April 7, 2000

Monthly Mutual Fund Report

Statistics for February 2000

Sales and Redemptions

Total assets for all funds increased $286.2 billion, or 4.2 percent, to $7.1 trillion in February. Net new cash flow into long-term mutual funds, the dollar value of net new sales and net exchanges, was $40.4 billion, compared to $21.9 billion in January. New sales, the purchase of new shares excluding reinvested dividends, were $158.2 billion in February, up from $146.3 billion in January. The value of assets appreciated by $241.5 billion in February, compared with a decrease of $100.4 billion in January.

Total assets of **equity funds** increased by $269.2 billion, or 6.8 percent, to $4.2 trillion. The record net new cash flow during January of $53.6 billion surpassed the previous month's record of $40.9 billion. The market value of assets appreciated by $214.2 billion. Year-to-date cash flows are $94.5 billion. During the same period in 1999, cash flows were $18.0 billion.

Total assets for **hybrid funds**, which invest in a mix of stocks and bonds, decreased 2.2 percent, or $8.0 billion, to $360.7 billion. The net cash outflow from these funds was $5.4 billion in February. Year-to-date their net cash outflow has been $11.9 billion compared to an outflow of $424.6 million during the same period in 1999.

Bond funds experienced a cash outflow of $7.8 billion in February, as their total assets rose $2.9 billion, to $796.7 billion. The market value of bond funds= assets increased by $8.1 billion, after adjusting for net sales and reinvested dividends. The assets of taxable bond funds increased 0.6 percent, while the assets of tax-exempt funds rose 0.2 percent.

Assets of taxable and tax-exempt **money market funds** increased $2.0 billion, to $1.7 trillion, an increase of 1.4 percent for taxable money market funds and 0.9 percent for-tax exempt funds.

Liquidity Ratio

The liquidity ratio increased for both bond and hybrid and equity funds during January. The ratio for bond and hybrid funds increased to 4.0 from 3.7 percent, while the ratio for equity funds increased to 4.5 from 4.3 percent (figure 4).

Weekly Flows

In March, flows to equity funds for the month were 1.5 percent of assets, and their monthly return was 3.0 percent, despite a sharp decline in value of 6.3 percent of assets the final week of the month. Bond fund's outflows were 1.4 percent, and their monthly return was 1.3 percent.

Flows and returns to domestic sector equity funds moved commensurately with the equity aggregate. Total flows to small cap funds were 1.9 percent for the month, and total returns were 1.1 percent despite a loss of 8.6 percent the final week. Total flows to index funds for the month were 0.1 percent of total assets, though these funds had losses of 3.0 percent for the month due mainly to the negative return of 11.7 percent the week ending March 31. When the market as a whole moves significantly in one direction, Index funds, which are often less volatile than other sector funds, move more dramatically compared to their peers because their full investment demonstrated by liquidity ratios near zero causes their net asset values to mimic the high short term volatility in the market.

Like domestic equity funds, international funds had inflows of 3.4 percent of assets, though market declines in late March led to losses in value of 3.3 percent of assets. While the weekly trend was similar for most sectors, Pacific funds excluding Japan returned 7.4 percent of assets with outflows of 1.8 percent for the month of March.

Capital Market Returns and Volatility

The S&P 500 ended March at 1498.58, an increase of 8.7 percent from the beginning of the month. The 12-month return was 17.3 percent at month-end. The annualized volatility for the daily return on the S&P 500 was 19.3 percent.

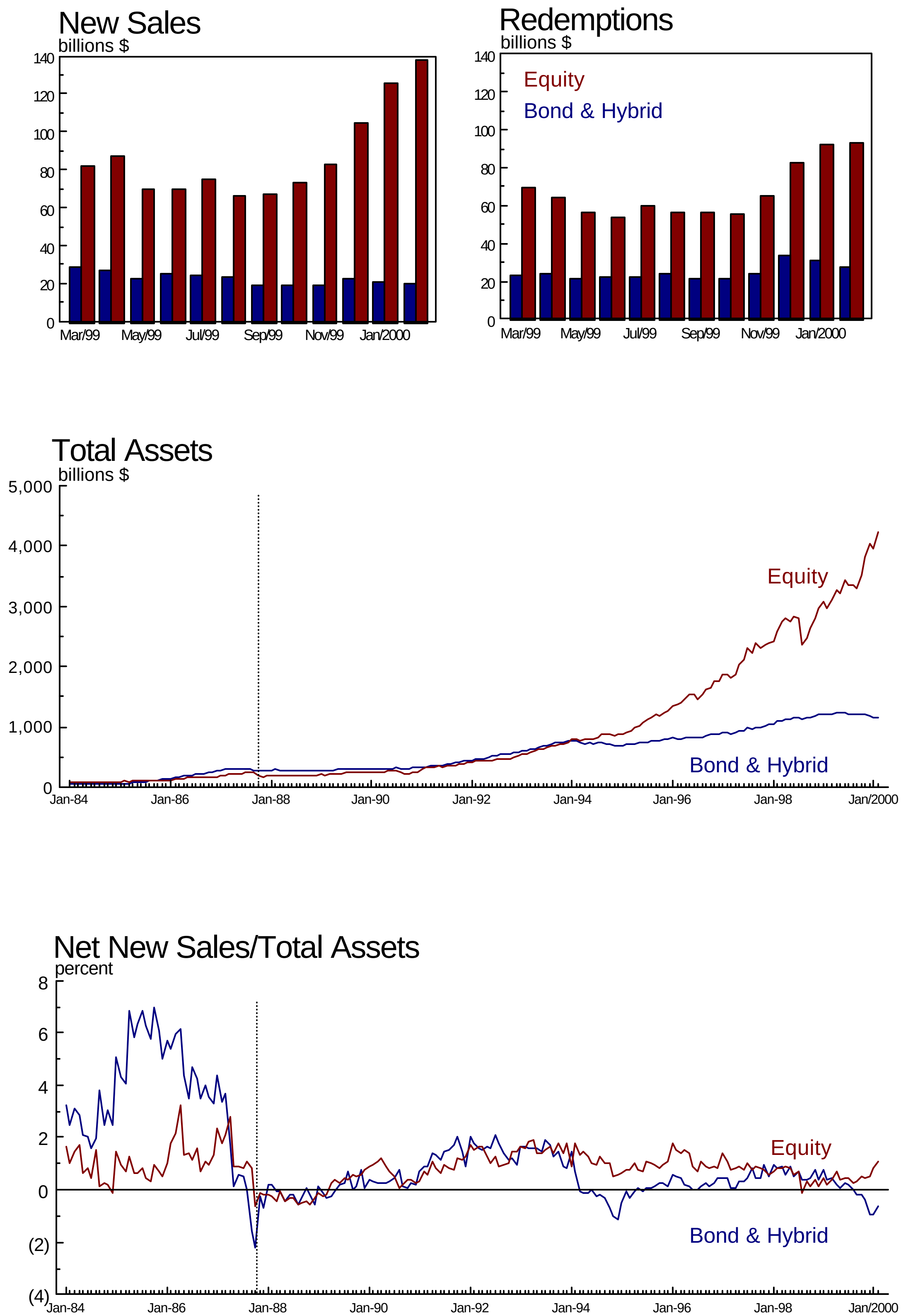
The 12-month average return on the Salomon Brothers Bond Index was 1.8 percent for March. Volatility increased from the previous month from 2.2 to 2.4 percent (figure 8).

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 increased to 21.3 percent, well above its historical average of 6.7 percent annual growth. The trailing price-earnings ratio for the first quarter was 31.4, rising from 29.2 in the fourth 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)

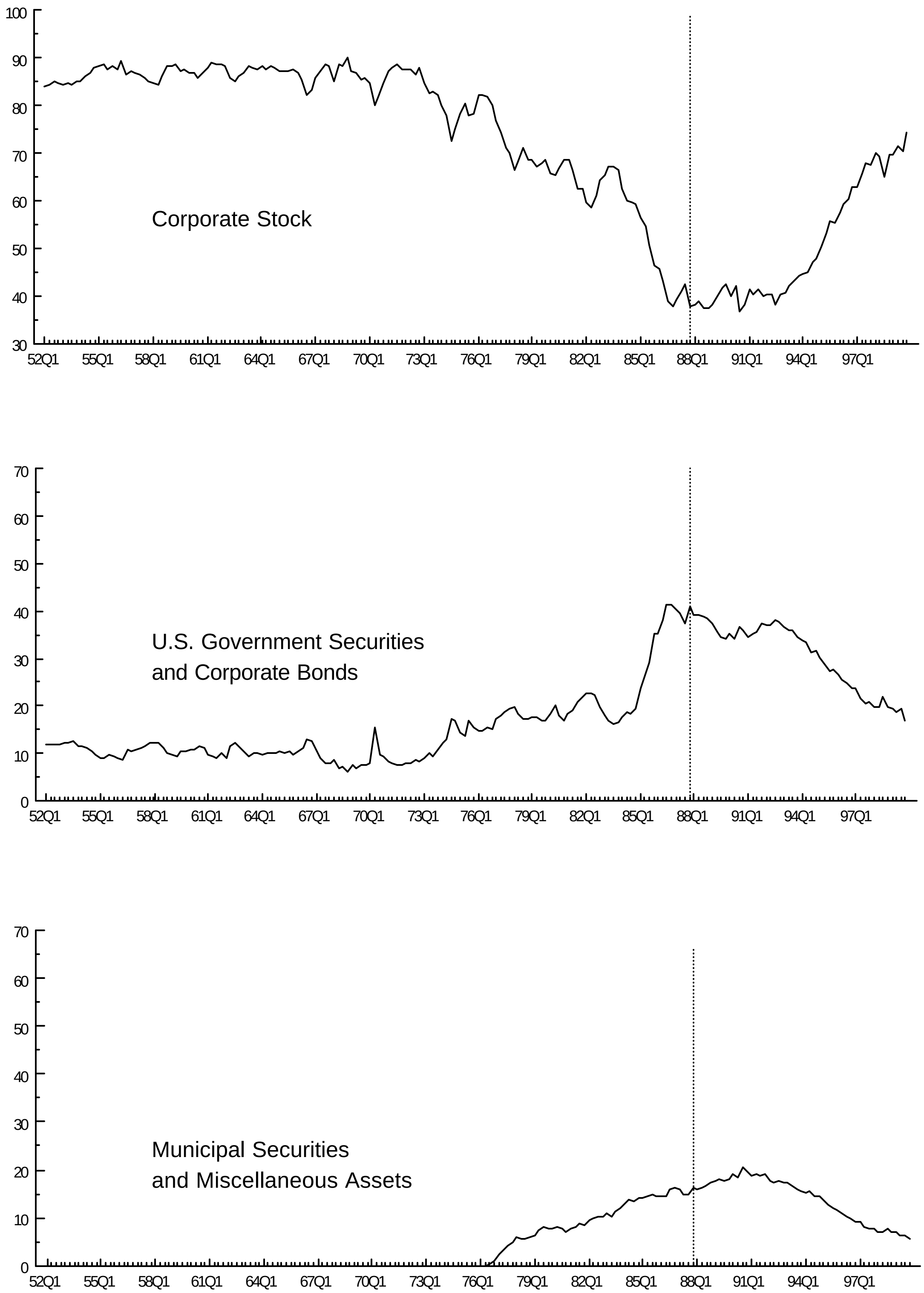


Figure 3
Net Portfolio Purchases
(percent of Total Assets)

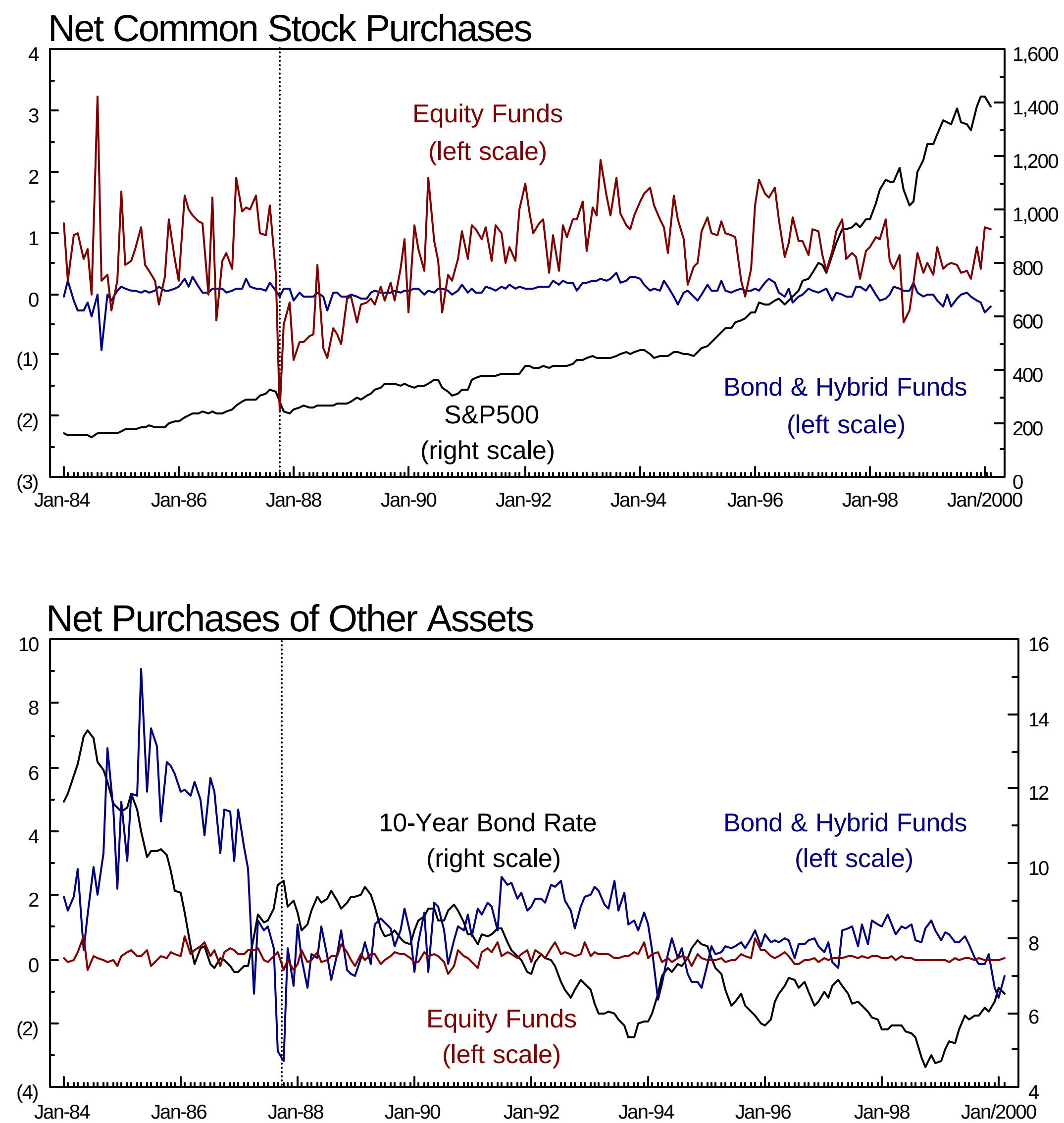
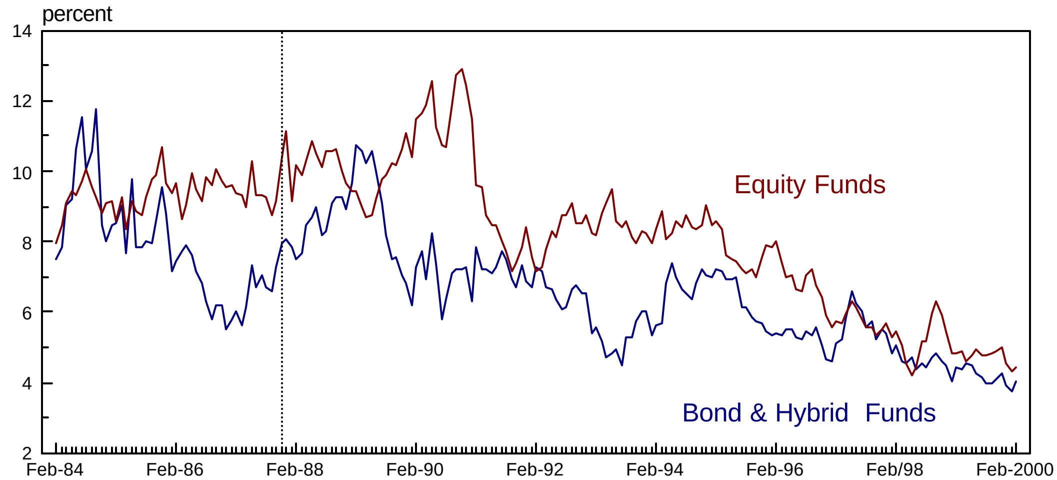
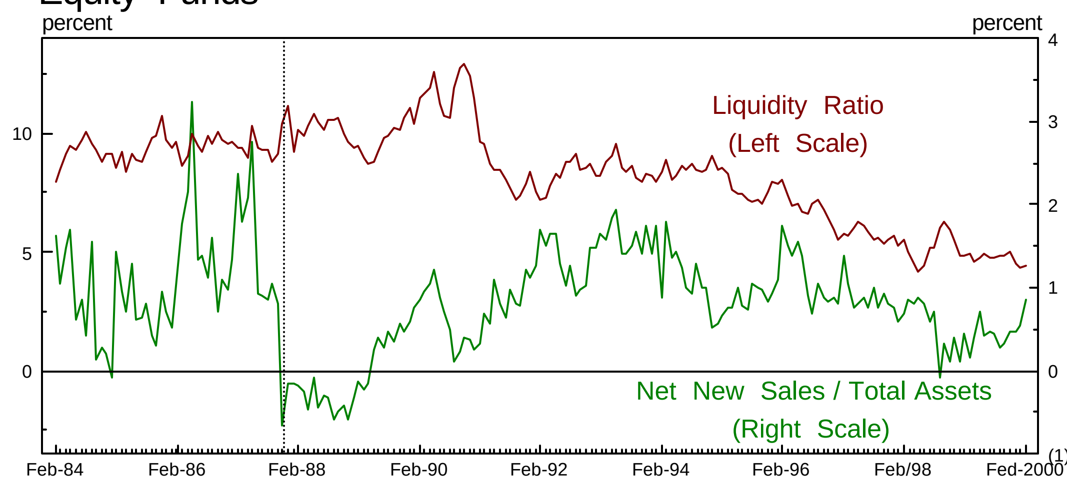


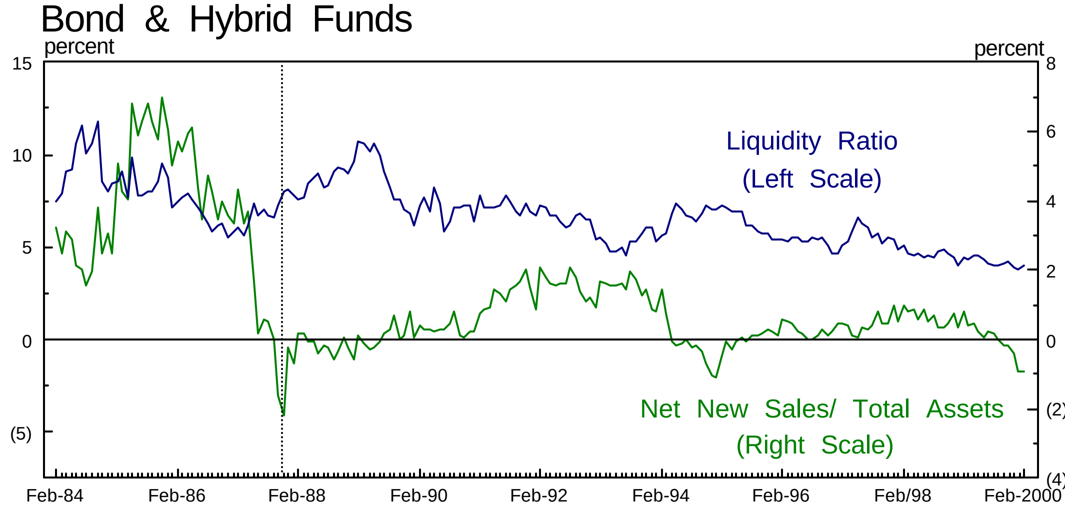
Figure 4
Liquidity Ratio*



Equity Funds



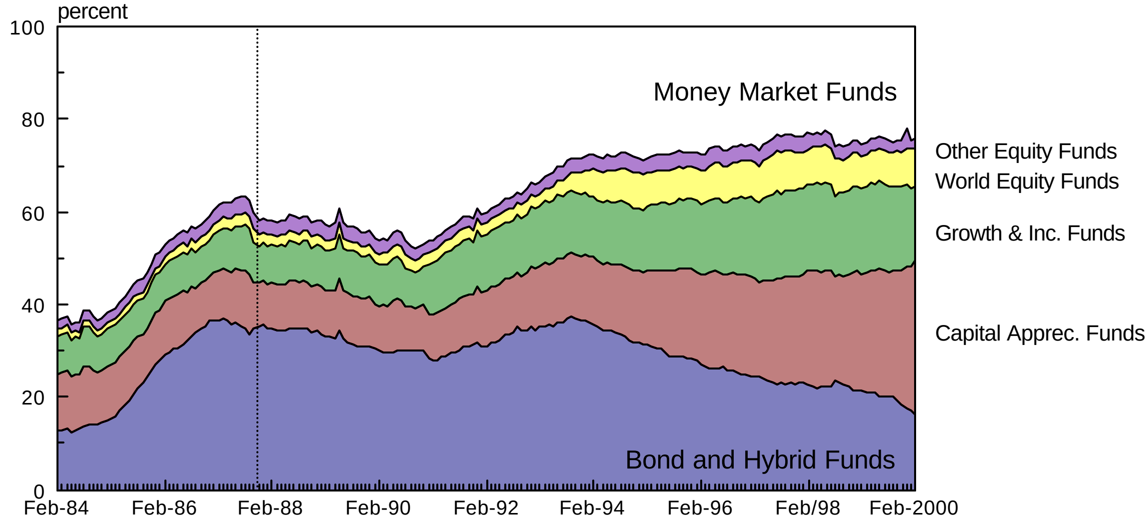
Bond & Hybrid Funds



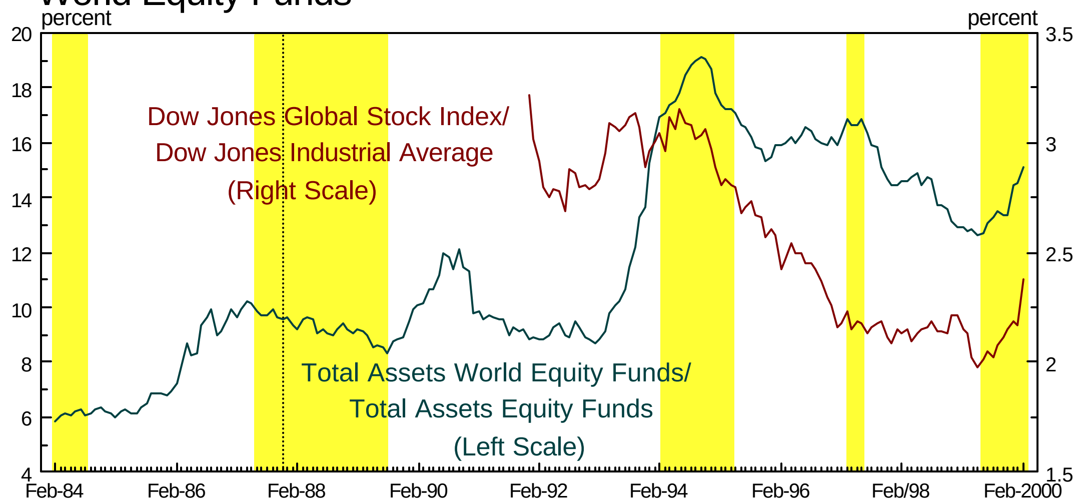
Source: Investment Company Institute

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

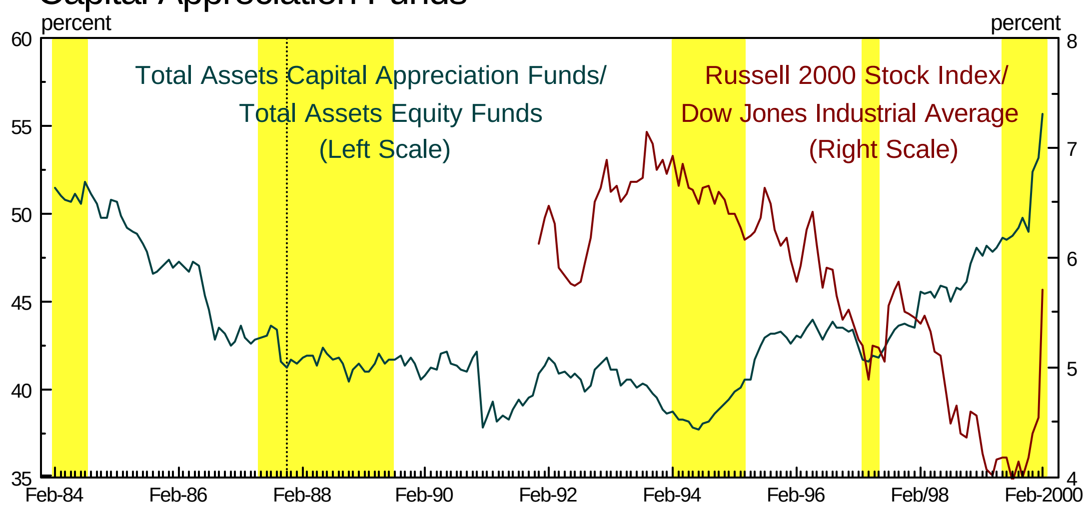
Figure 5
Industry Composition
(Shaded Regions Indicate Periods of Rising Fed Funds Rate)



World Equity Funds



Capital Appreciation Funds

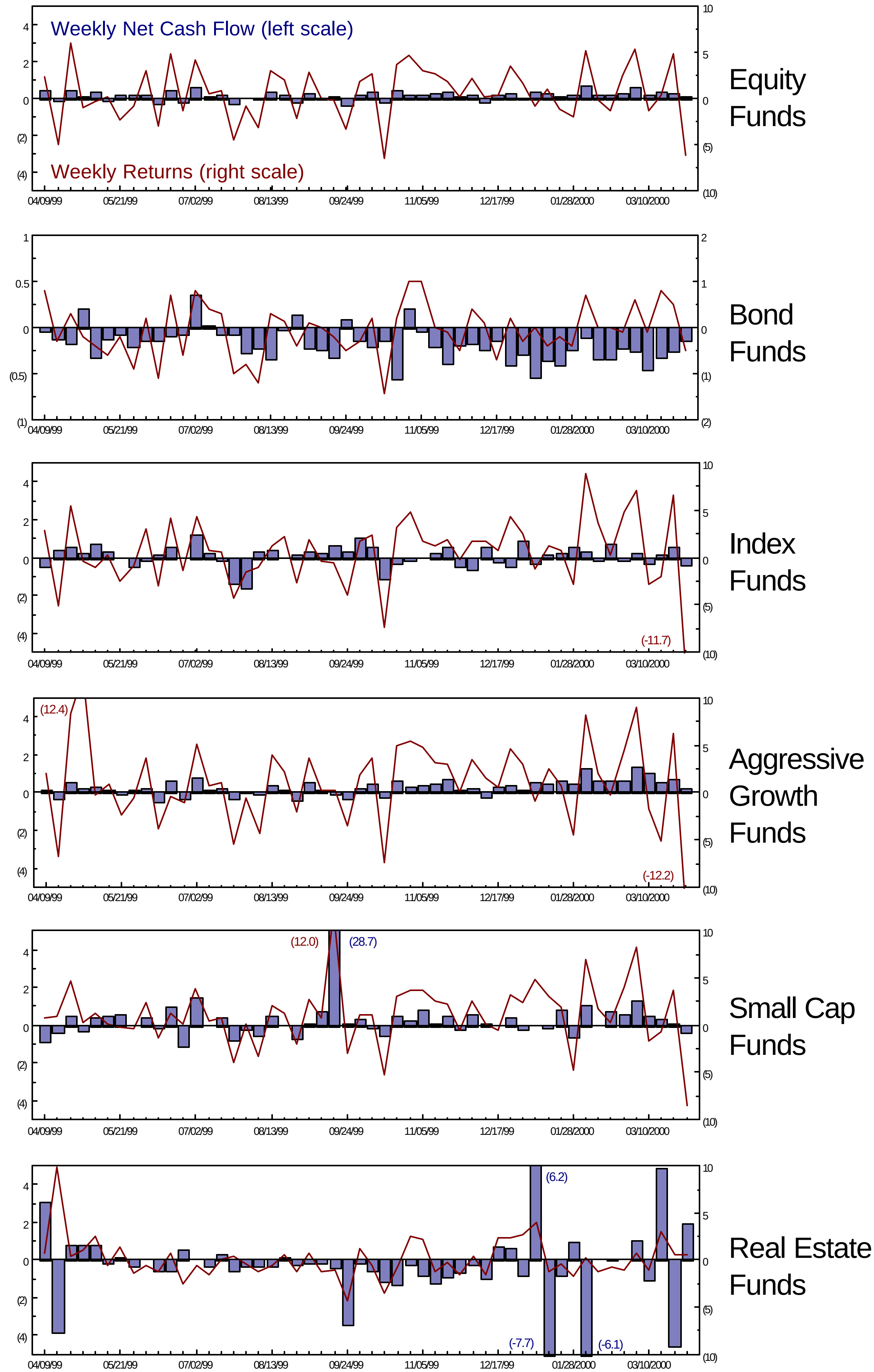


Source: Investment Company Institute

Figure 6a

Weekly Flows into Mutual Funds

(percent of Total Assets)

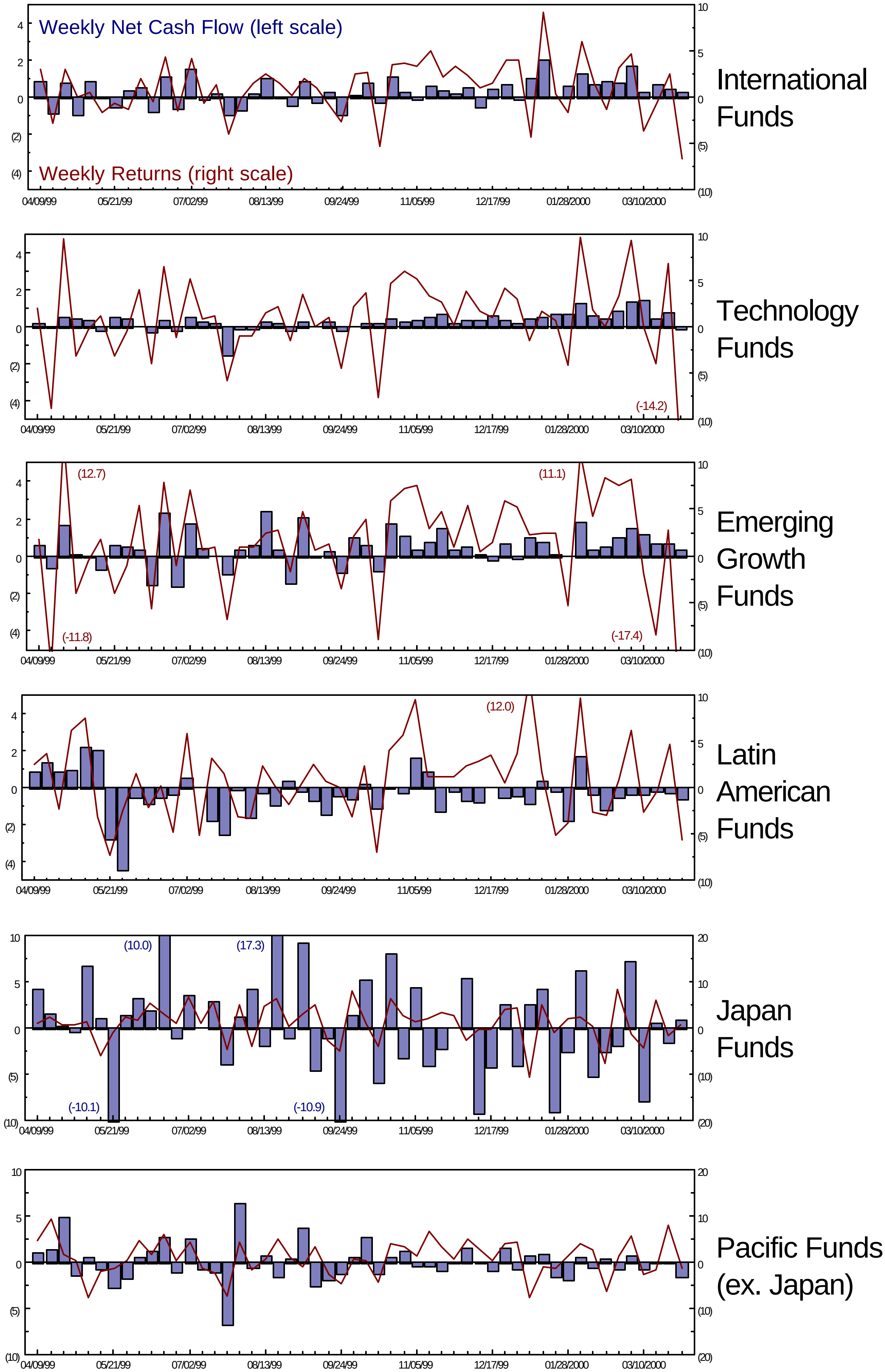


Source: Mutual Fund Trim Tabs

Figure 6b

Weekly Flows into Mutual Funds

(percent of Total Assets)

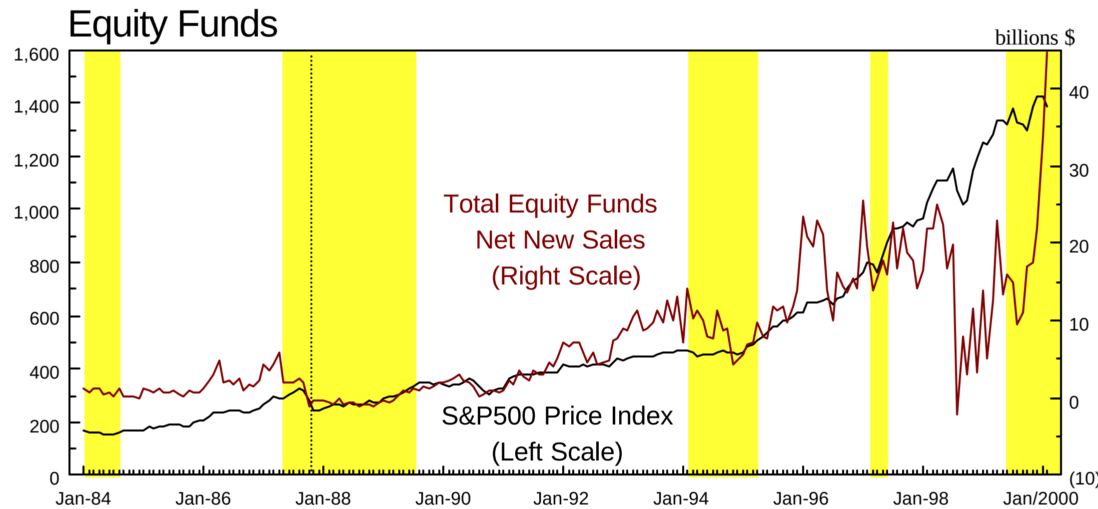


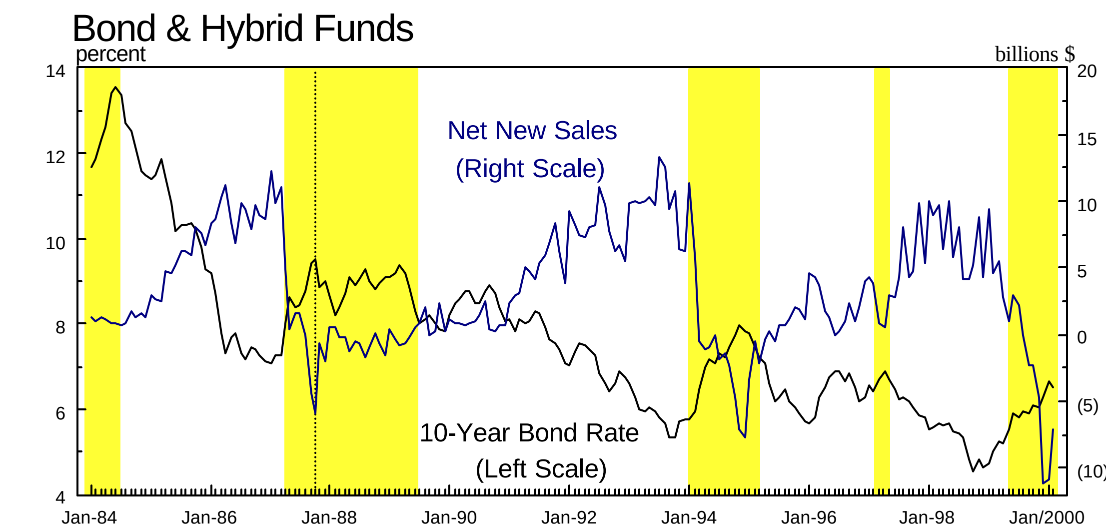
Source: Mutual Fund Trim Tabs

Figure 7

Net New Sales By Investment Objective

(Shaded Regions Indicate Periods of Rising Fed Funds Rate)

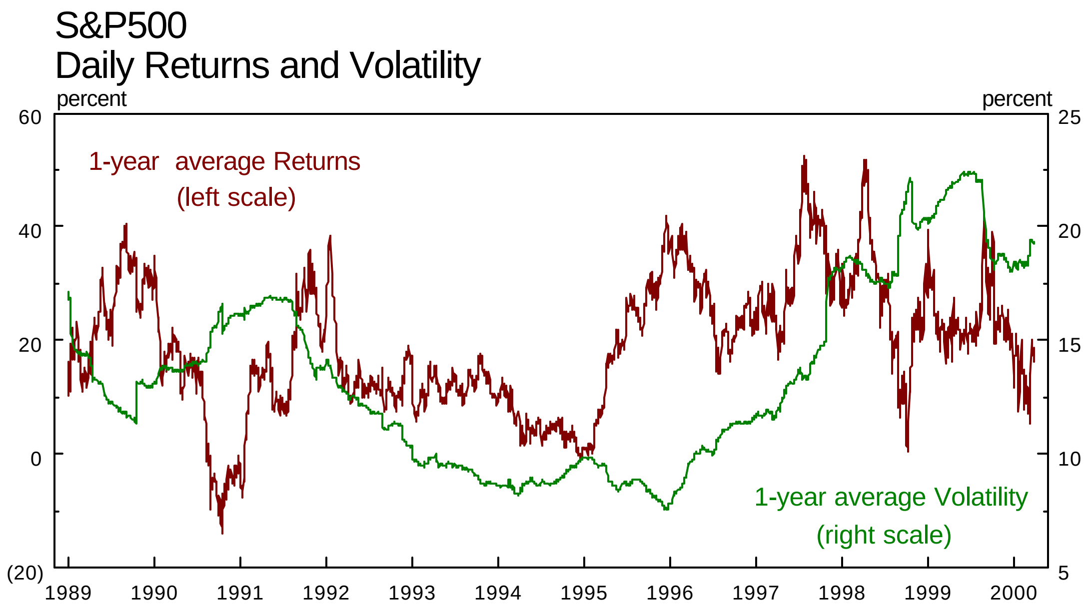




Source: Investment Company Institute

Figure 8

Capital Market Returns and Volatility



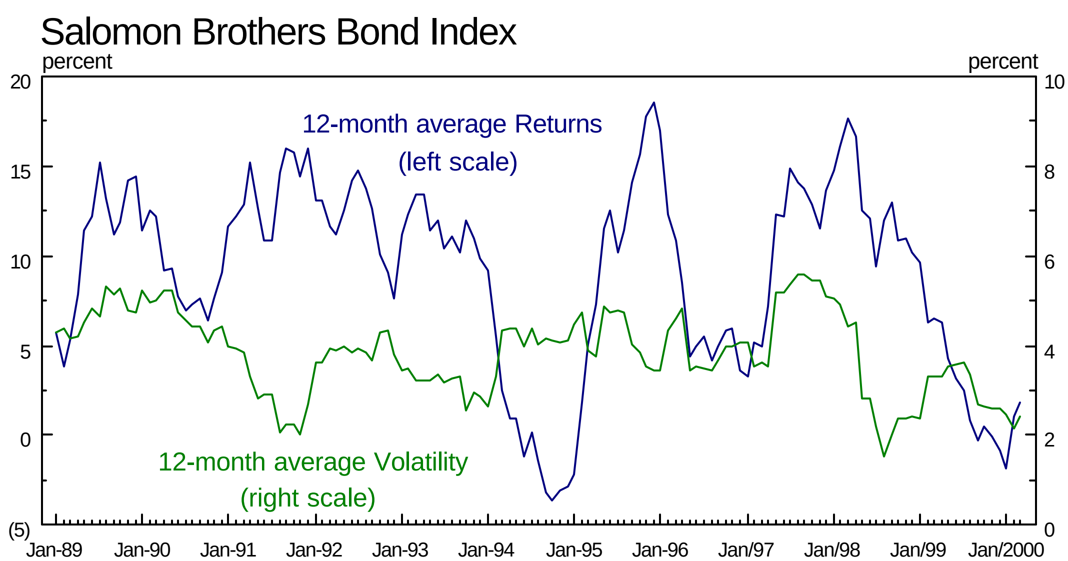
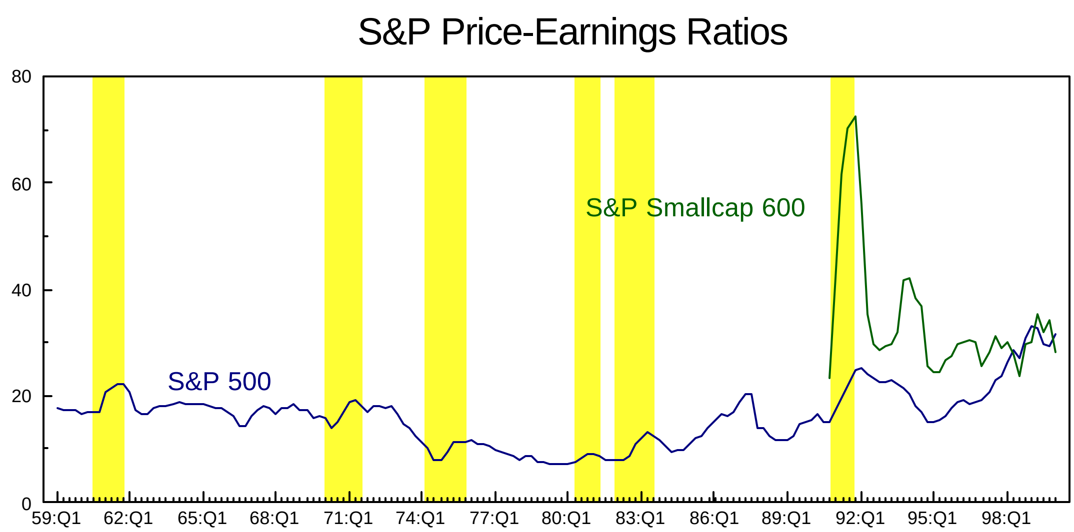
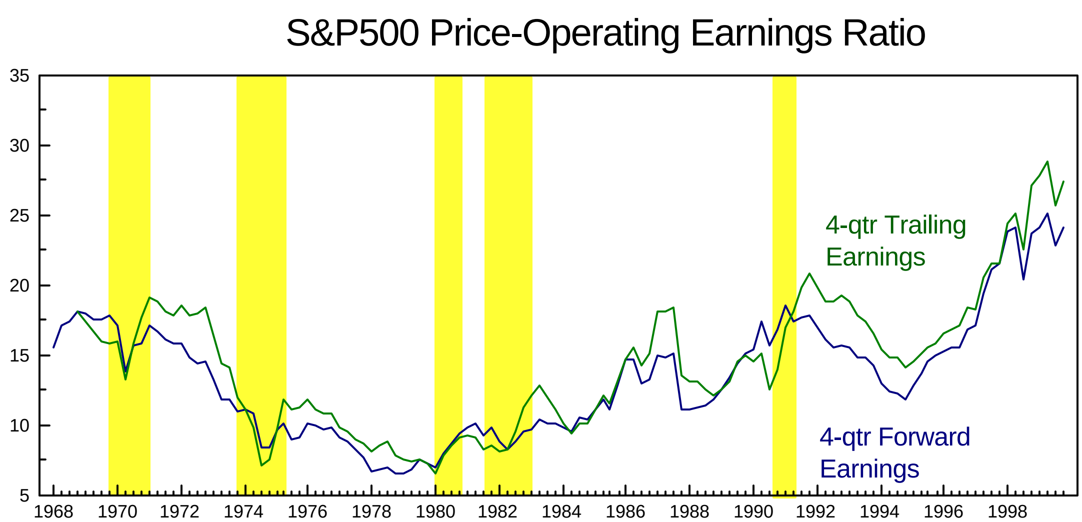
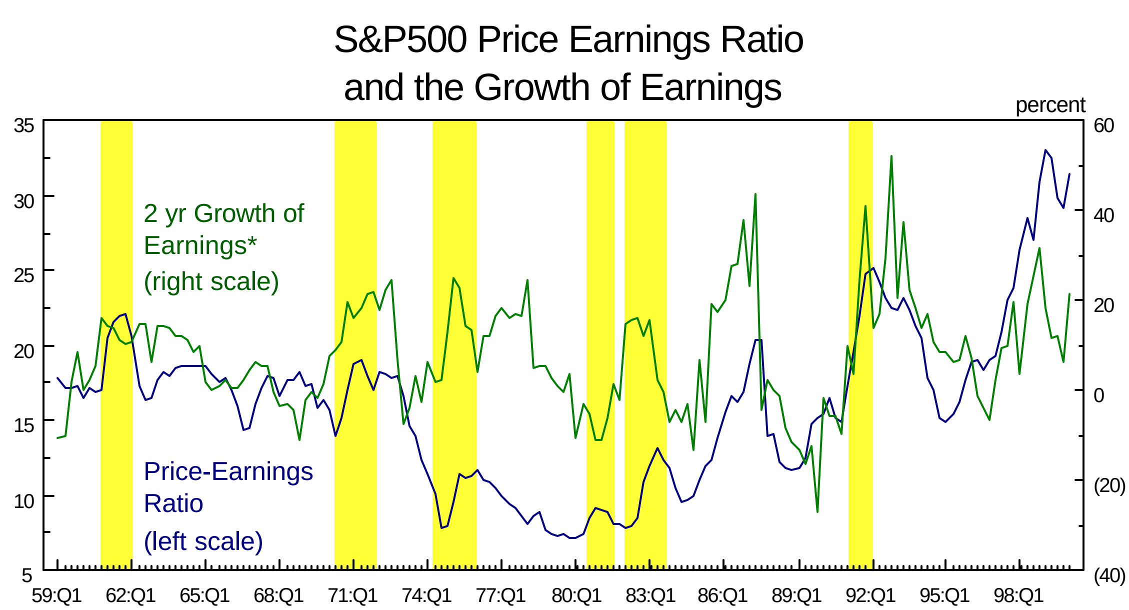


Figure 9







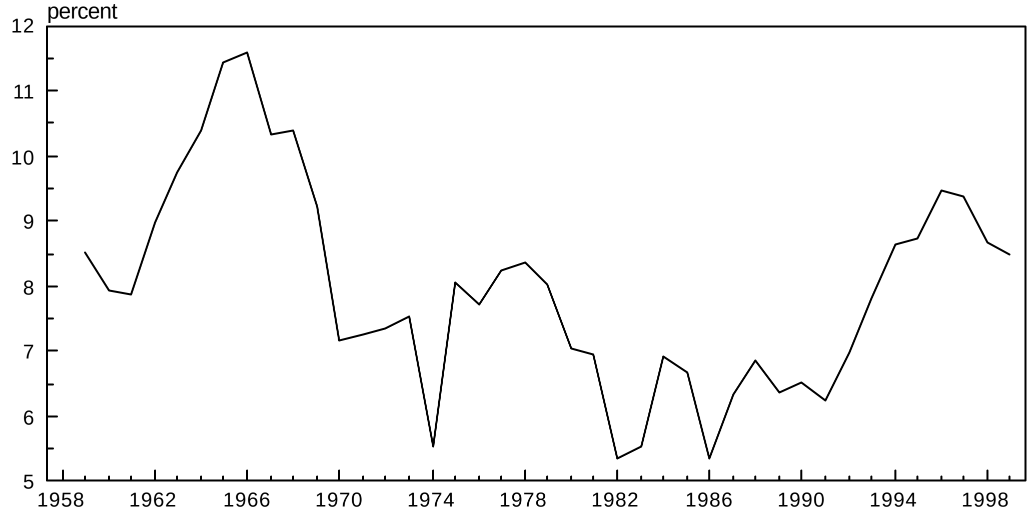
* Growth of earnings over subsequent 8 quarters. Current observations use forecast of earnings from macro projections.

source: First Call, DRI, Bloomberg

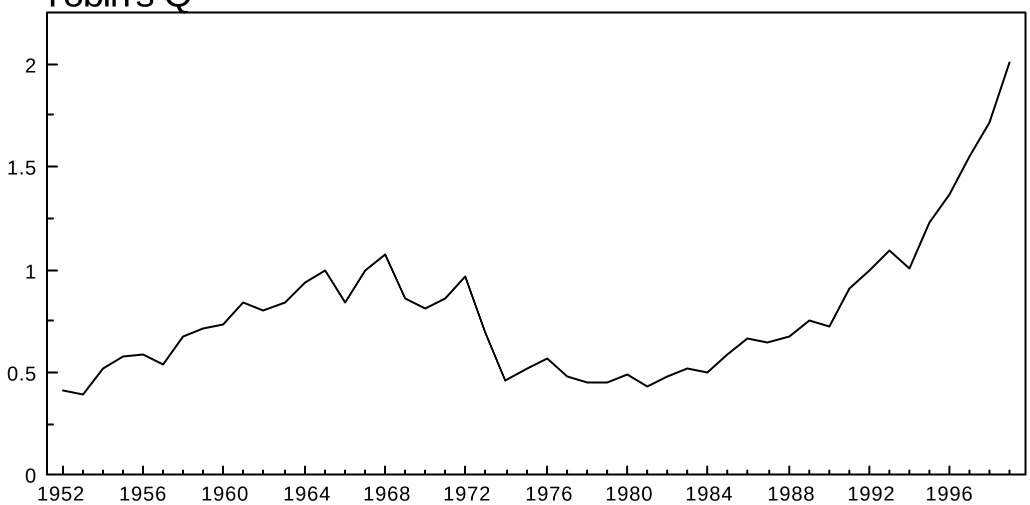
Figure 10

Real Rate of Return on Nonfinancial Corporate Equity

(from National Income and Flow of Funds Accounts)

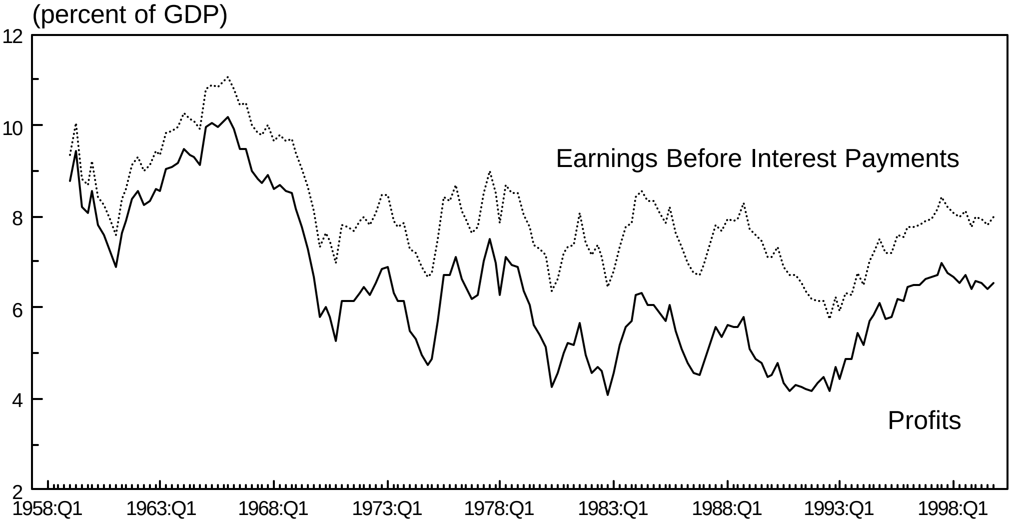


Tobin's Q*



Profits of Nonfinancial Corporations

(percent of GDP)



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