March 8, 2002

Monthly Mutual Fund Report

Statistics for January 2002

Sales and Redemptions

Total assets for all funds decreased in January by $7.0 billion, or 0.1 percent, to $7.0 trillion. Money market funds had a net cash inflow of $14.0 billion compared to an outflow in December of $25.4 billion. Other funds (equity, hybrid, and bond) had a net cash inflow of $32.4 billion, compared to an inflow of $2.1 billion in December. New sales of non-money market funds, the purchase of new shares excluding reinvested dividends, were $130.1 billion in January, up from $114.5 billion in December. The value of non-money market assets depreciated by $58.6 billion in January, following an appreciation of $40.7 billion in December.

Total assets of **equity funds** decreased by $45.9 billion, or 1.3 percent, to $3.37 trillion. There was a $19.6 billion net cash inflow to equity funds in January, compared with an inflow of $2.9 billion in December and a $24.9 billion inflow in January 2001. The market value of assets depreciated by $65.6 billion.

Total assets for **hybrid funds**, which invest in a mix of stocks and bonds, increased 0.1 percent, or $0.3 billion, to $346.6 billion. In January, there was a $2.2 billion net cash inflow for these funds, comparable to the inflow of $2.5 billion in January of last year.

Bond funds experienced a cash inflow of $10.6 billion, while their total assets increased by $22.0 billion, to $947.1 billion. The market value of bond funds assets increased by $8.9 billion, after adjusting for net sales and reinvested dividends. The assets of tax-exempt funds increased by 1.7 percent while the assets of taxable bond funds increased by 2.7 percent. During January 2001, there was a $9.0 billion net cash inflow into bond funds.

Assets of taxable and tax-exempt **money market funds** increased $16.6 billion, to $2.30 trillion, an increase of 0.7 percent for taxable money market funds and an increase of 0.9 percent for tax-exempt funds. After a net cash inflow of $103.5 billion in January 2001, money market funds had an inflow of $14.0 billion in January of this year.

Liquidity Ratio

The liquidity ratio for bond and hybrid funds increased from 3.9 to 4.4 percent, while the ratio for equity funds increased from 5.0 to 5.4 percent (figure 4).

Weekly Flows

In February, there were outflows from equity funds of 0.2 percent of total assets with losses of 3.1 percent. Bond funds had inflows of 0.01 percent and losses of 1.0 percent for the month.

Index funds had monthly outflows of 0.5 percent and losses of 5.9 percent. Aggressive growth funds had monthly inflows of 0.2 percent and losses of 3.8 percent. Small-cap funds had inflows of 1.1 percent and losses of 1.7 percent.

There were outflows from international funds in January of 0.4 percent of assets and losses of 2.3 percent. Latin America funds had outflows of 0.3 percent and returns of 1.7 percent. Japan funds had outflows of 1.6 percent and returns of 0.5 percent of assets for the month of February. Pacific funds that do not invest in Japan had outflows of 0.9 percent and losses of 2.4 percent of assets.

Capital Market Returns and Volatility

The S&P 500 ended February at 1106.73, a decrease of 2.1 percent from the beginning of the month. The 12-month return was 10.0 percent at month-end. The annualized volatility for the daily return on the S&P 500 was 20.9 percent.

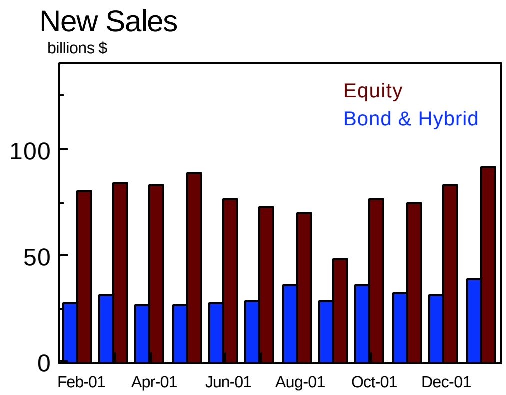
The 12-month average return on the Citigroup (formerly Solomon Brothers) Bond Index was 7.7 percent for February. Volatility increased to 3.51 percent (figure 8).

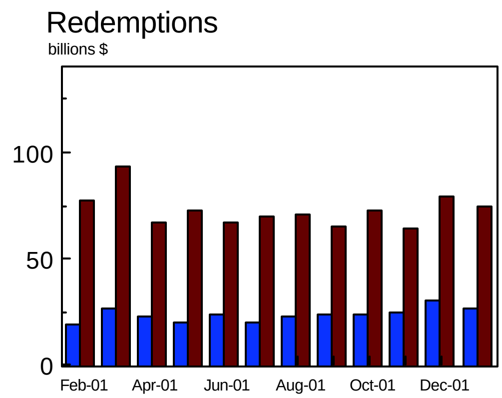
Price-Earnings Ratio

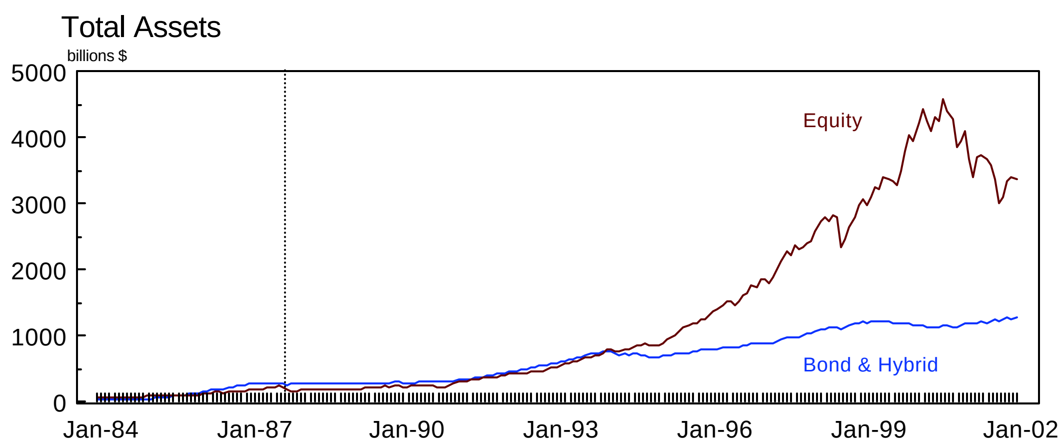
The macro projections for the growth of earnings of the Standard and Poor’s 500 index over the next two years have decreased to 18.3 percent, but remain above the 6.1 percent historical average annual growth rate. The trailing price-operating earnings ratio increased to 26.2 for the first quarter from 25.4 in the fourth quarter of 2001, while the forward price-operating earnings ratio decreased from 23.7 in the fourth quarter to 22.0 during the first quarter of 2002 (figure 9). During the fourth quarter the price-earnings ratio for the Standard and Poor's Small-Cap 600 Index increased to 44.9 from 29.8.

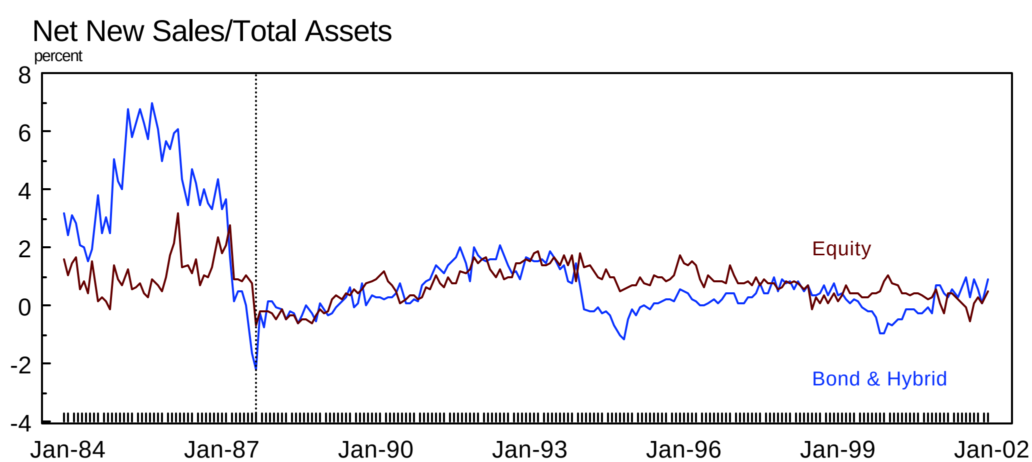
For more information please contact Matthew S. Rutledge (617) 973-3198

Figure 1
Sales of Mutual Funds









Source: Investment Company Institute

Figure 2

Composition of Mutual Funds' Financial Assets

(percent of Total Financial Assets)

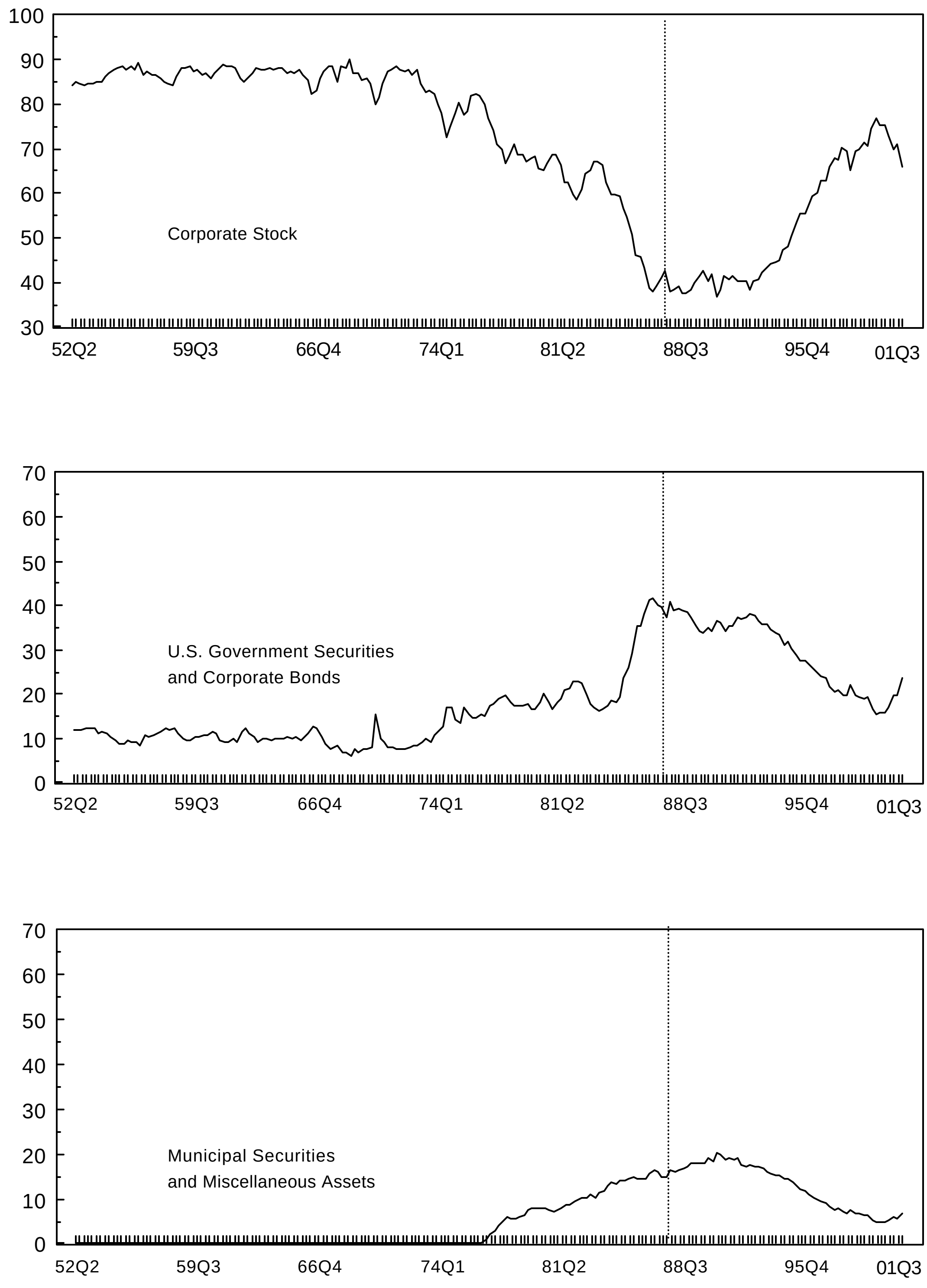
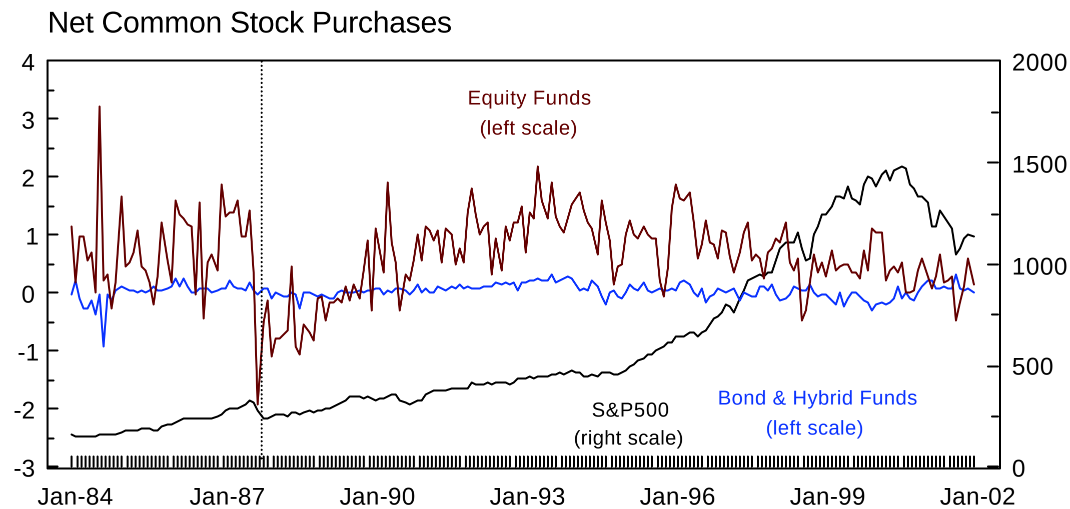


Figure 3

Net Portfolio Purchases

(percent of Total Assets)



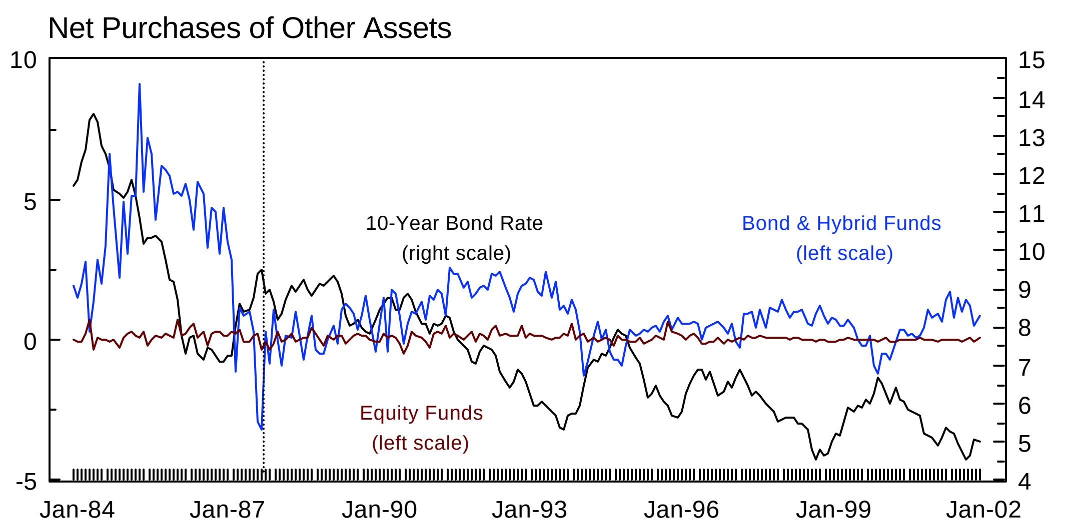
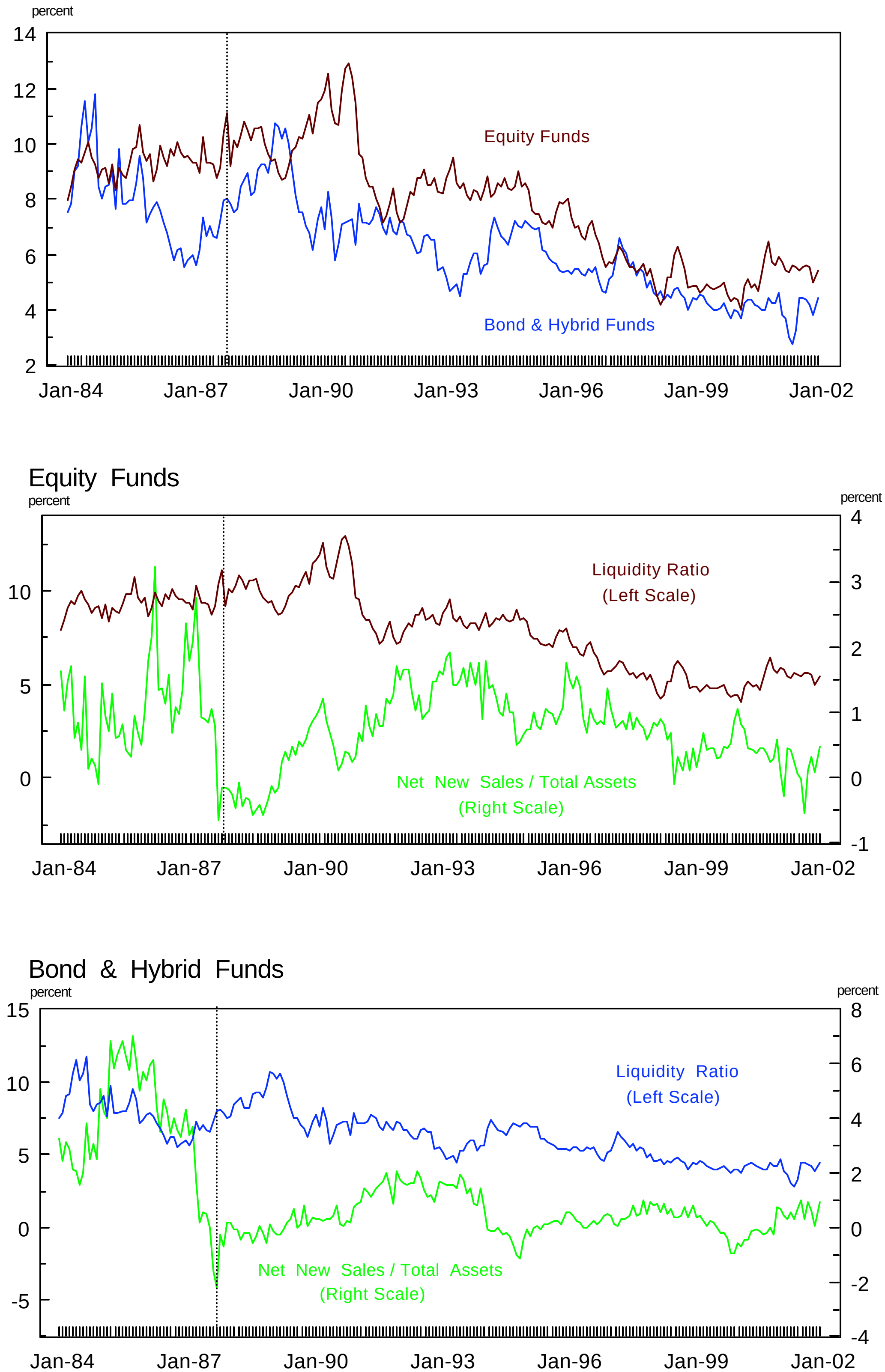


Figure 4

Liquidity Ratio*



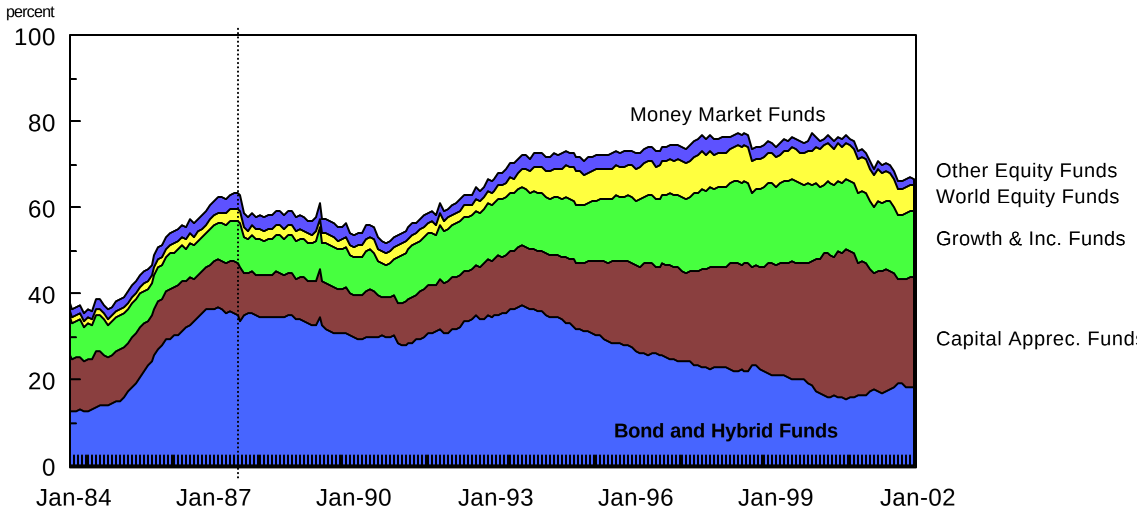
*The Liquidity Ratio is the Percent of Total Assets held in Cash and Short-Term Securities.

Source: Investment Company Institute

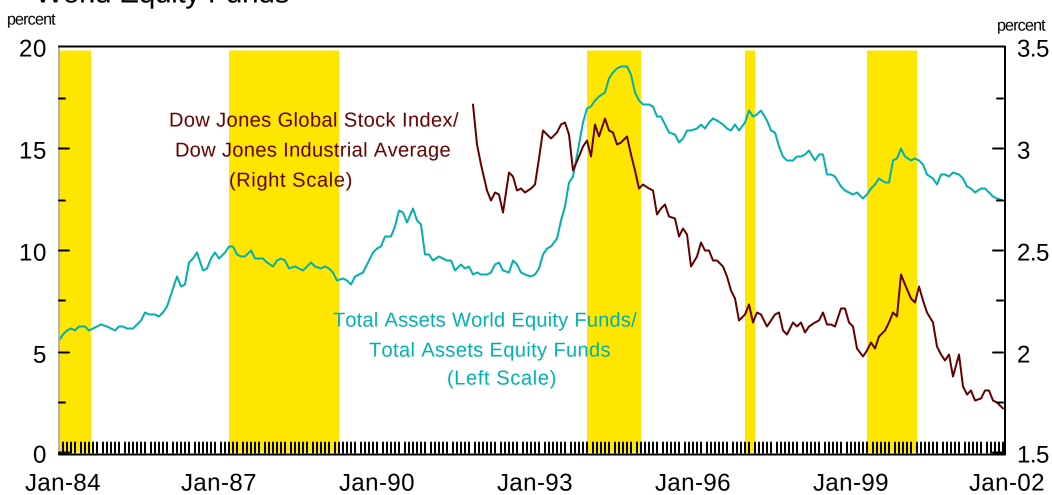
Figure 5

Industry Composition

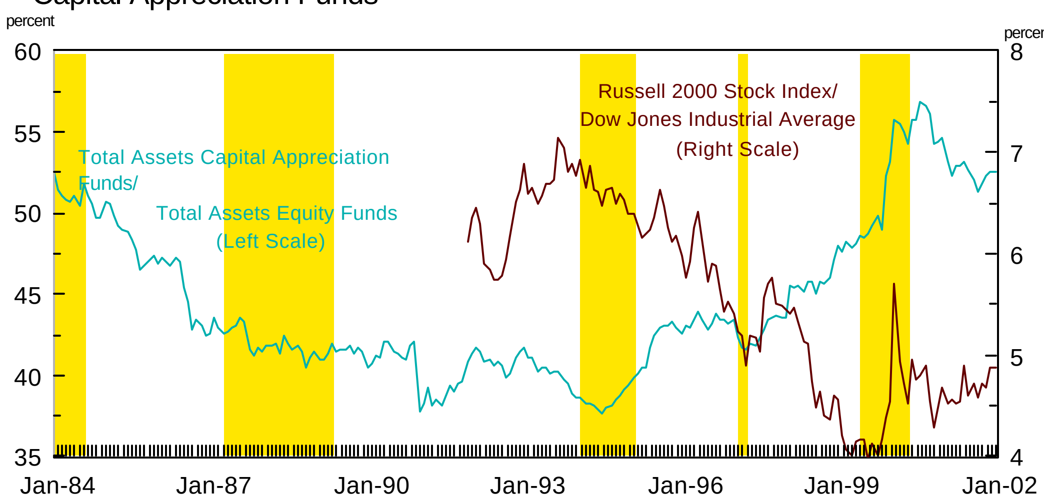
(Shaded Regions Indicate Periods of Rising Fed Funds Rate)



World Equity Funds



Capital Appreciation Funds

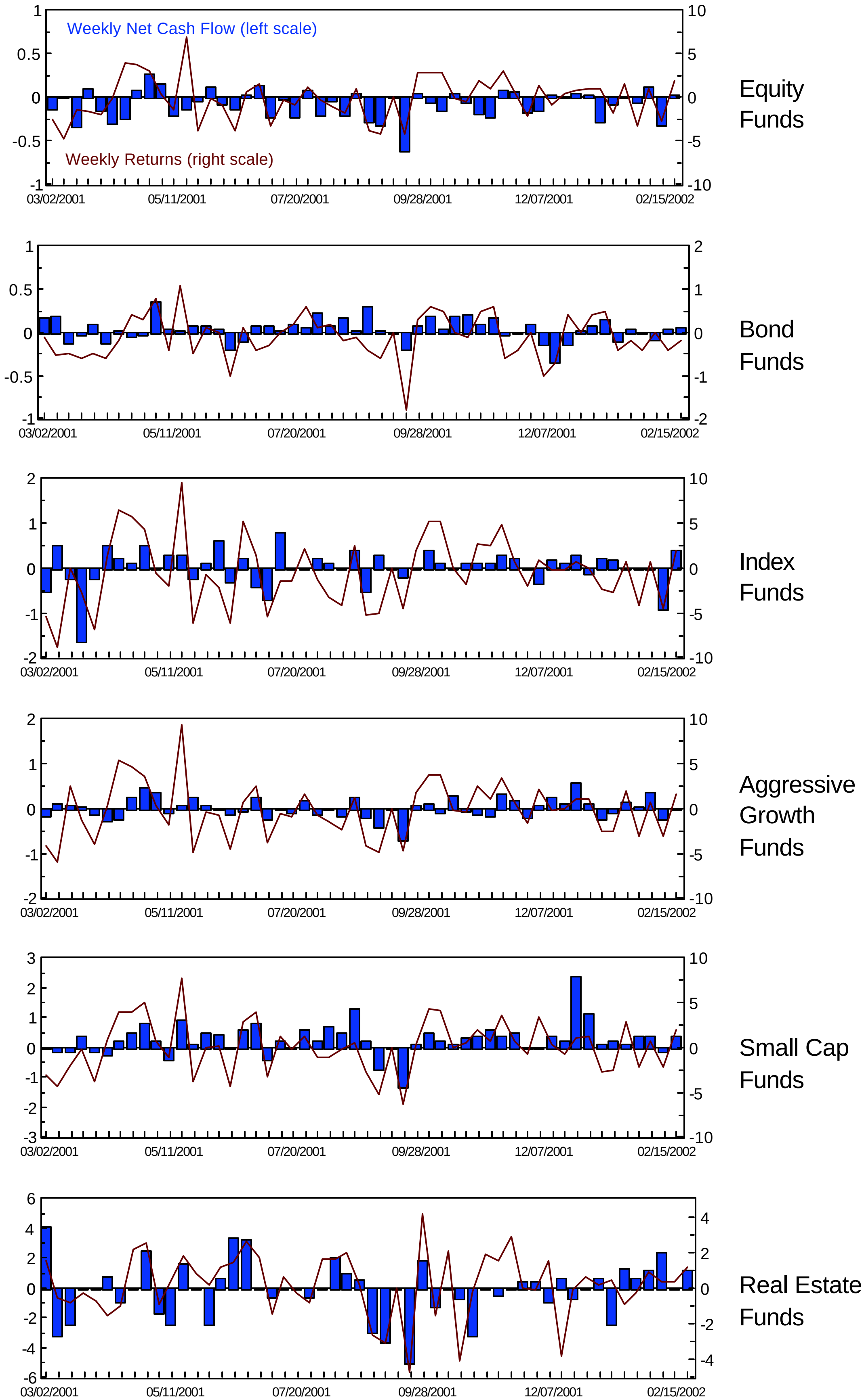


Source: Investment Company Institute

Figure 6a

Weekly Flows into Mutual Funds

(percent of Total Assets)

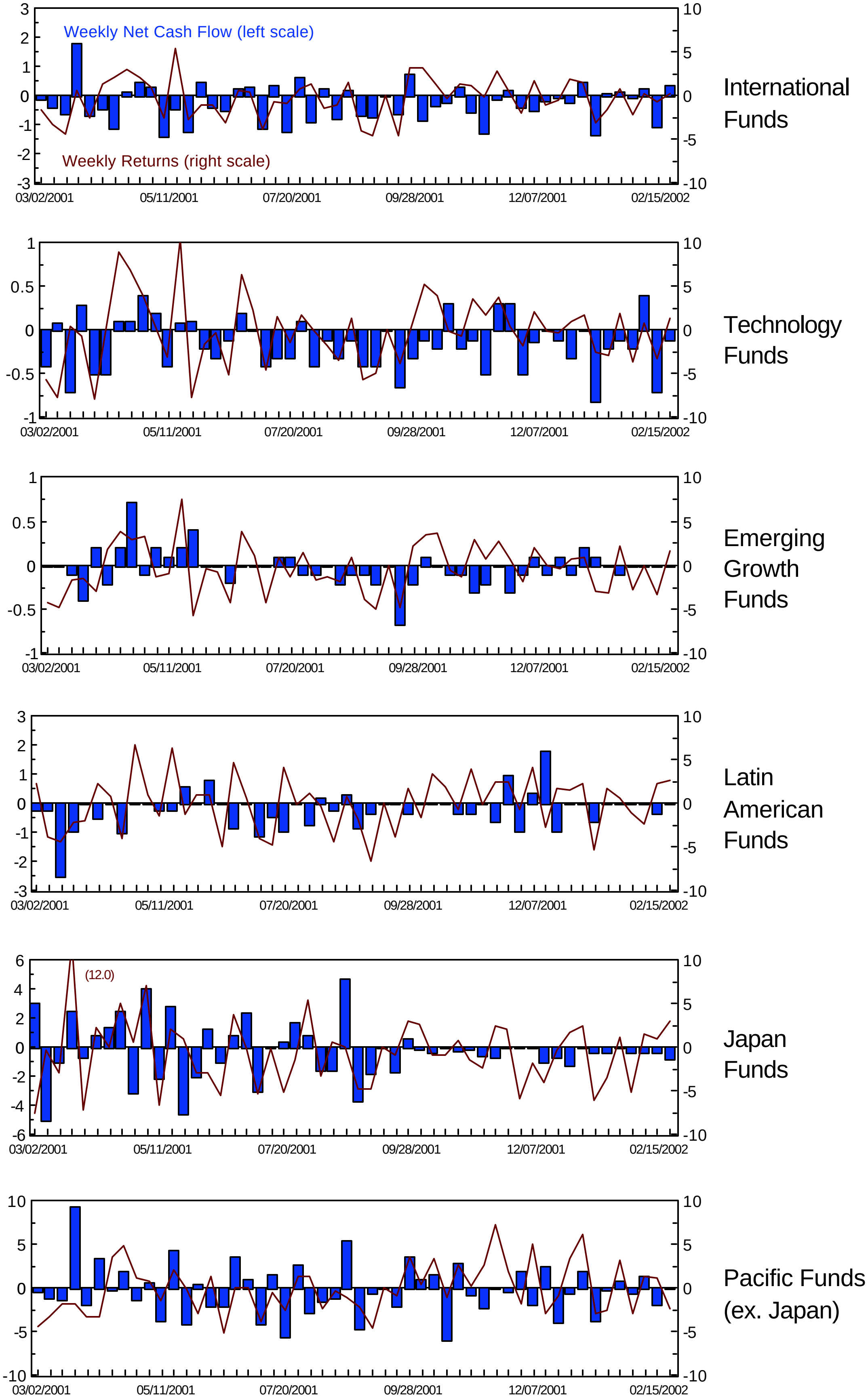


Source: Mutual Fund Trim Tabs

Figure 6b

Weekly Flows into Mutual Funds

(percent of Total Assets)

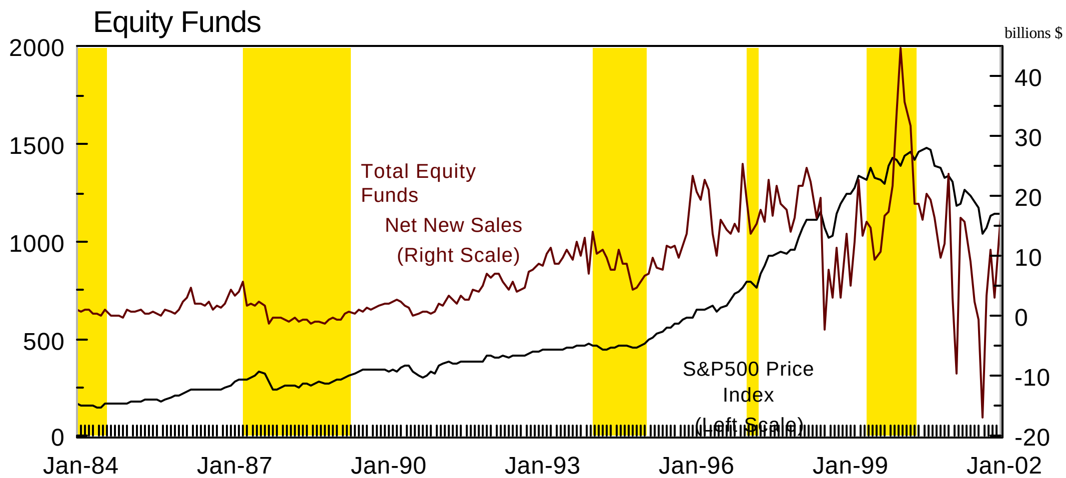


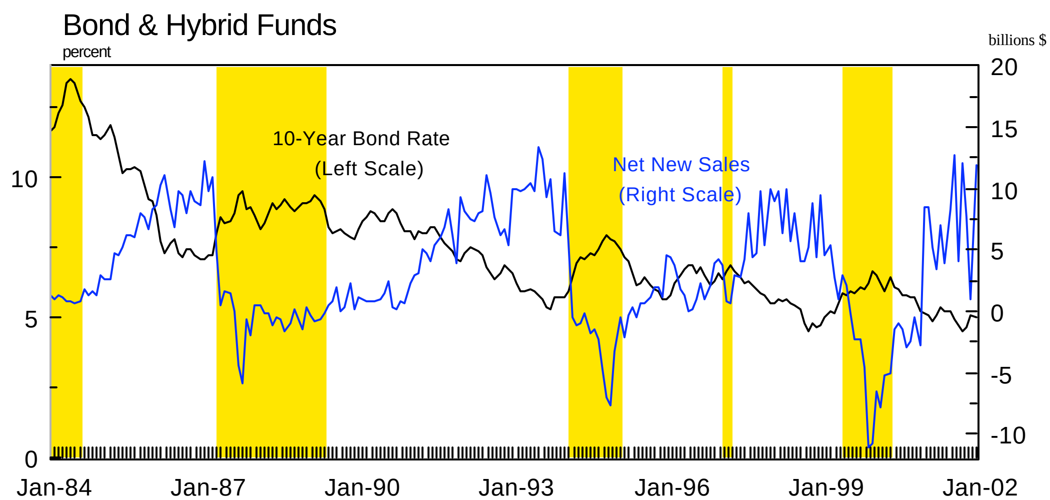
Source: Mutual Fund Trim Tabs

Figure 7

Net New Sales By Investment Objective

(Shaded Regions Indicate Periods of Rising Fed Funds Rate)





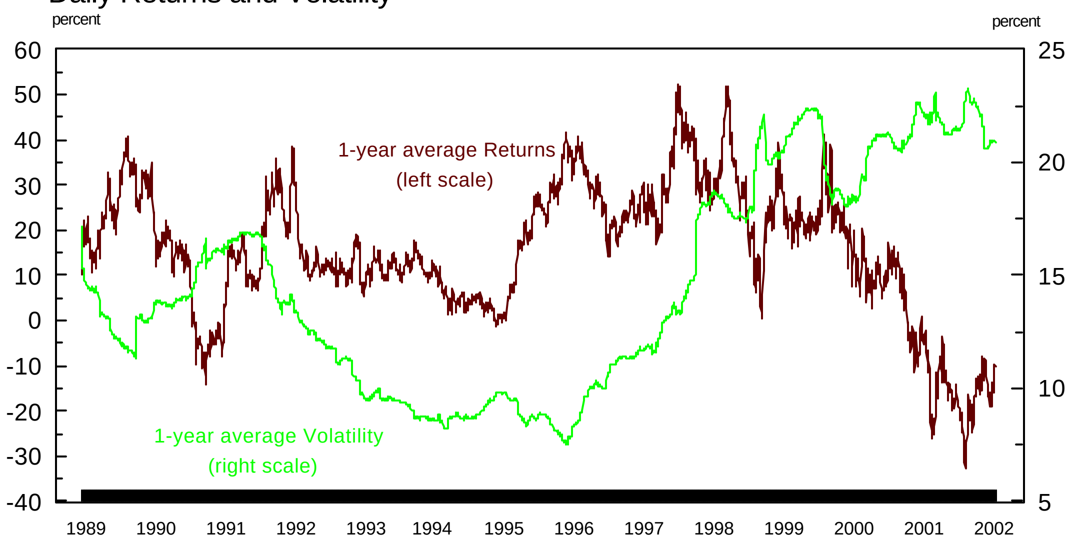
Source: Investment Company Institute

Figure 8

Capital Market Returns and Volatility

S&P500

Daily Returns and Volatility



Citigroup Bond Index

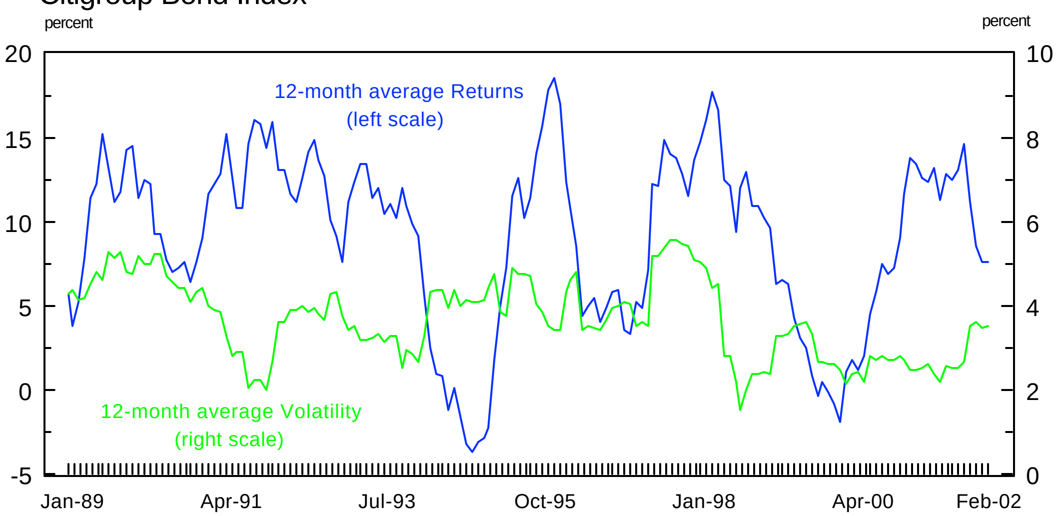
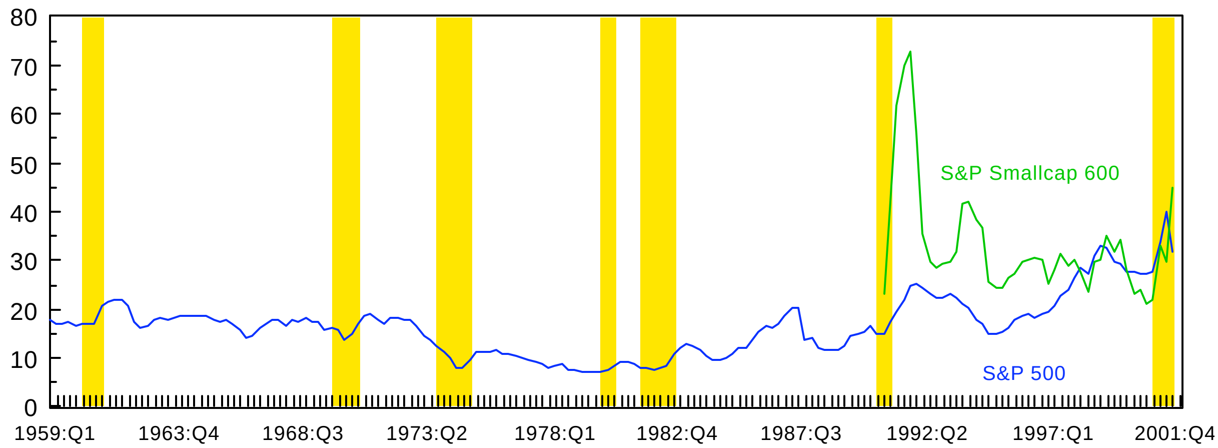
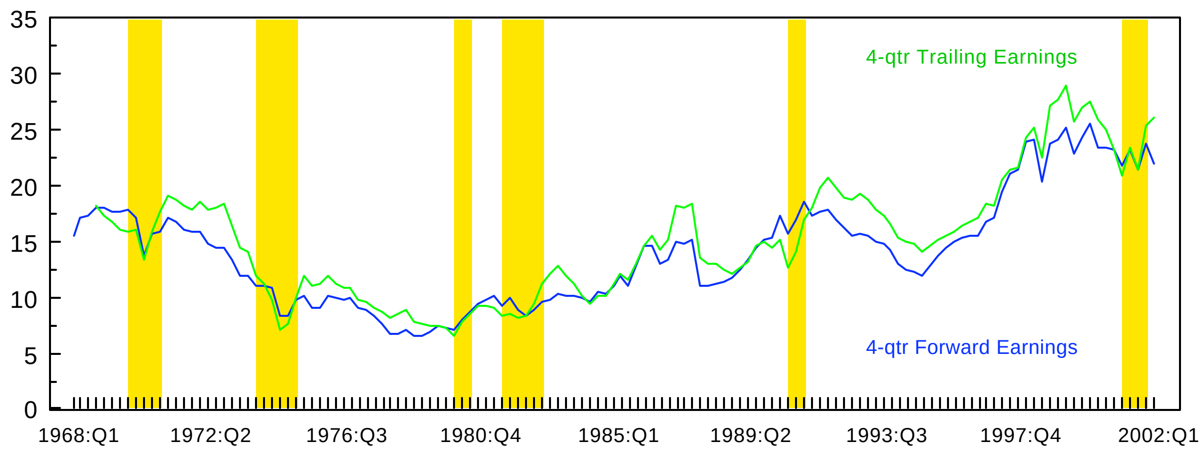


Figure 9

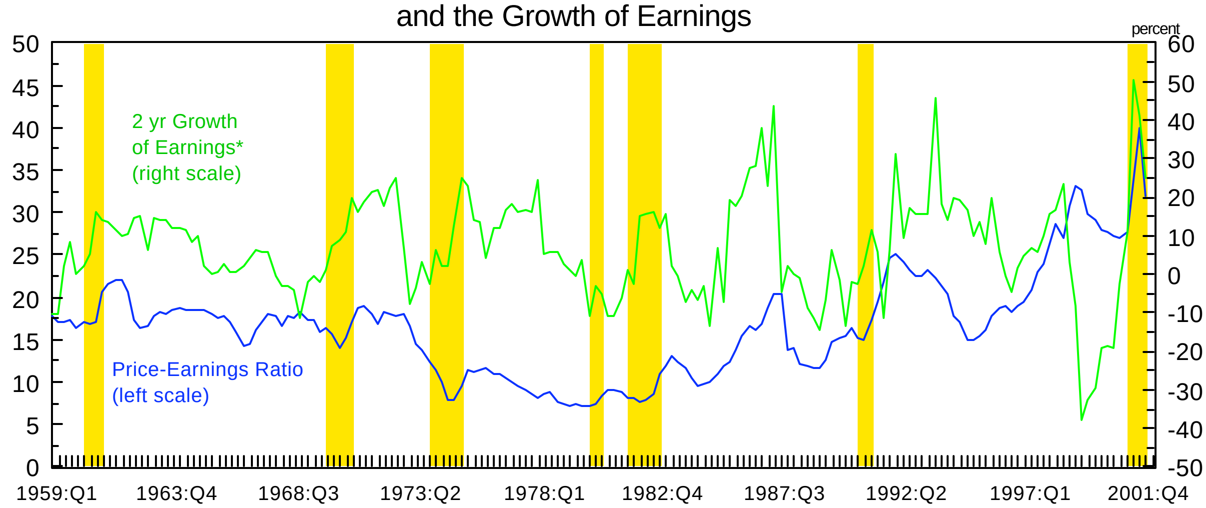
S&P Price-Earnings Ratios



S&P500 Price-Operating Earnings Ratio



S&P500 Price Earnings Ratio
and the Growth of Earnings



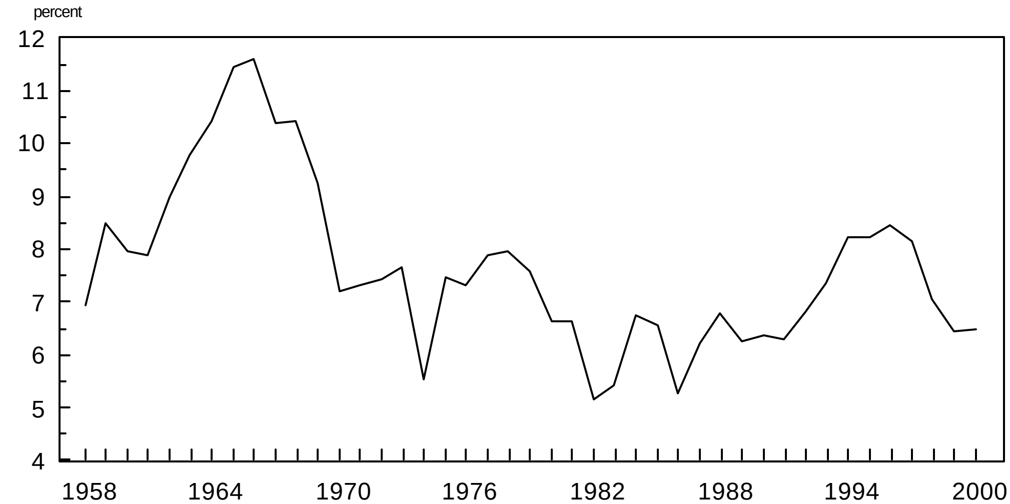
* Growth of earnings over subsequent 8 quarters. Current observations use forecast of earnings from macro projections.

source: First Call, DRI, Bloomberg

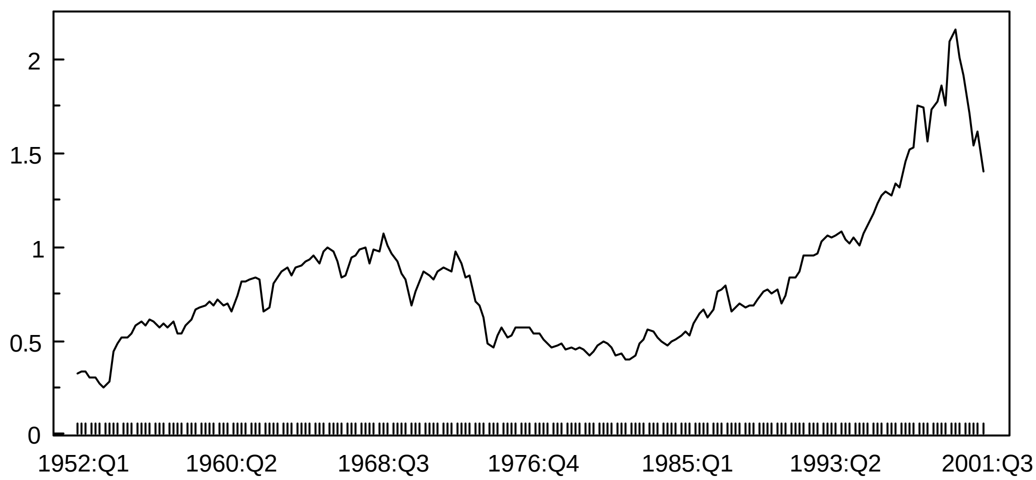
Figure 10

Real Rate of Return on Nonfinancial Corporate Equity

(from National Income and Flow of Funds Accounts)

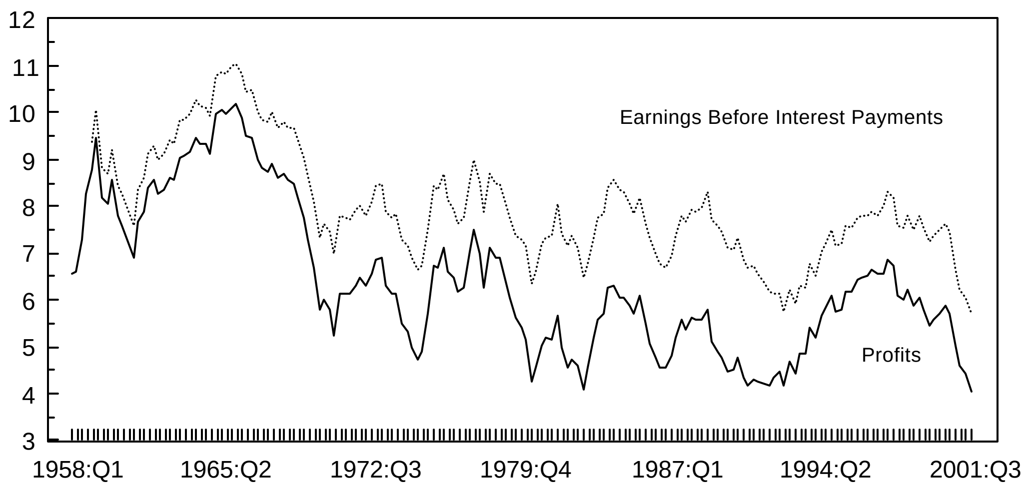


Tobin's Q*



Profits of Nonfinancial Corporations

(percent of GDP)



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