

*Monthly*  
Mutual  
Fund  
Report

December 8, 2006

December 8, 2006

# Monthly Mutual Fund Report

Statistics for October 2006 – November 2006

---

## Sales and Redemptions

Total assets for all funds increased in October by \$286.6 billion, or 3.0 percent, to \$10.0 trillion. Money market funds had a net cash inflow of \$32.5 billion compared to an inflow in September of \$15.4 billion. Other funds (equity, hybrid, and bond) had a net cash inflow of \$24.4 billion, compared to an inflow of \$11.8 billion in September. New sales of non-money market funds, the purchase of new shares excluding reinvested dividends, were \$151.3 billion in October, down from \$123.9 billion in September. The value of non-money market assets appreciated by \$218.7 billion in October, following an appreciation of \$100.0 billion in September.

Total assets of **equity funds** increased by \$208.7 billion, or 3.8 percent, to \$5.7 trillion. There was \$12.2 billion net cash inflow into equity funds in October, compared with an inflow of \$6.6 billion in September. The market value of assets appreciated by \$195.1 billion in October. Equity funds had an inflow of \$136.7 billion year-to-date, compared to an inflow of \$104.7 billion during the first ten months of 2005.

Total assets for **hybrid funds**, which invest in a mix of stocks and bonds, increased by 3.3 percent, or \$20.1 billion, to \$633.1 billion. In October, there was \$1575.0 million net cash inflow into these funds, compared to an inflow in September of \$627.0 million. Hybrid funds have experienced an inflow of \$3.3 billion year-to-date, compared to an inflow of \$25.5 billion during the first ten months of 2005.

**Bond funds** experienced a cash inflow of \$10.6 billion, while their total assets increased by \$19.9 billion, to \$1.5 trillion. The market value of bond funds assets increased by \$5.8 billion, after adjusting for net sales and reinvested dividends. The assets of taxable bond funds increased by 1.5 percent and the assets of tax-exempt bond funds increased by 1.1 percent. The 2006 inflow is \$45.7 billion, compared to an inflow of \$34.4 billion through October of 2005.



Assets of taxable and tax-exempt **money market funds** increased \$37.9 billion, to \$2.2 trillion, an increase of 1.9 percent for taxable money market funds and an increase of 0.8 percent for tax-exempt funds. The 2006 inflow is \$152.6 billion, compared to an outflow of \$14.1 billion through October of 2005.

**Liquidity Ratio**

The liquidity ratio for bond and hybrid funds decreased to 5.8 percent in October from 6.1 percent in September, while the ratio for equity funds decreased to 4.1 percent in October from 4.3 percent in September (figure 4).

**Weekly Flows**

Please note that this section has been discontinued.

**Capital Market Returns and Volatility**

The S&P 500 ended November 30 at 1400.6, an increase of 1.6 percent from the previous month. The 12-month gain was 12.1 percent at month-end. The annualized volatility for the daily return on the S&P 500 was 10.5 percent.

The 12-month average return on the Citigroup Bond Index was 5.2 percent in October. Volatility decreased to 2.5 percent in October from 2.7 percent in September (figure 7).

**Price-Earnings Ratio**

The macro projections for the growth of earnings for the Standard and Poor's 500 index over the next two years have been revised to 6.5. During the third quarter of 2006, the price-earnings ratio for the Standard and Poor's 500 Index was at 17.2, down from 17.1 in the second quarter of 2006. The price-earnings ratio for the Small-Cap 600 Index decreased to 20.6 in the third quarter of 2006, from 22.4 in the second quarter of 2006 (figure 8).

Figure 1  
Sales of Mutual Funds

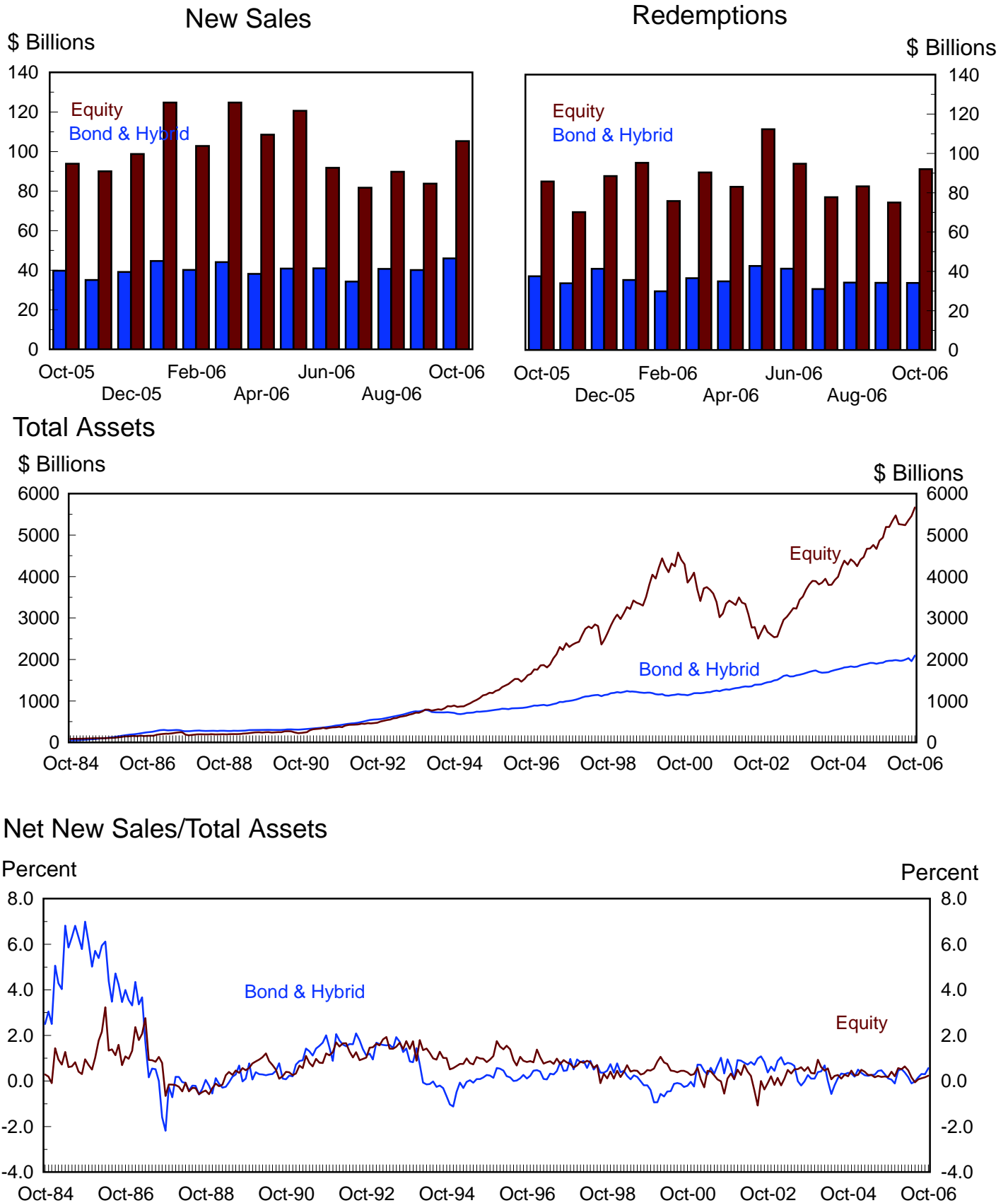
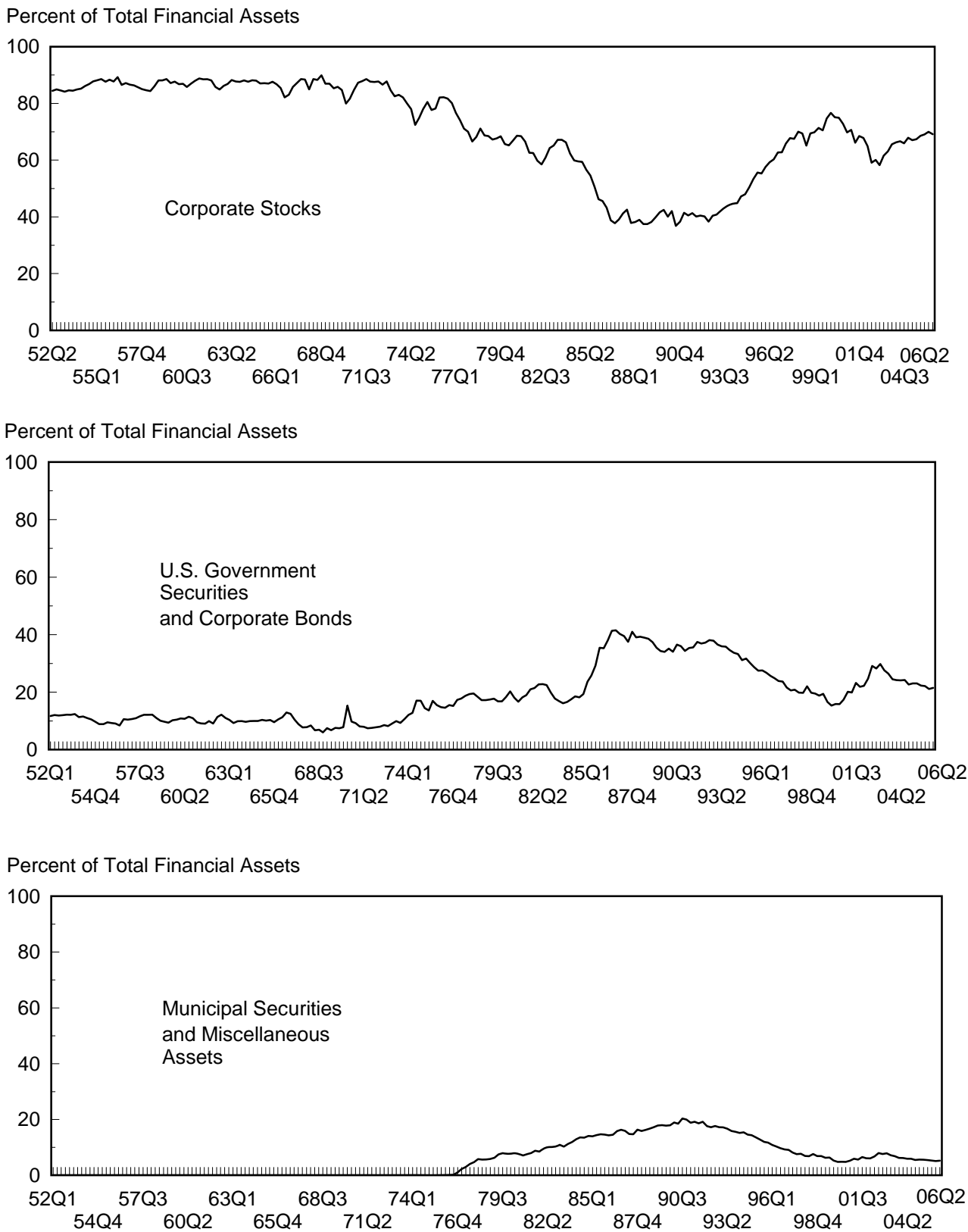


Figure 2  
**Composition of Mutual Funds' Financial Assets**

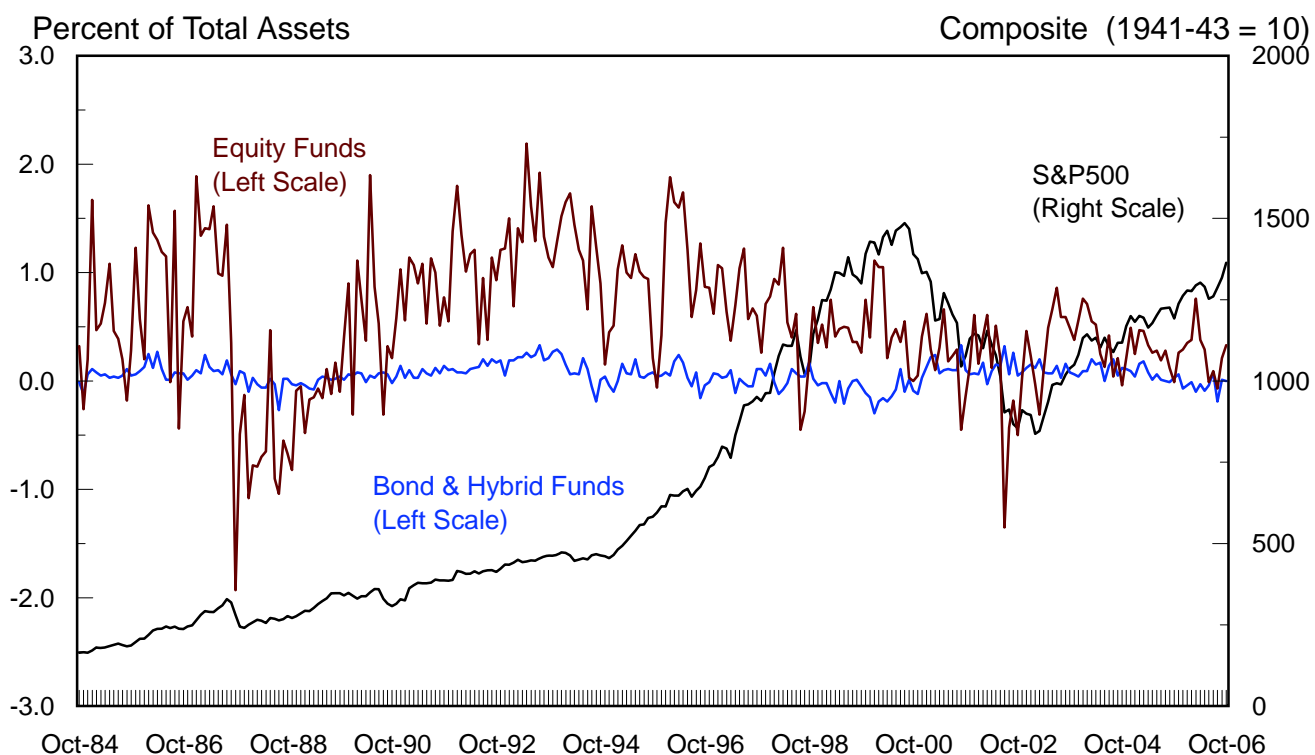


Source: Flow of Funds/Haver Analytics.

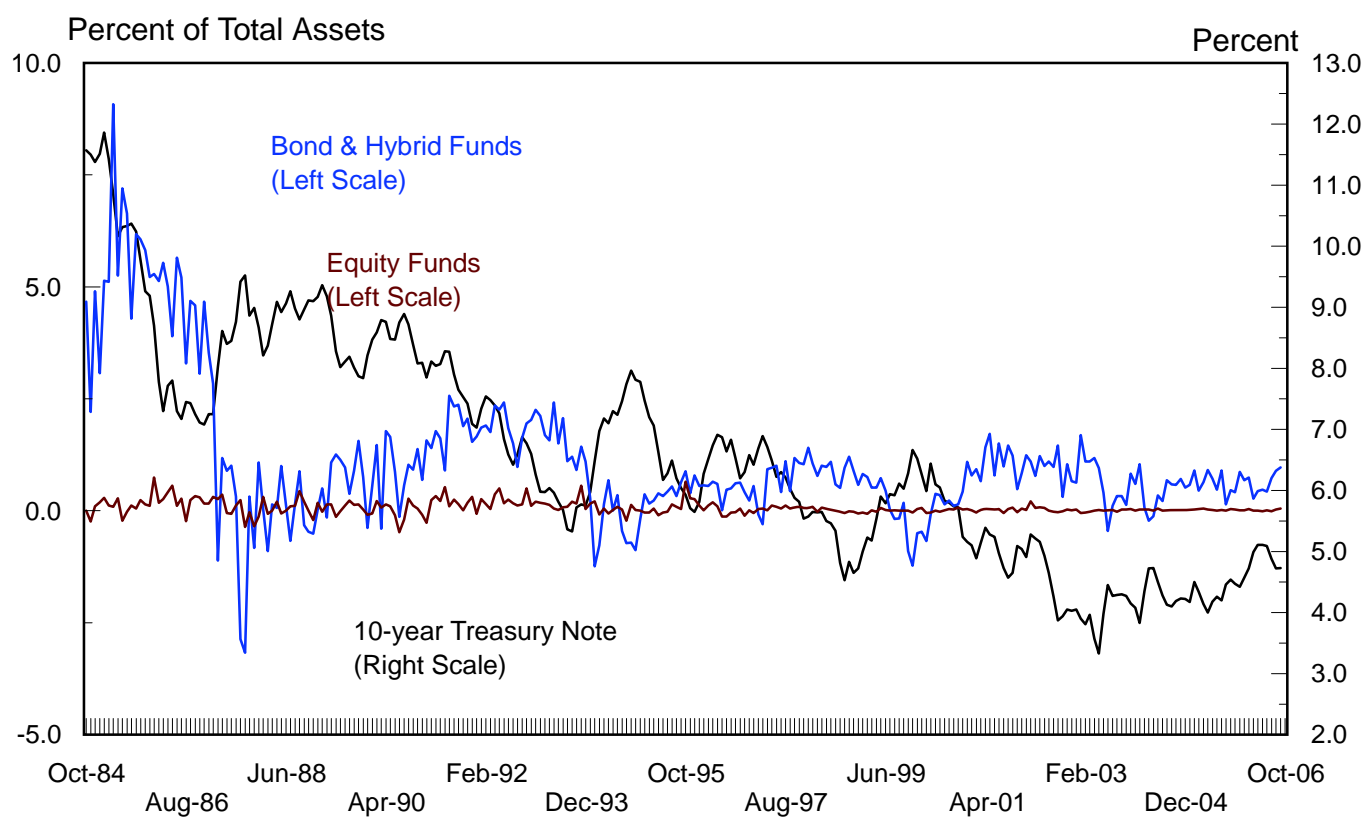
Figure 3

## Net Portfolio Purchases

### Net Common Stock Purchases

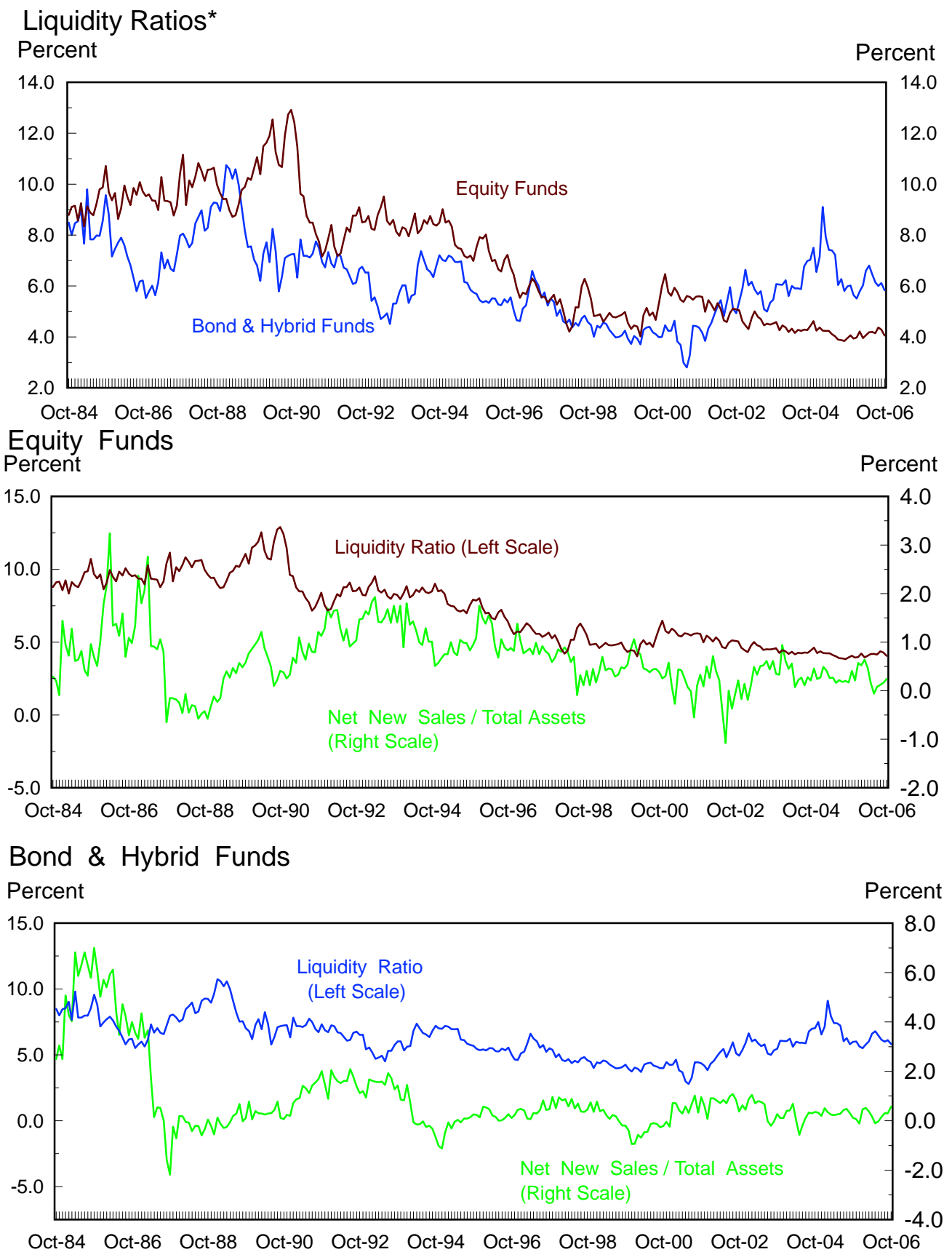


### Net Purchases of Other Assets



Source: Investment Company Institute

Figure 4  
**Liquidity Ratios**

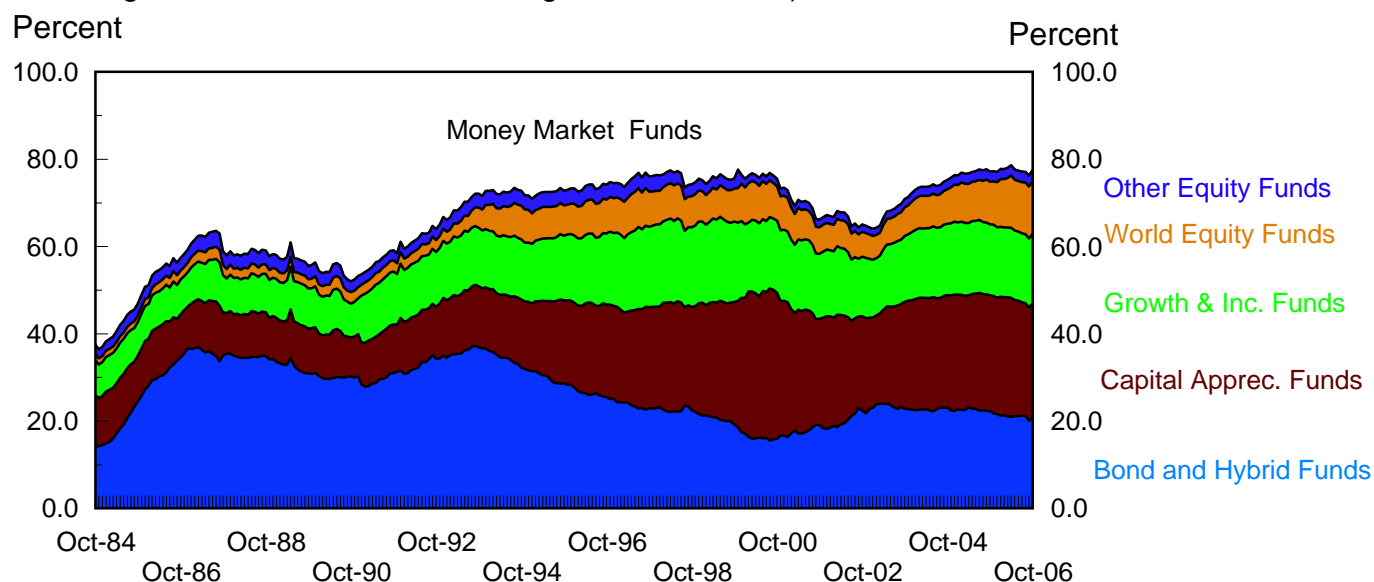


\*Liquidity Ratios are the Percent of Total Assets held in Cash and Short-Term Securities.

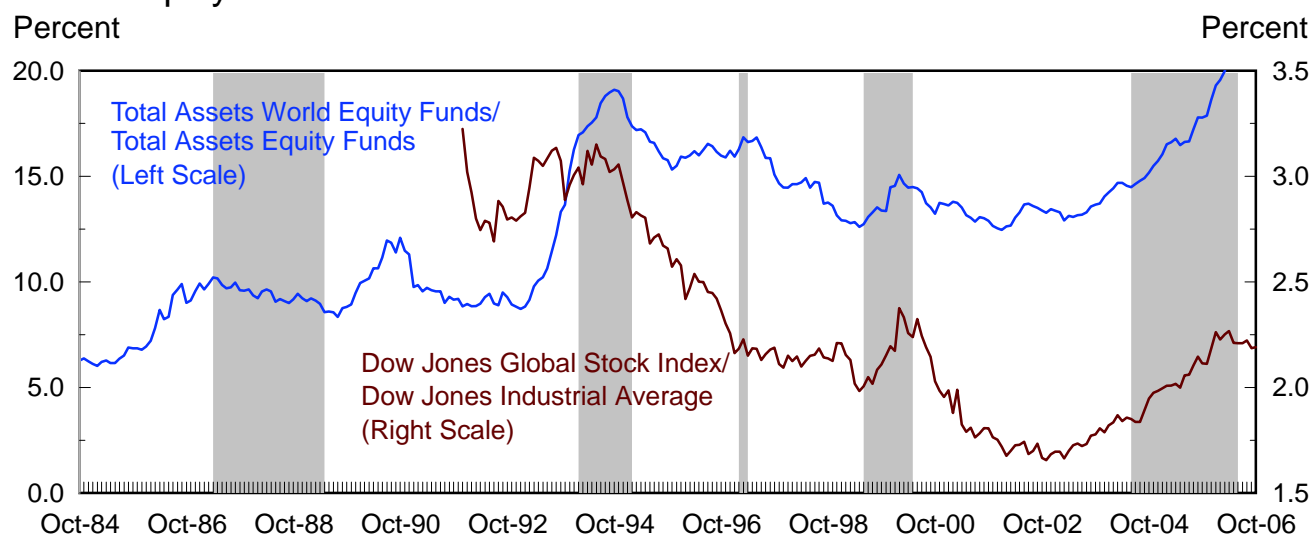
Source: Investment Company Institute

**Figure 5**  
**Industry Composition**

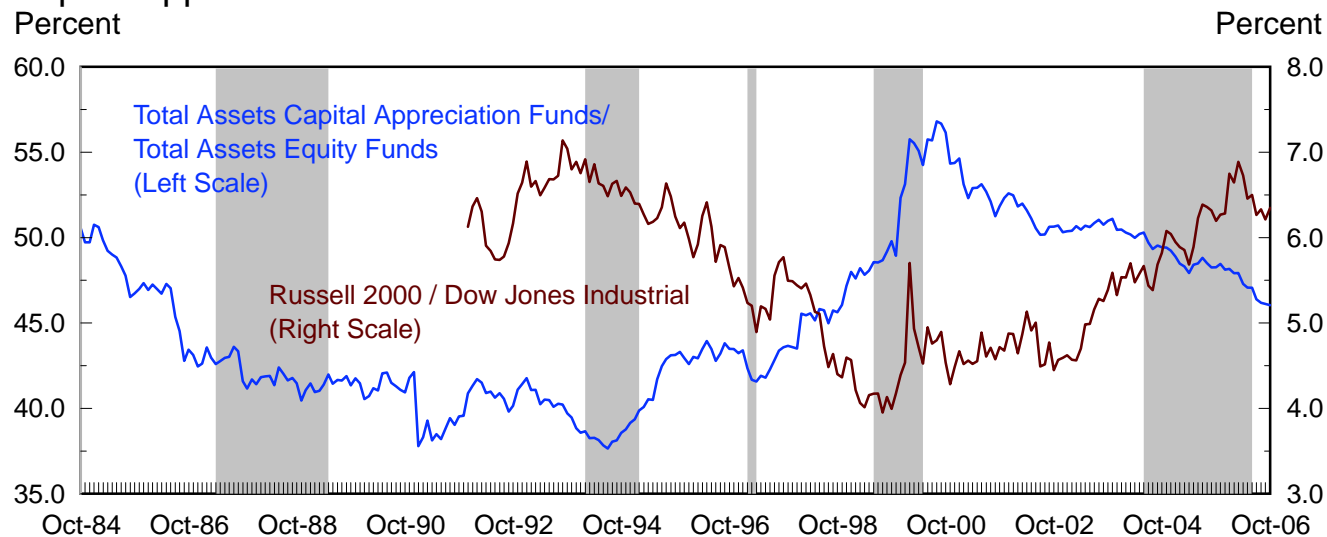
(Shaded Regions Indicate Periods of Rising Fed Funds Rate)



### World Equity Funds



### Capital Appreciation Funds



Source: Investment Company Institute



Figure 6

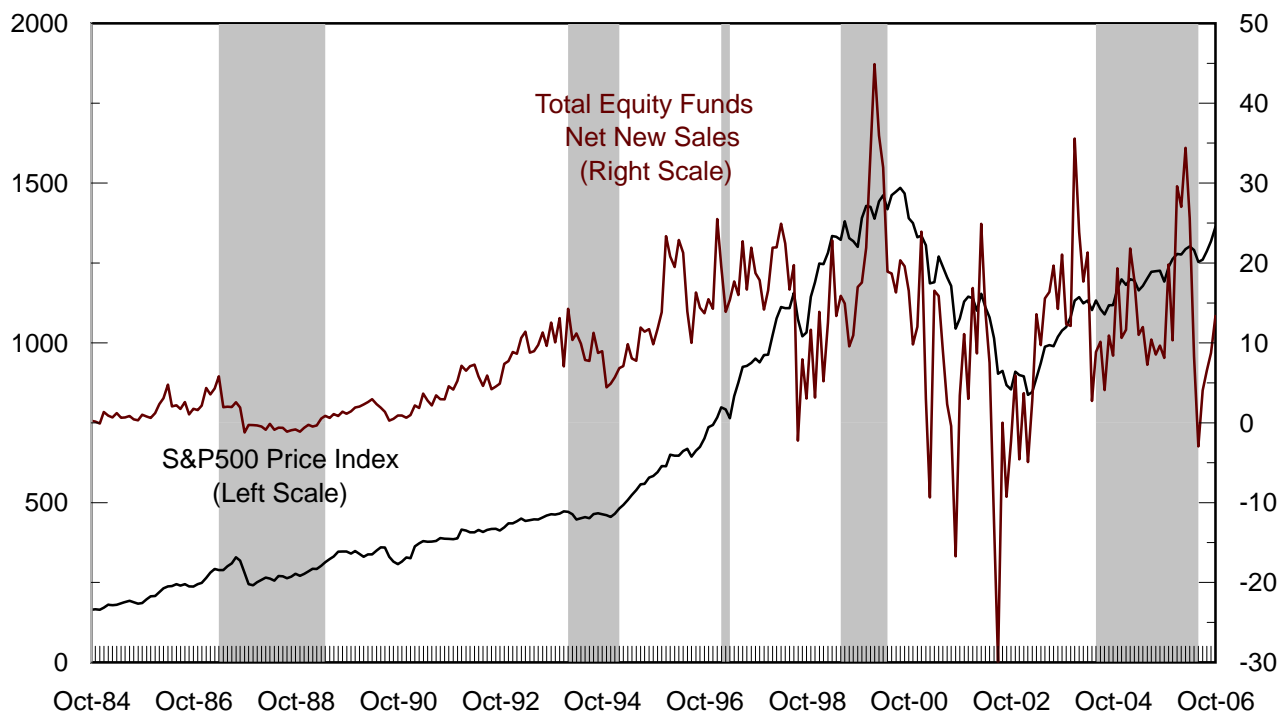
## Net New Sales By Investment Objective

(Shaded Regions Indicate Periods of Rising Fed Funds Rate)

### Equity Funds

Index (1941 - 43 = 10)

\$ Billions



### Bond & Hybrid Funds

Percent

\$ Billions

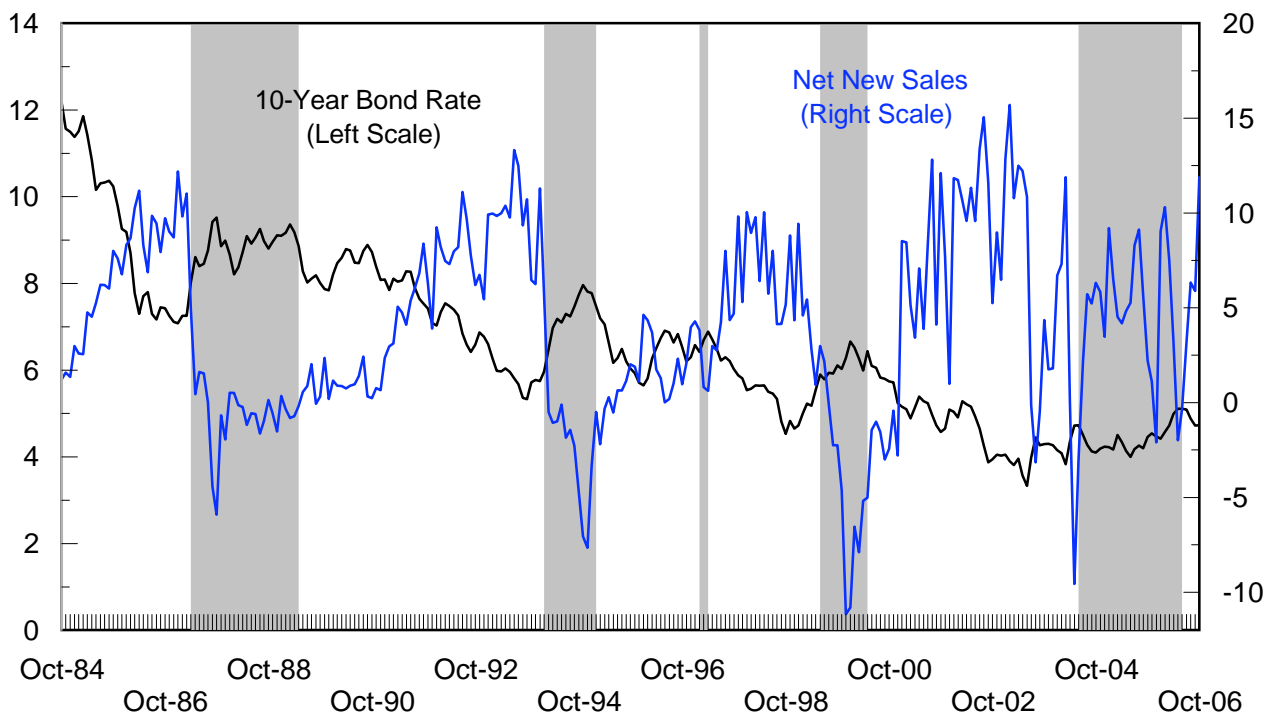
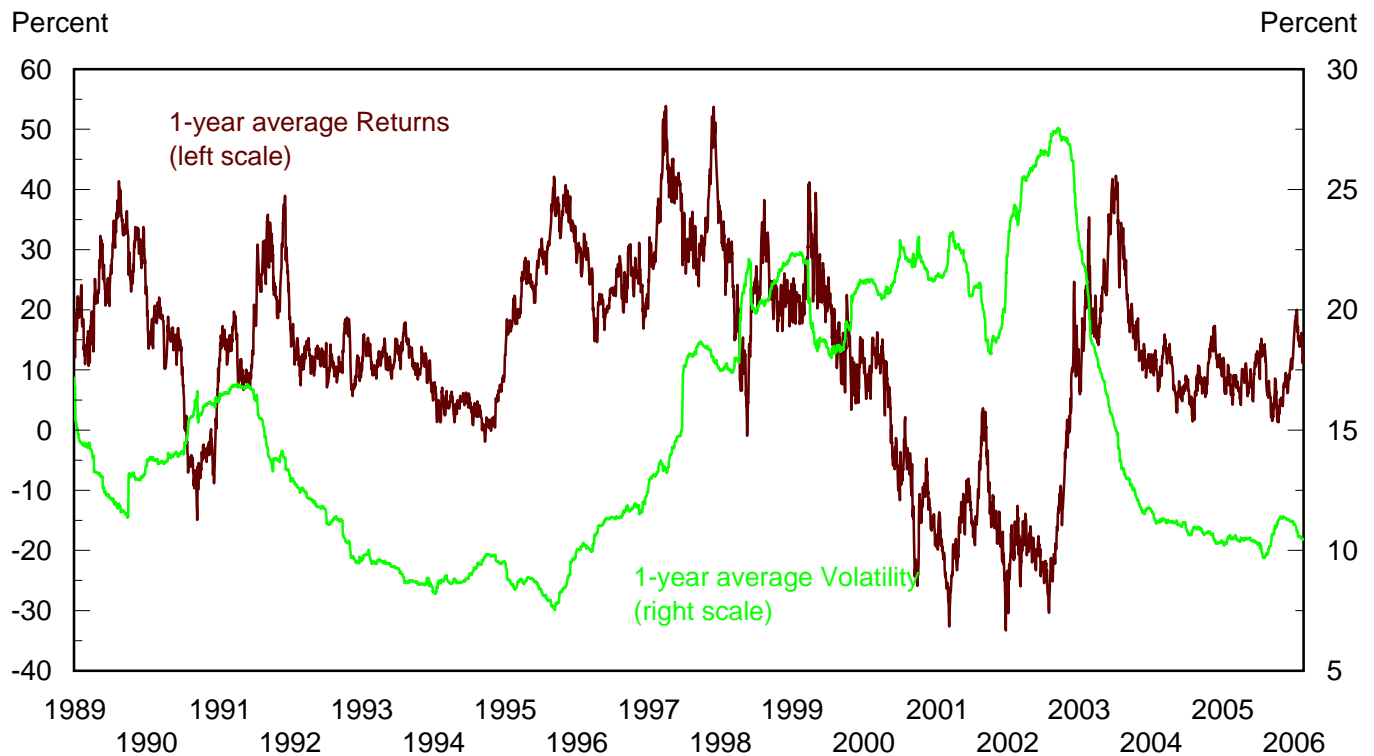
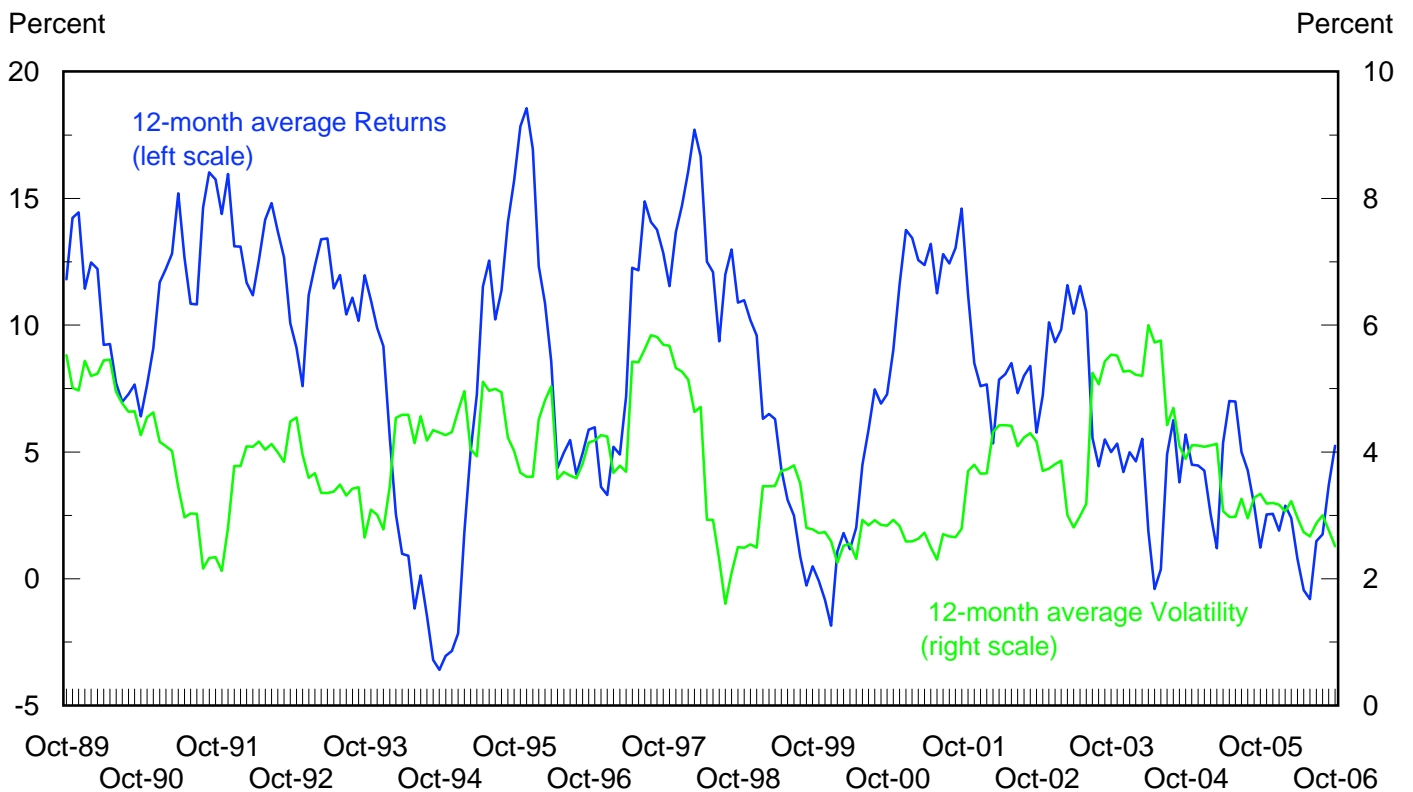


Figure 7  
**Capital Market Returns and Volatility**

**S&P500, Daily Returns and Volatility**

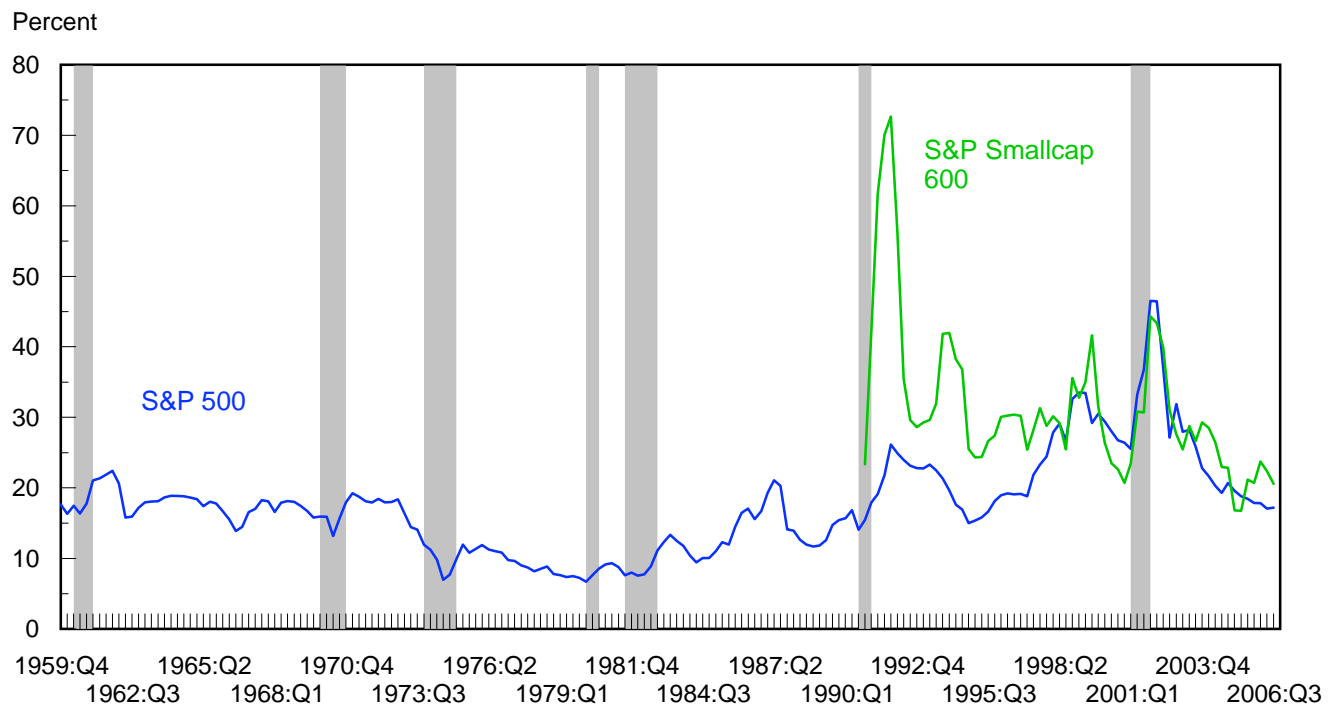
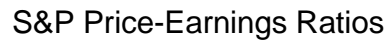


**Citigroup Bond Index**

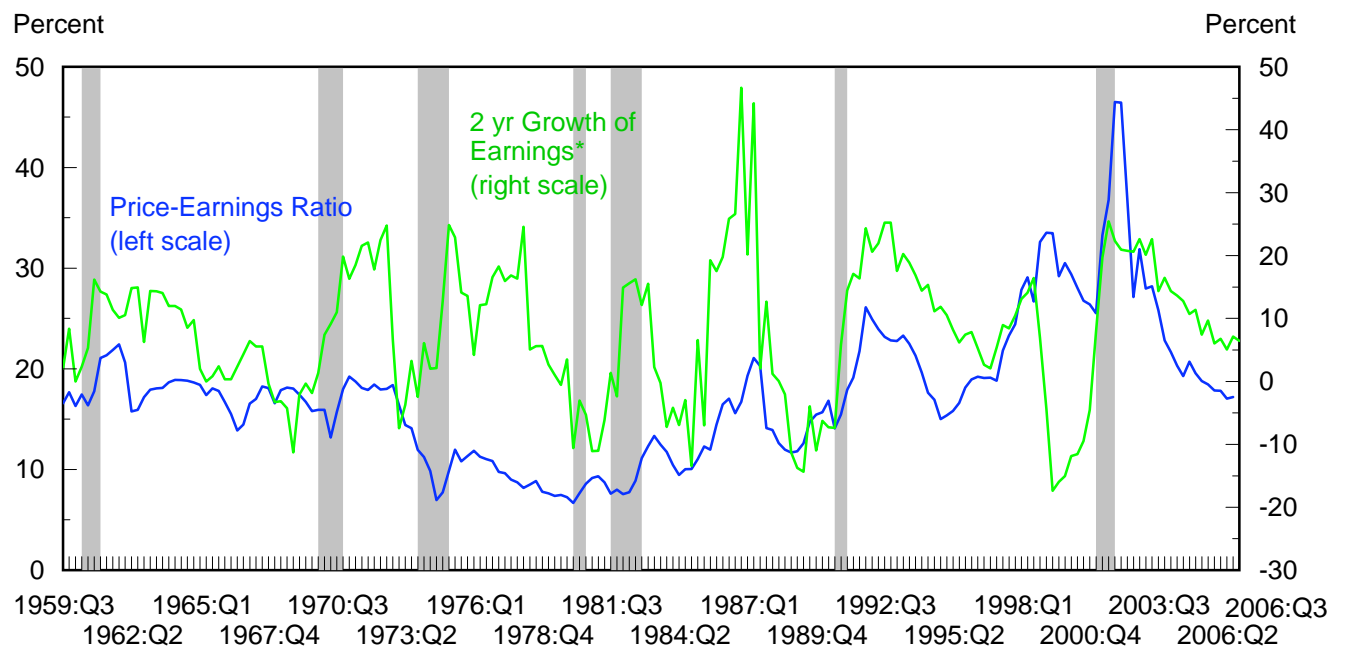


Source: FAME Database, Citigroup.

Figure 8



## S&P500 Price Earnings Ratio and the Growth of Earnings

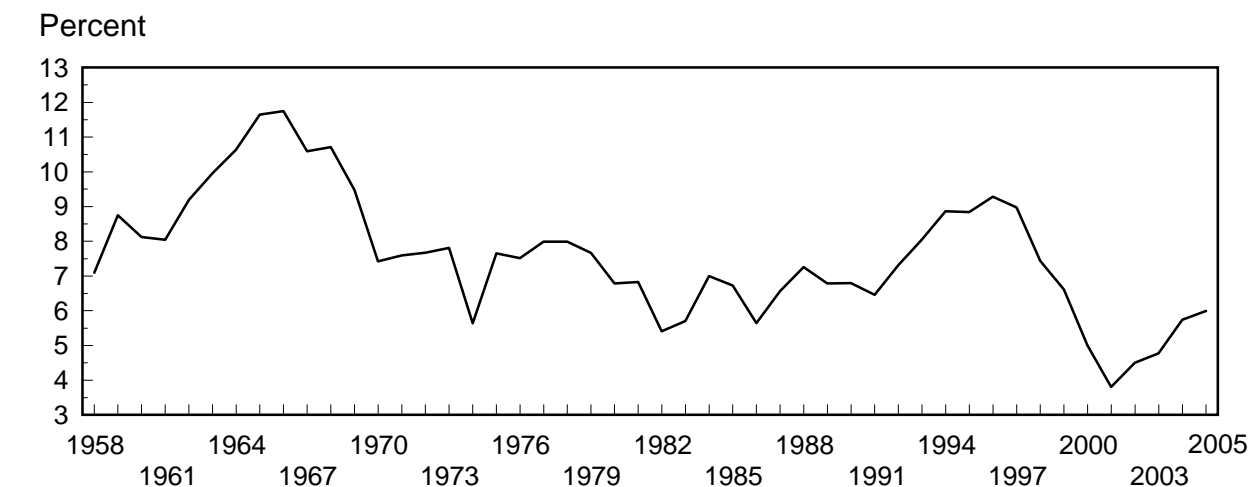


\* Growth of earnings over subsequent 8 quarters. Current observations use forecast of earnings from macro projections.

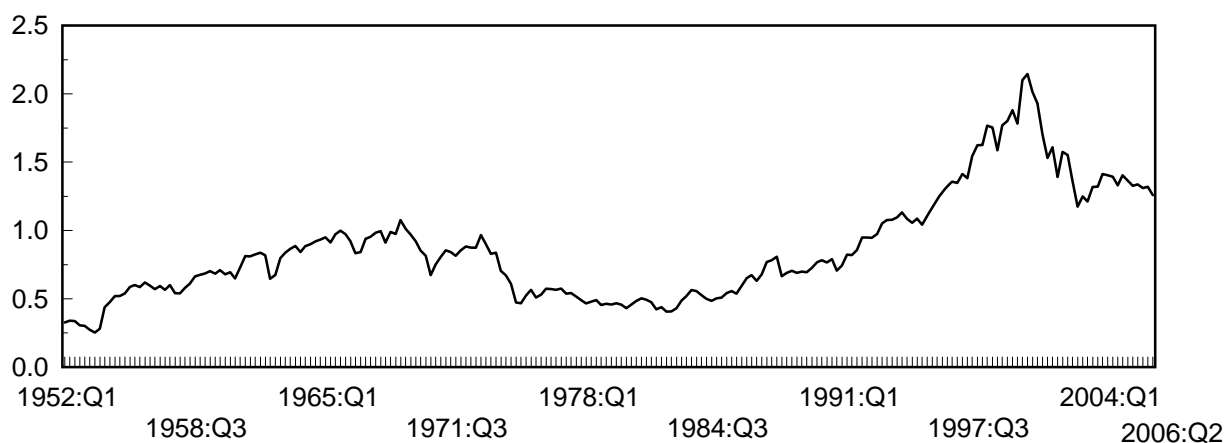
source: Thomson Financial/First Call, Global Insight and Bloomberg.

Figure 9

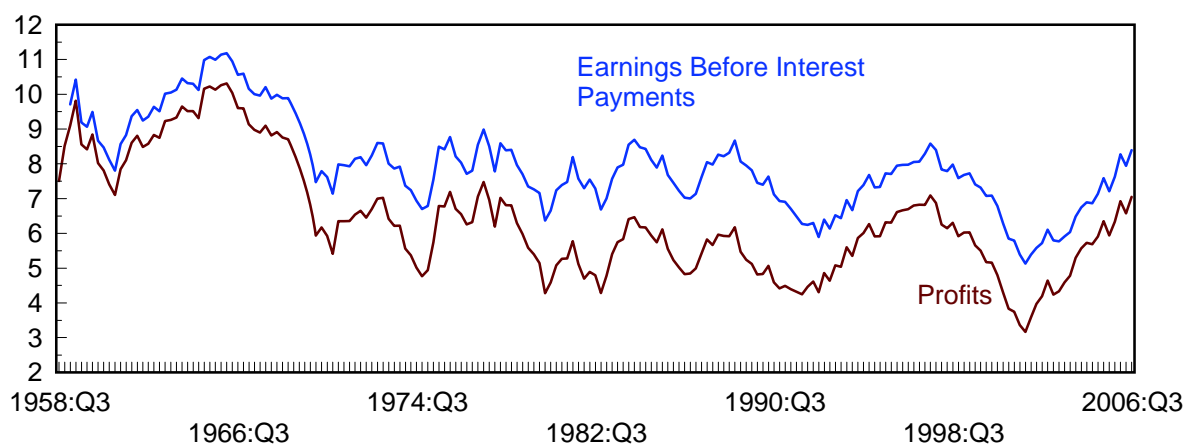
Real Rate of Return on Nonfinancial Corporate Equity  
(from National Income and Flow of Funds Accounts)



Tobin's Q\*



Profits of Nonfinancial Corporations as a percent of GDP



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

Source: Flow of Funds/Haver Analytics.