December 6, 2002

Monthly Mutual Fund Report

Statistics for October-November 2002

Sales and Redemptions

Total assets for all funds increased in October by $174.1 billion, or 2.9 percent, to $6.2 trillion. Money market funds had a net cash inflow of $11.2 billion compared to an outflow in September of $61.9 billion. Other funds (equity, hybrid, and bond) had a net cash outflow of $2.4 billion, compared to an outflow of $1.4 billion in September. New sales of non-money market funds, the purchase of new shares excluding reinvested dividends, were $119.2 billion in October, up from $93.7 billion in September. The value of non-money market assets appreciated by $159.0 billion in October, following a depreciation of $276.0 billion in September.

Total assets of **equity funds** increased by $154.4 billion, or 6.2 percent, to $2.66 trillion. There was a $7.7 billion net cash outflow from equity funds in October, compared with an outflow of $16.1 billion in September. Year-to-date, equity funds have a net cash outflow of $26.5 billion, compared to a $14.0 billion inflow for the same period in 2001. The market value of assets appreciated by $161.8 billion.

Total assets for **hybrid funds**, which invest in a mix of stocks and bonds, increased 3.7 percent, or $11.3 billion, to $316.7 billion. In October, there was a $1.0 billion net cash outflow for these funds. There has been an inflow of $7.2 billion in 2002, less than the inflow of $7.5 billion at this point last year.

Bond funds experienced a cash inflow of $6.3 billion, while their total assets decreased by $5.8 billion, to $1.08 trillion. The market value of bond funds assets decreased by $14.8 billion, after adjusting for net sales and reinvested dividends. The assets of taxable bond funds increased by 0.4 percent, while the assets of tax-exempt bond funds decreased by 2.6 percent. There has been a net inflow into bond funds of $125.6 billion in 2002, compared to $82.8 billion in the same period in 2001.

Assets of taxable and tax-exempt **money market funds** increased $14.1 billion, to $2.17 trillion, an increase of 0.4 percent for taxable money market funds and 2.3 percent for tax-exempt funds. Compared to a net cash inflow of $340.3 billion through this point in 2001, money market funds have an outflow of $145.9 billion so far this year.

Liquidity Ratio

The liquidity ratio for bond and hybrid funds decreased from 5.12 to 5.10 percent, while the ratio for equity funds decreased from 5.12 to 5.07 percent (figure 4).

Weekly Flows

In November, there were outflows from equity funds of 0.2 percent of total assets, with returns of 4.3 percent. Bond funds had inflows of 0.6 percent and returns of 1.6 percent for the month.

Index funds had monthly inflows of 3.9 percent and returns of 4.7 percent. Aggressive growth funds had monthly outflows of 0.3 percent and returns of 5.6 percent. Small-cap funds had inflows of 0.2 percent and returns of 11.7 percent.

There were inflows from international funds in November of 1.3 percent of assets and returns of 4.7 percent. Latin America funds had outflows of 2.3 percent and returns of 8.6 percent. Japan funds had inflows of 7.6 percent and returns of 6.8 percent of assets for the month of November. Pacific funds that do not invest in Japan had inflows of 14.8 percent and returns of 7.3 percent of assets.

Capital Market Returns and Volatility

The S&P 500 ended November at 936.31, an increase of 5.7 percent from the beginning of the month. The 12-month loss was 18.1 percent at month-end. The annualized volatility for the daily return on the S&P 500 was 25.8 percent.

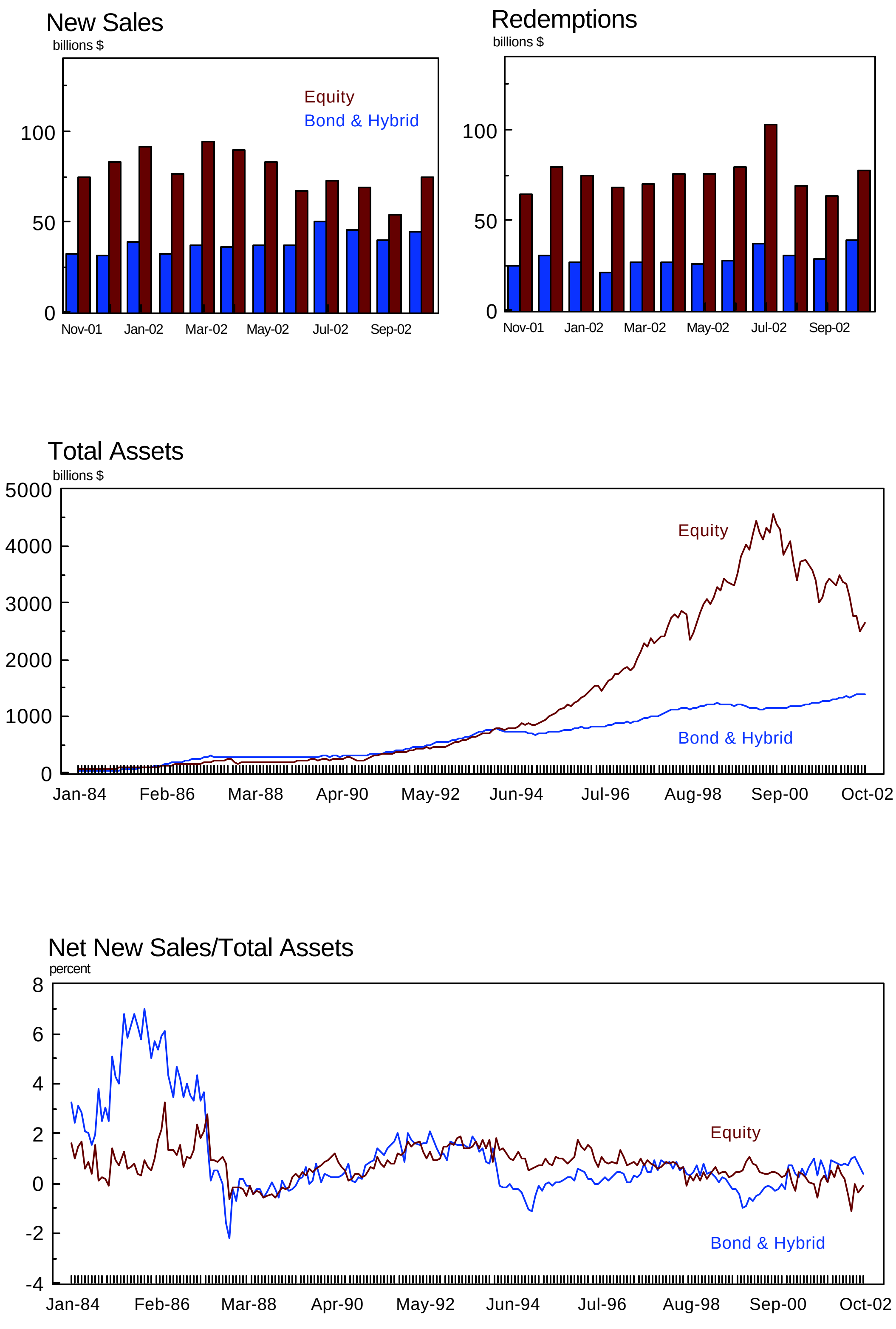
The 12-month average return on the Citigroup (formerly Solomon Brothers) Bond Index was 7.2 percent for November. Volatility decreased to 3.54 percent (figure 8).

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 2.9 percent, below the 6.3 percent historical average annual growth rate. The trailing price-operating earnings ratio increased from 17.6 in the third quarter to 20.4 for the fourth quarter of 2002, while the forward price-operating earnings ratio increased from 15.3 in the third quarter to 17.5 during the fourth quarter (figure 9). During the third quarter the price-earnings ratio for the Standard and Poor's Small-Cap 600 Index decreased to 30.5 from 40.5.

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)

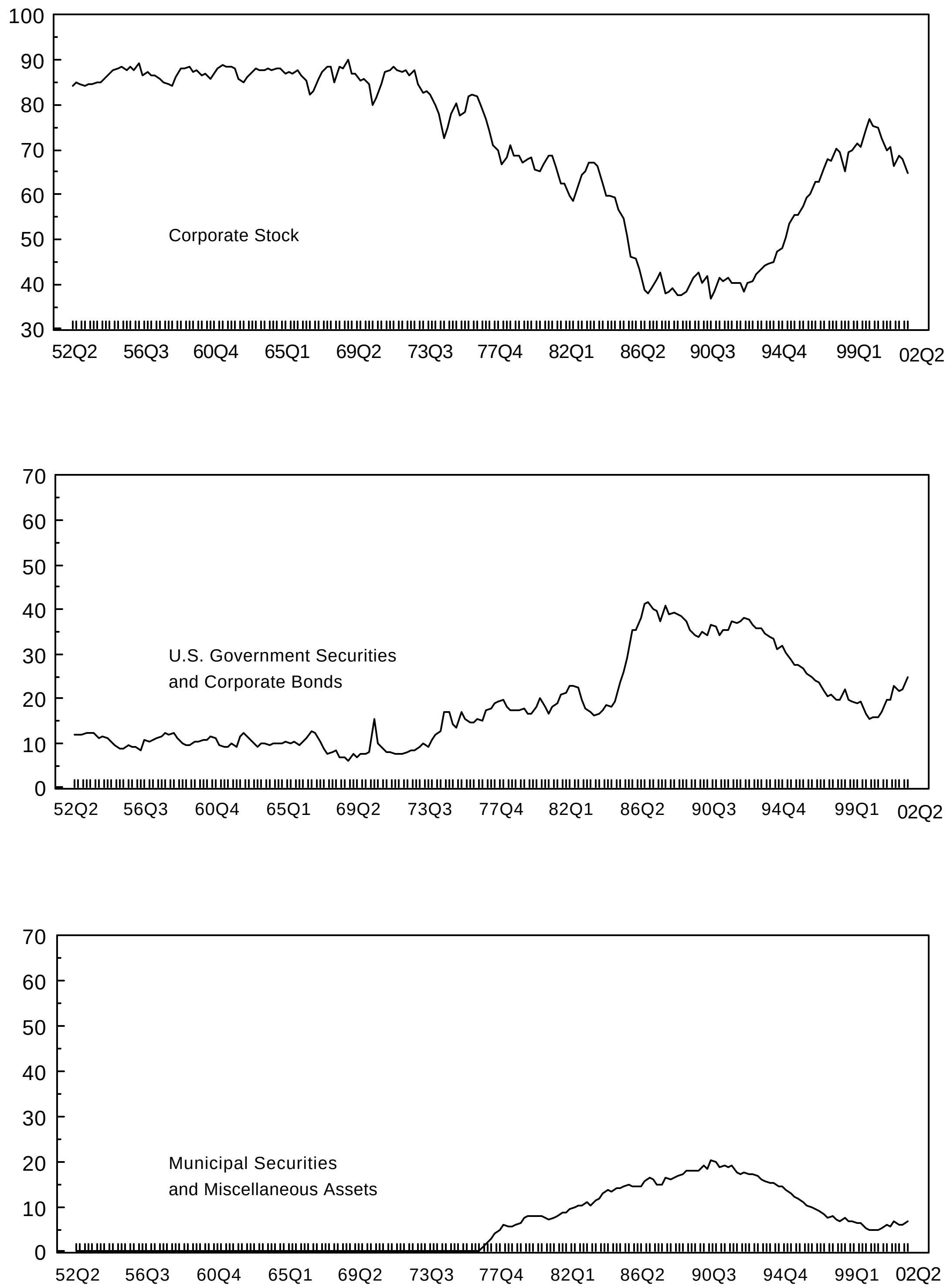


Figure 3
Net Portfolio Purchases
(percent of Total Assets)

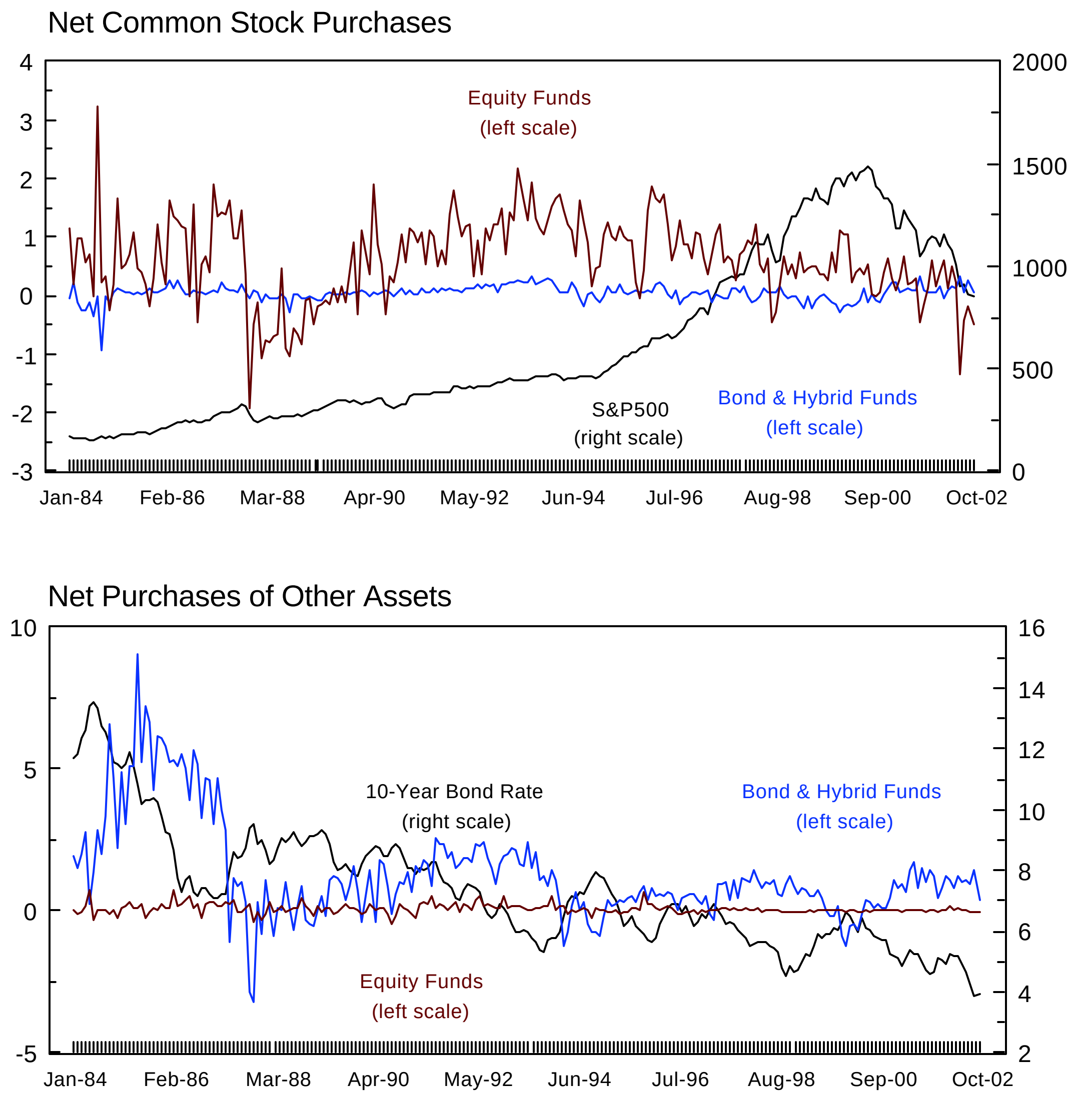
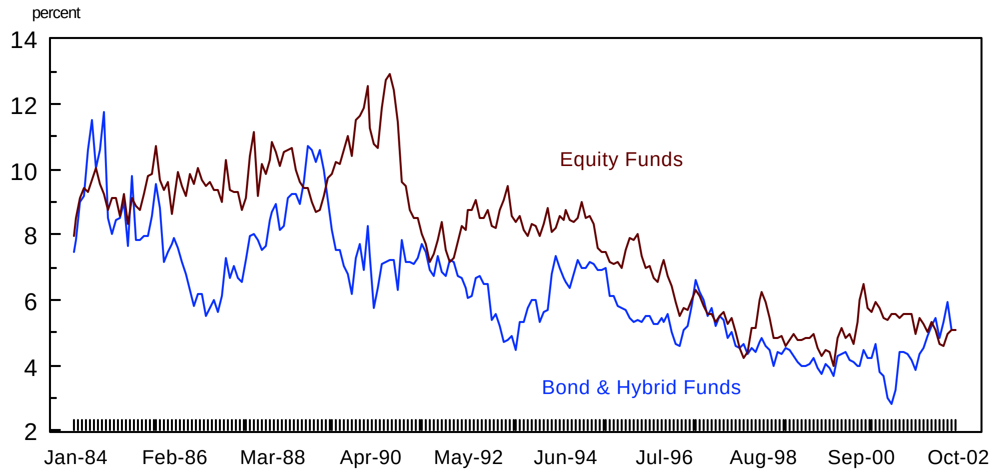
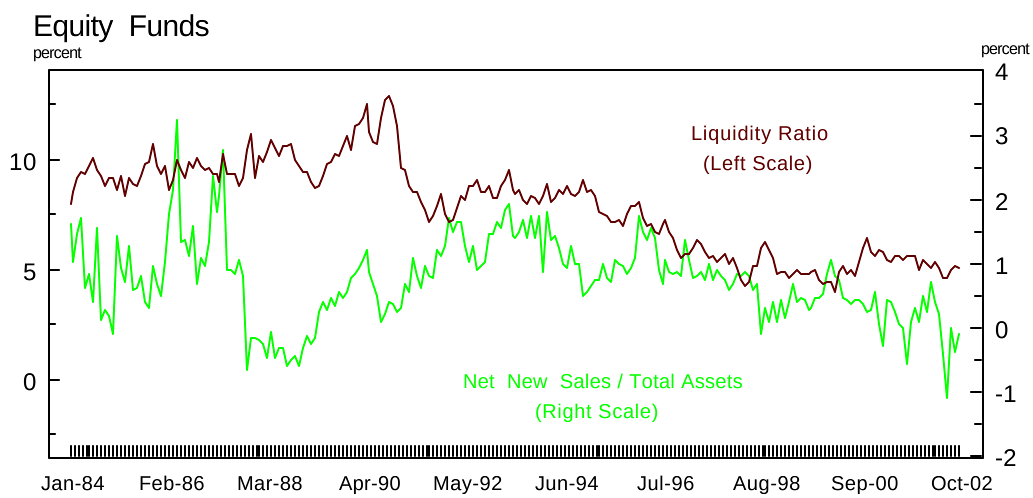
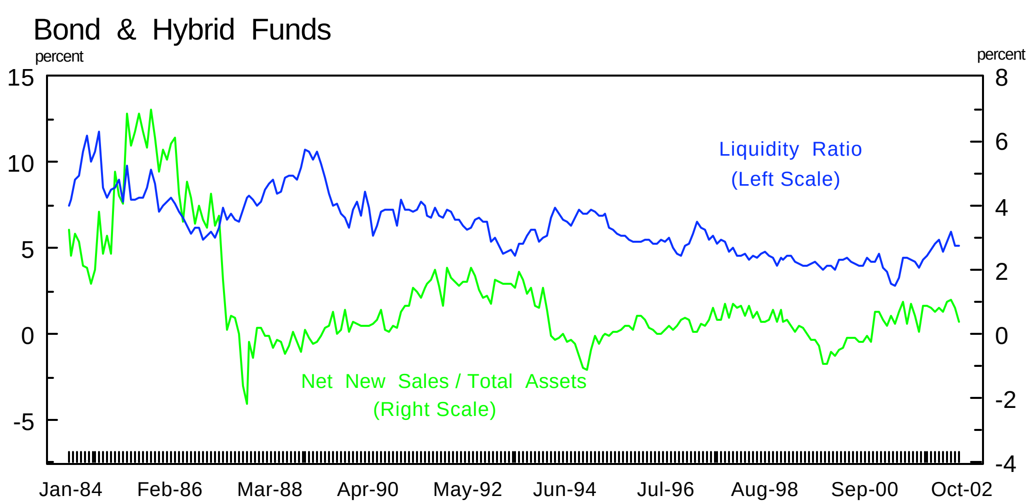


Figure 4

Liquidity Ratio*







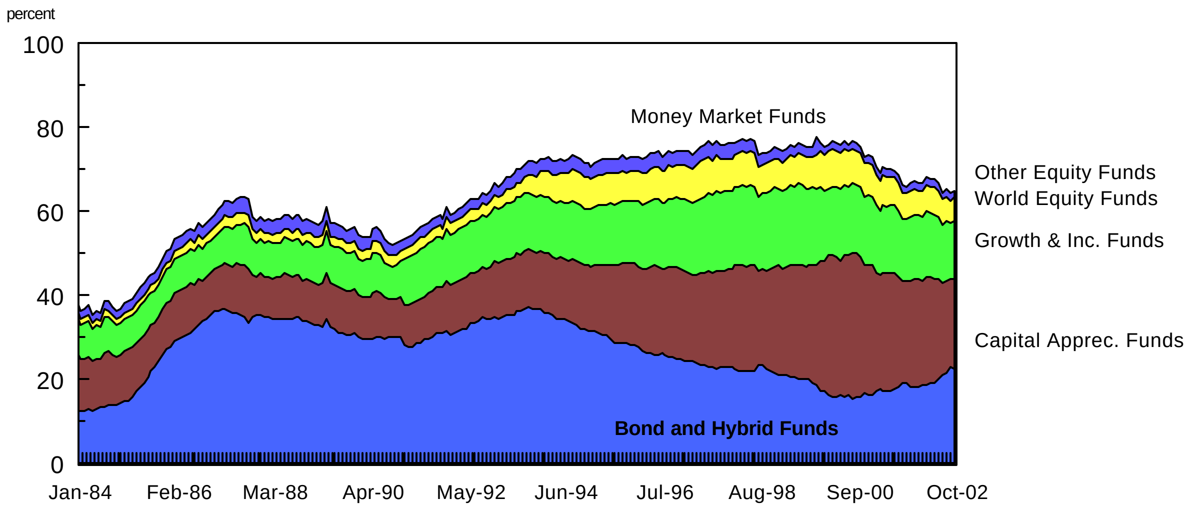
*The Liquidity Ratio is the Percent of Total Assets held in Cash and Short-Term Securities.

Source: Investment Company Institute

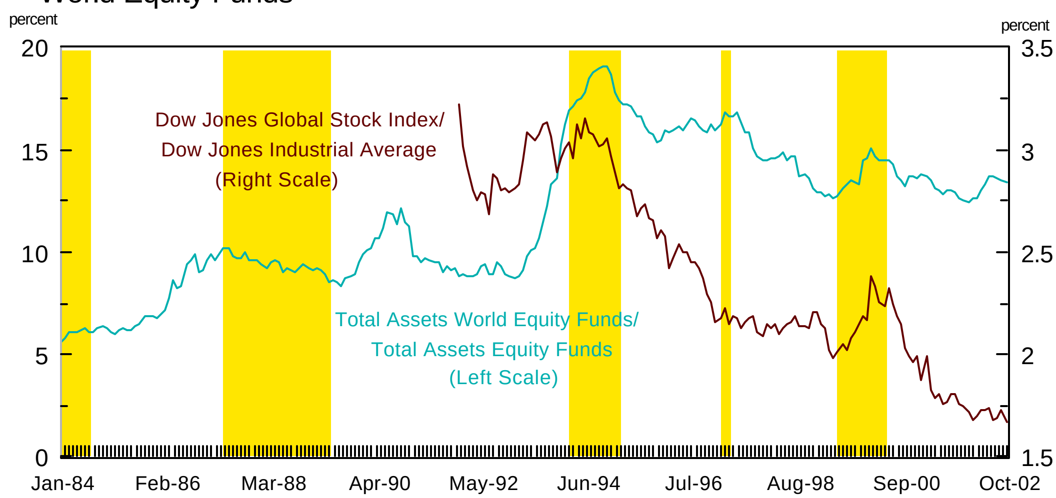
Figure 5

Industry Composition

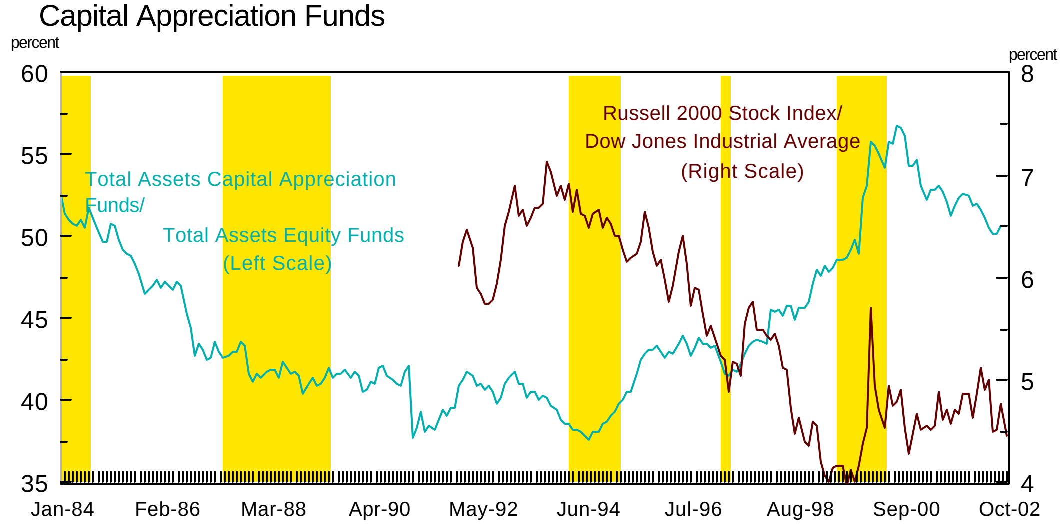
(Shaded Regions Indicate Periods of Rising Fed Funds Rate)



World Equity Funds



Capital Appreciation Funds

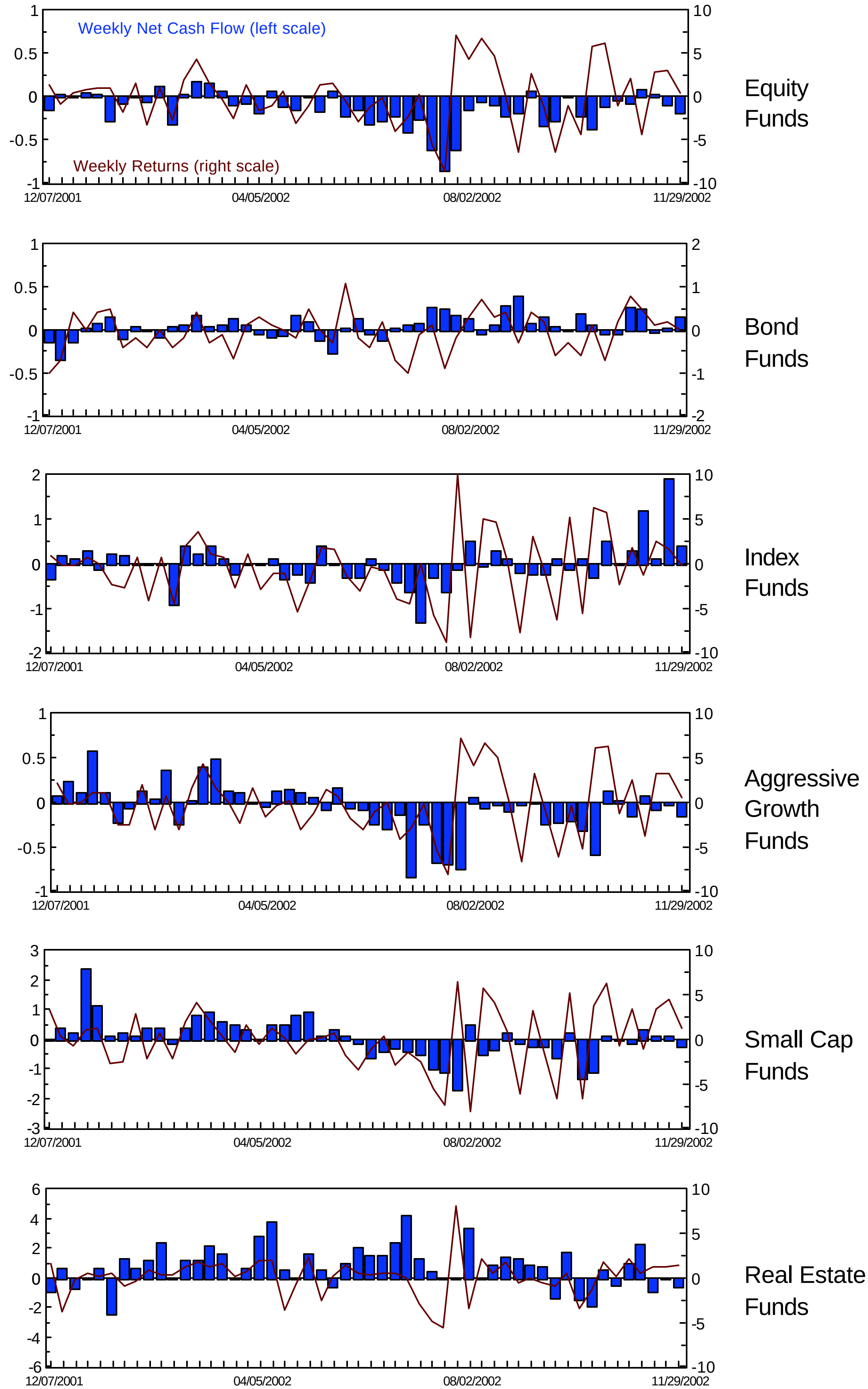


Source: Investment Company Institute

Figure 6a

Weekly Flows into Mutual Funds

(percent of Total Assets)

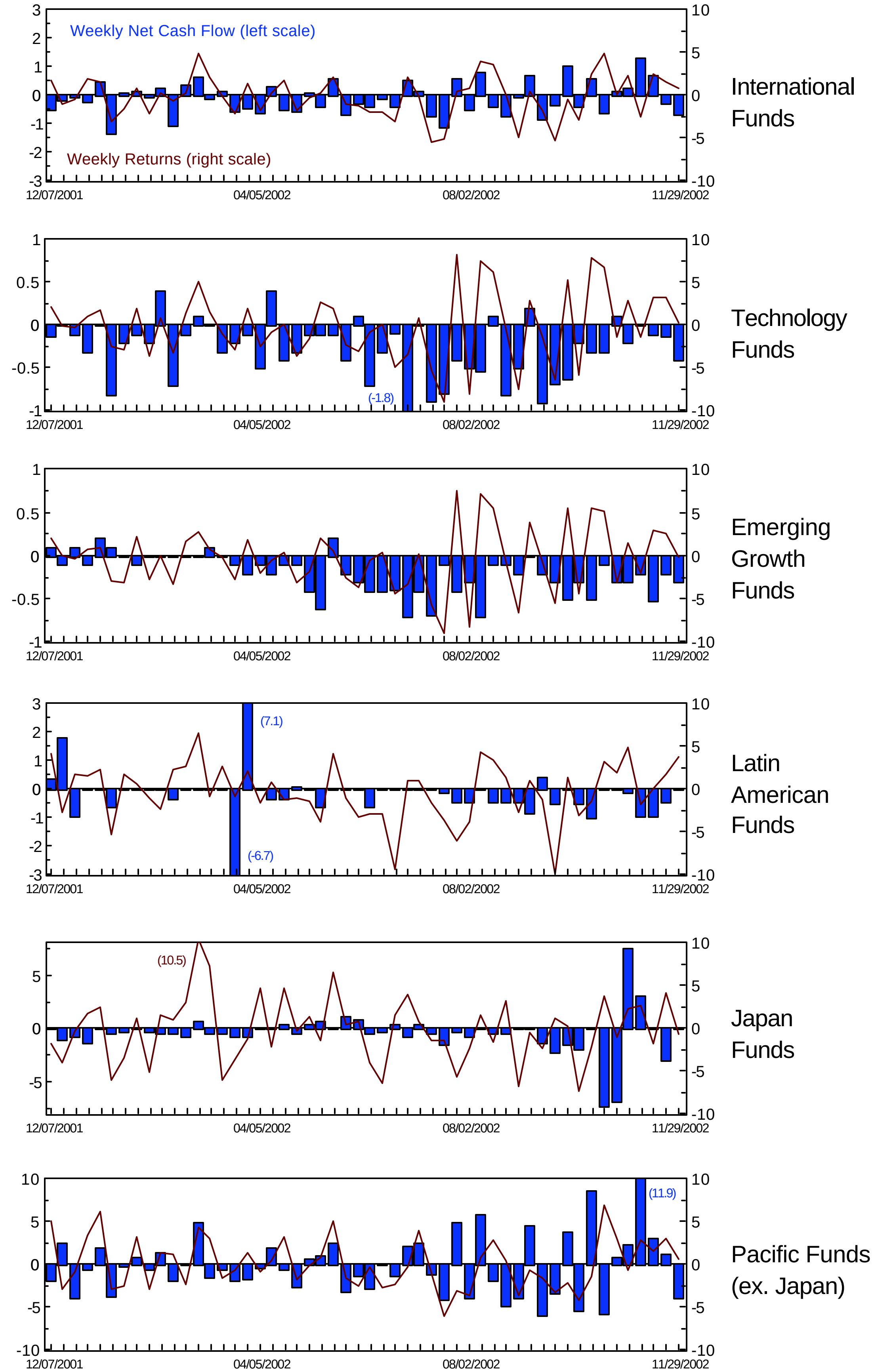


Source: Mutual Fund Trim Tabs

Figure 6b

Weekly Flows into Mutual Funds

(percent of Total Assets)

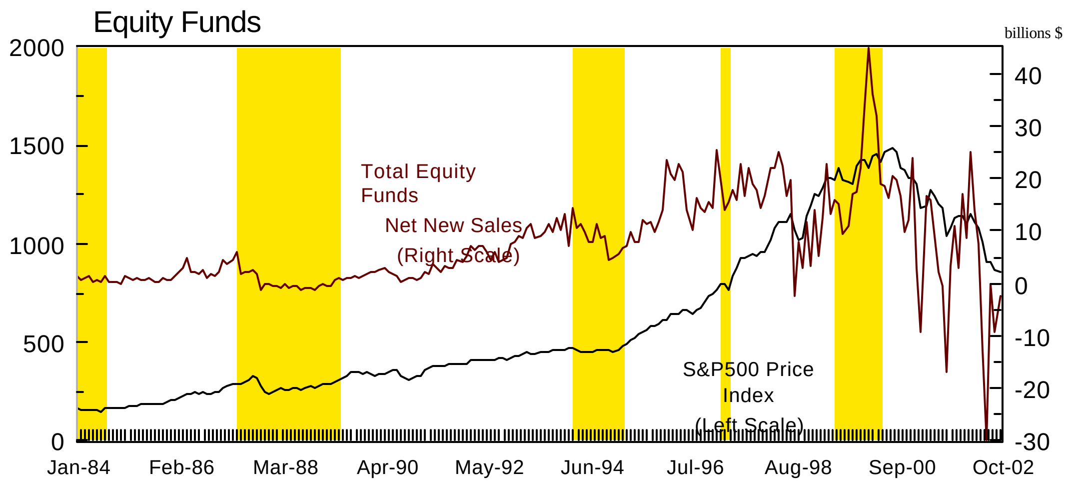


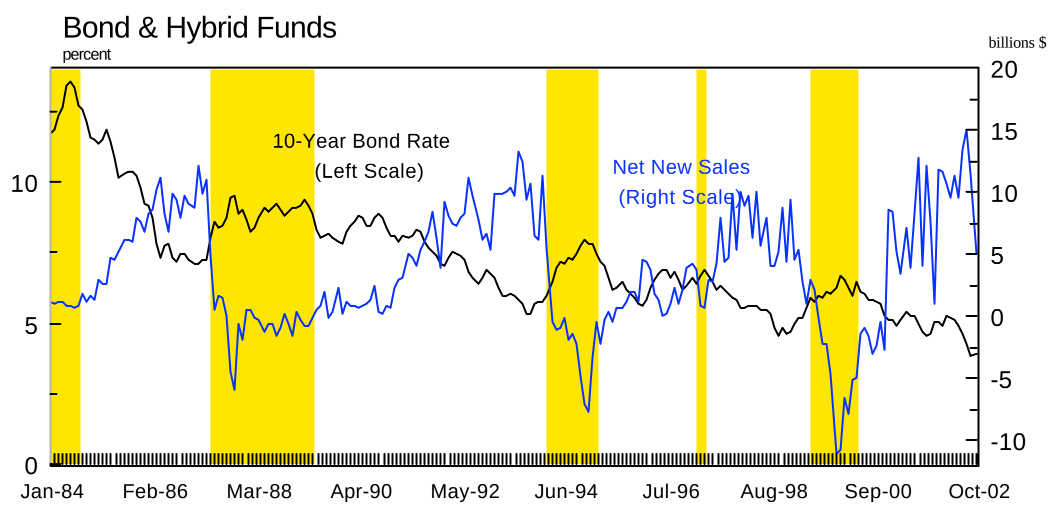
Source: Mutual Fund Trim Tabs

Figure 7

Net New Sales By Investment Objective

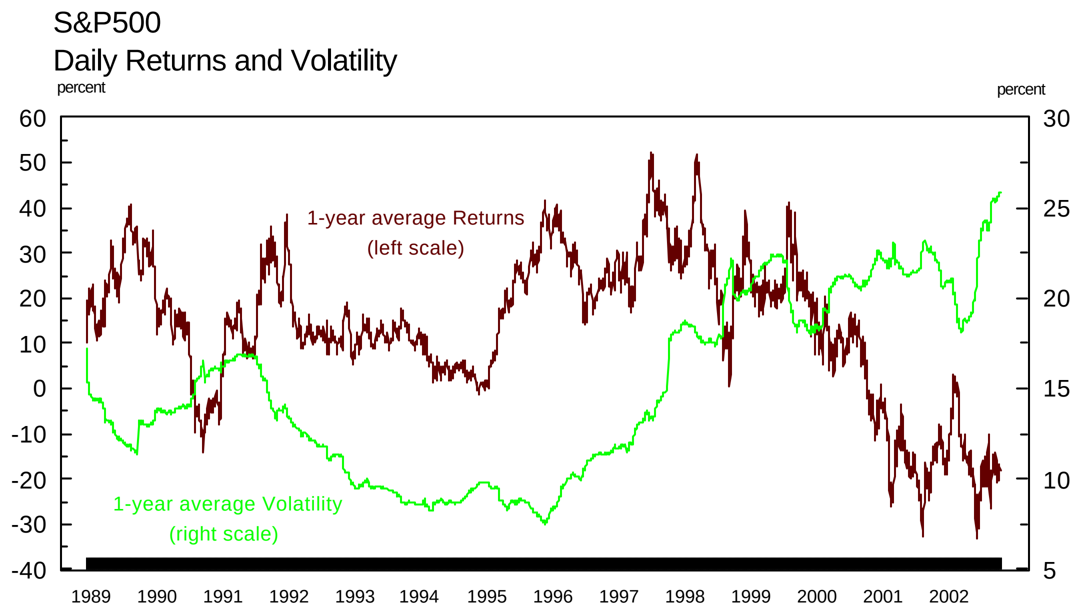
(Shaded Regions Indicate Periods of Rising Fed Funds Rate)

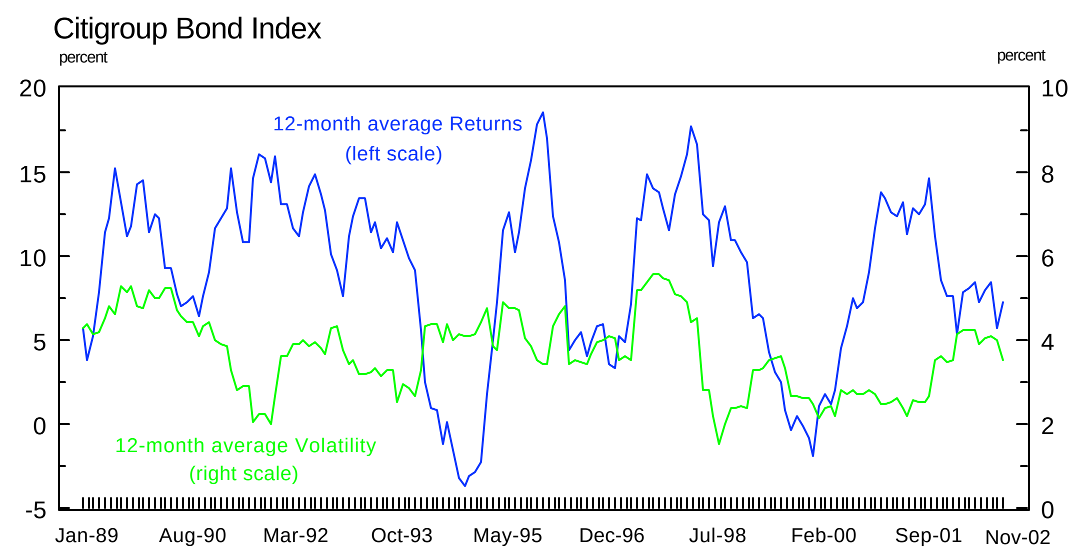




Source: Investment Company Institute

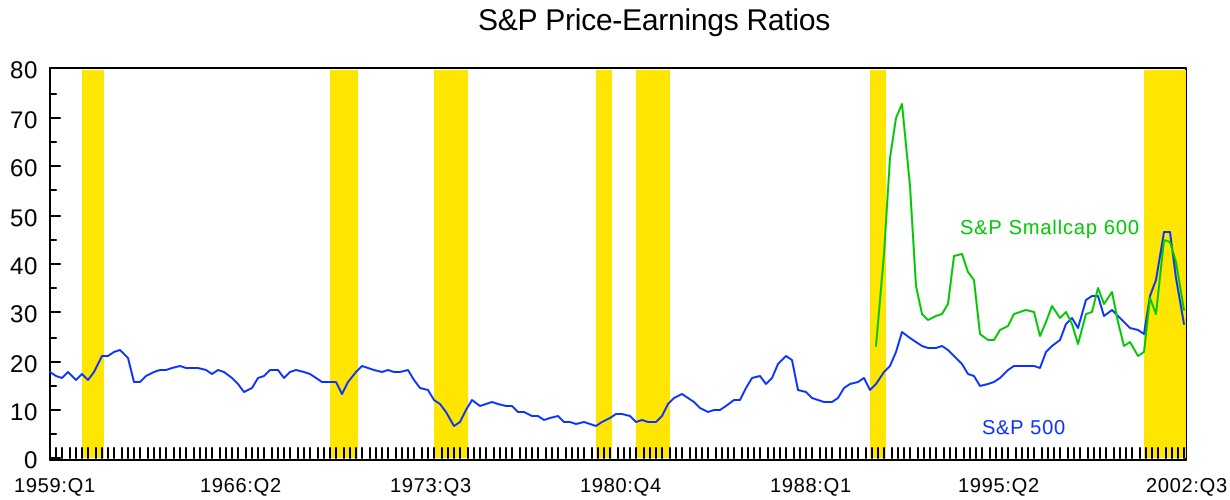
Figure 8
Capital Market Returns and Volatility

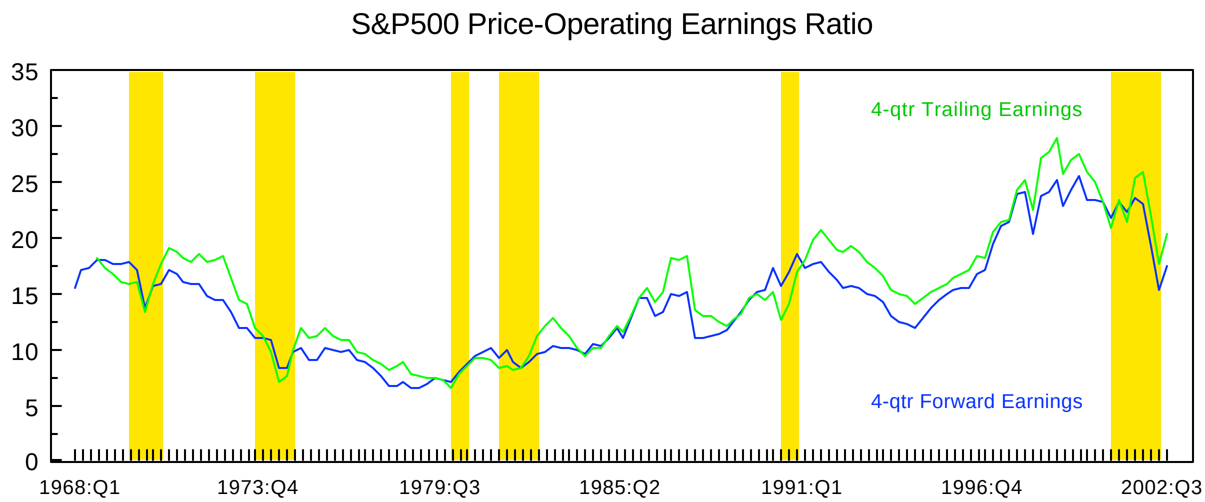


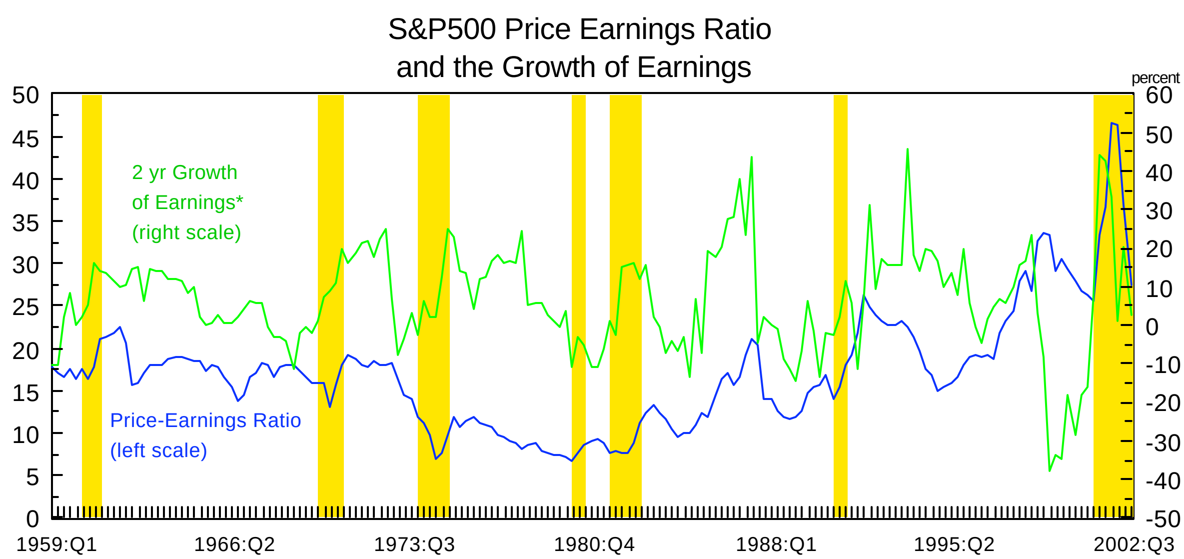


Source: FAME Database, Citigroup

Figure 9



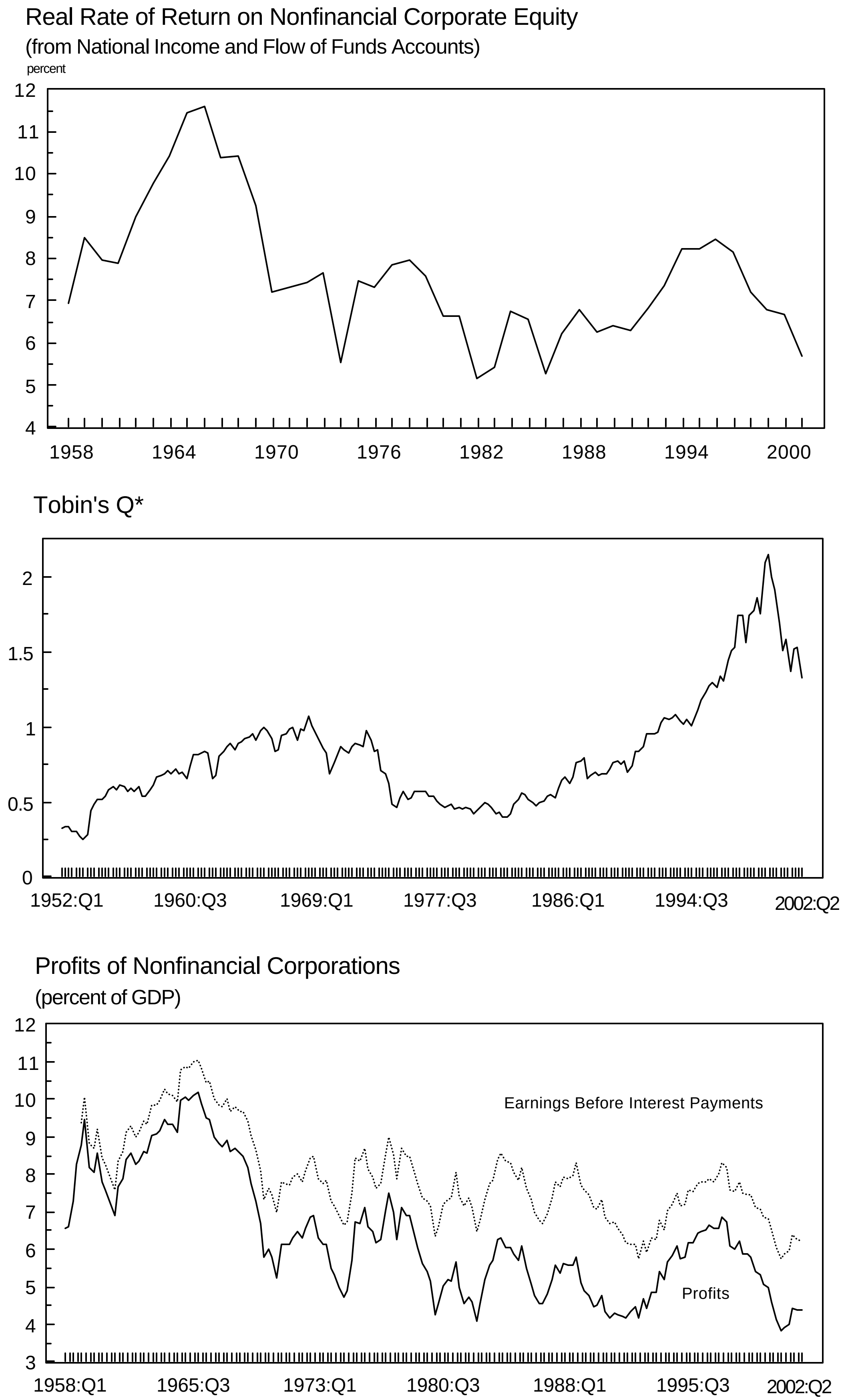




* Growth of earnings over subsequent 8 quarters. Current observations use forecast of earnings from macro projections.

source: First Call, DRI, Bloomberg

Figure 10



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