

June 3, 2005

# Monthly Mutual Fund Report

Statistics for April 2005 - May 2005

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## Sales and Redemptions

Total assets for all funds decreased in April by \$126 billion, or 1.6 percent, to \$7.9 trillion. Money market funds had a net cash outflow of \$35.43 billion compared to an outflow in March of \$2.3 billion. Other funds (equity, hybrid, and bond) had a net cash inflow of \$12.6 billion, compared to an inflow of \$17.8 billion in March. New sales of non-money market funds, the purchase of new shares excluding reinvested dividends, were \$128.9 billion in April, down from \$143.0 billion in March. The value of non-money market assets depreciated by \$110.1 billion in April, following a depreciation of \$109.0 billion in March.

Total assets of **equity funds** decreased by \$101.6 billion, or 2.3 percent, to \$4.2 trillion. There was a \$8.8 billion net cash inflow to equity funds in April, compared with an inflow of \$15.1 billion in March. The market value of assets depreciated by \$111.6 billion in April. Equity funds had an inflow of \$56.1 billion year-to-date, compared to an inflow of \$107.7 billion in the first four months of 2004.

Total assets for **hybrid funds**, which invest in a mix of stocks and bonds, decreased 0.5 percent, or \$2.8 billion, to \$523.6 billion. In April, there was a \$2.6 billion net cash inflow for these funds, compared to an inflow in March of \$3.9 billion. Hybrid funds have experienced an inflow of \$15.9 billion year-to-date, compared to an inflow of \$19.8 billion during the same period in the previous year.

**Bond funds** experienced a cash inflow of \$1.2 billion, while their total assets increased by \$11.6 billion, to \$1.3 trillion. The market value of bond funds assets increased by \$7.4 billion, after adjusting for net sales and reinvested dividends. The assets of taxable bond funds increased by 0.85 percent, while the assets of tax-exempt bond funds increased by 1.1 percent. The 2005 inflow is \$7.1 billion, compared to an inflow of \$1.0 billion through April of 2004.



Assets of taxable and tax-exempt **money market funds** decreased \$33.0 billion, to \$1.8 trillion, a decrease of 1.4 percent for taxable money market funds and a decrease of 3.7 percent for tax-exempt funds. The 2005 outflow of \$84.1 billion is less than the outflow for the first four months of 2004, \$93.5 billion.

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## **Liquidity Ratio**

The liquidity ratio for bond and hybrid funds decreased from 7.9 in March to 7.4 percent in April, while the ratio for equity funds increased from 4.2 to 4.3 percent (figure 4).

## **Weekly Flows**

In May, there were outflows from equity funds of 0.4 percent of total assets, with gains of 4.0 percent (figure 6a). Bond funds had outflows of 0.1 percent and returns of 2.2 percent.

Index funds had monthly outflows of 0.7 percent and gains of 2.4 percent. Aggressive growth funds had outflows of 0.4 percent and returns of 4.4 percent. Small-cap funds had outflows of 0.6 percent and returns of 5.2 percent.

Technology funds had outflows of 1.2 percent and gains of 5.6 percent (figure 6b). There were inflows to real estate funds of 3.0 percent and gains of 5.6 percent.

There were outflows to international funds in May of 0.2 percent of assets and gains of 3.3 percent. Latin American funds had outflows of 0.4 percent and gains of 8.1 percent. Japan funds had outflows of 5.9 percent and losses of 7.6 percent of assets. Pacific funds that do not invest in Japan had outflows of 2.0 percent and returns of 0.4 percent of assets. Emerging Markets funds had outflows of 1.7 percent and gains of 4.4 percent.

## **Capital Market Returns and Volatility**

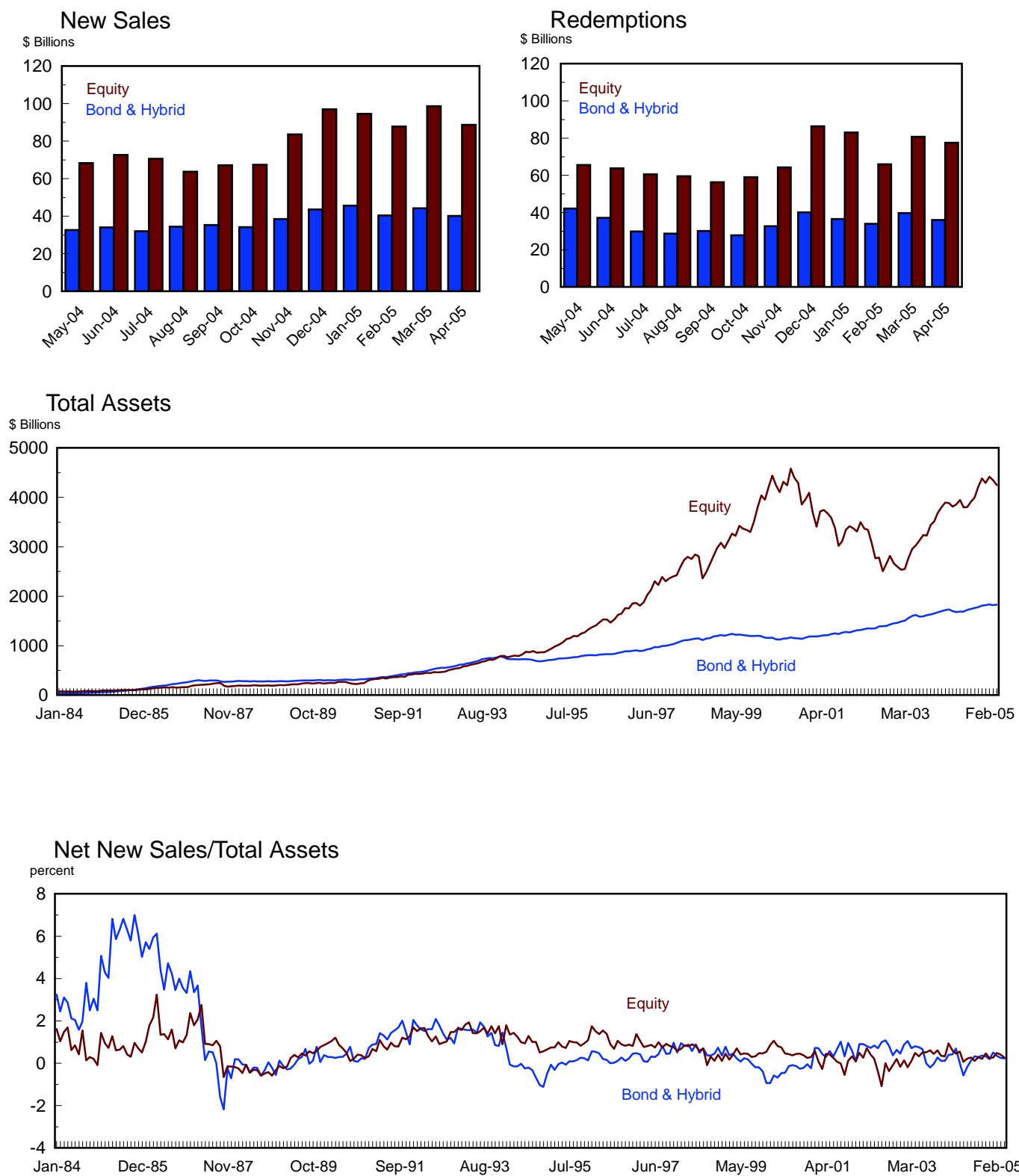
The S&P 500 ended May 27 at 1198.8, an increase of 3.6 percent from the beginning of the month. The 12-month gain was 10.9 percent at month-end. The annualized volatility for the daily return on the S&P 500 was 10.9 percent.

The 12-month average return on the Citigroup Bond Index was 5.4 percent for April. Volatility declined to 3.1 percent (figure 8).

## **Price-Earnings Ratio**

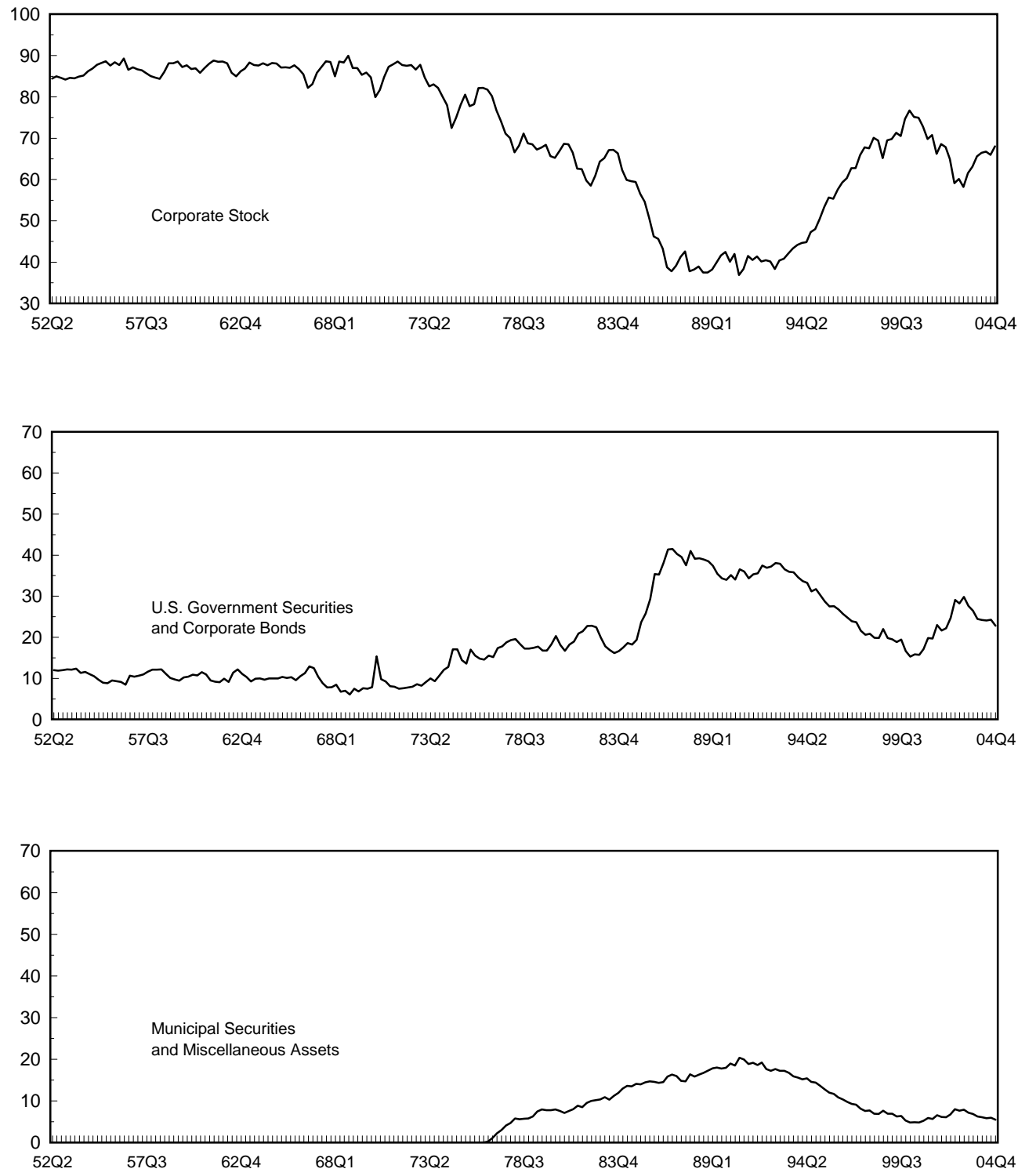
The macro projections for the growth of earnings of the Standard and Poor's 500 index over the next two years have increased in the first quarter of 2005 to 5.7 percent from current levels. During the first quarter of 2005 the price-earnings ratio for the Standard and Poor's Small-Cap 600 Index fell to 21.8 from 23.1 (figure 9).

Figure 1  
Sales of Mutual Funds



Source: Investment Company Institute

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



Source: Flow of Funds, Haver Analytics0

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

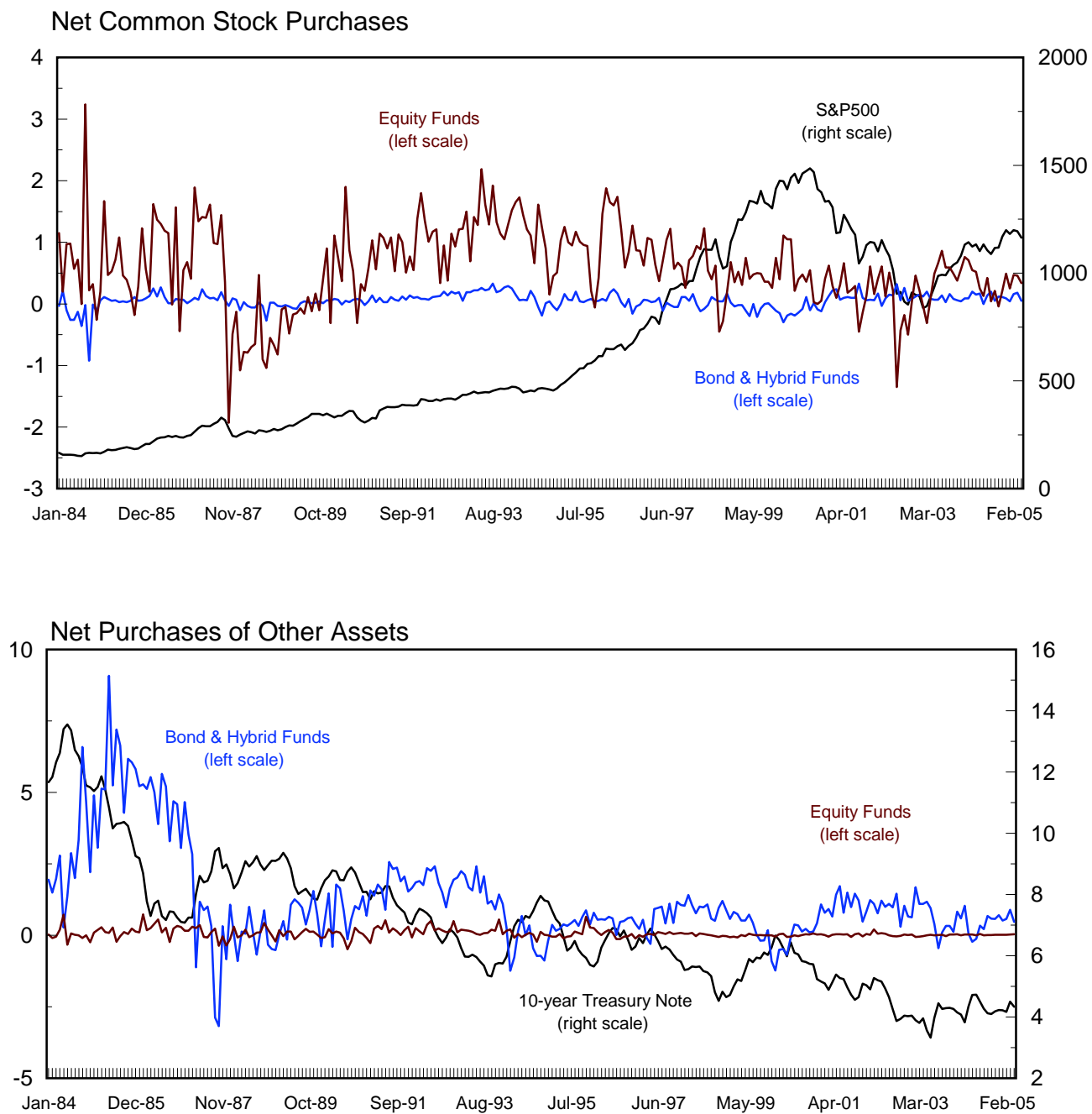
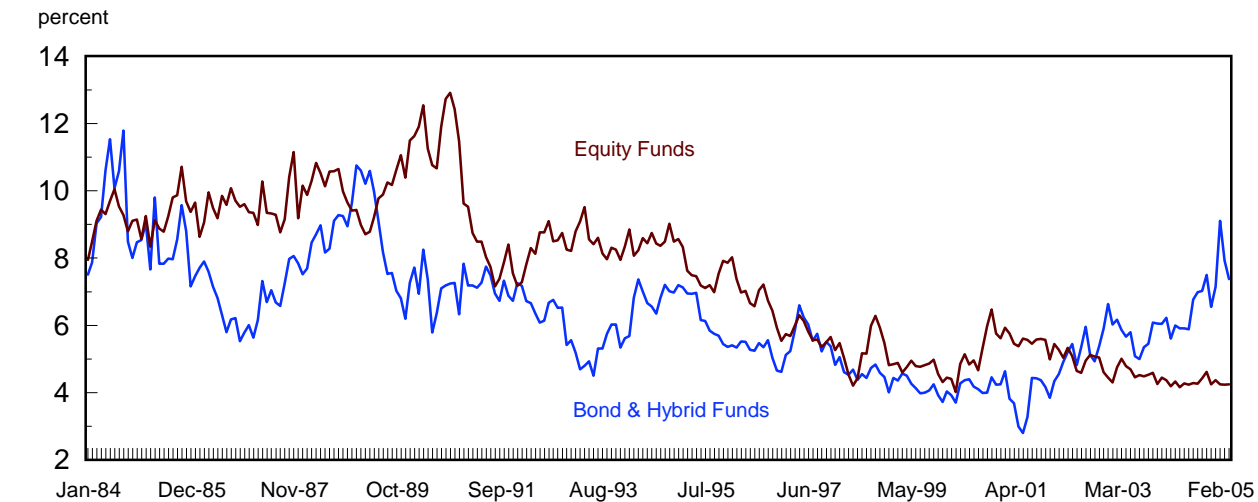
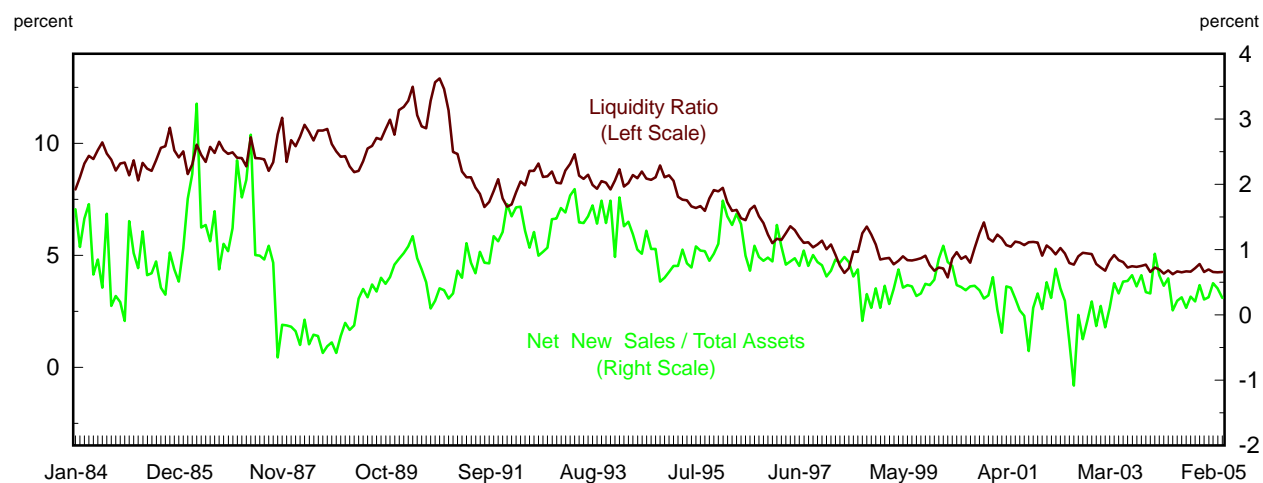


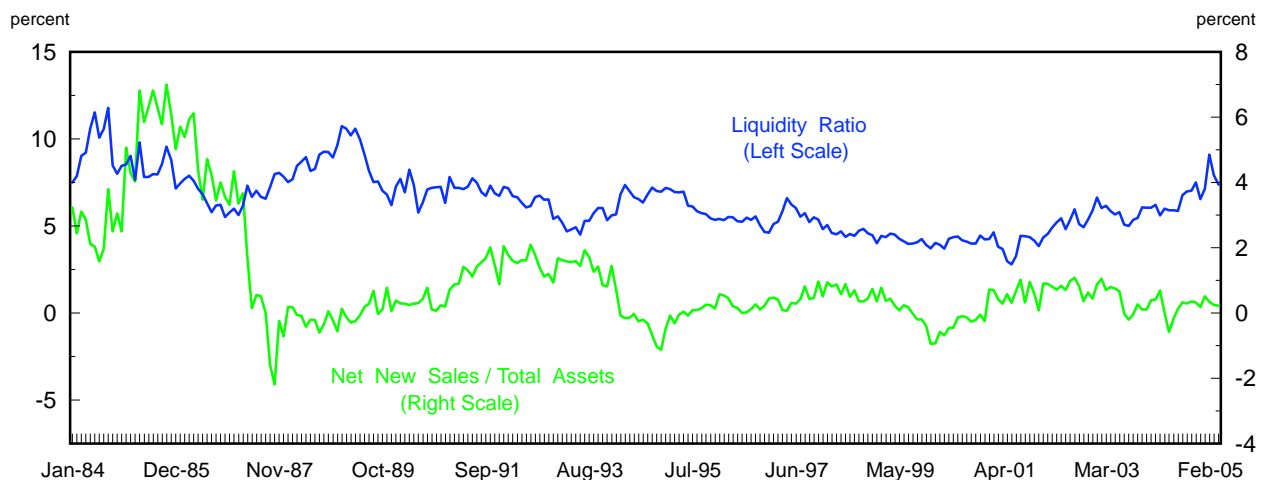
Figure 4  
**Liquidity Ratio\***



### Equity Funds



### Bond & Hybrid Funds

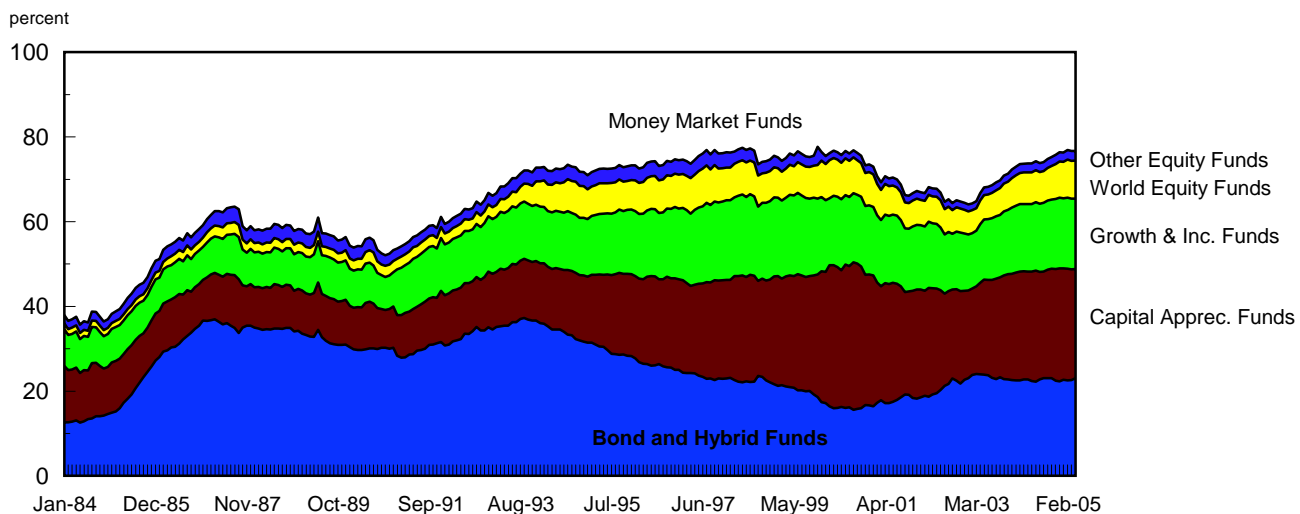


\*The Liquidity Ratio is the Percent of Total Assets held in Cash and Short-Term Securities.  
 Source: Investment Company Institute

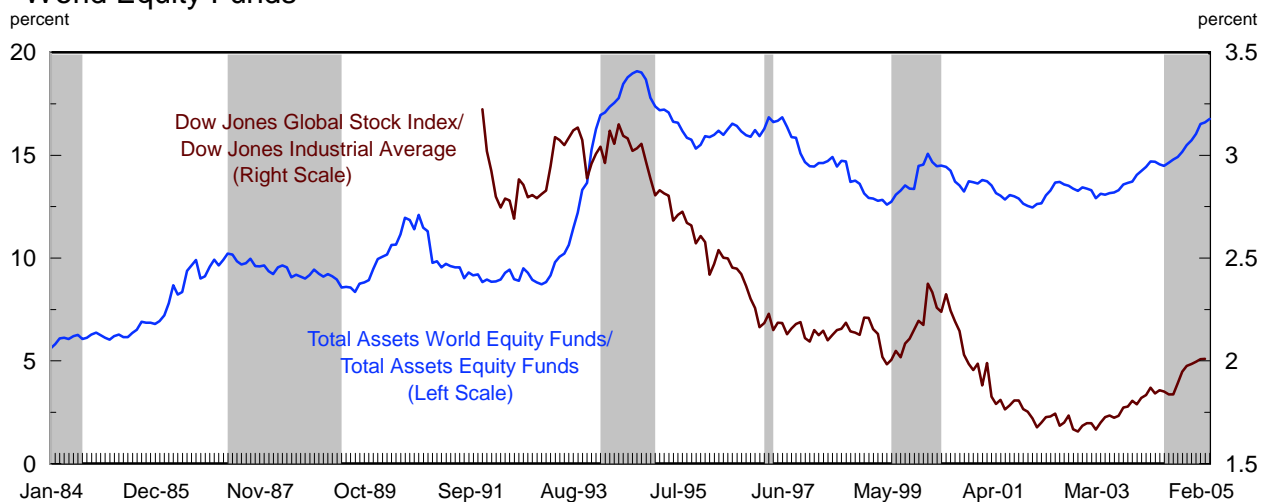
Figure 5

## Industry Composition

(Shaded Regions Indicate Periods of Rising Fed Funds Rate)



### World Equity Funds



### Capital Appreciation Funds

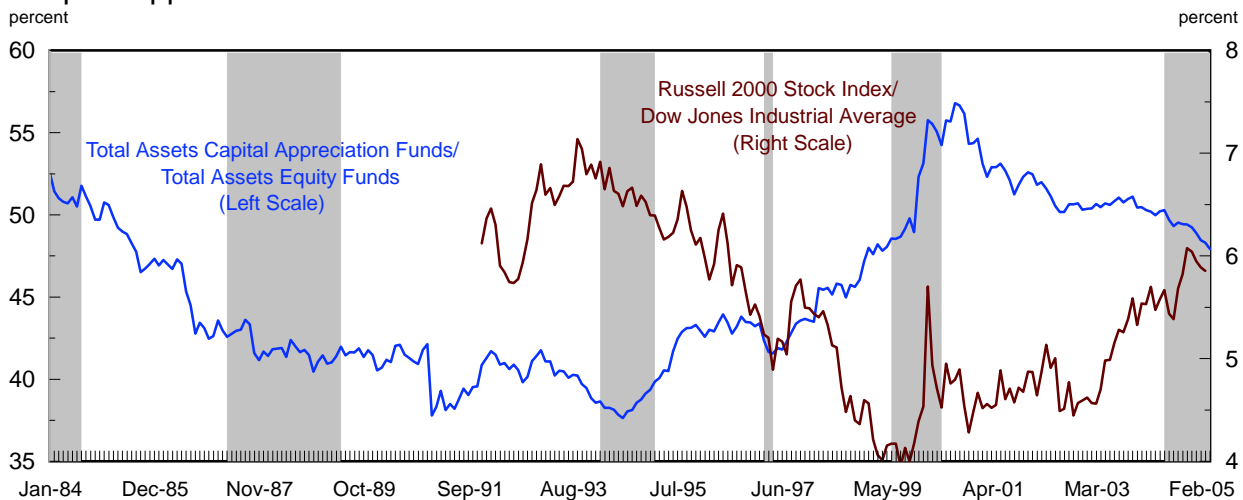
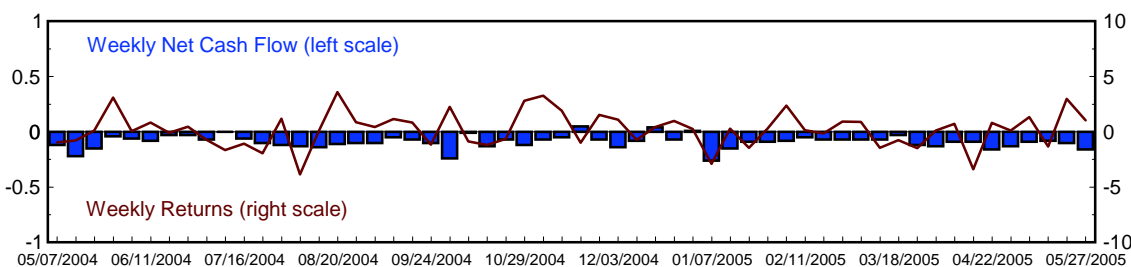


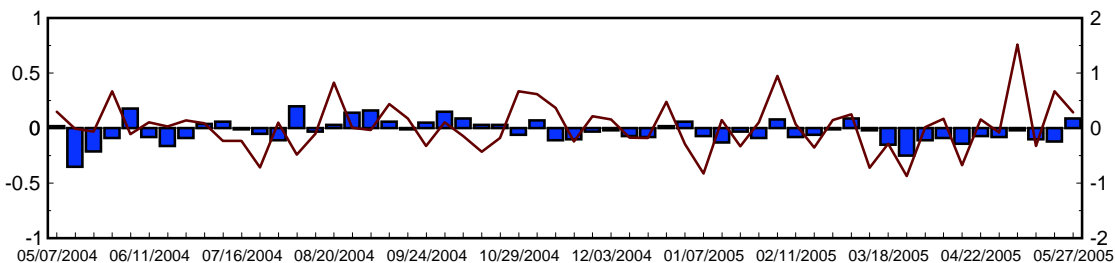
Figure 6a

## Weekly Flows into Mutual Funds

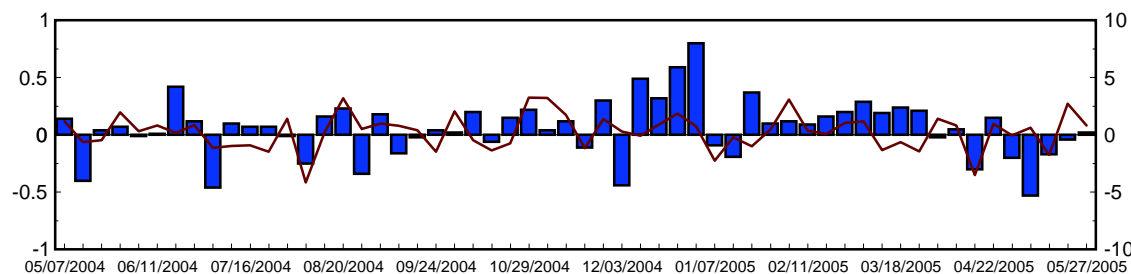
(percent of Total Assets)



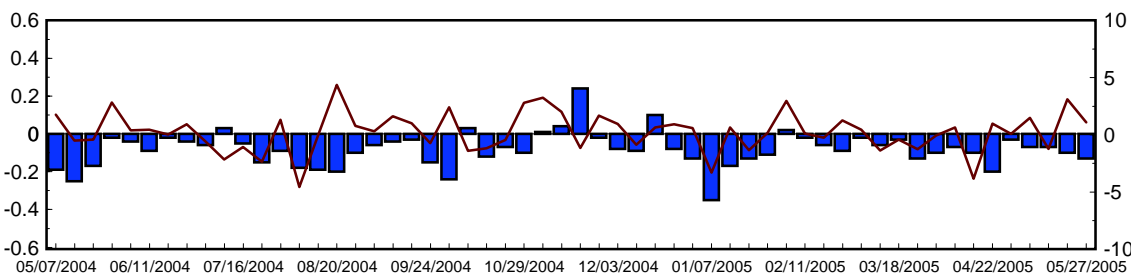
Equity Funds



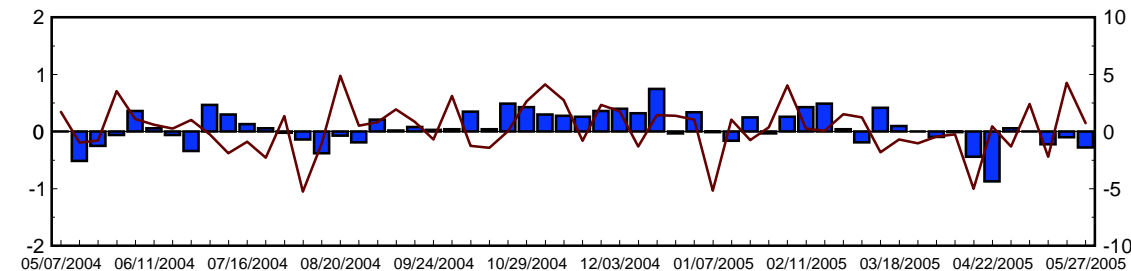
Bond Funds



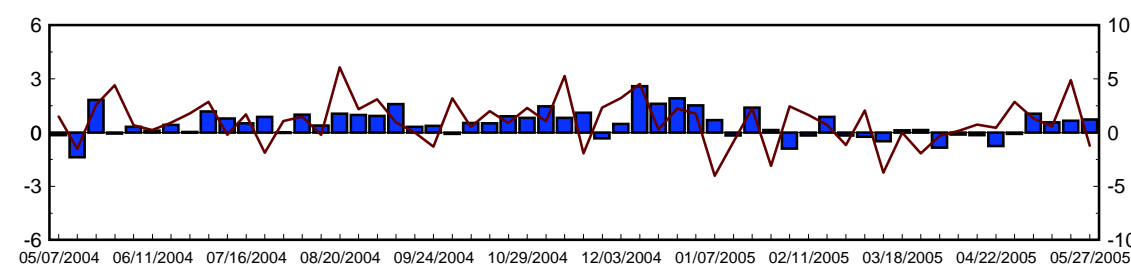
Index Funds



Aggressive Growth Funds



Small Cap Funds

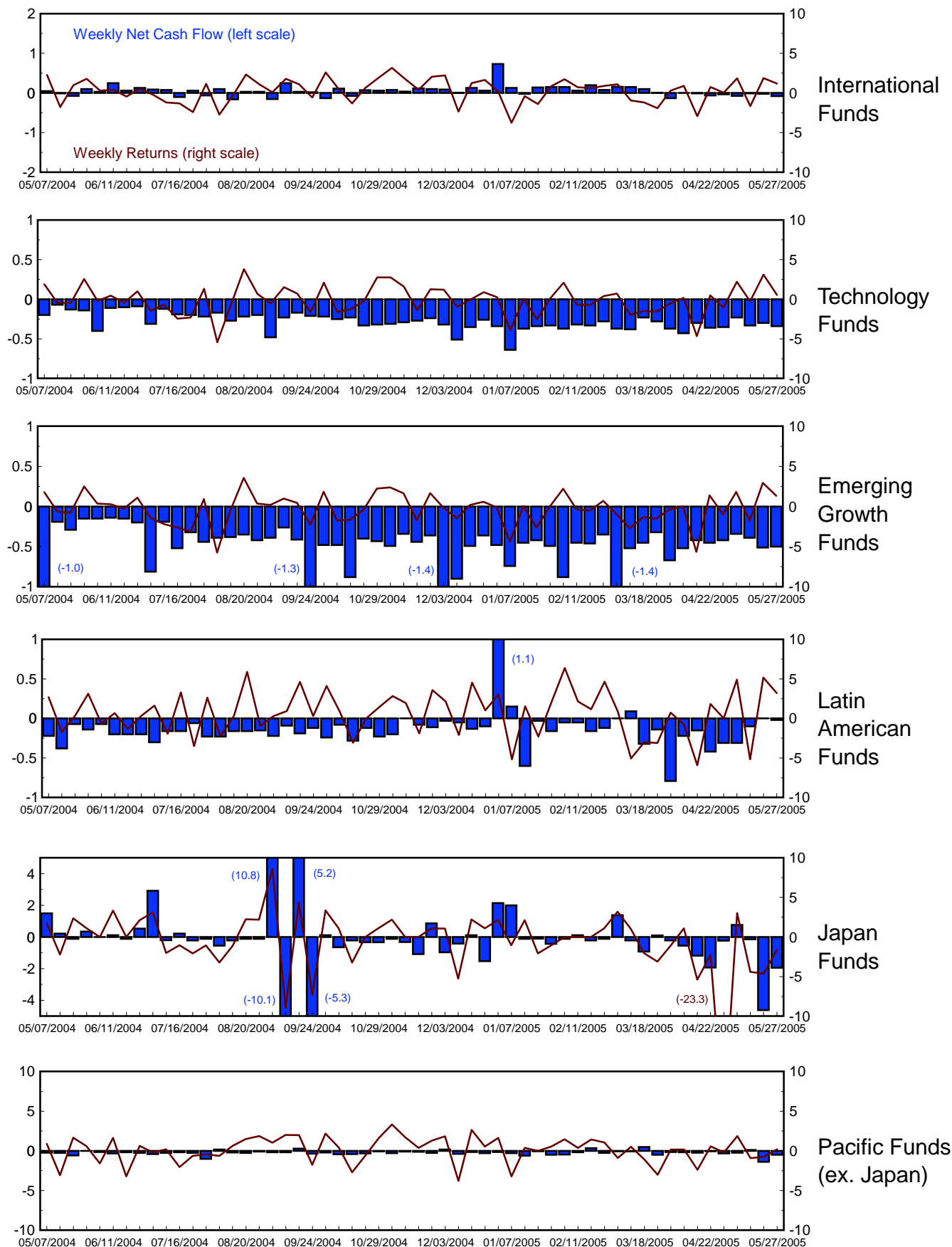


Real Estate Funds



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)

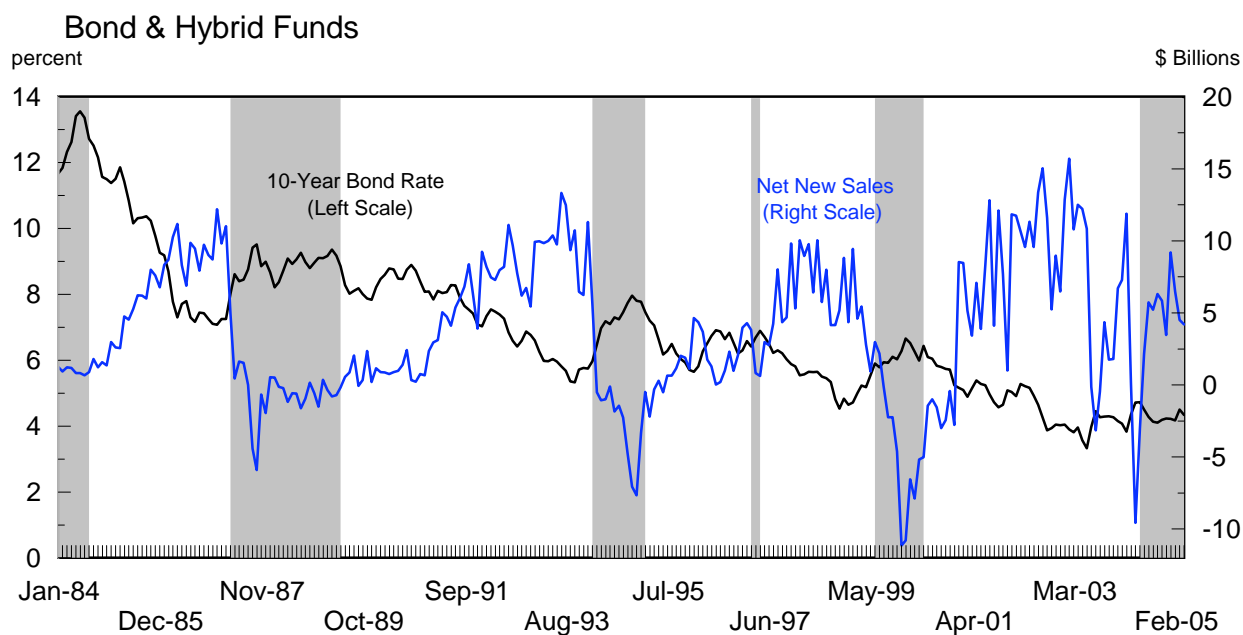
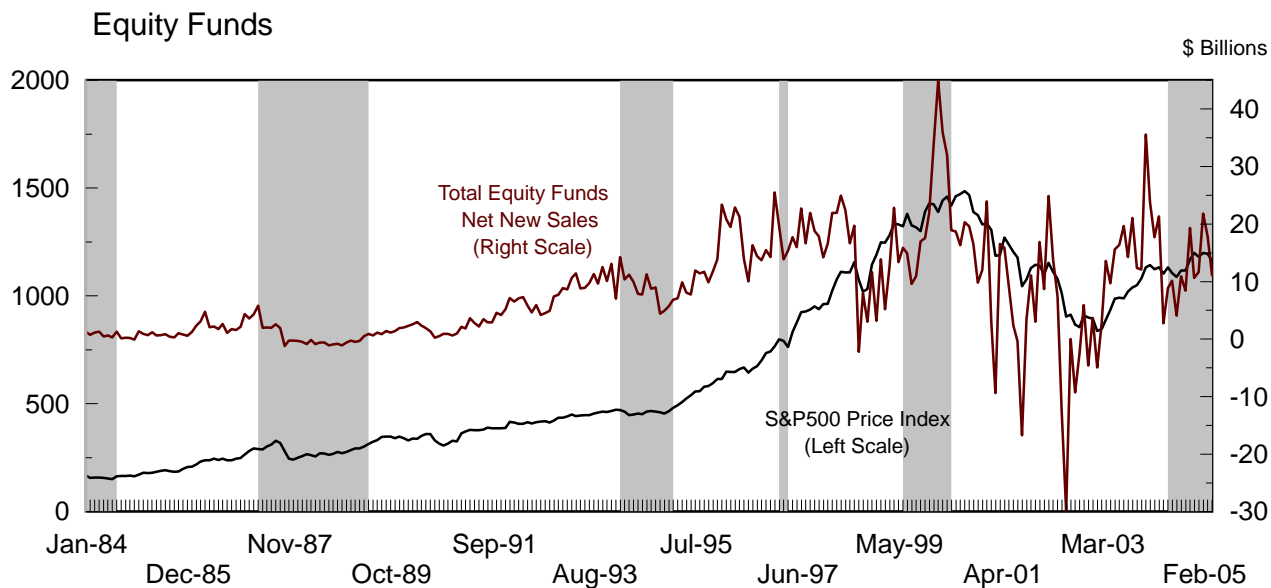
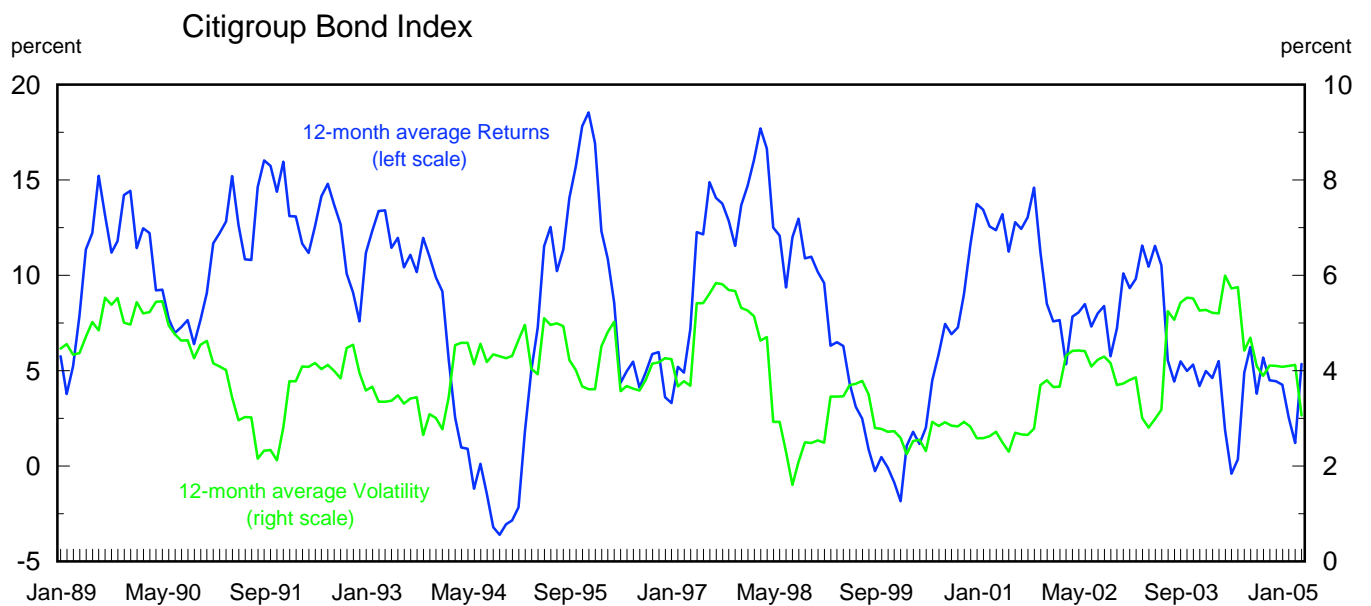
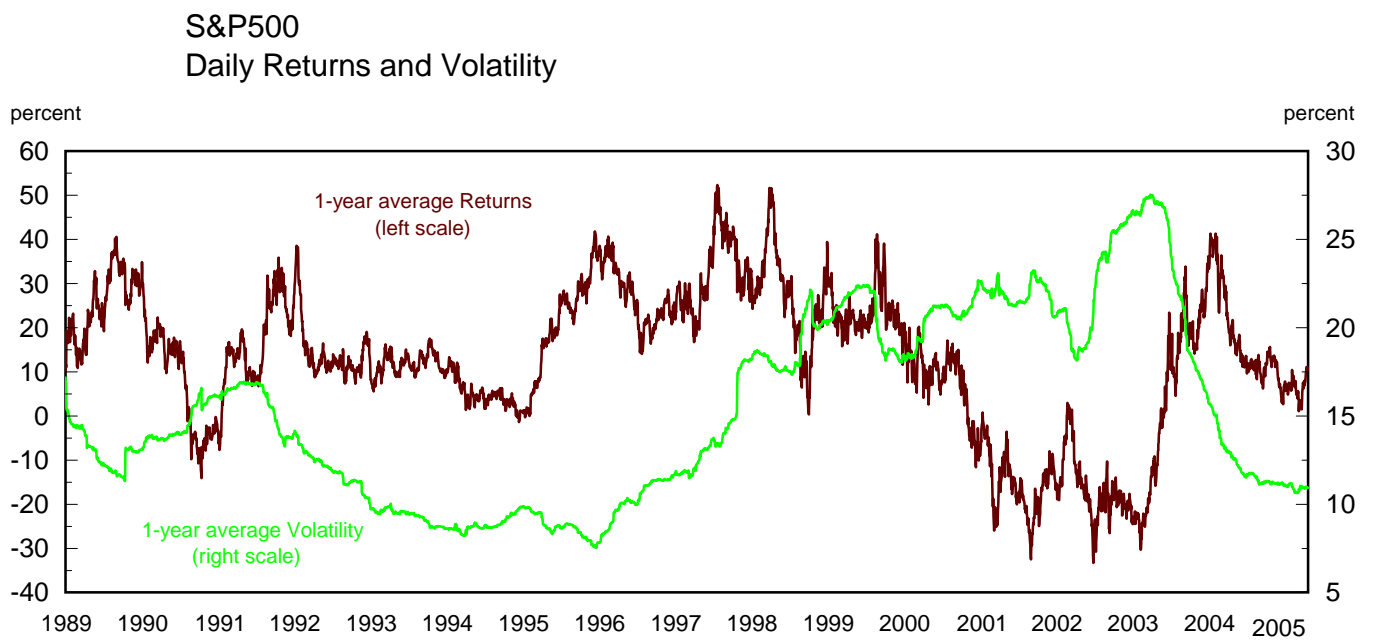
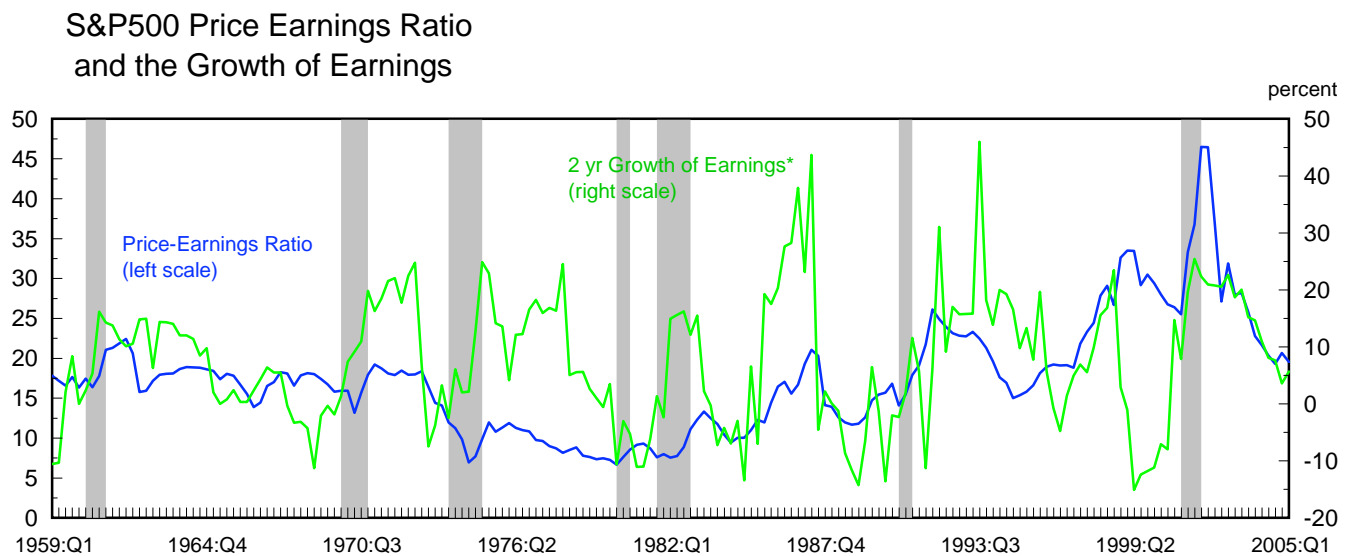
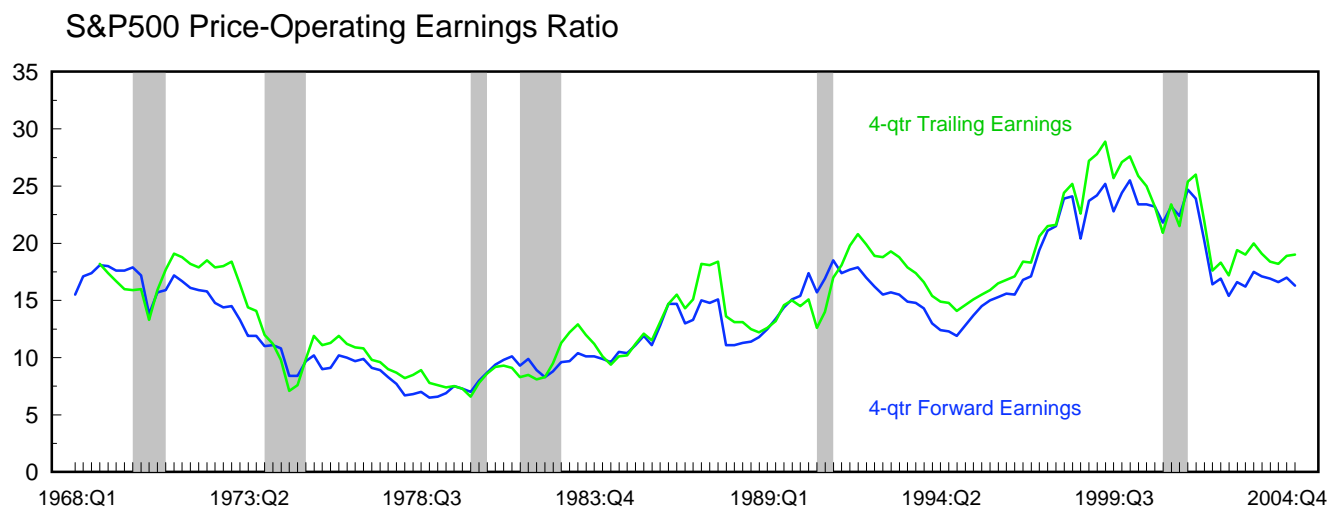
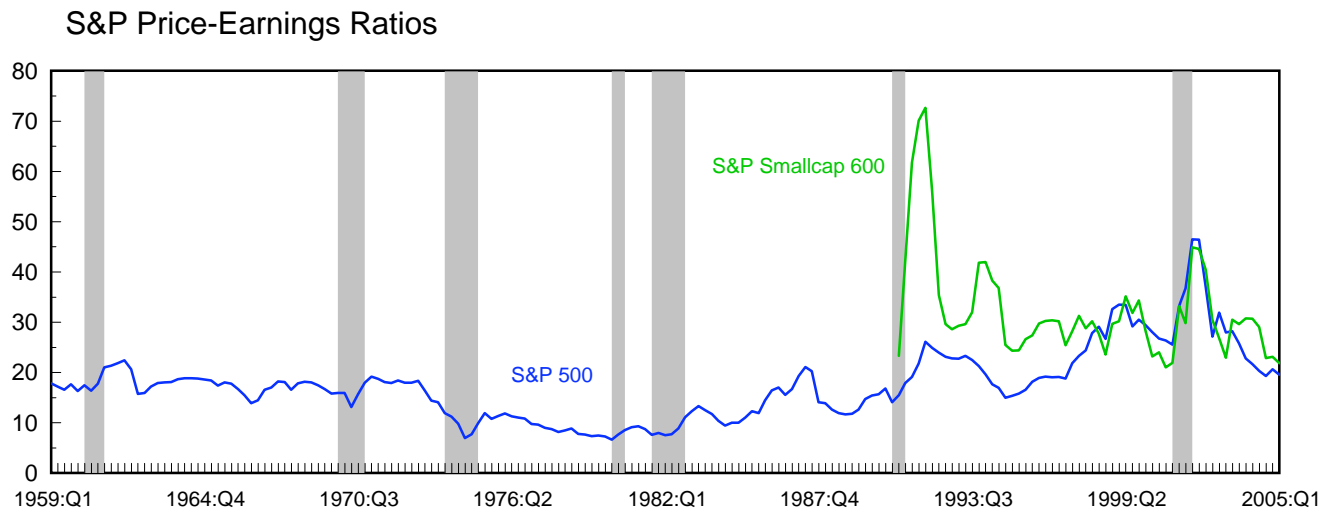


Figure 8

## Capital Market Returns and Volatility



### Figure 9



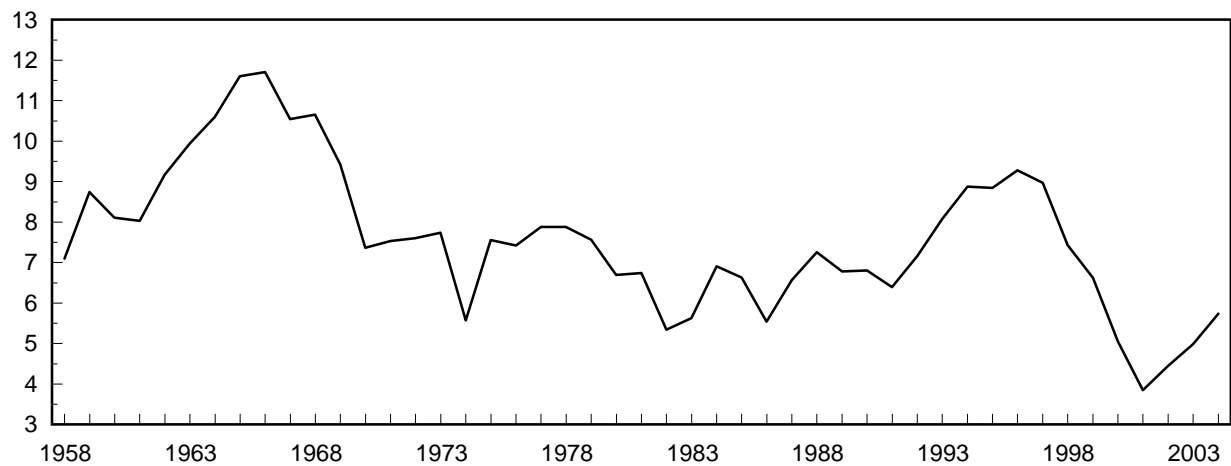
\* Growth of earnings over subsequent 8 quarters. Current observations use forecast of earnings from macro projections.

source: Thomson Financial/First Call, Global Exchange (formerly DRI), Bloomberg

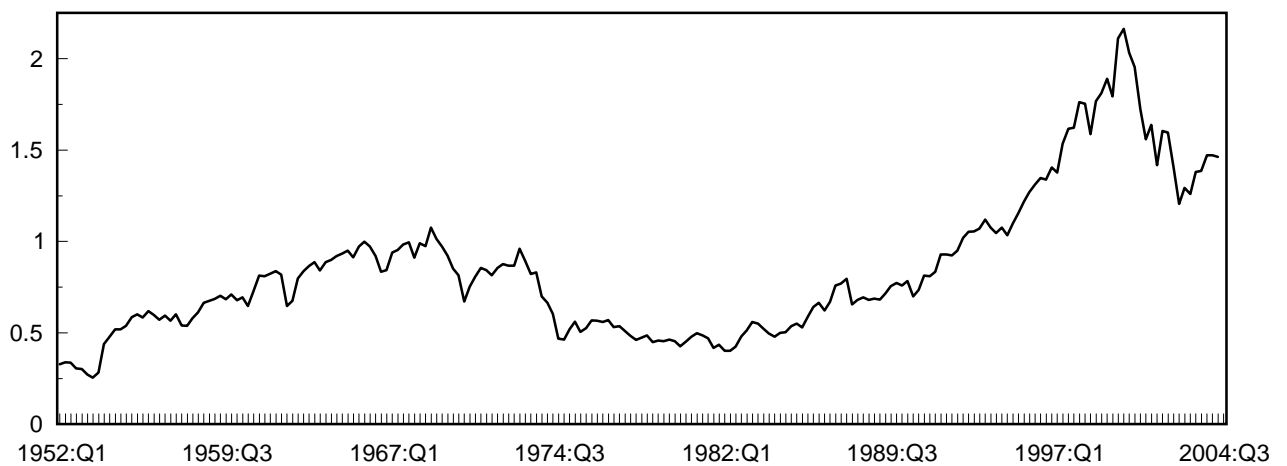
Figure 10

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

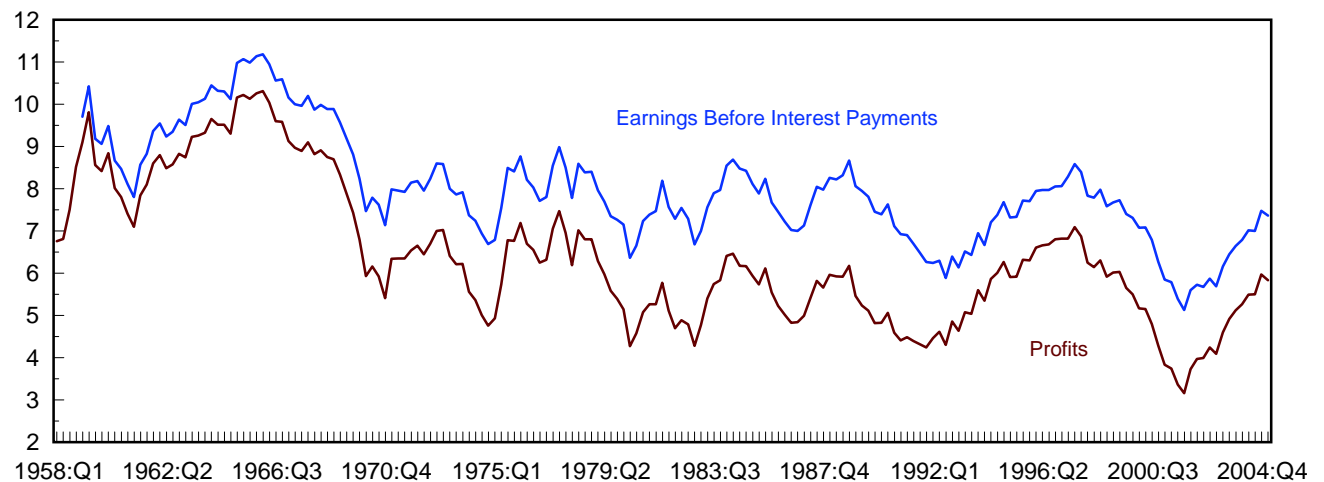
percent



## 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

Source: Flow of Funds, Haver Analytics