

June 5, 2001

# Monthly Mutual Fund Report

## Statistics for April 2001

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### Sales and Redemptions

Total assets for all funds increased \$315.5 billion, or 4.8 percent, to \$6.9 trillion in April. There was also a net cash flow into long-term mutual funds, the dollar value of net new sales and net exchanges, of \$21.9 billion, compared to an outflow of \$13.1 billion in March. New sales, the purchase of new shares excluding reinvested dividends, were \$110.3 billion in April, down from \$116.1 billion in March. The value of assets appreciated by \$289.9 billion in April, compared with a depreciation of \$356.4 billion in March.

Total assets of **equity funds** increased by \$310.6 billion, or 9.1 percent, to \$3.7 trillion. There was a net cash flow into equity funds of \$19.3 billion compared with an outflow of \$20.6 billion in March. The market value of assets appreciated by \$291.0 billion. Year-to-date cash flows are \$20.6 billion. During the same period in 2000, cash flows were \$175.9 billion.

Total assets for **hybrid funds**, which invest in a mix of stocks and bonds, increased 4.4 percent, or \$14.6 billion, to \$348.0 billion. In April, There was a net cash flow from these funds of \$1.4 billion. Year-to-date, their net cash inflows have been \$3.2 billion compared to an outflow of \$19.0 billion during the same period in 2000.

**Bond funds** experienced a cash inflow of \$1.3 billion in April, while their total assets fell by \$5.8 billion, to \$847.0 billion. The market value of bond funds assets decreased by \$7.5 billion, after adjusting for net sales and reinvested dividends. The assets of tax-exempt funds decreased by 1.8 percent while the assets of taxable bond funds decreased by 0.1 percent.

Assets of taxable and tax-exempt **money market funds** decreased \$3.9 billion, to \$2.0 trillion, an increase of 0.3 percent for taxable money market funds and a decrease of 3.9 percent for tax-exempt funds.

### Liquidity Ratio

The liquidity ratio for bond and hybrid funds increased from 3.8 to 3.9 percent, while the ratio for equity funds decreased from 5.8 to 5.5



percent (figure 4).

### **Weekly Flows**

In May, there were outflows from equity funds of 0.2 percent of total assets with returns of 2.1 percent. Bond funds had outflows of 0.5 percent and returns of 1.0 percent for the month.

Index funds had monthly inflows of 0.4 percent and returns of 0.8 percent. Aggressive growth funds had monthly inflows of 0.6 percent and returns of 2.9 percent. Small-cap funds had inflows of 0.8 percent and returns of 3.7 percent.

There were outflows from international funds in May of 2.7 percent of assets and returns of 1.4 percent. Latin America funds had inflows of 0.2 percent and returns of 4.7 percent. Japan funds had inflows of 0.3 percent and returns of 3.8 percent of assets for the month of May. Pacific funds that do not invest in Japan also had outflows of 2.6 percent and returns of 1.5 percent of assets.

### **Capital Market Returns and Volatility**

The S&P 500 ended May at 1255.82, an increase of 0.5 percent from the beginning of the month. The 12-month return was -11.1 percent at month-end. The annualized volatility for the daily return on the S&P 500 was 21.5 percent.

The 12-month average return on the Salomon Brothers Bond Index was 13.2 percent for May. Volatility decreased to 2.4 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 declined to 12.3 percent, but remain above the 6.7 percent historical average annual growth rate. The trailing price-earnings ratio decreased to 24.2 for the first quarter from 26.6 in the fourth quarter and is currently at 25.9, while the forward price-operating earnings ratio decreased to 20.7.

Figure 1  
**Sales of Mutual Funds**

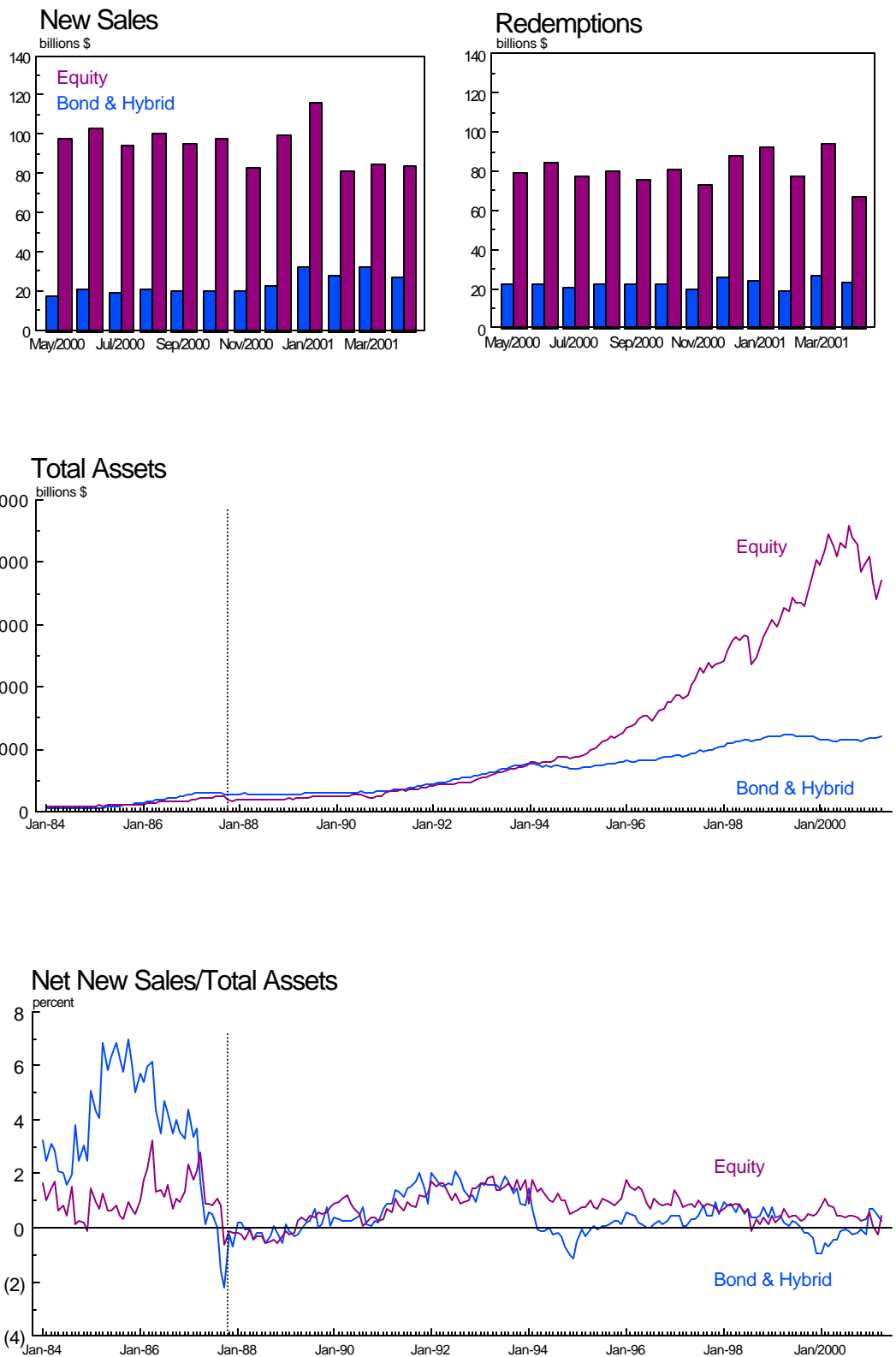


Figure 2  
**Composition of Mutual Funds' Financial Assets**  
(percent of Total Financial Assets)

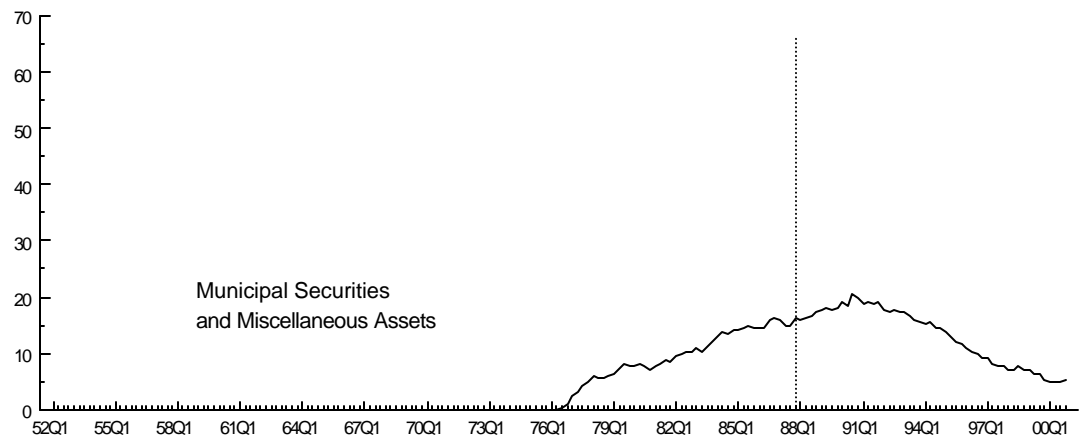
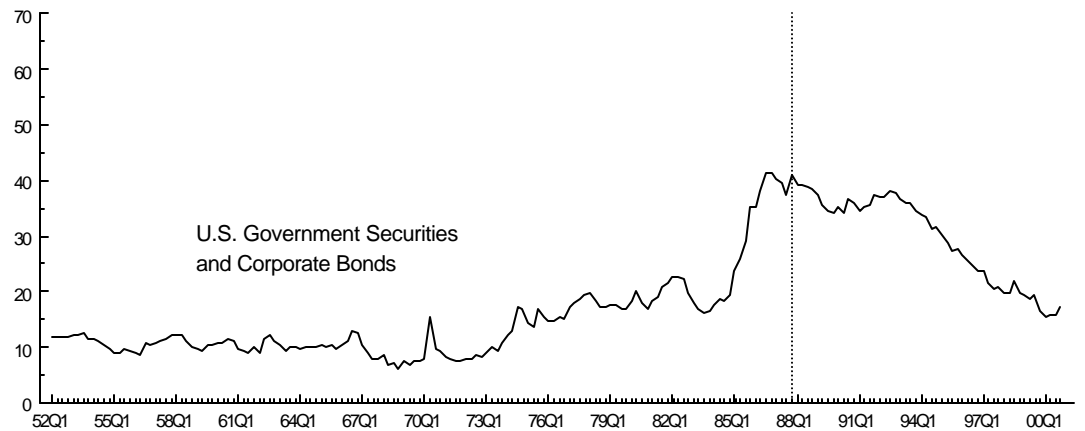
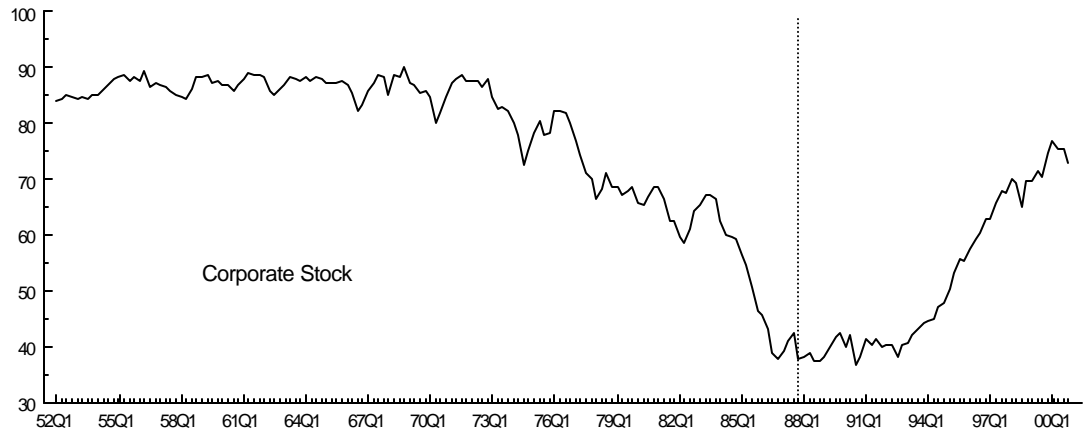


Figure 3  
**Net Portfolio Purchases**  
 (percent of Total Assets)

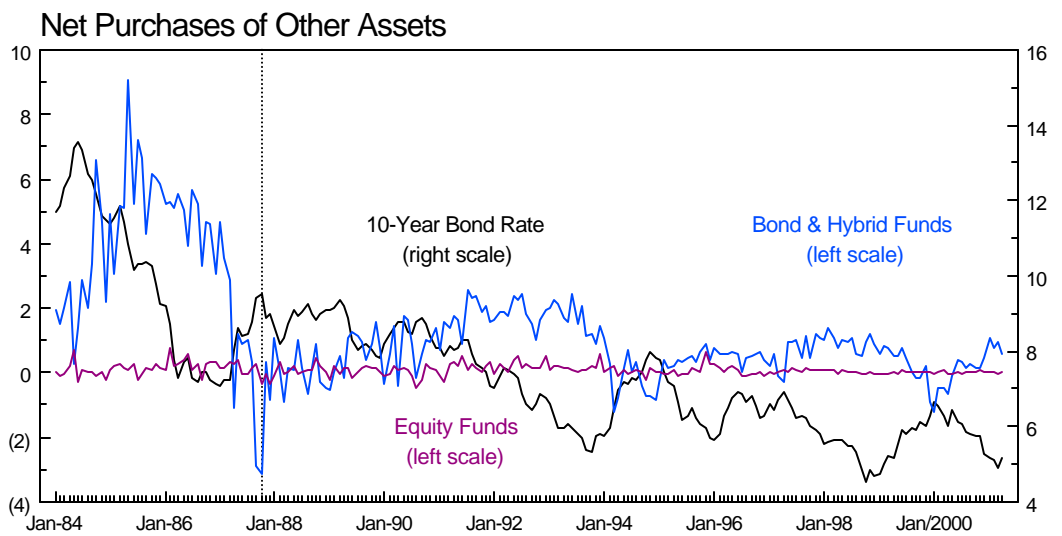
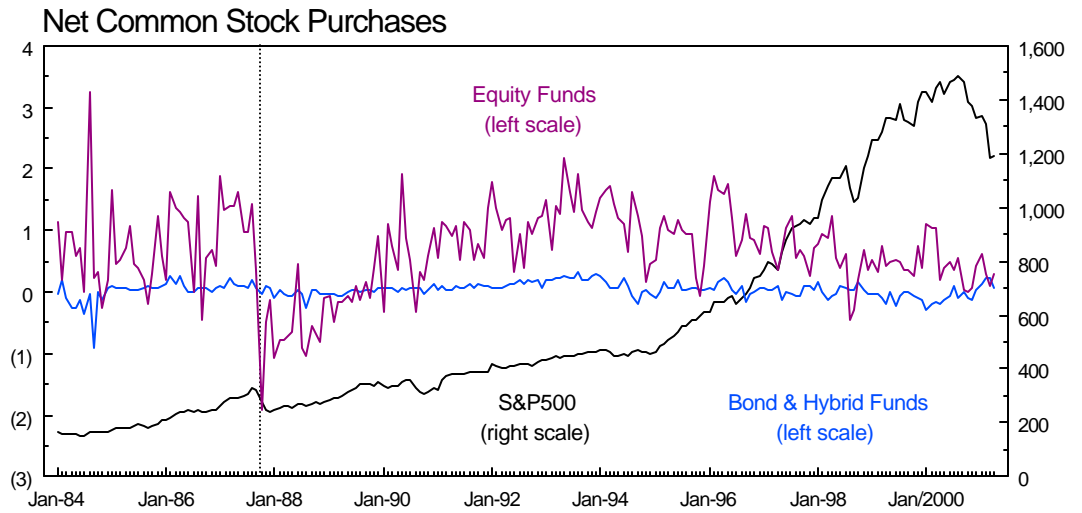
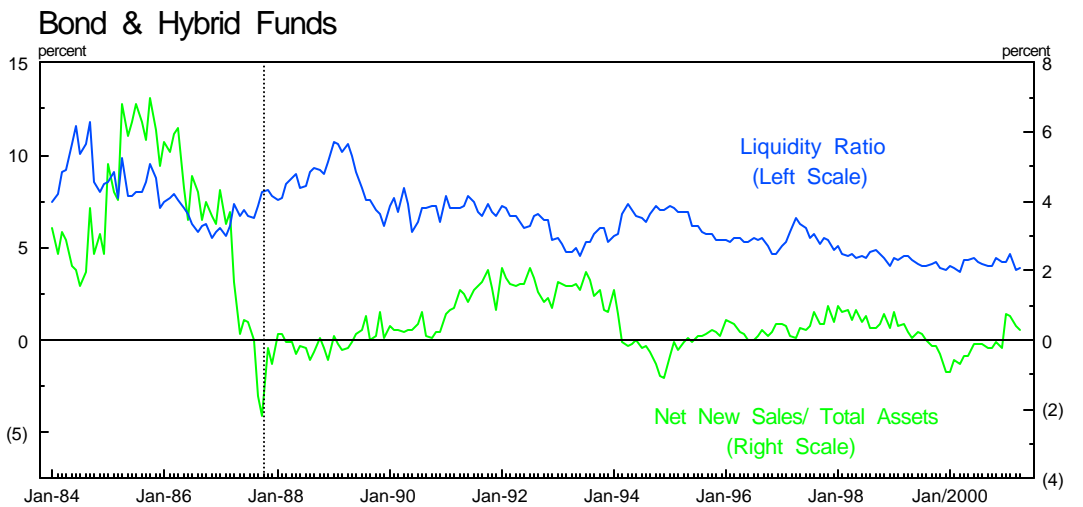
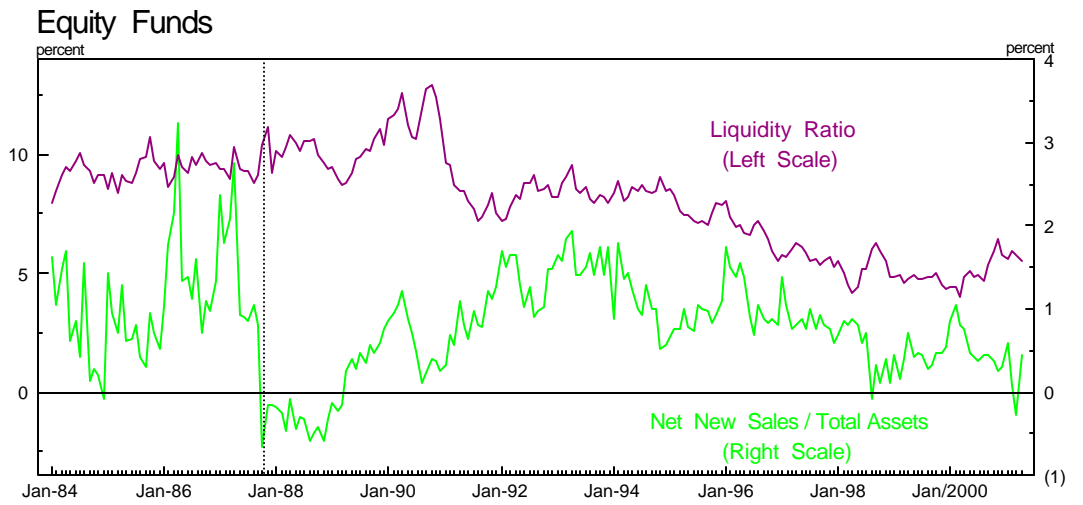
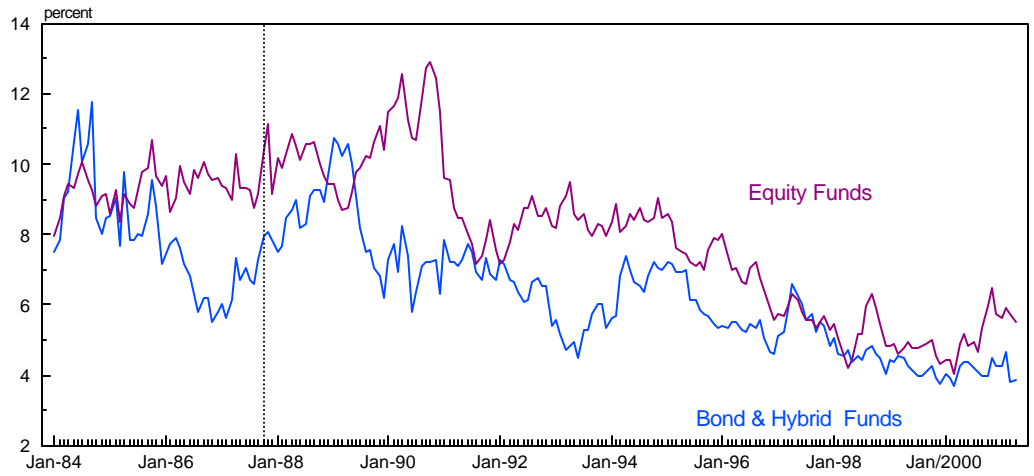


Figure 4  
**Liquidity Ratio\***

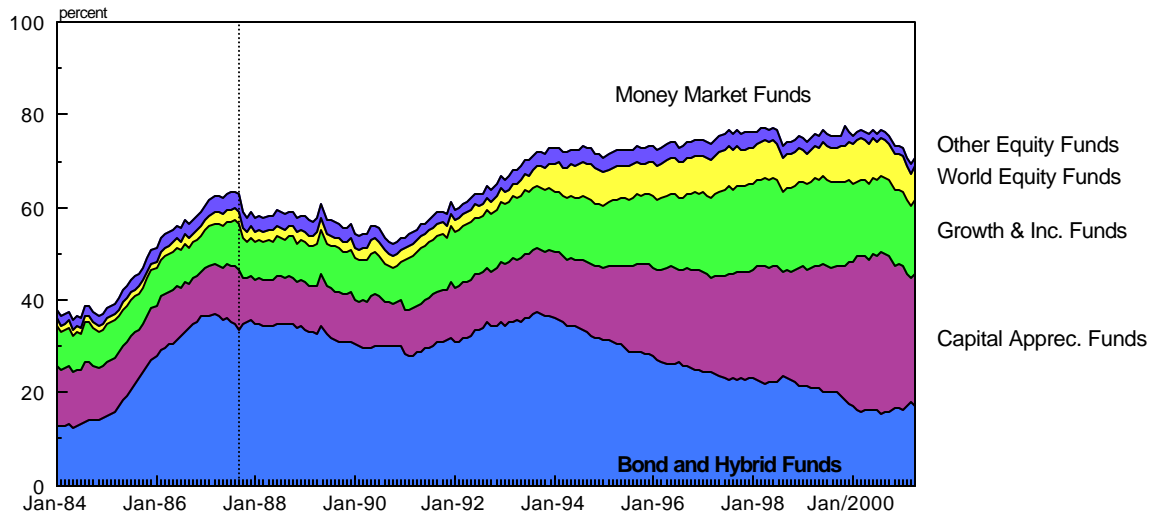


\*The Liquidity Ratio is the Percent of Total Assets held in Cash and Short-Term Securities.  
 Source: Investment Company Institute

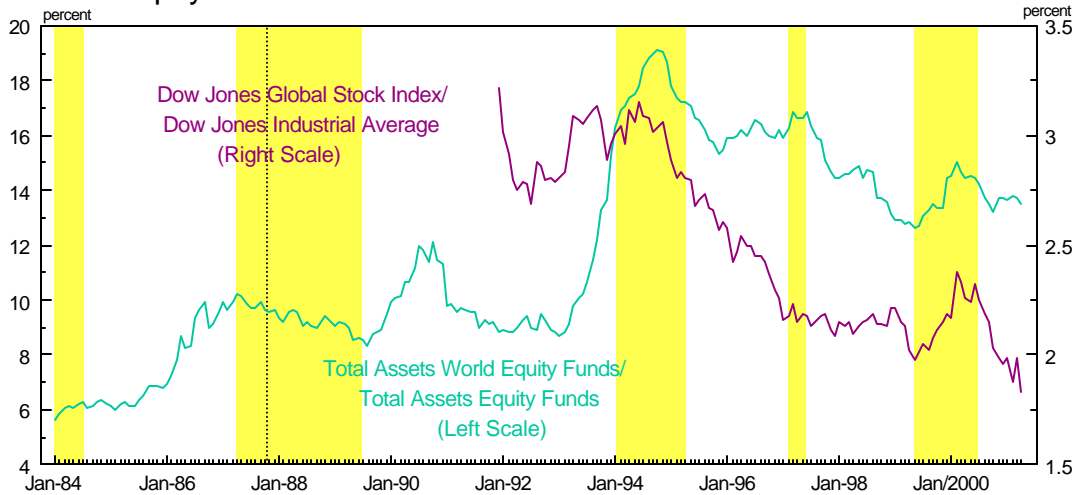
Figure 5

# Industry Composition

(Shaded Regions Indicate Periods of Rising Fed Funds Rate)



## World Equity Funds



## Capital Appreciation Funds

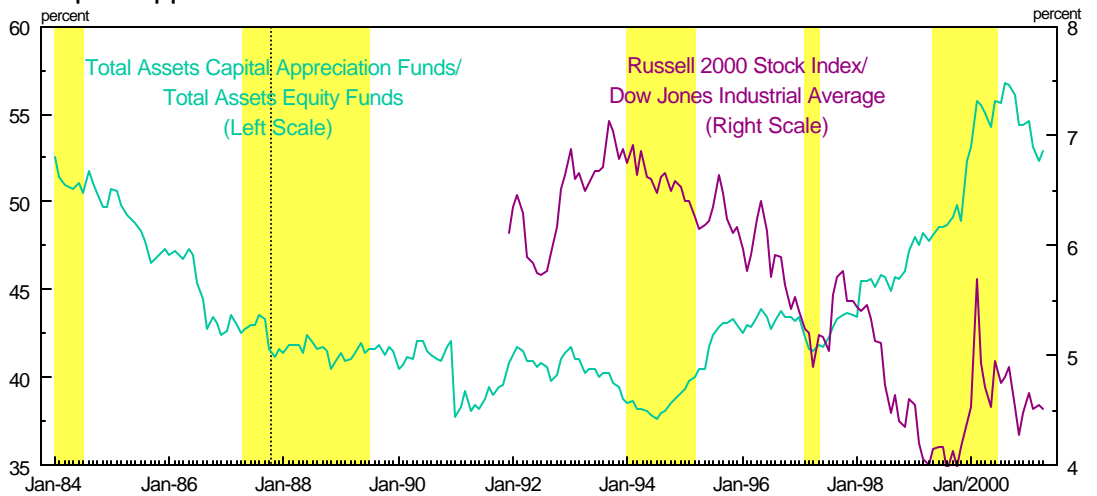
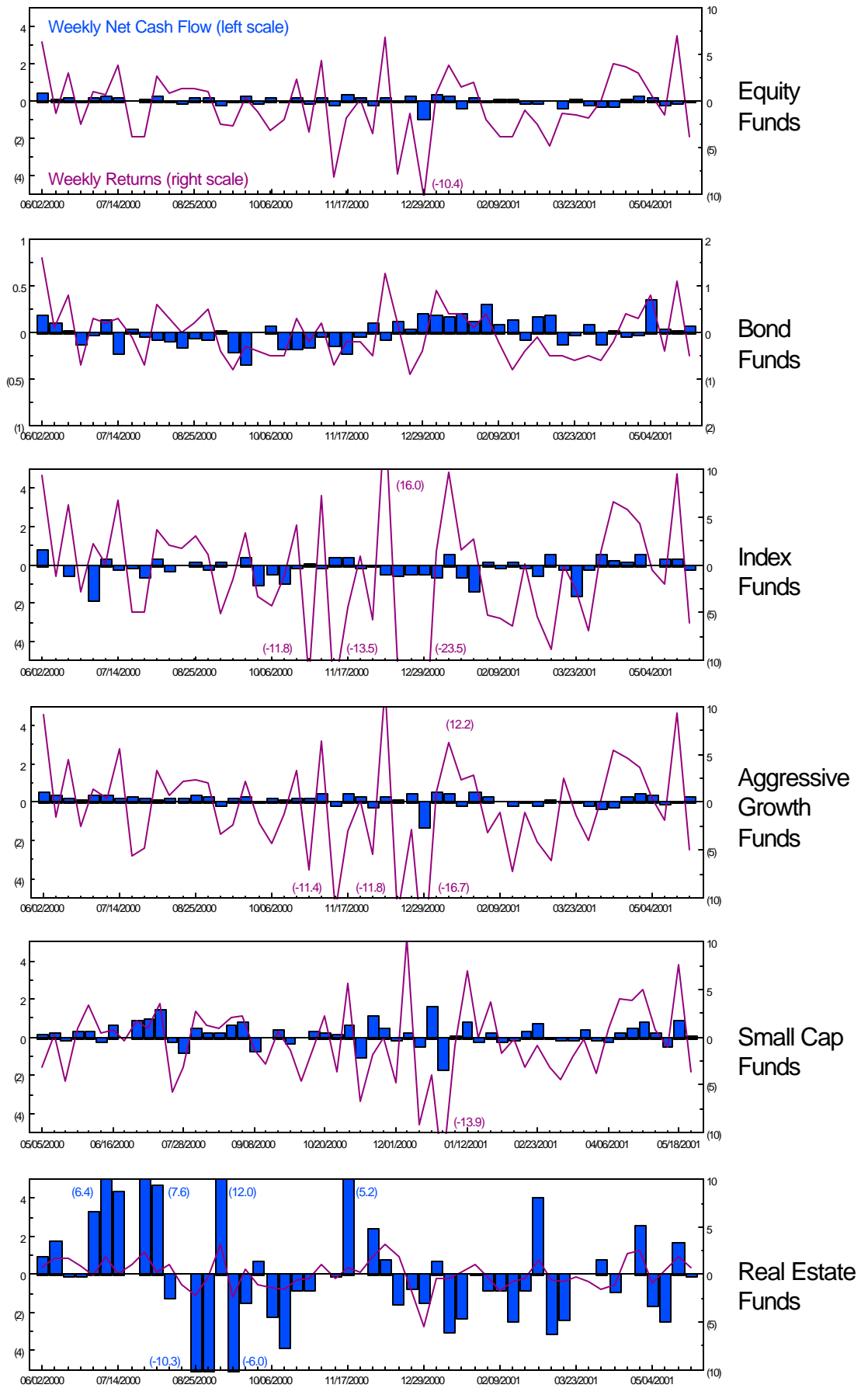


Figure 6a  
**Weekly Flows into Mutual Funds**  
 (percent of Total Assets)



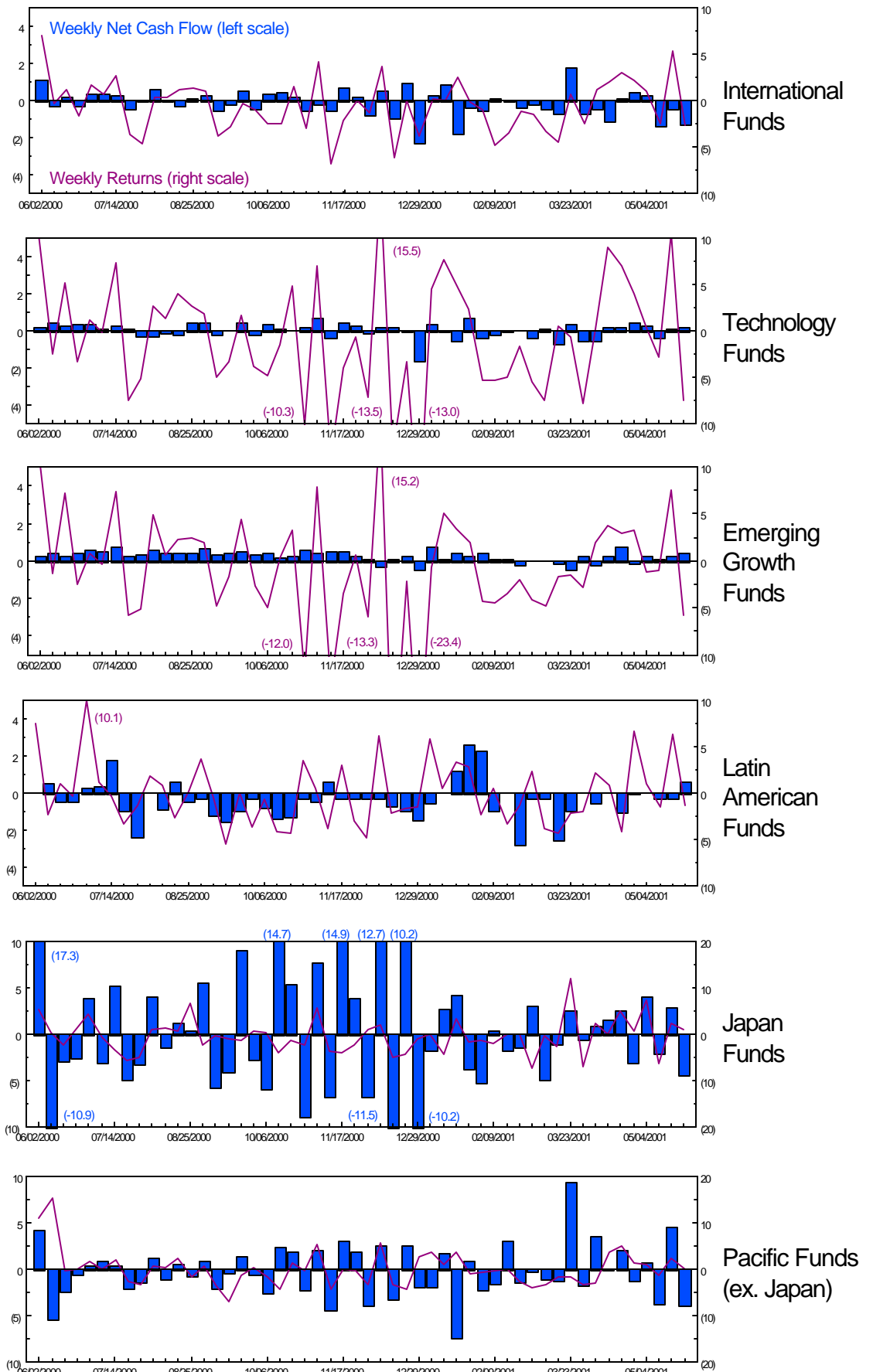
Source: Mutual Fund Trim Tabs



Figure 6b

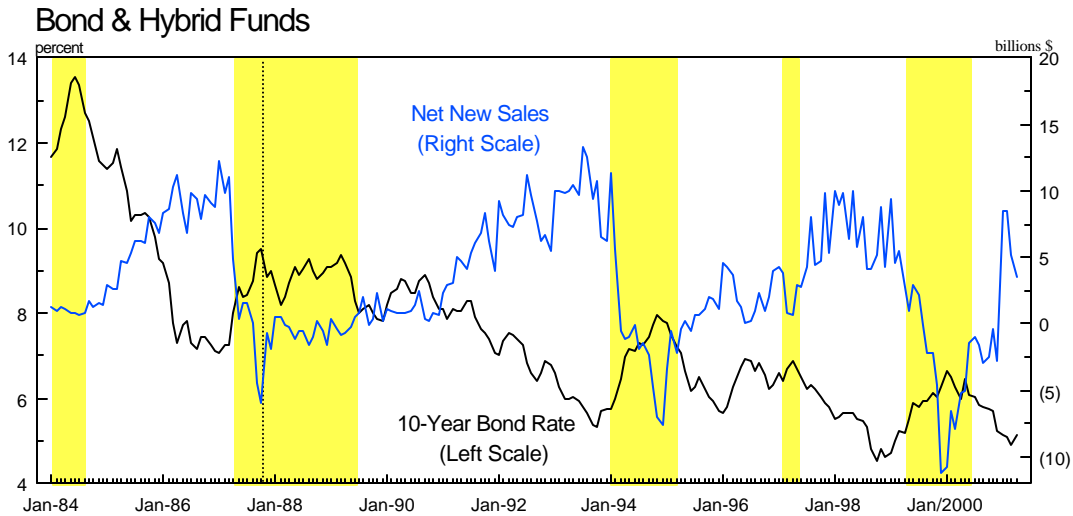
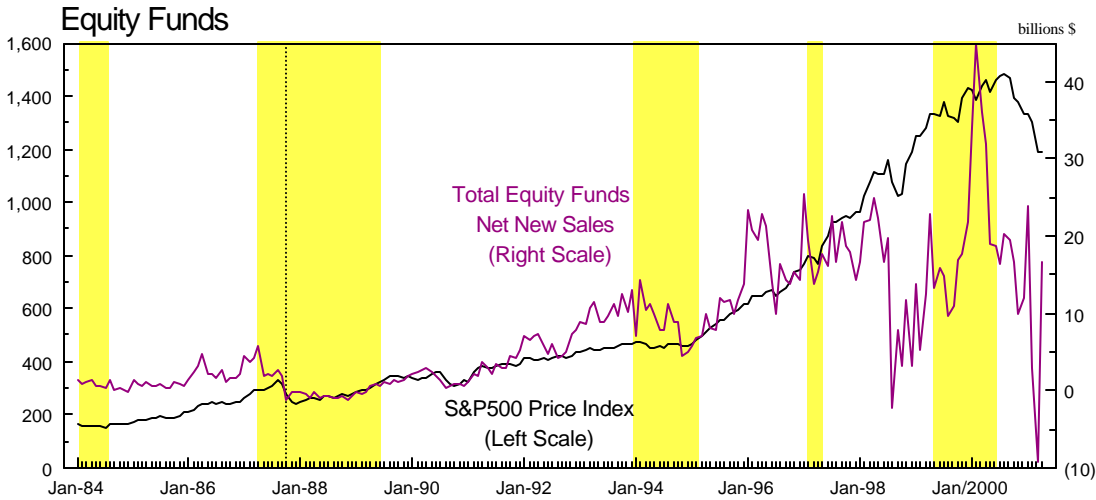
# Weekly Flows into Mutual Funds

(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

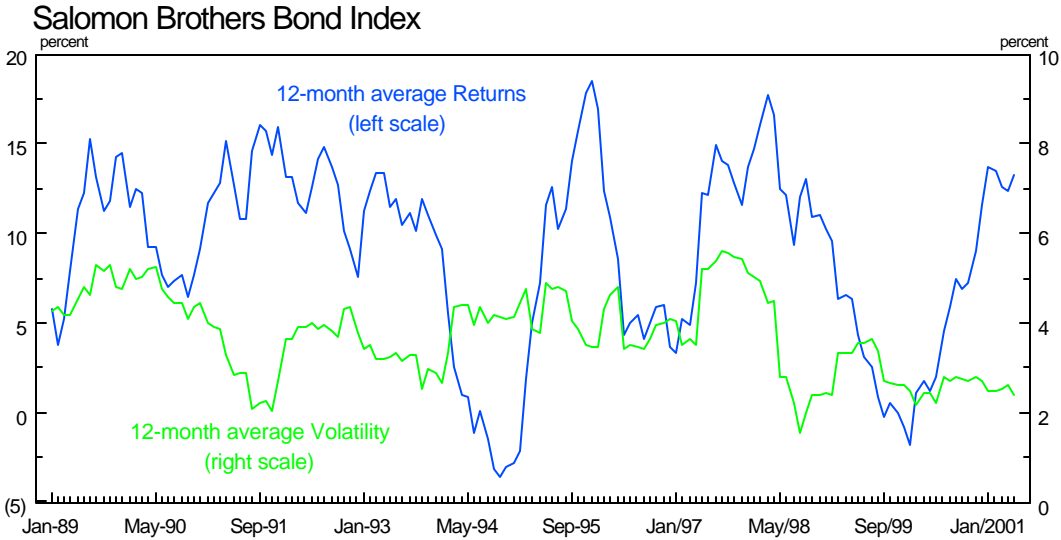
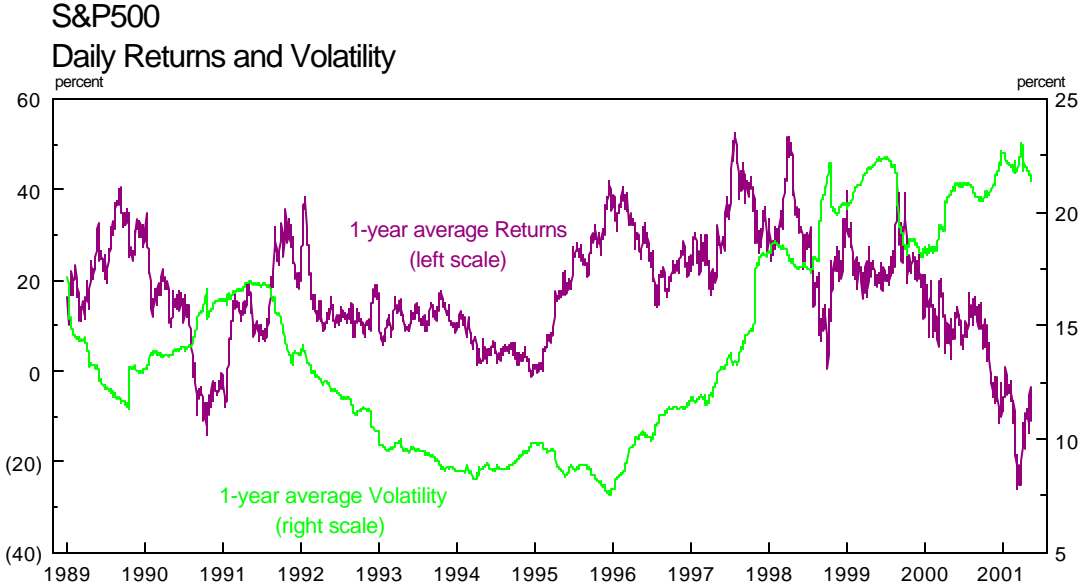
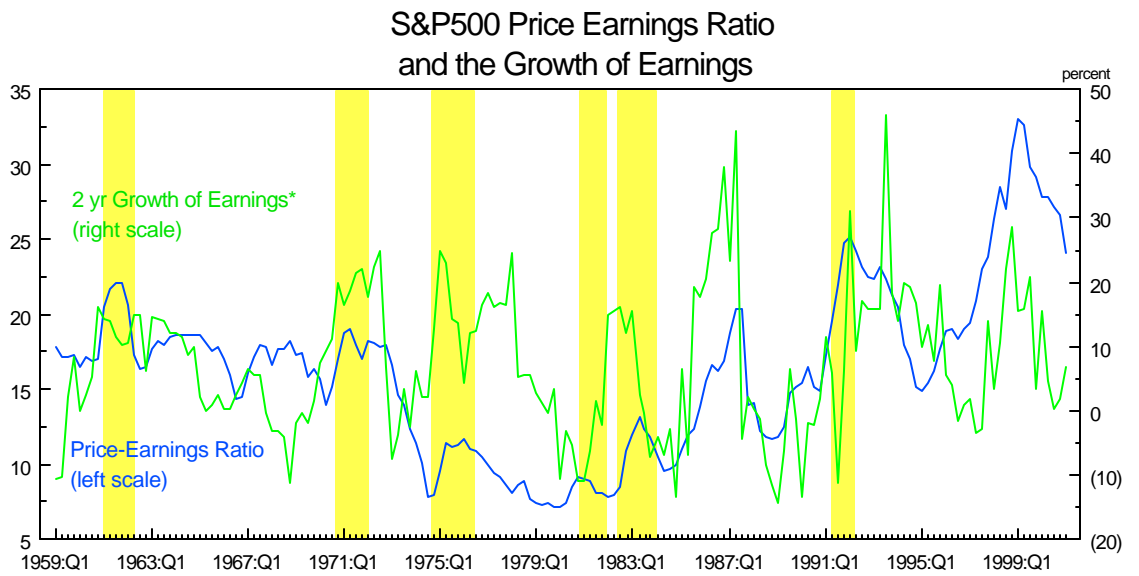
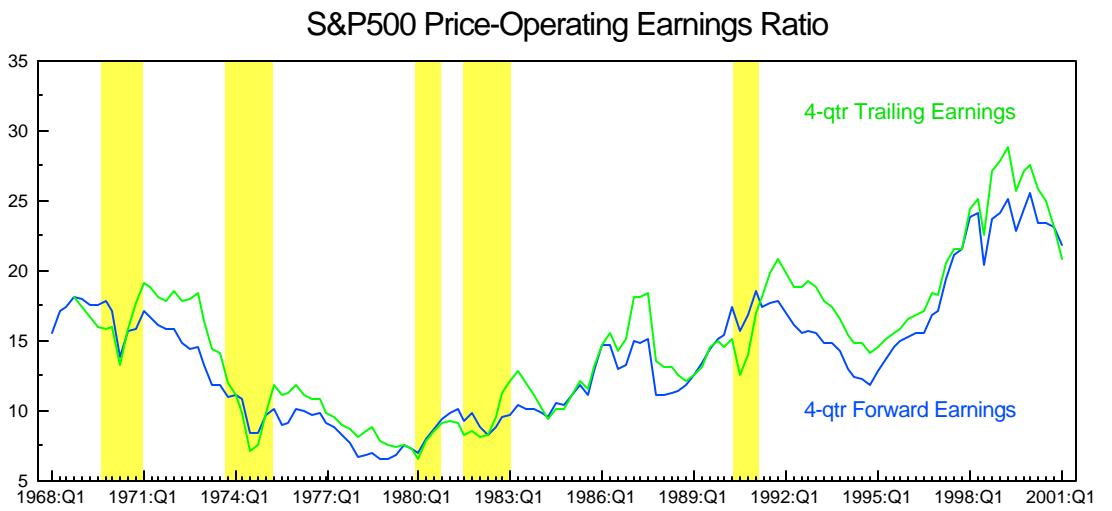
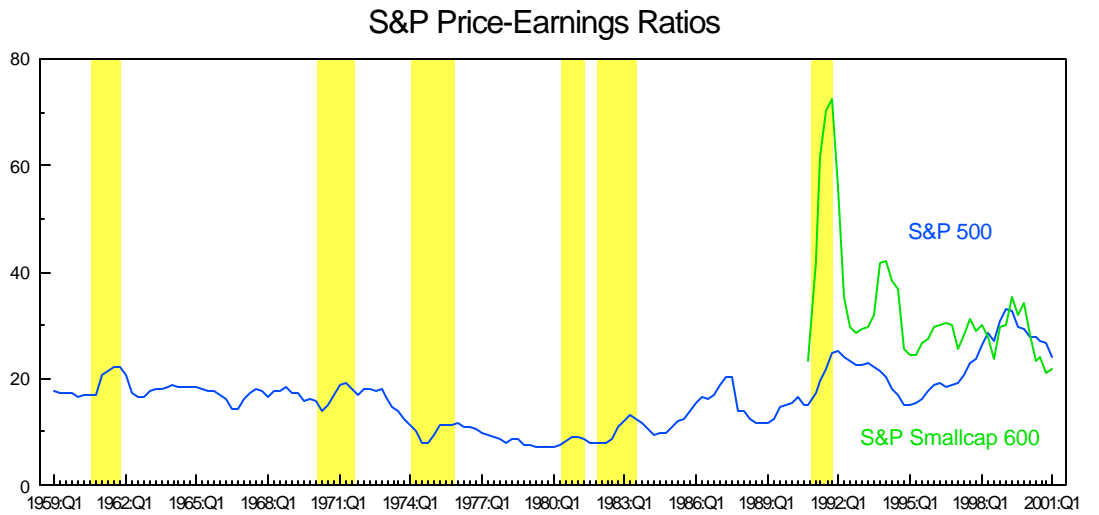


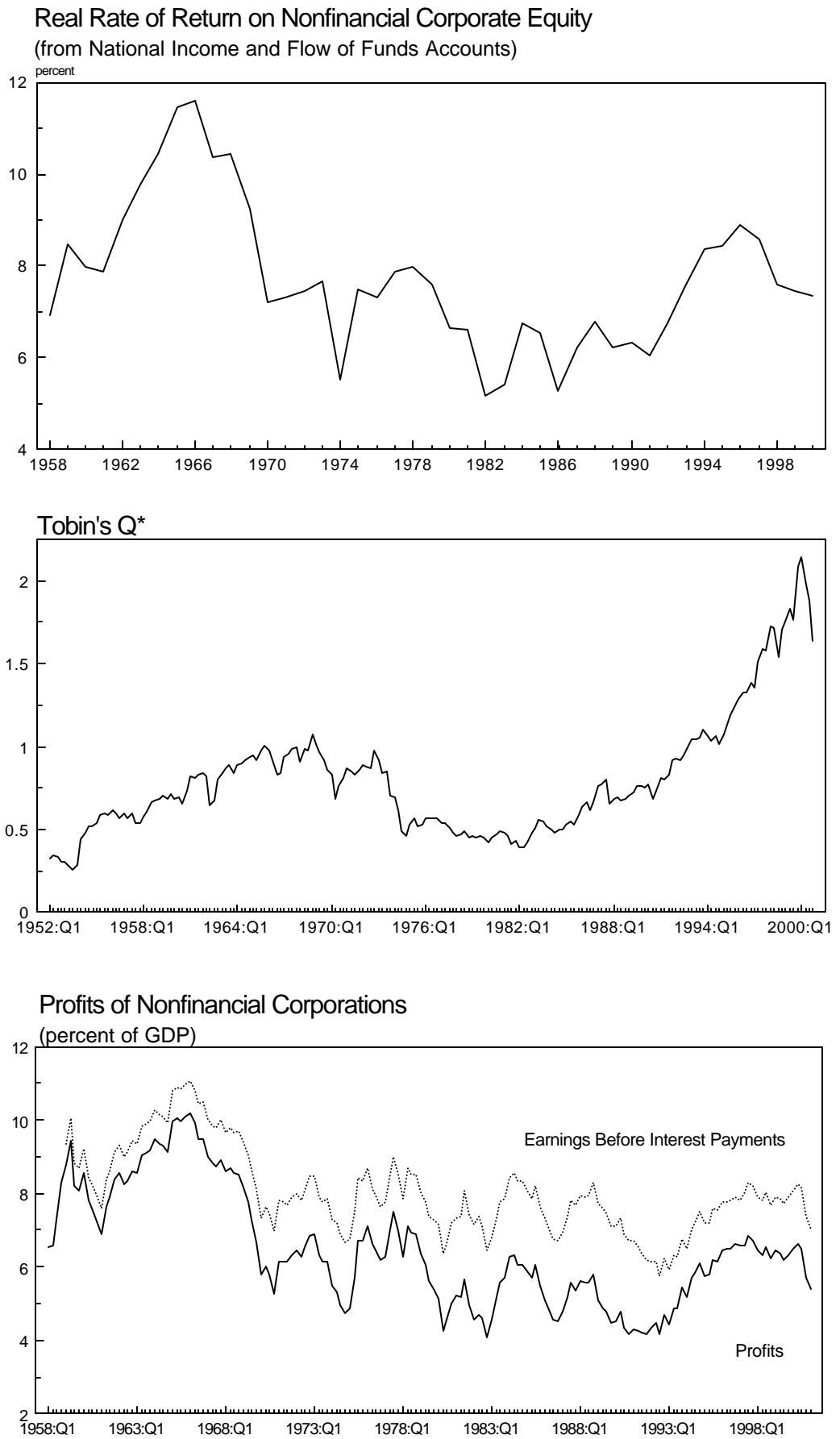
Figure 9



\* 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