July 7, 2000

Monthly Mutual Fund Report

Statistics for May 2000

Sales and Redemptions

Total assets for all funds decreased $132.5 billion, or 1.9 percent, to $6.9 trillion in May. Net new cash flow into long-term mutual funds, the dollar value of net new sales and net exchanges, was $9.6 billion, compared to $25.6 billion in April. New sales, the purchase of new shares excluding reinvested dividends, were $114.7 billion in May, down from $140.3 billion in April. The value of assets depreciated by $146.8 billion in May, compared with an increase of $291.9 billion in April.

Total assets of **equity funds** decreased by $143.7 billion, or 3.4 percent, to $4.1 trillion. The net new cash flow was $16.9 billion during May, compared with the inflow of $34.0 billion in April. The market value of assets depreciated by $162.4 billion. Year-to-date cash flows are $188.3 billion. During the same period in 1999, cash flows were $71.4 billion.

Total assets for **hybrid funds**, which invest in a mix of stocks and bonds, decreased 2.9 percent, or $10.5 billion, to $349.3 billion. There was a net cash outflow from these funds of $2.1 billion in May. Year-to-date, their net cash outflow has been $21.2 billion compared to an outflow of $1.9 billion during the same period in 1999.

Bond funds experienced a cash outflow of $5.2 billion in May, as their total assets fell $4.7 billion, to $776.3 billion. The market value of bond funds= assets decreased by $2.0 billion, after adjusting for net sales and reinvested dividends. The assets of taxable bond funds decreased 0.3 percent, and the assets of tax-exempt funds fell 1.3 percent.

Assets of taxable and tax-exempt **money market funds** increased $26.5 billion, to $1.7 trillion, an increase of 1.3 percent for taxable money market funds and 3.9 percent for tax-exempt funds.

Liquidity Ratio

The liquidity ratio increased for both equity, and bond and hybrid funds during April. The ratio for bond and hybrid funds increased to 4.3 from 4.28 percent, while the ratio for equity funds increased to 5.2 from 4.9 percent (figure 4).

Weekly Flows

In June, there were consistent inflows to equity funds of 0.9 percent of assets with monthly returns of 4.3 percent. The consistent outflow of capital from bond funds over the last eight months ended with small inflows during the first three weeks of June, though these were negated by outflows of equal value the last two weeks of the month. Monthly returns to bond funds were 1.8 percent of total assets.

Index funds had inflows of 0.2 percent and returns of 10.6 percent. There were inflows to small-cap funds of 1.3 percent and returns of 5.4 percent.

Performance and net sales of the aggregate of international funds was similar to domestic sectors, with inflows of 1.4 percent and returns of 5.6 percent. There was variation among the international sectors with outflows from Latin America funds of 0.3 percent and returns of 10.0 percent. Inflows to Japan funds were 6.7 percent with returns of 7.3 percent. Pacific funds had monthly outflows of 3.5 percent and returns of 25.9 percent of total assets.

Capital Market Returns and Volatility

The S&P 500 ended June at 1454.6, an increase of 2.4 percent from the beginning of the month. The 12-month return was 5.8 percent at month-end. The annualized volatility for the daily return on the S&P 500 was 21.1 percent.

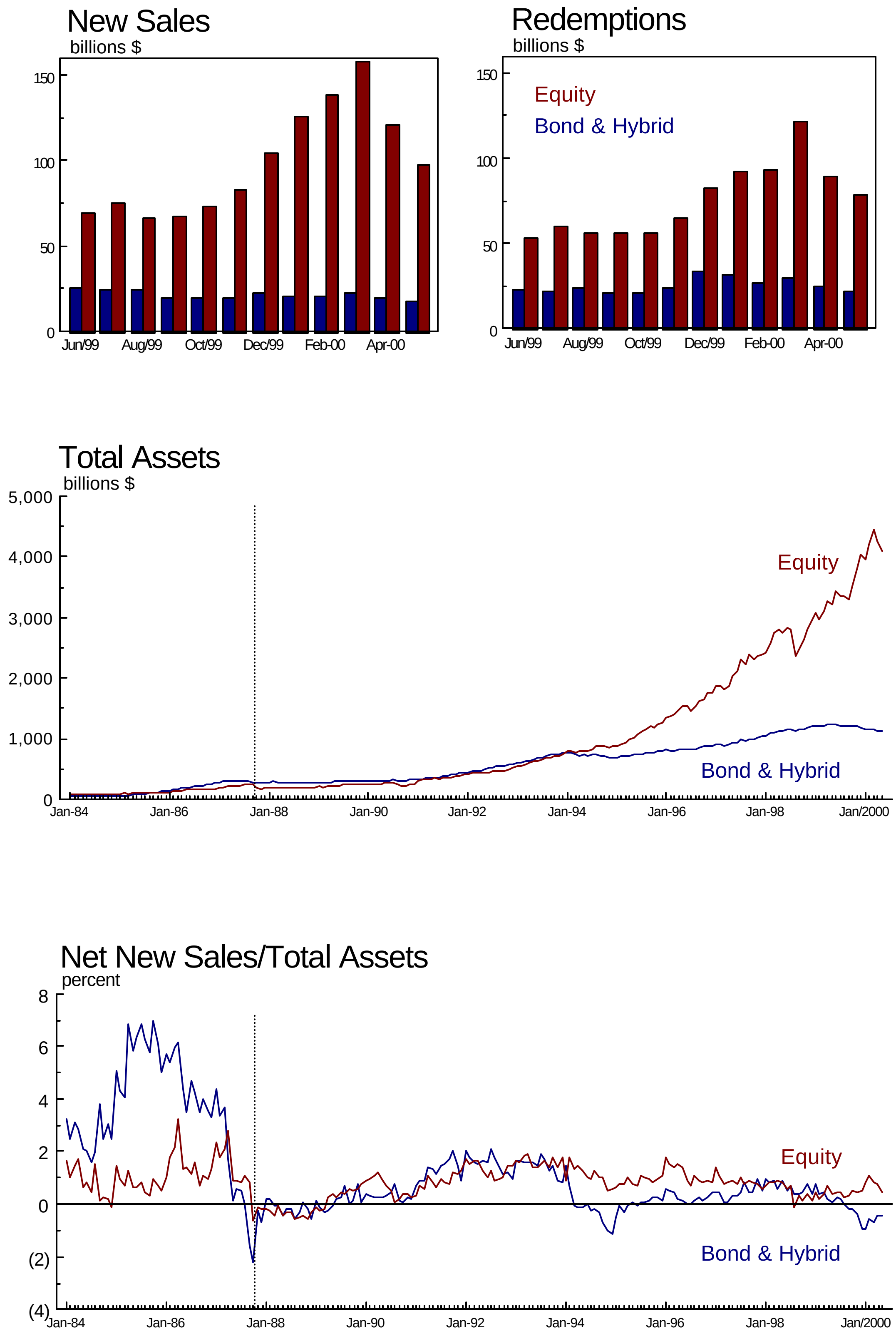
The 12-month average return on the Salomon Brothers Bond Index was 4.5 percent for June. Volatility increased to 2.8 percent from 2.2 percent in May (figure 8).

Price-Earnings Ratio

The macro projections for the growth of earnings of the Standard and Poor's 500 index over the next two years have declined to 3.0 percent, below its historical average of 6.7 percent annual growth. The trailing price-earnings ratio increased to 29.5 for the second quarter from 27.8 in the first quarter. The four-quarter forward price to operating earnings ratio, however, fell during the second quarter to 23.9 from 25.2 in the previous quarter.

For more information please contact Richard Brauman (617) 973-3198

Figure 1
Sales of Mutual Funds



Source: Investment Company Institute

Figure 2

Composition of Mutual Funds' Financial Assets

(percent of Total Financial Assets)

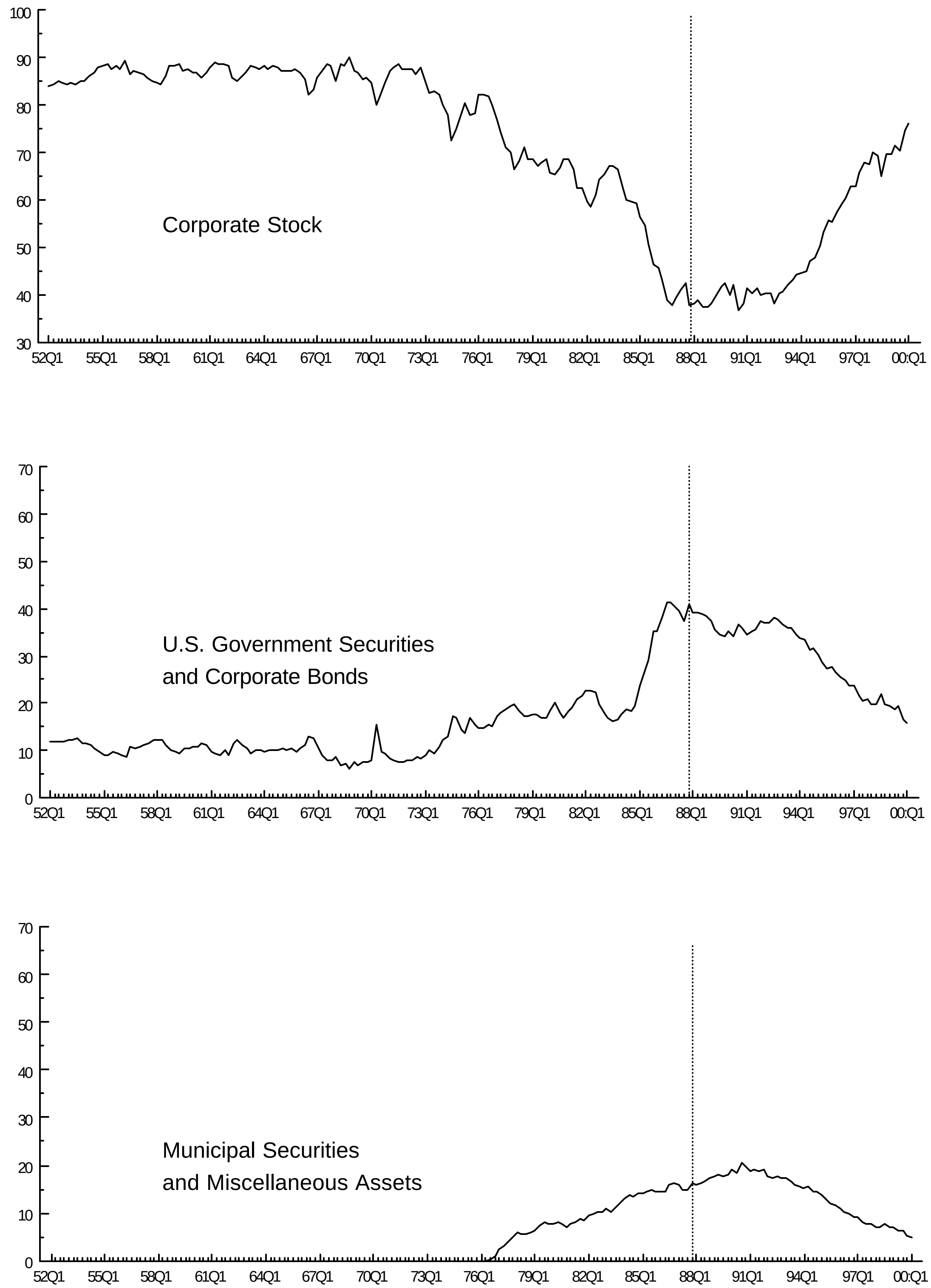


Figure 3

Net Portfolio Purchases

(percent of Total Assets)

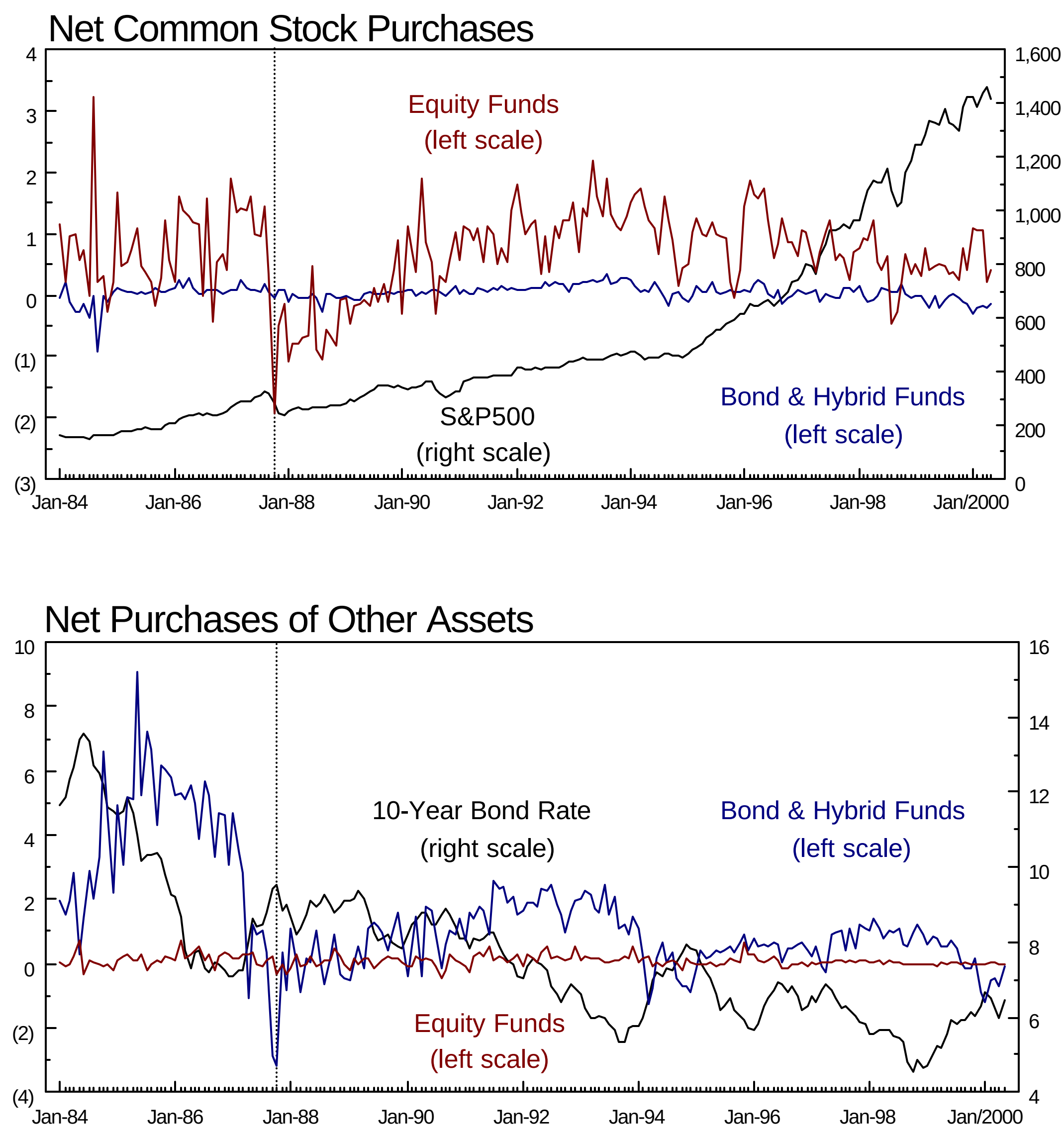
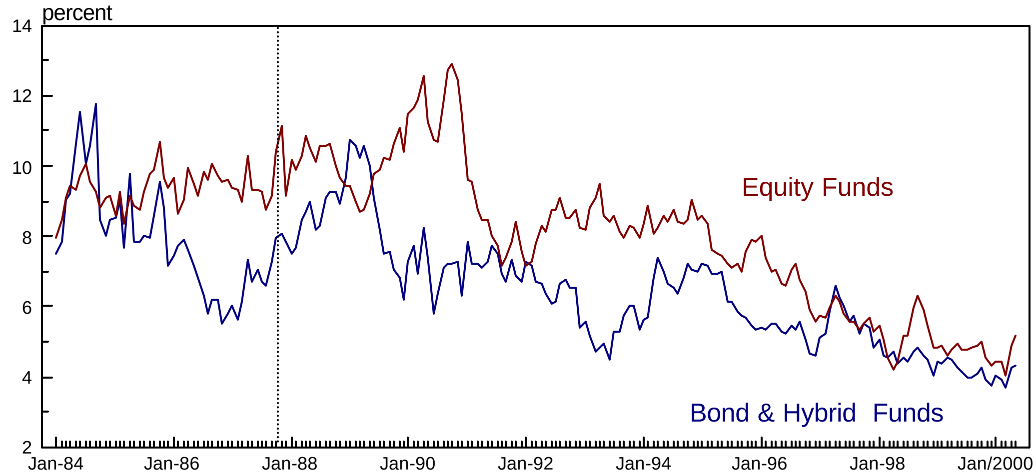
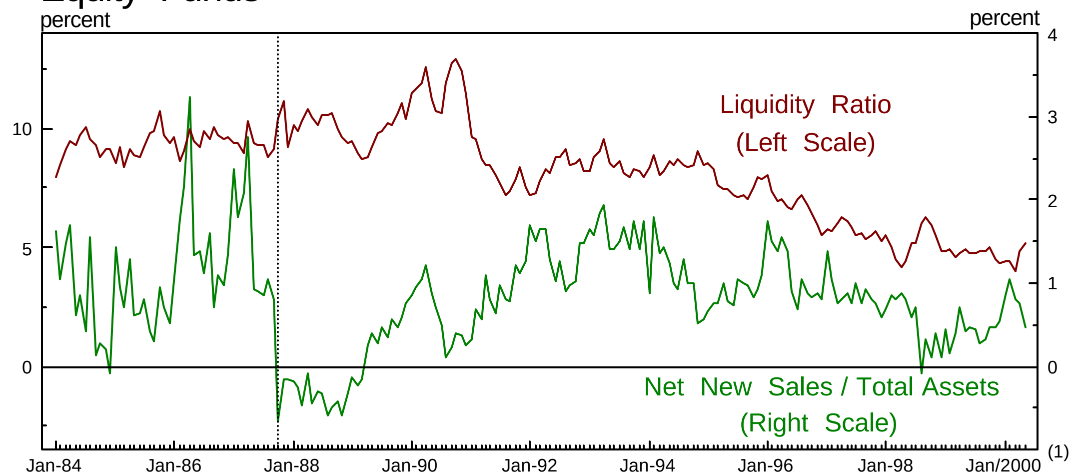


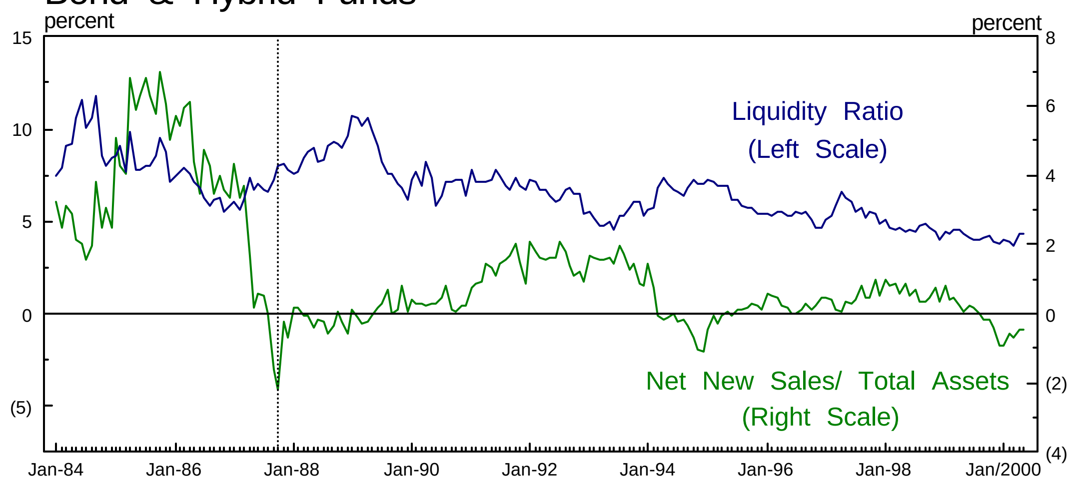
Figure 4
Liquidity Ratio*



Equity Funds



Bond & Hybrid Funds



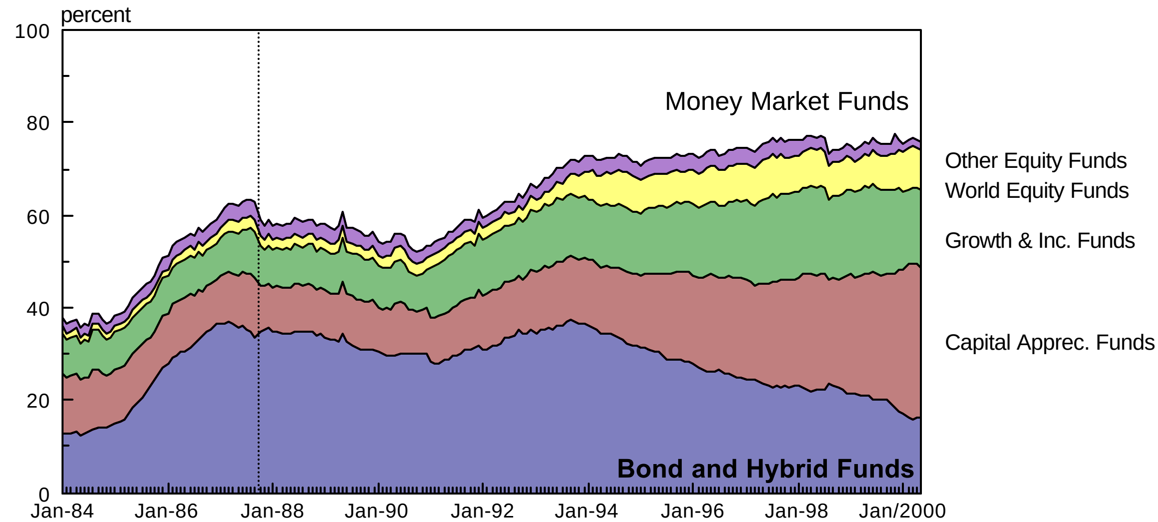
Source: Investment Company Institute

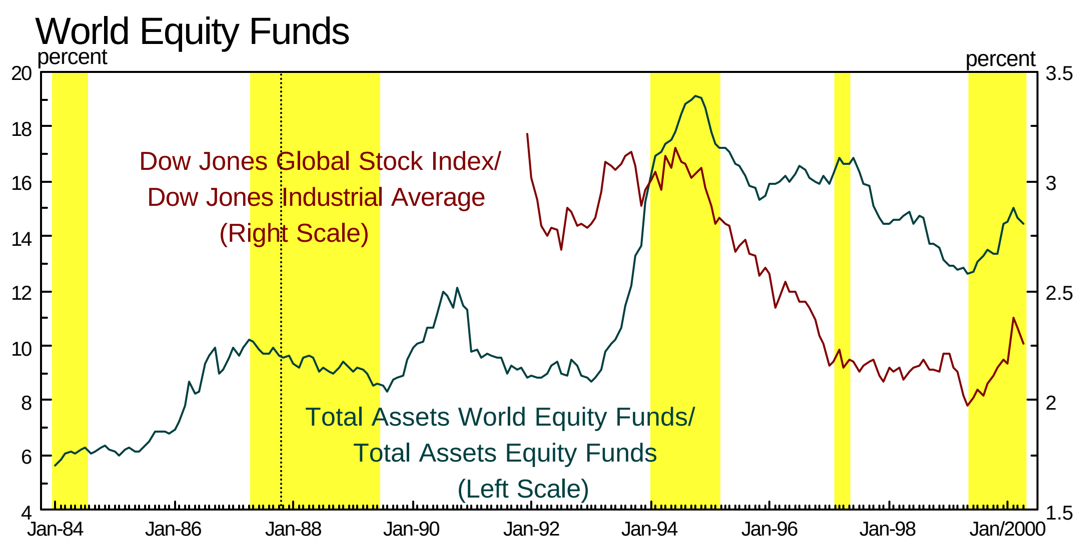
*The Liquidity Ratio is the Percent of Total Assets held in Cash and Short-Term Securities.

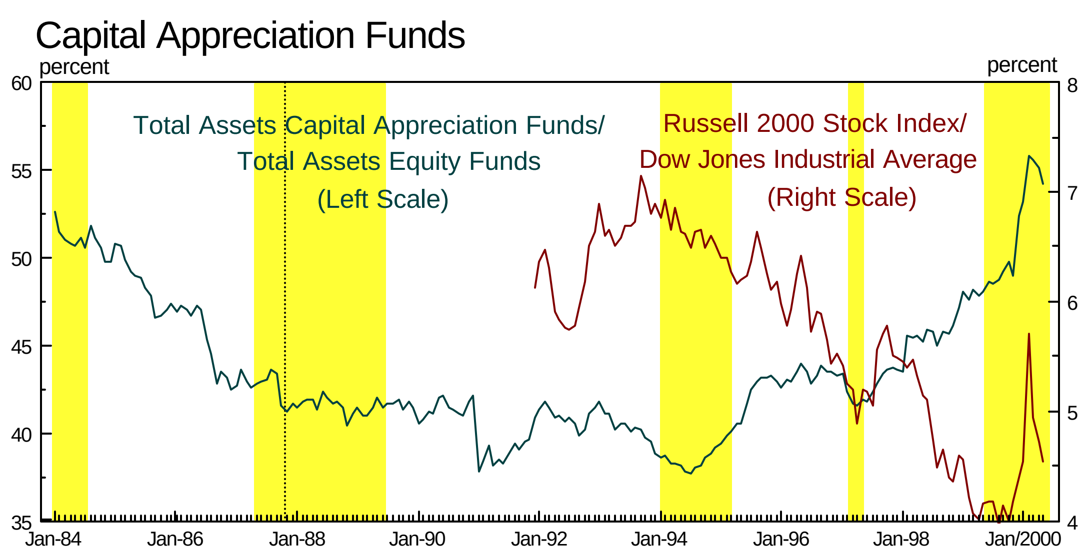
Figure 5

Industry Composition

(Shaded Regions Indicate Periods of Rising Fed Funds Rate)





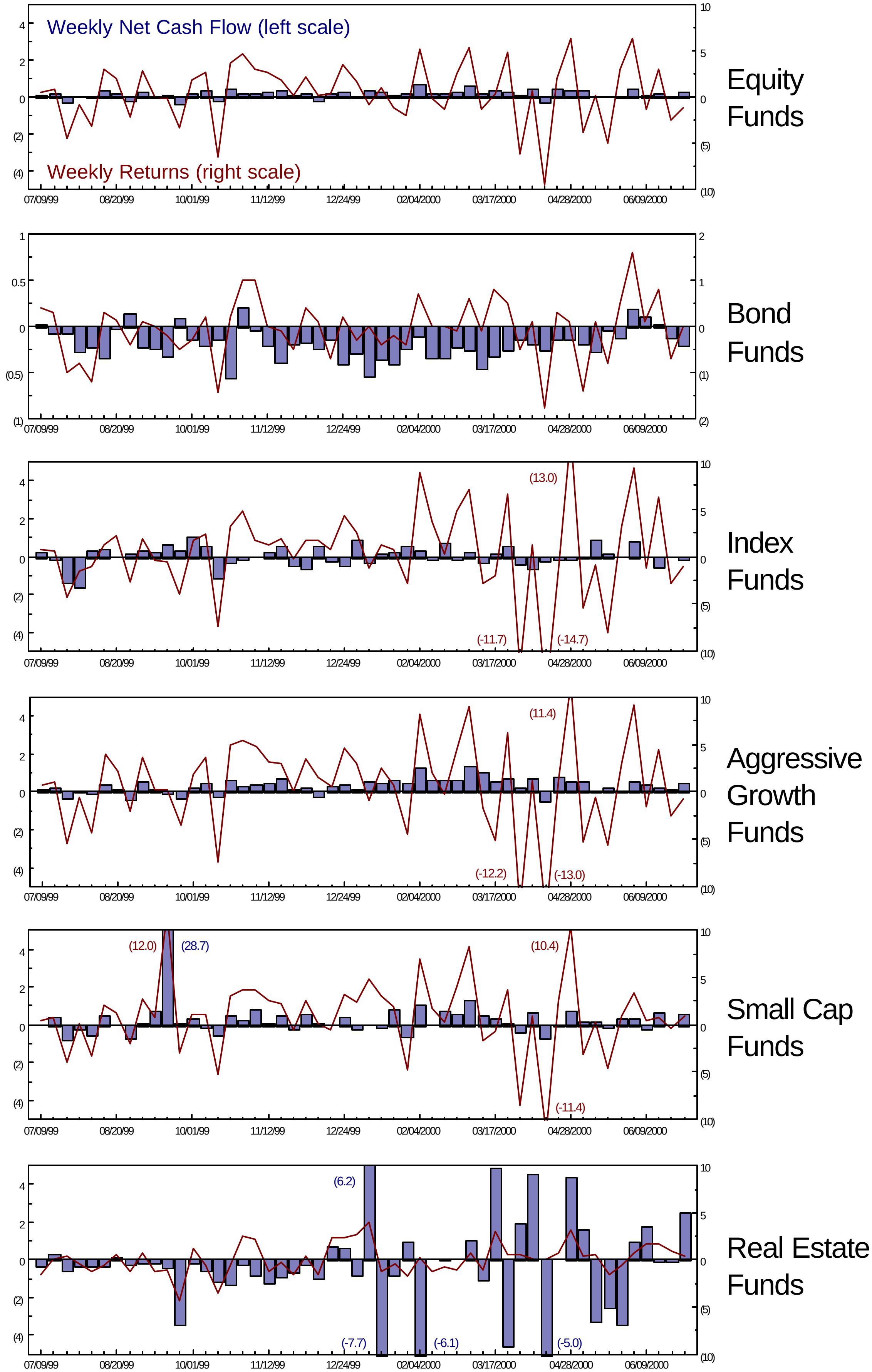


Source: Investment Company Institute

Figure 6a

Weekly Flows into Mutual Funds

(percent of Total Assets)

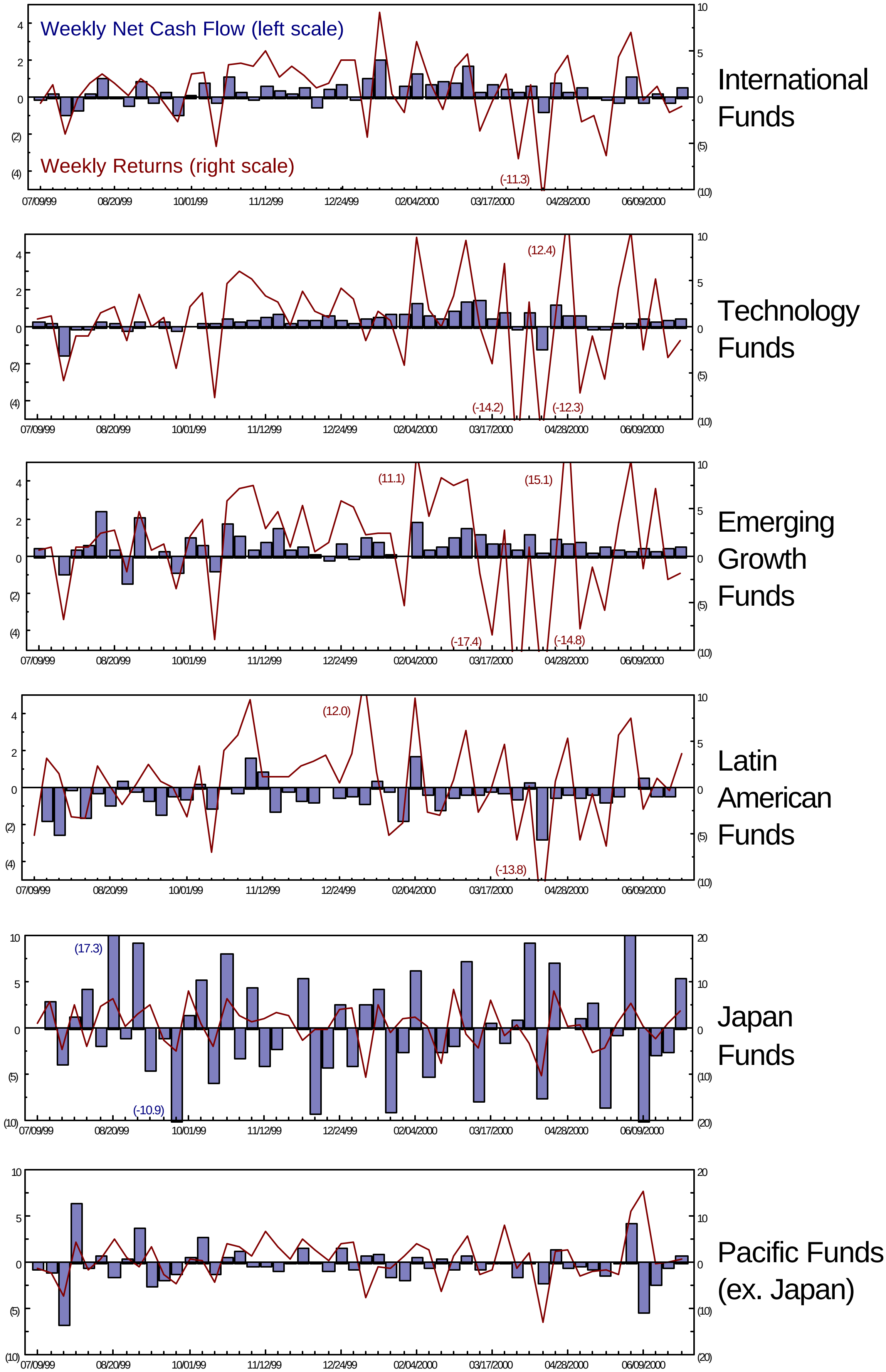


Source: Mutual Fund Trim Tabs

Figure 6b

Weekly Flows into Mutual Funds

(percent of Total Assets)

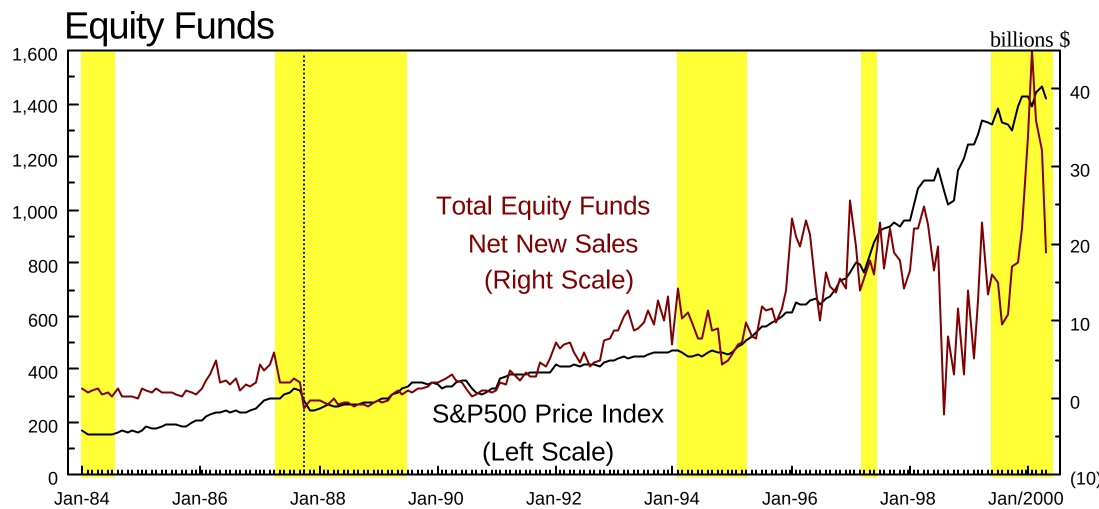


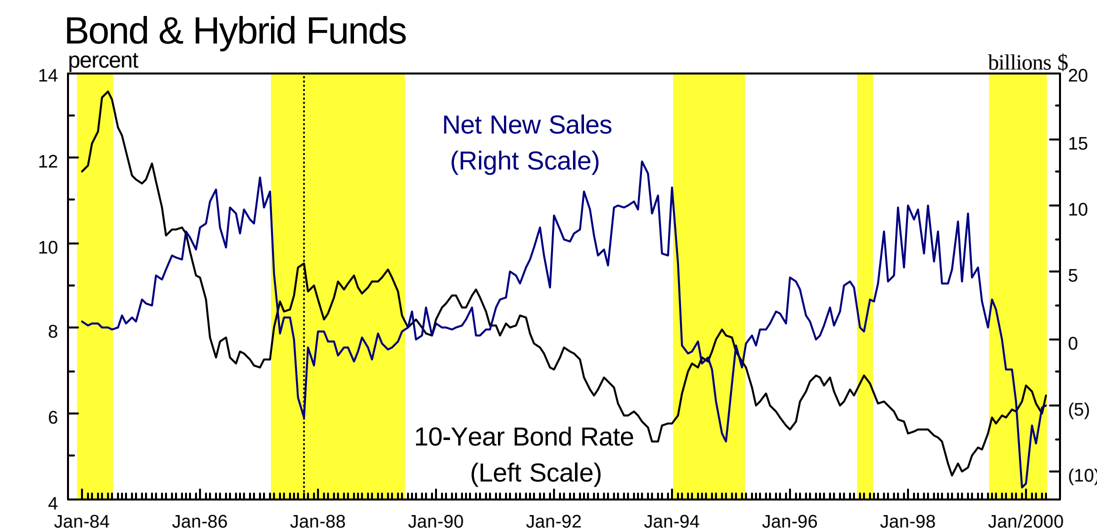
Source: Mutual Fund Trim Tabs

Figure 7

Net New Sales By Investment Objective

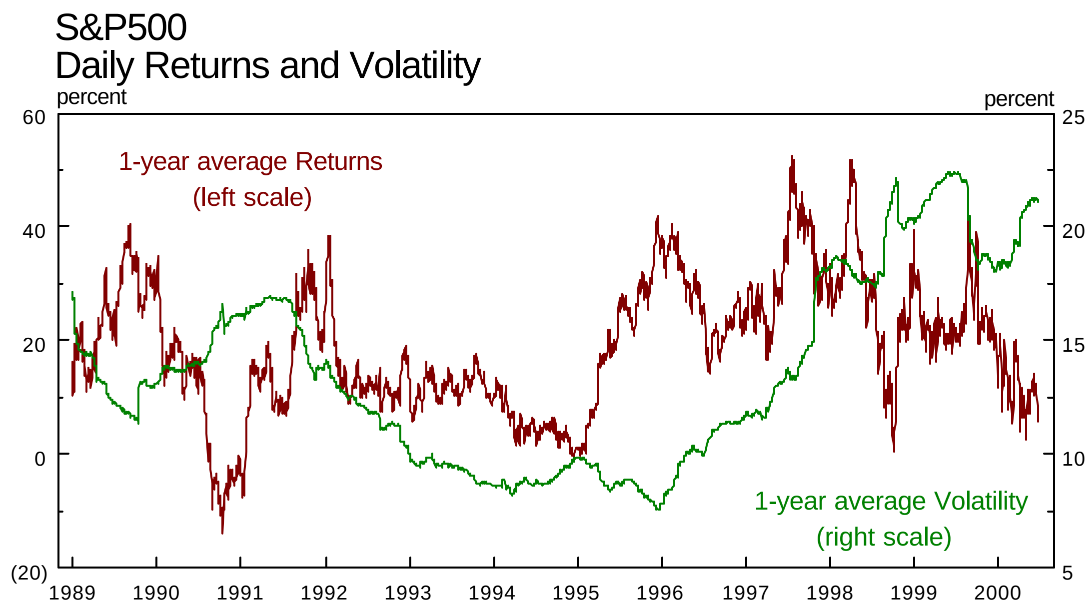
(Shaded Regions Indicate Periods of Rising Fed Funds Rate)





Source: Investment Company Institute

Figure 8
Capital Market Returns and Volatility



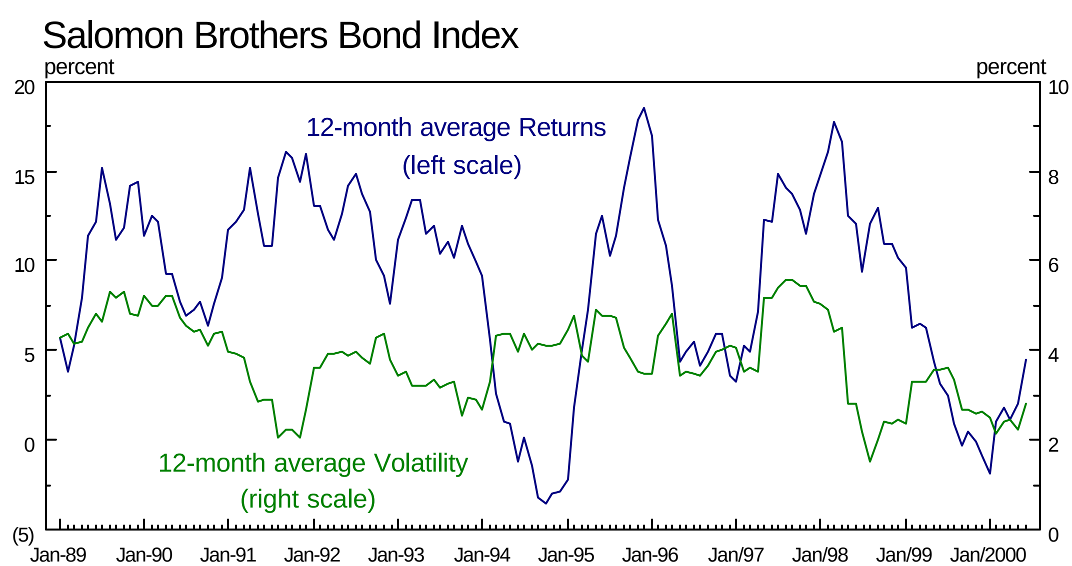
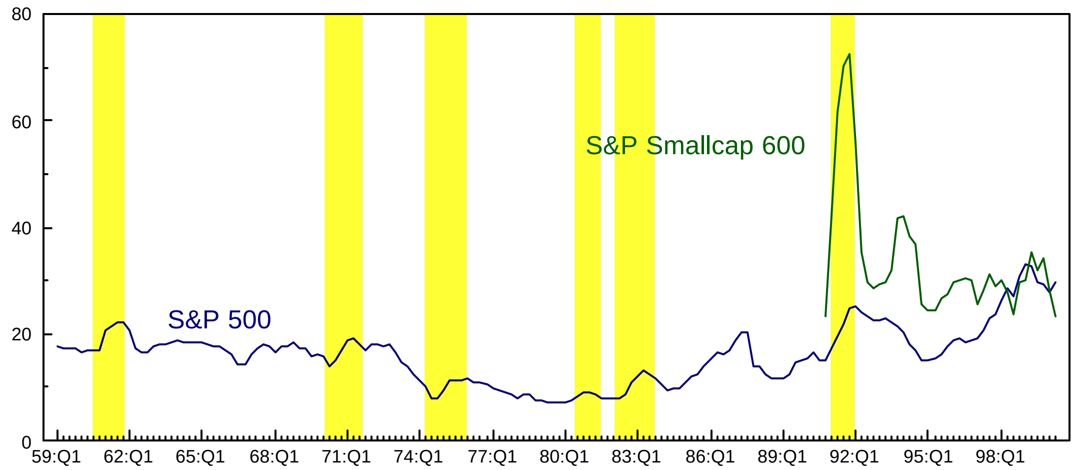
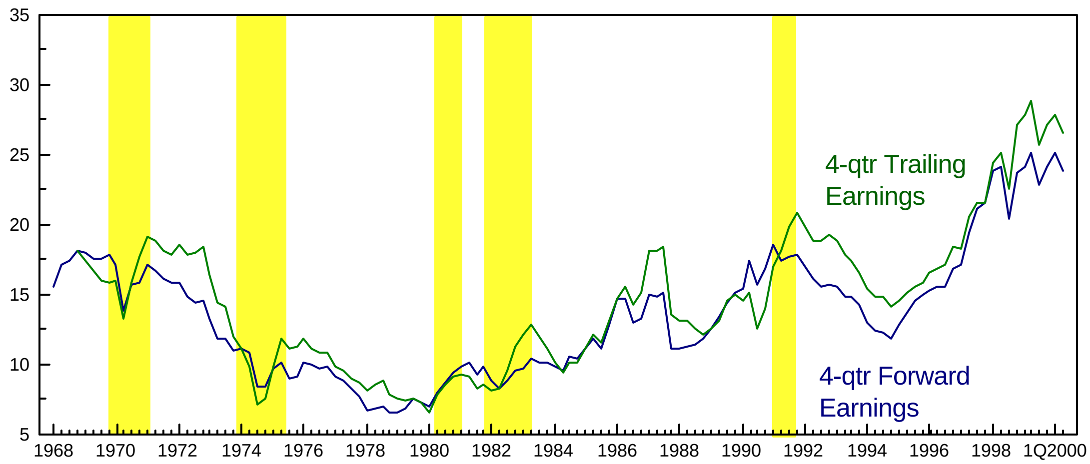


Figure 9

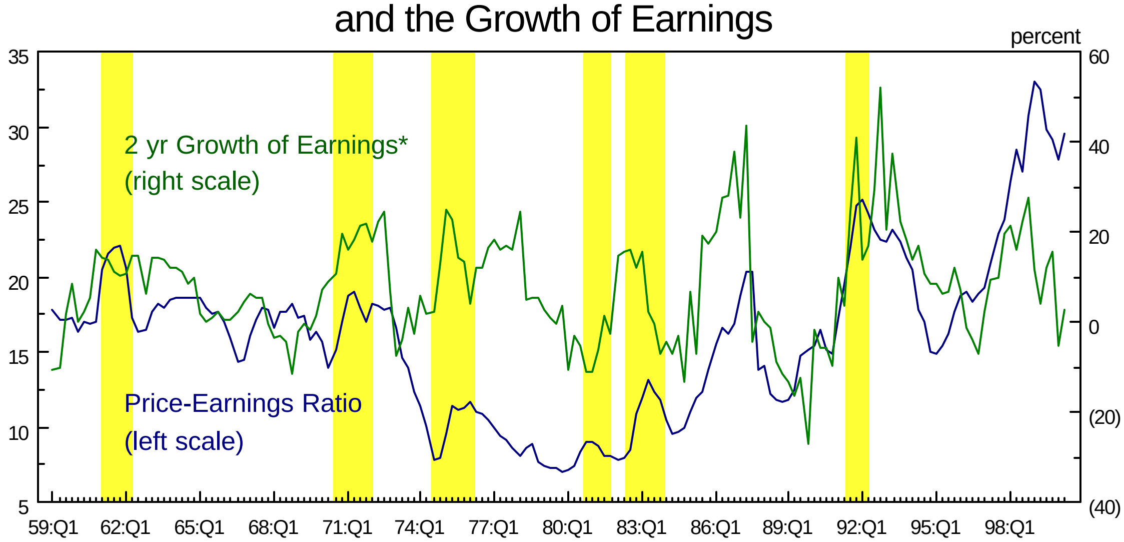
S&P Price-Earnings Ratios



S&P500 Price-Operating Earnings Ratio



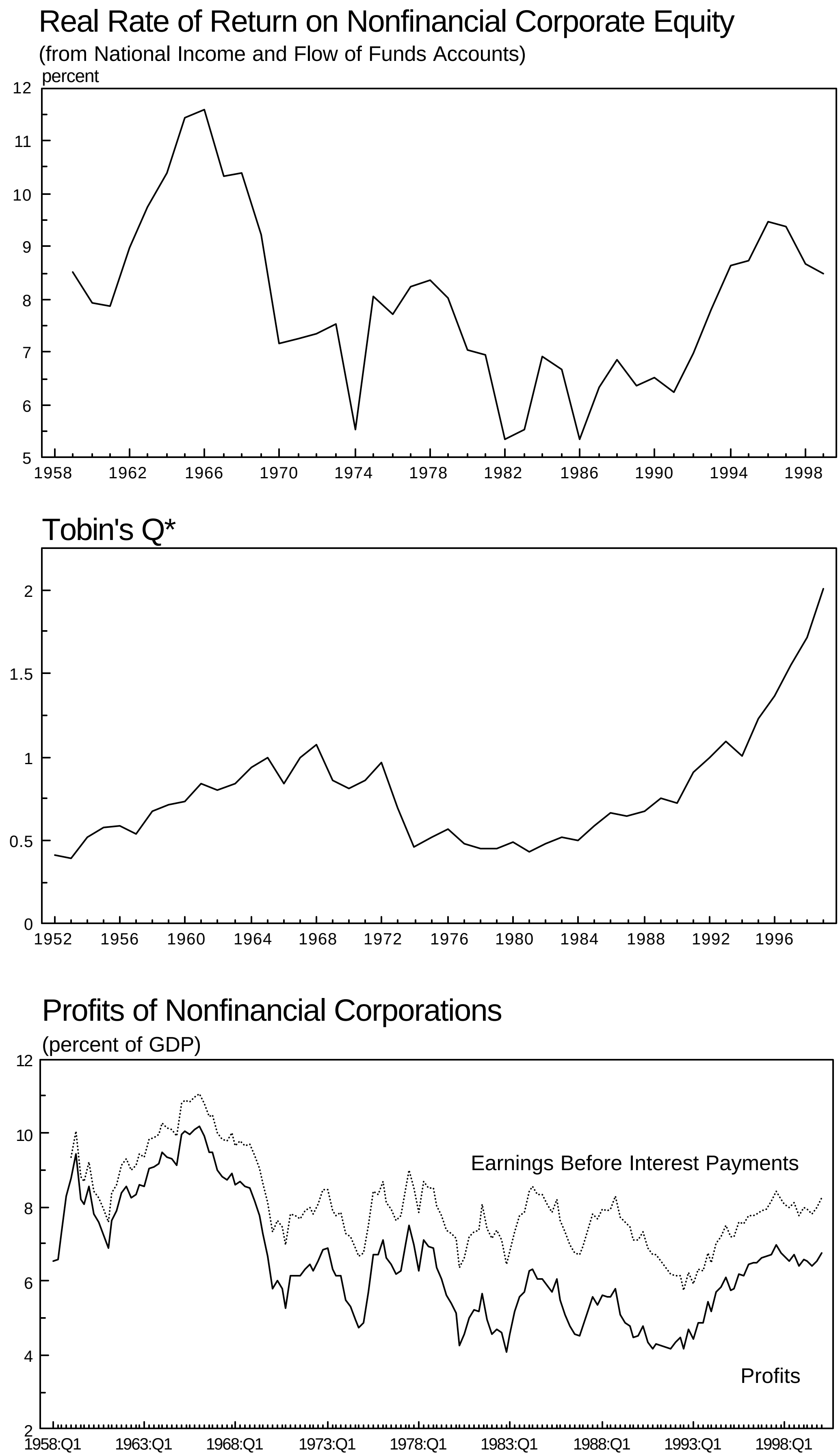
S&P500 Price Earnings Ratio and the Growth of Earnings



* Growth of earnings over subsequent 8 quarters. Current observations use forecast of earnings from macro projections.

source: First Call, DRI, Bloomberg

Figure 10



* Market Value of Equity plus Net Interest Bearing Debt/ Current value of Land, Inventories, Equipment, and Structures