January 7, 2000

Monthly Mutual Fund Report

Statistics for November 1999

Sales and Redemptions

Total assets for all funds increased $226.3 billion, or 3.6 percent, to $6.5 trillion in November. Net new cash flow into long-term mutual funds, the dollar value of net new sales and net exchanges, was $11.9 billion, compared to $16.7 billion in October. New sales, the purchase of new shares excluding reinvested dividends, were $102.0 billion in November, up from $92.0 billion in October. The value of assets appreciated by $150.1 billion in November, compared with an increase of $187.6 billion in October.

Total assets of **equity funds** increased by $167.6 billion, or 4.8 percent, to $3.7 trillion. Net cash flow into equity funds was $19.1 billion compared with $21.0 billion in October. The market value of assets appreciated by $133.4 billion. Year-to-date cash flows are $163.5 billion. During the same period in 1998, cash flows were $153.8 billion.

Total assets for **hybrid funds**, which invest in a mix of stocks and bonds, increased 0.5 percent, or $1.8 billion, to $376.8 billion. The net cash outflow from these funds was $2.6 billion in November. Year-to-date their net cash outflow has been $8.0 billion compared to an inflow of $10.3 billion during the same period in 1998.

Bond funds experienced a cash outflow of $4.7 billion in November, as their total assets fell $549.6 million, to $822.8 billion. The market value of bond funds assets decreased by $7.6 billion, after adjusting for net sales and reinvested dividends. The assets of taxable bond funds increased 0.1 percent, while the assets of tax-exempt funds fell 0.4 percent.

Assets of taxable and tax-exempt **money market funds** increased $57.3 billion, to $1.6 trillion, an increase of 3.9 percent for taxable money market funds and 2.7 percent for-tax exempt funds.

Liquidity Ratio

The liquidity ratio decreased for both bond and hybrid and equity funds during September. The ratio for bond and hybrid funds decreased to 3.9 from 4.3 percent, while the ratio for equity funds decreased to 4.6 from 5.0 percent (figure 4).

Weekly Flows

In December, flows and returns to equity funds maintained an eleven-week positive run begun in mid-October for a total monthly inflow of 0.4 percent of total assets and total return of 7.9 percent. Bond fund flows and returns were mostly negative with a monthly outflow of 1.2 percent and return of -0.3 percent.

Flows and returns to domestic sector equity funds were mostly positive. Total flows for the month of November to Aggressive Growth funds were 0.8 percent while returns were 13.2 percent. Similarly, returns to Technology funds were13.4 percent with an inflow of 1.5 percent of total assets.

International funds exhibited a commensurate monthly performance with flows of 1.1 percent and returns of 13.1 percent of total assets. Returns to international sectors were also positive, though flows fluctuated widely across different fund categories. Latin America and Japan funds had monthly outflows of 2.2 percent and 9.5 percent, respectively, while inflows to Pacific funds excluding Japan were 1.2 percent of total assets.

Capital Market Returns and Volatility

The S&P 500 ended December at 1469.25, an increase of 5.1 percent from the beginning of the month. The 12-month return was 21.0 percent at month-end. The annualized volatility for the daily return on the S&P 500 was 18.0 percent.

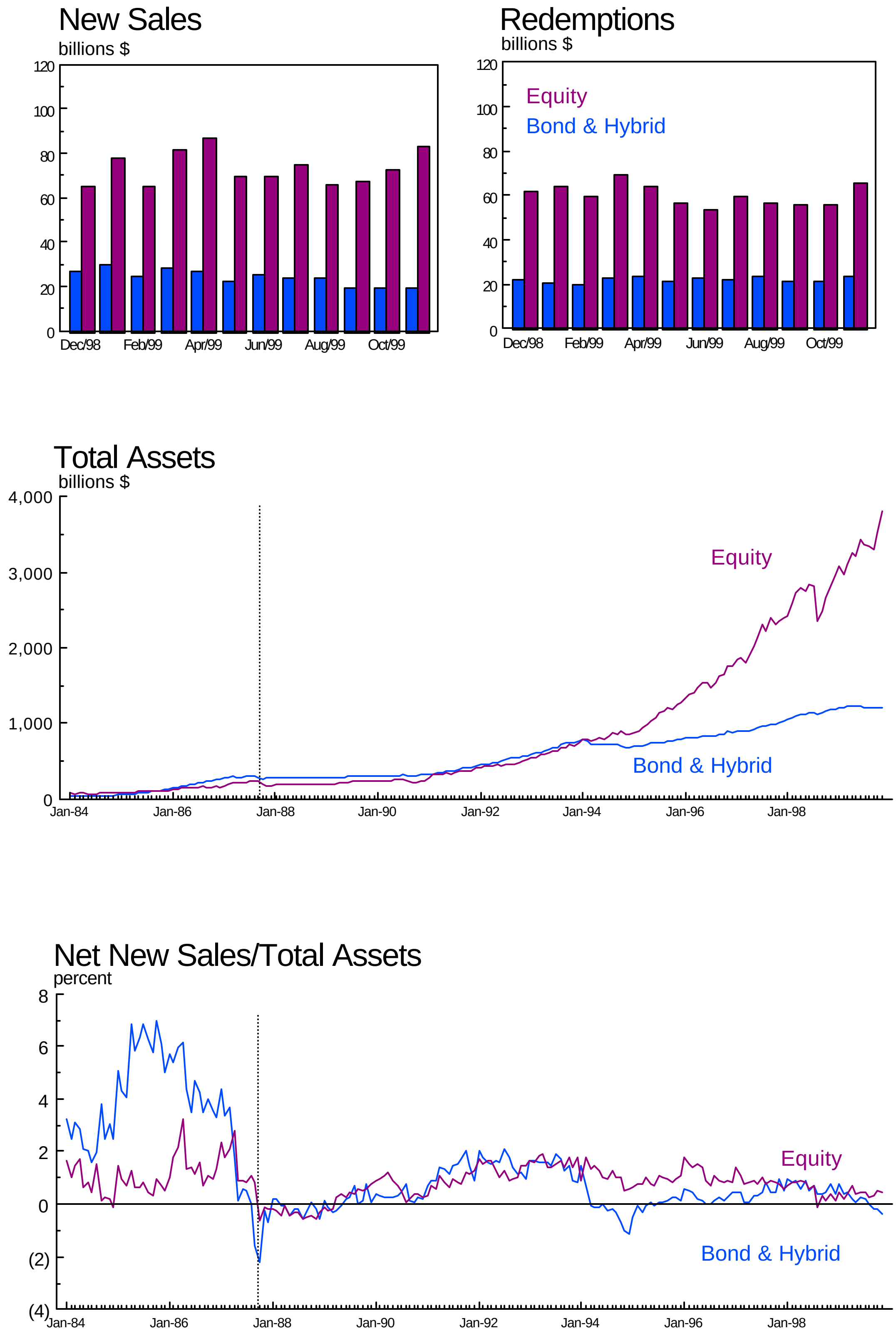
The 12-month average return on the Salomon Brothers Bond Index was -0.8 percent for December. Volatility remained unchanged from the previous month at 2.6 percent (figure 7).

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 from recent levels to 1.6 percent, below the historical average of 6.7 percent annual earnings growth. The trailing price-earnings ratio increased to 34.1 for the fourth quarter, rising from 31.9 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)

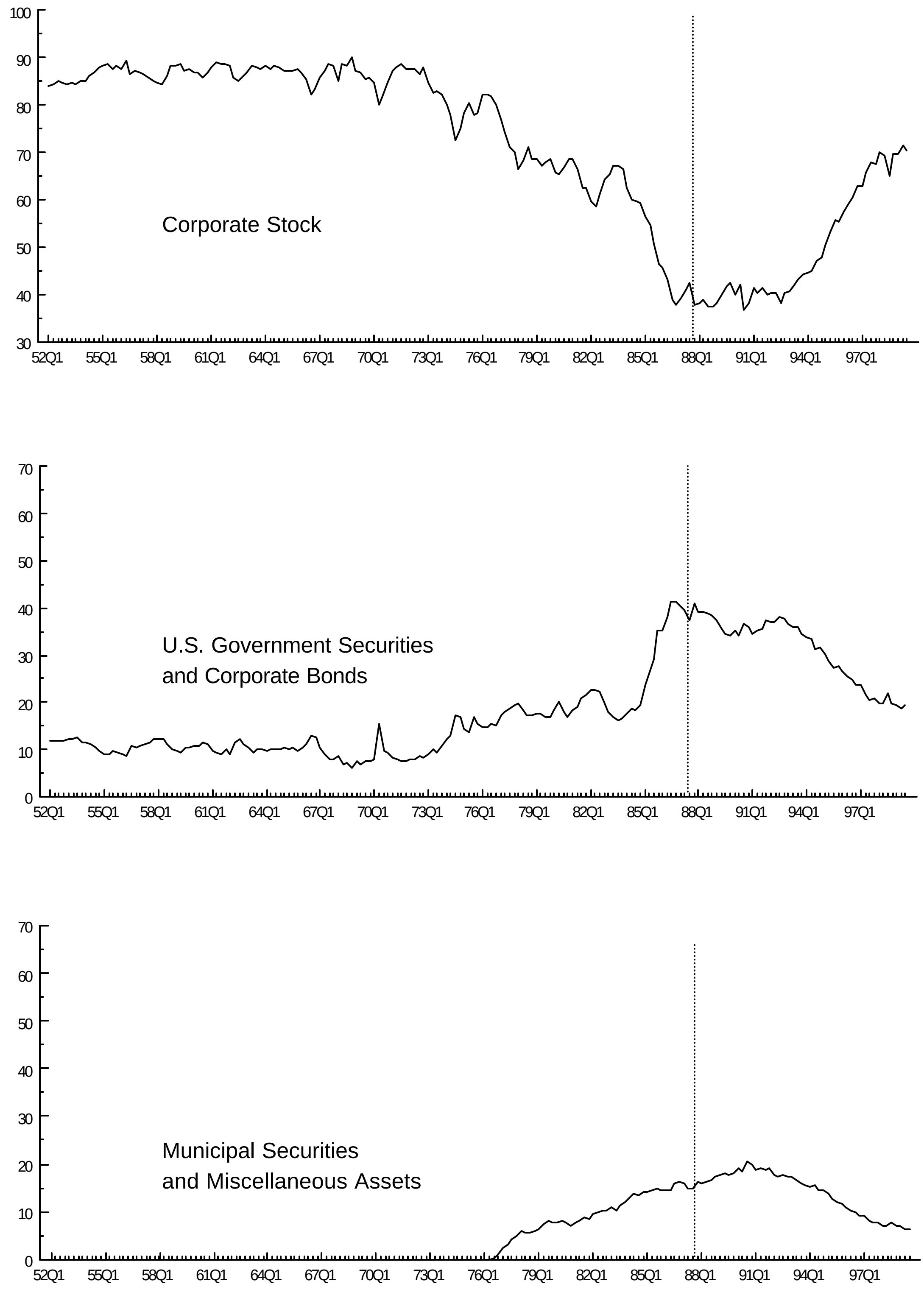
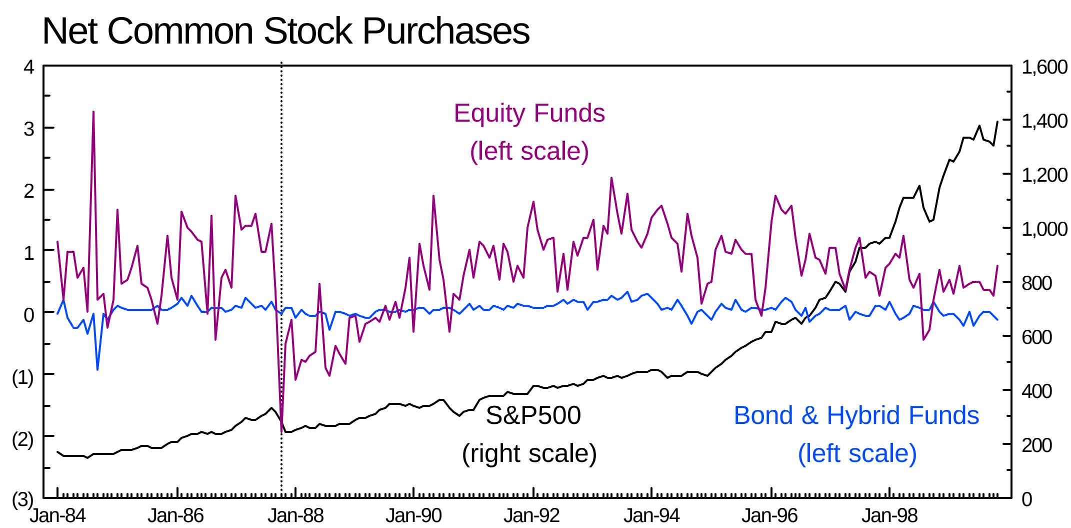


Figure 3

Net Portfolio Purchases

(percent of Total Assets)



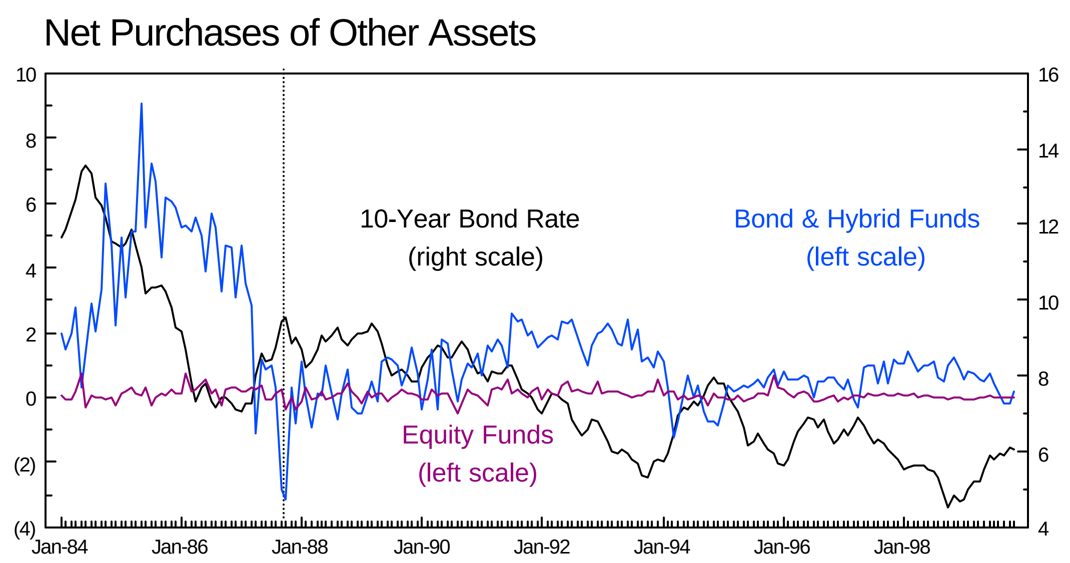
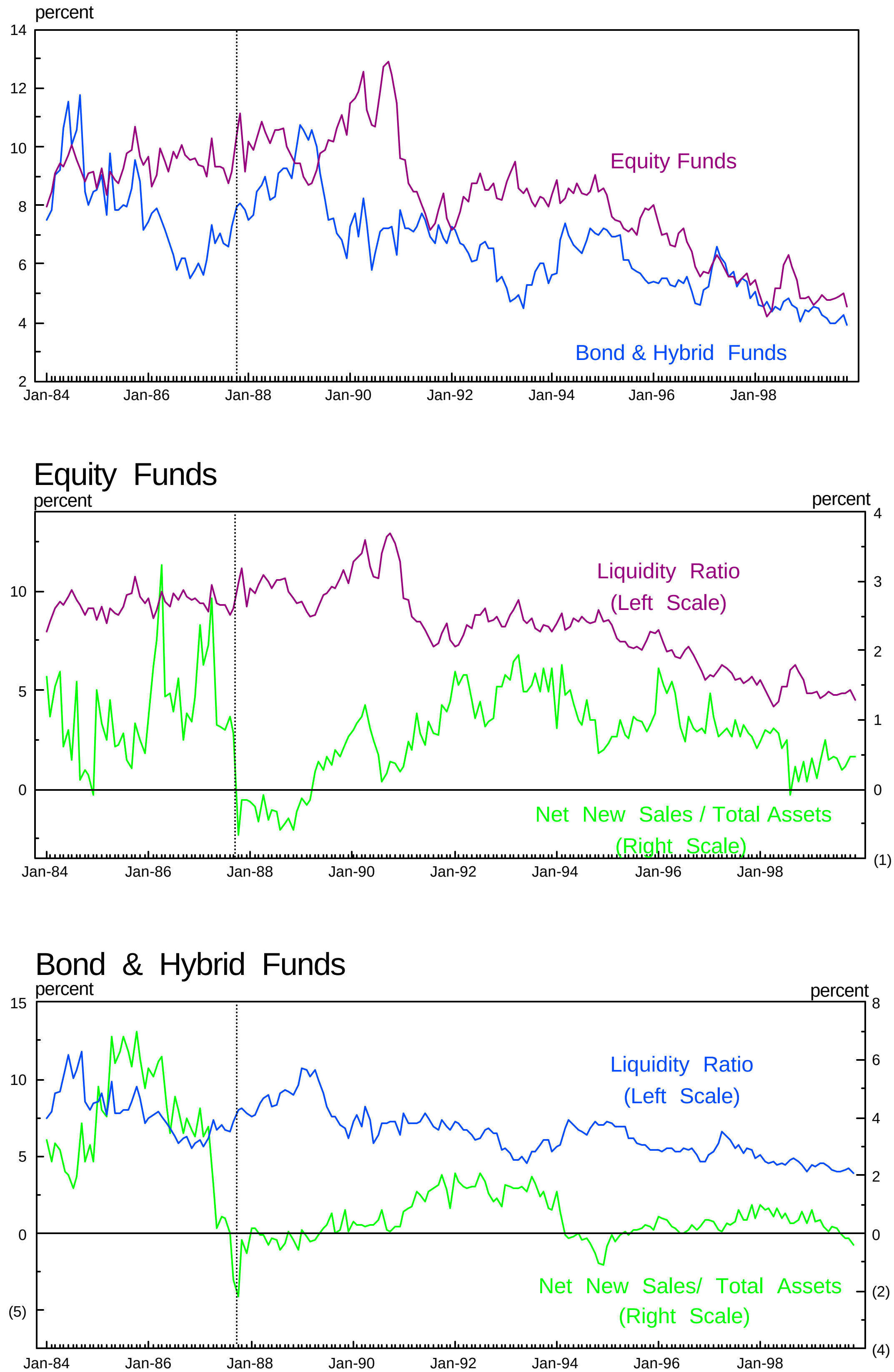


Figure 4
Liquidity Ratio*



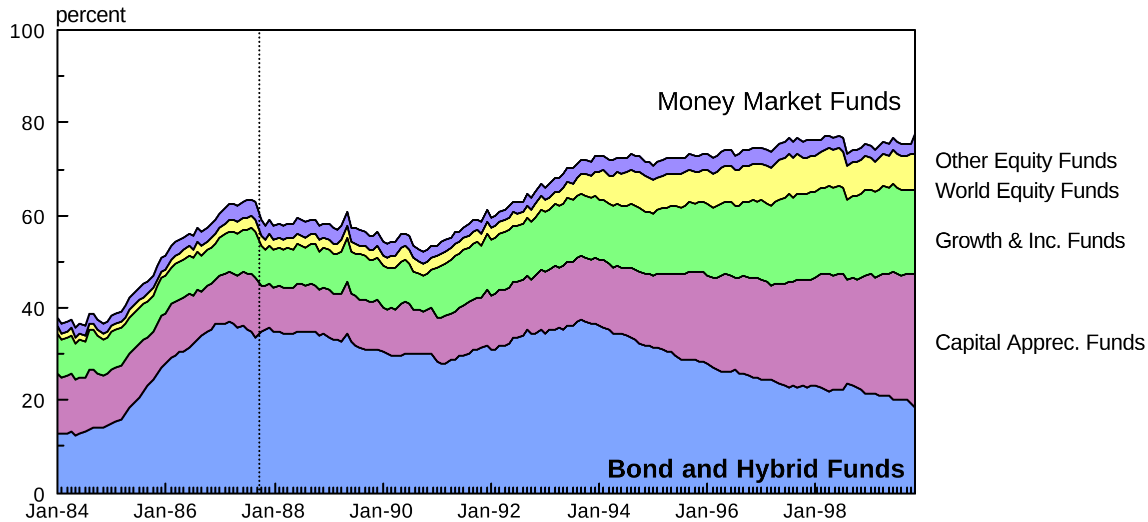
Source: Investment Company Institute

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

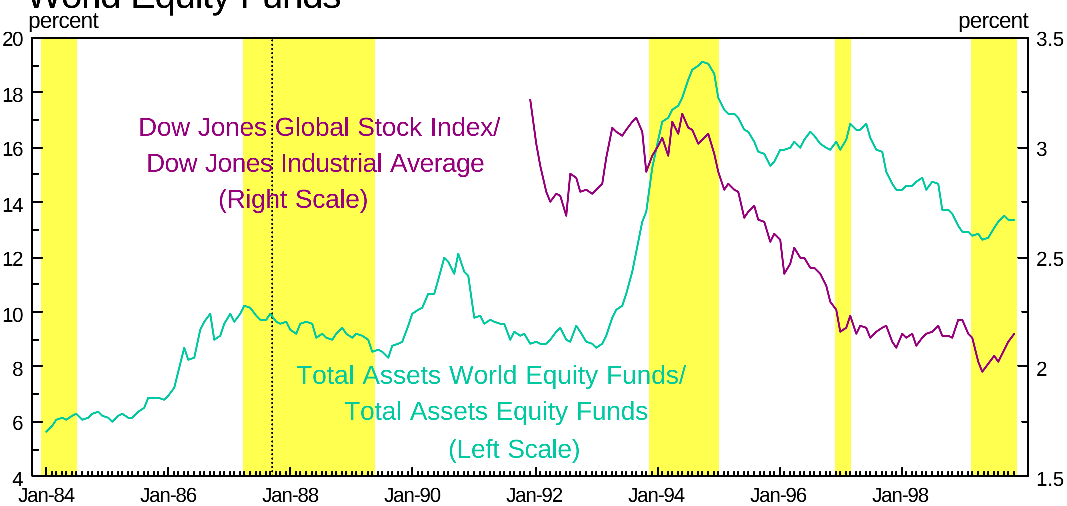
Figure 5

Industry Composition

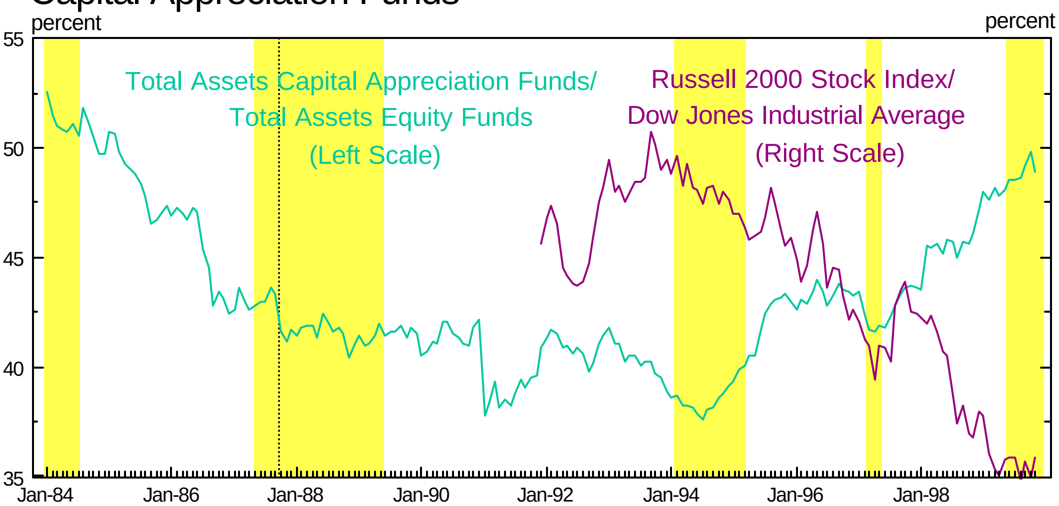
(Shaded Regions Indicate Periods of Rising Fed Funds Rate)



World Equity Funds



Capital Appreciation Funds

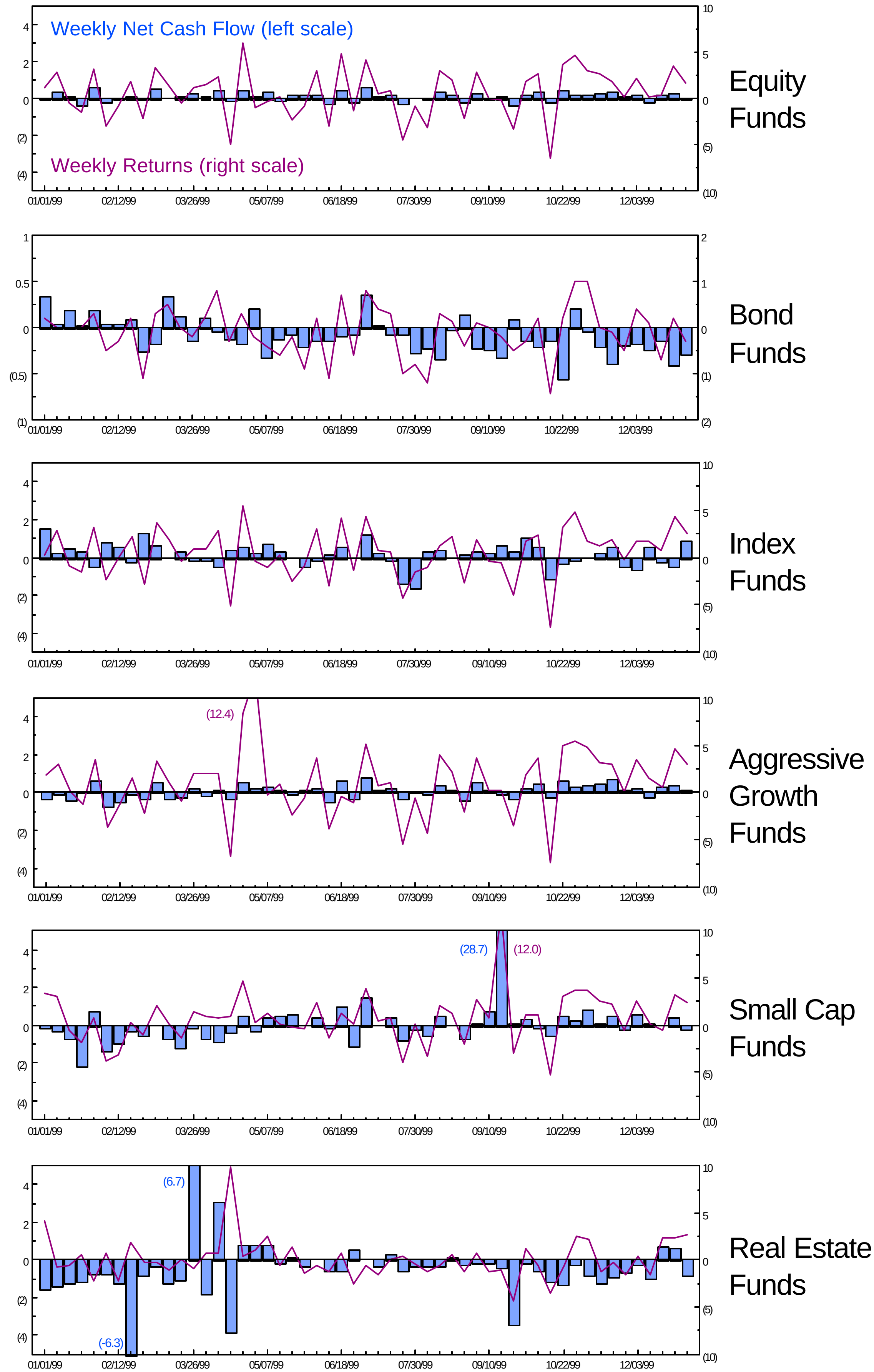


Source: Investment Company Institute

Figure 6a

Weekly Flows into Mutual Funds

(percent of Total Assets)

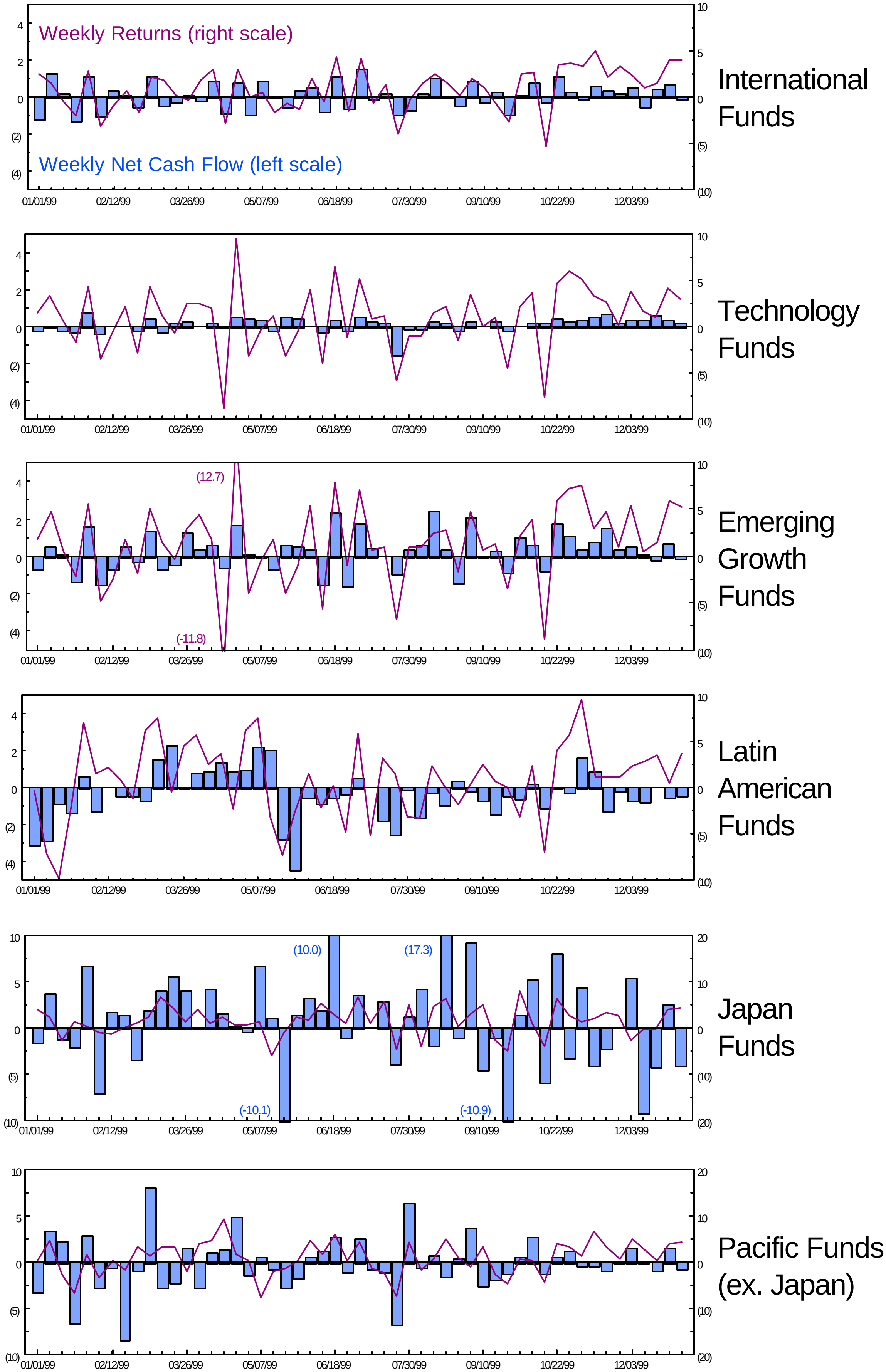


Source: Mutual Fund Trim Tabs

Figure 6b

Weekly Flows into Mutual Funds

(percent of Total Assets)

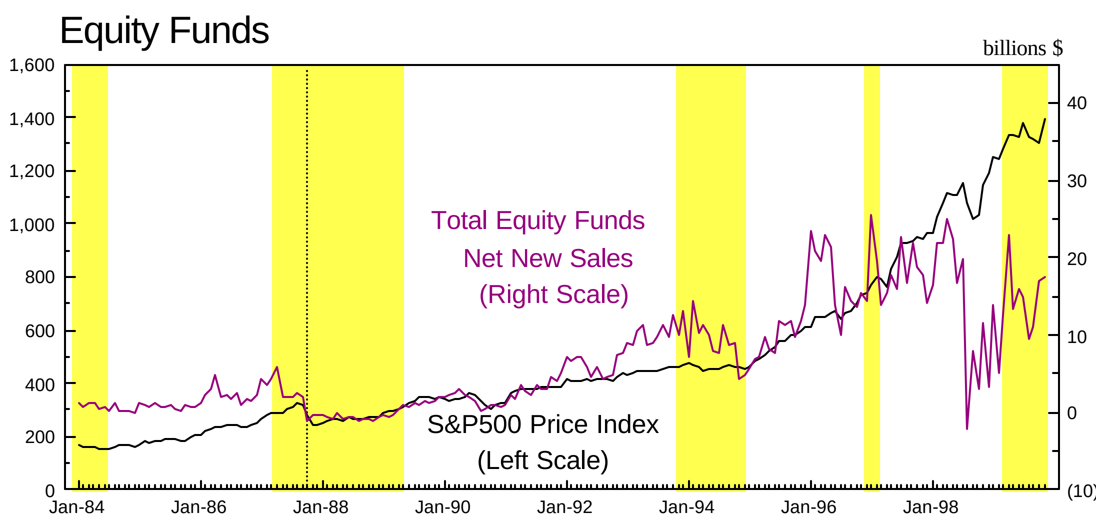


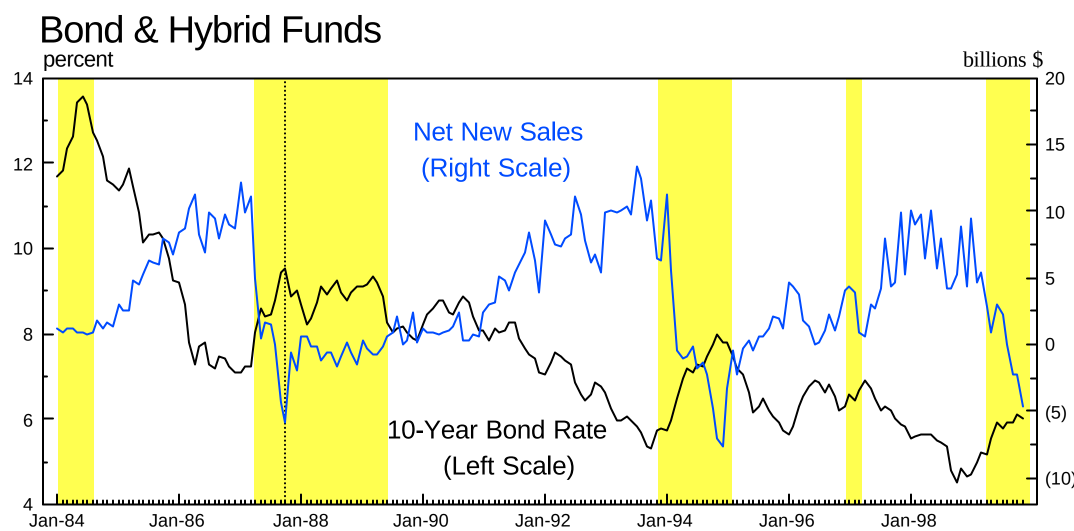
Source: Mutual Fund Trim Tabs

Figure 7

Net New Sales By Investment Objective

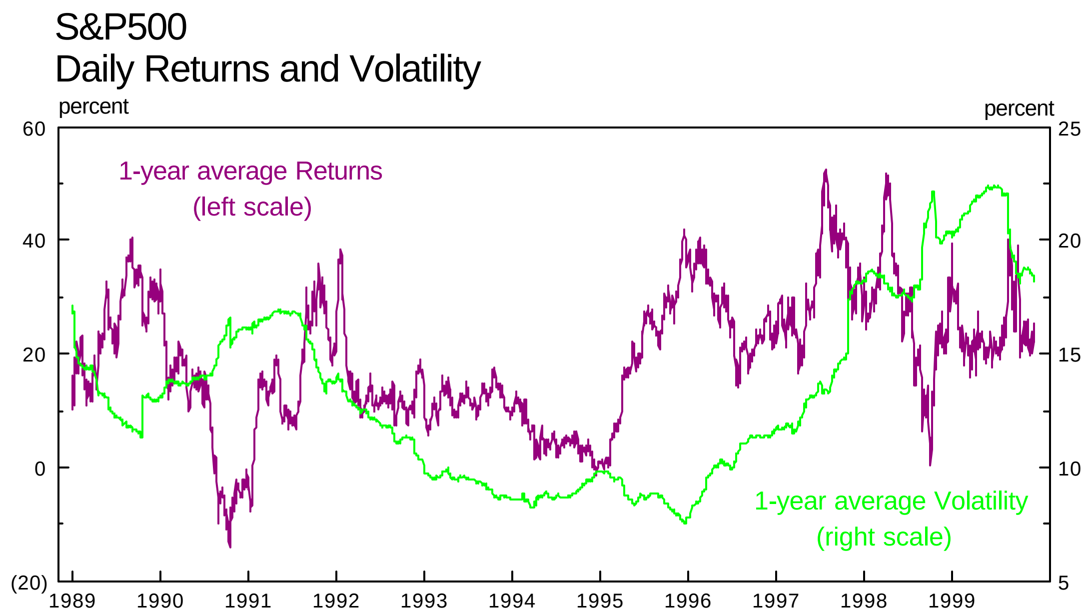
(Shaded Regions Indicate Periods of Rising Fed Funds Rate)





Source: Investment Company Institute

Figure 8
Capital Market Returns and Volatility



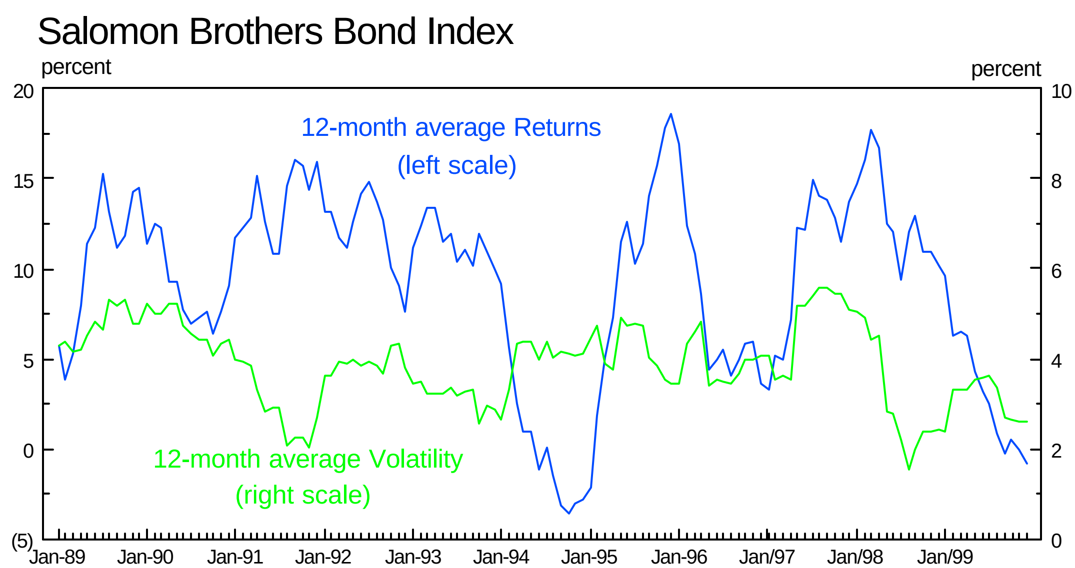
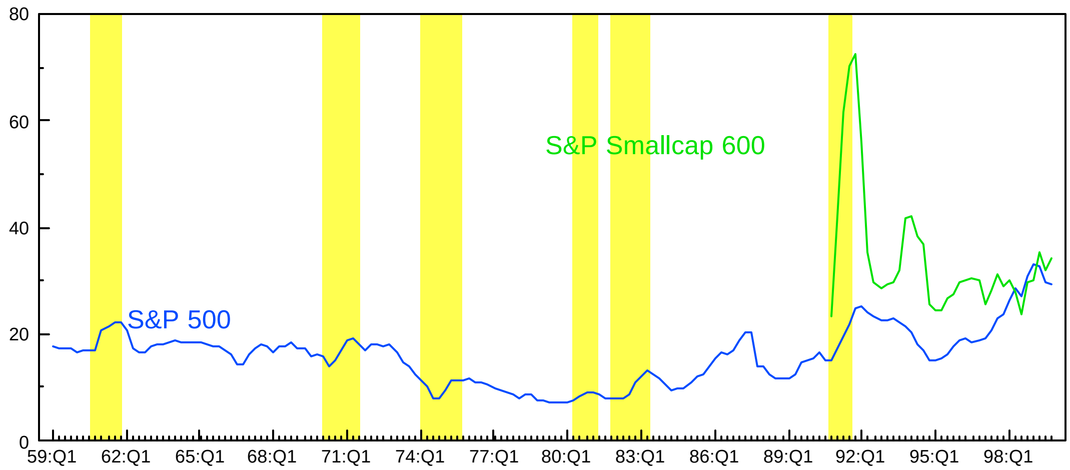
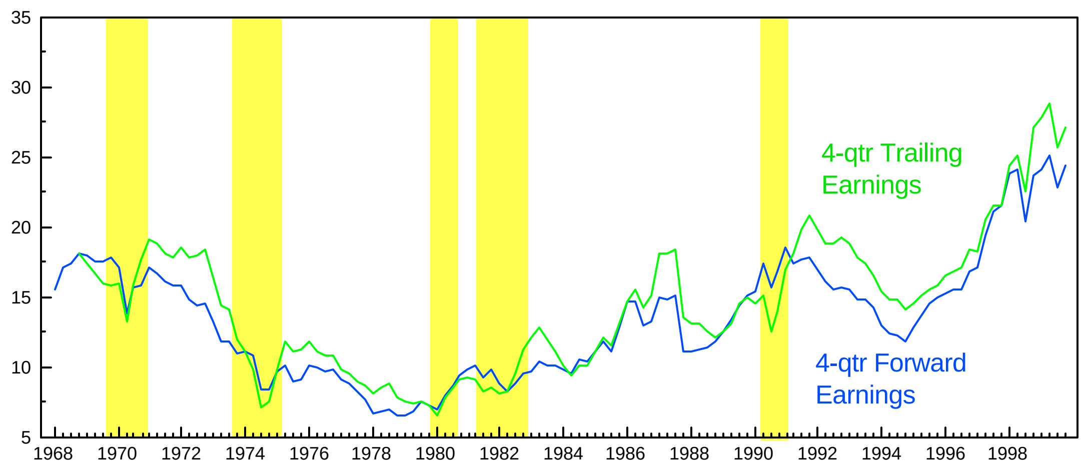


Figure 9

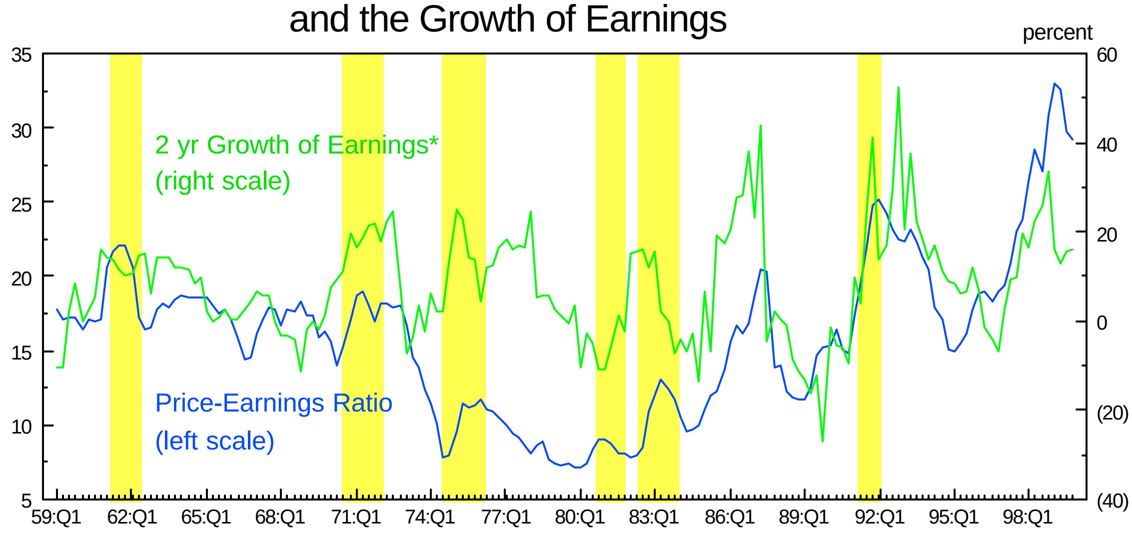
S&P Price-Earnings Ratios



S&P500 Price-Operating Earnings Ratio



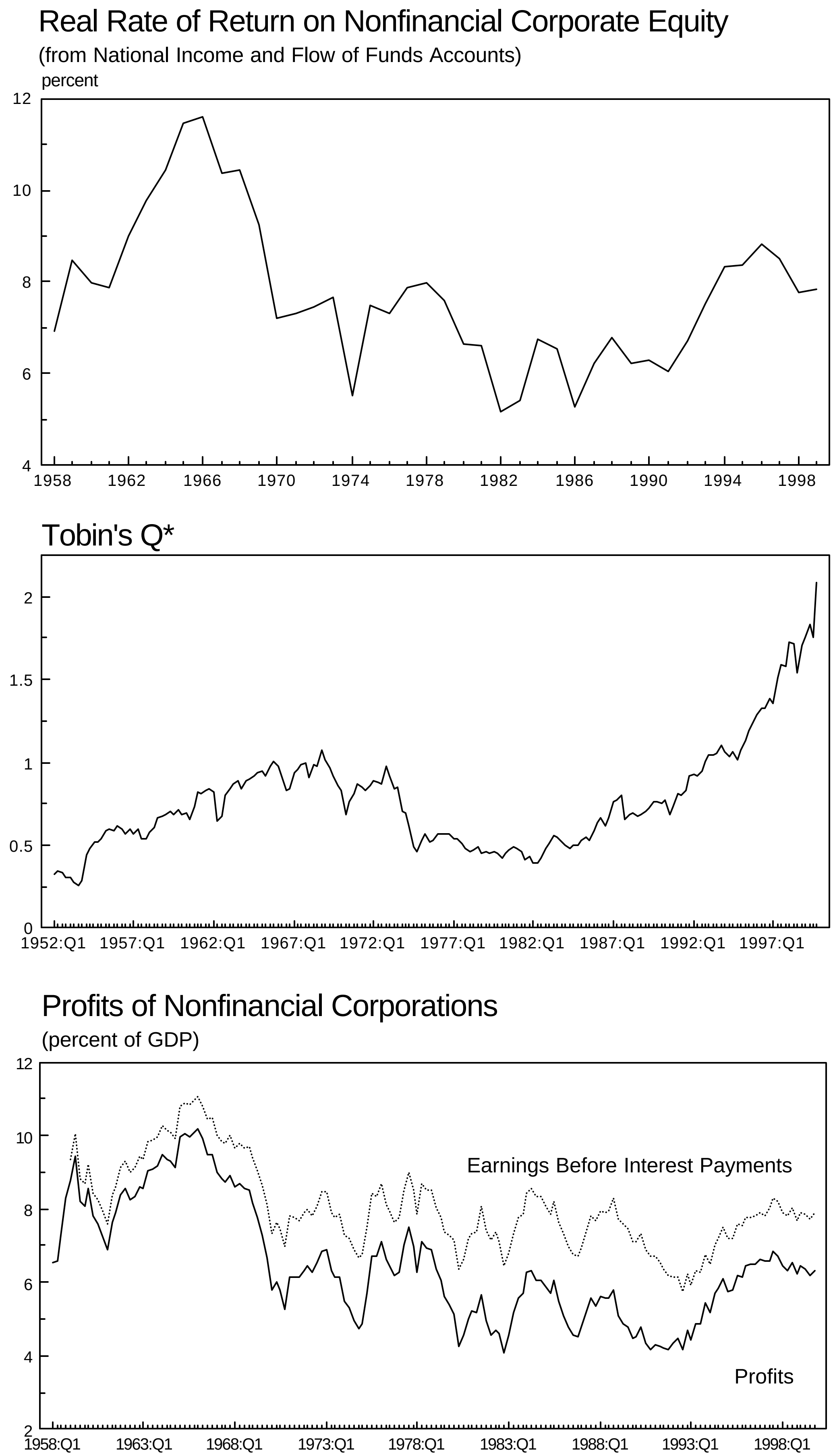
S&P500 Price Earnings Ratio
and the Growth of Earnings



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

source: First Call, DRI, Bloomberg

Figure 10



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