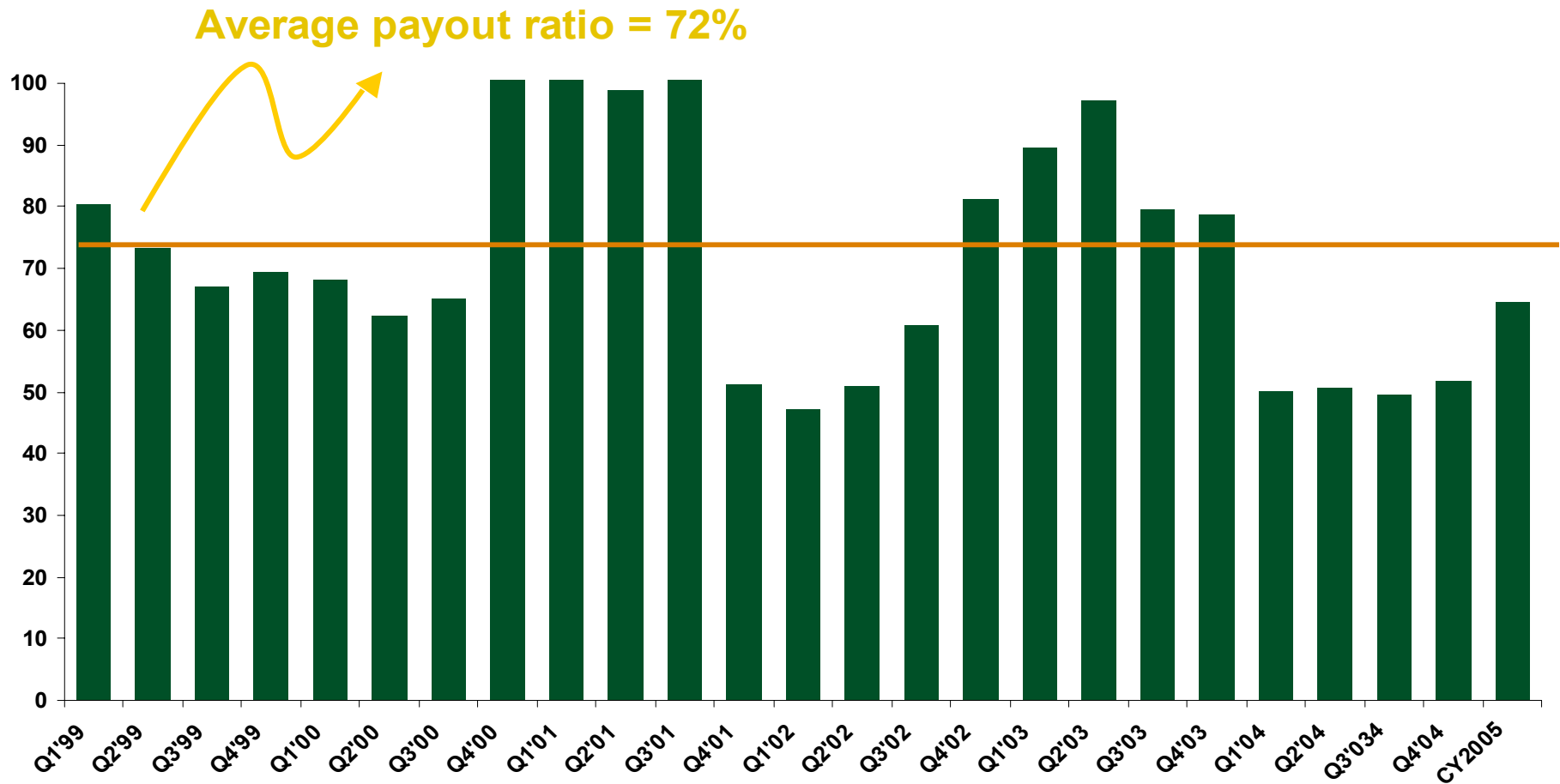
### **We believe the sector is displaying strong fundamentals**

- Reduced financial leverage
- Back-to-basics movement has reduced business risk
- Valuations are reasonable
- Favorable regulatory environment for utility companies
- Current industry dividend payouts are reasonable and may indicate future growth



# Dividend payout ratios historically low

Average dividend payout ratio of utility companies



Source: S&P

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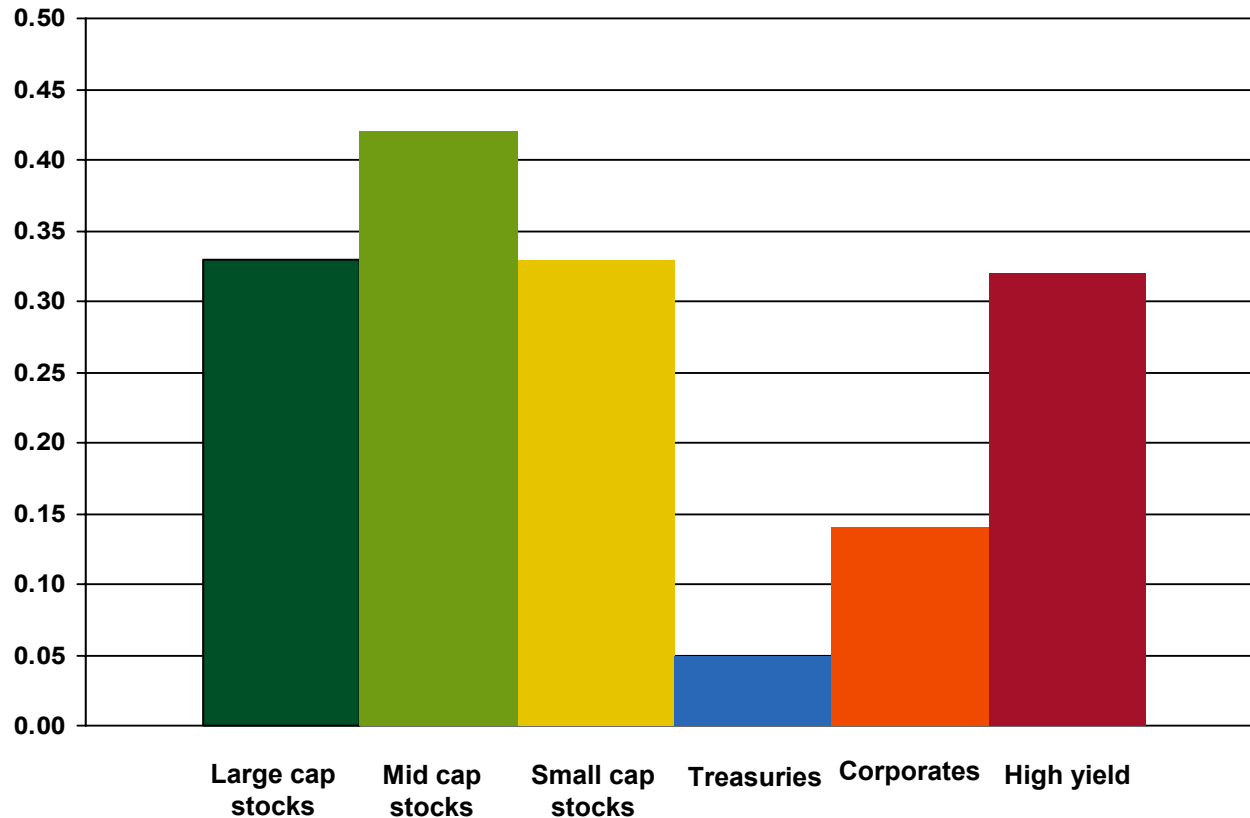


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## Why add a utility sector fund to a client's portfolio?

- A good diversifying source of total returns

### Correlations (10 years ending 12/31/05)



Correlation measures the degree to which the performance of two asset classes is related. Typically a correlation of 0.80 and above is considered to indicate a strong relationship. The higher the correlation the less the potential diversification benefits from combining the assets.

Source: MPI Stylus. Large cap = S&P 500 Index; Mid cap = S&P 400 Index; Small cap = S&P 600 Index; Treasuries = Merrill Lynch Treasury Master; Corporates = Merrill Lynch Corporate Master; High Yield = Merrill Lynch High Yield Master

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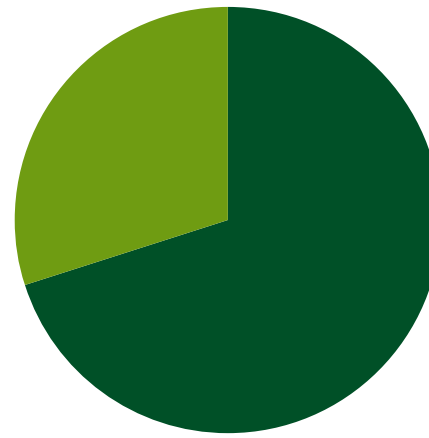


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# Evergreen Utilities and High Income Fund

## Unique approach

- Combination of utilities and high yield provides increased yield stability versus investing in a single sector
- Overall portfolio risk is substantially reduced versus pure sector fund
- Currently 47% of leverage costs hedged through interest rate swaps<sup>1</sup>
- 65% to 75% of yield qualifies for 15% tax rate<sup>2</sup>



- Utility & Telecom 70%
- High Yield 30%

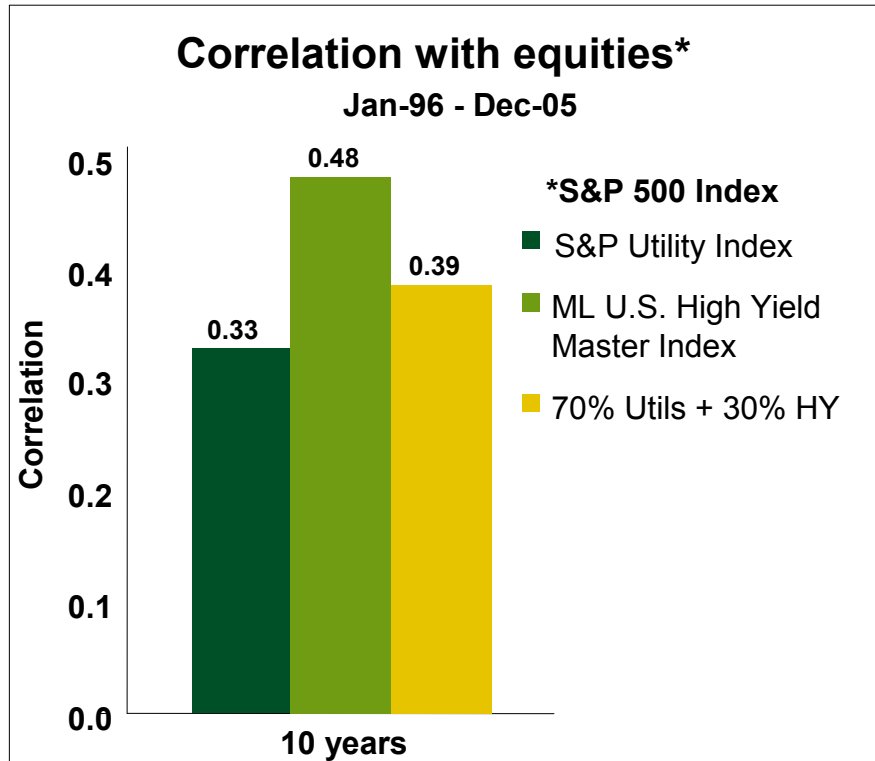
<sup>1</sup>As of 12/31/05

<sup>2</sup>For 2005, 72% of the fund's yield qualified for 15% tax rate

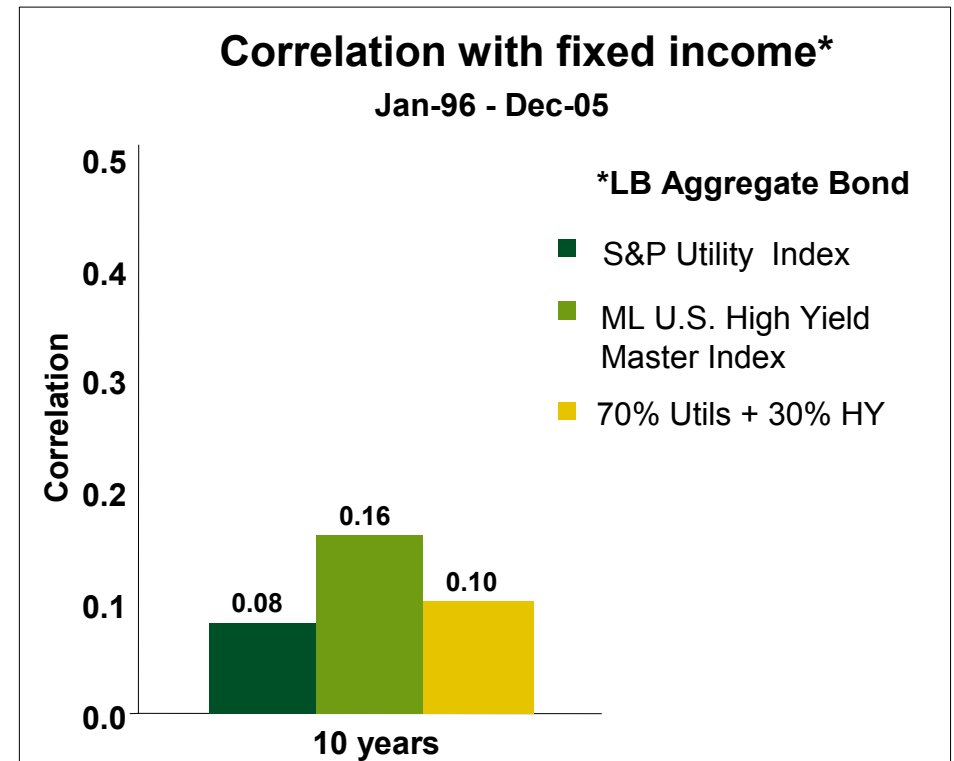


# Evergreen Utilities & High Income Fund

## Key diversification benefits



Created with MPI Stylus™ (Data: Lipper)



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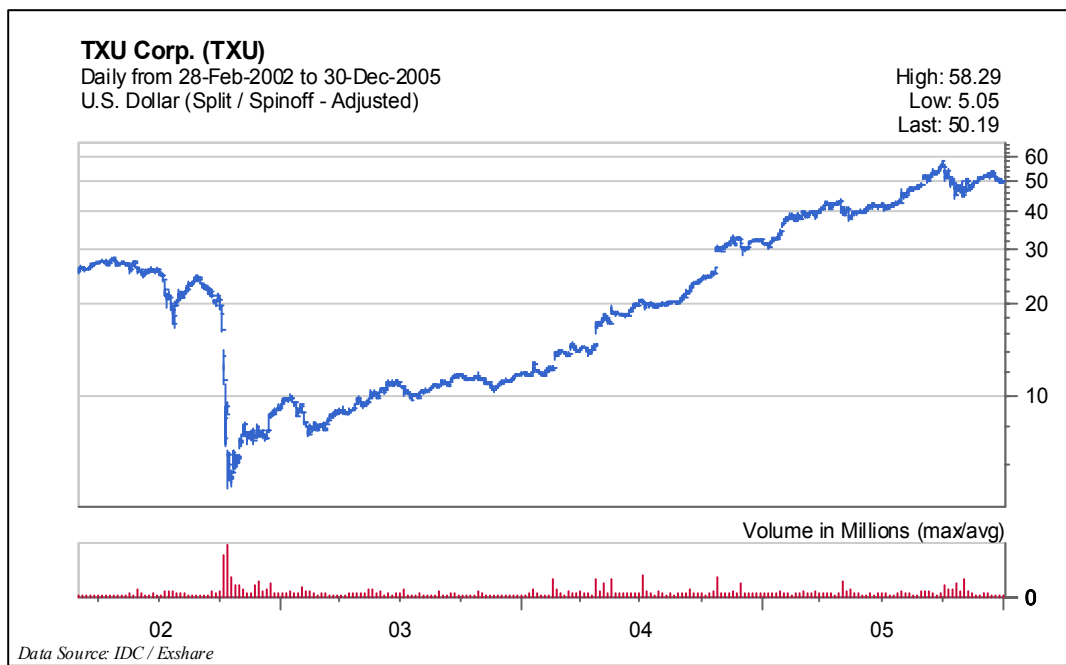
## Investment strategy

- Balanced approach between yield and total return
  - We believe this approach allows management to avoid having to stretch for yield
- Blend of top-down perspective and bottom-up selection
  - We believe this approach provides management with the ability to capture investment “value-add” through security selection
- We believe a rigorous sell discipline is key to performance consistency



# Texas Utilities [ TXU ]

- Leading energy retailer in Texas
- \$2.6 million customers



- Failed European expansion created opportunity
- Minimal downside risk after dividend cut
- Intelligent use of cash to pay down debt, buy stock

Any discussion of individual securities is not a recommendation to buy or sell.



## Foreign utilities have provided diversification and a yield advantage

- Current higher yields than U.S. markets
- Historically faster growth rates
- Diverse operating and regulatory environments
- Dividend capture opportunities

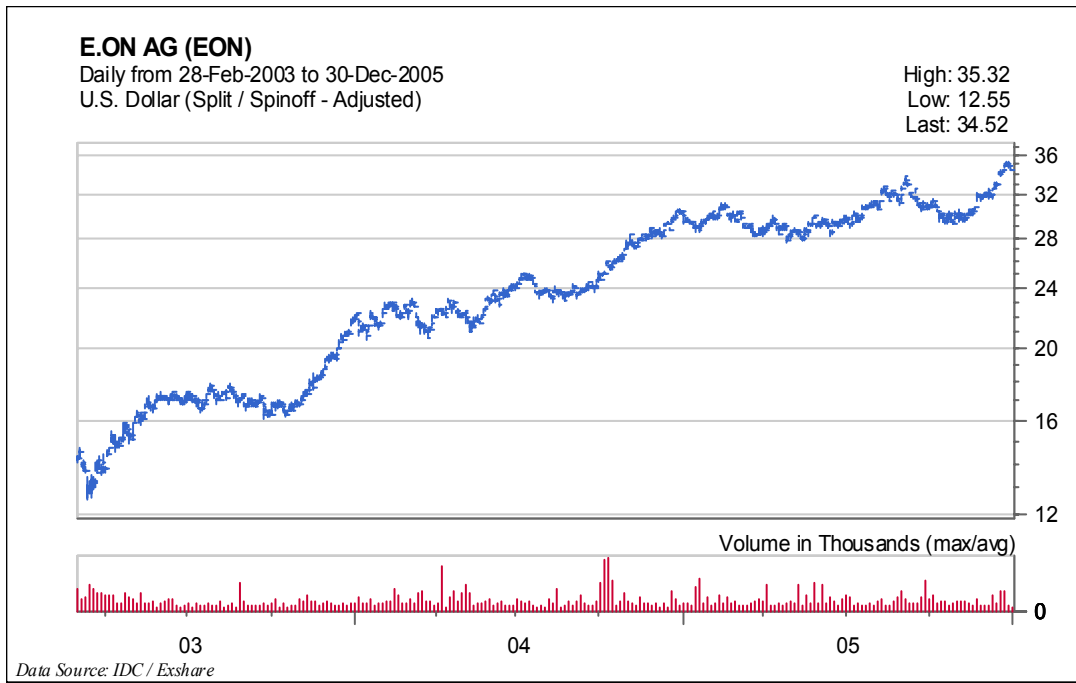
Past performance is not indicative of future results. Information as of 12/31/05 and subject to change.



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# EON [ EON.AG ]

- Largest German electric company



- Earnings growth of 10%
- Attractive dividend yield
- New emissions regulations provide net benefit

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## Sell discipline is key

- Deteriorating fundamental outlook
- Valuation becomes excessive
- Relative strength deteriorates
- Opportunity to “trade up”
- Position exceeds 5%

**20% price drop = “sell & time out”**

Parameters represent current management philosophy and are subject to change.



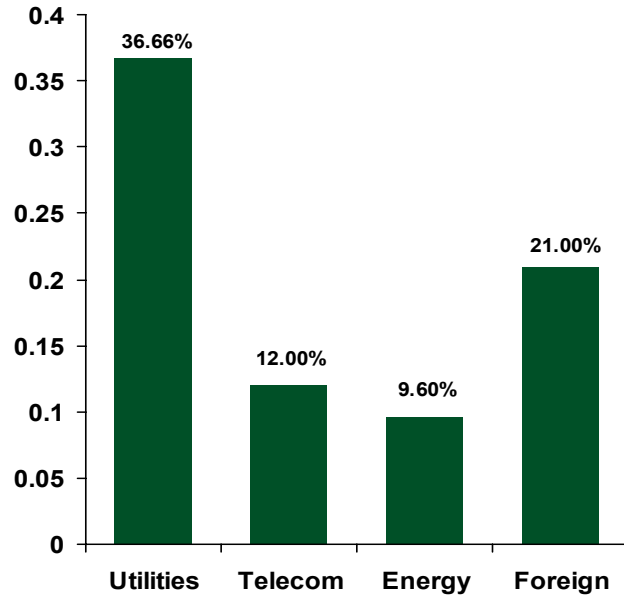
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# Evergreen Utility & High Income Fund

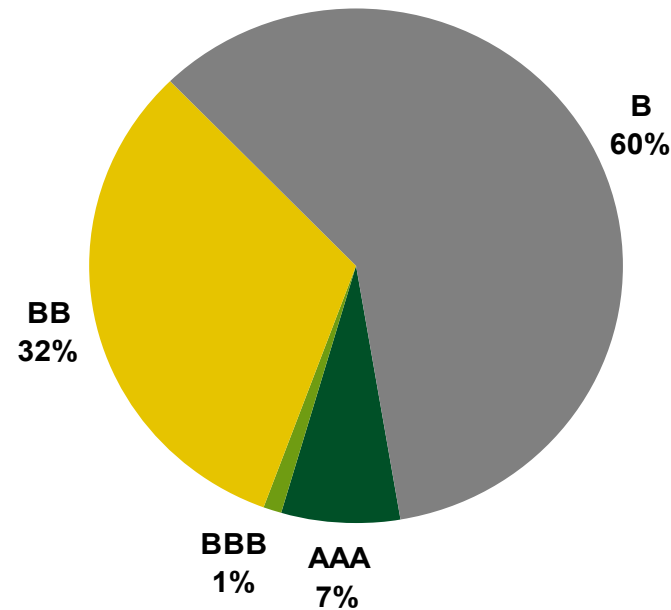
Leverage:	31.5%
% of leverage hedged:	47.1%

Performance as of March 31, 2006 (%)			
	3-month	1-year	Since Inception 4/28/04
@NAV	3.41	19.18	24.18
@MKT	11.42	34.14	21.47

Utility sector allocations



High-yield credit quality allocations



<sup>1</sup> as of December 2005.

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## Why add Evergreen Utility & High Income Fund to a client's portfolio?

- One of the most experienced utility investment managers—with more than 22 years of experience in the sector
- Investment process employs a balanced approach between yield and total return
- Above-average yield
- Competitive performance

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## Top 10 holdings as of 12/31/05

Southwestern Energy	5.51%
TXU Corp.	5.29
Exelon	3.43
DPL Inc.	3.36
Entergy	3.33
Snam Retegas spA	2.65
BellSouth	2.63
Global Signal	2.58
FirstEnergy	2.37
Crosstex Energy	2.34



## Disclosure

Closed-end funds do not continuously offer shares for sale. The shares trade on the secondary market after the initial public offering. A closed-end fund is not required to buy its shares back from investors upon request. Like other securities, share prices will fluctuate with market conditions and at the time of sale may be worth more or less than the original investment.

Investment return and principal value of an investment will fluctuate so that investors' shares, when sold, may be worth more or less than their original costs. The fund has issued preferred shares and, in addition, may borrow, which creates leverage. The use of leverage results in certain risks including, among others, the likelihood of greater volatility of net asset value and the market price of common shares. Foreign investments may contain more risk due to the inherent risks associated with changing political climates, foreign market instability and foreign currency fluctuations. Funds that concentrate their investments in a single industry or sector may face increased risk of price fluctuation over more diversified funds due to adverse developments within that industry or sector. Non-diversified funds may face increased risk of price fluctuation over more diversified funds due to adverse developments within certain sectors. High yield, lower-rated bonds may contain more risk due to the increased possibility of default. The return of principal is not guaranteed due to fluctuation in the fund's NAV caused by changes in the price of individual bonds held by the fund and the buying and selling of bonds by the fund. Bond funds have the same inflation, interest rate and credit risks as individual bonds. Generally, the value of bond funds rise when prevailing interest rates fall, and fall when interest rates rise. U.S. government guarantees apply only to certain securities held in the fund's portfolio and not to the fund's shares. value of the fund.

AN INVESTOR SHOULD CONSIDER THE FUND'S INVESTMENT OBJECTIVES, RISKS, CHARGES AND EXPENSES CAREFULLY BEFORE INVESTING OR SENDING MONEY. THIS AND OTHER IMPORTANT INFORMATION ABOUT THE INVESTMENT COMPANY CAN BE FOUND IN THE FUND'S PROSPECTUS. TO OBTAIN A PROSPECTUS, PLEASE CALL EVERGREEN'S INVESTMENT SERVICES CENTER AT 800.343.2898 OR VISIT [EVERGREENINVESTMENTS.COM](http://EVERGREENINVESTMENTS.COM). PLEASE READ THE PROSPECTUS CAREFULLY BEFORE INVESTING.

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