

March 7, 2001

Monthly Mutual Fund Report

Statistics for January 2001

Sales and Redemptions

Total assets for all funds increased \$265.1 billion, or 3.8 percent, to \$7.2 trillion in January. Net new cash flow into long-term mutual funds, the dollar value of net new sales and net exchanges, was \$34.4 billion, compared to \$9.3 billion in December. New sales, the purchase of new shares excluding reinvested dividends, were \$149.9 billion in January, up from \$122.4 billion in December. The value of assets appreciated by \$227.4 billion in January, compared with an increase of \$123.1 billion in December.

Total assets of **equity funds** increased by \$129.7 billion, or 3.3 percent, to \$4.1 trillion. Net cash flow into equity funds was \$24.6 billion compared with \$11.6 billion in December. The market value of assets appreciated by \$104.5 billion. Year-to-date cash flows are \$24.6 billion. During the same period in 2000, cash flows were \$44.5 billion.

Total assets for **hybrid funds**, which invest in a mix of stocks and bonds, increased 2.5 percent, or \$2.0 billion, to \$358.5 billion. In January, The net new cash flow to these funds was \$1.2 billion. Year-to-date, their net cash flows have been \$1.2 billion compared to an outflow of \$6.3 billion during the same period in 2000.

Bond funds experienced a cash inflow of \$8.6 billion in January, as their total assets rose by \$16.6 billion, to \$827.6 billion. The market value of bond funds assets increased by \$5.4 billion, after adjusting for net sales and reinvested dividends. The assets of tax-exempt funds decreased by 0.3 percent while the assets of taxable bond funds increased by 3.3 percent.

Assets of taxable and tax-exempt **money market funds** increased \$109.9 billion, to \$1.9 trillion, an increase of 6.8 percent for taxable money market funds and 0.6 percent for tax-exempt funds.

Liquidity Ratio

The liquidity ratio decreased for both bond and hybrid and equity funds during January. The ratio for bond and hybrid funds decreased from 4.4 to 4.2 percent, while the ratio for equity funds decreased from 5.8 to 5.6 percent (figure 4).



Weekly Flows

In February, there were outflows from equity funds of 0.1 percent of total assets with returns of -13.1 percent. Bond funds had inflows of 0.7 percent and returns of -1.0 percent for the month.

Flows to domestic sector equity funds moved commensurately with the aggregate, but with greater volatility. Index funds had monthly outflows of 0.4 percent and losses of 21.3 percent. Aggressive growth funds had outflows of 0.1 percent and losses of 16.2 percent.

There were outflows from international funds in January of 1.0 percent of assets and losses of 11.3 percent. Latin America funds had outflows of 1.7 percent and losses of 5.9 percent. Japan funds had outflows of 5.1 percent and losses of 7.6 percent of assets for the month of February.

Capital Market Returns and Volatility

The S&P 500 ended February at 1239.94, a decrease of 9.2 percent from the beginning of the month. The 12-month return was -11.4 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 13.4 percent for February. Volatility remained at 2.5 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 has climbed to 17.3 percent, above its historical average annual growth rate. The trailing price-earnings ratio decreased to 23.2 for the fourth quarter from 25 in the third quarter, while the forward price-earnings ratio remained at 23.2.

Figure 1
Sales of Mutual Funds

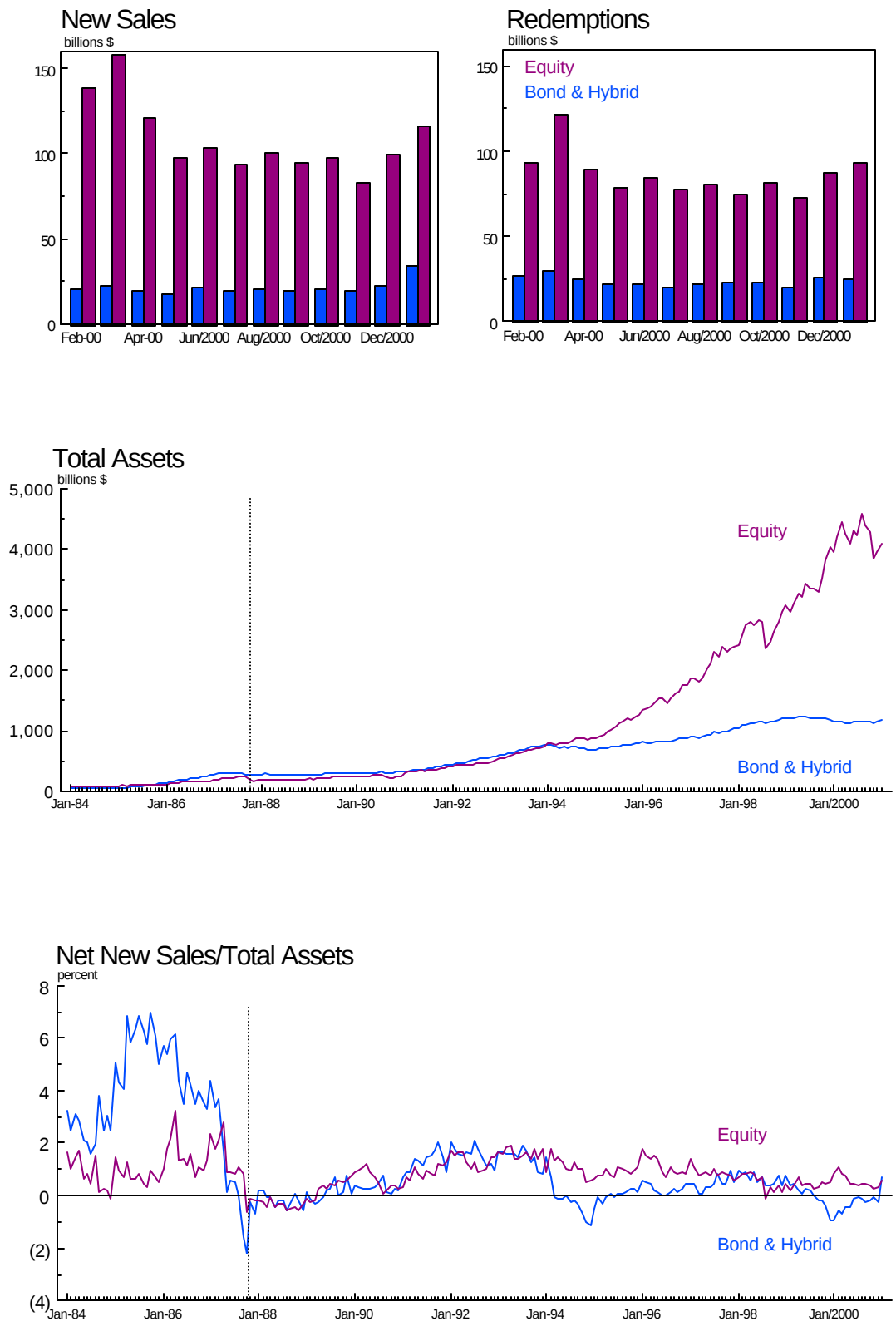


Figure 2

Composition of Mutual Funds' Financial Assets

(percent of Total Financial Assets)

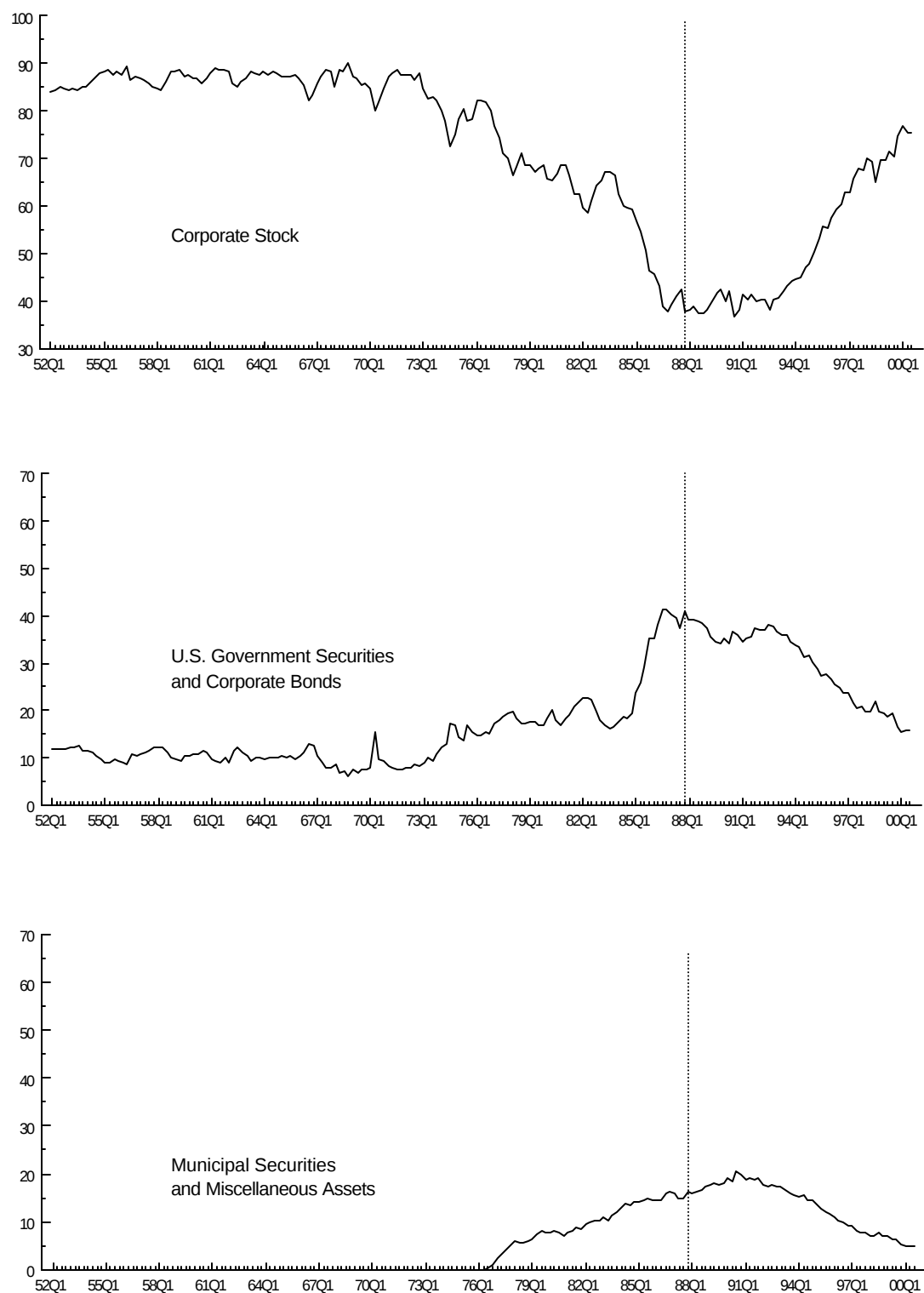


Figure 3

Net Portfolio Purchases

(percent of Total Assets)

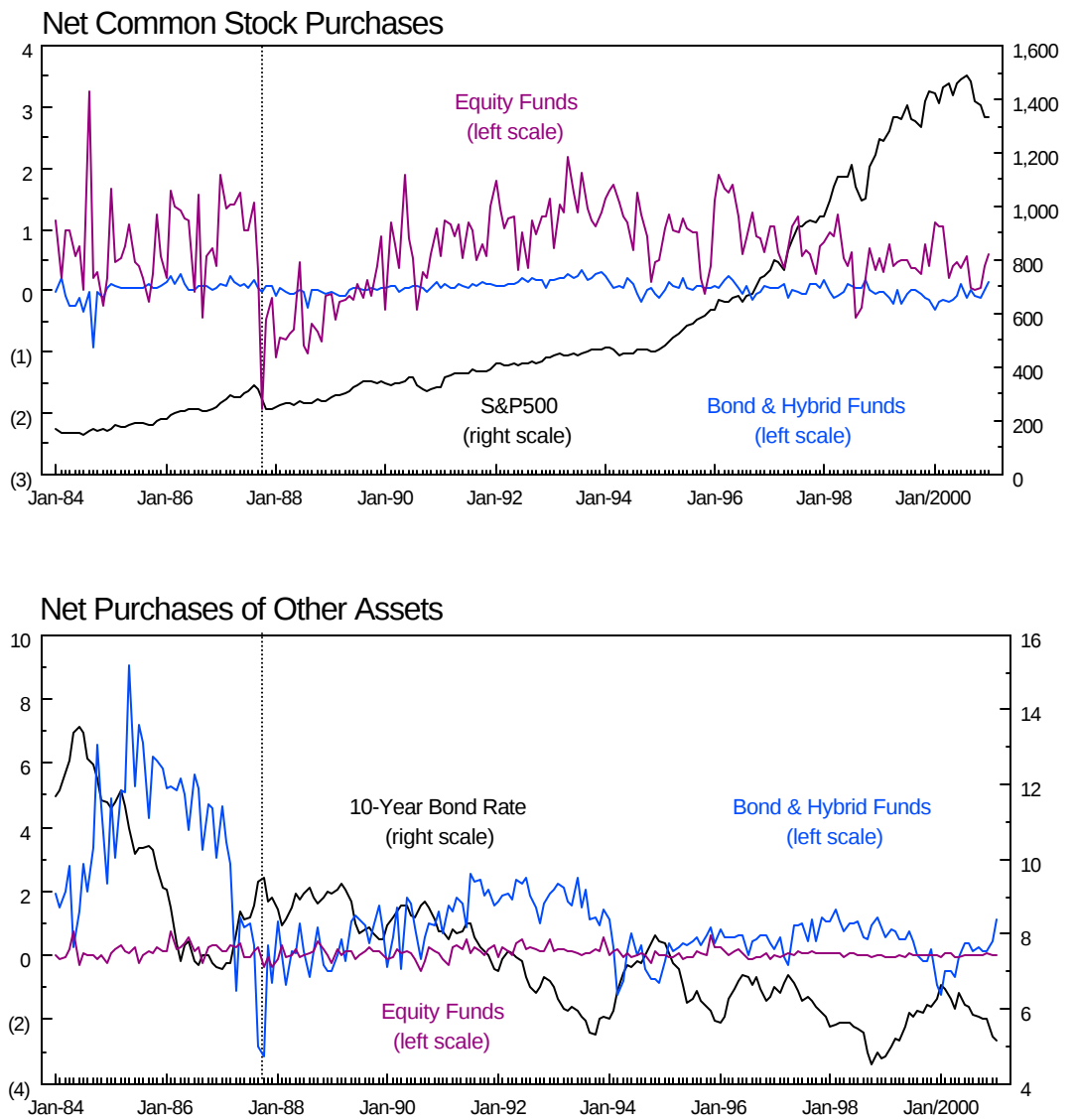
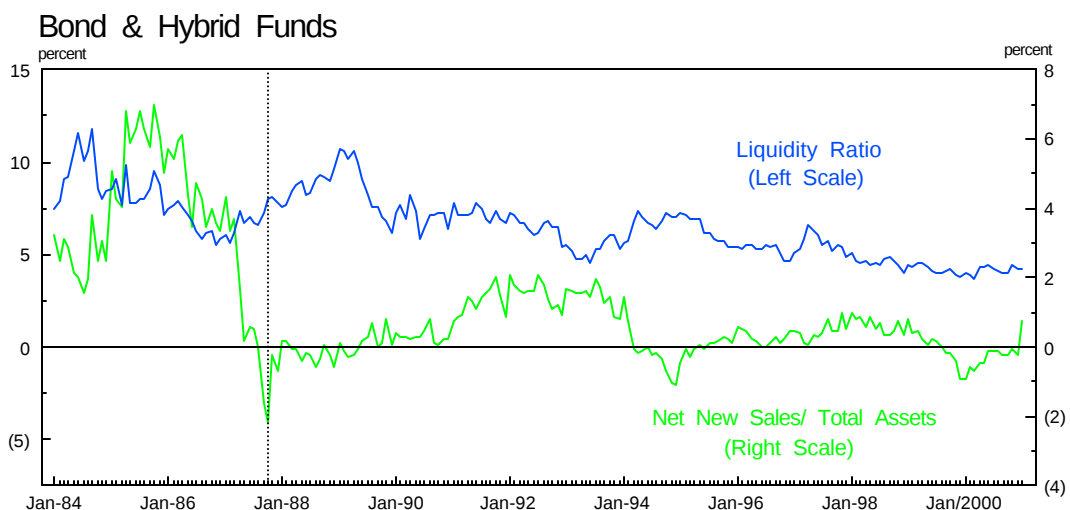
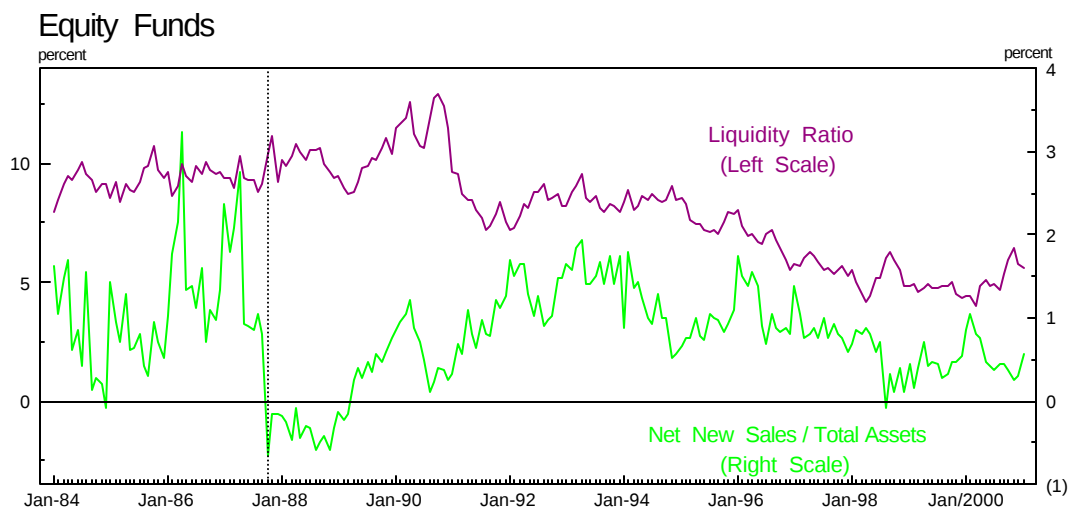
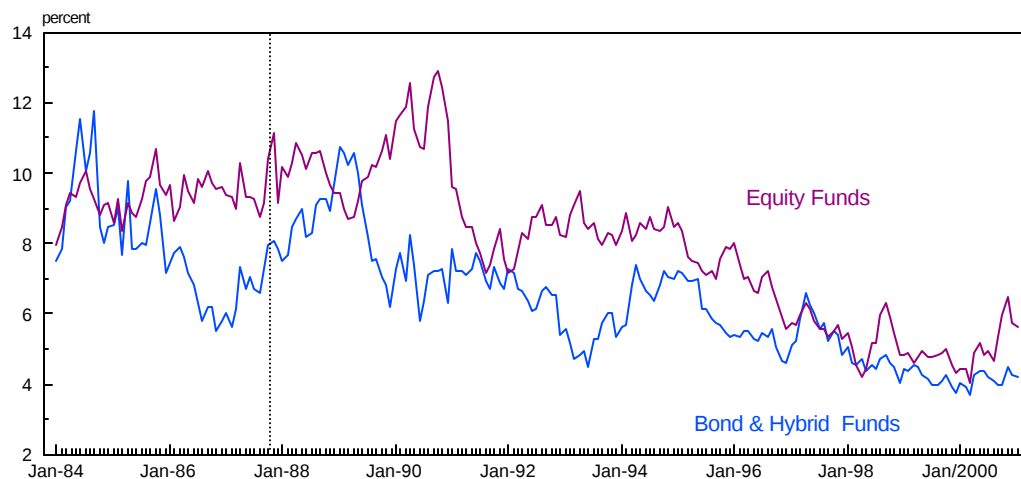


Figure 4
Liquidity Ratio*



*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)

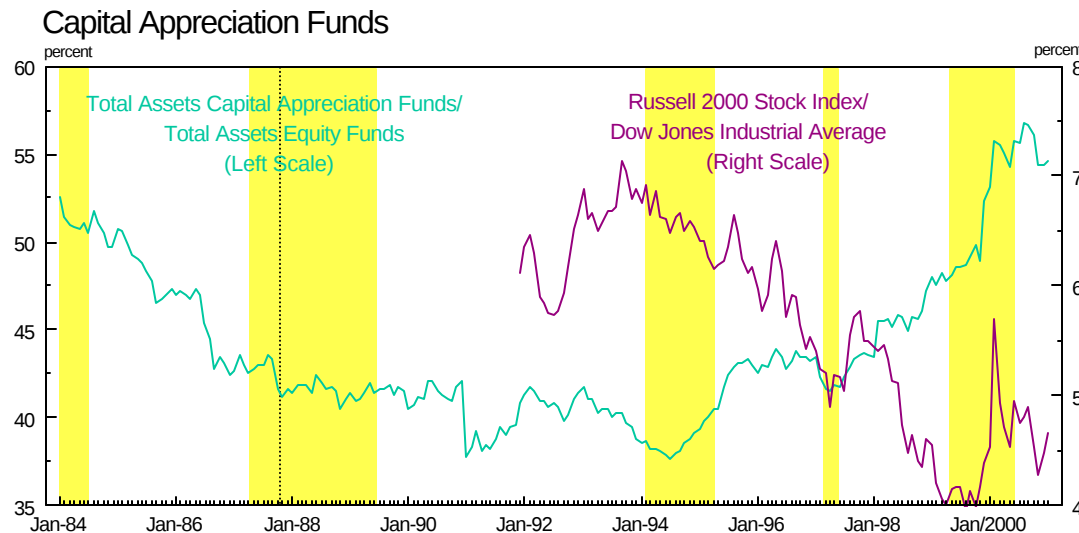
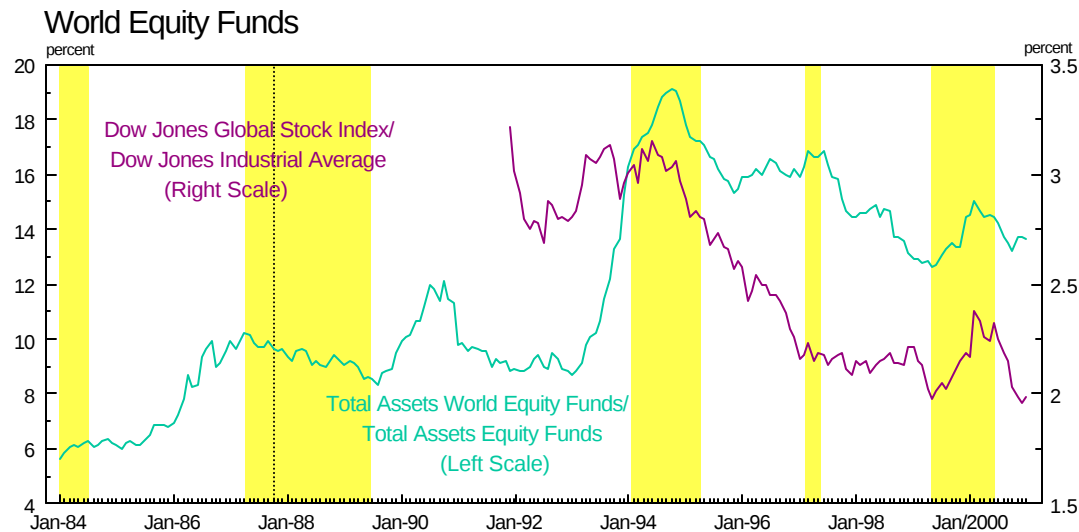
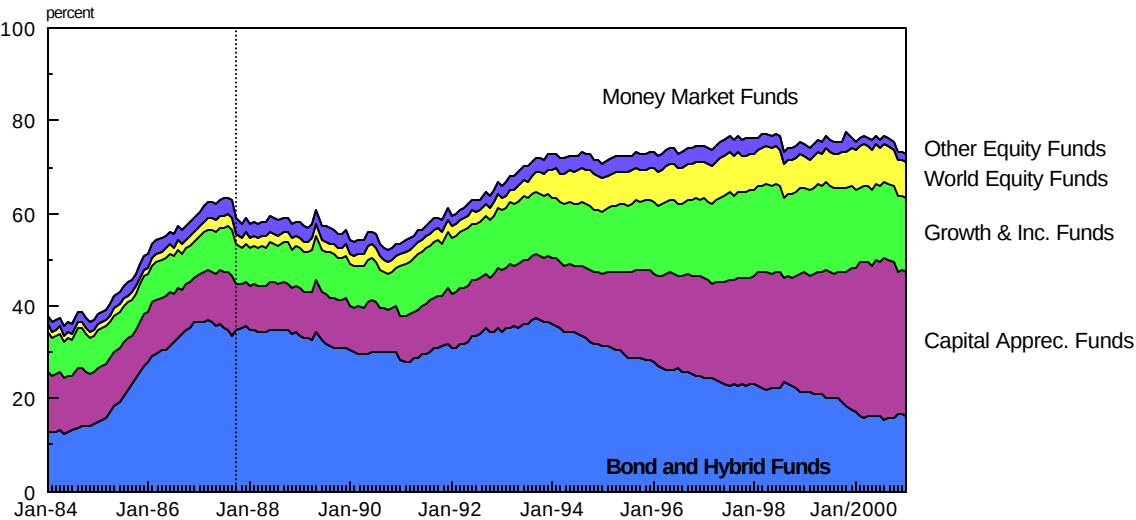


Figure 6a
Weekly Flows into Mutual Funds
(percent of Total Assets)

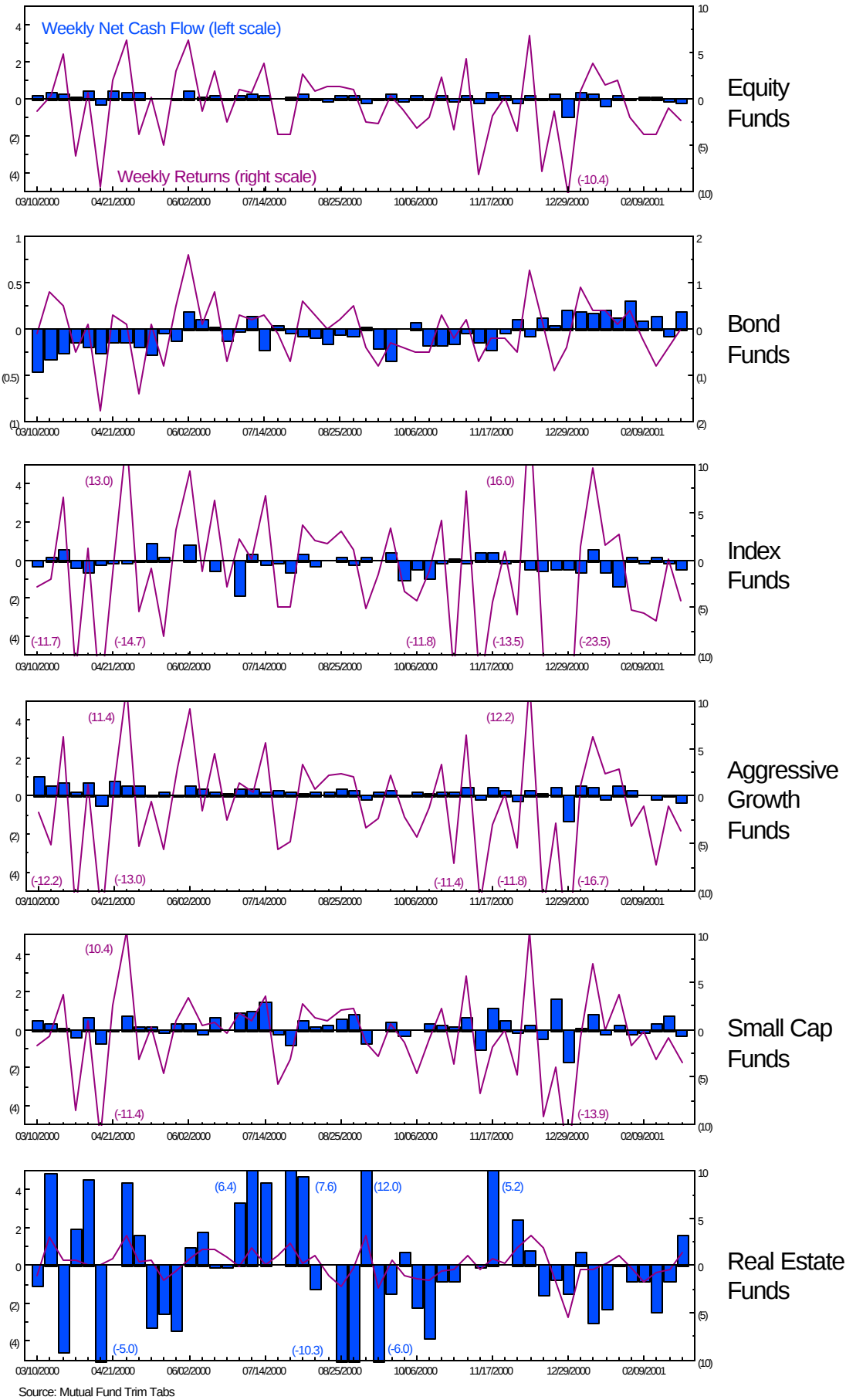
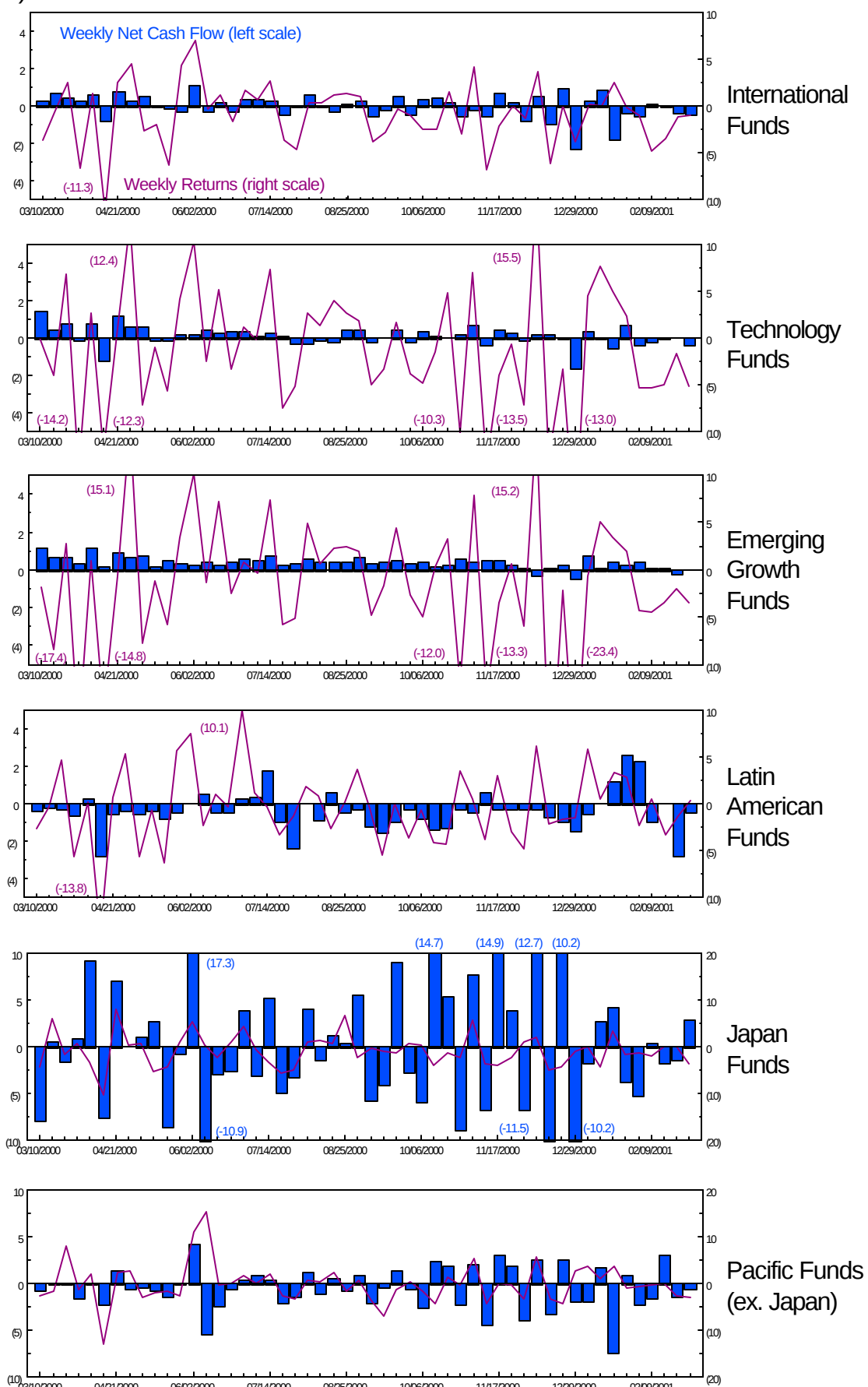


Figure 6b

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)

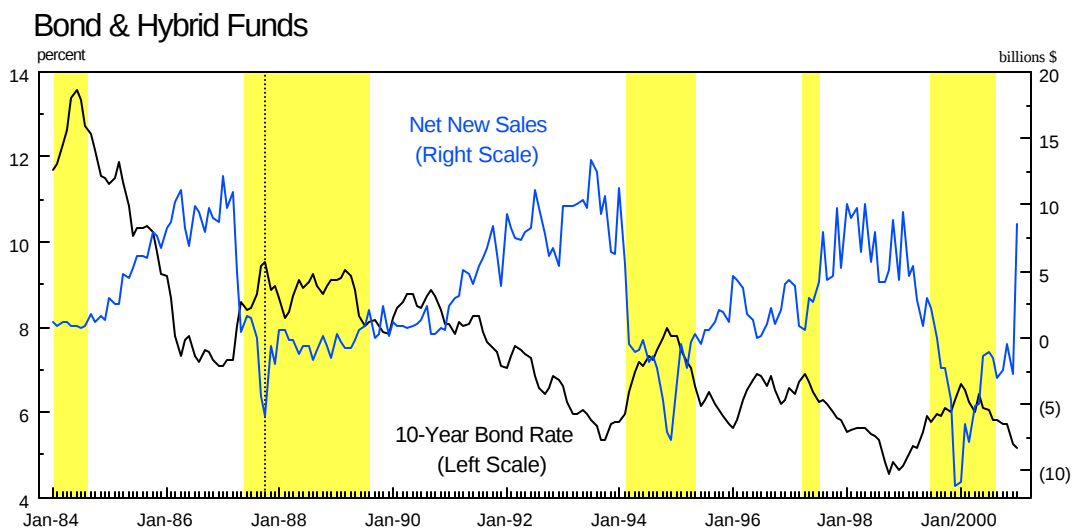
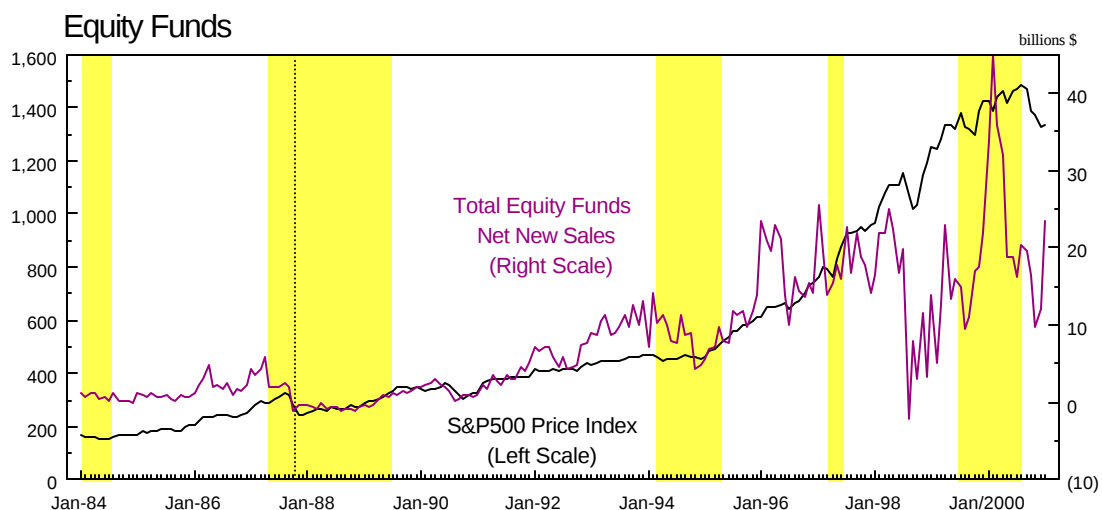


Figure 8
Capital Market Returns and Volatility

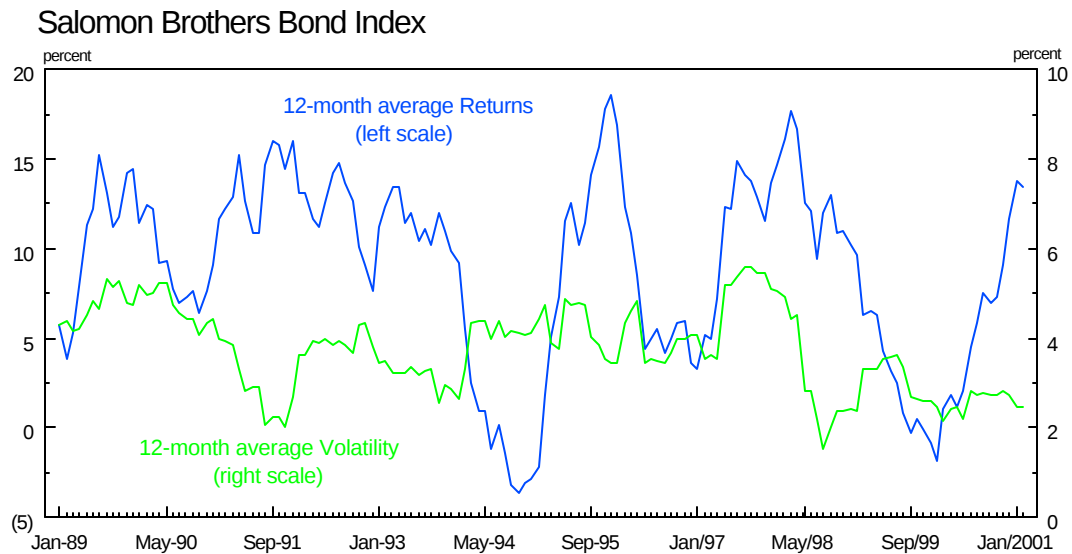
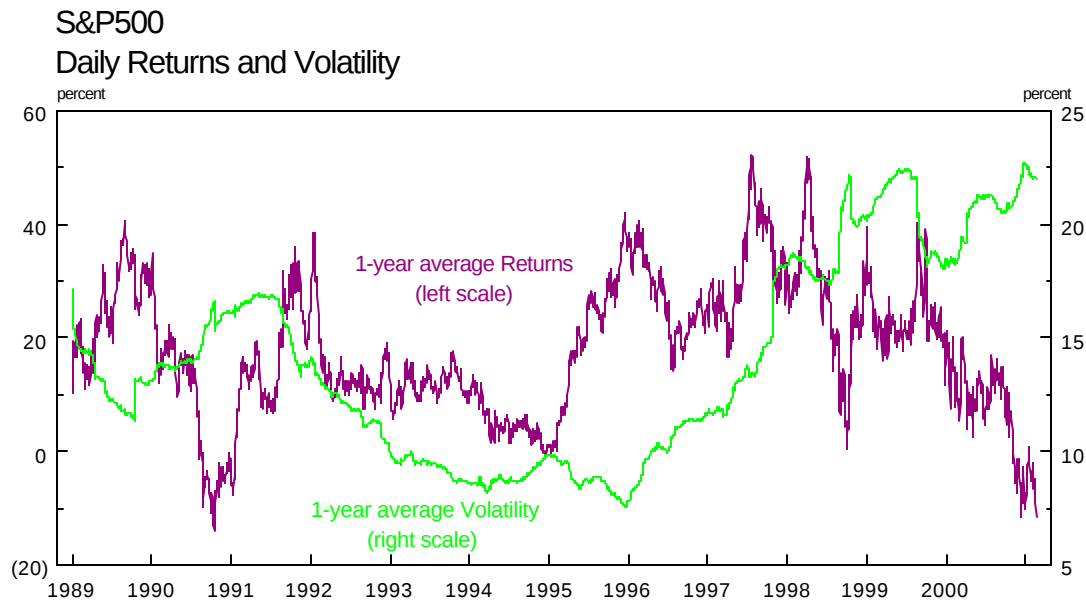
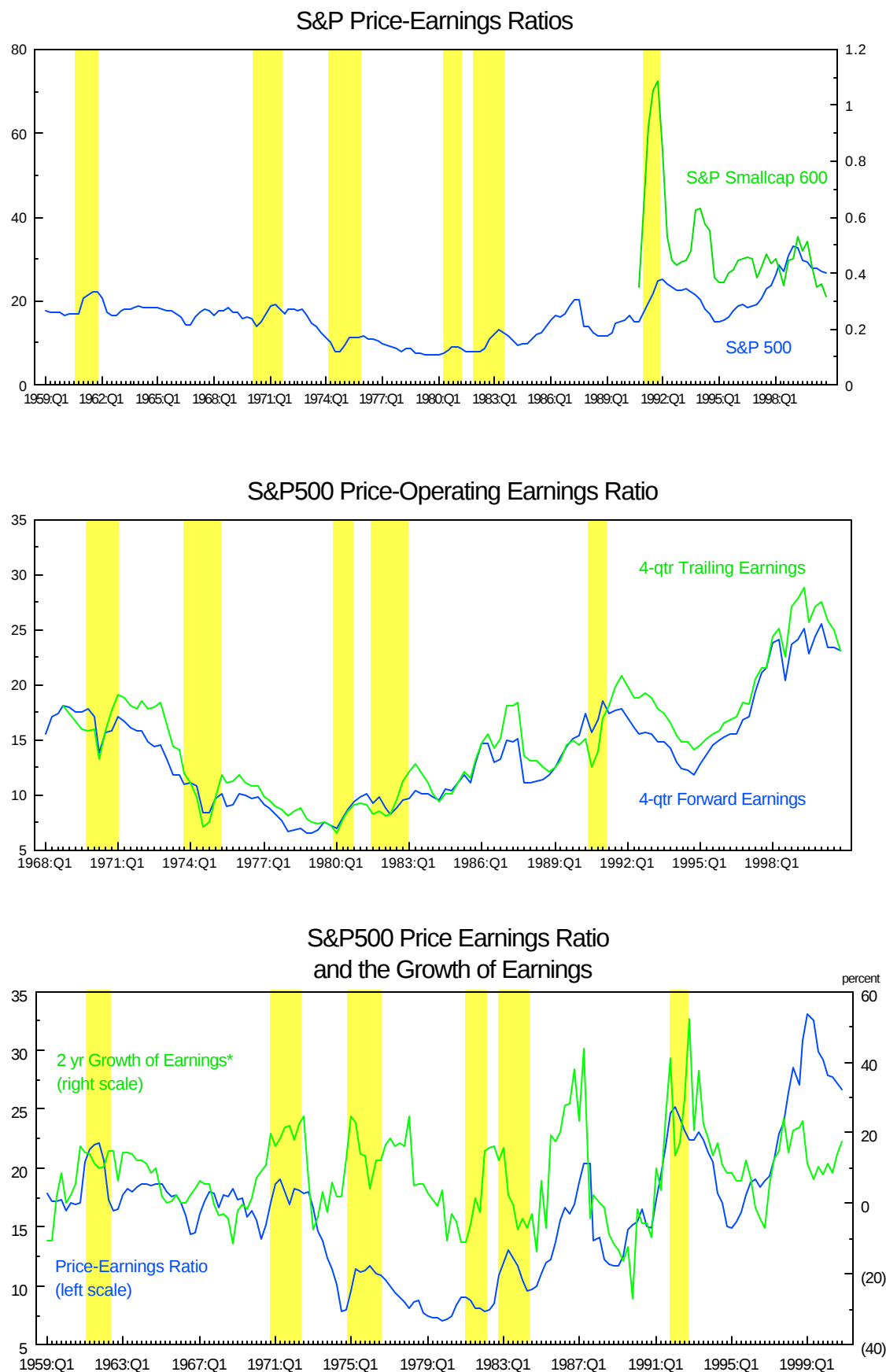
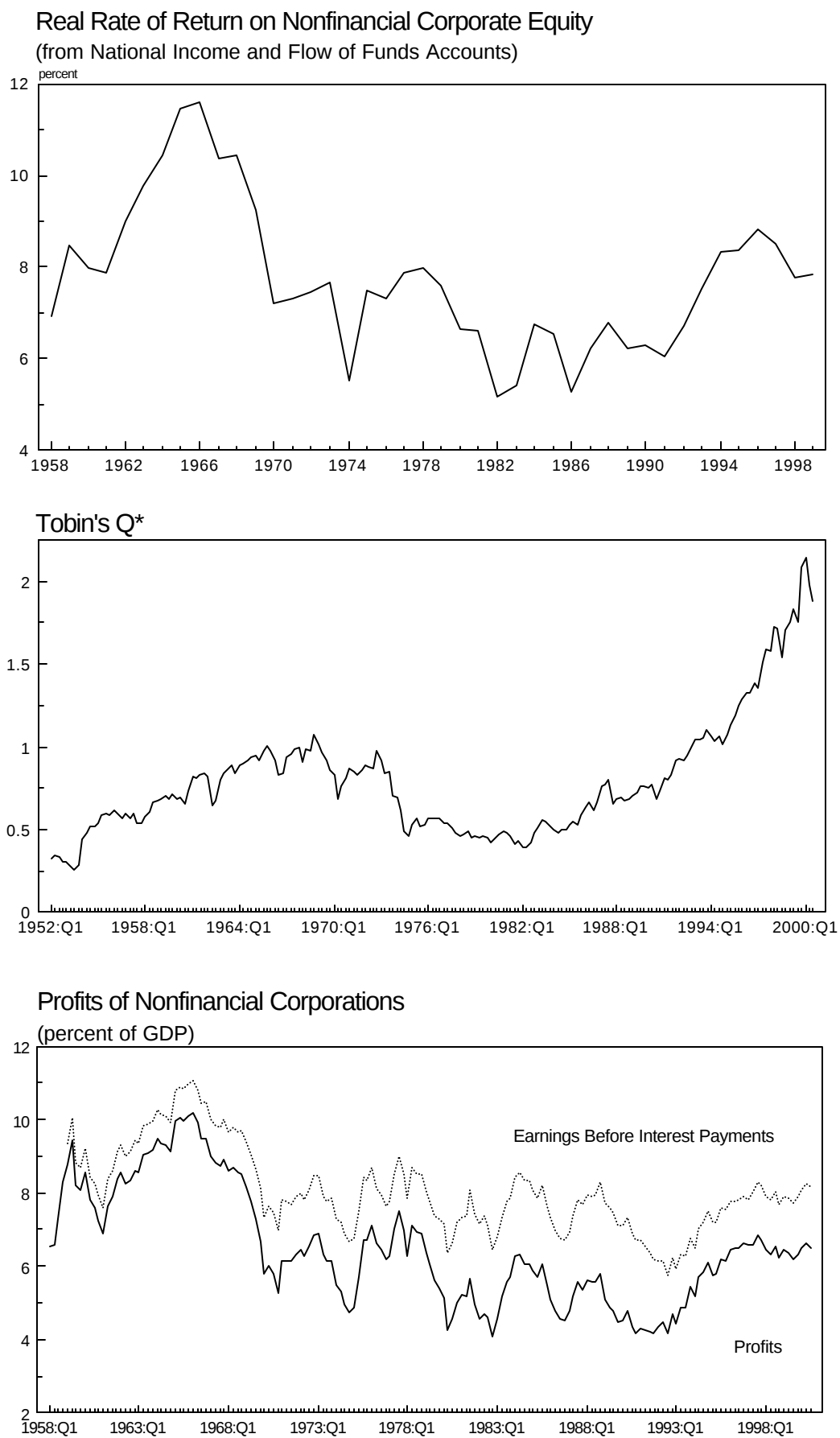


Figure 9



* Growth of earnings over subsequent 8 quarters. Current observations use forecast of earnings from macro projections.
source: First Call, DRI, Bloomberg

Figure 10



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