

January 5, 2001

Monthly Mutual Fund Report

Statistics for November 2000

Sales and Redemptions

Total assets for all funds decreased \$376.9 billion, or 5.2 percent, to \$6.8 trillion in November. Net new cash flow into long-term mutual funds, the dollar value of net new sales and net exchanges, was \$8.0 billion, compared to \$16.0 billion in October. New sales, the purchase of new shares excluding reinvested dividends, were \$106.2 billion in November, up from \$117.8 billion in October. The value of assets depreciated by \$387.9 billion in November, compared with a decrease of \$100.5 billion in October.

Total assets of **equity funds** decreased by \$428.5 billion, or 10.0 percent, to \$3.9 trillion. The net new cash flow was \$5.7 billion during November, compared with the inflow of \$19.2 billion in October. The market value of assets depreciated by \$434.5 billion. Year-to-date cash flows are \$297.4 billion. During the same period in 1999, cash flows were \$162.8 billion.

Total assets for **hybrid funds**, which invest in a mix of stocks and bonds, decreased 3.1 percent, or \$11.1 billion, to \$343.1 billion. There was a net cash outflow from these funds of \$0.2 billion in November. Year-to-date, their net cash outflow has been \$30.4 billion compared to an outflow of \$7.9 billion during the same period in 1999.

Bond funds experienced a cash outflow of \$0.6 billion in November, as their total assets rose by \$0.6 billion, to \$796.1 billion. The market value of bond funds assets decreased by \$1.1 billion, after adjusting for net sales and reinvested dividends. The assets of tax-exempt funds increased by 1.1 percent while the assets of taxable bond funds decreased by 0.4 percent.

Assets of taxable and tax-exempt **money market funds** increased \$61.9 billion, to \$1.8 trillion, an increase of 3.6 percent for taxable money market funds and 3.2 percent for tax-exempt funds.



Liquidity Ratio

The liquidity ratio for bond and hybrid funds increased to 4.6 from 4.0 percent during November. The ratio for equity funds increased from

6.0 to 6.5 percent, the highest level since September, 1998. (figure 4).

Weekly Flows

In December, cash flowed into equity funds at a rate of 0.2 percent of assets despite their poor performance of -5.7 percent returns. Bond funds had inflows of 0.2 percent and losses of 0.1 percent.

Index funds had outflows of 1.3 percent and losses of 23.5 percent. Inflows to aggressive growth funds were 0.7 percent while losses were 7.9 percent. There were larger inflows to small-cap funds of 1.3 percent of assets, and losses of 7.8 percent. Technology funds had inflows of 0.1 percent and losses of 8.0 percent.

International funds had outflows of 0.2 percent and losses of 3.6 percent. There was variation among the international sectors with outflows from Latin America funds of 1.9 percent and losses of 2.2 percent. Inflows to Japan funds were 4.8 percent with losses of 6.8 percent. Pacific funds had monthly outflows of 2.2 percent and losses of 5.9 percent of total assets.

Capital Market Returns and Volatility

The S&P 500 ended December at 1320.28, an increase of .04 percent from the beginning of the month. The 12-month return was -9.1 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 9.0 percent for November. Volatility increased to 2.8 percent from 2.7 percent during the previous month. (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 11.1 percent, above its historical average annual growth rate. The trailing price-earnings ratio increased to 27.2 for the third quarter from 27.8 in the second quarter. The four-quarter forward price to operating earnings ratio remained at 23.4 during the third quarter.

For more information please contact Richard Brauman (617) 973-3198

Figure 1
Sales of Mutual Funds

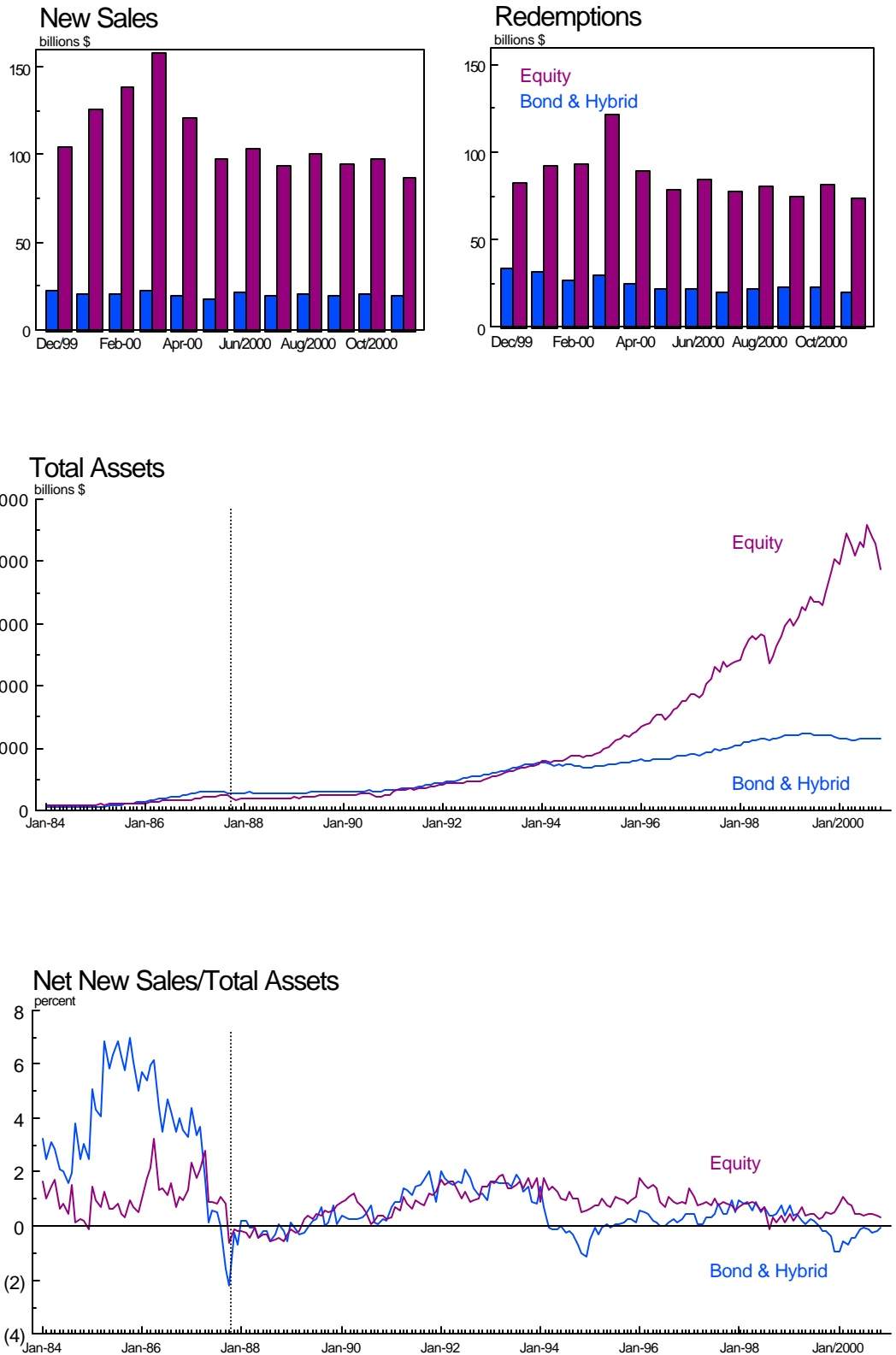


Figure 2

Composition of Mutual Funds' Financial Assets

(percent of Total Financial Assets)

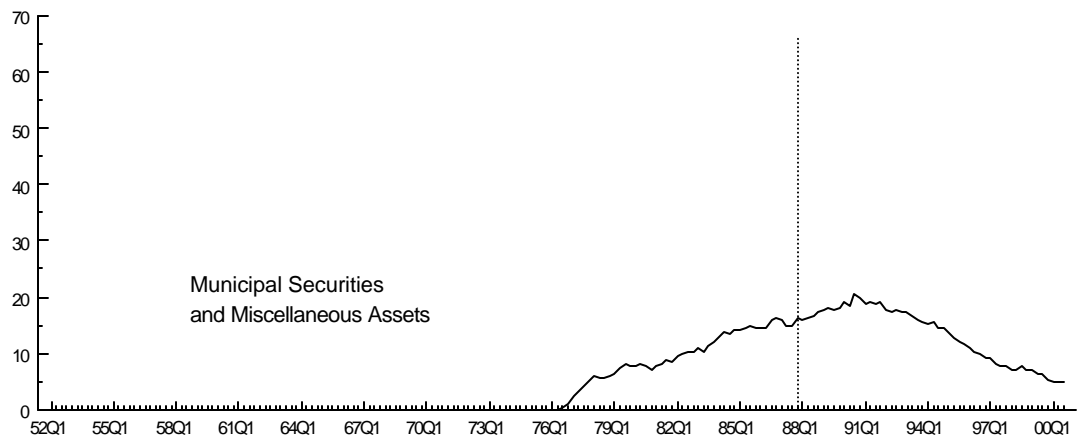
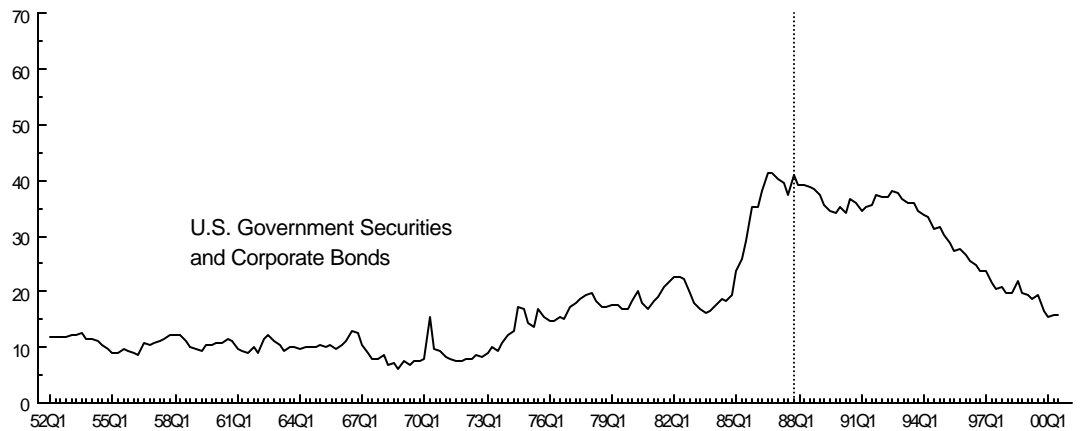
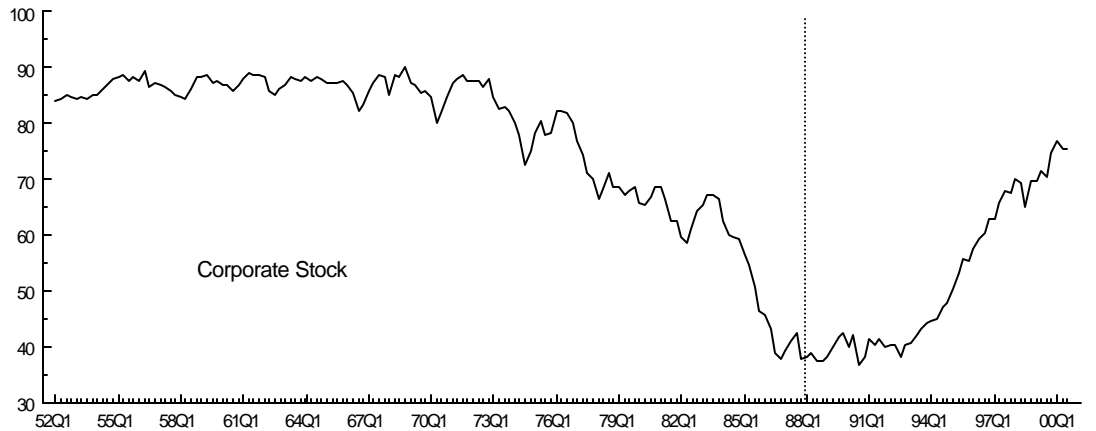


Figure 3

Net Portfolio Purchases

(percent of Total Assets)

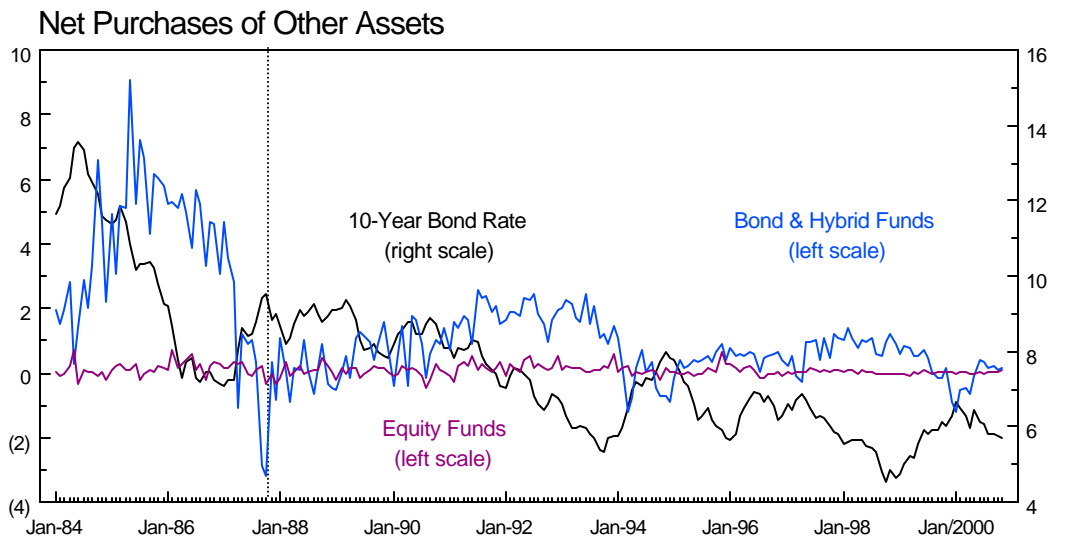
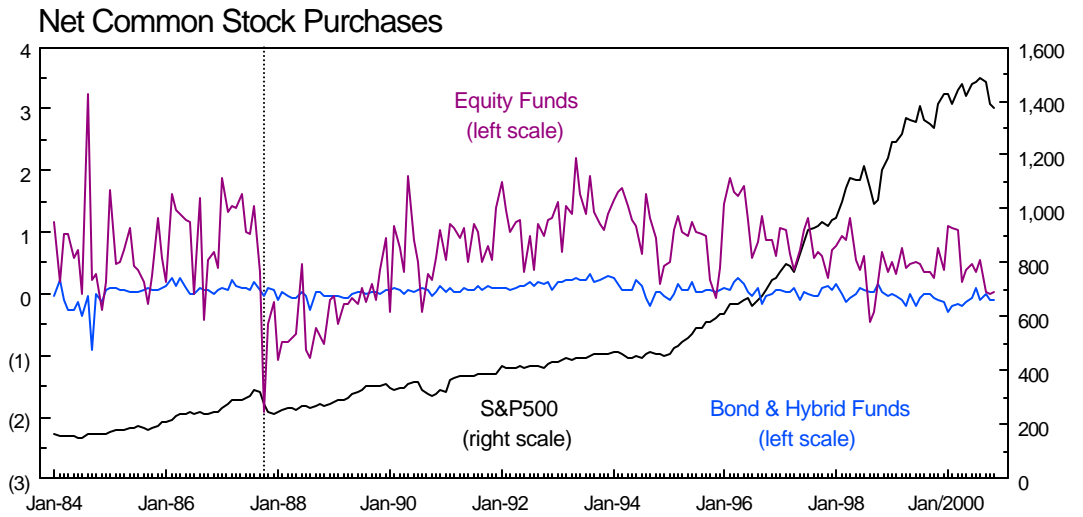
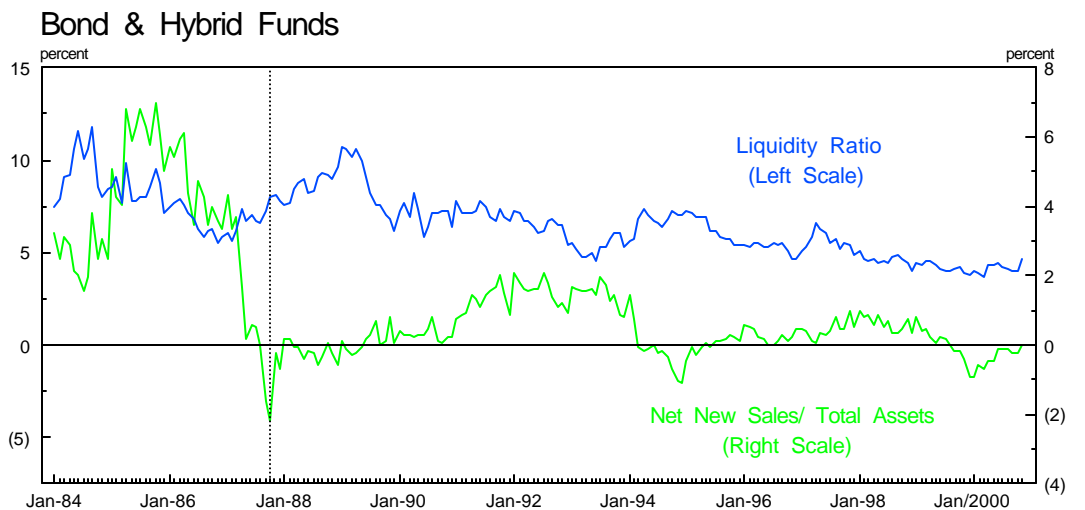
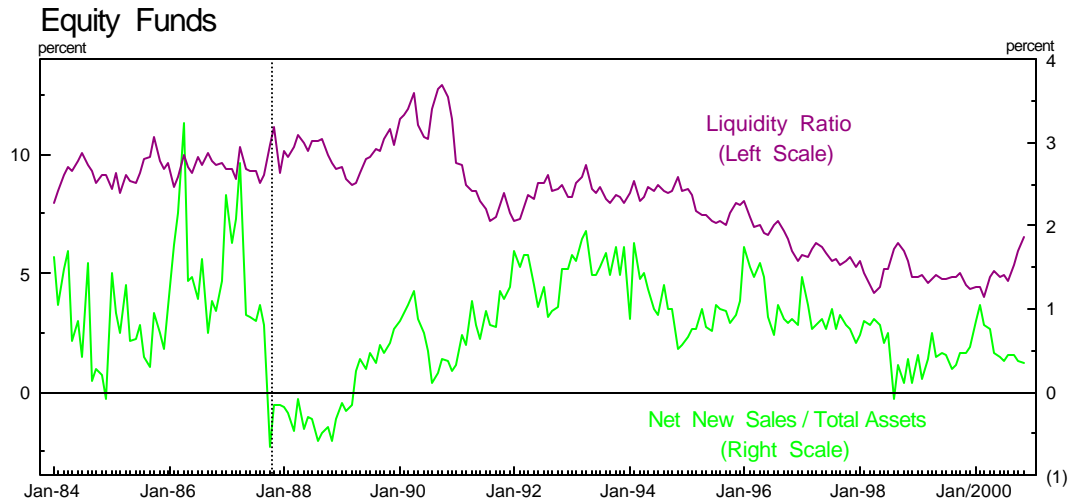
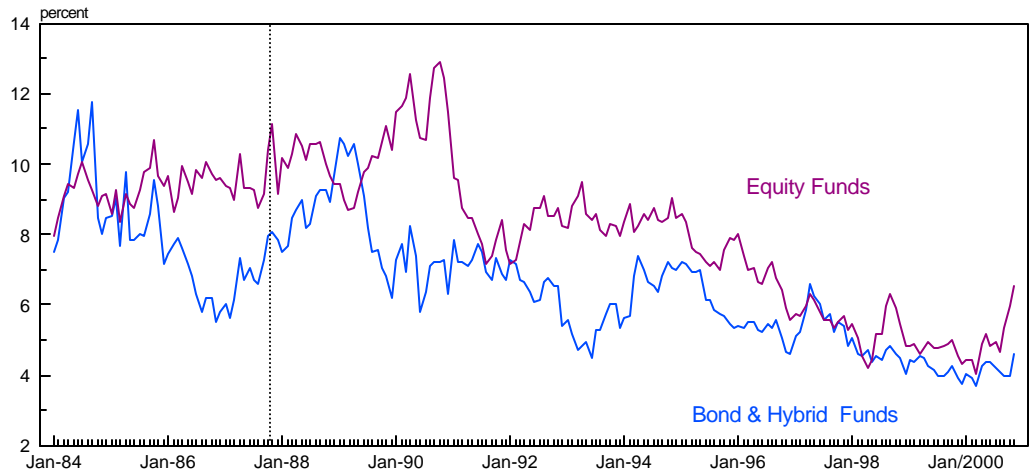


Figure 4
Liquidity Ratio*

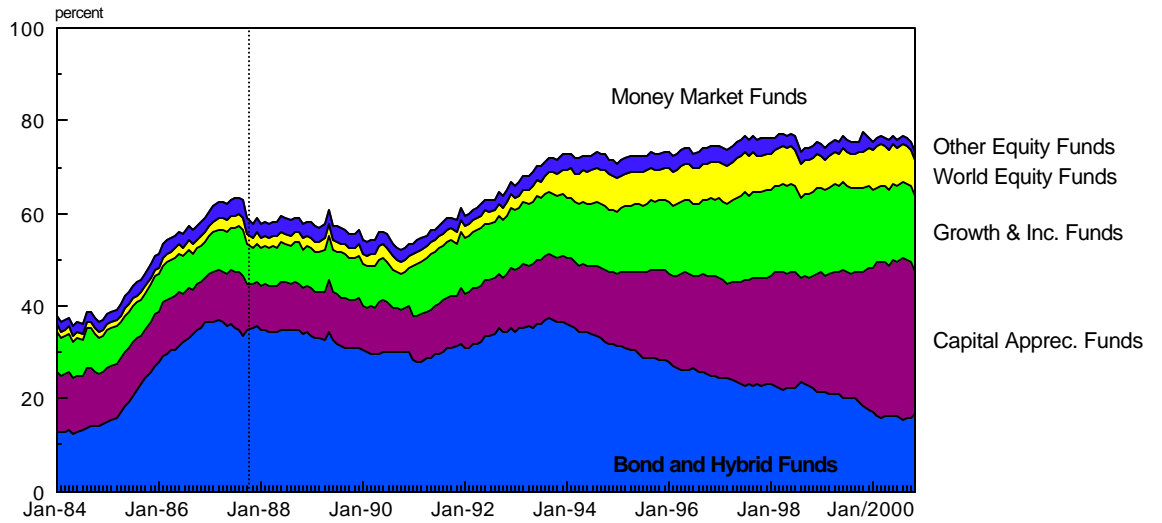


*The Liquidity Ratio is the Percent of Total Assets held in Cash and Short-Term Securities.
 Source: Investment Company Institute

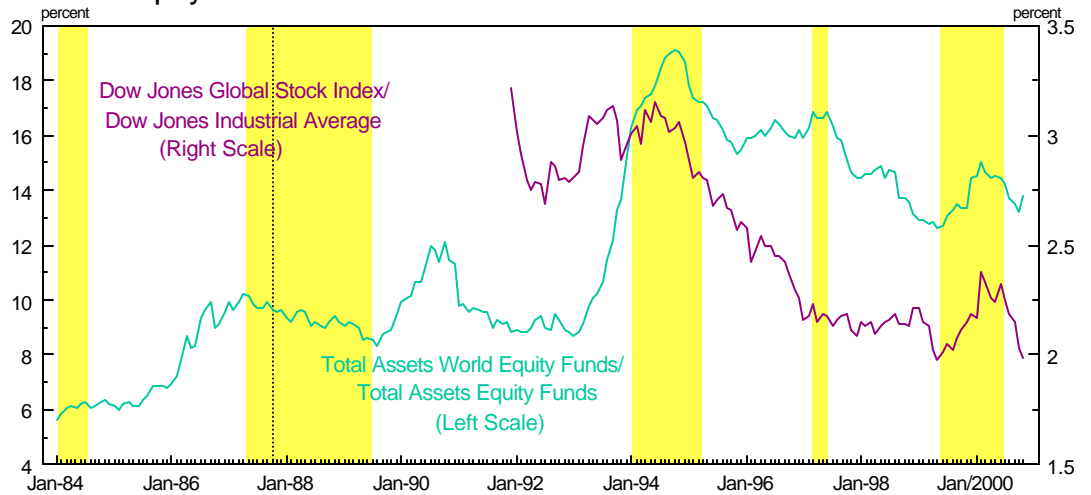
Figure 5

Industry Composition

(Shaded Regions Indicate Periods of Rising Fed Funds Rate)



World Equity Funds



Capital Appreciation Funds

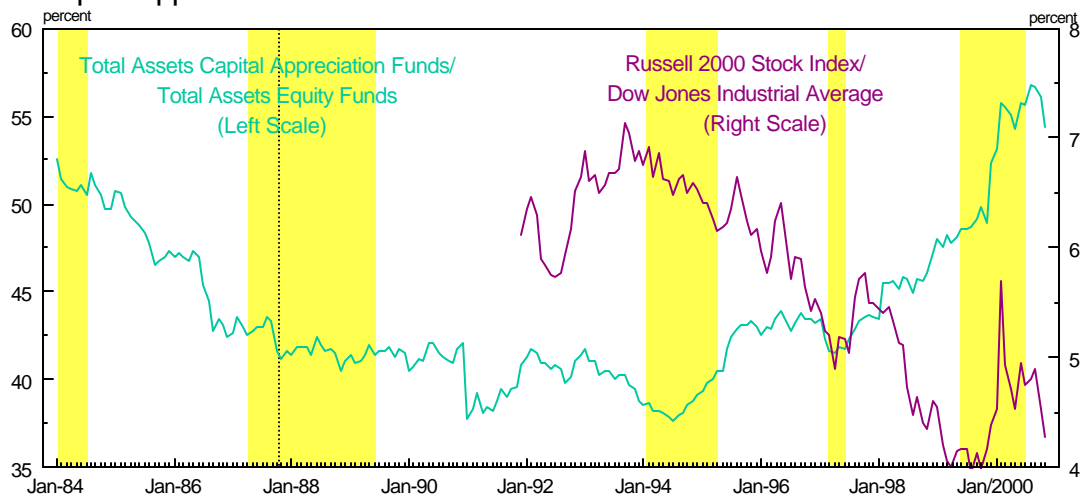
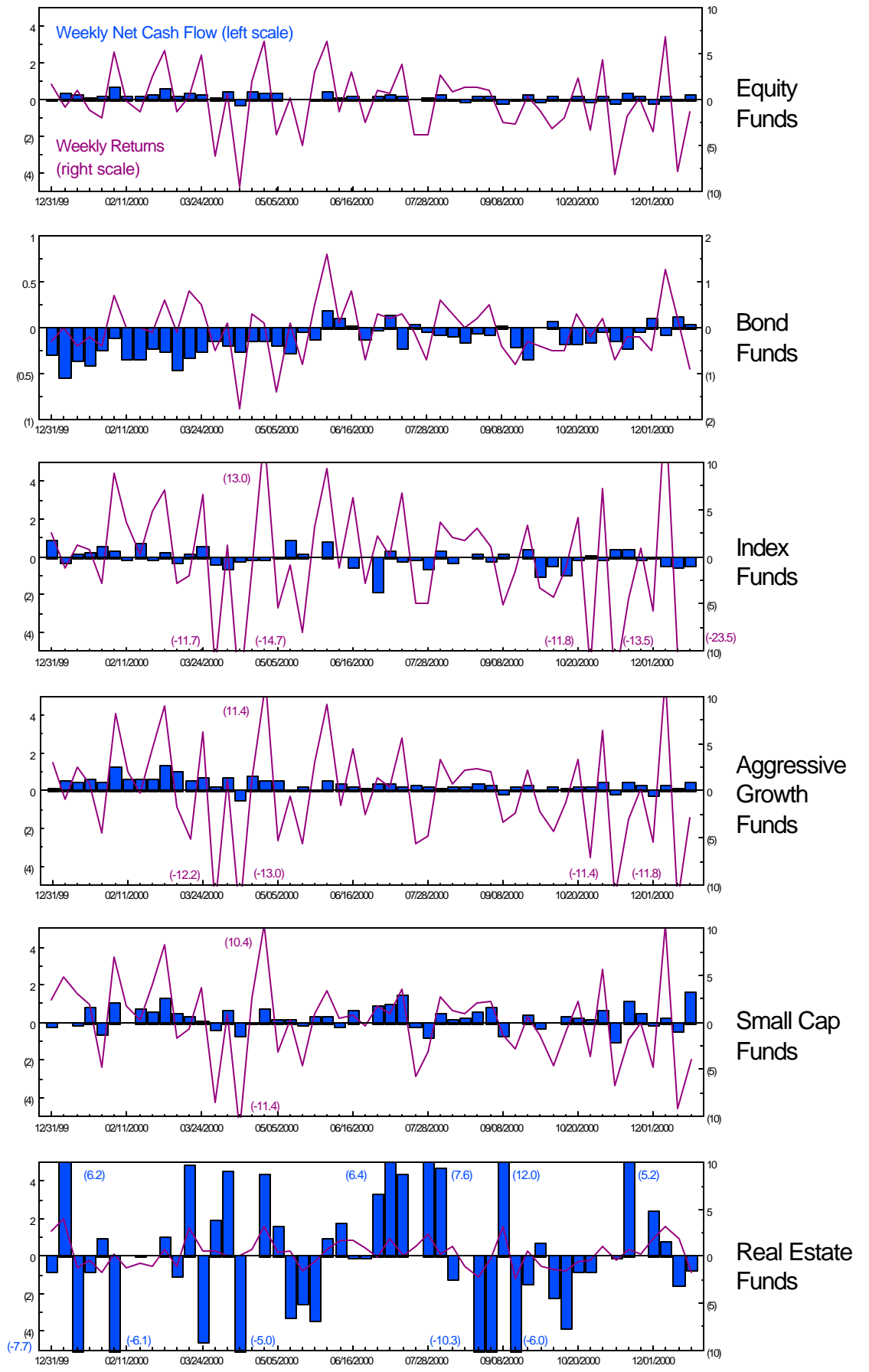


Figure 6a

Weekly Flows into Mutual Funds

(percent of Total Assets)

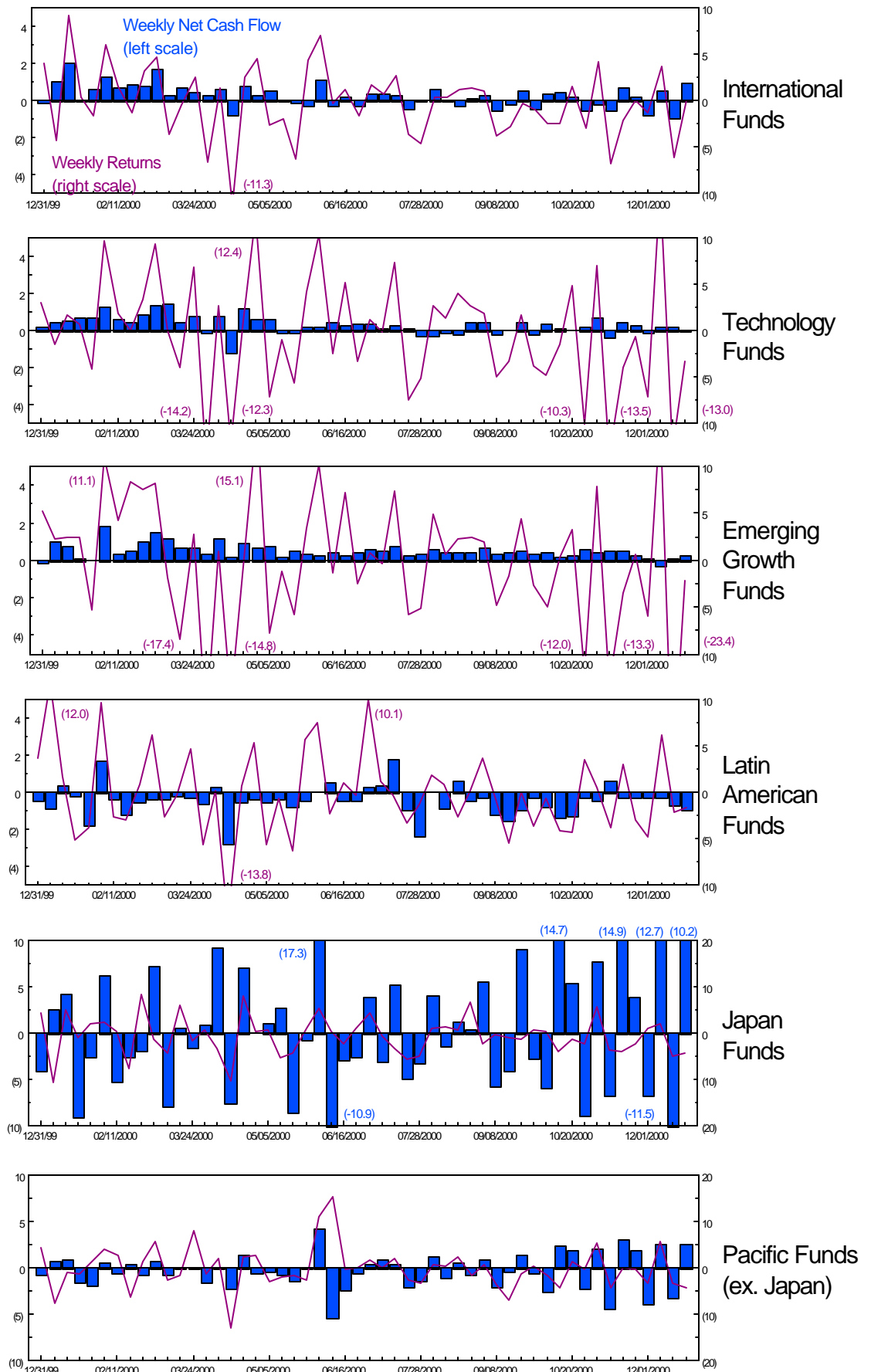


Source: Mutual Fund Trim Tabs

Figure 6b

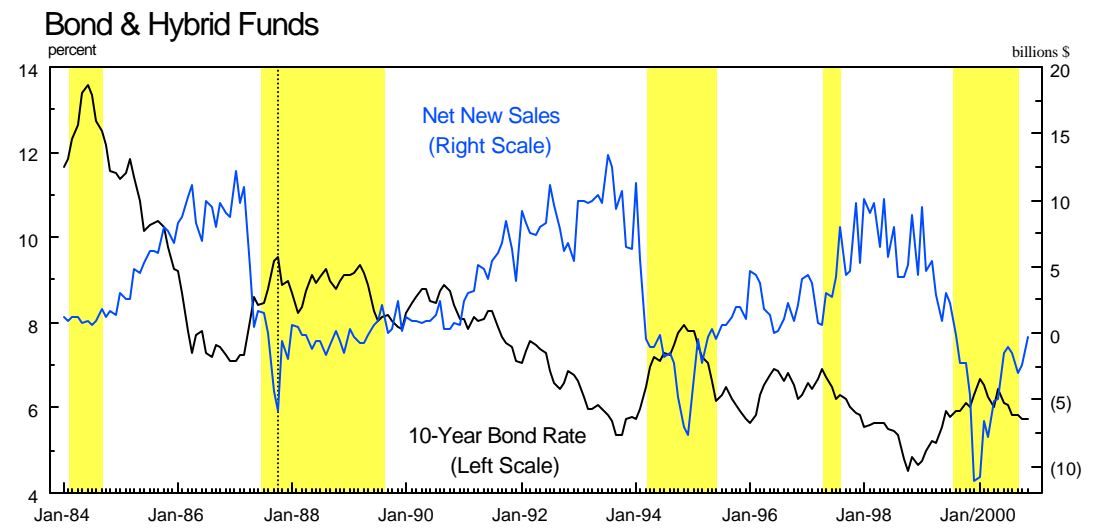
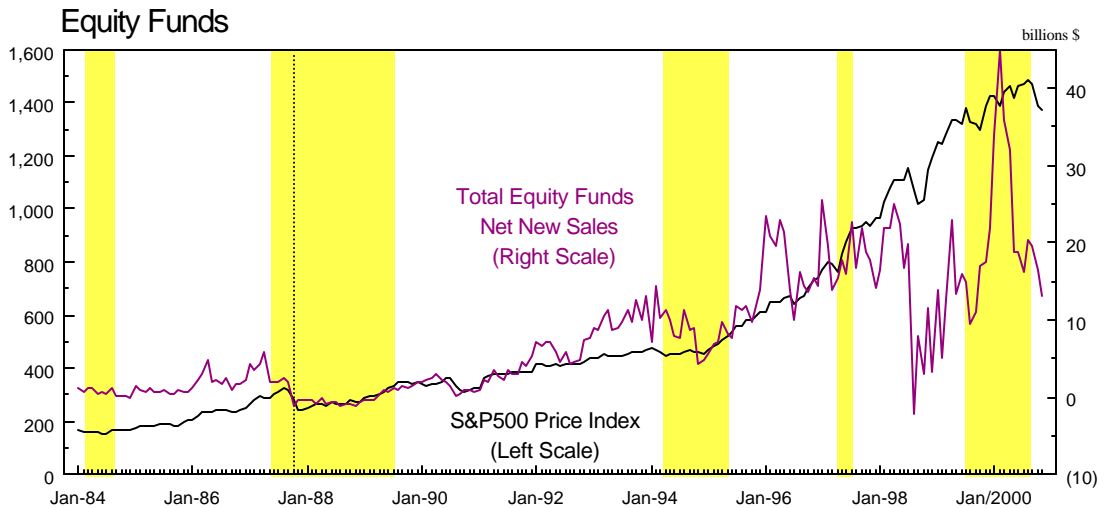
Weekly Flows into Mutual Funds

(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

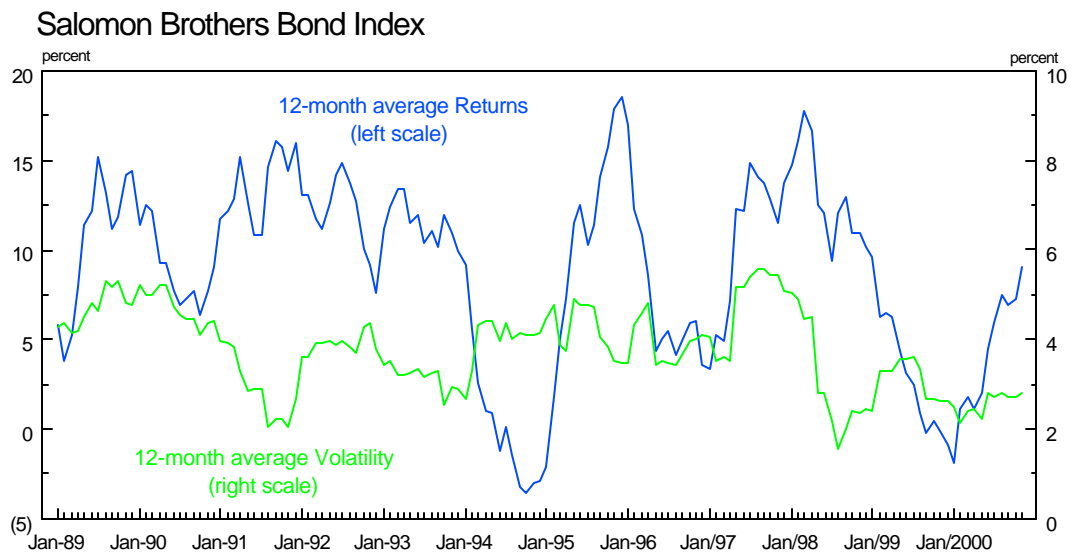
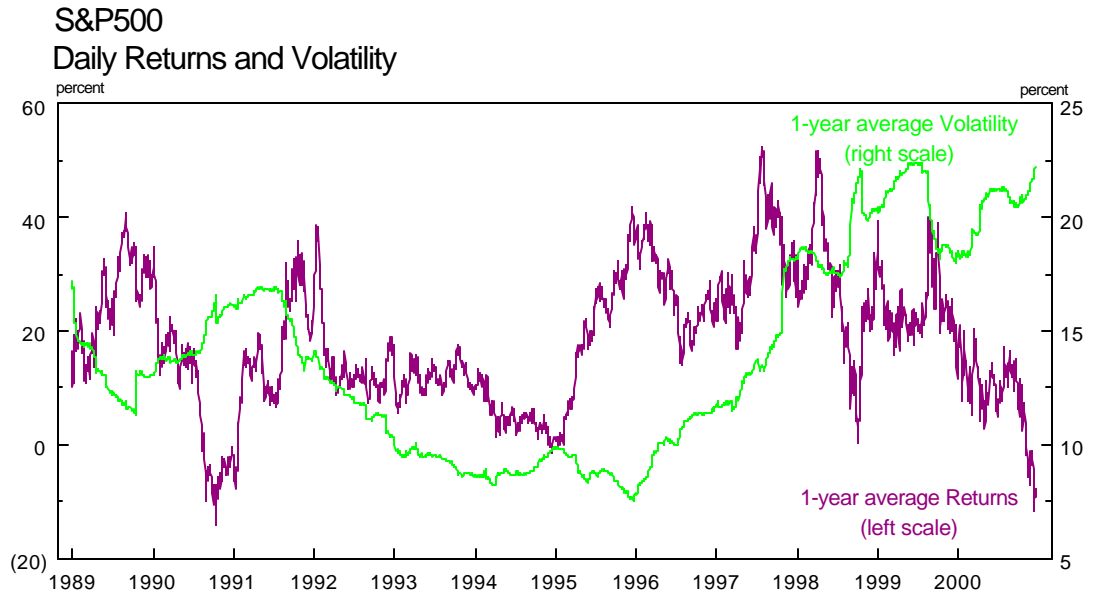
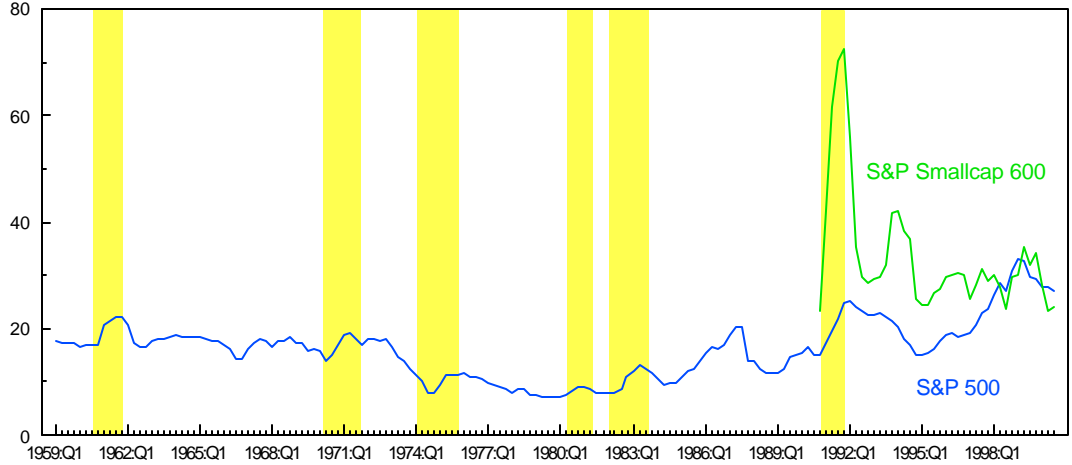
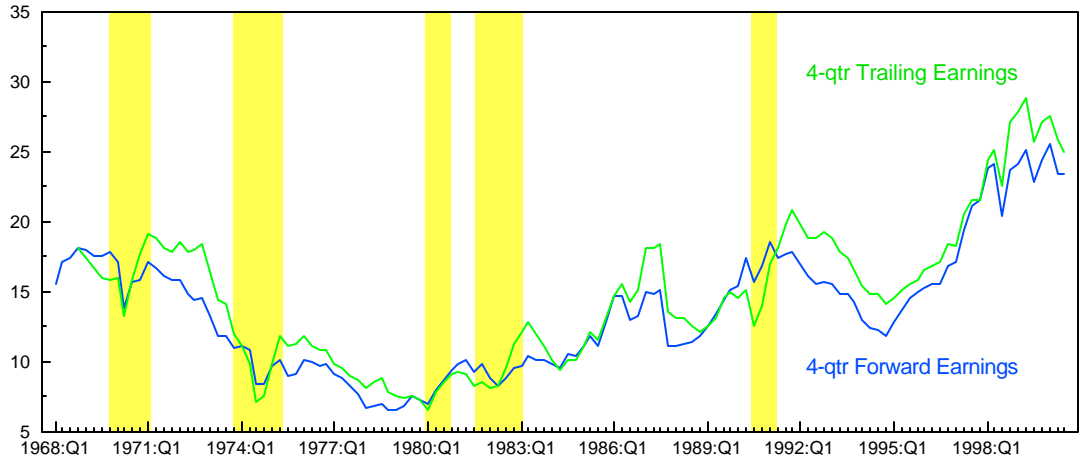


Figure 9

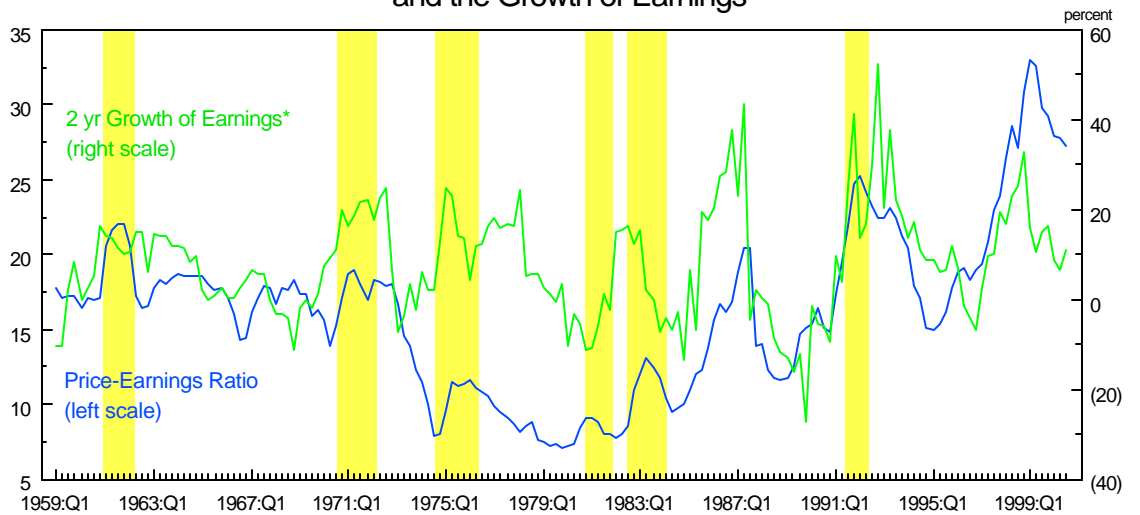
S&P Price-Earnings Ratios



S&P500 Price-Operating Earnings Ratio



S&P500 Price Earnings Ratio and the Growth of Earnings

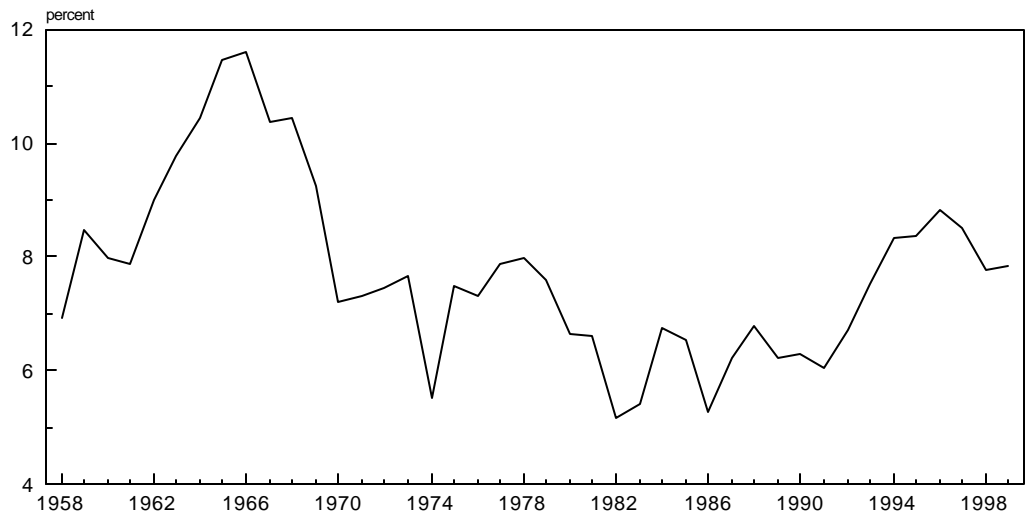


* Growth of earnings over subsequent 8 quarters. Current observations use forecast of earnings from macro projections.

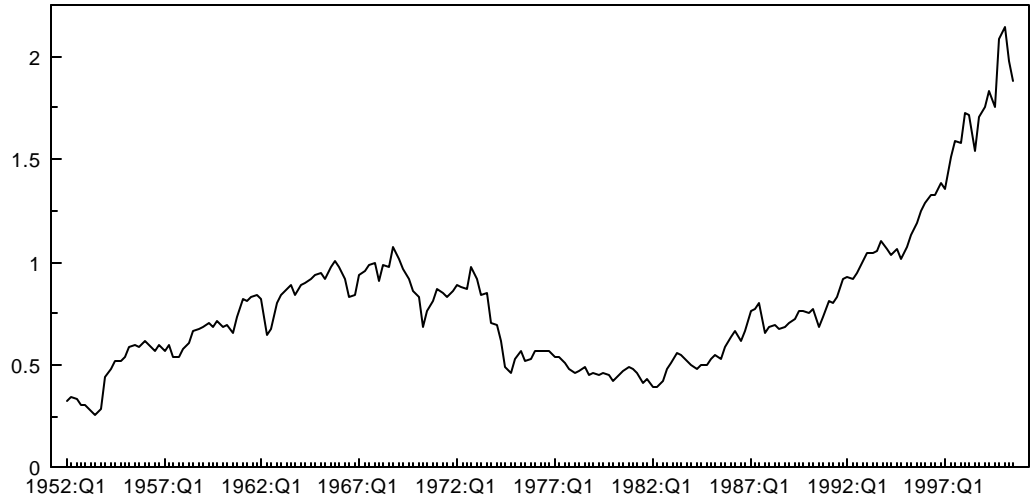
source: First Call, DRI, Bloomberg

Figure 10

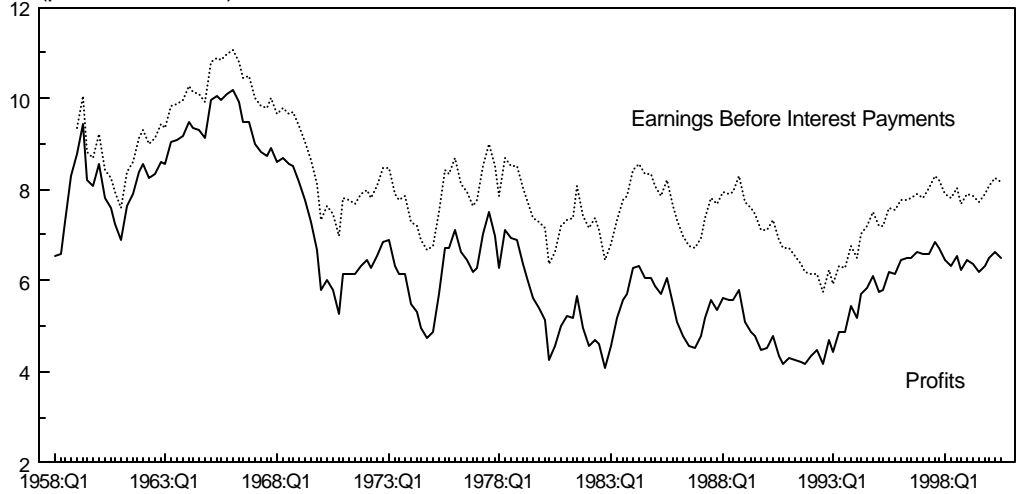
Real Rate of Return on Nonfinancial Corporate Equity (from National Income and Flow of Funds Accounts)



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