**April 5, 2002**

# Monthly Mutual Fund Report

## Statistics for February 2002

### Sales and Redemptions

Total assets for all funds decreased in February by $50.9 billion, or 0.7 percent, to $6.9 trillion. Money market funds had a net cash outflow of $5.4 billion compared to an inflow in January of $14.0 billion. Other funds (equity, hybrid, and bond) had a net cash inflow of $17.7 billion, compared to an inflow of $32.7 billion in January. New sales of non-money market funds, the purchase of new shares excluding reinvested dividends, were $108.1 billion in February, down from $130.2 billion in January. The value of non-money market assets depreciated by $70.3 billion in February, following a depreciation of $57.0 billion in January.

Total assets of **equity funds** decreased by $65.3 billion, or 1.9 percent, to $3.31 trillion. There was a $4.7 billion net cash inflow to equity funds in February, compared with an inflow of $20.0 billion in January. Year-to-date, equity funds have a net cash inflow of $24.7 billion, compared to a $21.7 billion inflow for the first two months of 2001. The market value of assets depreciated by $70.8 billion.

Total assets for **hybrid funds**, which invest in a mix of stocks and bonds, increased 0.3 percent, or $1.2 billion, to $348.4 billion. In February, there was a $2.3 billion net cash inflow for these funds for a total of $4.5 billion in 2002, exceeding the inflow of $3.8 billion in January and February 2001.

**Bond funds** experienced a cash inflow of $10.7 billion, while their total assets increased by $15.4 billion, to $962.3 billion. The market value of bond funds assets increased by $1.9 billion, after adjusting for net sales and reinvested dividends. The assets of tax-exempt funds increased by 1.7 percent while the assets of taxable bond funds increased by 1.6 percent. There has been a net inflow into bond funds of $21.1 billion in 2002, compared to $17.8 billion in the same period in 2001.

Assets of taxable and tax-exempt **money market funds** decreased $2.2 billion, to $2.30 trillion, a decrease of 0.2 percent for taxable money market funds and an increase of 1.0 percent for tax-exempt funds. After a net cash inflow of $161.7 billion in January and February 2001, money market funds have an inflow of $8.5 billion so far this year.

## Liquidity Ratio

The liquidity ratio for bond and hybrid funds increased from 4.3 to 4.5 percent, while the ratio for equity funds decreased from 5.5 to 5.3 percent (figure 4).

## Weekly Flows

In March, there were inflows to equity funds of 0.2 percent of total assets with returns of 4.5 percent. Bond funds had inflows of 0.4 percent and losses of 0.6 percent for the month.

Index funds had monthly inflows of 0.5 percent and returns of 3.6 percent. Aggressive growth funds had monthly inflows of 1.1 percent and returns of 5.3 percent. Small-cap funds had inflows of 3.1 percent and returns of 6.9 percent.

There were outflows from international funds in January of 0.2 percent of assets and returns of 6.3 percent. Latin America funds had inflows of 0.4 percent and returns of 9.7 percent. Japan funds had inflows of 1.2 percent and returns of 6.9 percent of assets for the month of March. Pacific funds that do not invest in Japan had outflows of 0.4 percent and returns of 6.5 percent of assets.

## Capital Market Returns and Volatility

The S&P 500 ended March at 1147.39, an increase of 3.6 percent from the beginning of the month. The 12-month return was 1.94 percent at month-end. The annualized volatility for the daily return on the S&P 500 was 19.9 percent.

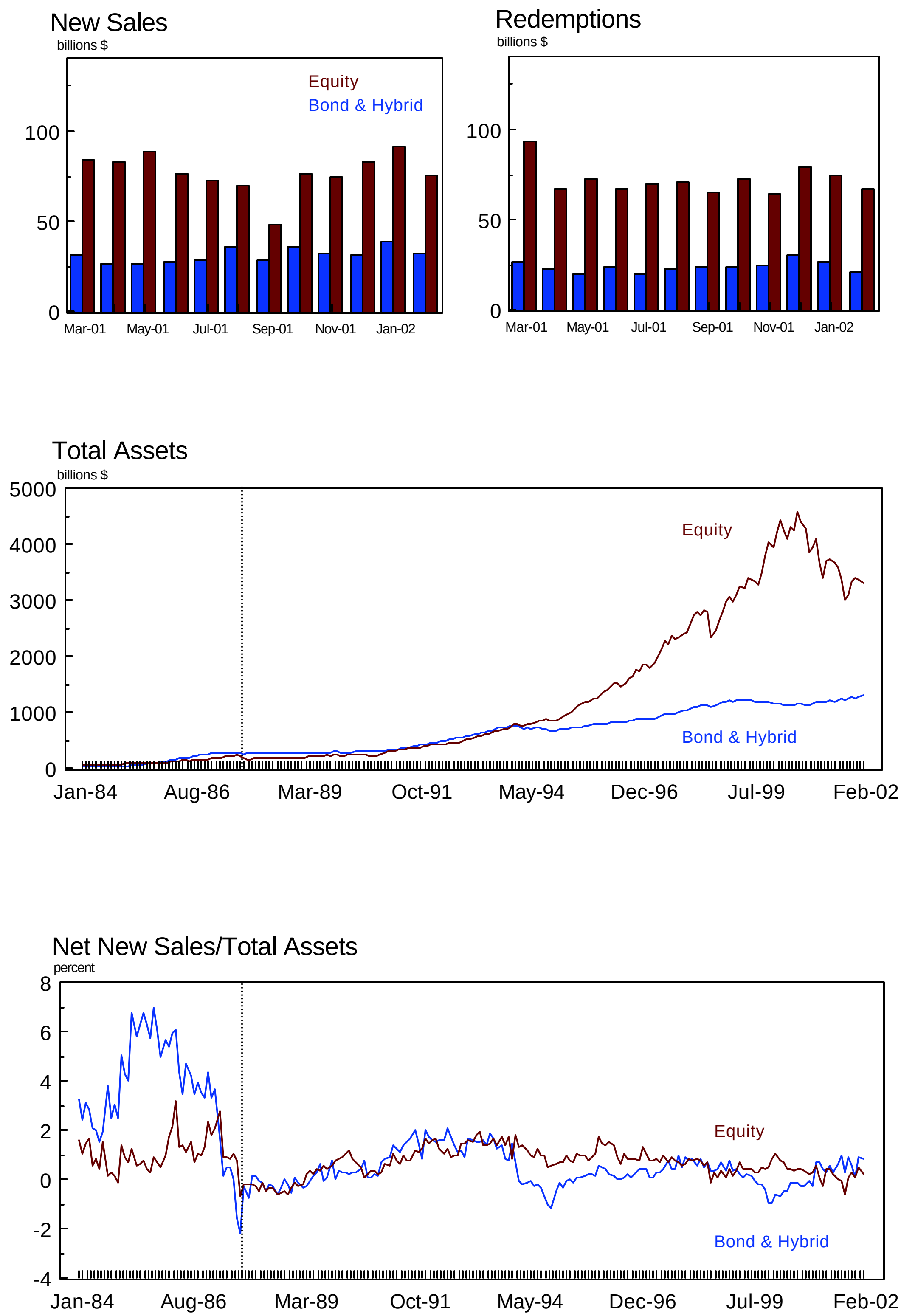
The 12-month average return on the Citigroup (formerly Solomon Brothers) Bond Index was 5.3 percent for March. Volatility increased to 4.13 percent (figure 8).

## 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 decreased to 14.2 percent, but remain above the 6.3 percent historical average annual growth rate. The trailing price-operating earnings ratio decreased to 25.2 for the second quarter from 26.1 in the first quarter, while the forward price-operating earnings ratio decreased from 20.9 in the first quarter to 20.7 during the second quarter of 2002 (figure 9). During the first quarter the price-earnings ratio for the Standard and Poor's Small-Cap 600 Index decreased to 44.6 from 44.9.

For more information please contact Matthew S. Rutledge (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)

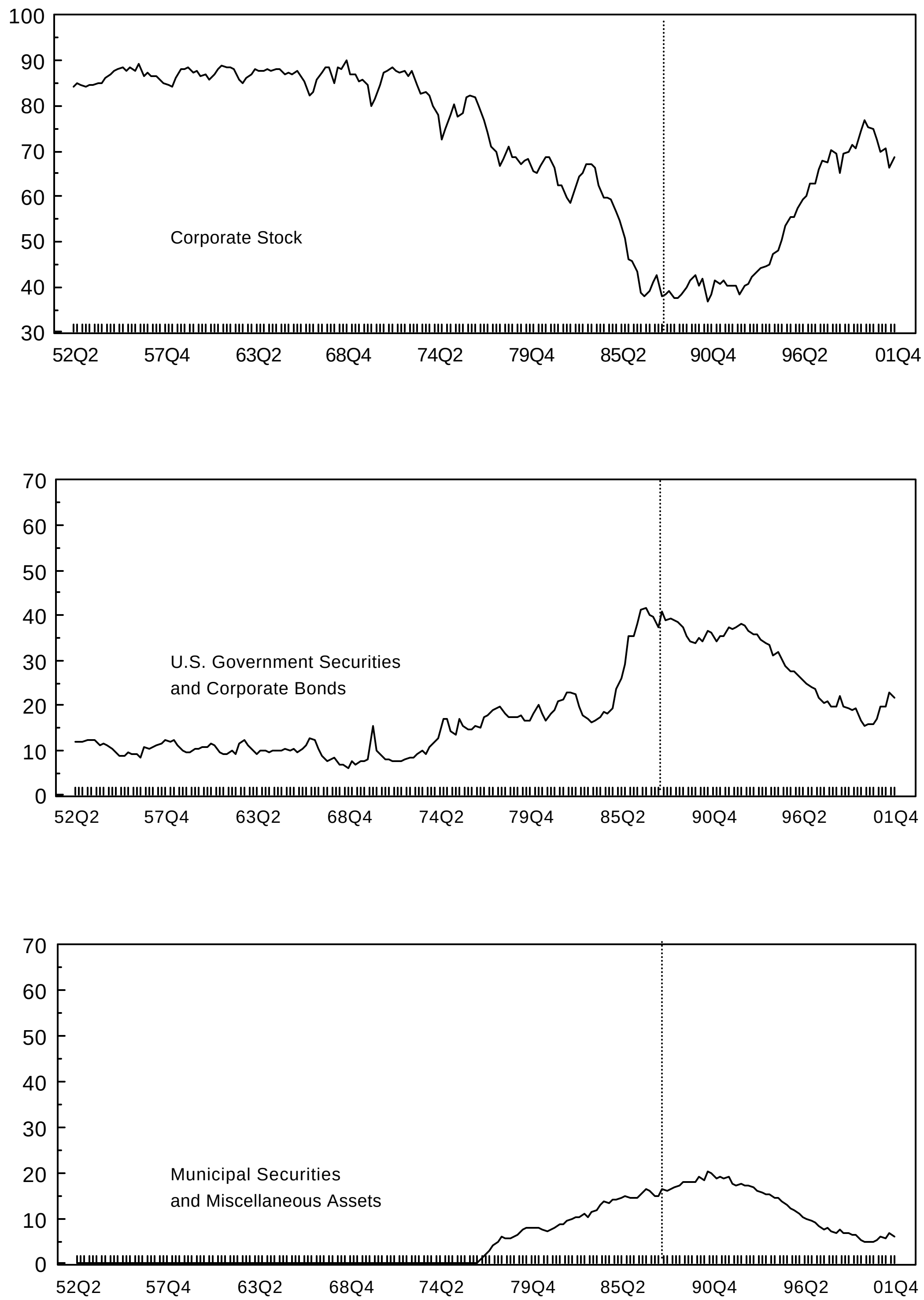


Figure 3

**Net Portfolio Purchases**

(percent of Total Assets)

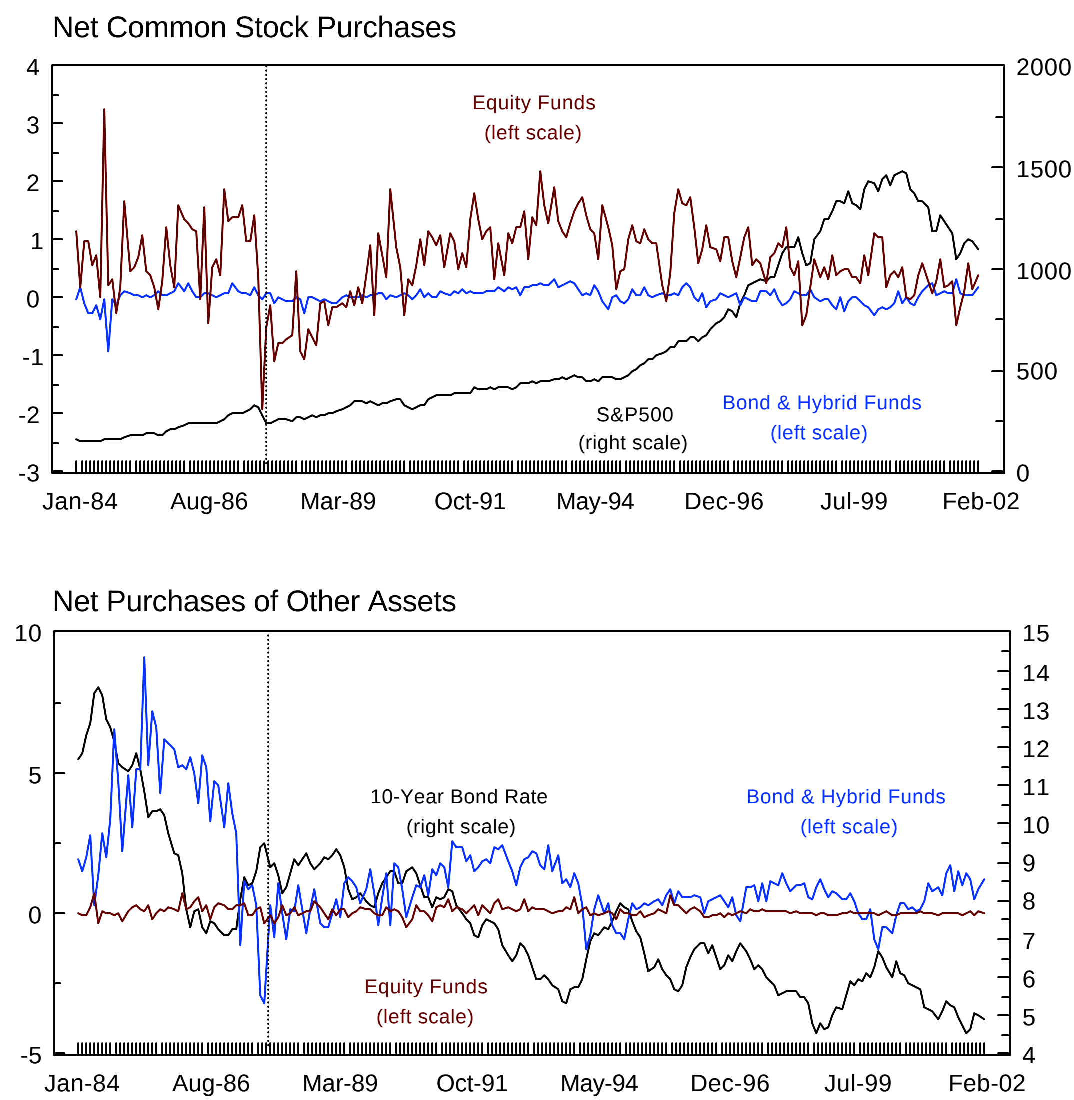
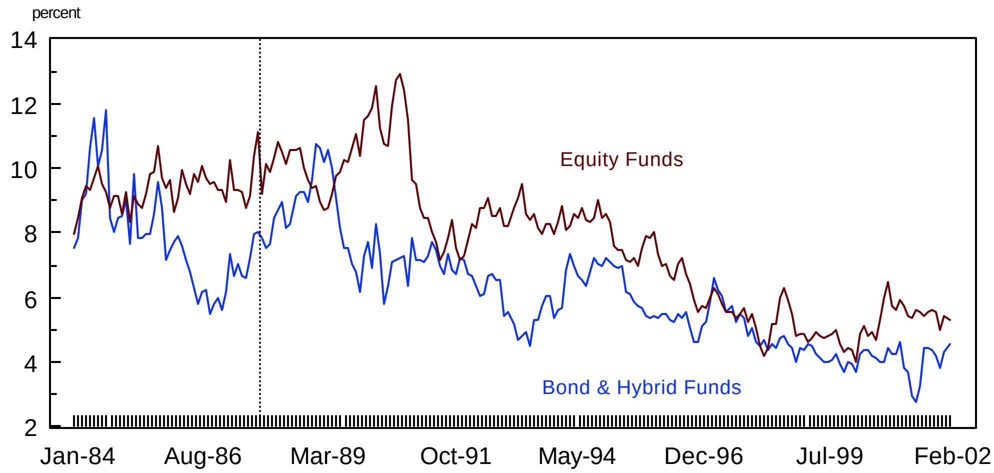
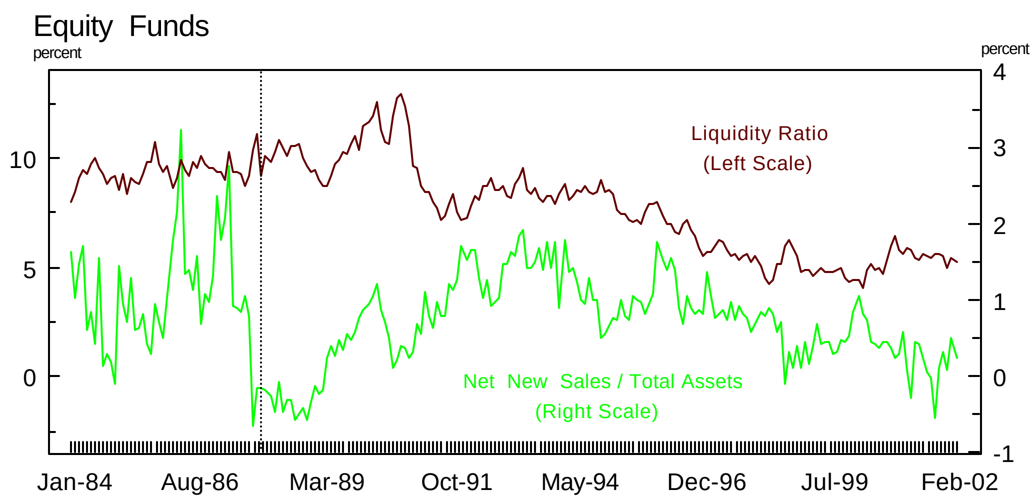
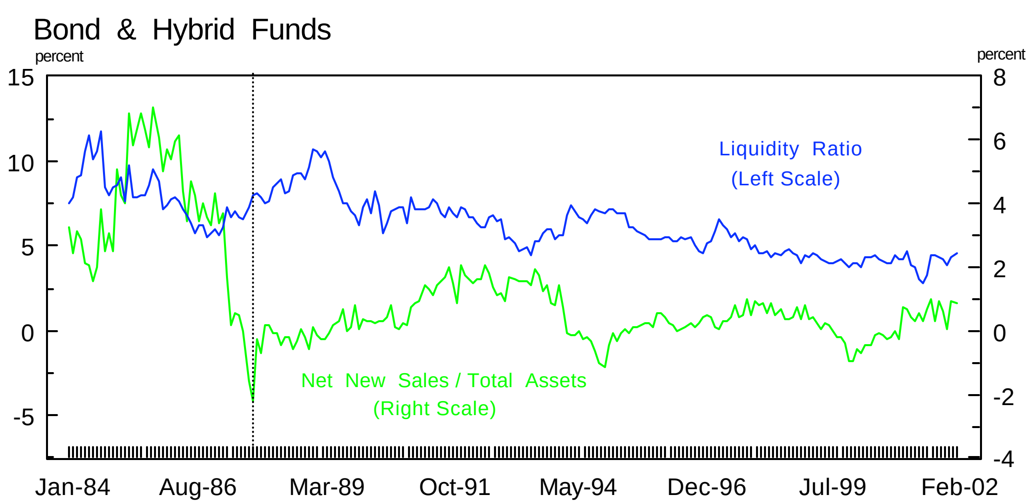


Figure 4

**Liquidity Ratio***



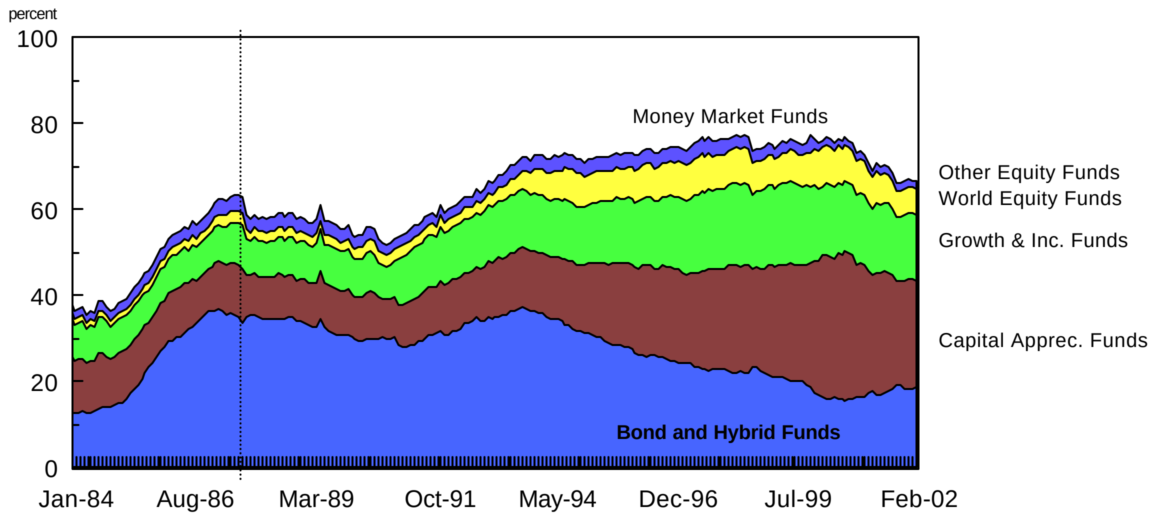

*The Liquidity Ratio is the Percent of Total Assets held in Cash and Short-Term Securities.

Source: Investment Company Institute

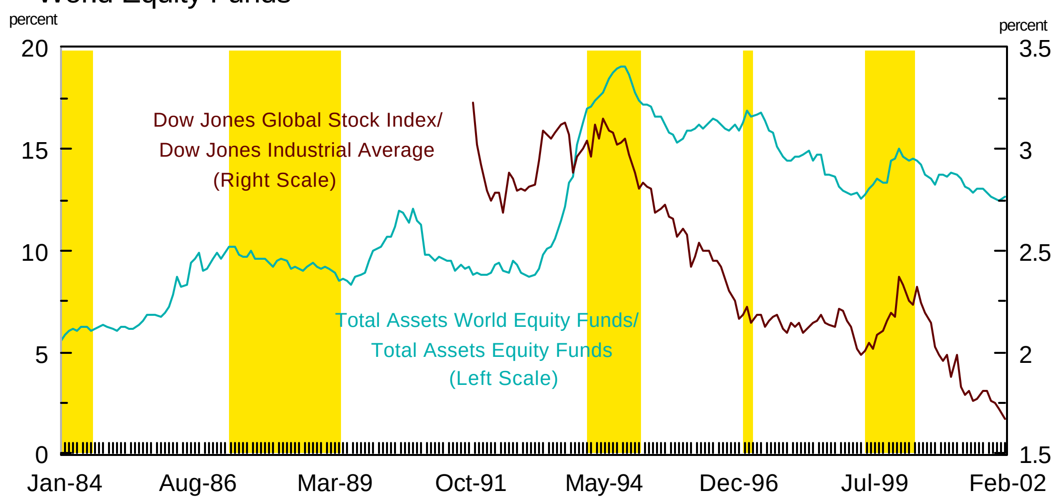
Figure 5

**Industry Composition**

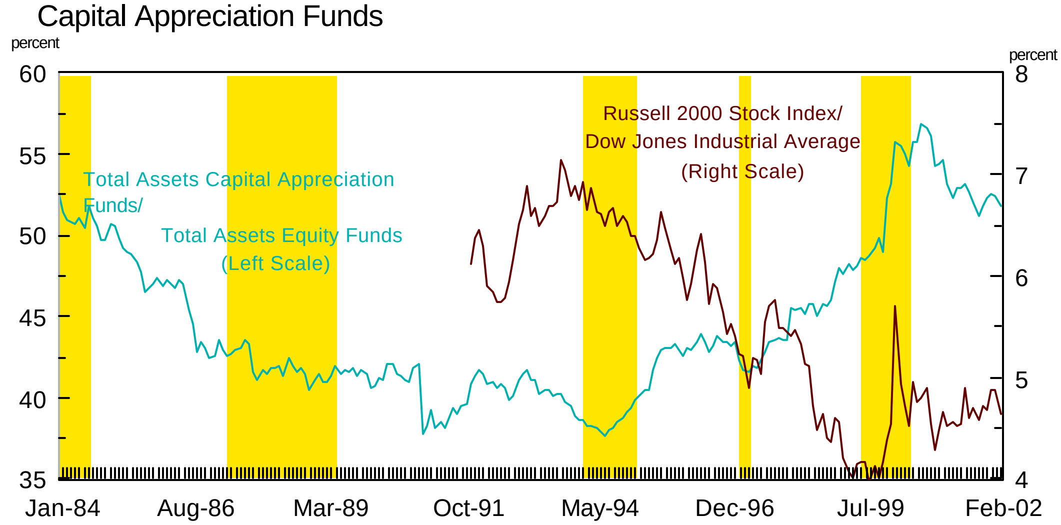
(Shaded Regions Indicate Periods of Rising Fed Funds Rate)




World Equity Funds




Capital Appreciation Funds

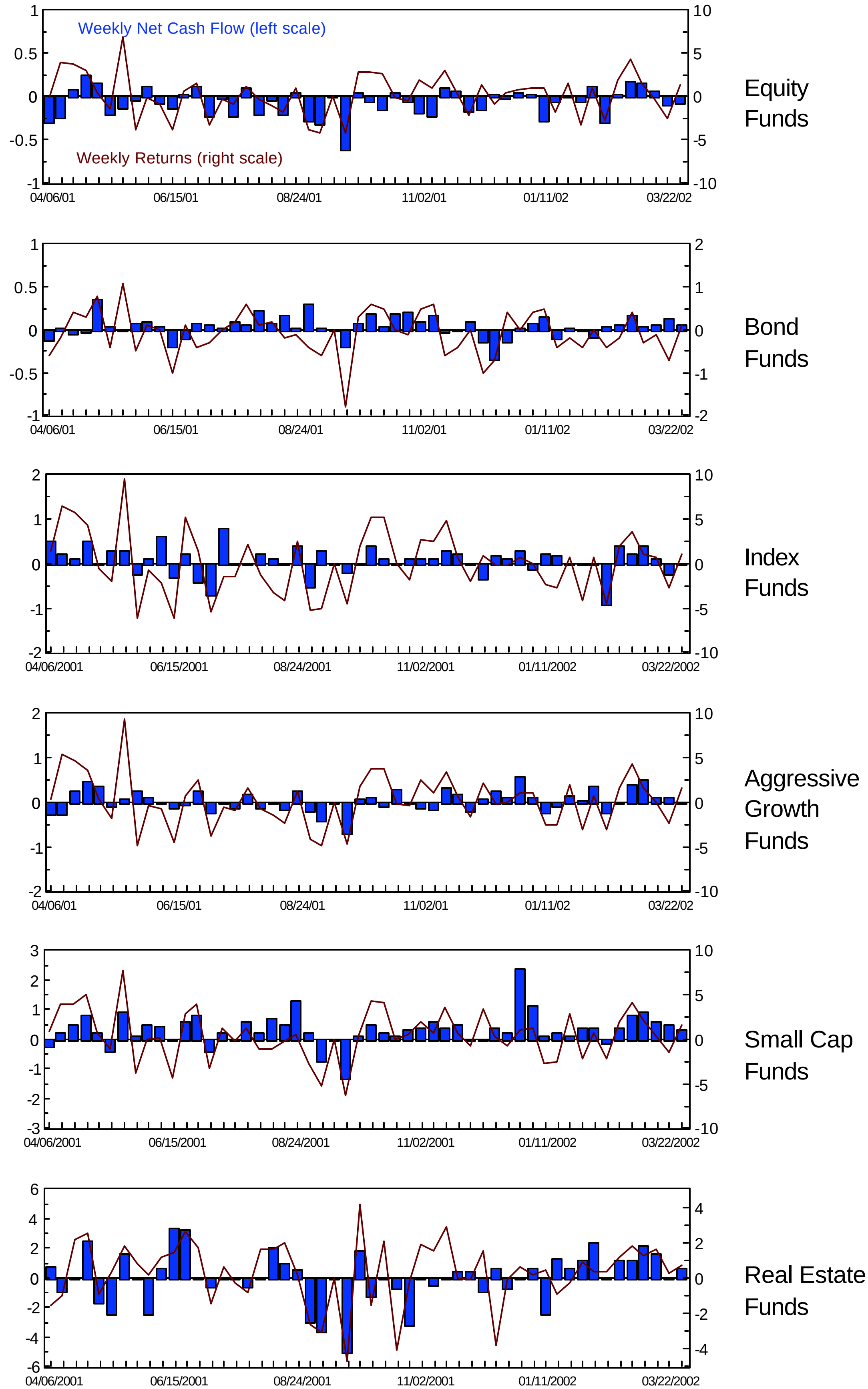



Source: Investment Company Institute

Figure 6a

## Weekly Flows into Mutual Funds

(percent of Total Assets)

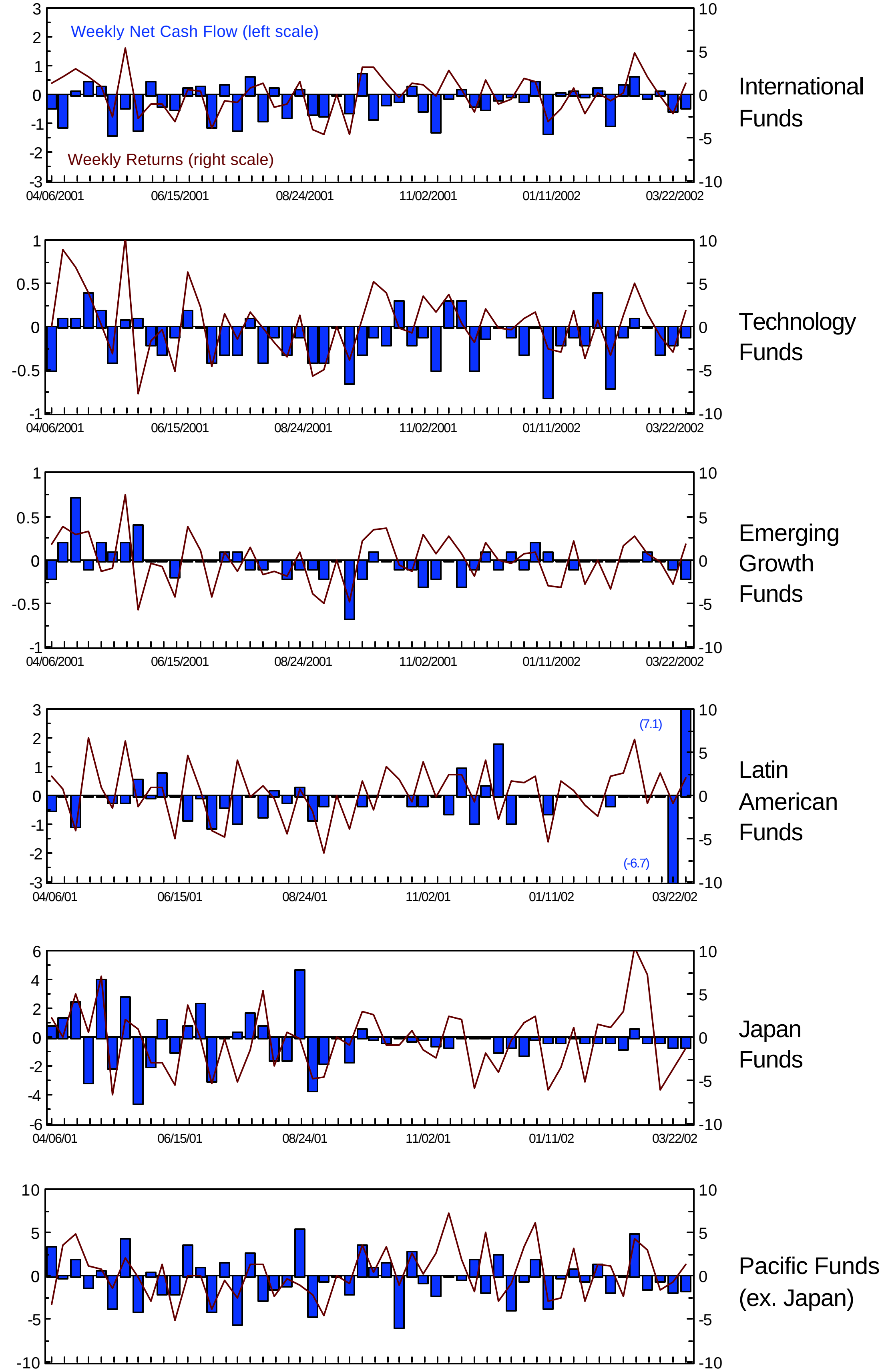



Source: Mutual Fund Trim Tabs

Figure 6b

**Weekly Flows into Mutual Funds**

(percent of Total Assets)

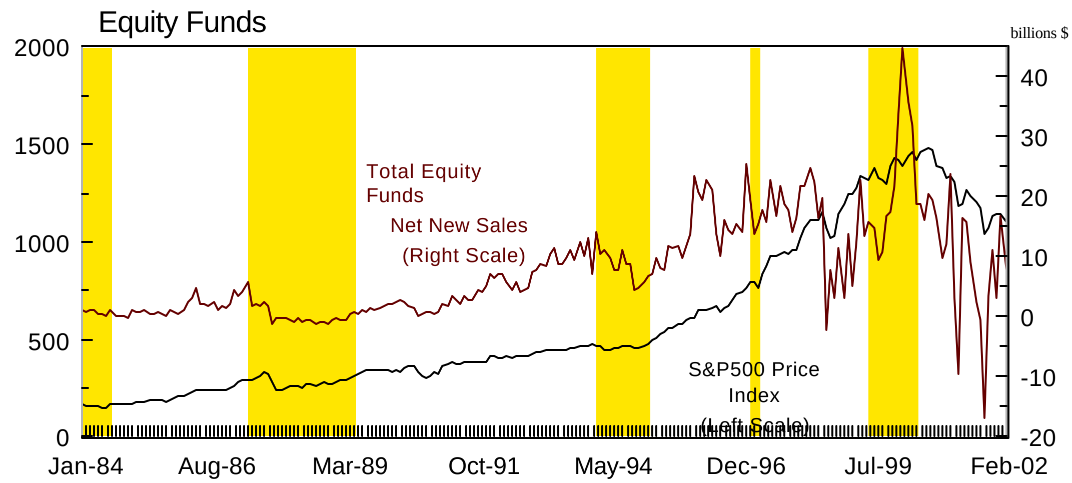


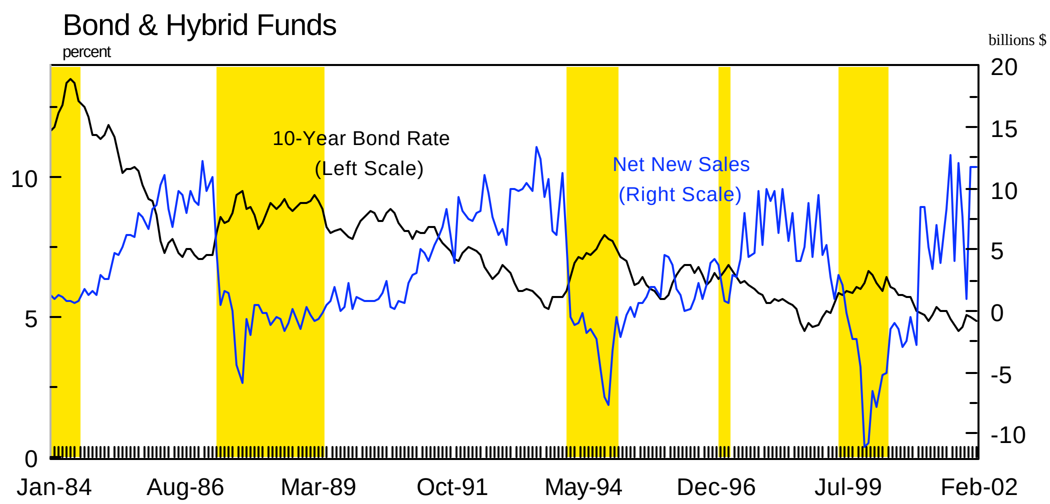

Source: Mutual Fund Trim Tabs

Figure 7

## Net New Sales By Investment Objective

(Shaded Regions Indicate Periods of Rising Fed Funds Rate)

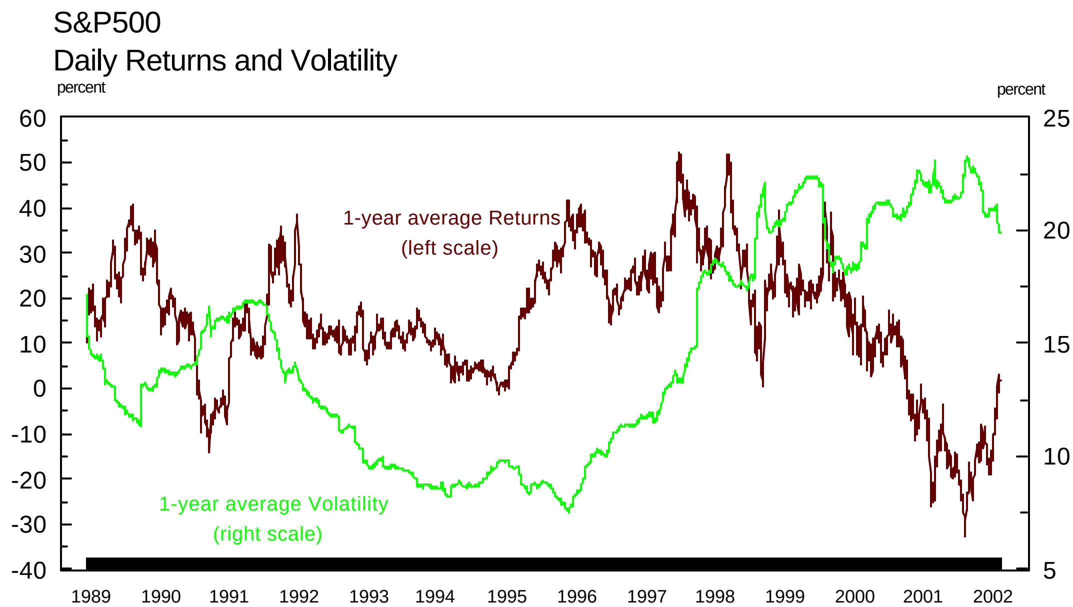



Source: Investment Company Institute

Figure 8

## Capital Market Returns and Volatility



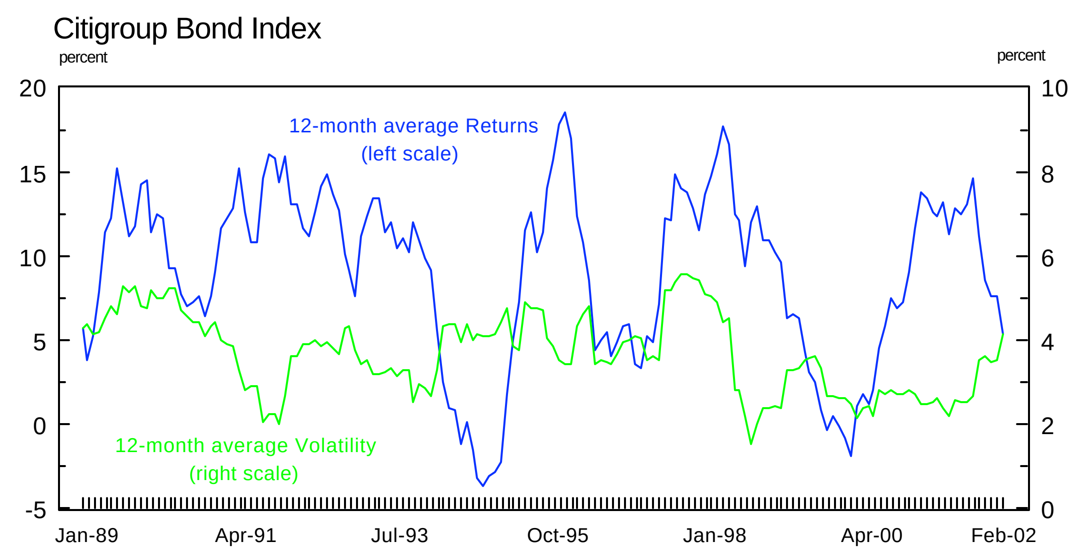
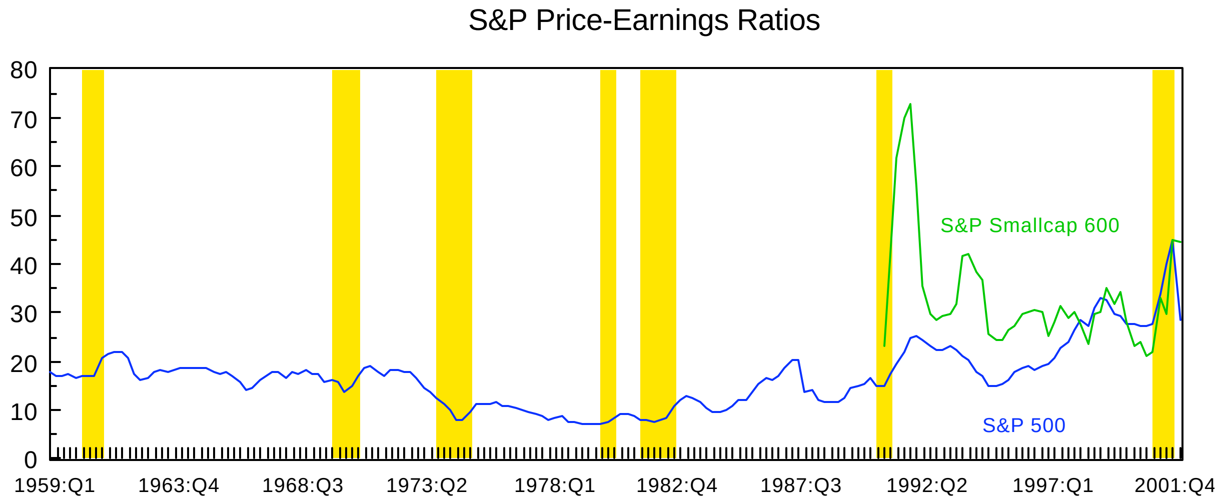
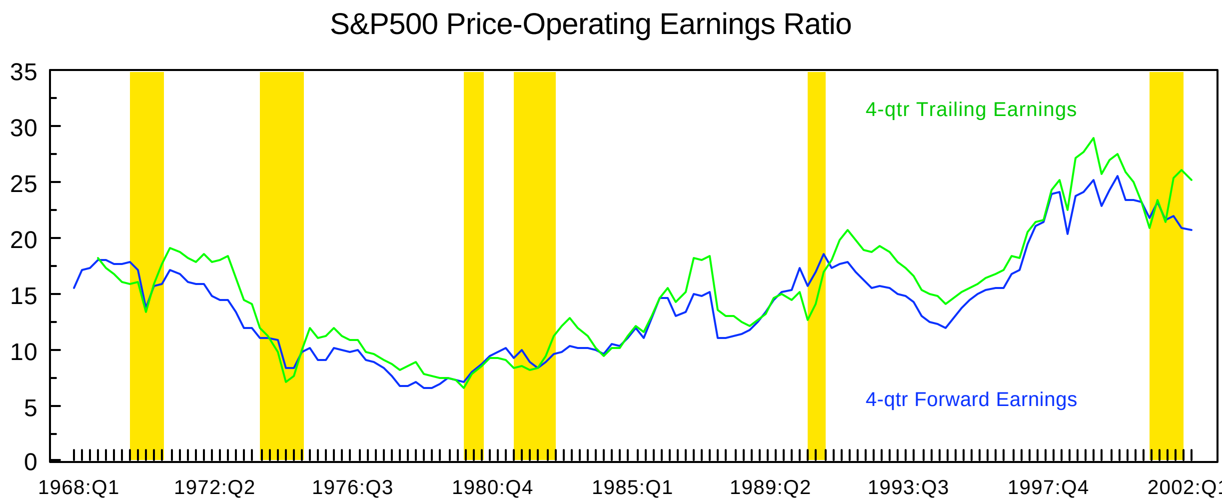
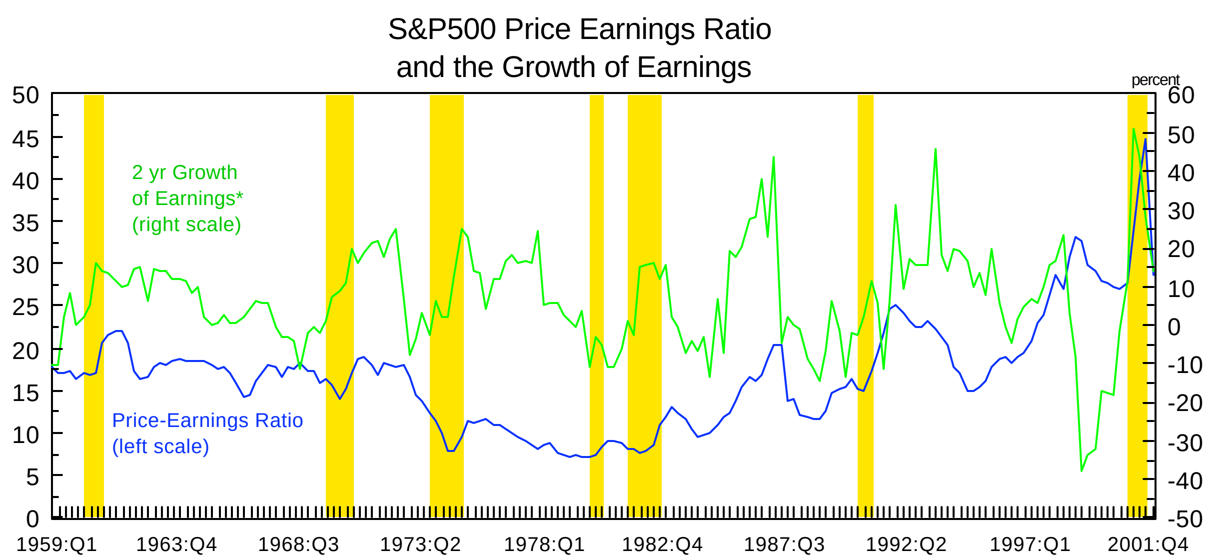



Figure 9




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

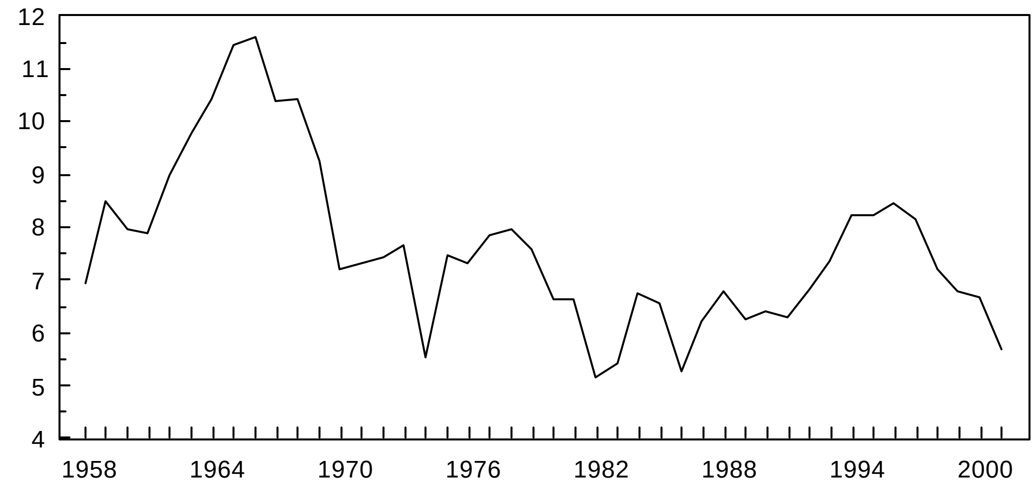
source: First Call, DRI, Bloomberg

Figure 10

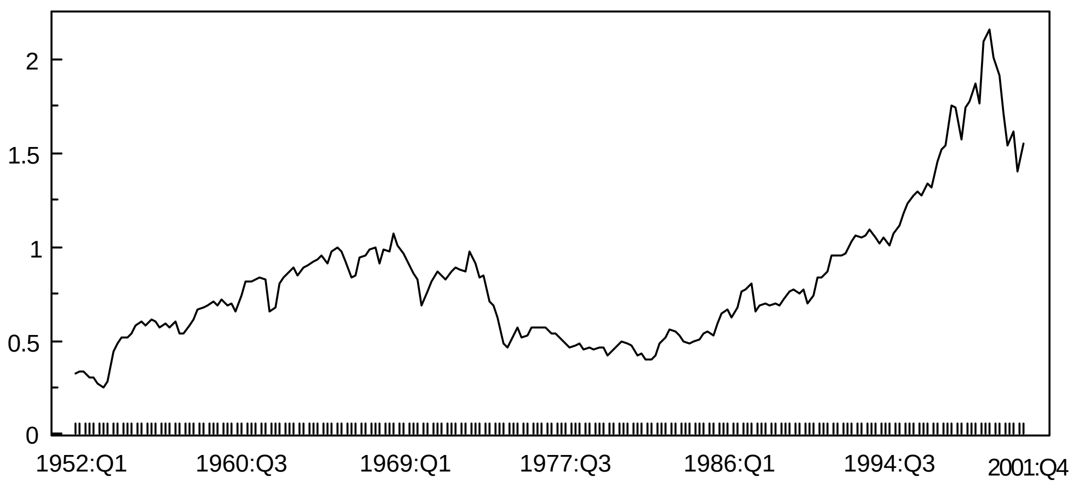
Real Rate of Return on Nonfinancial Corporate Equity

(from National Income and Flow of Funds Accounts)

percent

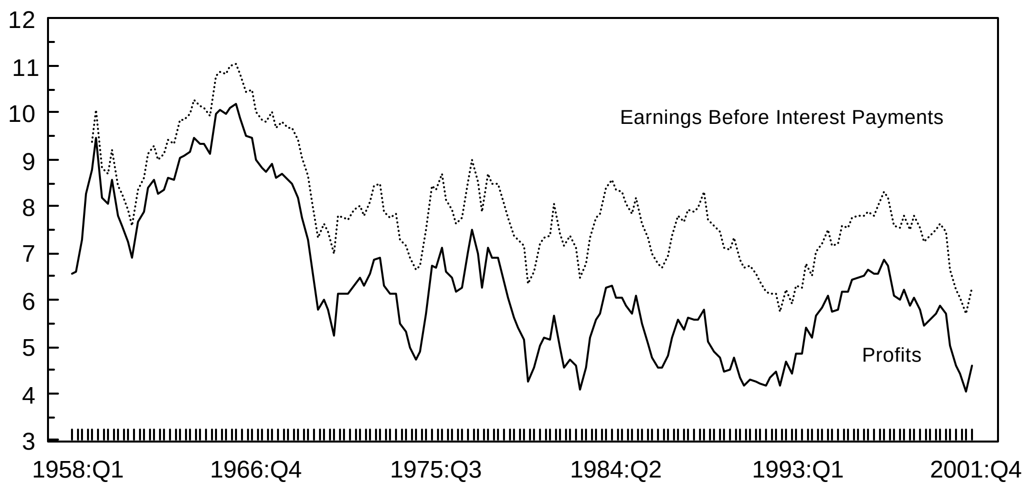



Tobin's Q*




Profits of Nonfinancial Corporations

(percent of GDP)




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