February 8, 2002

Monthly Mutual Fund Report

Statistics for December 2001

Sales and Redemptions

Total assets for all funds increased in December by $37.9 billion, or 0.5 percent, to $7.0 trillion. Money market funds had a net cash outflow of $25.6 billion compared to an inflow in November of $60.3 billion. Other funds (equity, hybrid, and bond) had a net cash inflow of $2.0 billion, compared to an inflow of $23.1 billion in November. New sales of non-money market funds, the purchase of new shares excluding reinvested dividends, were $114.2 billion in December, up from $107.8 billion in November. The value of non-money market assets appreciated by $40.7 billion in December, following an appreciation of $222.3 billion in November.

Total assets of **equity funds** increased by $64.0 billion, or 1.9 percent, to $3.41 trillion. There was a $3.0 billion net cash inflow to equity funds in December, compared with an inflow of $15.3 billion in November. The market value of assets appreciated by $51.6 billion. There was a cash inflow of $32.3 billion in 2001, after an inflow of $309.4 billion in 2000.

Total assets for **hybrid funds**, which invest in a mix of stocks and bonds, increased 1.0 percent, or $3.5 billion, to $346.4 billion. In December, there was a $1.0 billion net cash inflow for these funds. Net cash inflows for 2001 were $9.5 billion compared to an outflow of $30.7 billion during 2000.

Bond funds experienced a cash outflow of $2.1 billion, while their total assets fell by $9.2 billion, to $924.4 billion. The market value of bond funds assets decreased by $10.9 billion, after adjusting for net sales and reinvested dividends. The assets of tax-exempt funds decreased by 1.4 percent while the assets of taxable bond funds increased by 0.8 percent. There was a net cash flow into bond funds of $87.4 billion in 2001, after an outflow of $49.8 in 2000.

Assets of taxable and tax-exempt **money market funds** decreased $20.3 billion, to $2.29 trillion, a decrease of 0.9 percent for taxable money market funds and a decrease of 0.5 percent for tax-exempt funds. After a net cash inflow of $159.6 billion in 2000, money market funds had an inflow of $374.6 billion for 2001.

Liquidity Ratio

The liquidity ratio for bond and hybrid funds decreased from 4.2 to 3.9 percent, while the ratio for equity funds decreased from 5.6 to 5.1 percent (figure 4).

Weekly Flows

In January, there were outflows from equity funds of 0.3 percent of total assets with returns of 1.9 percent. Bond funds had inflows of 0.2 percent and returns of 0.3 percent for the month.

Index funds had monthly inflows of 0.3 percent and losses of 4.3 percent. Aggressive growth funds had monthly outflows of 0.1 percent and losses of 2.3 percent. Small-cap funds had inflows of 1.5 percent and losses of 1.2 percent.

There were outflows from international funds in January of 0.5 percent of assets and losses of 2.4 percent. Latin America funds had outflows of 0.6 percent and losses of 0.6 percent. Japan funds had outflows of 0.6 percent and losses of 5.5 percent of assets for the month of January. Pacific funds that do not invest in Japan had outflows of 0.9 percent and returns of 4.0 percent of assets.

Capital Market Returns and Volatility

The S&P 500 ended January at 1130.20, a decrease of 1.6 percent from the beginning of the month. The 12-month return was 16.7 percent at month-end. The annualized volatility for the daily return on the S&P 500 was 20.9 percent.

The 12-month average return on the Salomon Brothers Bond Index was 7.6 percent for January. Volatility decreased to 3.5 percent (figure 8).

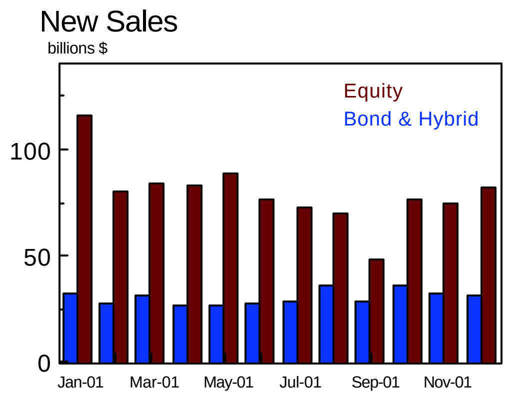
Price-Earnings Ratio

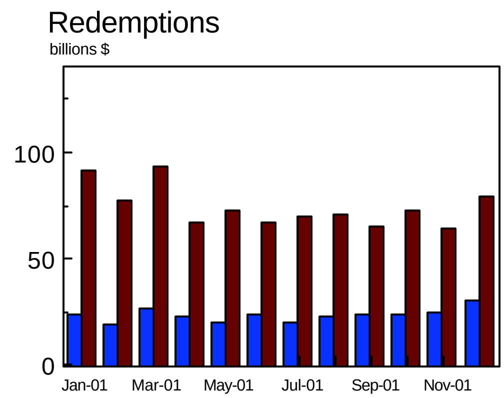
The macro projections for the growth of earnings of the Standard and Poor’s 500 index over the next two years have decreased to 18.3 percent, but remain above the 6.1 percent historical average annual growth rate. The trailing price-operating earnings ratio decreased to 25.2 for the first quarter from 25.4 in the fourth quarter of 2001, while the forward price-operating earnings ratio decreased from 23.7 in the fourth quarter to 21.0 during the first quarter of 2002 (figure 9). During the fourth quarter the price-earnings ratio for the Standard and Poor's Small-Cap 600 Index increased to 44.9 from 29.8.

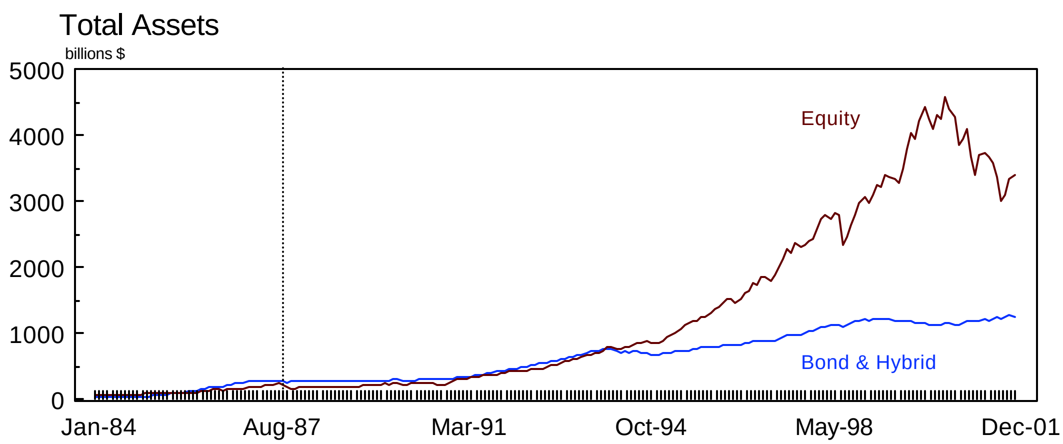
For more information please contact Matthew S. Rutledge (617) 973-3198

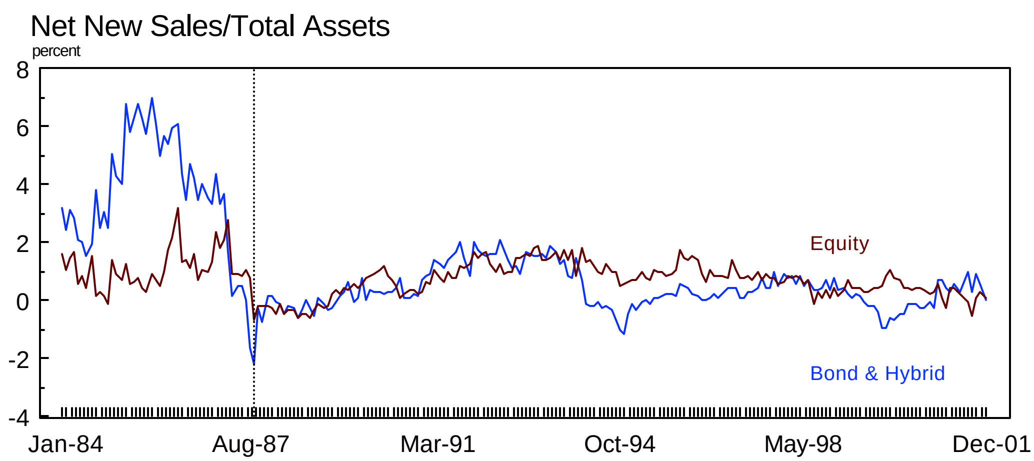
Figure 1

Sales of Mutual Funds









Source: Investment Company Institute

Figure 2

Composition of Mutual Funds' Financial Assets

(percent of Total Financial Assets)

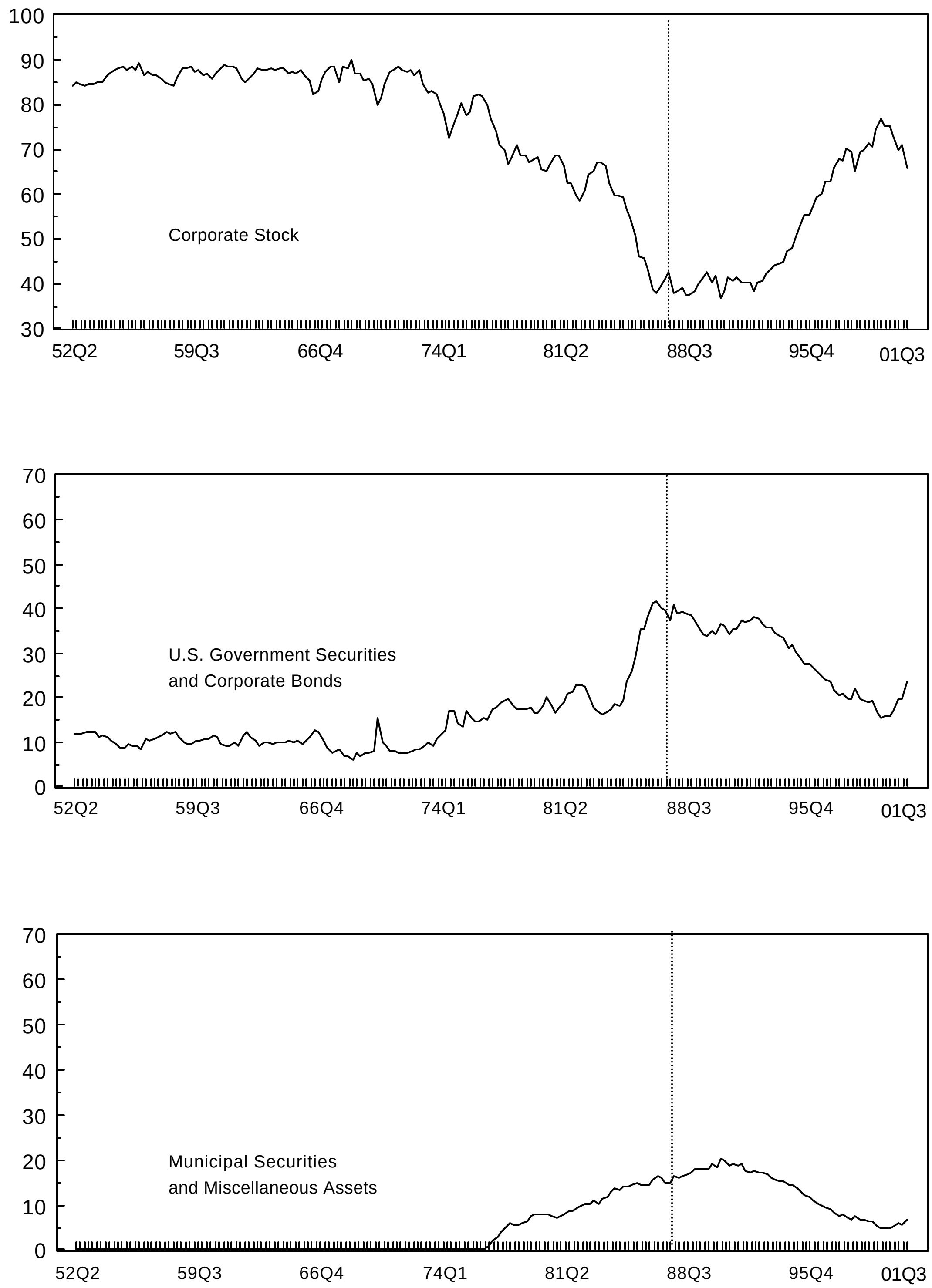


Figure 3

Net Portfolio Purchases

(percent of Total Assets)

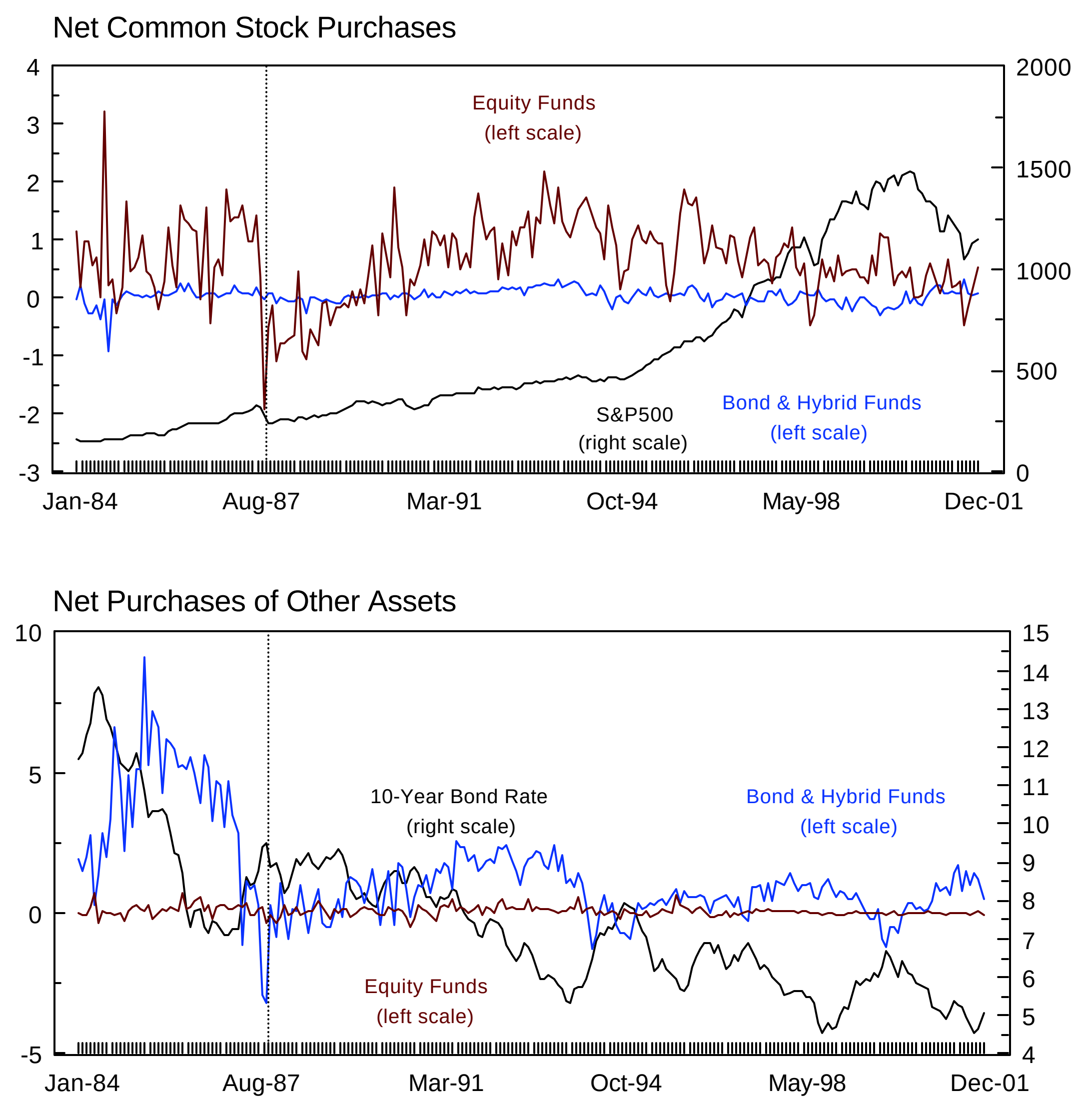
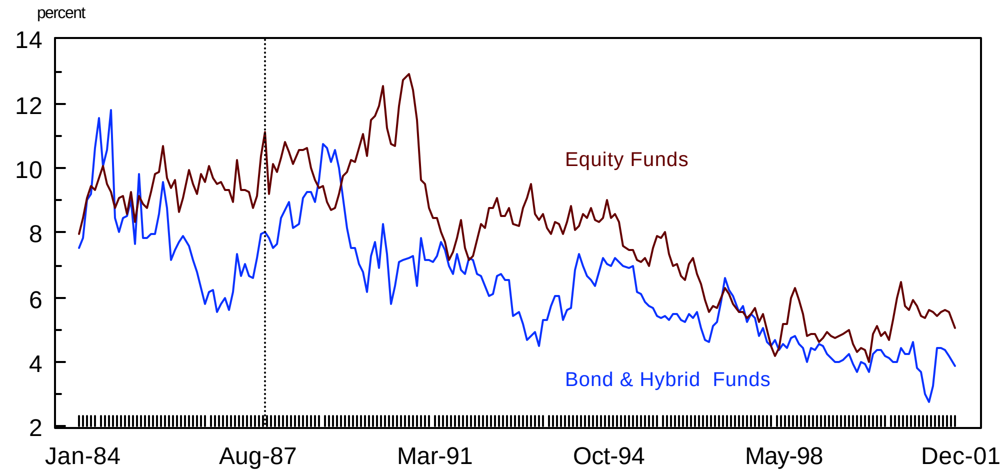
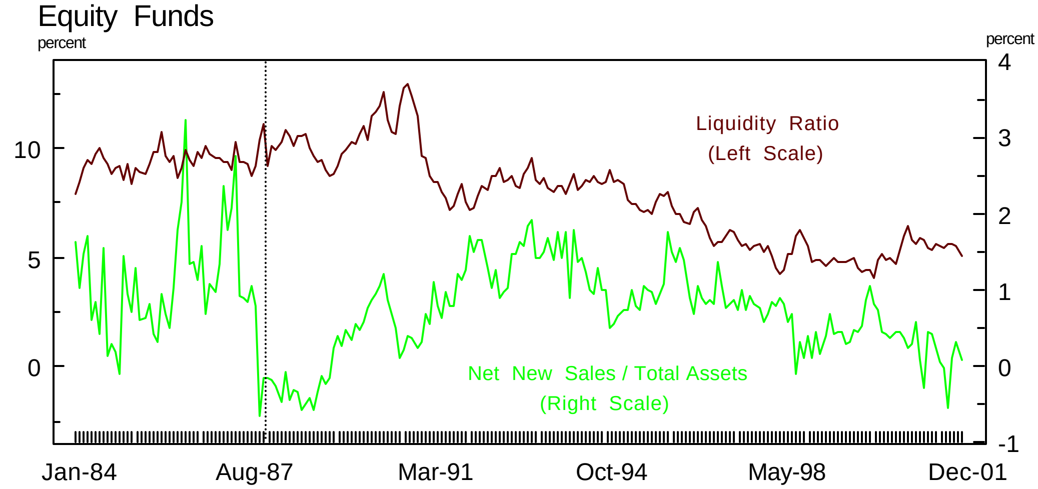


Figure 4

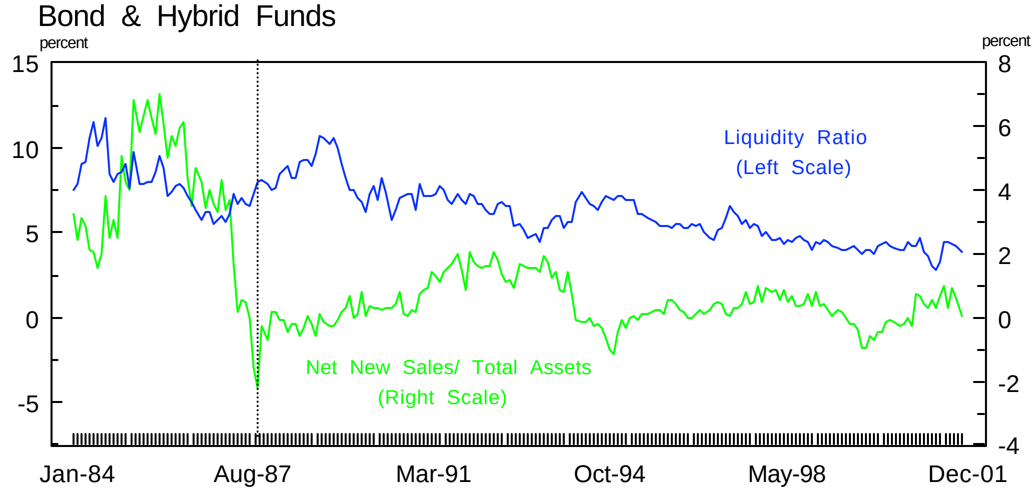
Liquidity Ratio*



Equity Funds



Bond & Hybrid Funds



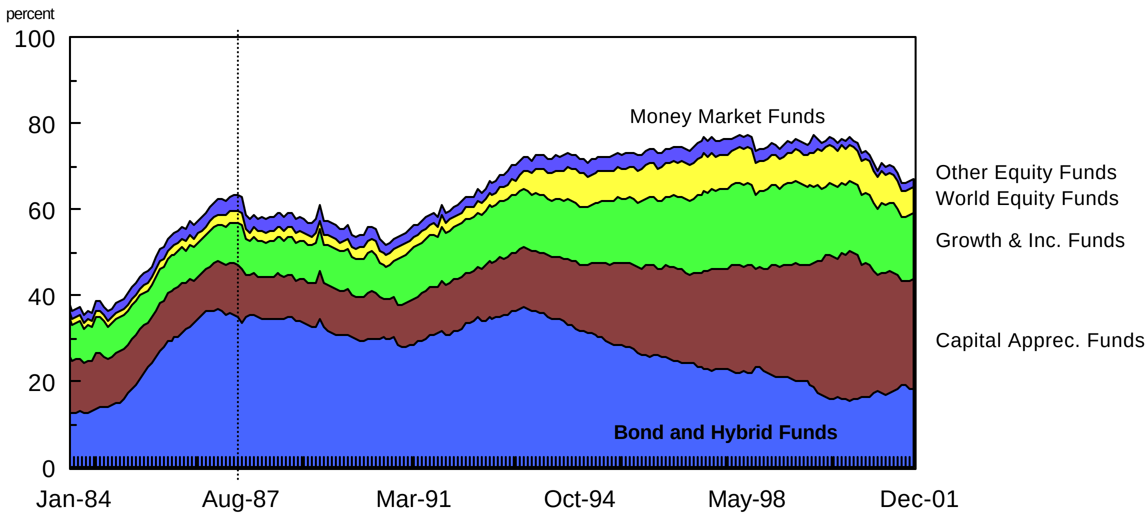
*The Liquidity Ratio is the Percent of Total Assets held in Cash and Short-Term Securities.

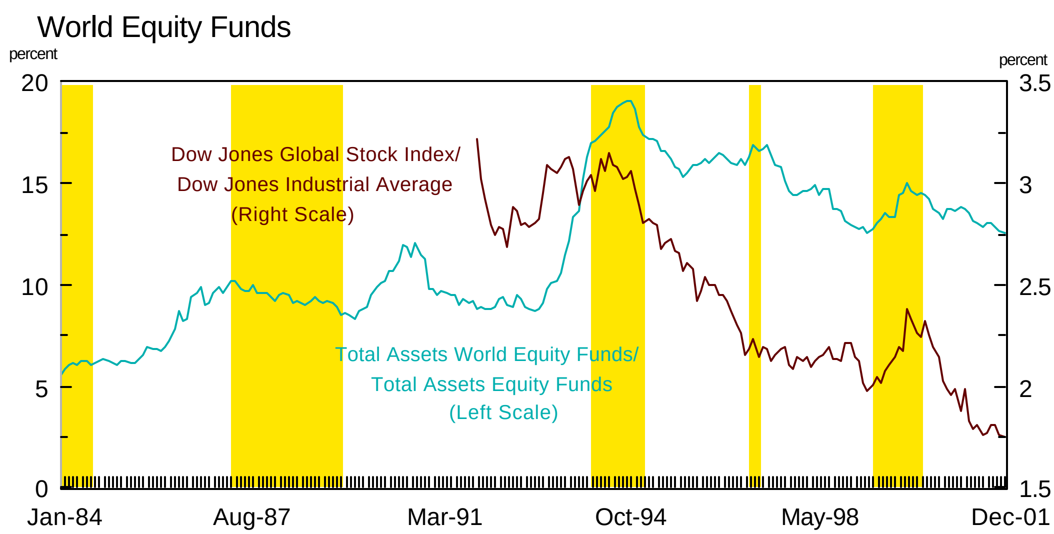
Source: Investment Company Institute

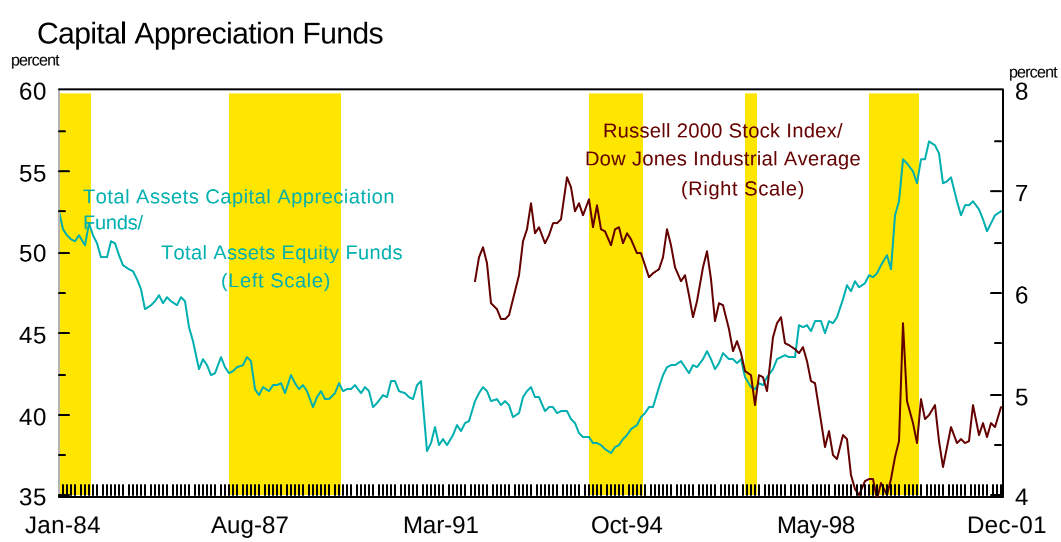
Figure 5

Industry Composition

(Shaded Regions Indicate Periods of Rising Fed Funds Rate)





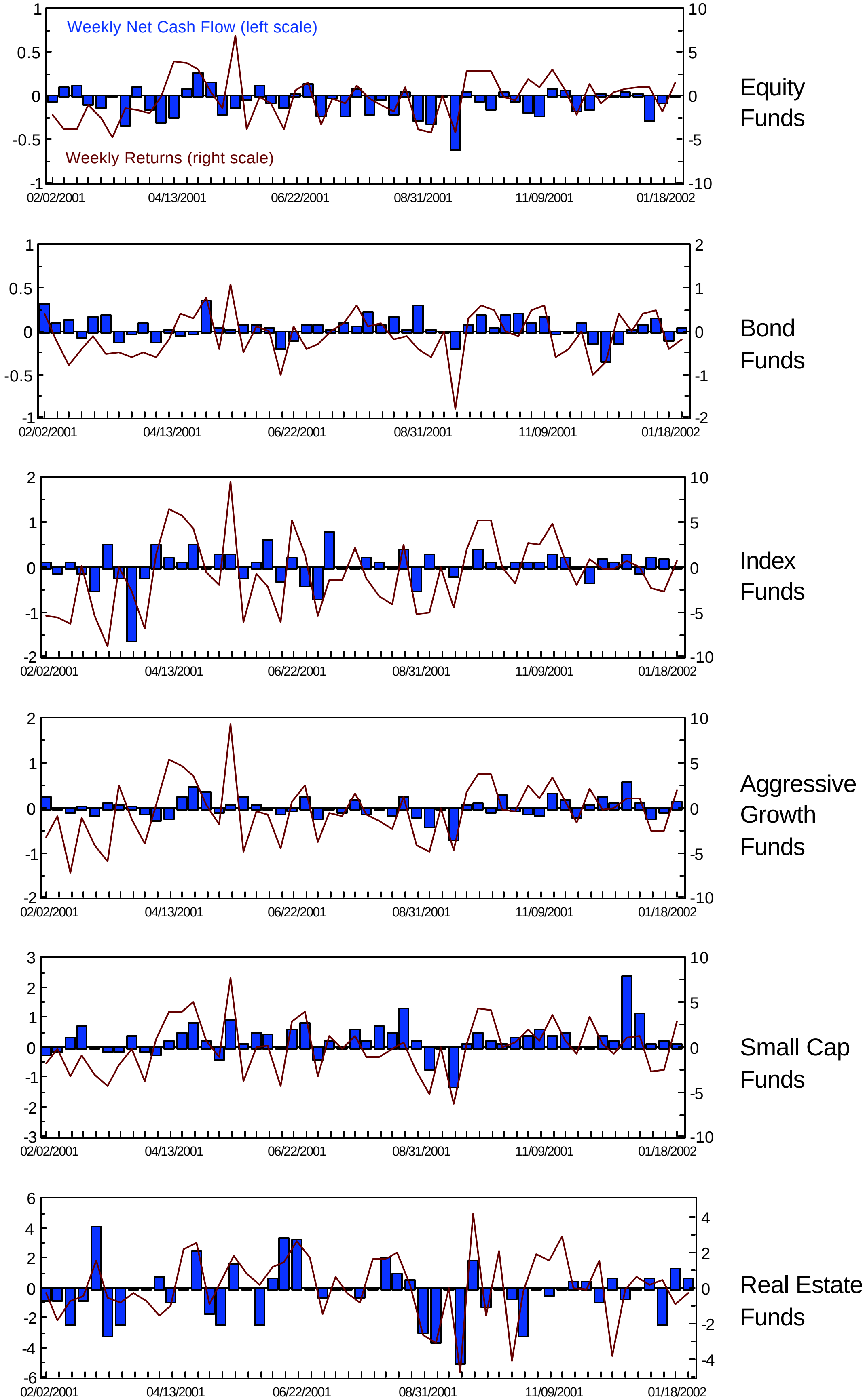


Source: Investment Company Institute

Figure 6a

Weekly Flows into Mutual Funds

(percent of Total Assets)

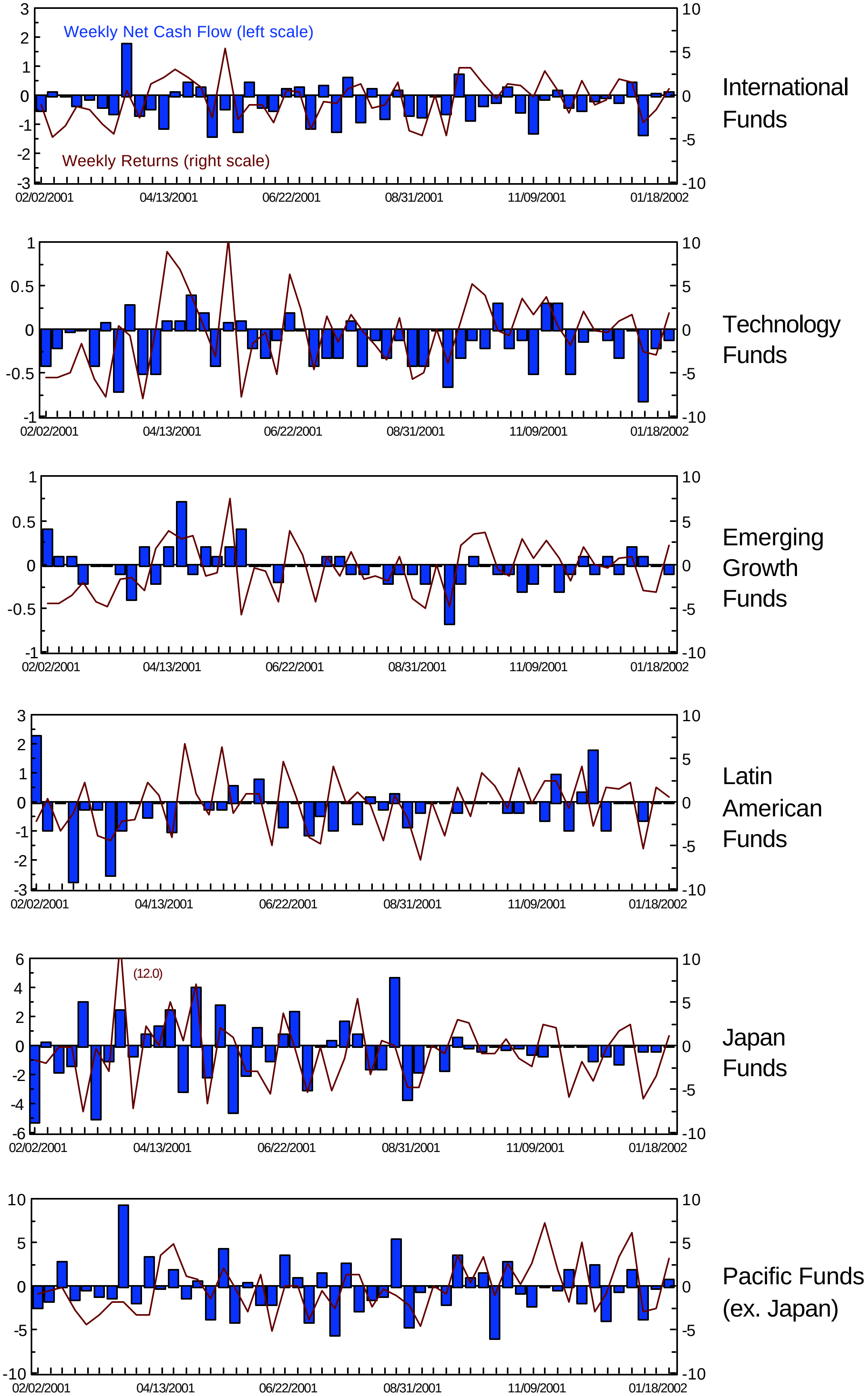


Source: Mutual Fund Trim Tabs

Figure 6b

Weekly Flows into Mutual Funds

(percent of Total Assets)

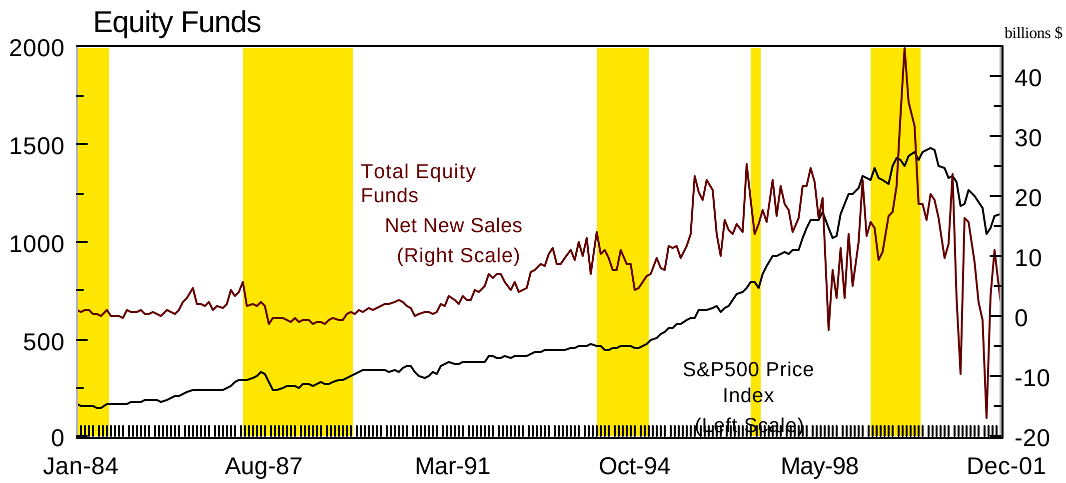


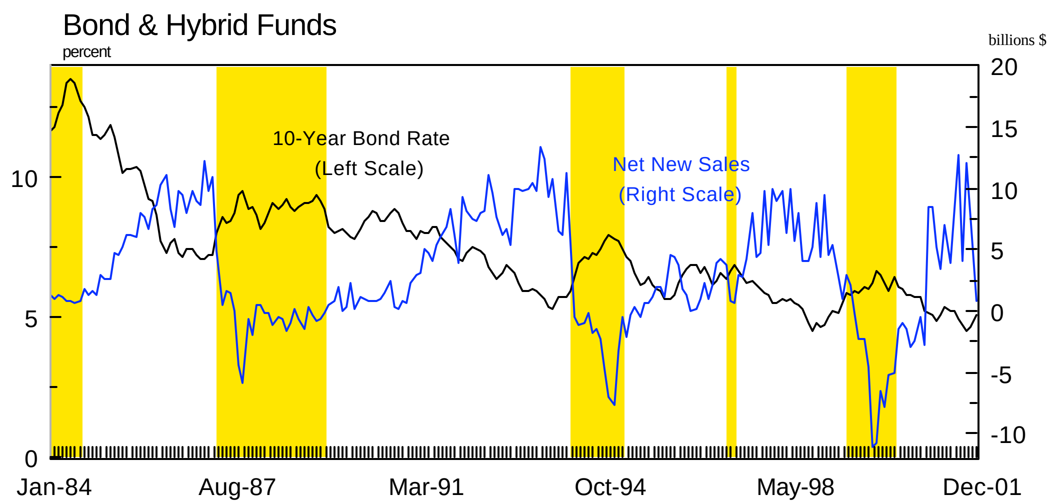
Source: Mutual Fund Trim Tabs

Figure 7

Net New Sales By Investment Objective

(Shaded Regions Indicate Periods of Rising Fed Funds Rate)

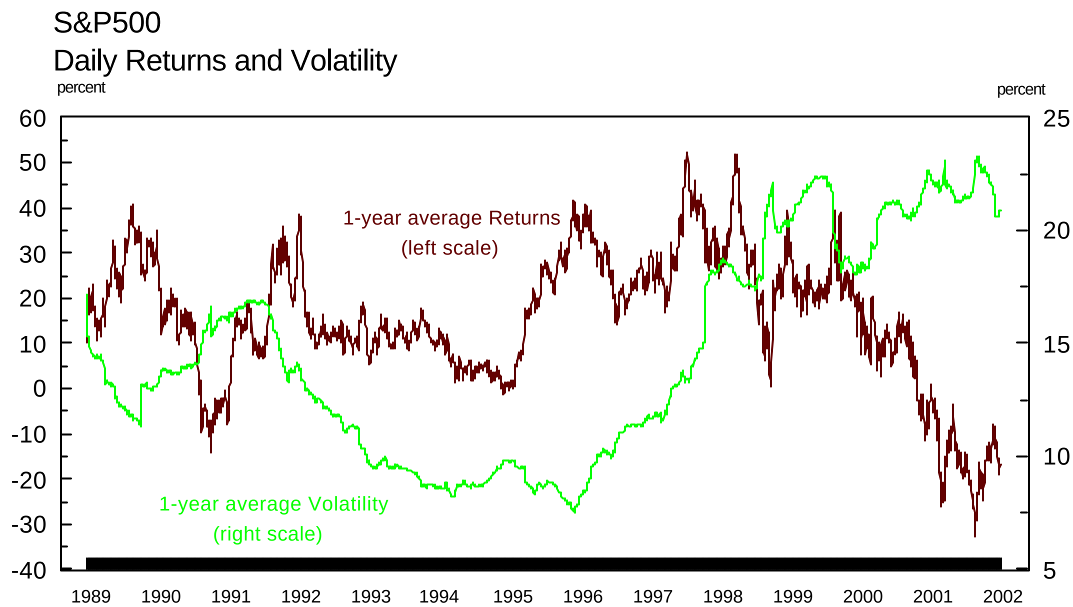




Source: Investment Company Institute

Figure 8

Capital Market Returns and Volatility



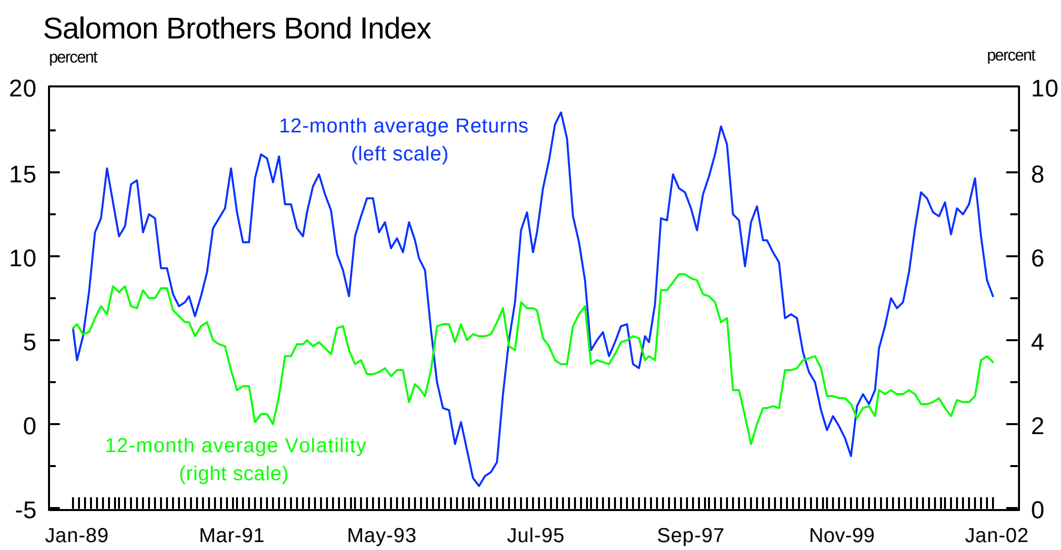
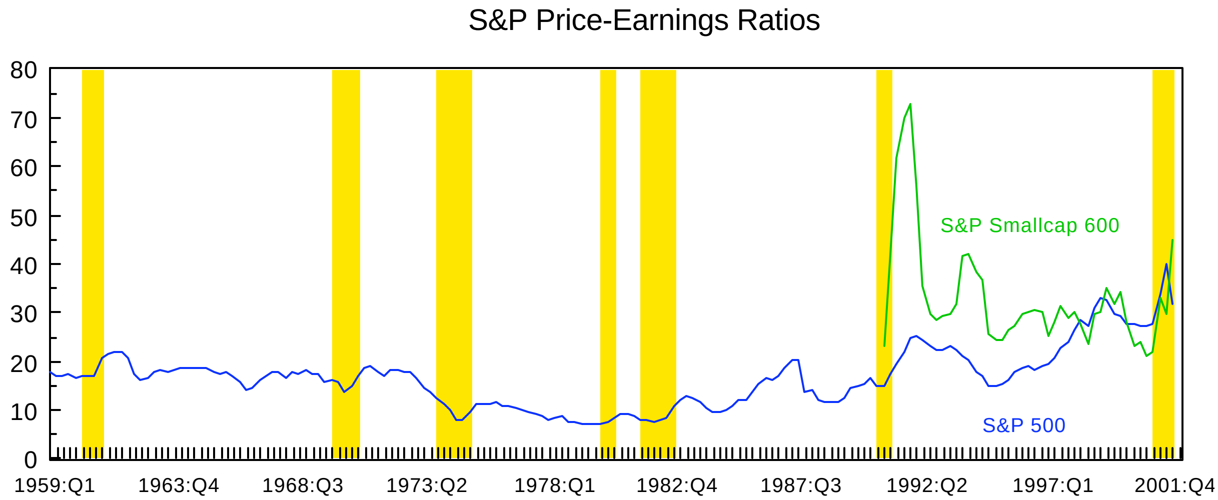
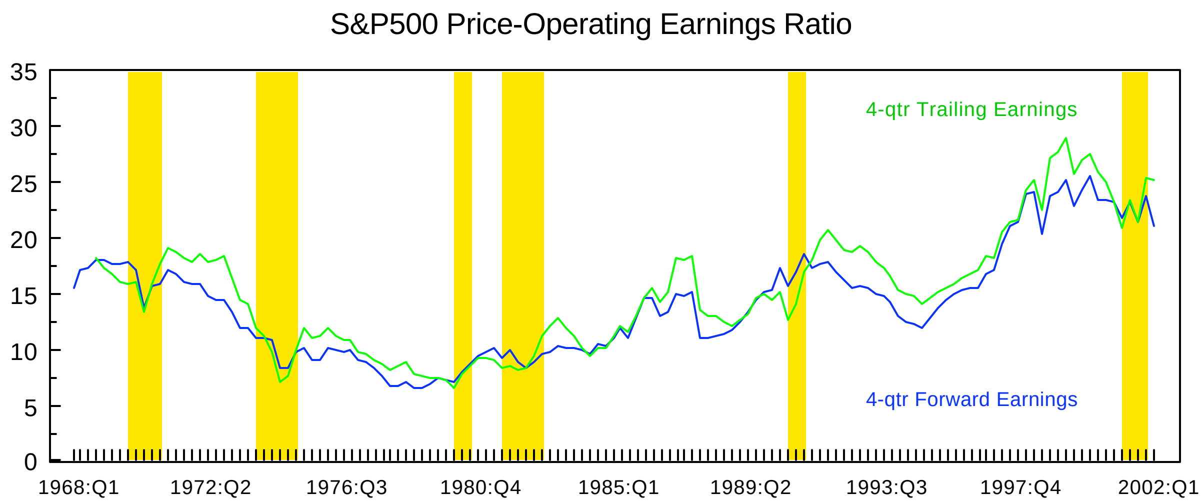
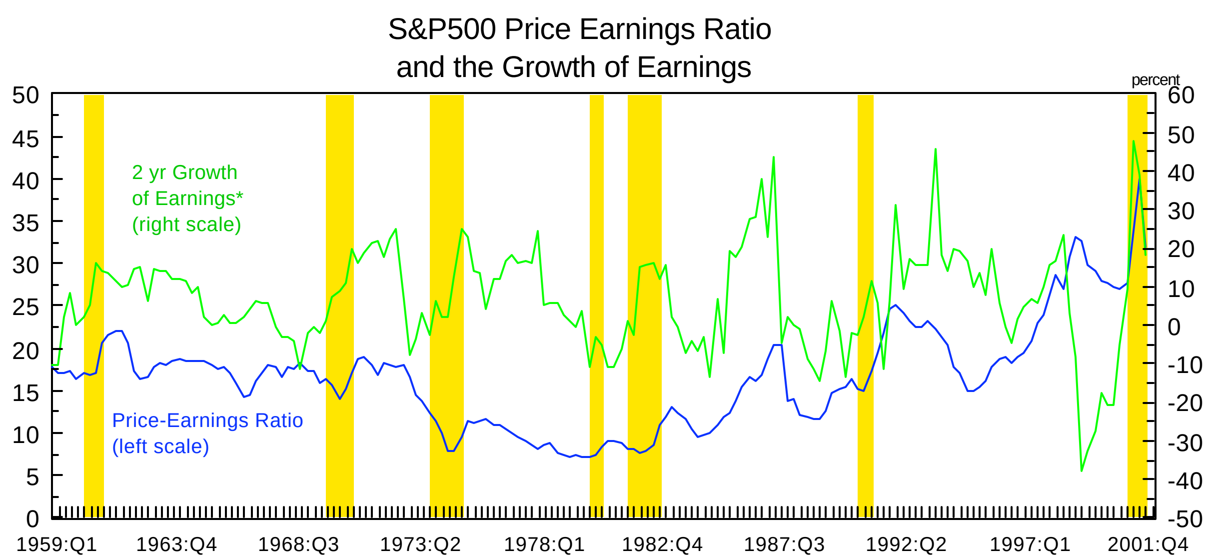


Figure 9





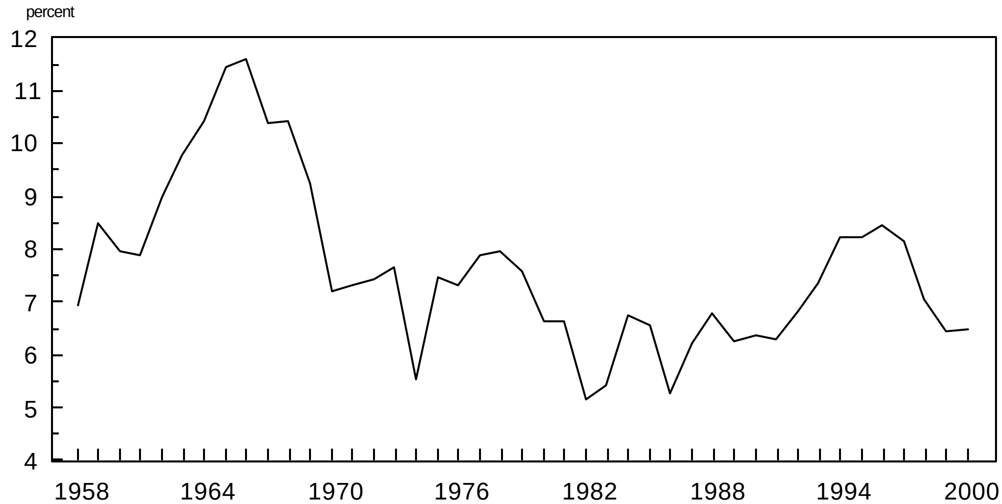


* Growth of earnings over subsequent 8 quarters. Current observations use forecast of earnings from macro projections.

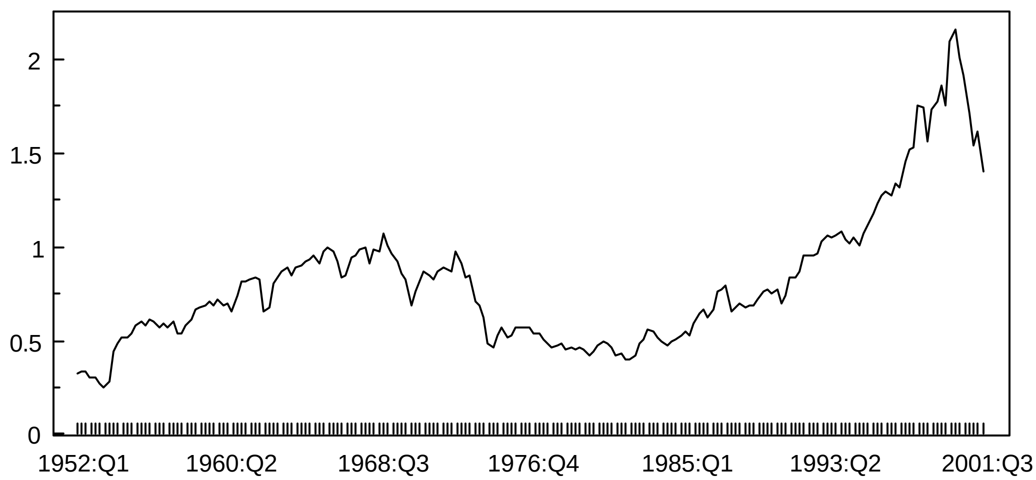
source: First Call, DRI, Bloomberg

Figure 10

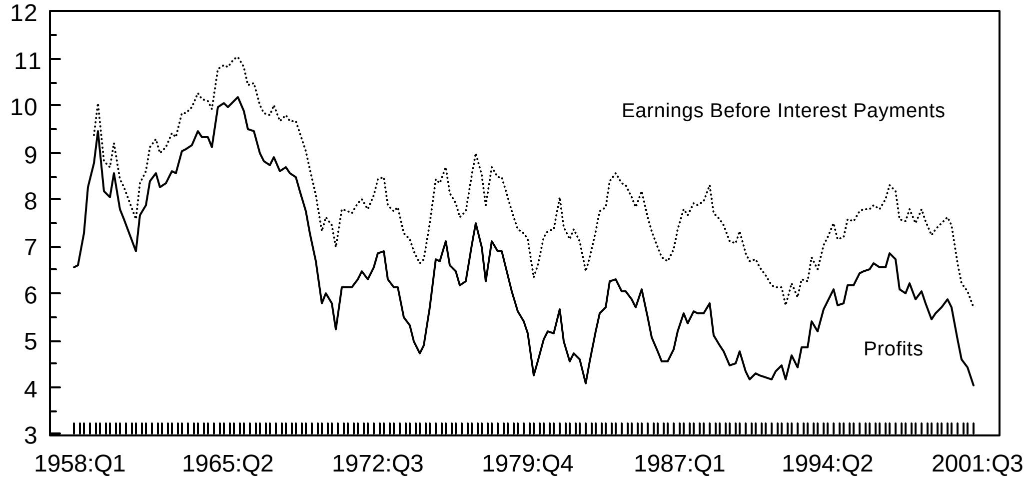
Real Rate of Return on Nonfinancial Corporate Equity
(from National Income and Flow of Funds Accounts)



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