March 3, 2000

Monthly Mutual Fund Report

Statistics for January 2000

Sales and Redemptions

Total assets for all funds decreased $76.8 billion, or 1.1 percent, to $6.8 trillion in January. Net new cash flow into long-term mutual funds, the dollar value of net new sales and net exchanges, was $20.7 billion, compared to $7.0 billion in December. New sales, the purchase of new shares excluding reinvested dividends, were $145.4 billion in January, up from $126.6 billion in December. The value of assets depreciated by $100.4 billion in January, compared with an increase of $355.9 billion in December.

Total assets of **equity funds** decreased by $92.5 billion, or 2.3 percent, to $4.0 trillion. Despite this decline in total assets, resulting from lower stock prices, January was a record month for net new cash flow into equity funds. The inflow of $40.0 billion surpassed the previous record of $28.5 billion in January 1997. The market value of assets depreciated by $52.9 billion. Year-to-date cash flows are $40.0 billion. During the same period in 1998, cash flows were $17.2 billion.

Total assets for **hybrid funds**, which invest in a mix of stocks and bonds, increased 4.1 percent, or $15.6 billion, to $367.6 billion. The net cash outflow from these funds was $6.6 billion in January. Year-to-date their net cash outflow has been $6.6 billion compared to an inflow of $611.6 million during the same period in 1999.

Bond funds experienced a cash outflow of $12.6 billion in January, as their total assets fell $15.7 billion, to $792.4 billion. The market value of bond funds' assets decreased by $4.8 billion, after adjusting for net sales and reinvested dividends. The assets of taxable bond funds decreased 1.8 percent, while the assets of tax-exempt funds fell 2.2 percent.

Assets of taxable and tax-exempt **money market funds** increased $47.0 billion, to $1.7 trillion, an increase of 2.8 percent for taxable money market funds and 3.9 percent for-tax exempt funds.

Liquidity Ratio

The liquidity ratio increased for both bond and hybrid and equity funds during January. The ratio for bond and hybrid funds increased to 4.0 from 3.8 percent, while the ratio for equity funds increased to 4.5 from 4.3 percent (figure 4).

Weekly Flows

In February, flows to equity funds for the month were 1.3 of assets, and their monthly return was of 6.2 percent. Bond fund's outflows were 1.0 percent, and their monthly return was 0.6 percent.

Flows and returns to domestic sector equity funds were mostly positive. Total flows to index funds for the month were slightly below 1.0 percent of total assets, though these funds returned 17.6 percent of assets during this time.

Among all international funds, consistently strong flows and returns totaled 3.6 and 9.8 for the month, respectively. Performance and net sales varied among the international sectors. Latin America funds returned 5.1 percent with outflows of 0.3 percent. Outflows to Japan funds were 3.6 percent, with returns of 2.9 percent. Pacific funds which exclude Japan had outflows of 0.5 percent of total assets and returns of 1.2 percent of assets

Capital Market Returns and Volatility

The S&P 500 ended February at 1409.28, down 3.0 percent from the beginning of the month. The 12-month return was 12.9 percent at month-end. The annualized volatility for the daily return on the S&P 500 was 18.4 percent.

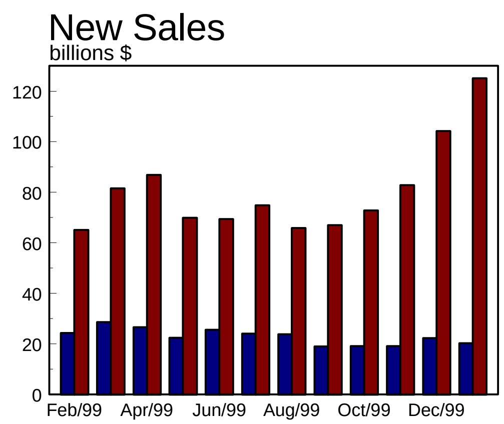
The 12-month average return on the Salomon Brothers Bond Index was 1.1 percent for February. Volatility decreased from the previous month from 2.5 to 2.2 percent (figure 7).

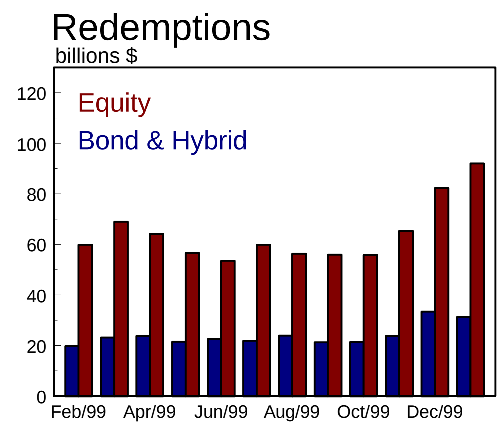
Price-Earnings Ratio

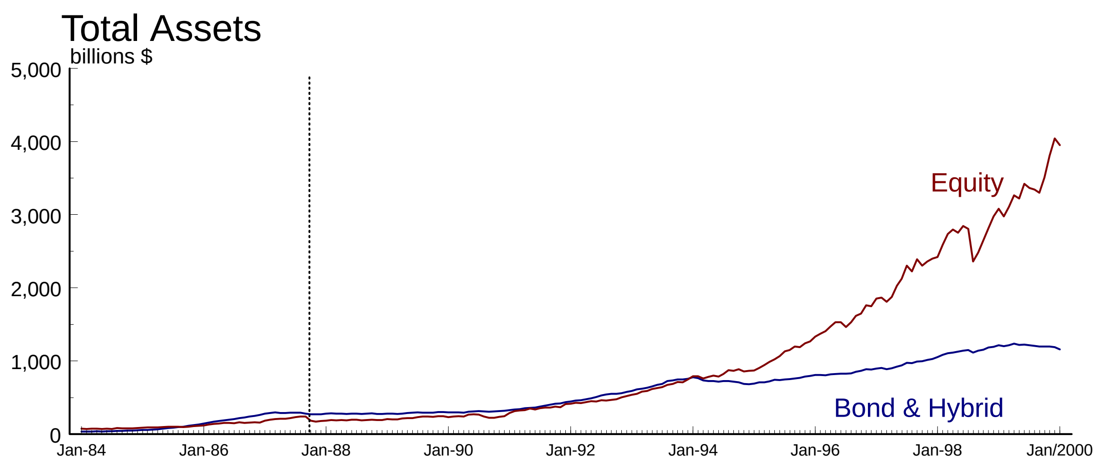
The macro projections for the growth of earnings of the Standard and Poor's 500 index over the next two years have increased to 6.3 percent, very near its historical average of 6.7 percent annual growth. The trailing price-earnings ratio for the fourth quarter was 32.4, rising from 31.9 in the third quarter.

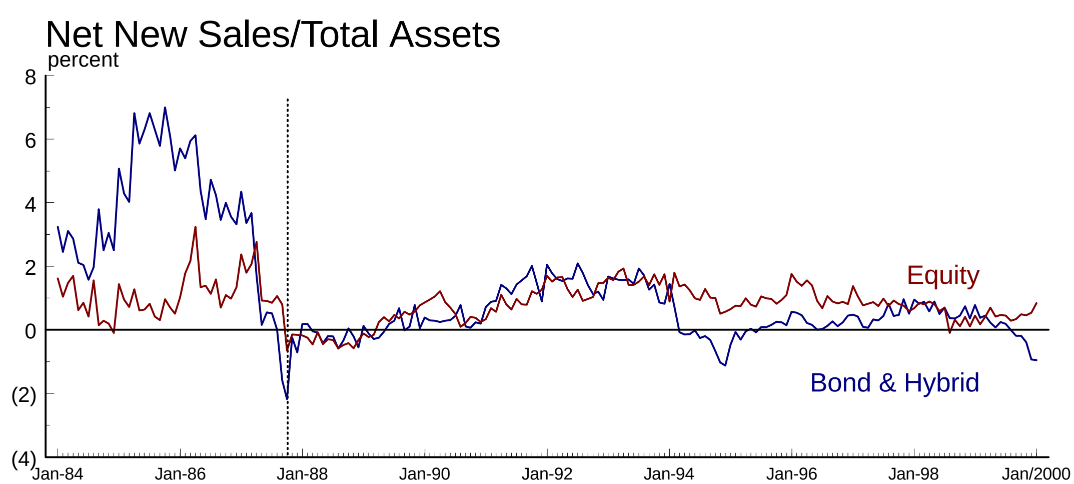
For more information please contact Richard Brauman (617) 973-3198

Figure 1
Sales of Mutual Funds









Source: Investment Company Institute

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

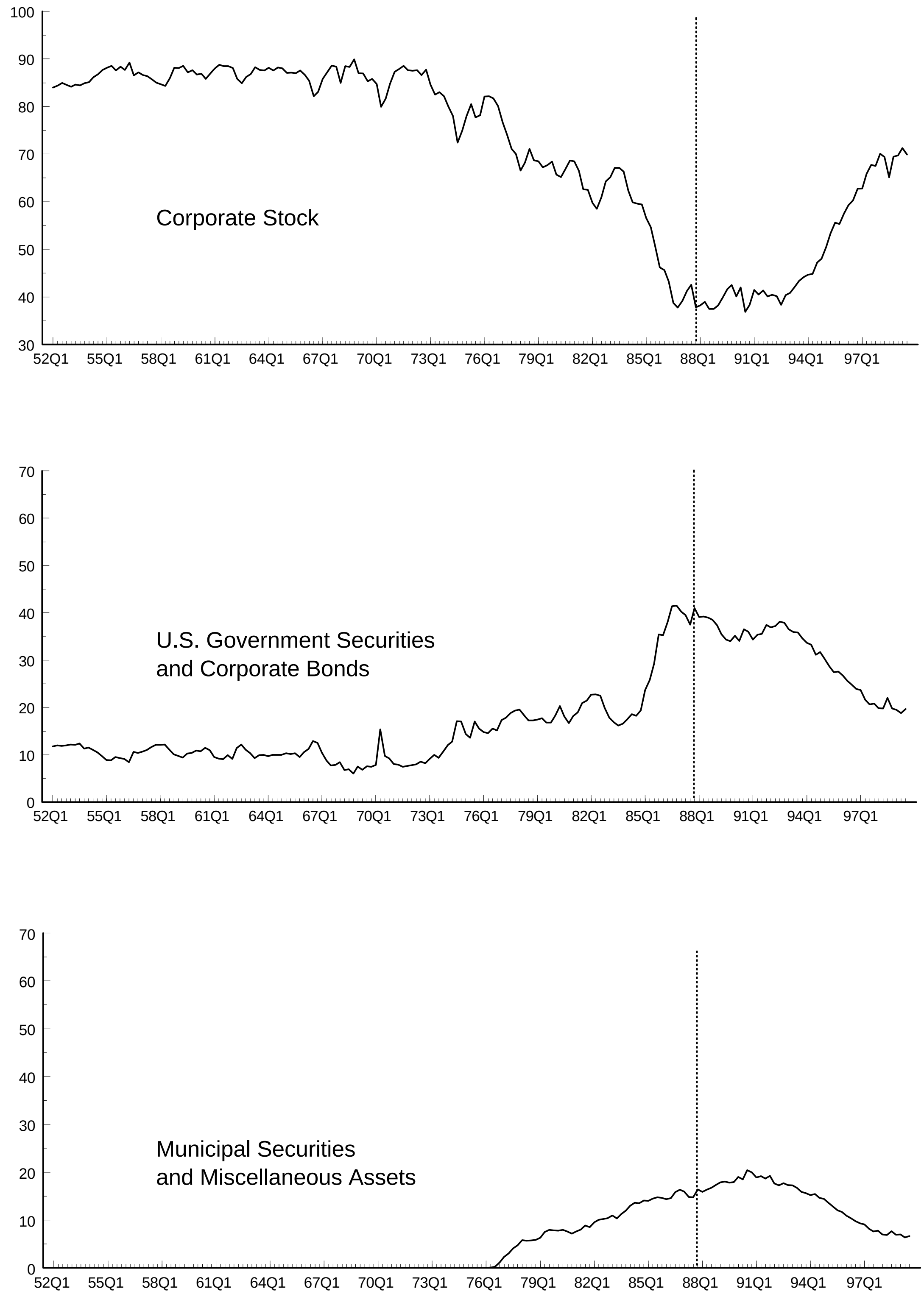
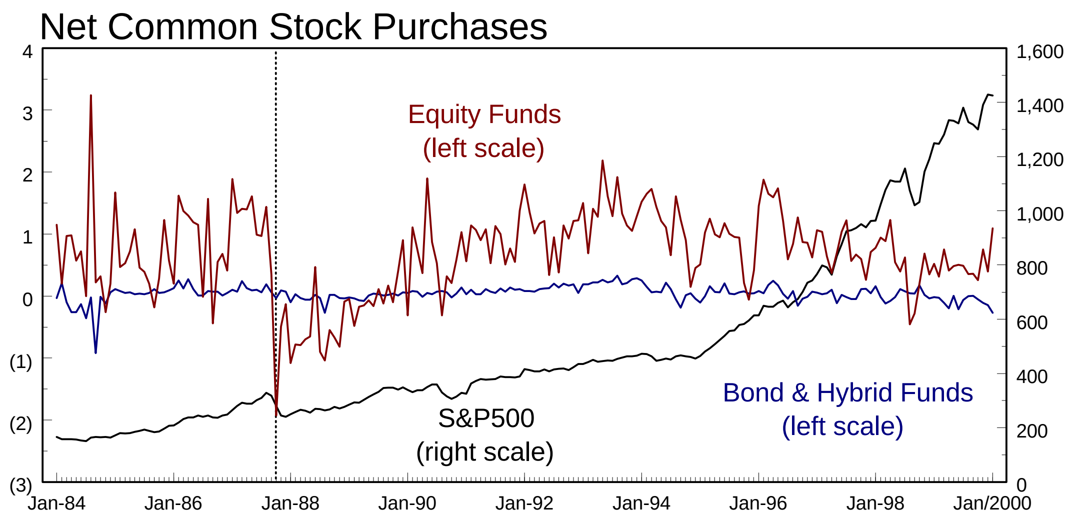


Figure 3

Net Portfolio Purchases

(percent of Total Assets)



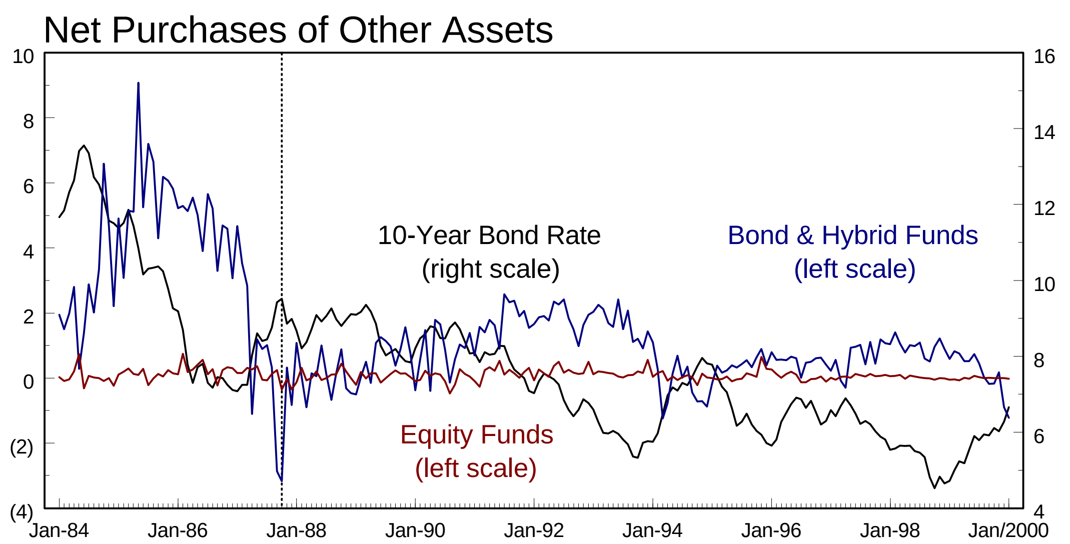
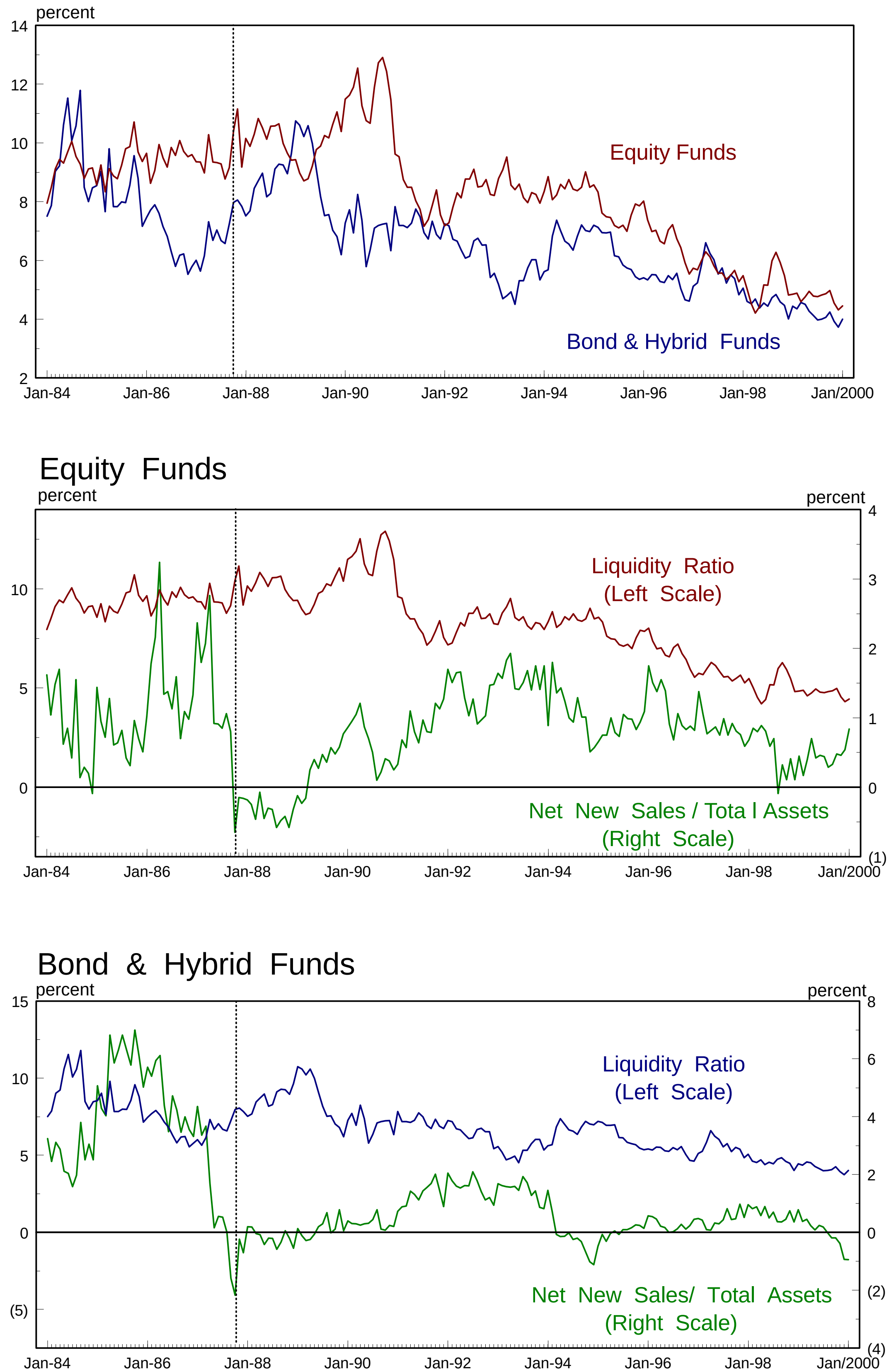


Figure 4
Liquidity Ratio*



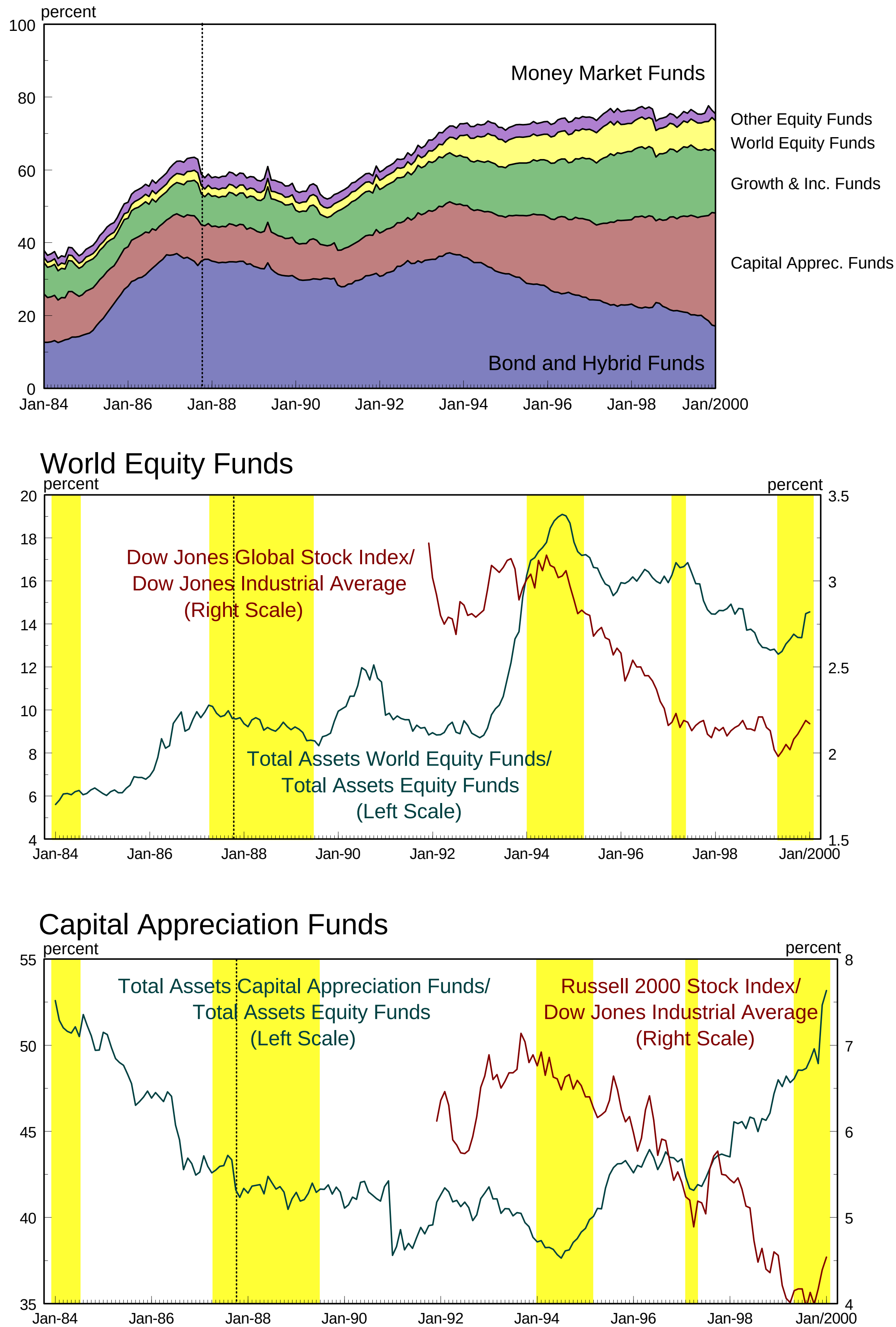
Source: Investment Company Institute

*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)

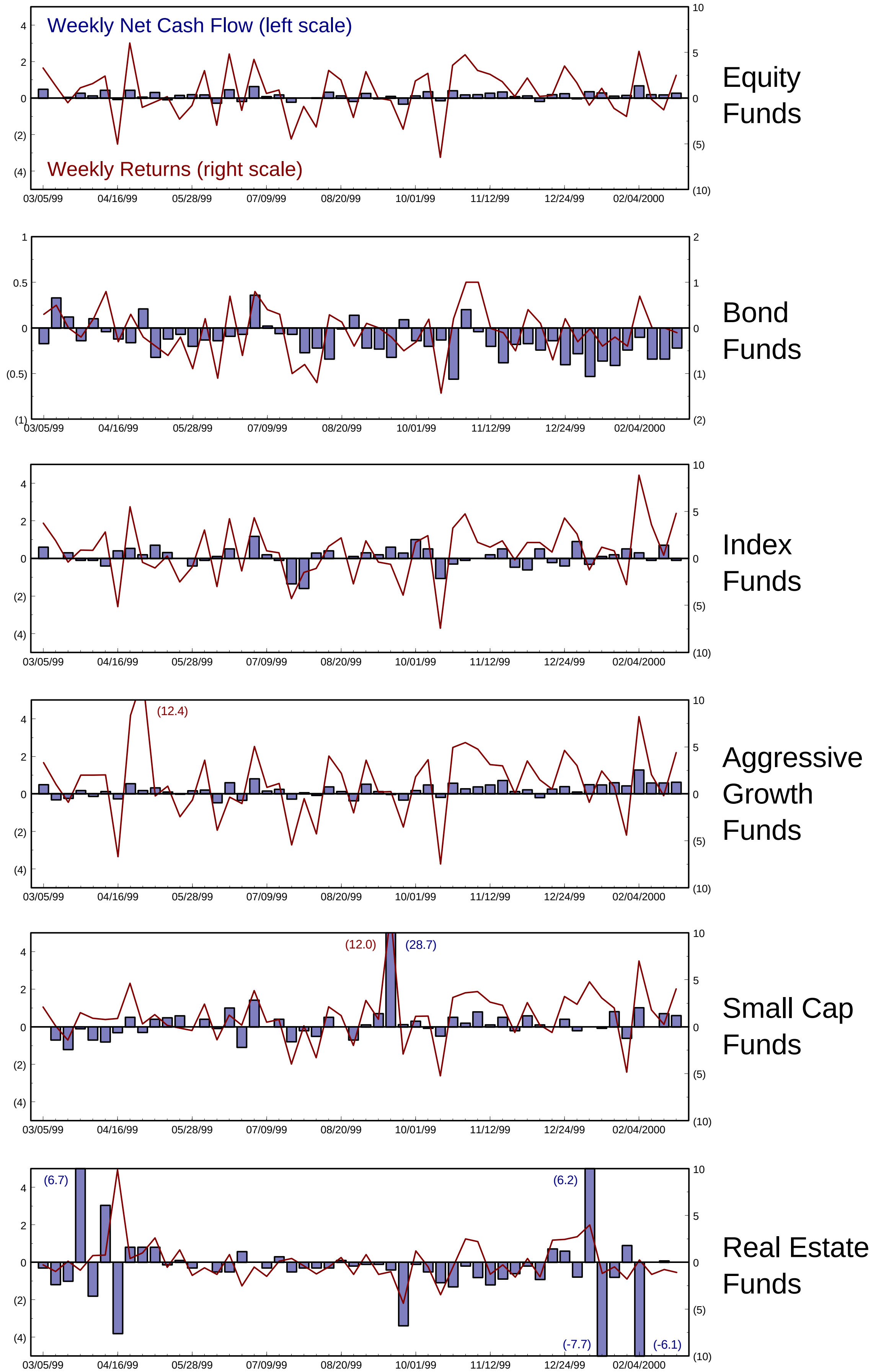


Source: Investment Company Institute

Figure 6a

Weekly Flows into Mutual Funds

(percent of Total Assets)

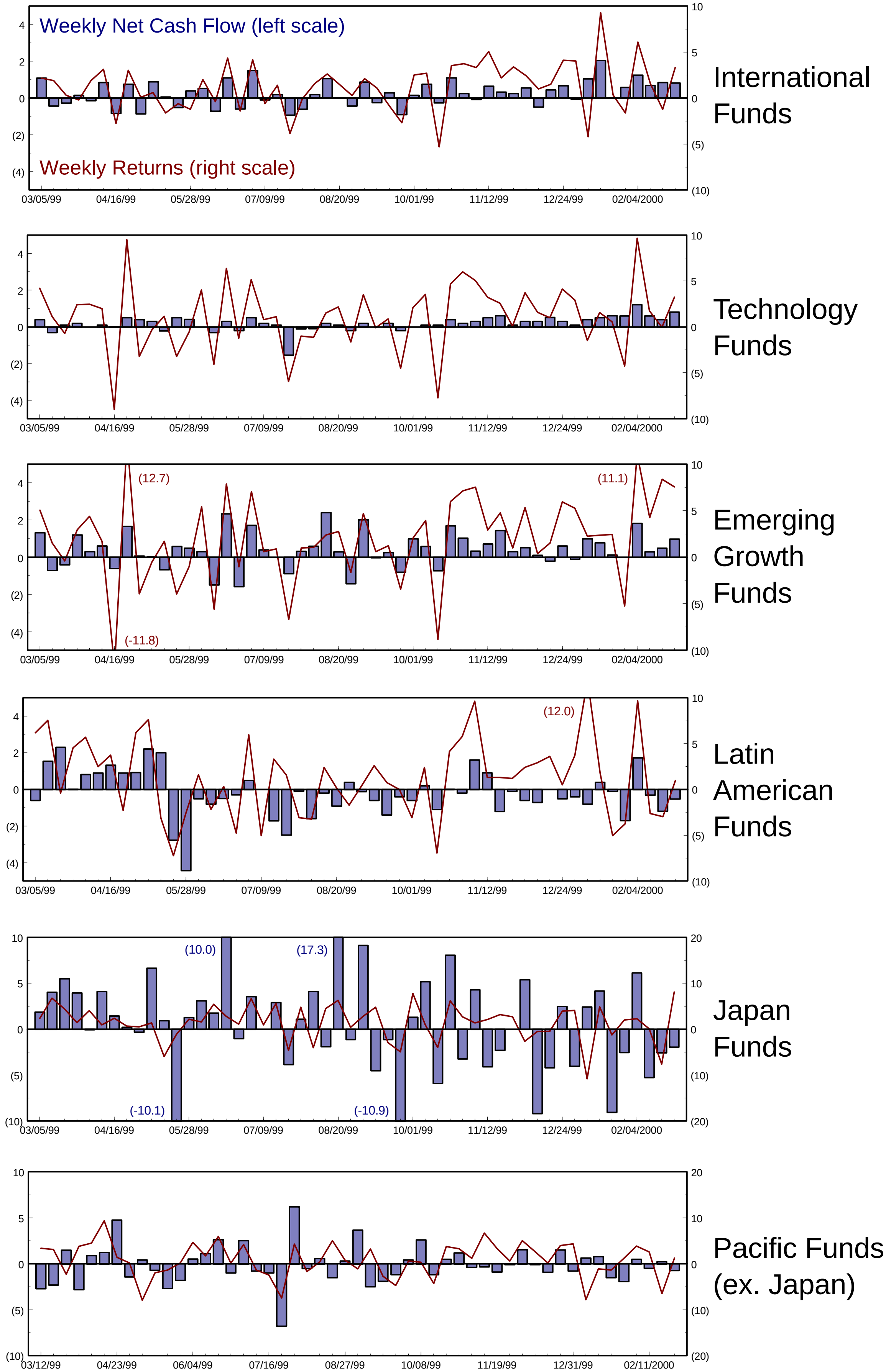


Source: Mutual Fund Trim Tabs

Figure 6b

Weekly Flows into Mutual Funds

(percent of Total Assets)

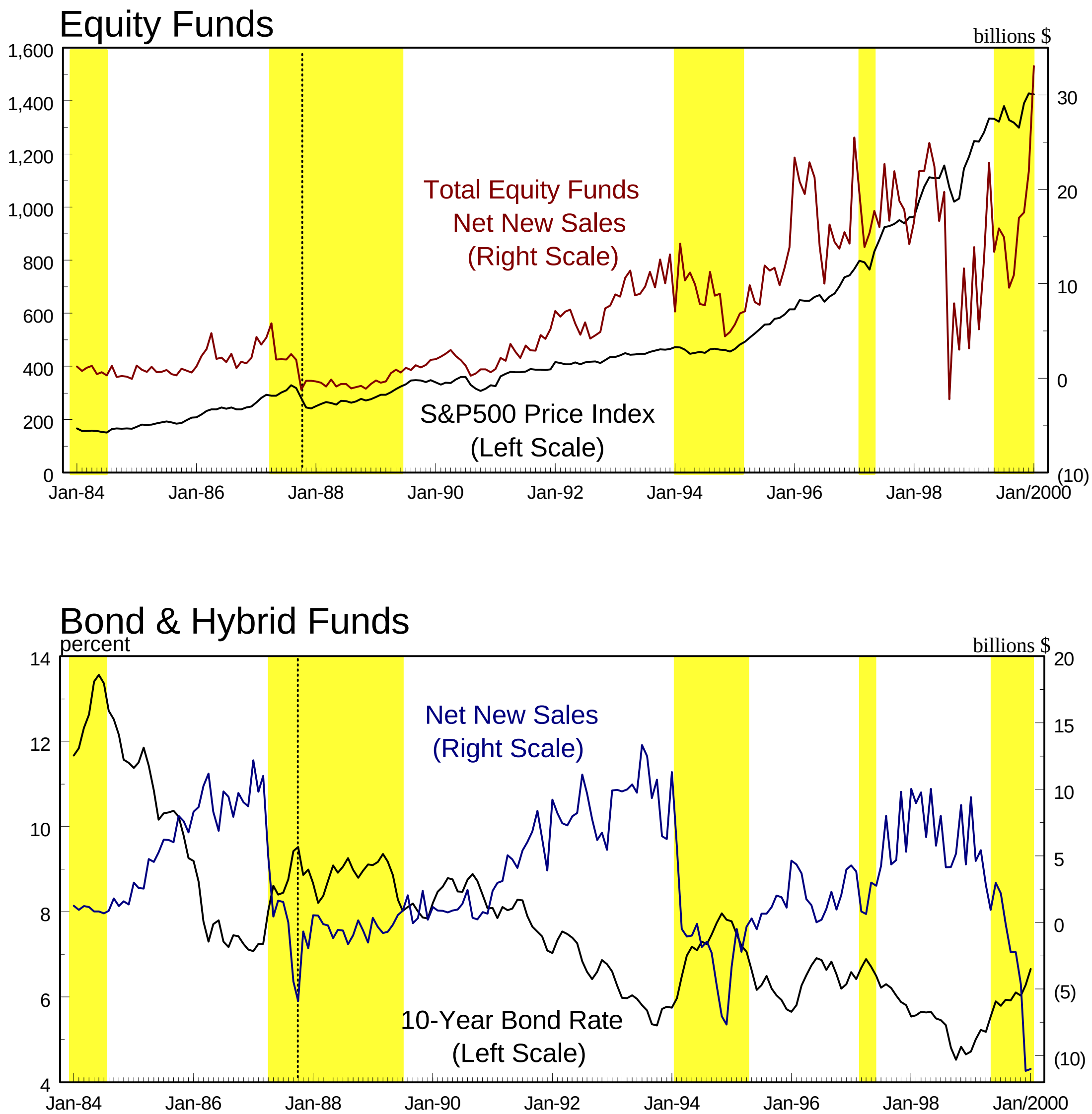


Source: Mutual Fund Trim Tabs

Figure 7

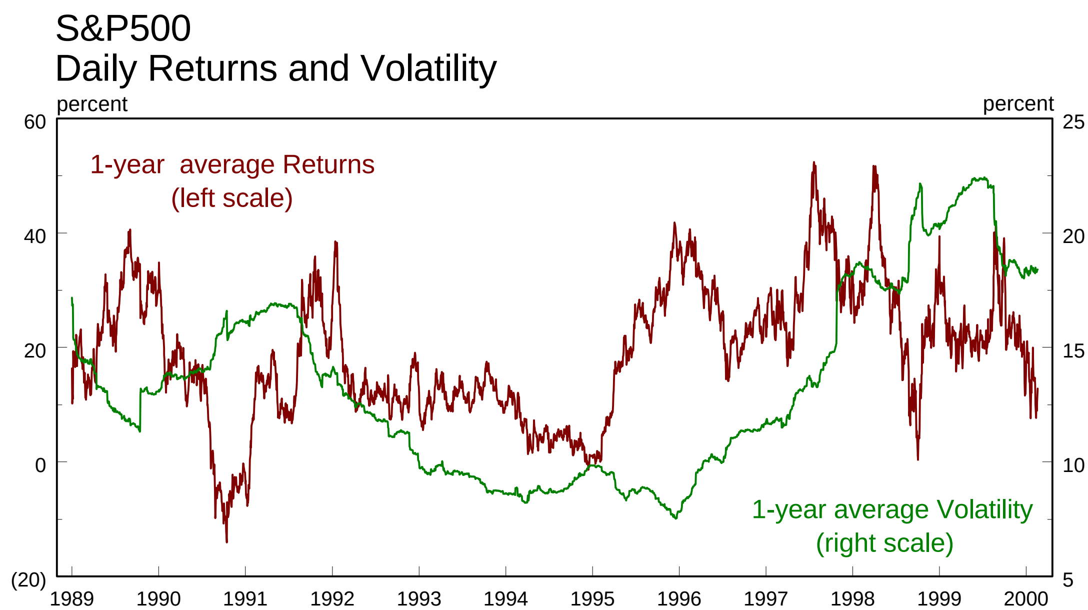
Net New Sales By Investment Objective

(Shaded Regions Indicate Periods of Rising Fed Funds Rate)



Source: Investment Company Institute

Figure 8
Capital Market Returns and Volatility



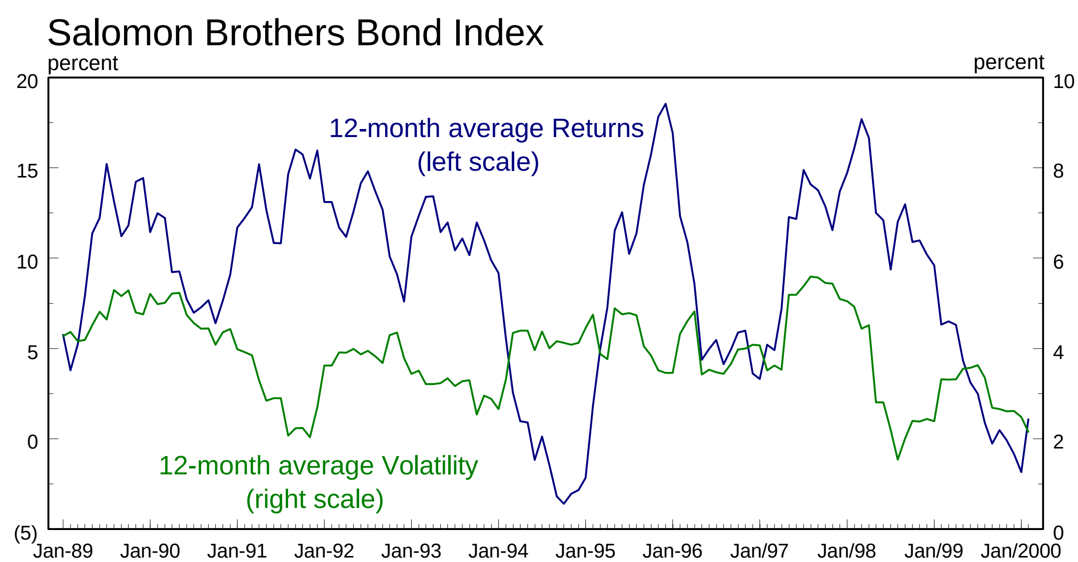
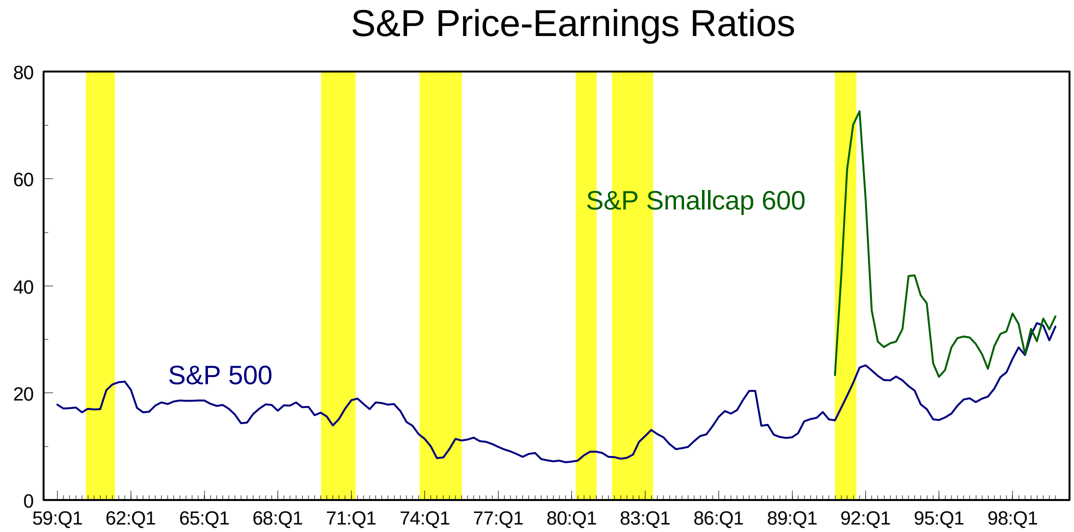
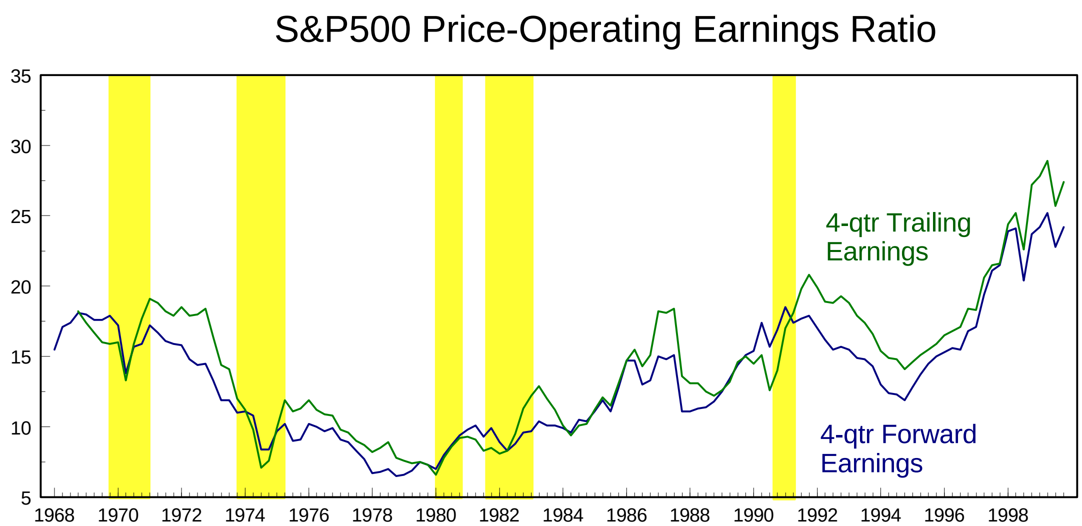
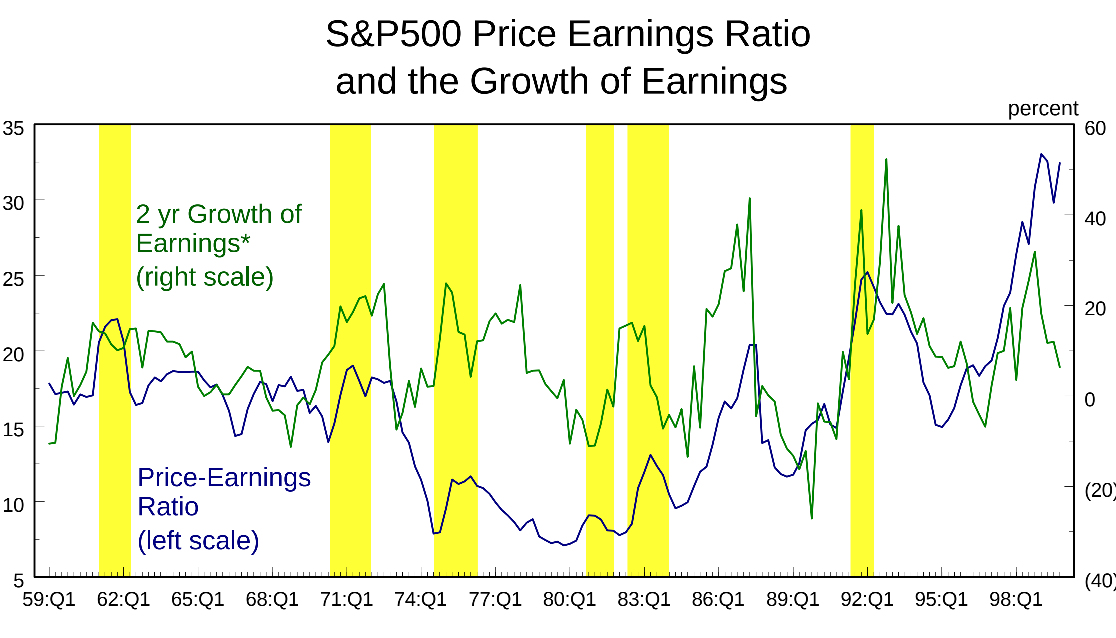


Figure 9







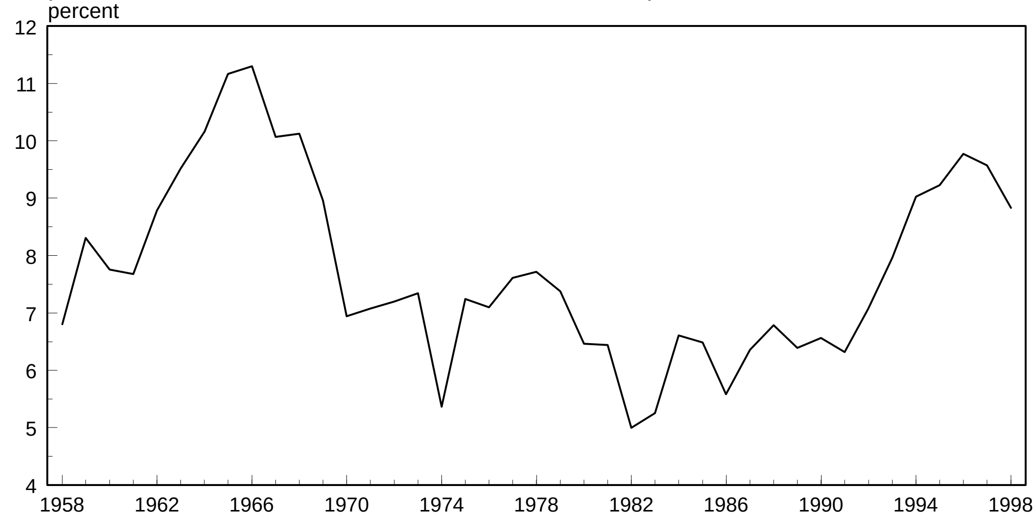
* Growth of earnings over subsequent 8 quarters. Current observations use forecast of earnings from macro projections.

source: First Call, DRI, Bloomberg

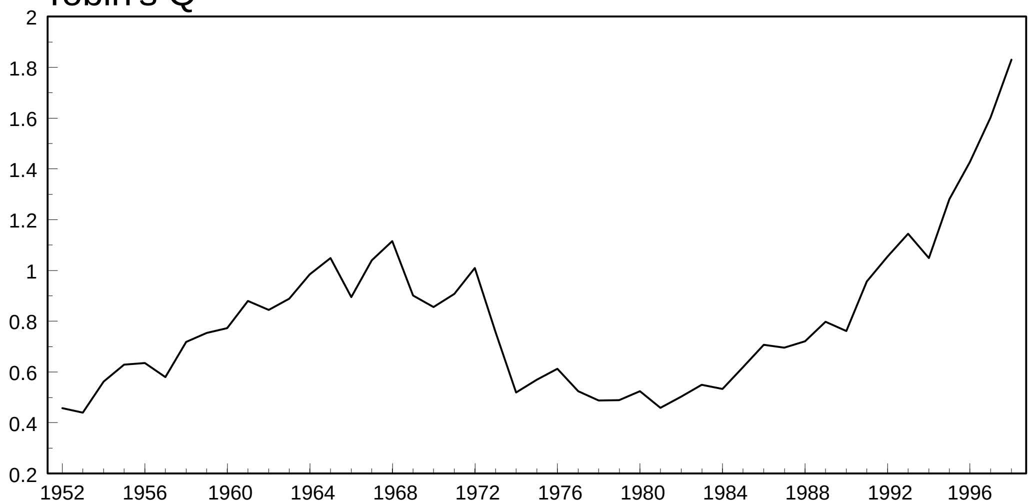
Figure 10

Real Rate of Return on Nonfinancial Corporate Equity

(from National Income and Flow of Funds Accounts)

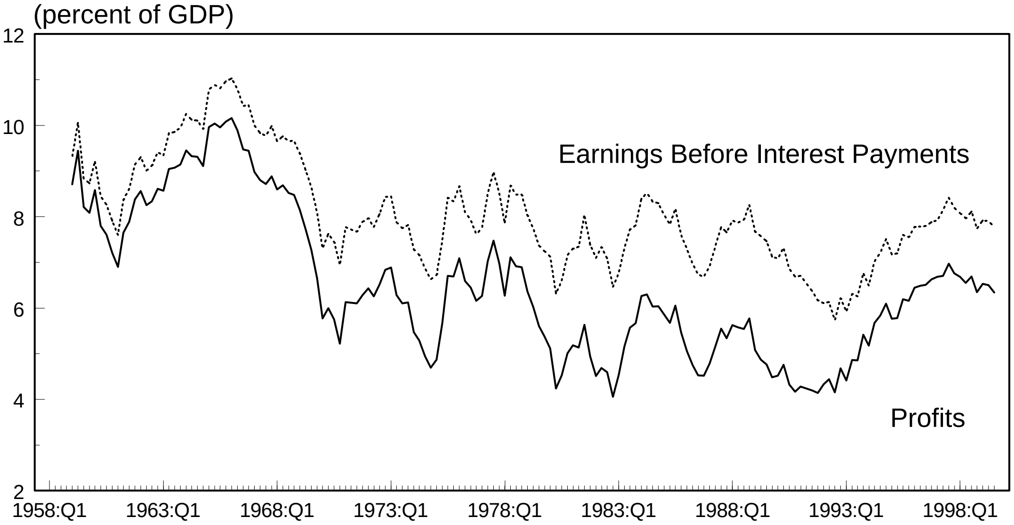


Tobin's Q*



Profits of Nonfinancial Corporations

(percent of GDP)



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