May 5, 2000

Monthly Mutual Fund Report

Statistics for March 2000

Sales and Redemptions

Total assets for all funds increased $237.4 billion, or 3.4 percent, to $7.3 trillion in March. Net new cash flow into long-term mutual funds, the dollar value of net new sales and net exchanges, was $21.8 billion, compared to $40.4 billion in February. New sales, the purchase of new shares excluding reinvested dividends, were $176.4 billion in March, up from $158.3 billion in February. The value of assets appreciated by $200.6 billion in March, compared with an increase of $241.5 billion in February.

Total assets of **equity funds** increased by $213.5 billion, or 5.1 percent, to $4.4 trillion. The net new cash flow was $35.6 billion during March, compared with the record inflow of $53.7 billion in February. The market value of assets appreciated by $174.4 billion. Year-to-date cash flows are $130.2 billion. During the same period in 1999, cash flows were $30.6 billion.

Total assets for **hybrid funds**, which invest in a mix of stocks and bonds, increased 3.1 percent, or $11.1 billion, to $371.8 billion. However, there was a net cash outflow from these funds of $5.7 billion in March. Year-to-date, their net cash outflow has been $17.6 billion compared to an outflow of $1.5 billion during the same period in 1999.

Bond funds experienced a cash outflow of $8.1 billion in March, as their total assets fell $3.7 billion, to $792.9 billion. The market value of bond funds= assets increased by $1.6 billion, after adjusting for net sales and reinvested dividends. The assets of taxable bond funds decreased 1.1 percent, while the assets of tax-exempt funds rose 0.8 percent.

Assets of taxable and tax-exempt **money market funds** increased $16.5 billion, to $1.7 trillion, an increase of 0.7 percent for taxable money market funds and 3.0 percent for tax-exempt funds.

Liquidity Ratio

The liquidity ratio decreased for both bond and hybrid and equity funds during March. The ratio for bond and hybrid funds decreased to 3.7 from 3.9 percent, while the ratio for equity funds decreased to 4.0 from 4.4 percent (figure 4).

Weekly Flows

Amidst declining equity prices and increased market volatility, flows and returns fluctuated dramatically in April with record outflows from technology funds. For the whole month equity funds reported inflows of 0.9 percent of total assets and returns of -0.5 percent. There were outflows from bond funds of 0.7 percent and returns of -1.3 percent of total assets.

Sectors in which investors usually manage their accounts more actively saw a close correlation between the direction of flows and returns. Flows and returns among aggressive growth funds moved commensurately, while consistent outflows from index funds moved independently of the returns to these funds. Outflows from index funds for the month were 1.0 percent with returns of -1.7 percent. Aggressive growth funds had inflows of 1.6 percent and returns of 0.8 percent. However, while flows to many sector funds turned positive immediately after large outflows, the corresponding increase in returns was not as large as that which normally occurs. For example, during the week ending April 21 technology funds had flows of 1.1 percent and returns of 0.9 percent. Over the past two months similar inflows occurred with much higher returns, such as flows of 0.7 percent and returns of 6.7 percent for the week ending March 24. Perhaps the intensity of the record three-day outflow ending April 13, when redemptions of $360 million among tracked technology funds slightly surpassed the old record of $358 million, depressed the following week's returns. During the final week of April the rebound in equity prices offset many of the losses earlier in the month. Emerging growth funds had inflows of 2.8 percent during April and returns of 0.5 percent.

Aggregate international funds moved commensurately with domestic sectors, though there was variation between some regional funds. Latin America funds had outflows of 3.0 percent and returns of -7.2 percent. Japan funds had inflows of 8.5 percent and returns of -5.7 percent. Pacific funds that exclude Japan had outflows of 1.6 percent of assets and returns of -6.2 percent of total assets.

Capital Market Returns and Volatility

The S&P 500 ended April at 1452.43, a decrease of 3.6 percent from the beginning of the month. The 12-month return was 10.1 percent at month-end. The annualized volatility for the daily return on the S&P 500 was 20.7 percent.

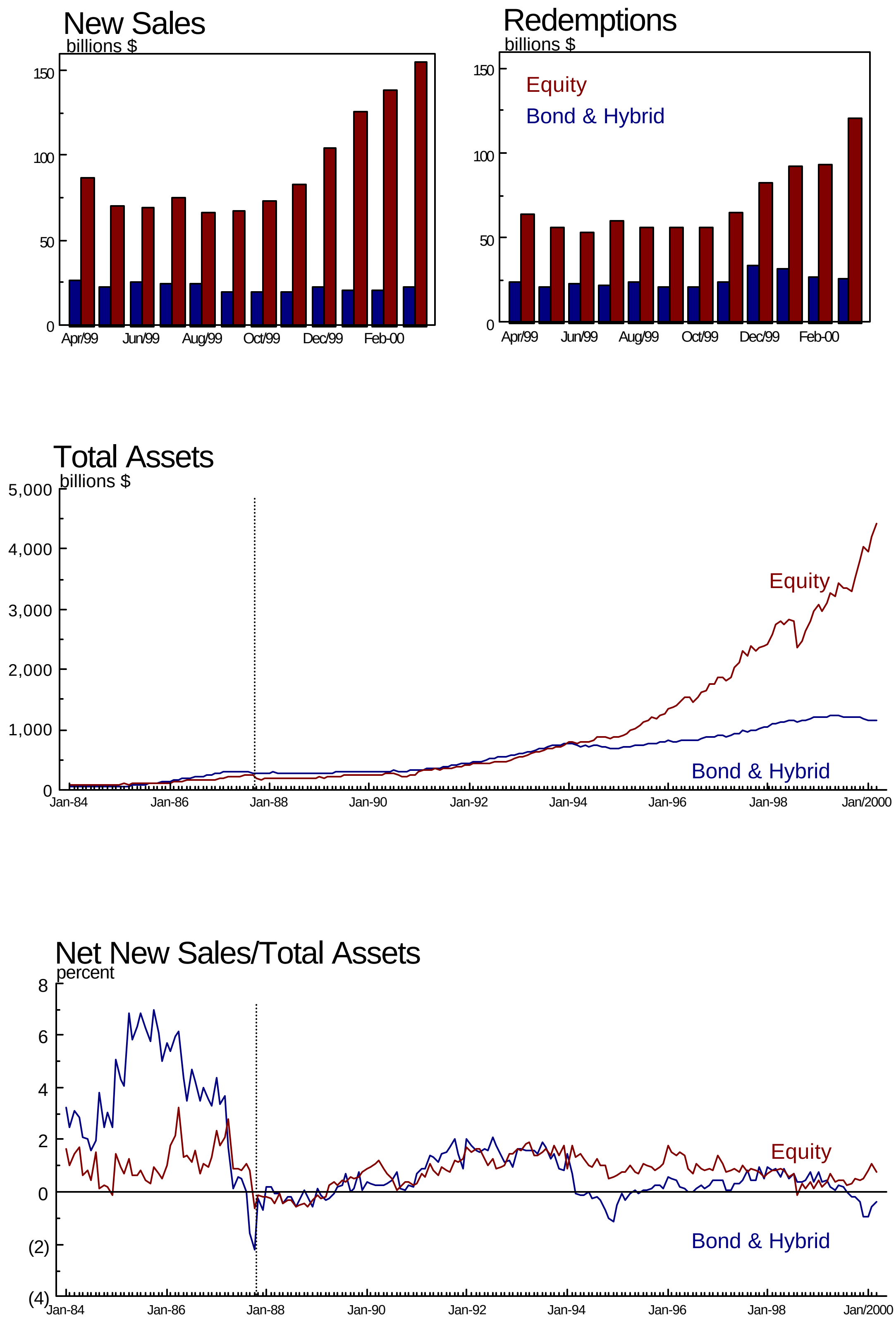
The 12-month average return on the Salomon Brothers Bond Index was 1.2 percent for April. Volatility was unchanged at 2.4 percent (figure 8).

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 increased to 21.5 percent, well above its historical average of 6.7 percent annual growth. The trailing price-earnings ratio for the first quarter was 31.4, rising from 29.2 in the fourth 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)

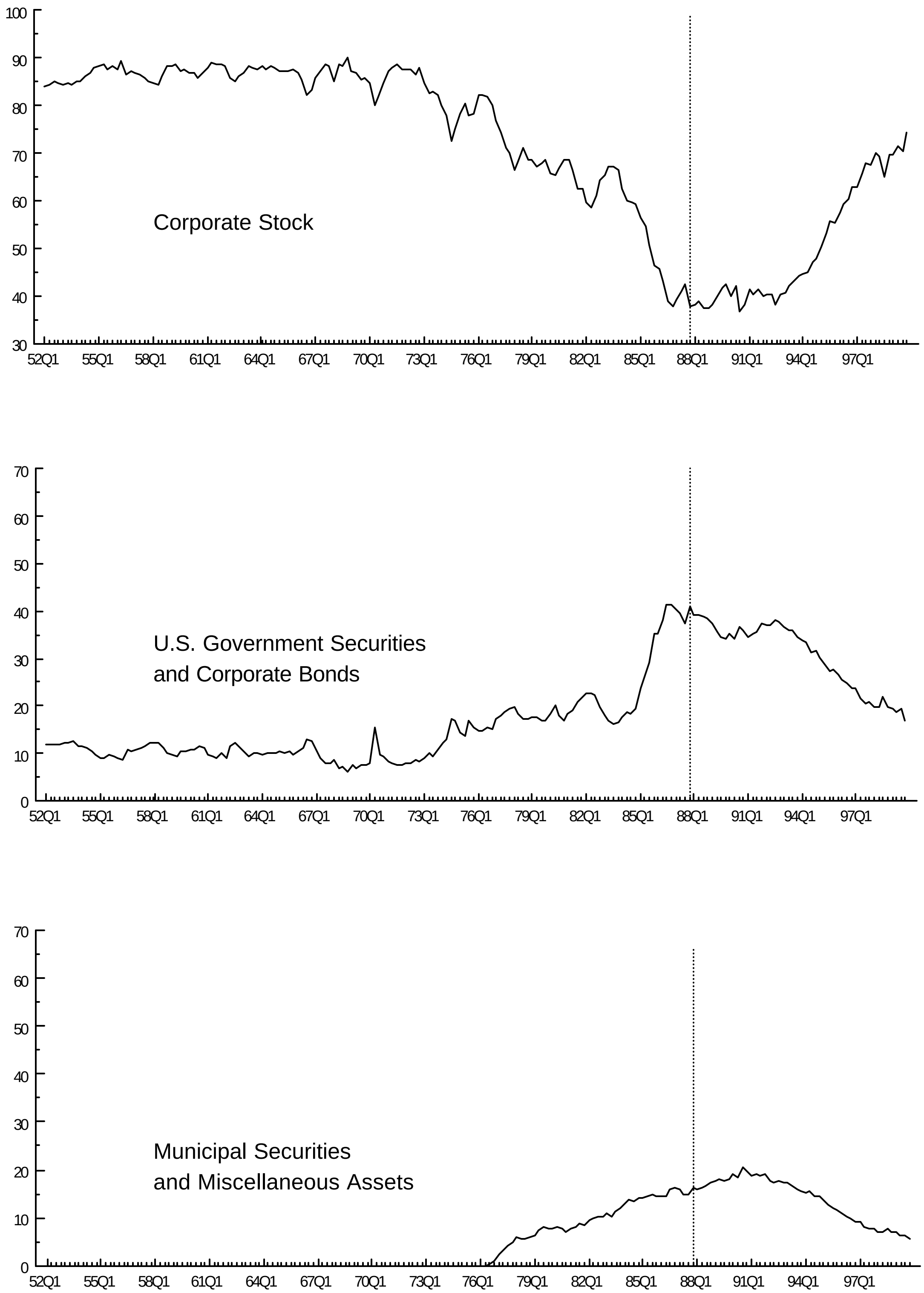
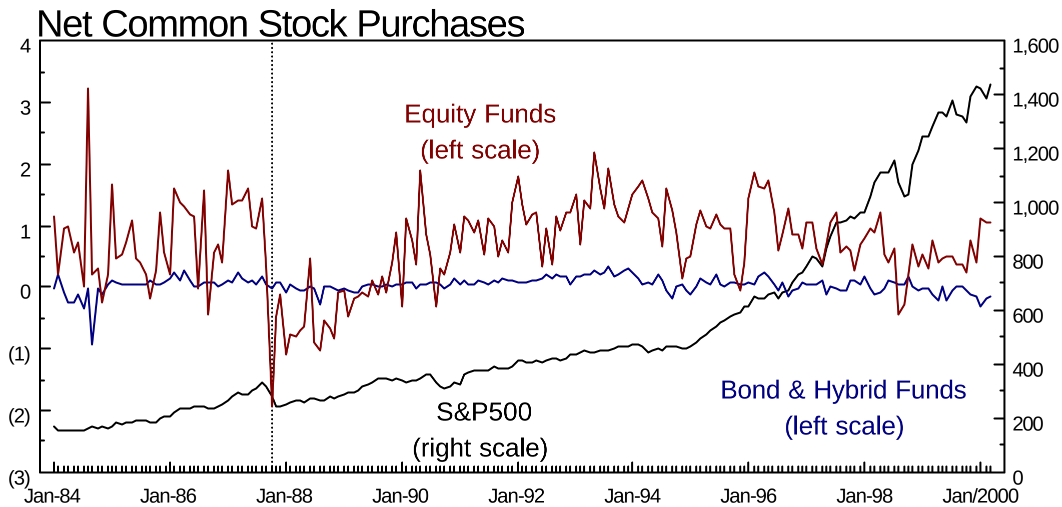


Figure 3

Net Portfolio Purchases

(percent of Total Assets)



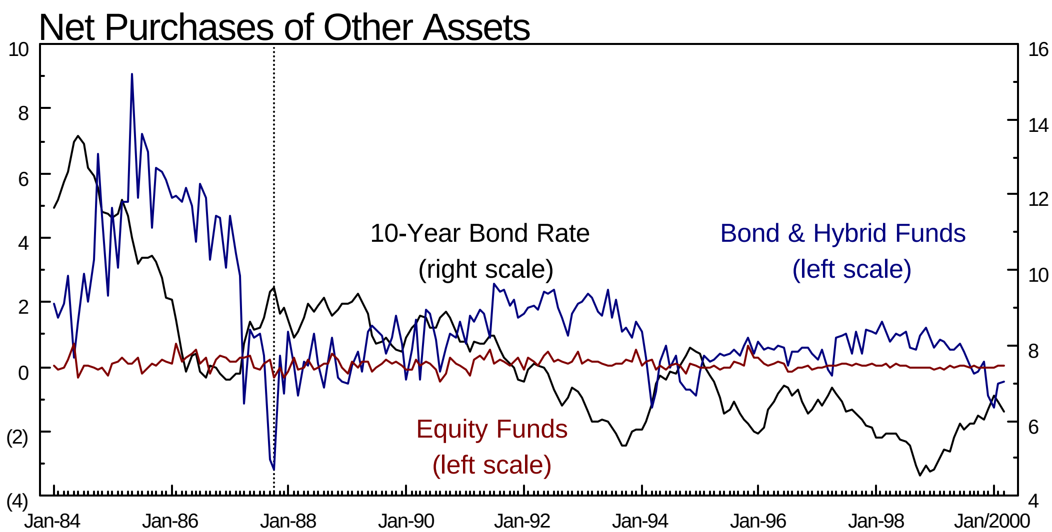
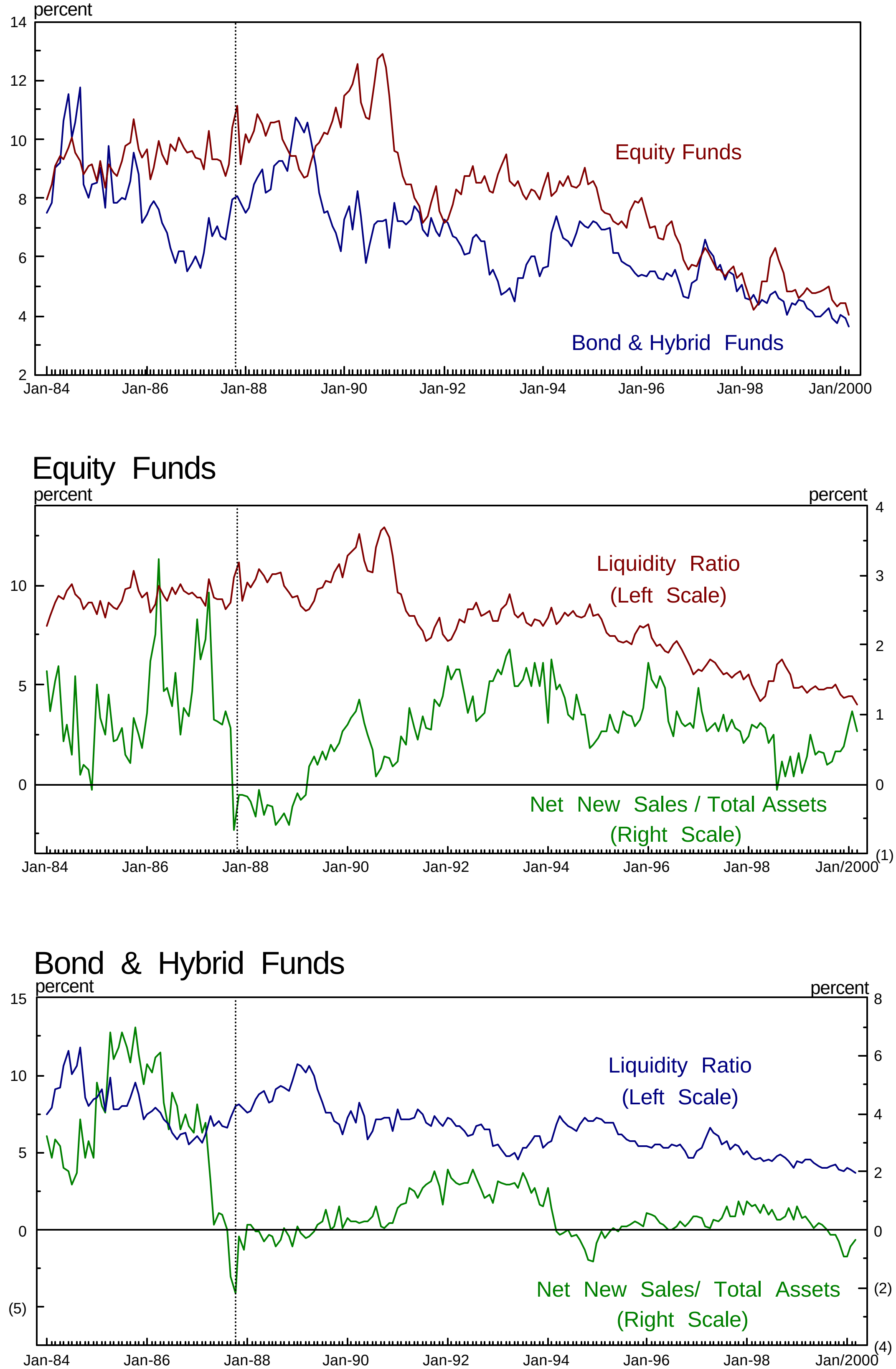


Figure 4
Liquidity Ratio*

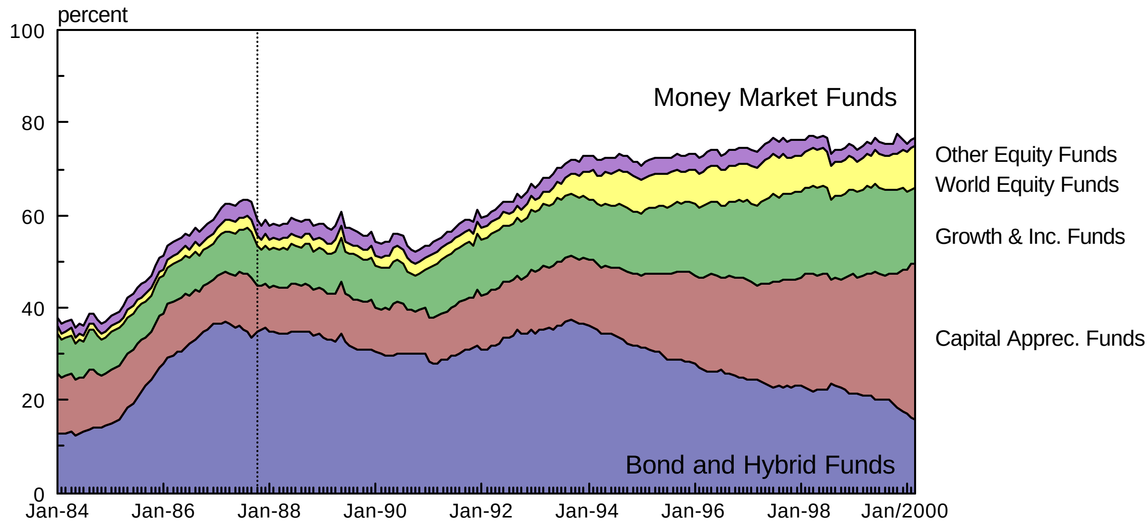


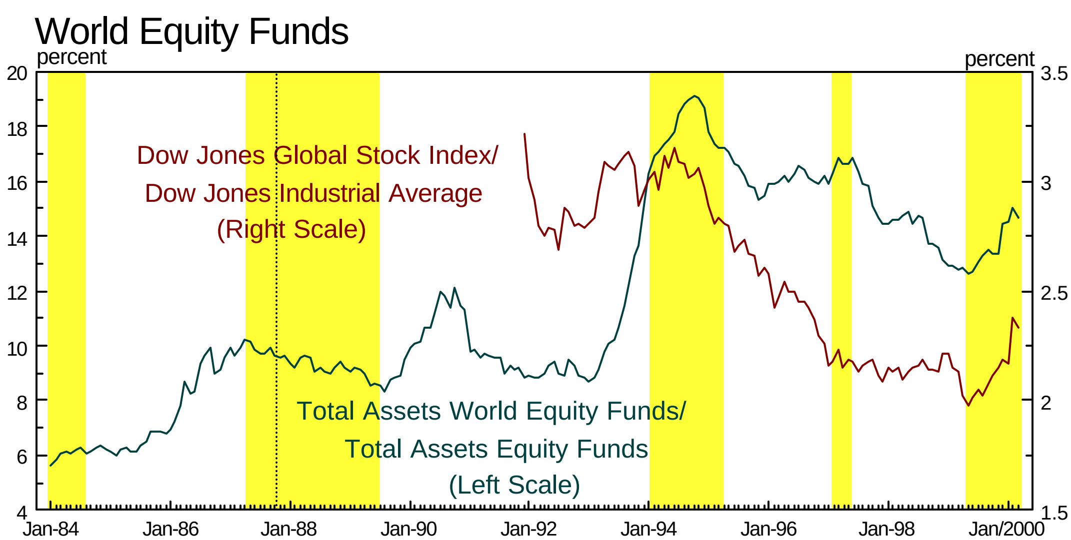
Source: Investment Company Institute
*The Liquidity Ratio is the Percent of Total Assets held in Cash and Short-Term Securities.

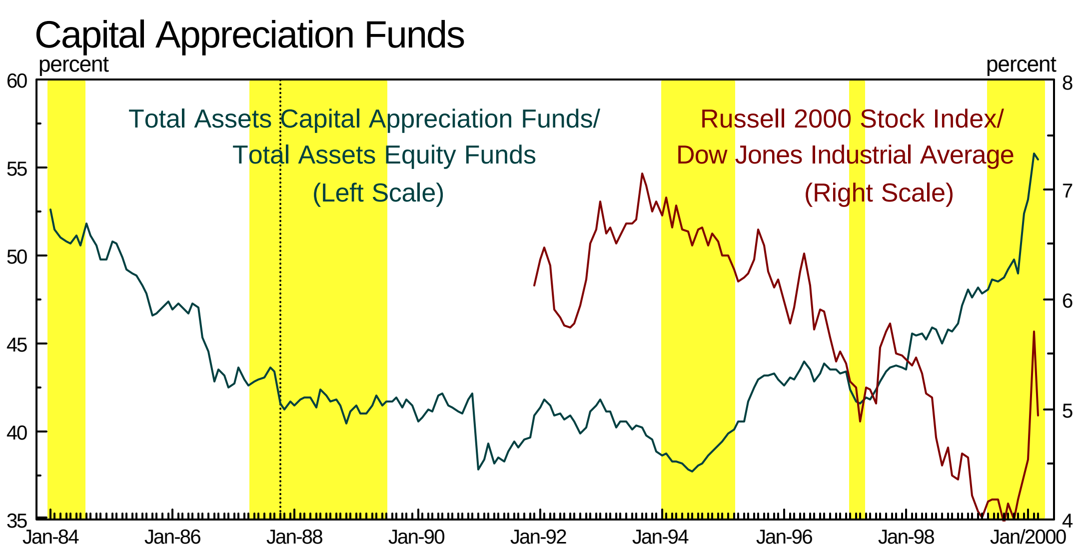
Figure 5

Industry Composition

(Shaded Regions Indicate Periods of Rising Fed Funds Rate)





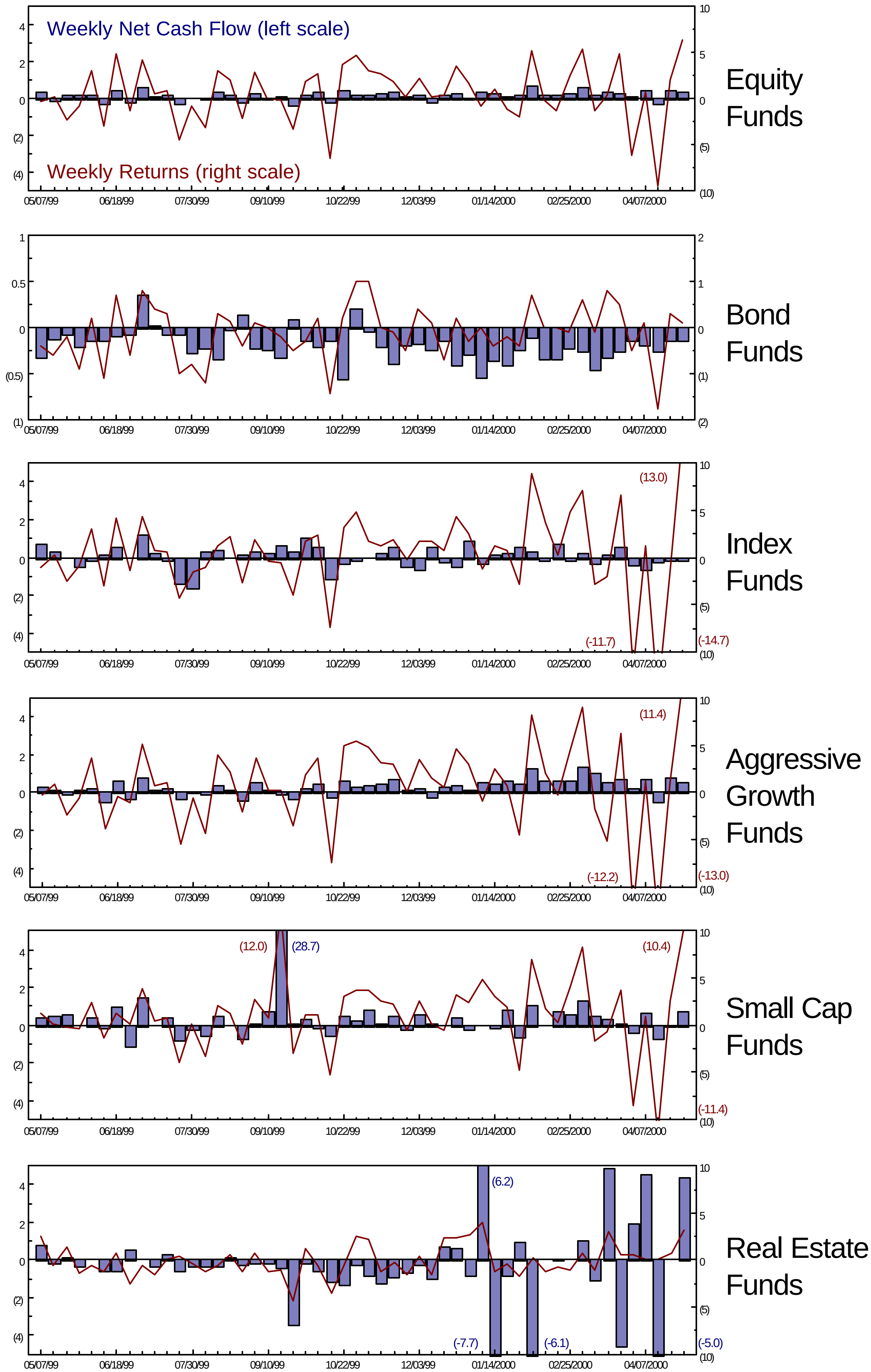


Source: Investment Company Institute

Figure 6a

Weekly Flows into Mutual Funds

(percent of Total Assets)

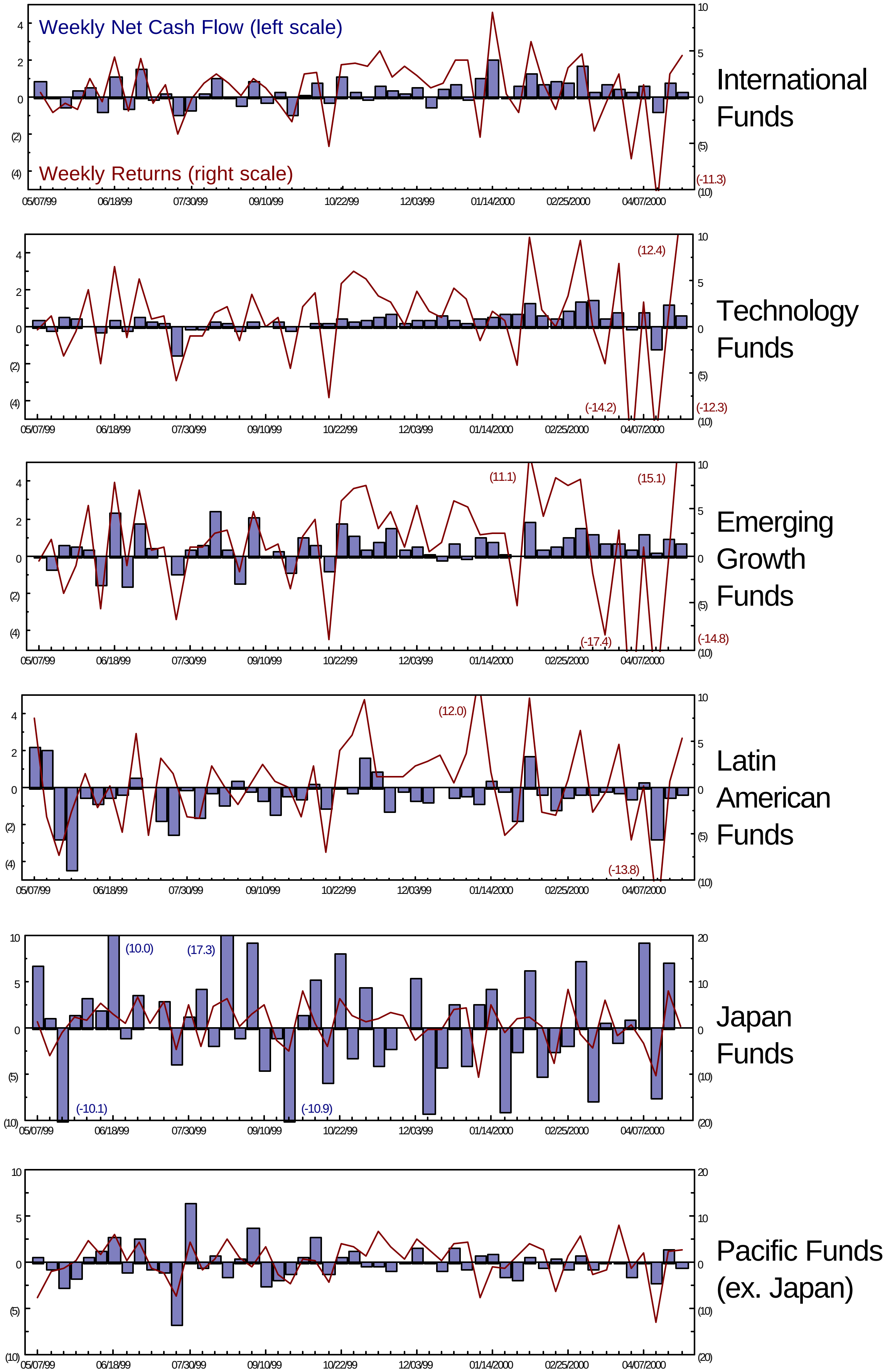


Source: Mutual Fund Trim Tabs

Figure 6b

Weekly Flows into Mutual Funds

(percent of Total Assets)

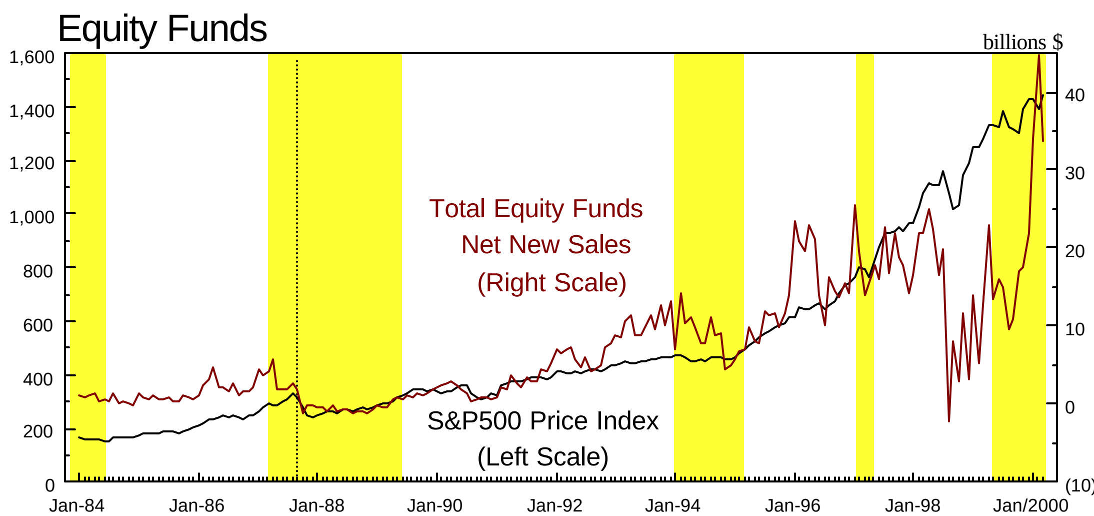


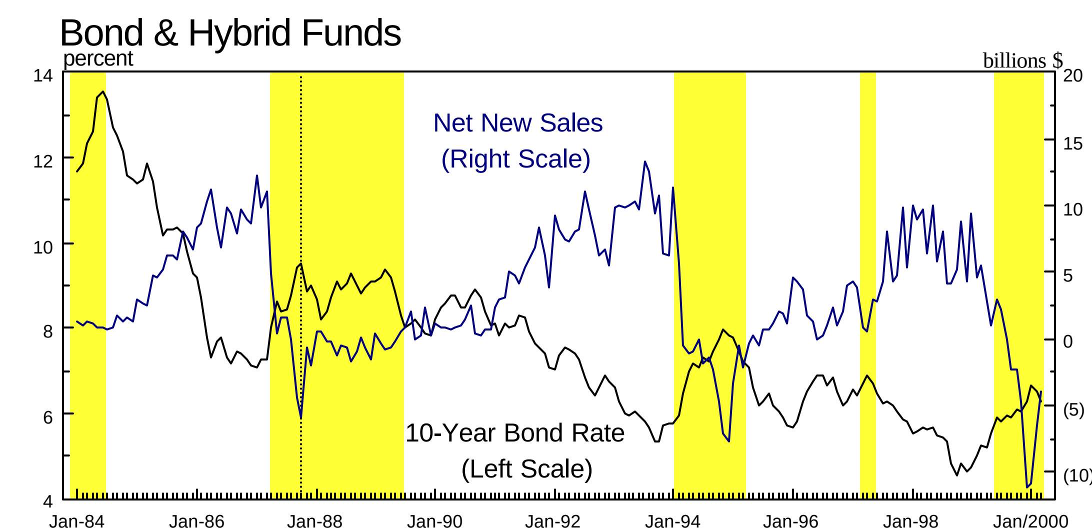
Source: Mutual Fund Trim Tabs

Figure 7

Net New Sales By Investment Objective

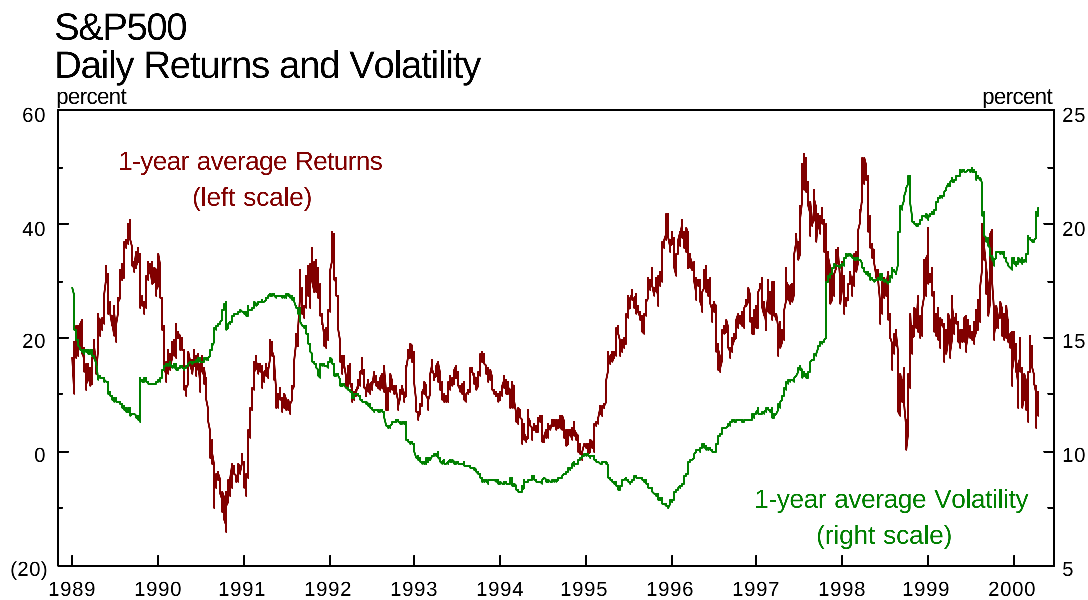
(Shaded Regions Indicate Periods of Rising Fed Funds Rate)





Source: Investment Company Institute

Figure 8
Capital Market Returns and Volatility



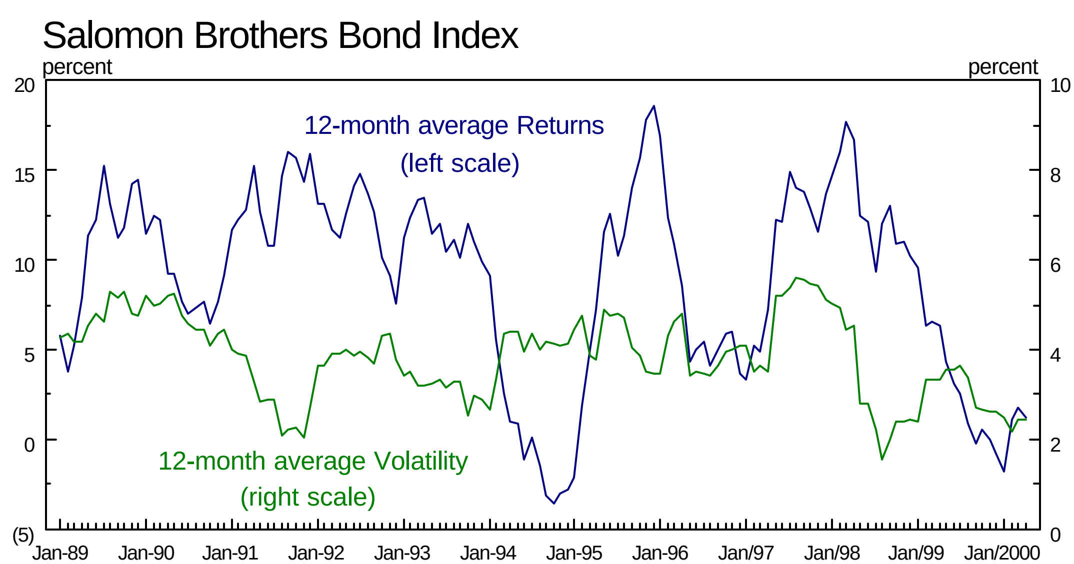
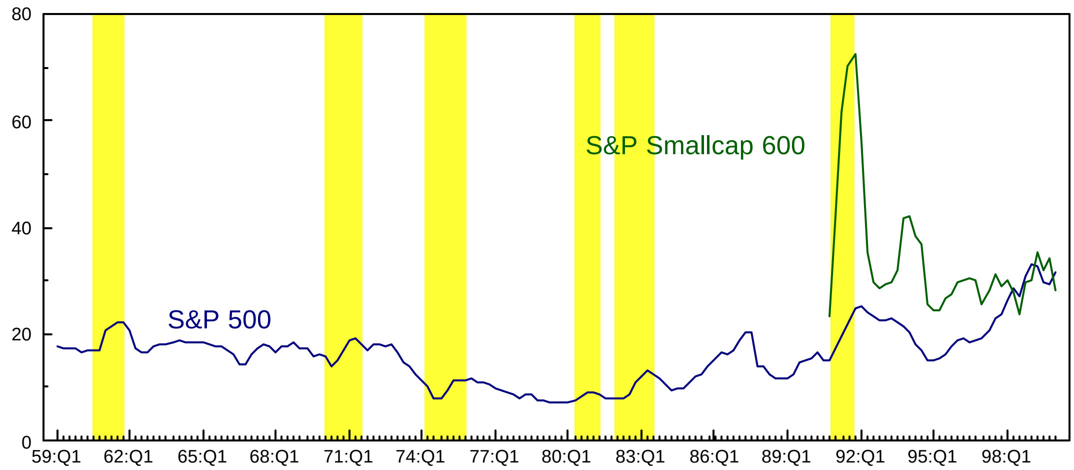
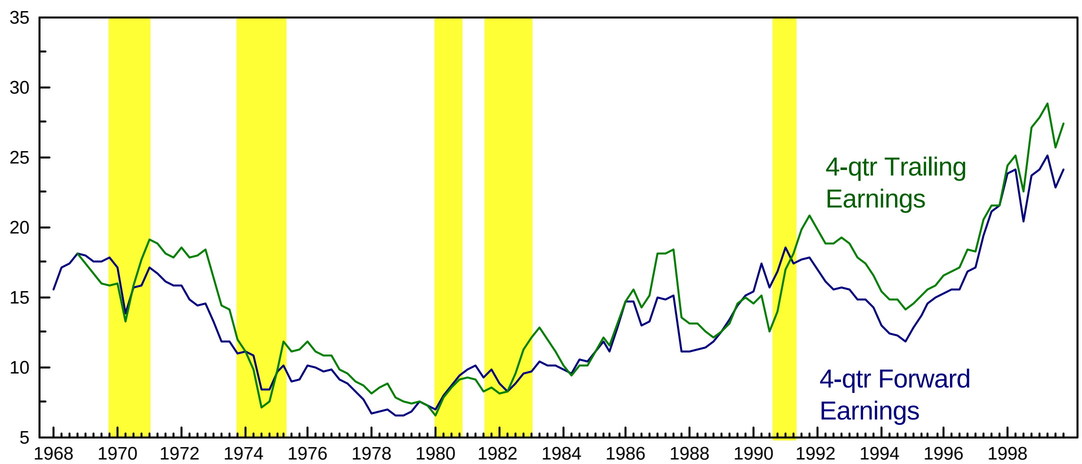


Figure 9

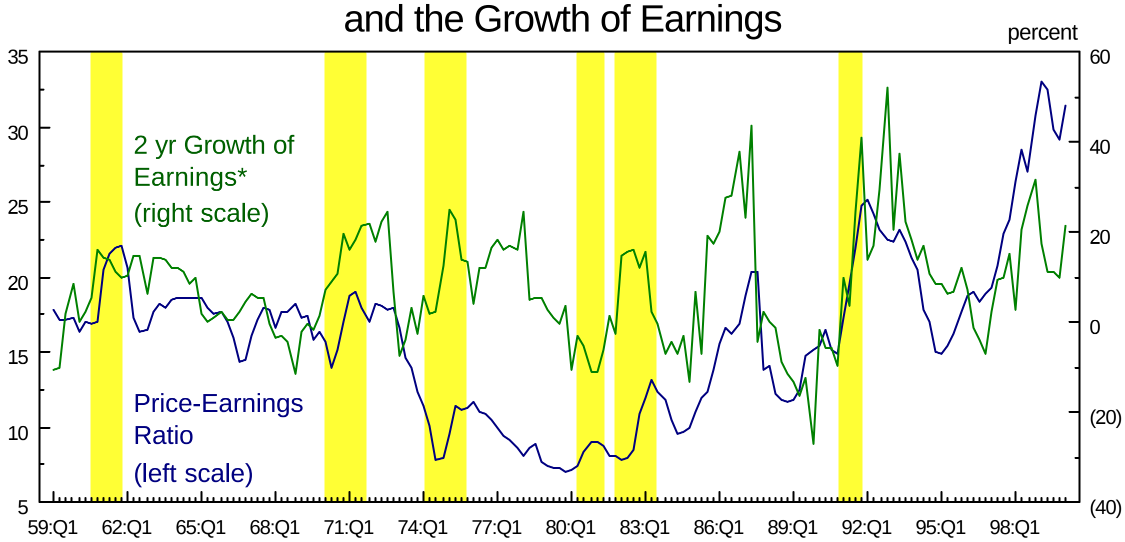
S&P Price-Earnings Ratios



S&P500 Price-Operating Earnings Ratio



S&P500 Price Earnings Ratio
and the Growth of Earnings



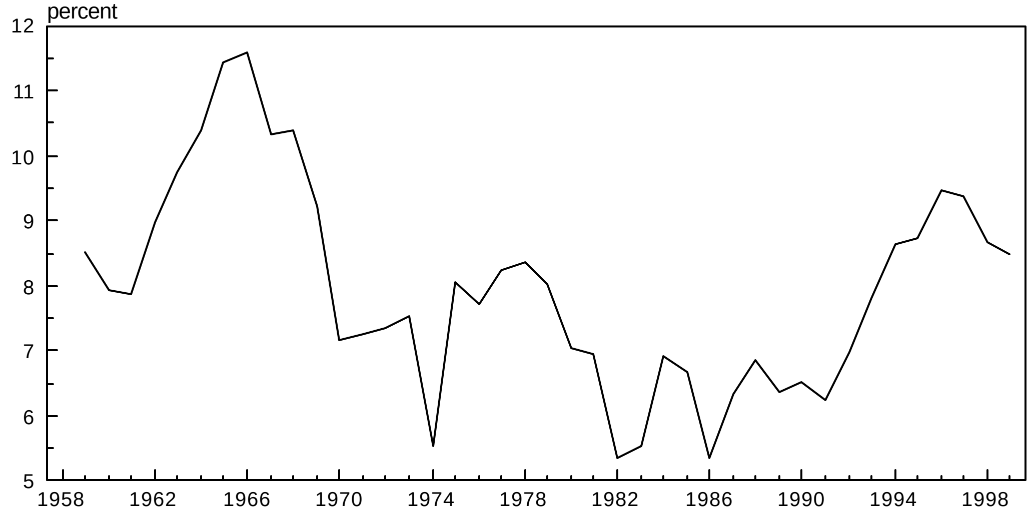
* Growth of earnings over subsequent 8 quarters. Current observations use forecast of earnings from macro projections.

source: First Call, DRI, Bloomberg

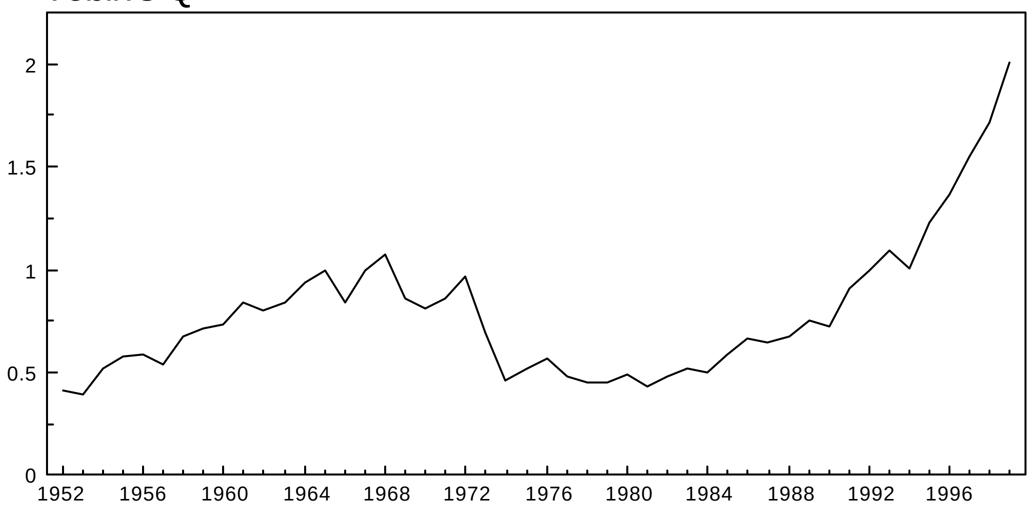
Figure 10

Real Rate of Return on Nonfinancial Corporate Equity

(from National Income and Flow of Funds Accounts)

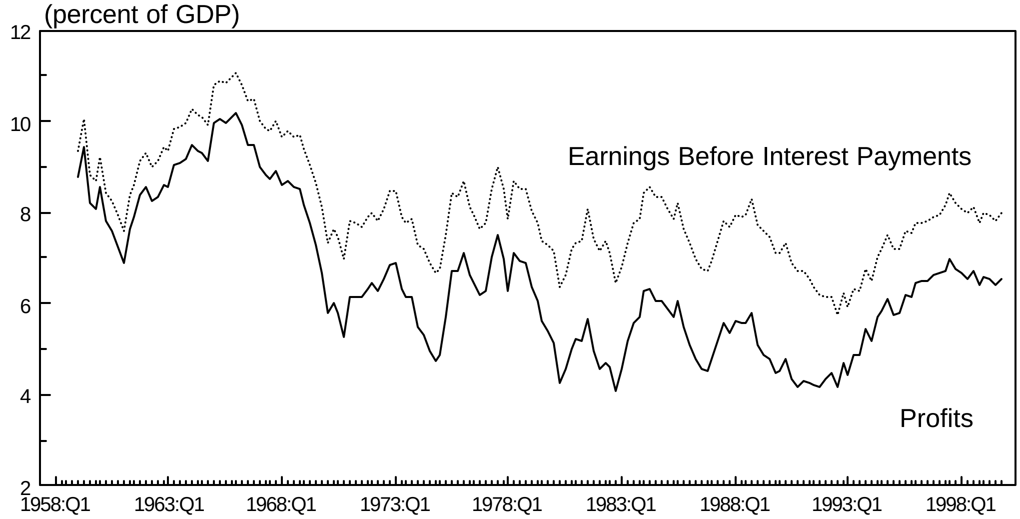


Tobin's Q*



Profits of Nonfinancial Corporations

(percent of GDP)



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