February 2, 2001

Monthly Mutual Fund Report

Statistics for December 2000
Year – End Report

Sales and Redemptions

Total assets for all funds increased $152.5 billion, or 2.2 percent, to $7.0 trillion in December. Net new cash flow into long-term mutual funds, the dollar value of net new sales and net exchanges, was $9.0 billion, compared to $4.6 billion in November. New sales, the purchase of new shares excluding reinvested dividends, were $123.2 billion in December, up from $102.3 billion in November. The value of assets appreciated by $123.1 billion in December, compared with a decrease of $387.9 billion in November. In 2000, net assets contracted by $111.8 billion, or 2.1 percent.

Total assets of **equity funds** increased by $106.6 billion, or 2.8 percent, to $4.0 trillion. Net cash flow into equity funds was $11.6 billion compared with $5.5 billion in November. The market value of assets appreciated by $81.1 billion. Cash flows for 2000 were $309.3 billion, 64.8 percent higher than the 1999 cash flows of $187.7 billion. Previously, the record for net new cash flow was $227.1 billion in 1997. Despite the substantial inflow, net assets of stock mutual funds fell 2.0 percent in 2000, a decrease of $81 billion.

Total assets for **hybrid funds**, which invest in a mix of stocks and bonds, increased 2.3 percent, or $8.0 billion, to $350.8 billion. In December, The net cash outflow from these funds was $1.6 billion. The net cash outflow from these funds for all of 2000 was $32 billion. Despite this outflow, the assets of hybrid funds increased by $7.9 billion, or 2.3 percent in 2000.

Bond funds experienced a cash outflow of $984 million in December, while their total assets rose $13.9 billion, to $808.2 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 1.5 percent, while the assets of tax-exempt funds rose 2.2 percent. In 2000, the cash outflows from bond funds totaled $48.5 billion. During 2000, net assets of bond funds increased by $2 billion, or 0.2 percent of total assets.

Assets of taxable and tax-exempt **money market funds** increased $24.1

billion, to $1.8 trillion, an increase of 1.2 percent for taxable money market funds and 2.2 percent for tax-exempt funds. Net new cash flow to all money market funds was $159.6 billion in 2000, compared to $193.6 billion in 1999.

Liquidity Ratio

The liquidity ratio decreased for both bond and hybrid and equity funds during December. The ratio for bond and hybrid funds decreased from 4.5 to 4.4 percent, while the ratio for equity funds decreased from 6.5 to 5.8 percent (figure 4).

Weekly Flows

In January, there were inflows to equity funds of 0.4 percent of total assets with returns of 8.2 percent. Bond funds had inflows of 0.7 percent and returns of 1.8 percent for the month.

Flows to domestic sector equity funds moved commensurately with the aggregate, but with greater volatility. Index funds had monthly inflows of –2.0 percent and returns of 15.3 percent. Aggressive growth funds had inflows of 1.4 percent and returns of 12.6 percent.

There were outflows from international funds in January of 1.0 percent of assets and returns of 2.9 percent. Latin America funds had inflows of 3.4 percent and returns of 12.8 percent. Japan funds, however, had inflows of 1.2 percent and losses of 3.2 percent of assets for the month of January.

Capital Market Returns and Volatility

The S&P 500 ended January at 1366.01, an increase of 6.5 percent from the beginning of the month. The 12-month return was –1.9 percent at month-end. The annualized volatility for the daily return on the S&P 500 was 22.2 percent.

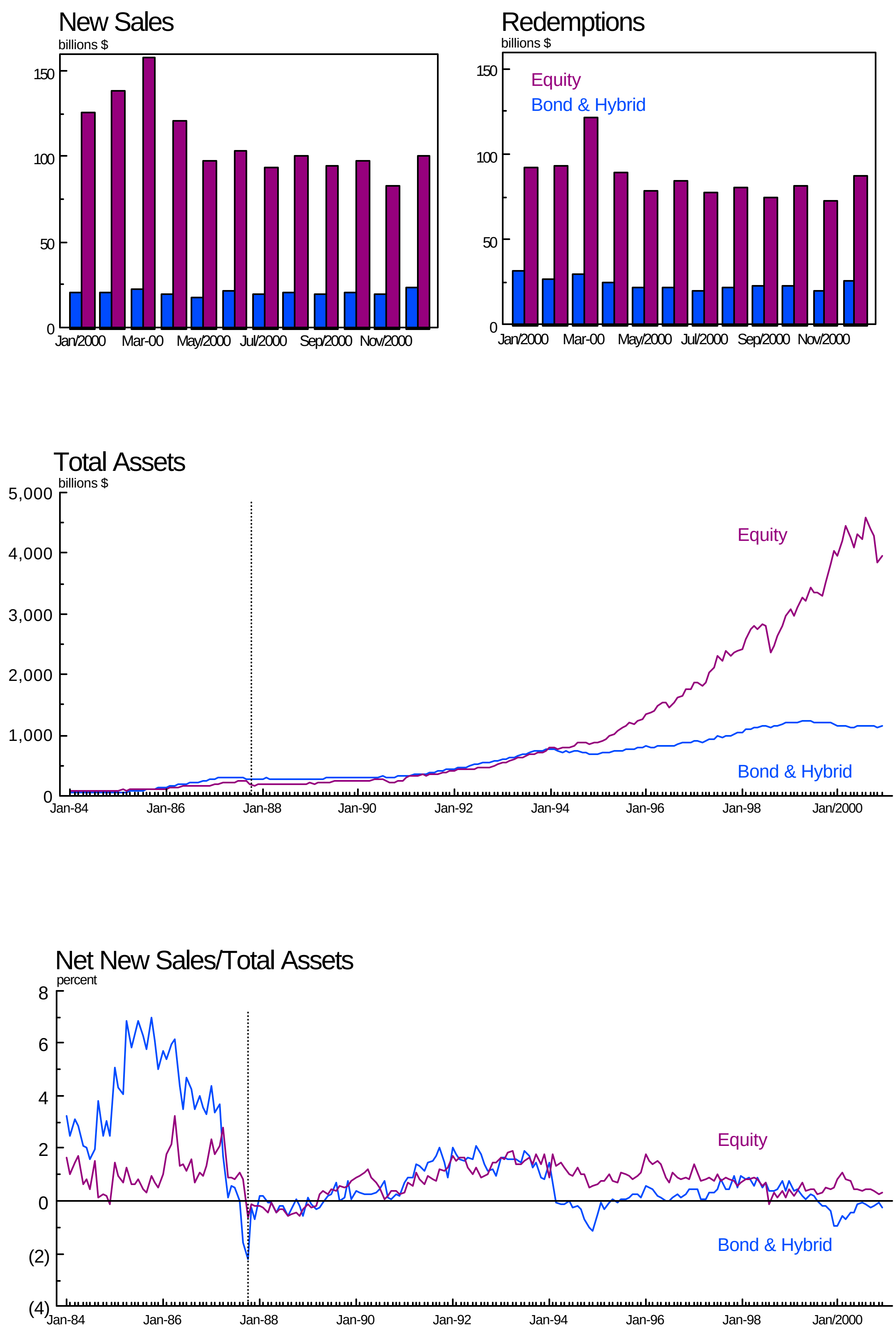
The 12-month average return on the Salomon Brothers Bond Index was 11.6 percent for December. Volatility remained in a range between 2.7 and 2.8 percent for the second half of 2000 (figure 8).

Price-Earnings Ratio

The macro projections for the growth of earnings of the Standard and Poor’s 500 index over the next two years has climbed to 14.3 percent, above its historical average annual growth rate. The trailing price-earnings ratio decreased to 25.8 for the fourth quarter from 27.2 in the third 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)

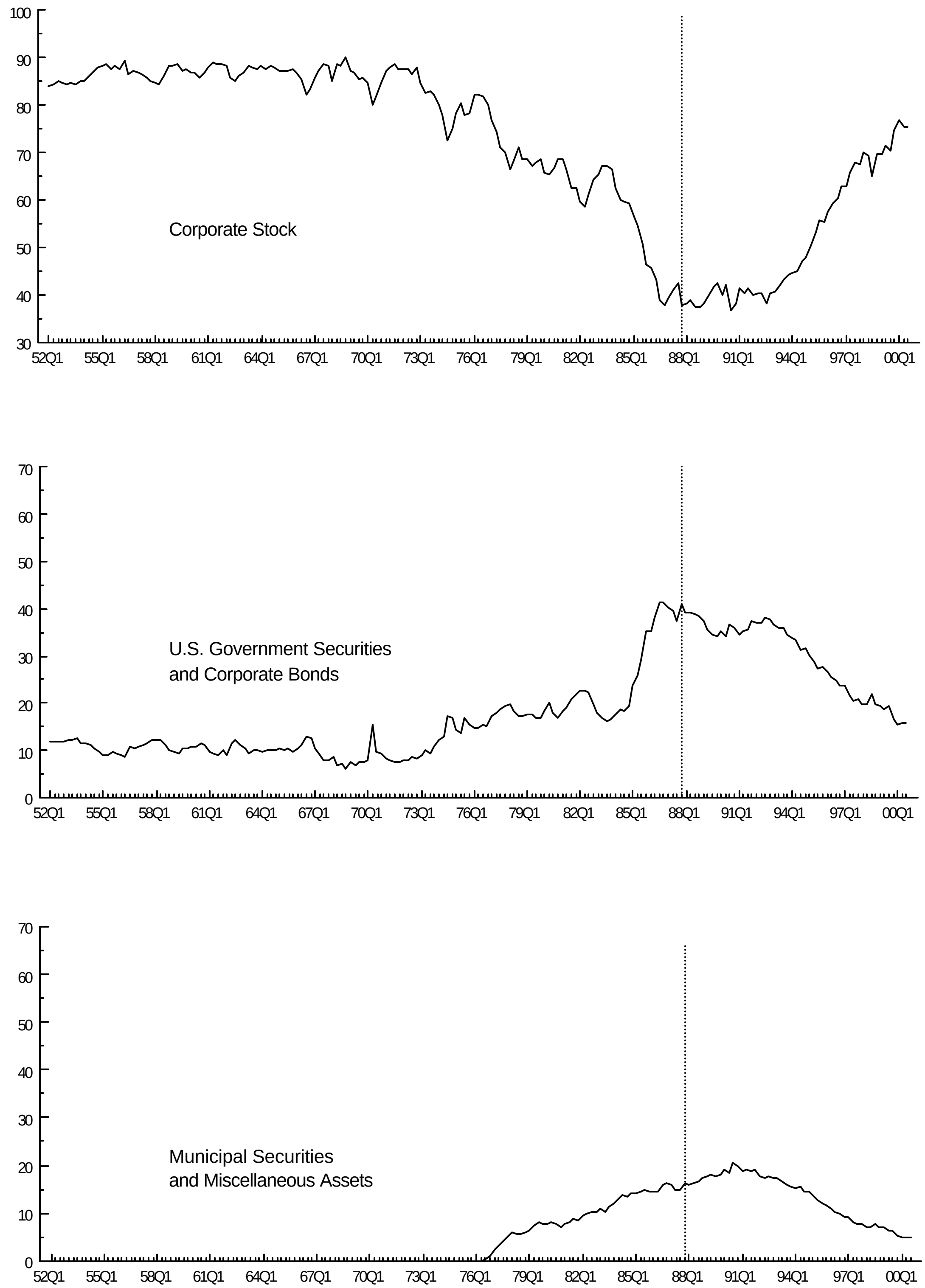
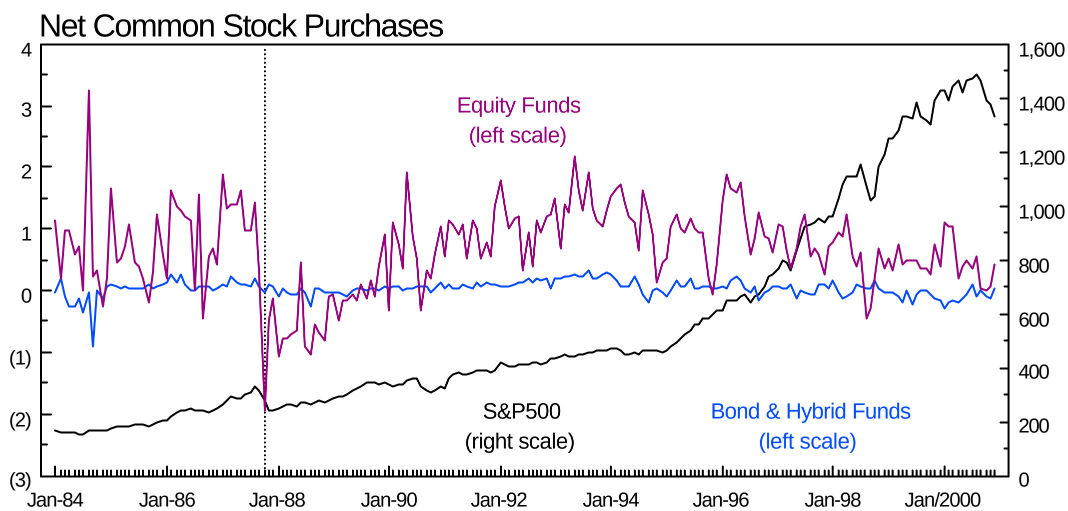


Figure 3

Net Portfolio Purchases

(percent of Total Assets)



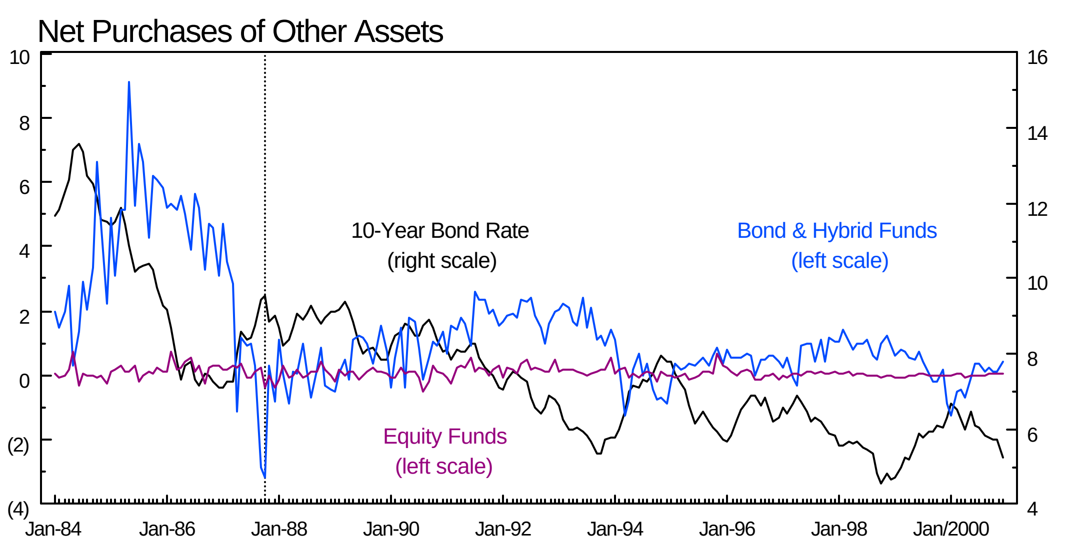
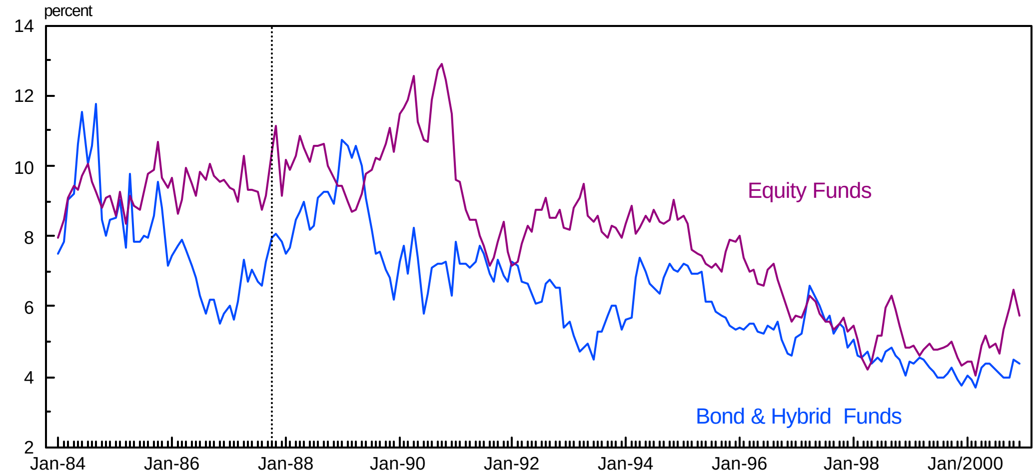
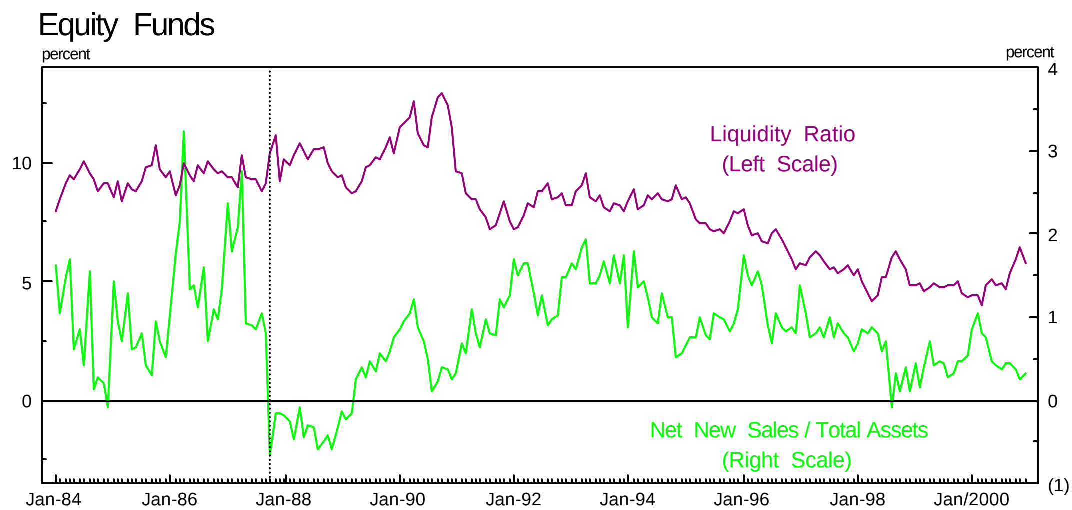
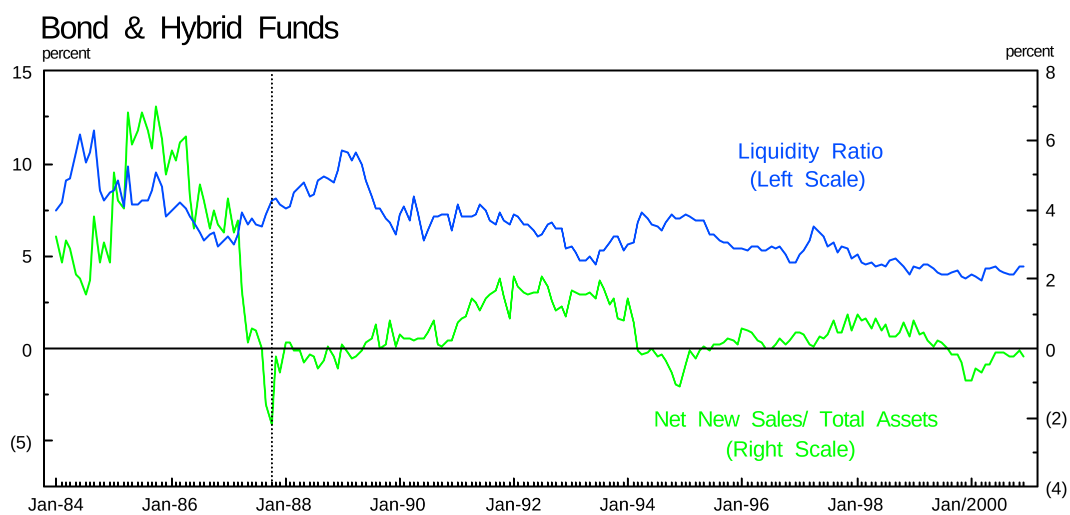


Figure 4
Liquidity Ratio*







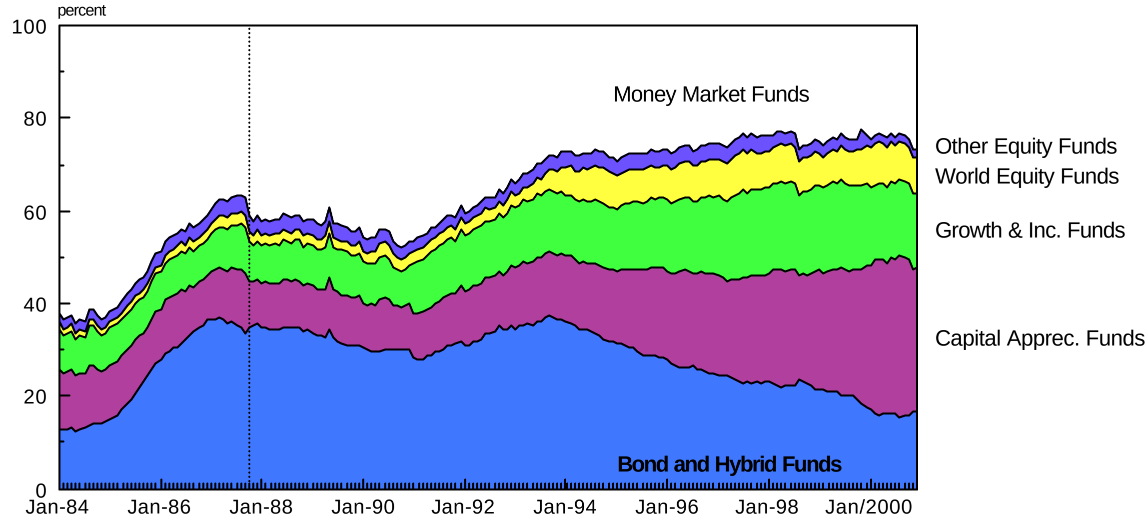
*The Liquidity Ratio is the Percent of Total Assets held in Cash and Short-Term Securities.

Source: Investment Company Institute

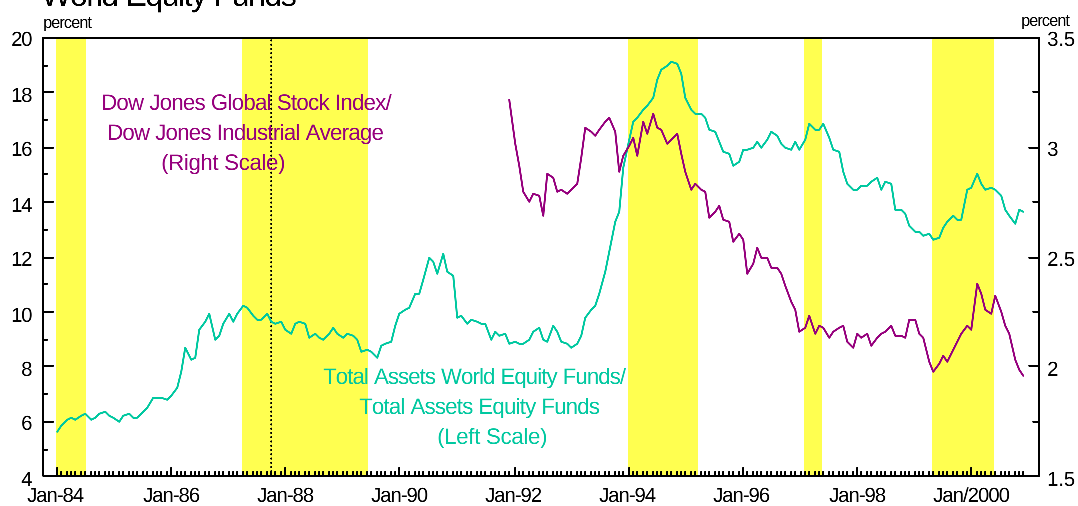
Figure 5

Industry Composition

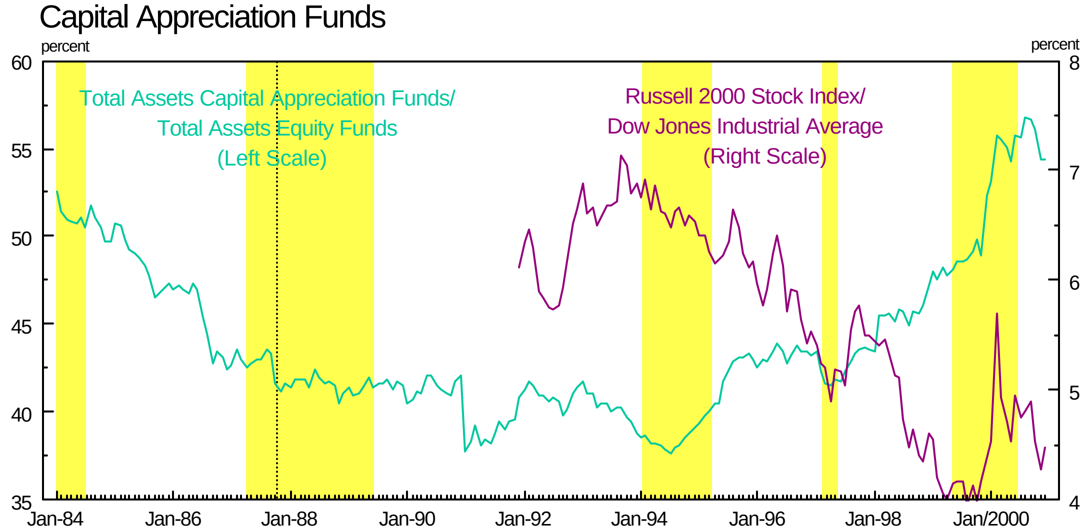
(Shaded Regions Indicate Periods of Rising Fed Funds Rate)



World Equity Funds



Capital Appreciation Funds

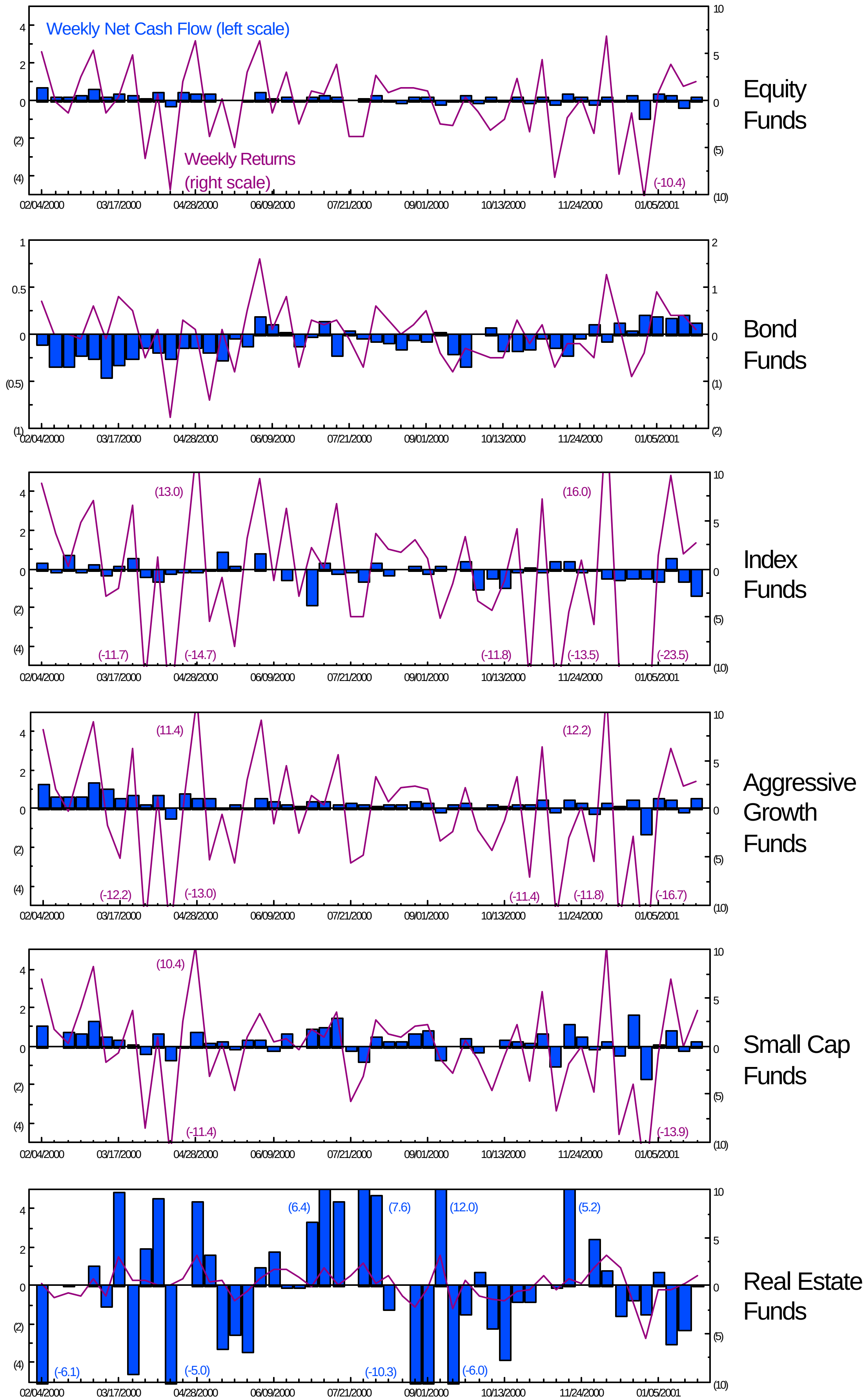


Source: Investment Company Institute

Figure 6a

Weekly Flows into Mutual Funds

(percent of Total Assets)

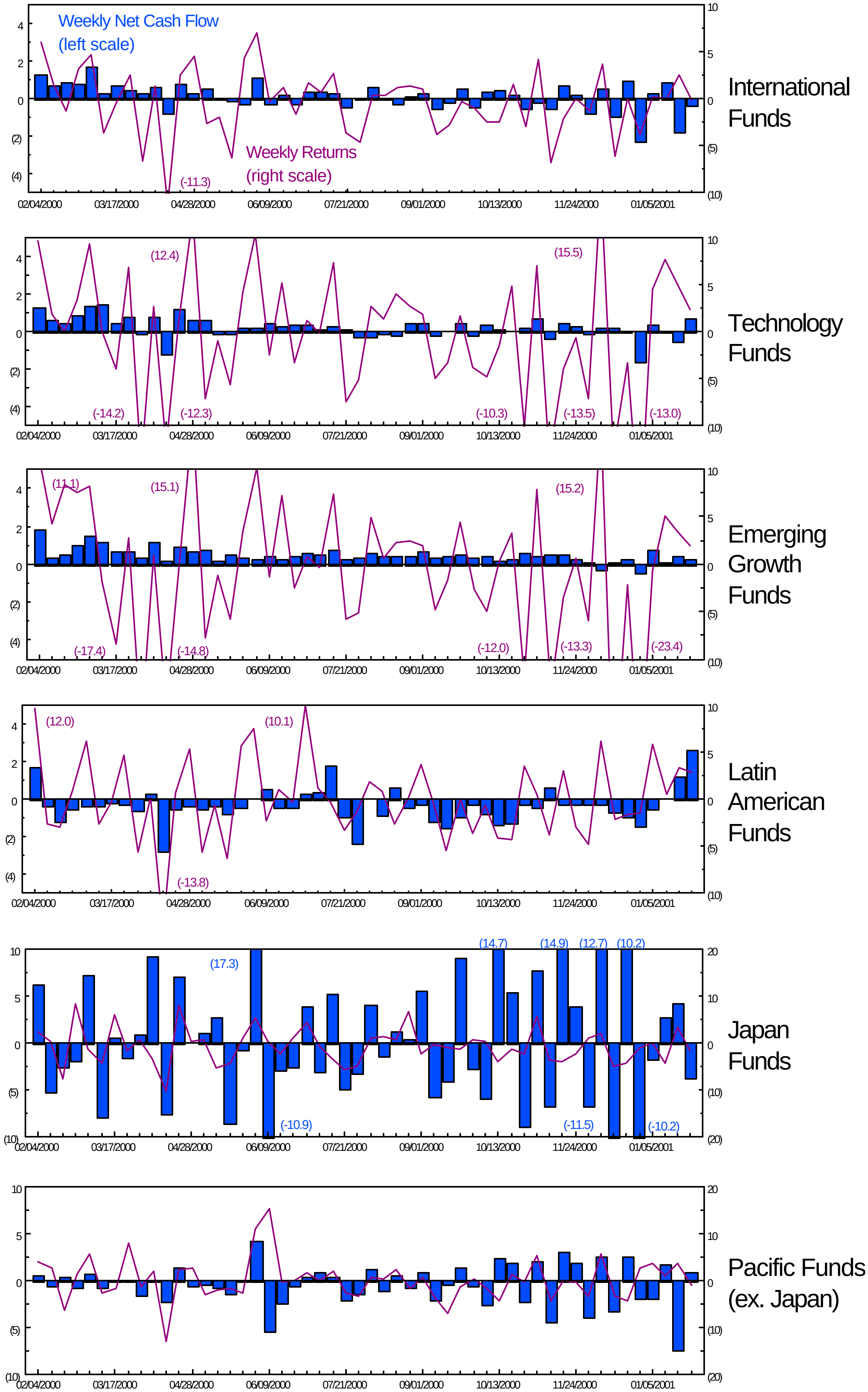


Source: Mutual Fund Trim Tabs

Figure 6b

Weekly Flows into Mutual Funds

(percent of Total Assets)

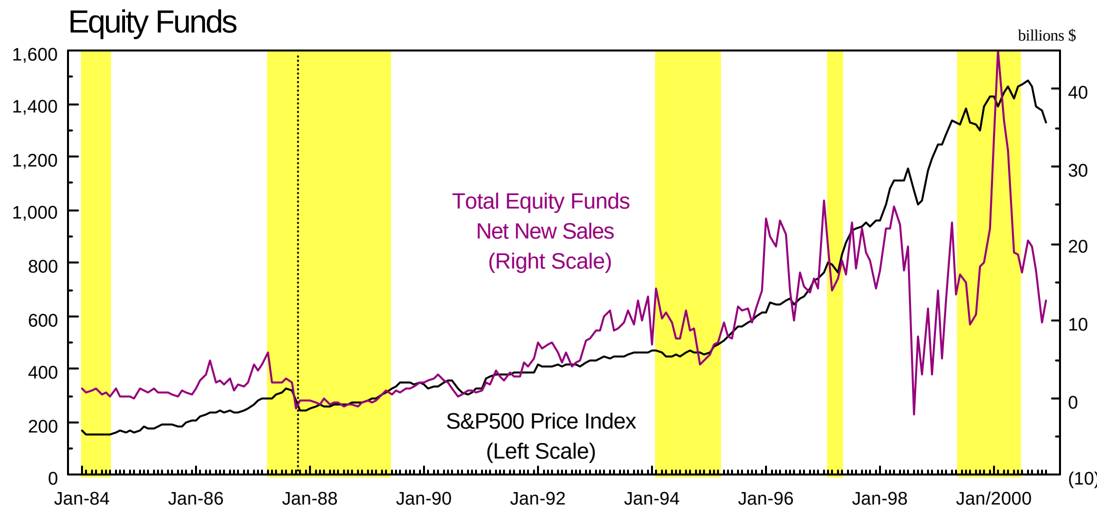


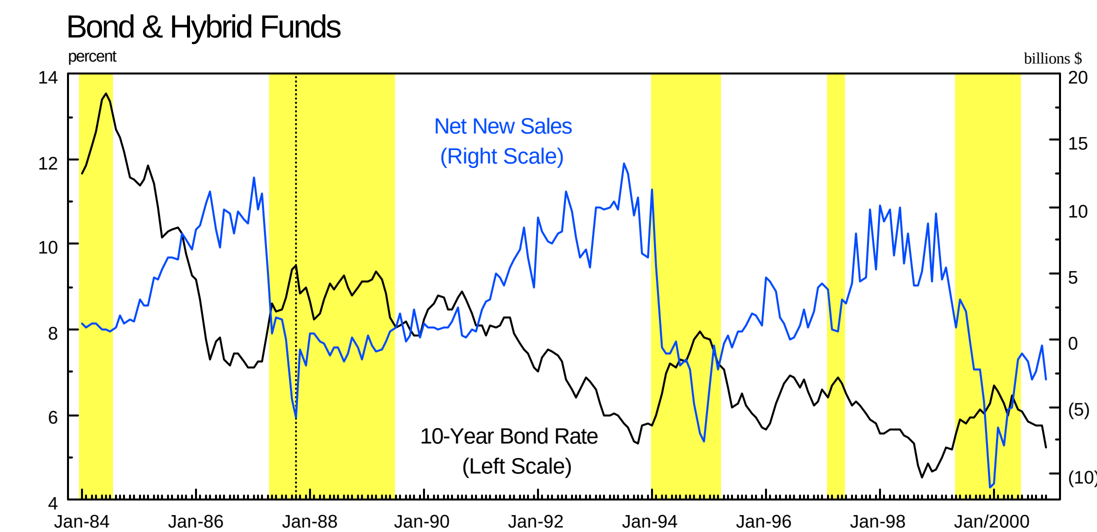
Source: Mutual Fund Trim Tabs

Figure 7

Net New Sales By Investment Objective

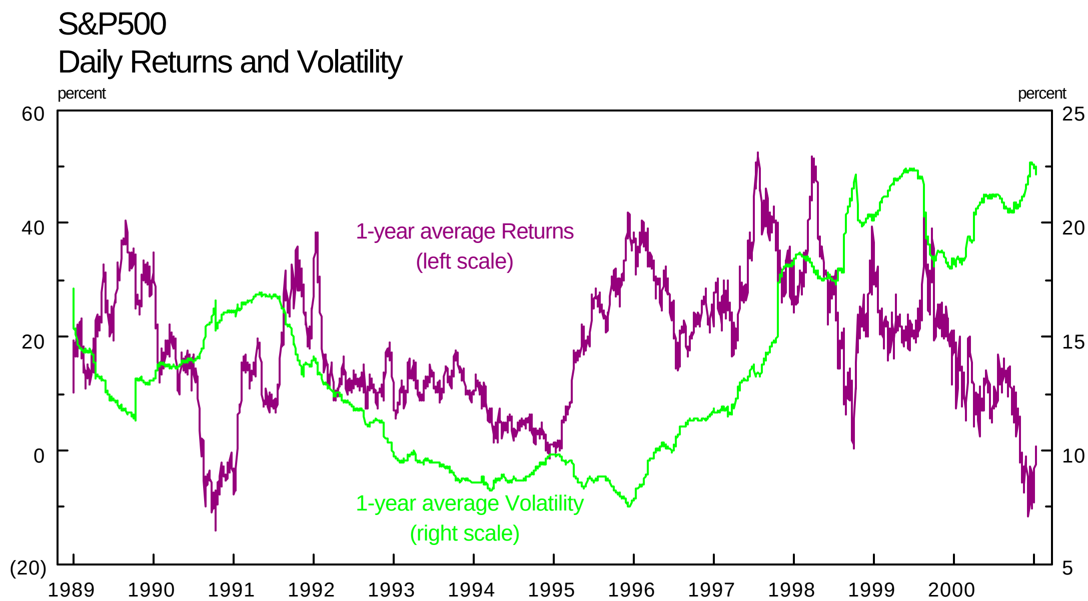
(Shaded Regions Indicate Periods of Rising Fed Funds Rate)





Source: Investment Company Institute

Figure 8
Capital Market Returns and Volatility



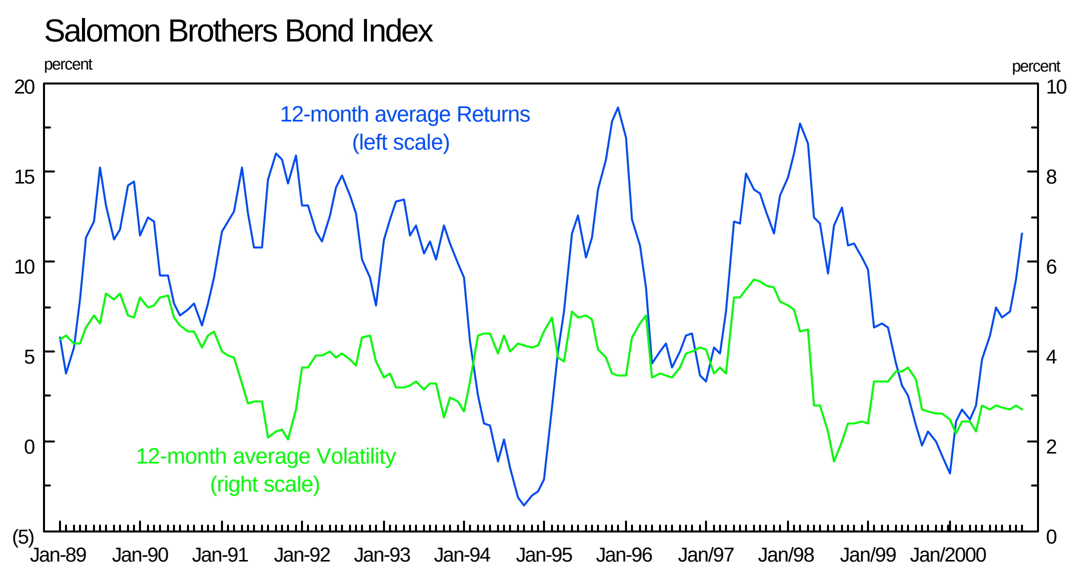
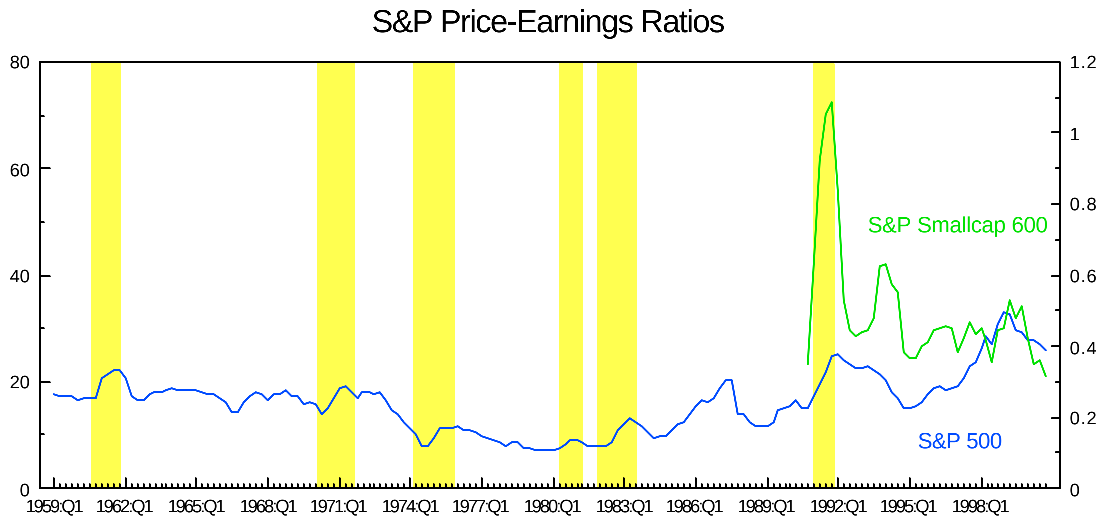
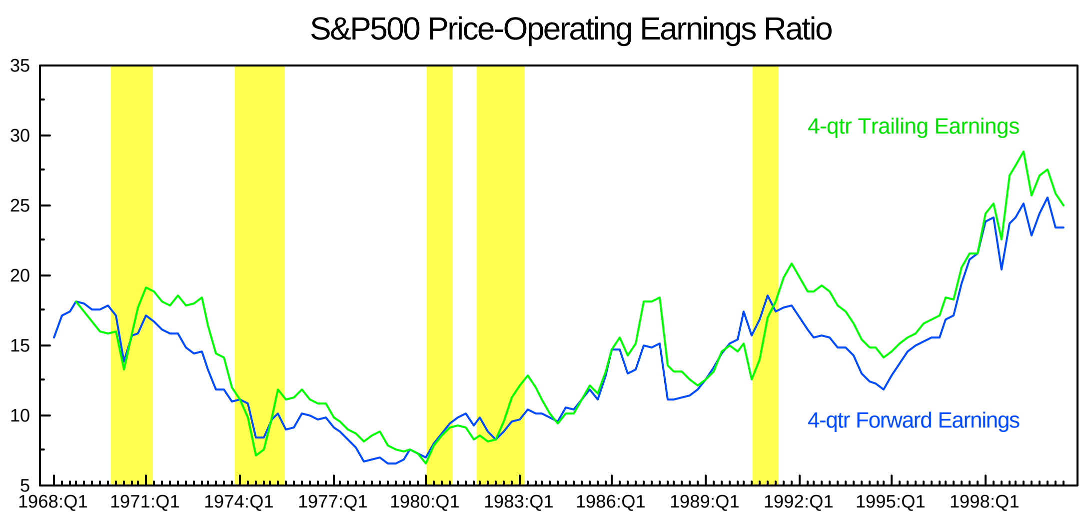
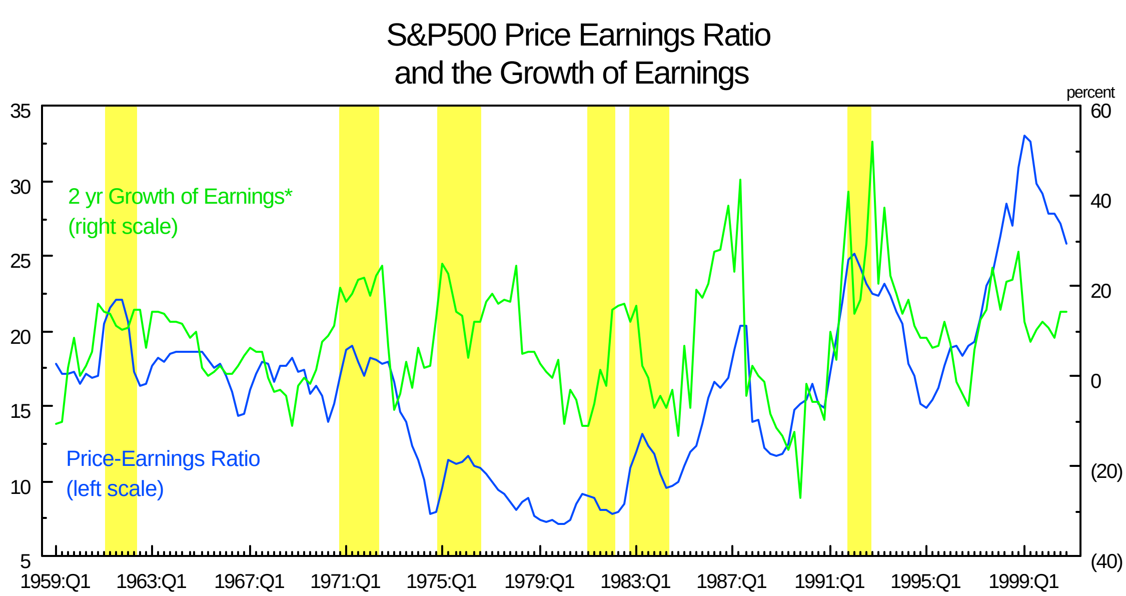


Figure 9





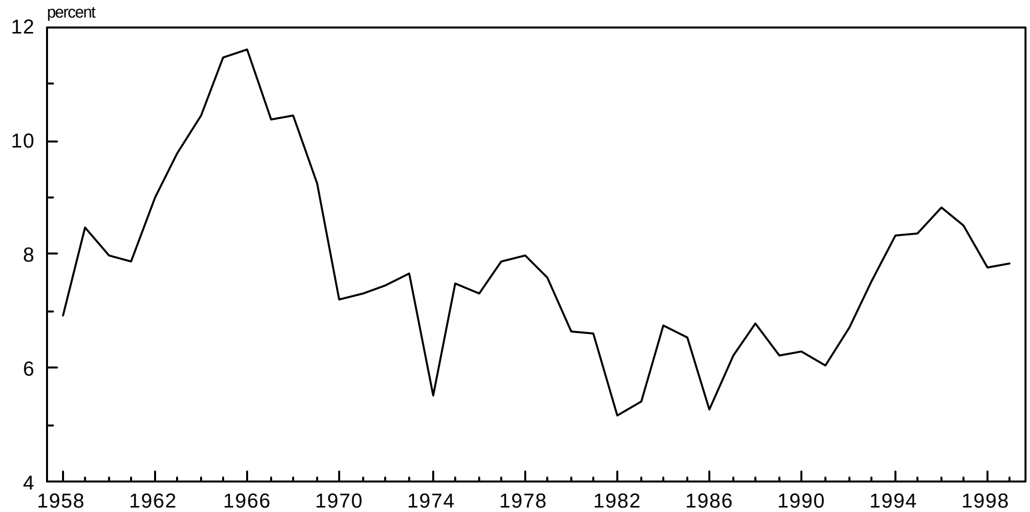


* Growth of earnings over subsequent 8 quarters. Current observations use forecast of earnings from macro projections.

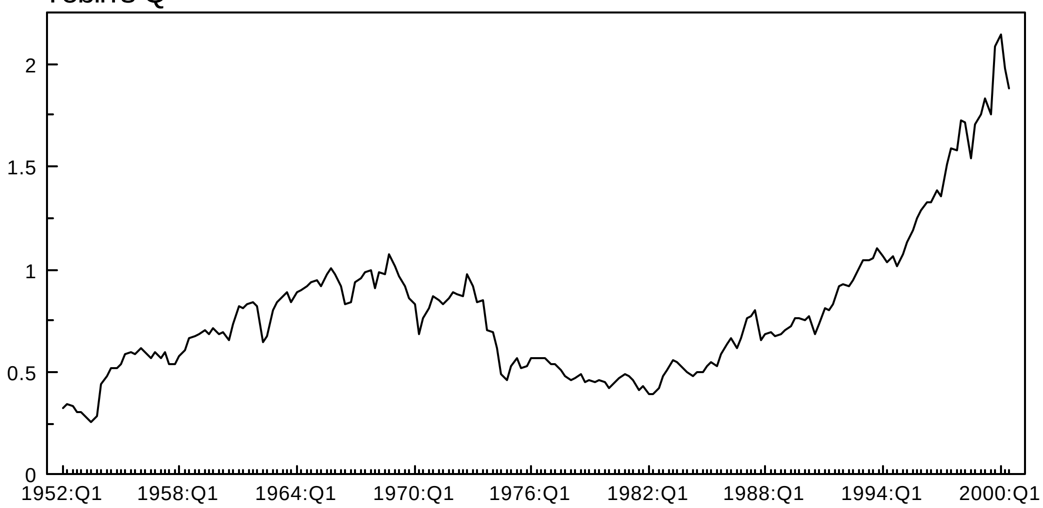
source: First Call, DRI, Bloomberg

Figure 10

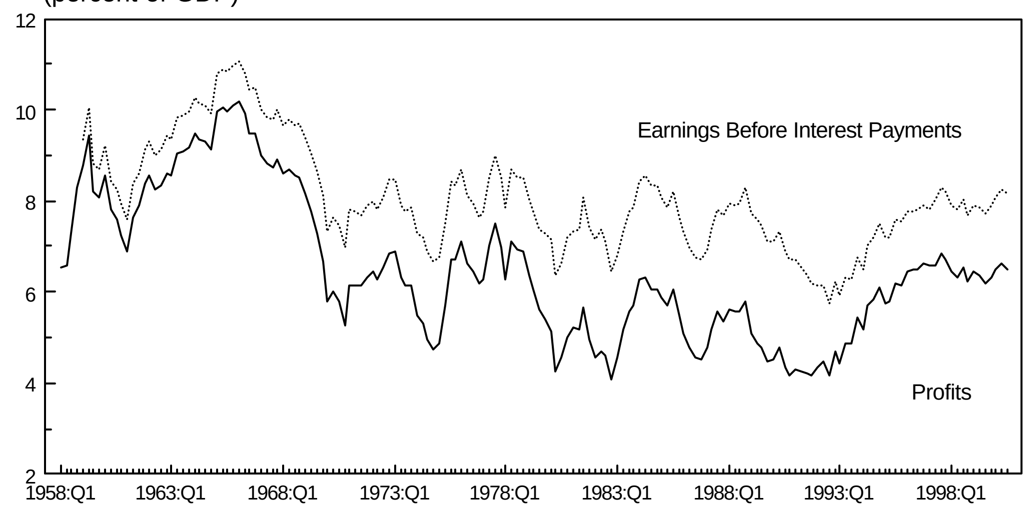
Real Rate of Return on Nonfinancial Corporate Equity
(from National Income and Flow of Funds Accounts)



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