August 4, 2000

Monthly Mutual Fund Report

Statistics for June 2000

Sales and Redemptions

Total assets for all funds increased $211.4 billion, or 3.1 percent, to $7.1 trillion in June. Net new cash flow into long-term mutual funds, the dollar value of net new sales and net exchanges, was $20.6 billion, compared to $9.7 billion in May. New sales, the purchase of new shares excluding reinvested dividends, were $124.1 billion in June, up from $114.8 billion in May. The value of assets appreciated by $82.5 billion in June, compared with a decrease of $114.7 billion in May.

Total assets of **equity funds** increased by $214.3 billion, or 5.2 percent, to $4.3 trillion. The net new cash flow was $22.4 billion during June, compared with the inflow of $17.0 billion in May. The market value of assets appreciated by $87.8 billion. Year-to-date cash flows are $212.5 billion. During the same period in 1999, cash flows were $90.2 billion.

Total assets for **hybrid funds**, which invest in a mix of stocks and bonds, increased 0.5 percent, or $1.7 billion, to $351.0 billion. There was a net cash outflow from these funds of $2.2 billion in June. Year-to-date, their net cash outflow has been $23.2 billion compared to an outflow of $2.4 billion during the same period in 1999.

Bond funds experienced a cash inflow of $0.5 billion in June, as their total assets rose by $14.6 billion, to $790.9 billion. The market value of bond funds' assets increased by $11.6 billion, after adjusting for net sales and reinvested dividends. The assets of taxable bond funds increased 2.1 percent, and the assets of tax-exempt funds grew by 1.5 percent.

Assets of taxable and tax-exempt **money market funds** decreased $19.3 billion, to $1.7 trillion, a decrease of 1.2 percent for taxable money market funds and 0.8 percent for tax-exempt funds.

Liquidity Ratio

The liquidity ratio for bond and hybrid funds increased to 4.5 from 4.4 percent during June, while the ratio for equity funds decreased to 4.9 from 5.1 percent (figure 4).

Weekly Flows

In July, there were consistent inflows to equity funds of 0.5 percent of assets, though net asset values declined later in the month for a monthly loss of 1.9 percent. The direction of flows and returns to bond funds fluctuated weekly for a monthly inflow of 0.1 percent and loss of 0.1 percent of assets.

Performance and net sales among domestic sector funds moved commensurately with the equity aggregate. Index funds had inflows of 0.2 percent and losses of 1.1 percent. There were inflows to small-cap funds of 1.9 percent and losses of 3.8 percent. Real Estate funds, however, had consistent weekly flows and returns for a monthly inflow of 17.7 percent and a return of 5.0 percent.

Performance and net sales of the aggregate of international funds was similar to most domestic sectors, with inflows of 0.3 percent and losses of 3.0 percent. There was variation among the international sectors with inflows to Latin America funds of 0.8 percent and losses of 2.5 percent. Outflows to Japan funds were 3.3 percent with losses of 13.2 percent. Pacific funds had monthly outflows of 1.7 percent and losses of 2.8 percent of total assets.

Capital Market Returns and Volatility

The S&P 500 ended July at 1430.83, a decrease of 1.6 percent from the beginning of the month. The 12-month return was 9.0 percent at month-end. The annualized volatility for the daily return on the S&P 500 was 21.3 percent.

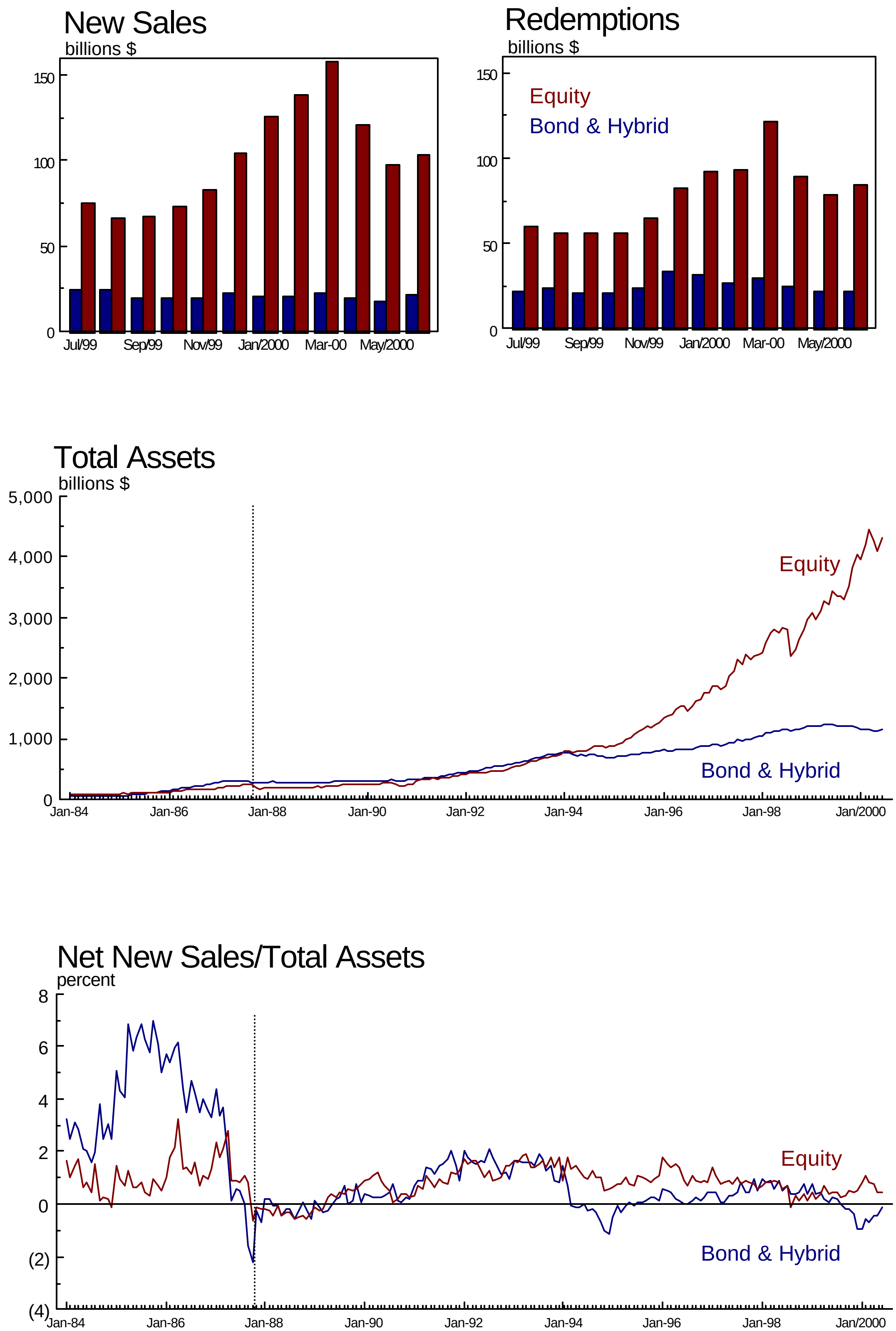
The 12-month average return on the Salomon Brothers Bond Index was 5.9 percent for July. Volatility decreased to 2.7 percent from 2.8 percent in June (figure 8).

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)

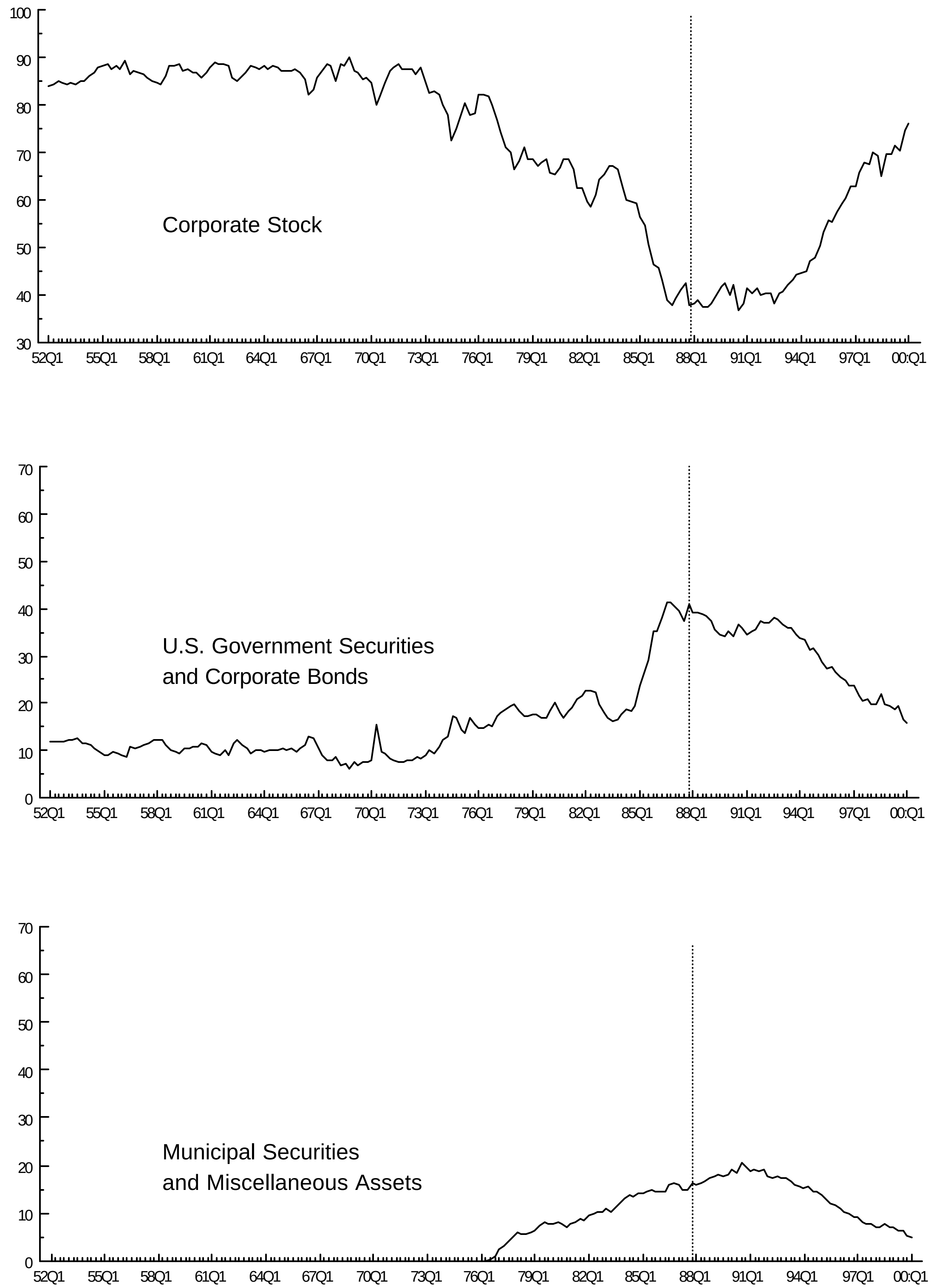
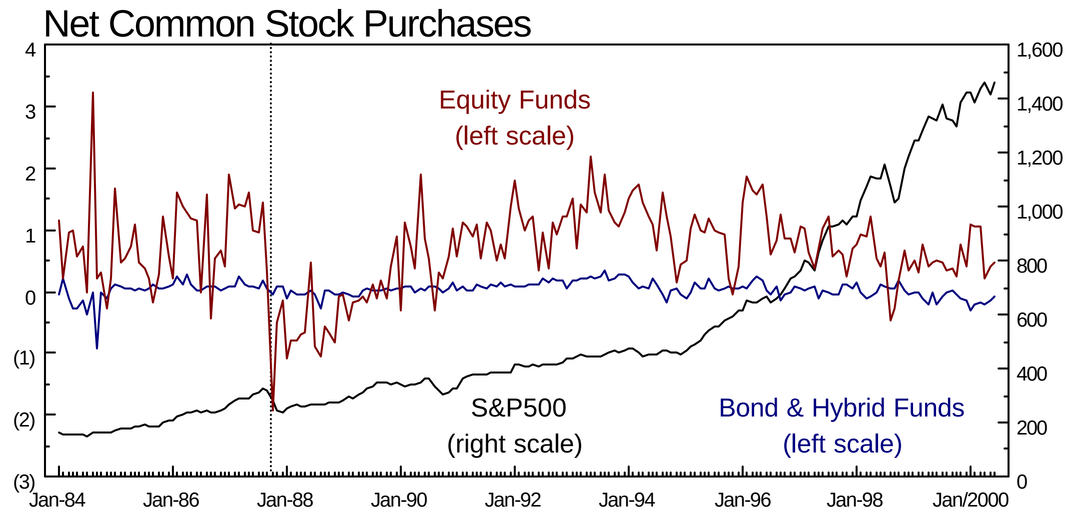


Figure 3

Net Portfolio Purchases

(percent of Total Assets)



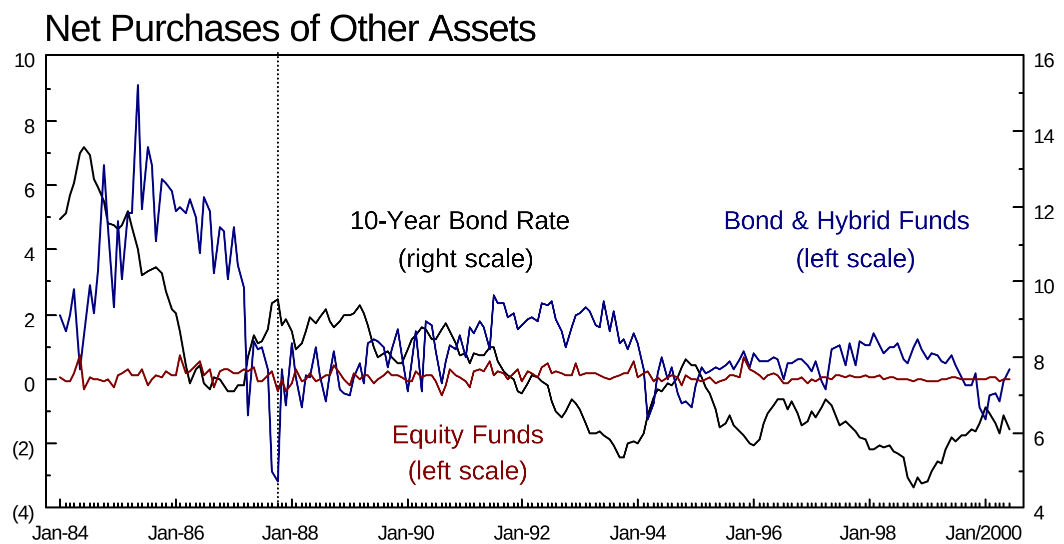
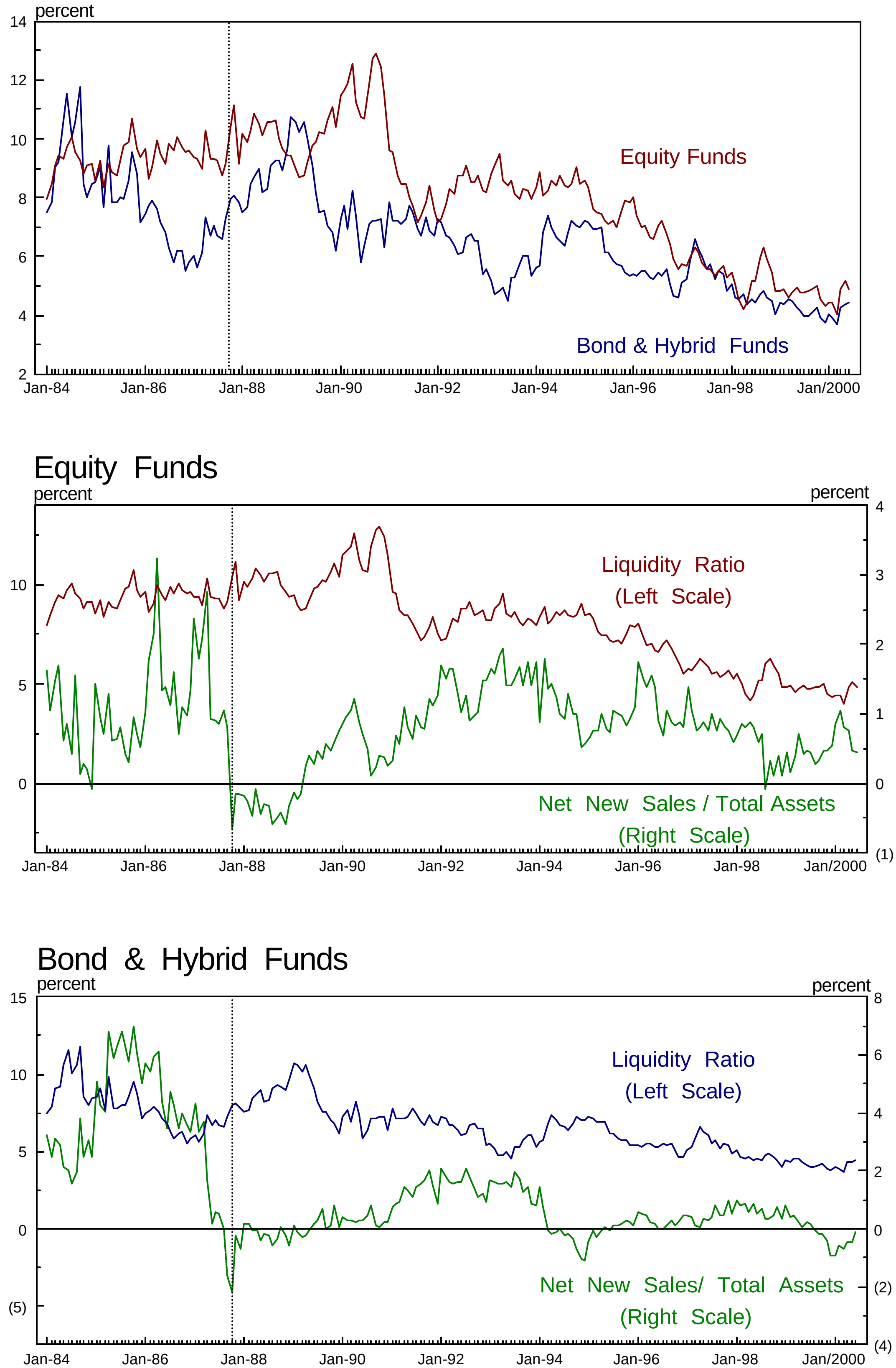


Figure 4
Liquidity Ratio*

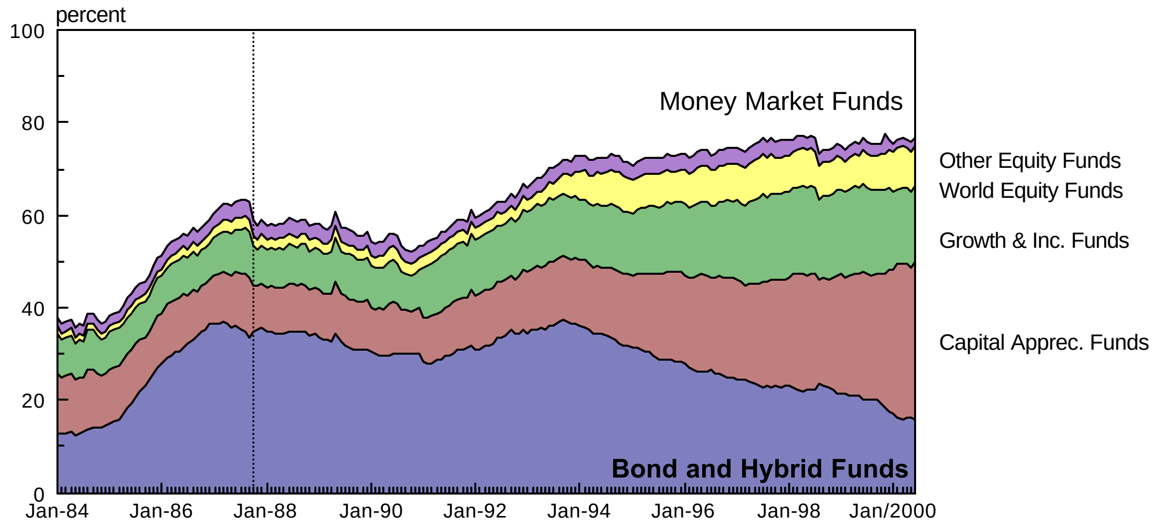


Source: Investment Company Institute
*The Liquidity Ratio is the Percent of Total Assets held in Cash and Short-Term Securities.

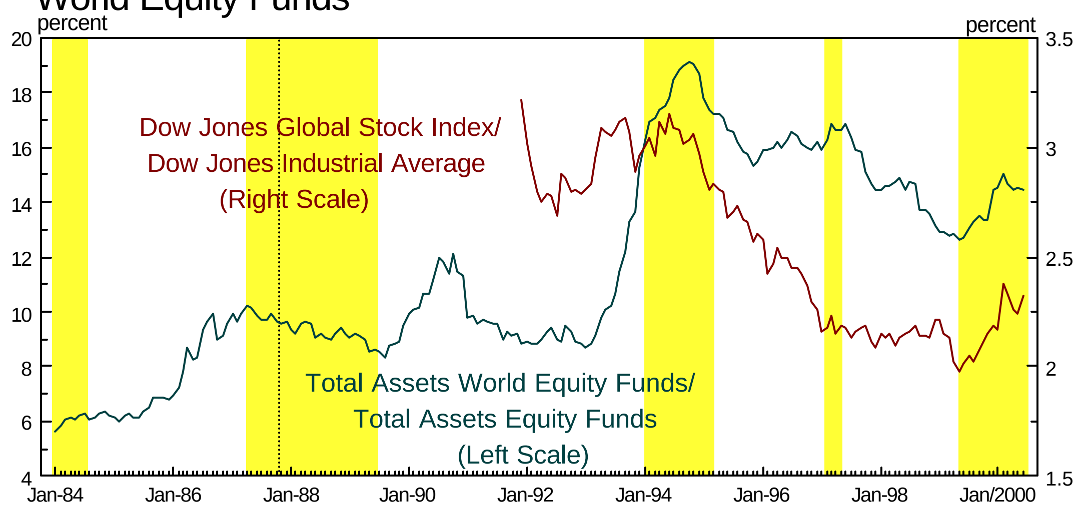
Figure 5

Industry Composition

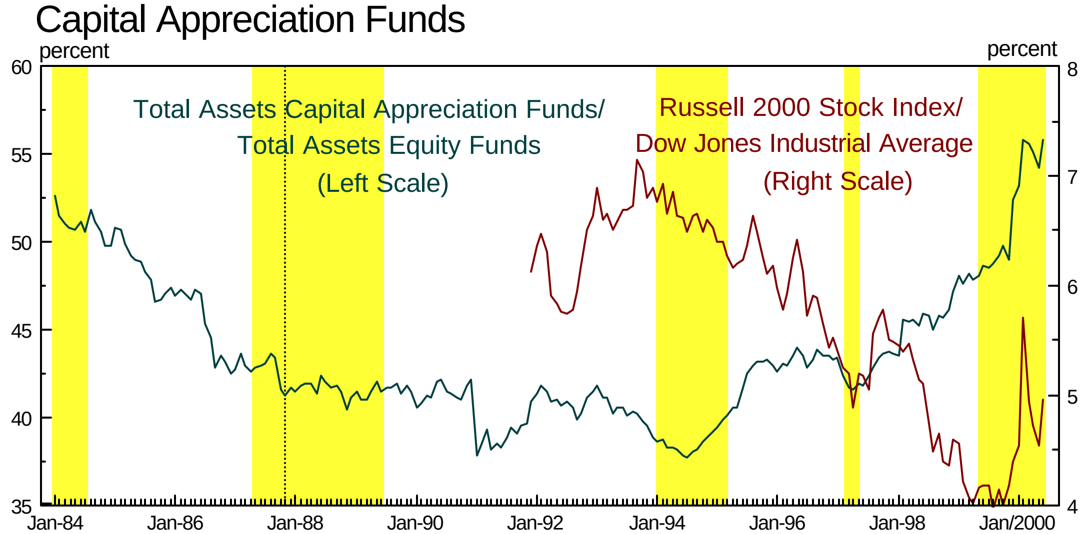
(Shaded Regions Indicate Periods of Rising Fed Funds Rate)



World Equity Funds



Capital Appreciation Funds

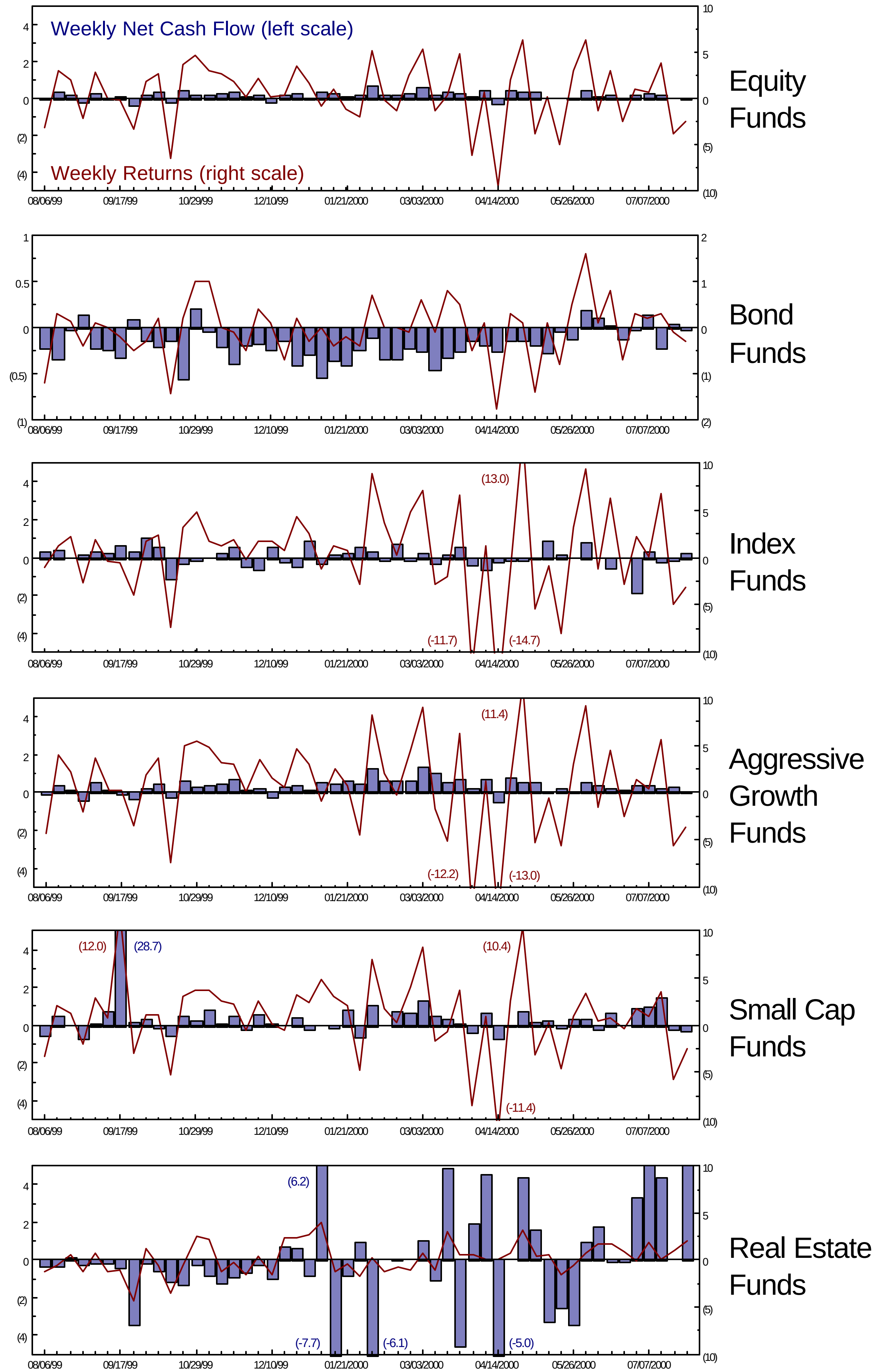


Source: Investment Company Institute

Figure 6a

Weekly Flows into Mutual Funds

(percent of Total Assets)

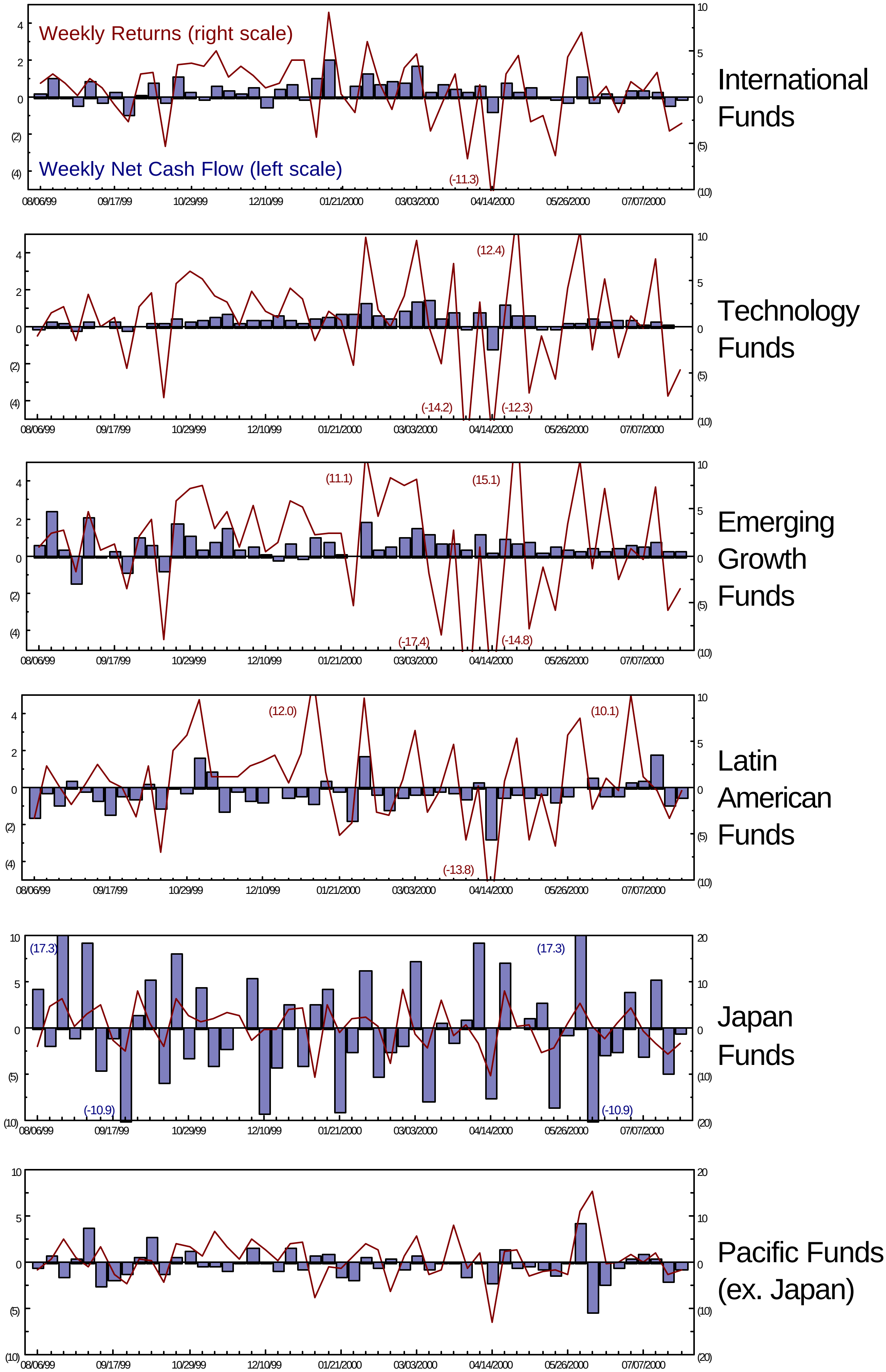


Source: Mutual Fund Trim Tabs

Figure 6b

Weekly Flows into Mutual Funds

(percent of Total Assets)

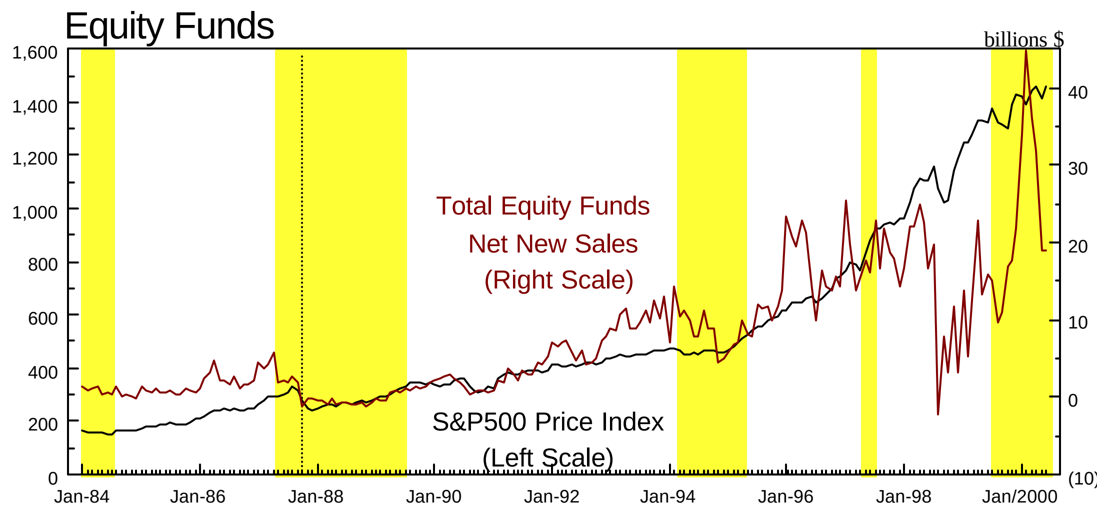


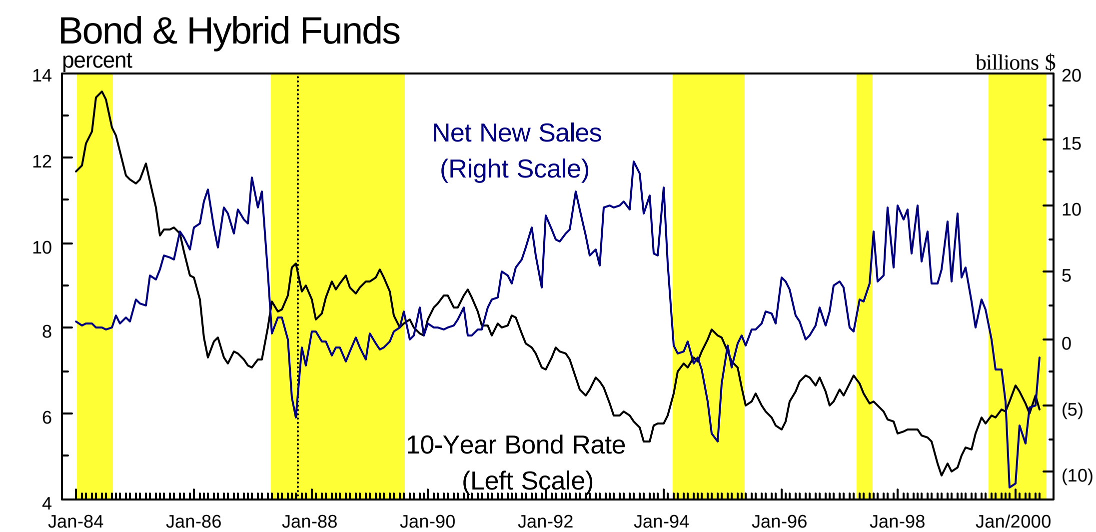
Source: Mutual Fund Trim Tabs

Figure 7

Net New Sales By Investment Objective

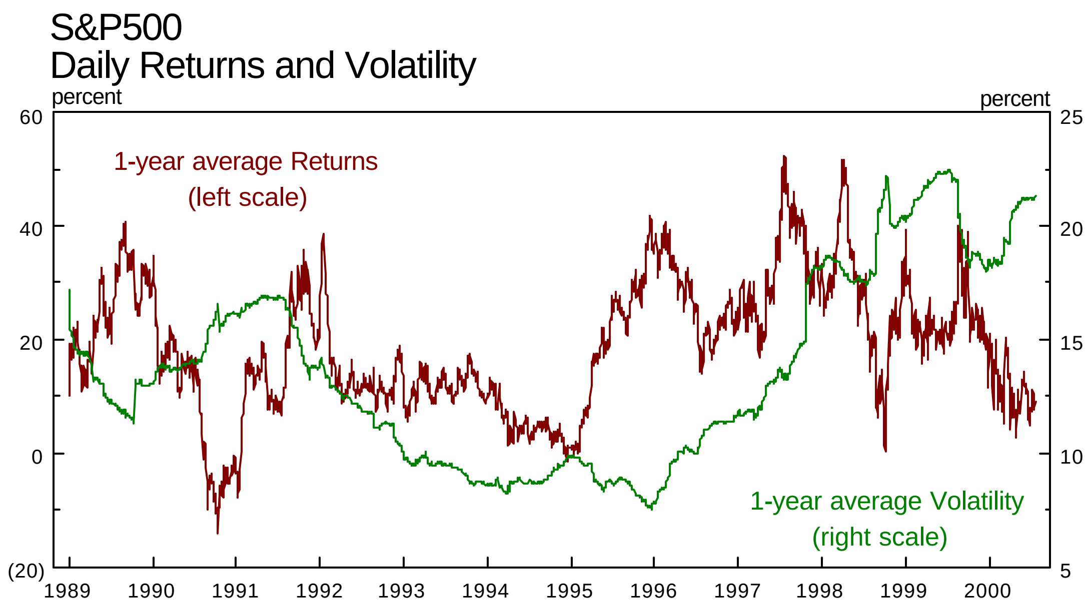
(Shaded Regions Indicate Periods of Rising Fed Funds Rate)





Source: Investment Company Institute

Figure 8
Capital Market Returns and Volatility



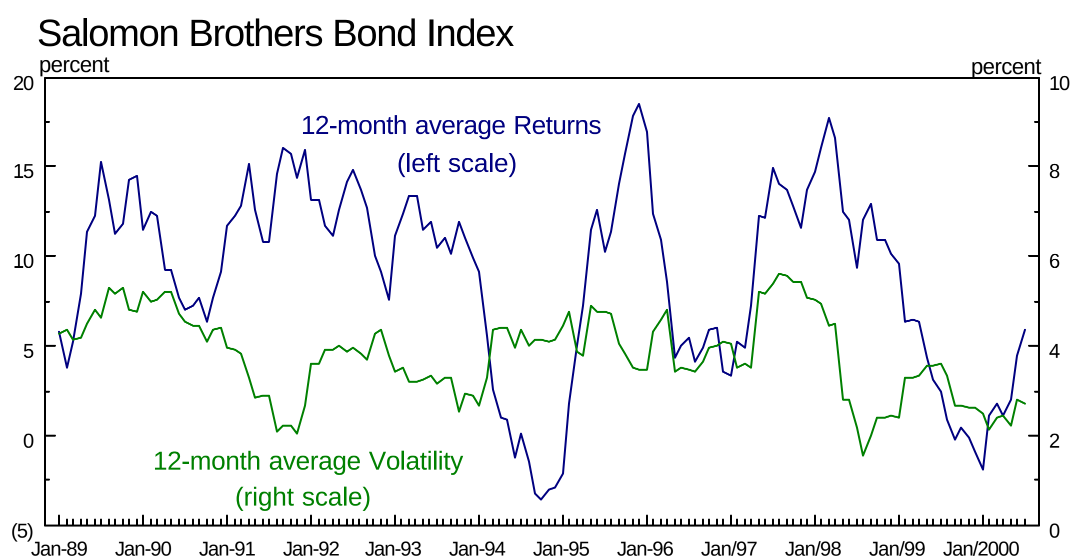
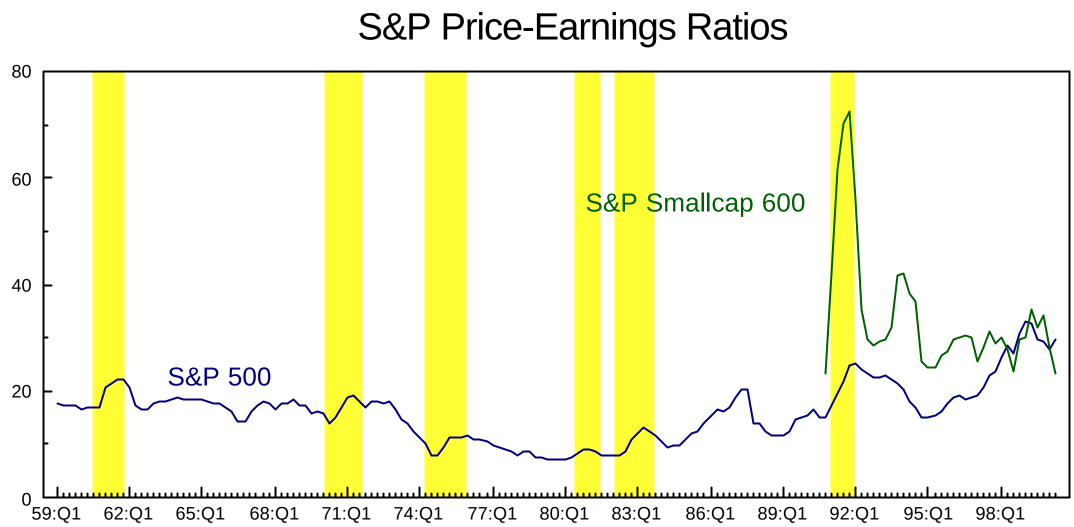
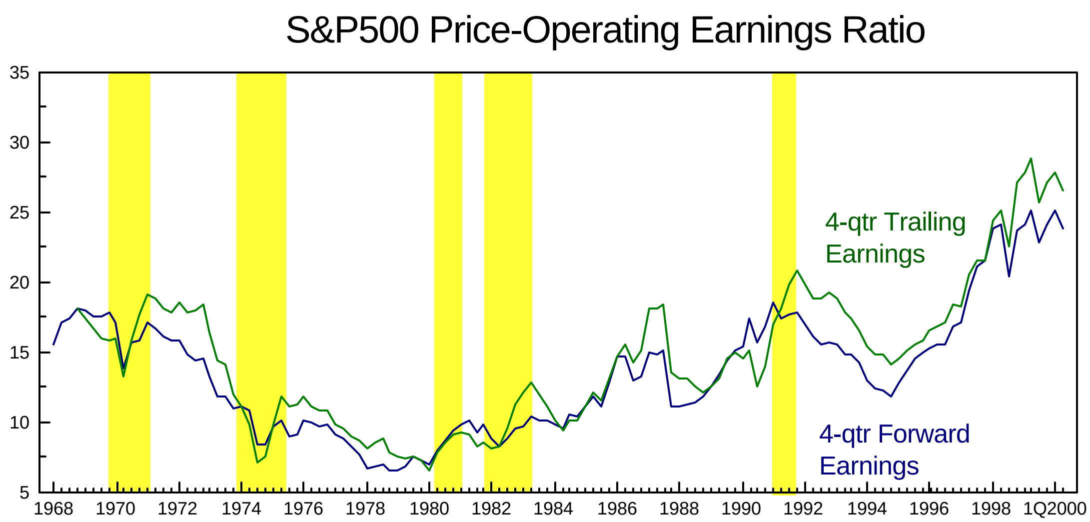
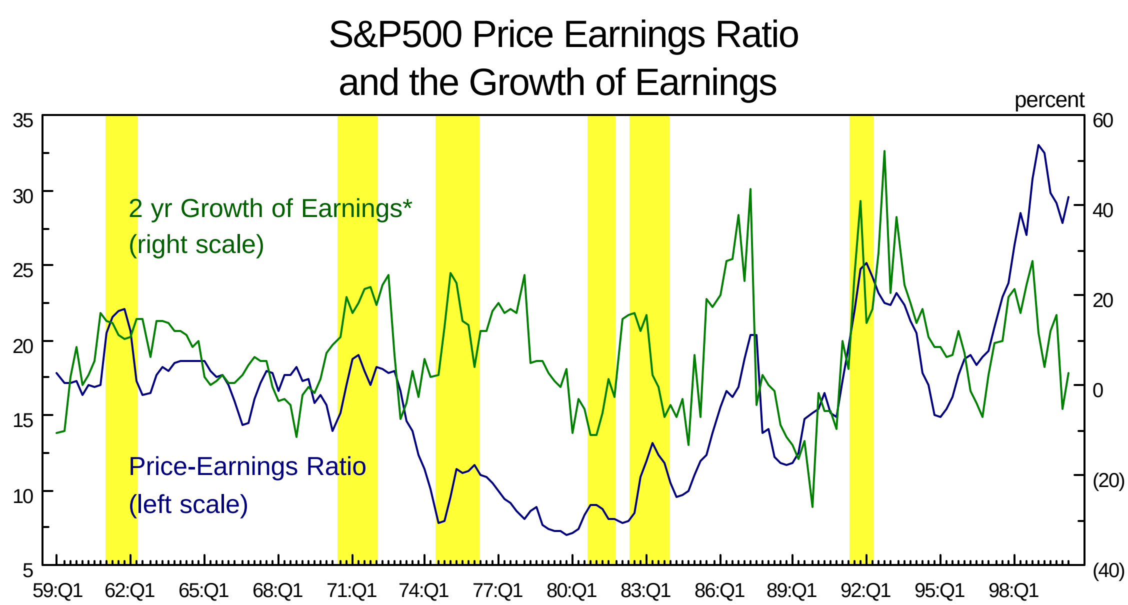


Figure 9







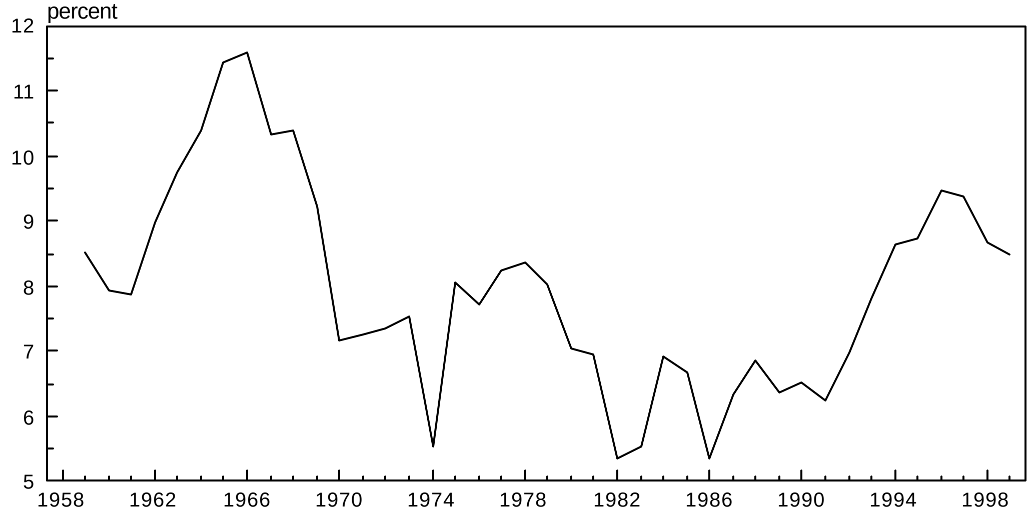
* Growth of earnings over subsequent 8 quarters. Current observations use forecast of earnings from macro projections.

source: First Call, DRI, Bloomberg

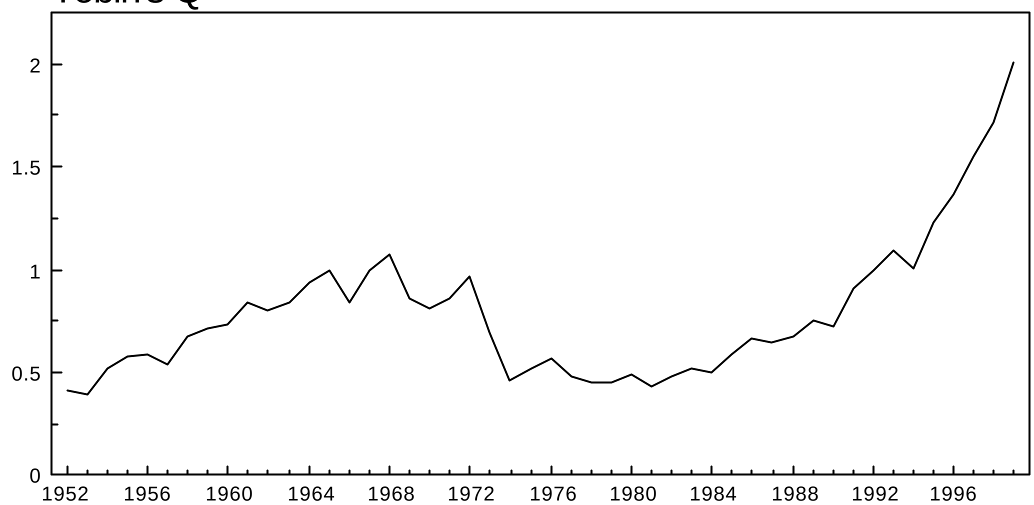
Figure 10

Real Rate of Return on Nonfinancial Corporate Equity

(from National Income and Flow of Funds Accounts)

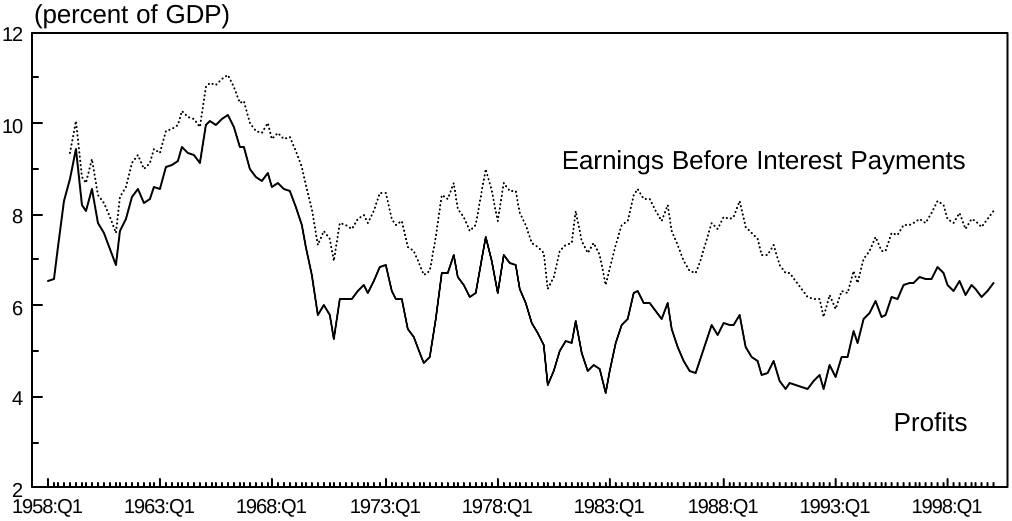


Tobin's Q*



Profits of Nonfinancial Corporations

(percent of GDP)



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