May 4, 2001

Monthly Mutual Fund Report

Statistics for March 2001

Sales and Redemptions

Total assets for all funds decreased $262.0 billion, or 3.8 percent, to $6.6 trillion in March. There was also a net cash outflow from long-term mutual funds, the dollar value of net new sales and net exchanges, of $13.0 billion, compared to an inflow of $6.7 billion in February. New sales, the purchase of new shares excluding reinvested dividends, were $116.2 billion in March, up from $108.1 billion in February. The value of assets depreciated by $356.4 billion in March, compared with $350.4 billion in February.

Total assets of **equity funds** decreased by $281.9 billion, or 7.6 percent, to $3.4 trillion. There was a net cash outflow from equity funds of $20.6 billion compared with $3.3 billion in February. While the outflow for the month of March was the largest historically in dollar terms, it was only 0.6 percent of total assets. Past outflows include 0.1 percent in February 2001, 0.4 percent in August 1998, 1.6 percent in November 1988, and 3.1 percent of assets during October 1987. The market value of assets depreciated by $256.1 billion. Year-to-date cash flows are $1.2 billion. During the same period in 2000, cash flows were $140.4 billion.

Total assets for **hybrid funds**, which invest in a mix of stocks and bonds, decreased 3.1 percent, or $10.8 billion, to $333.6 billion. In March, There was a net cash outflow from these funds of $0.4 billion. Year-to-date, their net cash inflows have been $1.9 billion compared to an outflow of $17.0 billion during the same period in 2000.

Bond funds experienced a cash inflow of $8.0 billion in March, as their total assets rose by $13.9 billion, to $859.1 billion. The market value of bond funds assets increased by $3.0 billion, after adjusting for net sales and reinvested dividends. The assets of tax-exempt funds increased by 1.1 percent while the assets of taxable bond funds increased by 1.9 percent.

Assets of taxable and tax-exempt **money market funds** increased $16.8 billion, to $2.0 trillion, an increase of 0.9 percent for taxable money market funds and 0.5 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 from 4.6 to 4.3 percent, while the ratio for equity funds decreased from 5.9 to 5.8 percent (figure 4).

Weekly Flows

In April, there were outflows from equity funds of 0.2 percent of total assets with returns of 10.8 percent. Bond funds had outflows of 0.1 percent and returns of –0.1 percent for the month.

Flows to domestic sector equity funds moved commensurately with the aggregate, but with greater volatility. Index funds had monthly inflows of 1.3 percent and returns of 18.1 percent. Aggressive growth funds had monthly inflows of 0.2 percent and returns of 14.0 percent. Small-cap funds had inflows of 1.3 percent and returns of 13.9 percent.

There were outflows from international funds in March of 0.9 percent of assets and returns of 8.9 percent. Latin America funds had outflows of 1.5 percent and returns of 5.9 percent. Japan funds had inflows of 1.7 percent and returns of 8.1 percent of assets for the month of March. Pacific funds that do not invest in Japan also had inflows of 4.3 percent and returns of 6.5 percent of assets.

Capital Market Returns and Volatility

The S&P 500 ended April at 1249.46, an increase of 7.7 percent from the beginning of the month. The 12-month return was –13.9 percent at month-end. The annualized volatility for the daily return on the S&P 500 was 22.1 percent.

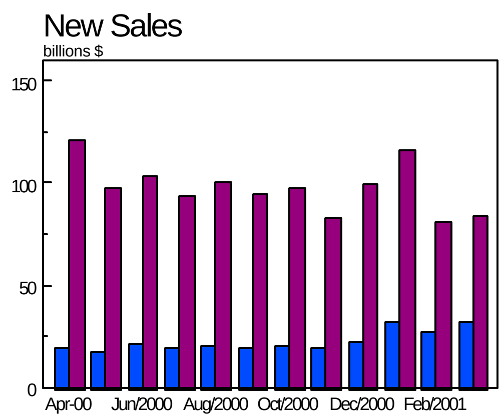
The 12-month average return on the Salomon Brothers Bond Index was 12.4 percent for April. Volatility increased to 2.6 percent (figure 8).

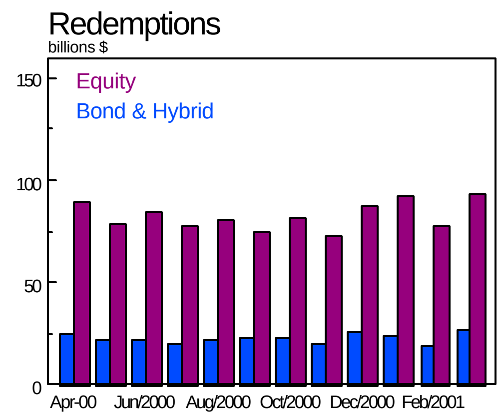
Price-Earnings Ratio

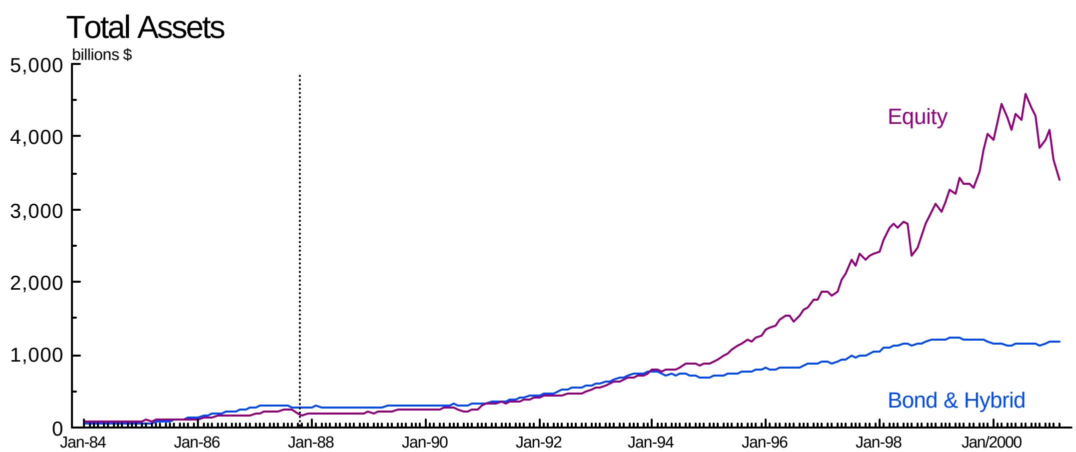
The macro projections for the growth of earnings of the Standard and Poor's 500 index over the next two years have declined to 12.3 percent, but remain above the 6.7 percent historical average annual growth rate. The trailing price-earnings ratio decreased to 24.2 for the first quarter from 26.6 in the fourth quarter and is currently at 23.3, while the forward price-operating earnings ratio decreased to 20.7.

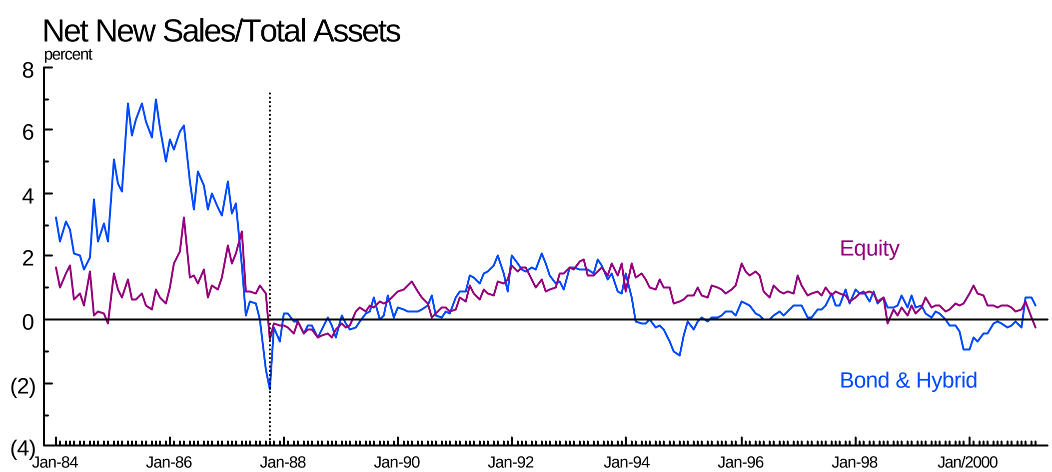
For more information please contact Richard Brauman (617) 973-3198

Figure 1
Sales of Mutual Funds









Source: Investment Company Institute

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

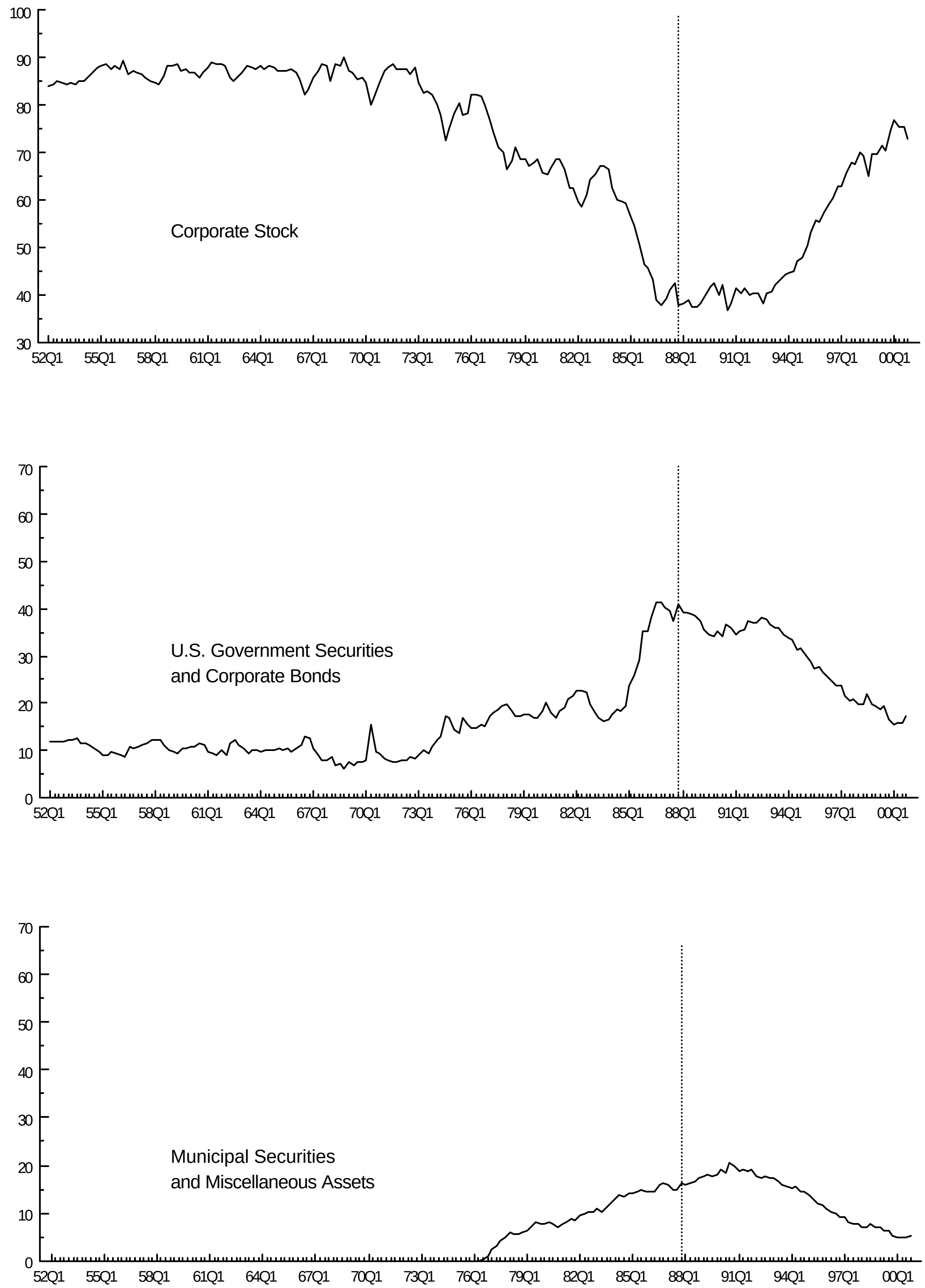
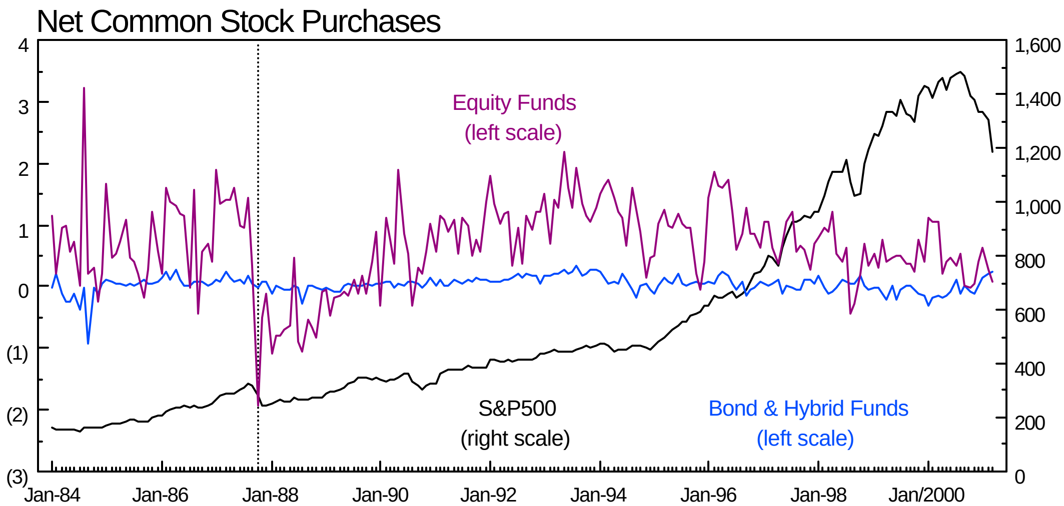


Figure 3

Net Portfolio Purchases

(percent of Total Assets)



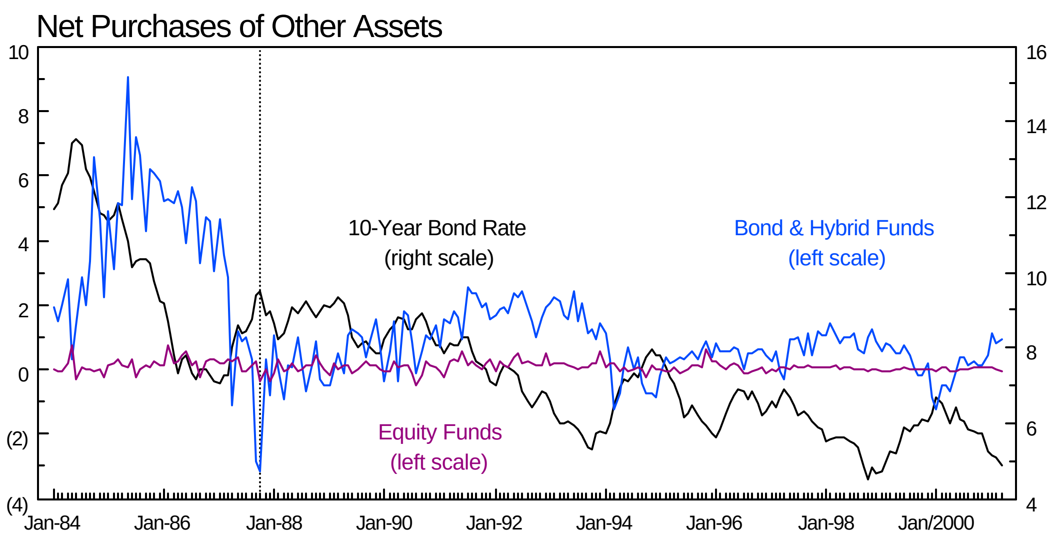
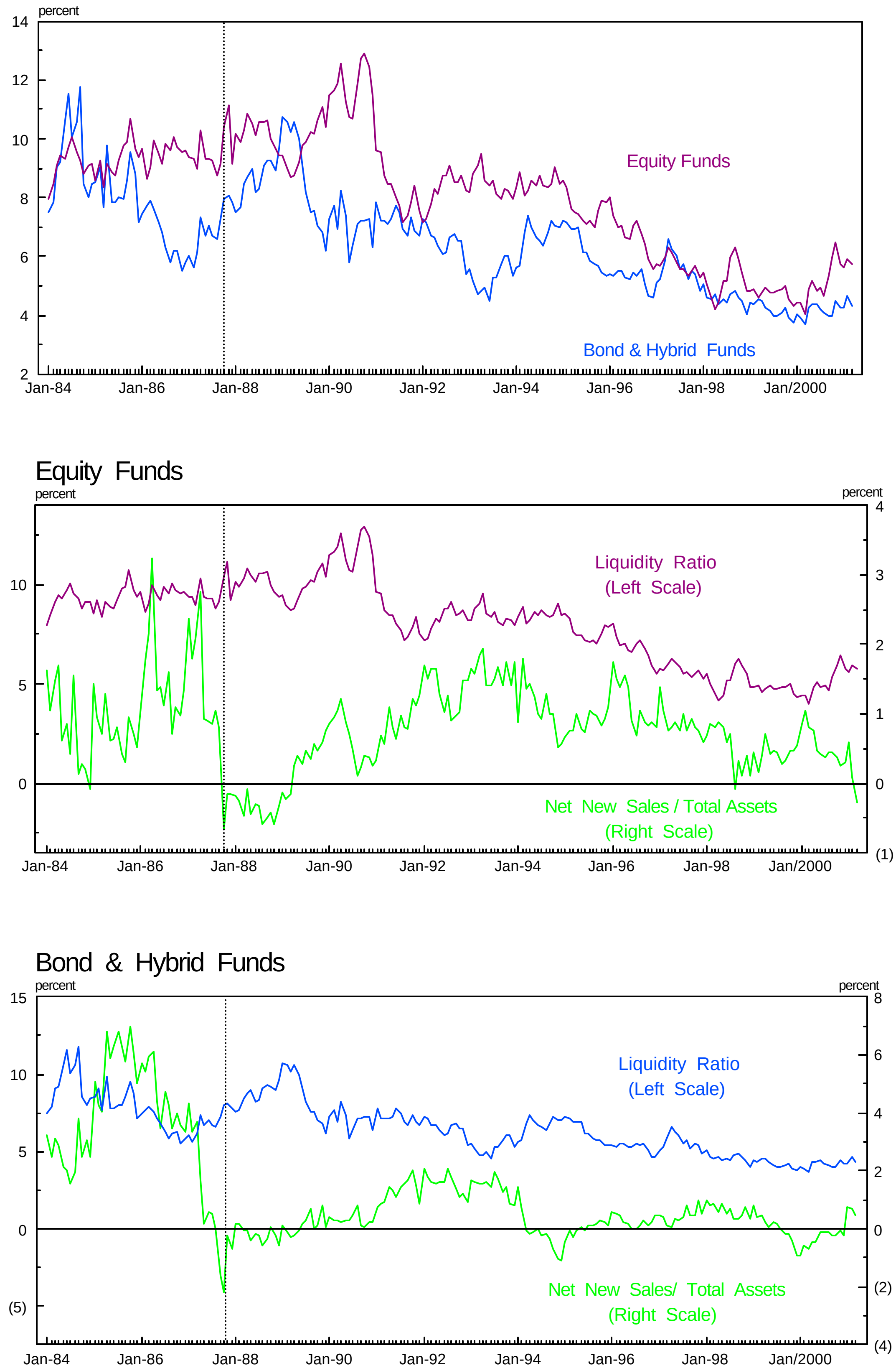


Figure 4
Liquidity Ratio*



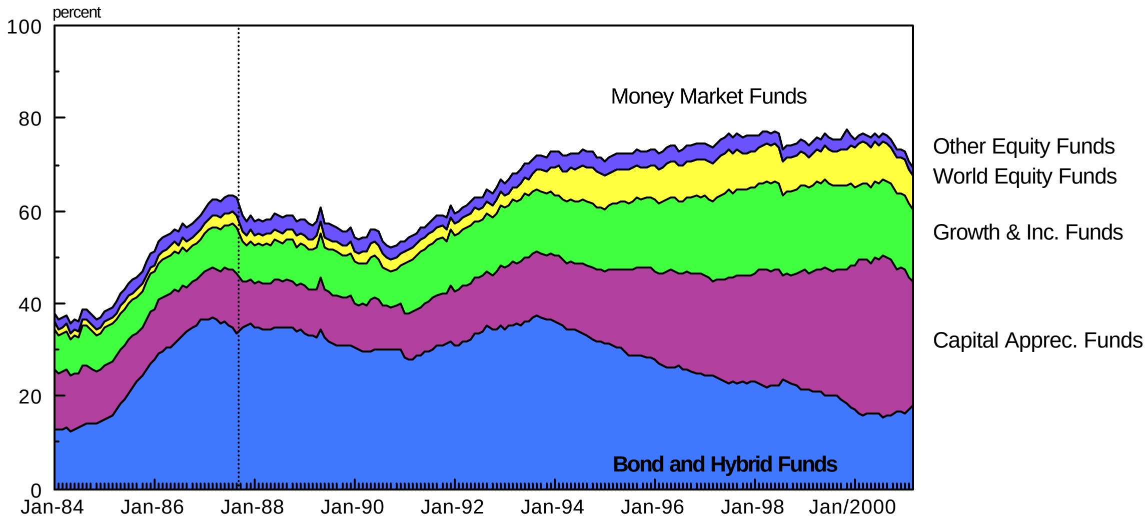
*The Liquidity Ratio is the Percent of Total Assets held in Cash and Short-Term Securities.

Source: Investment Company Institute

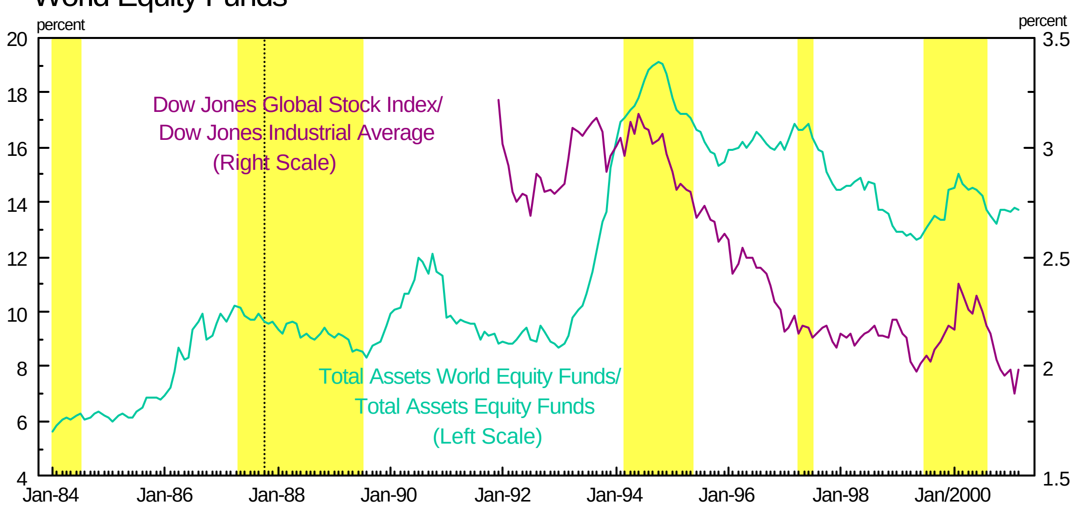
Figure 5

Industry Composition

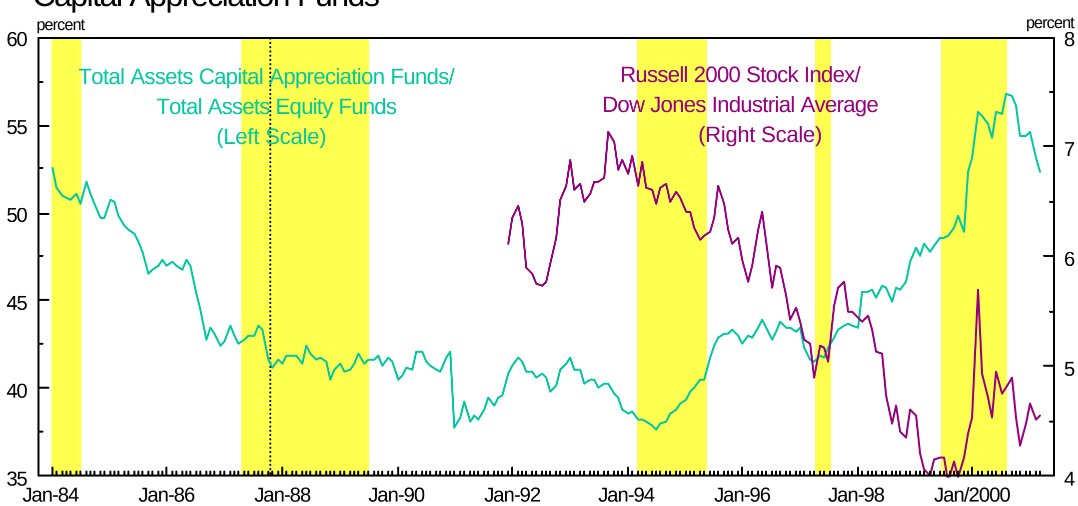
(Shaded Regions Indicate Periods of Rising Fed Funds Rate)



World Equity Funds



Capital Appreciation Funds

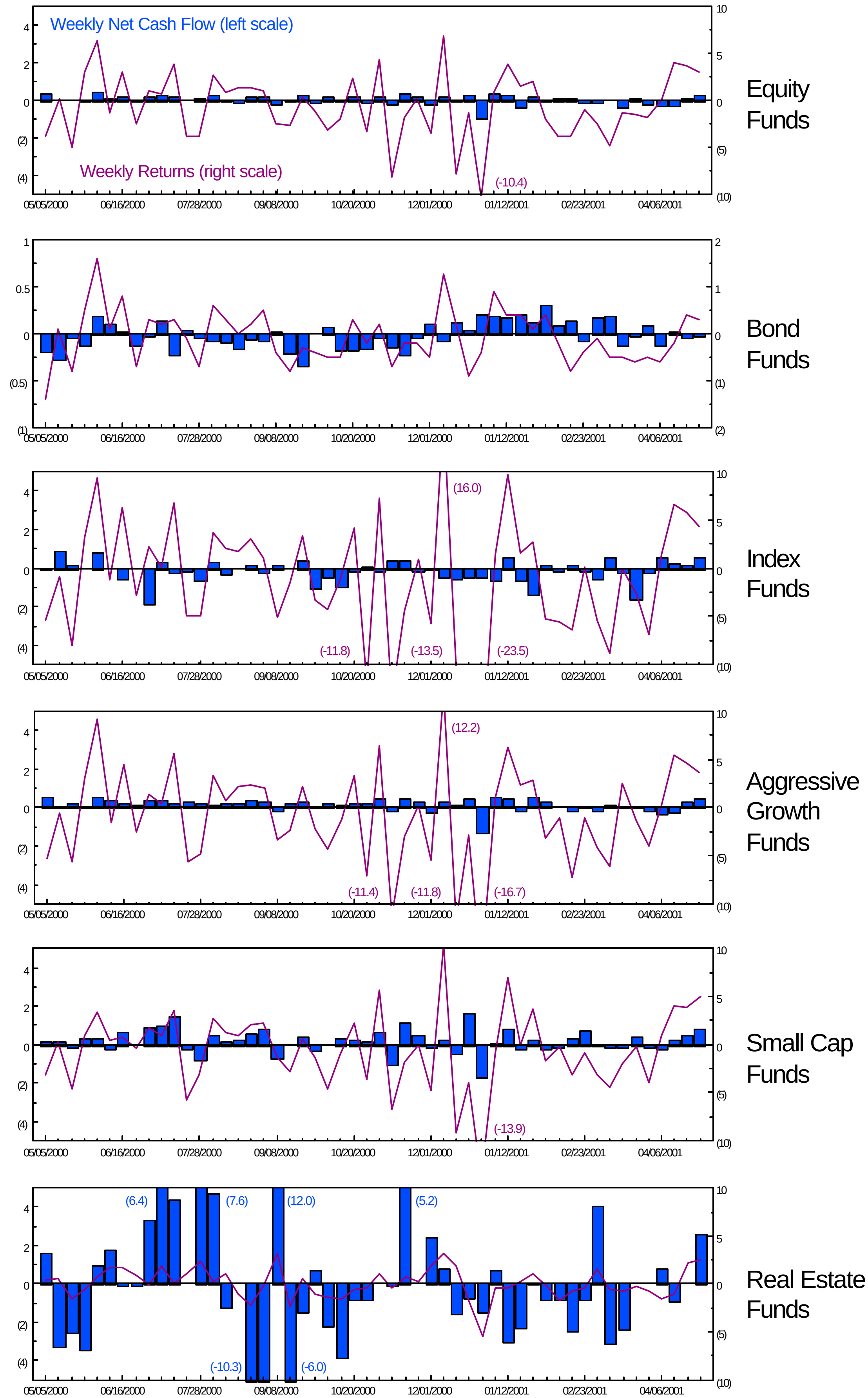


Source: Investment Company Institute

Figure 6a

Weekly Flows into Mutual Funds

(percent of Total Assets)

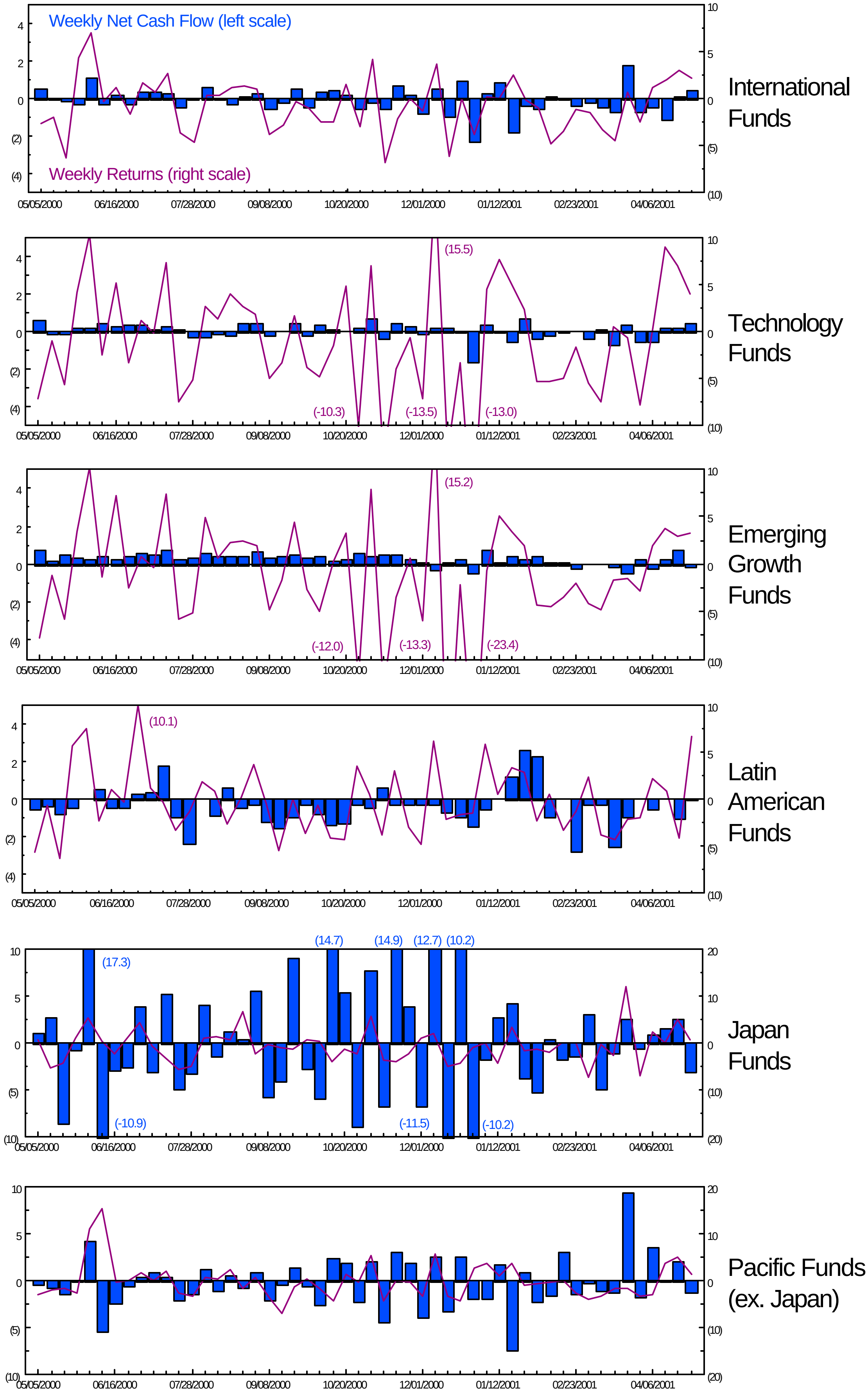


Source: Mutual Fund Trim Tabs

Figure 6b

Weekly Flows into Mutual Funds

(percent of Total Assets)

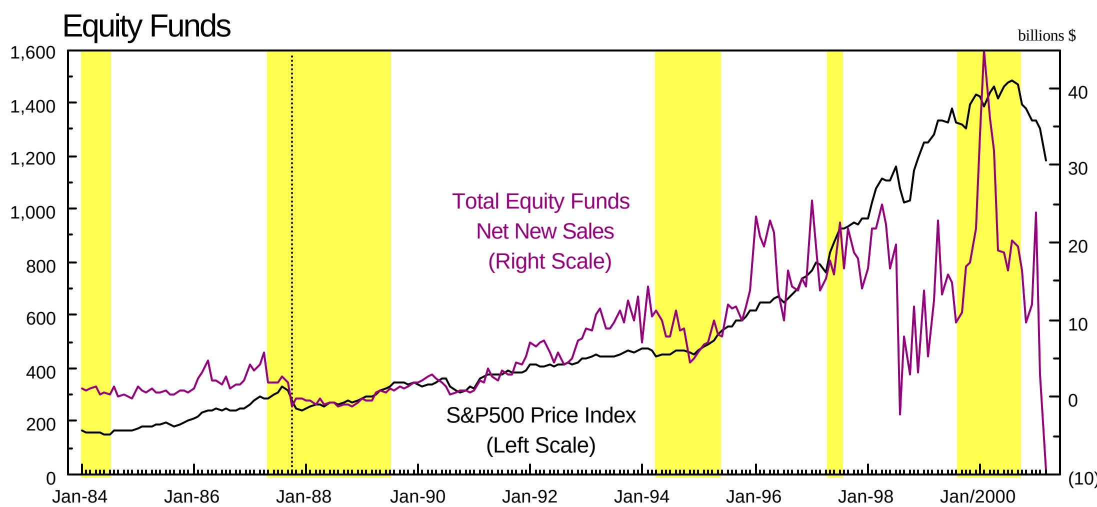


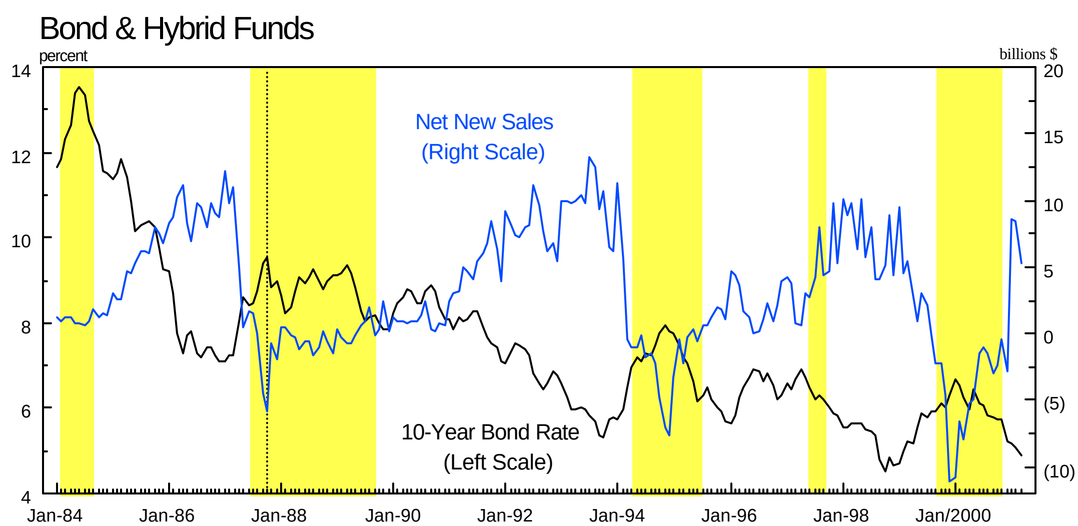
Source: Mutual Fund Trim Tabs

Figure 7

Net New Sales By Investment Objective

(Shaded Regions Indicate Periods of Rising Fed Funds Rate)

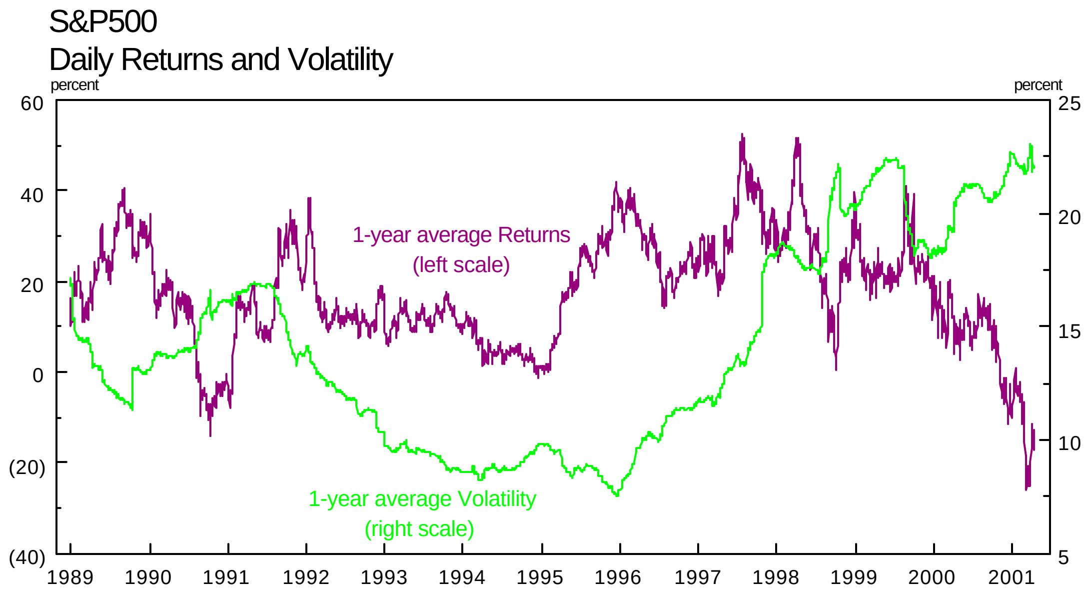




Source: Investment Company Institute

Figure 8

Capital Market Returns and Volatility



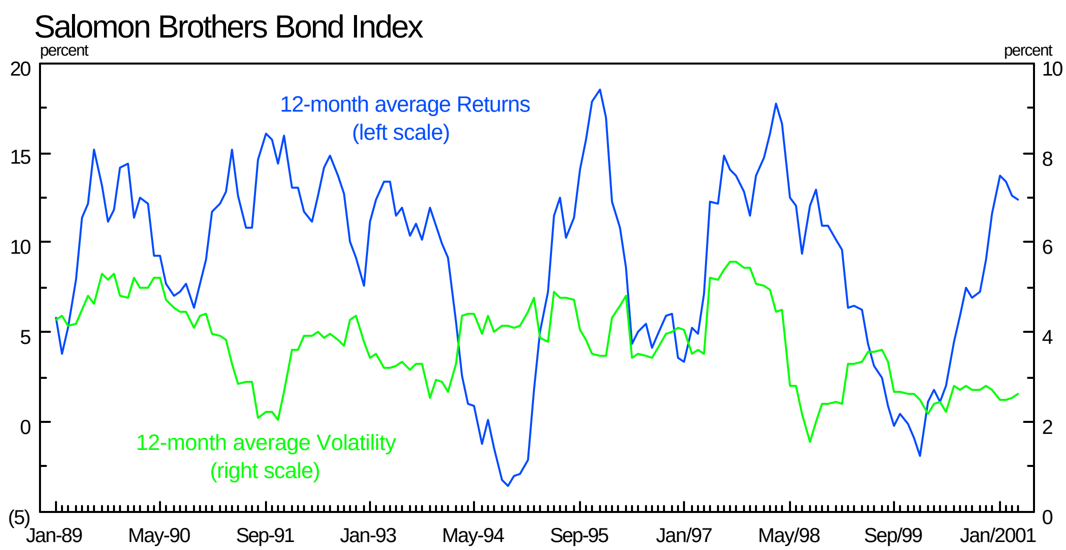
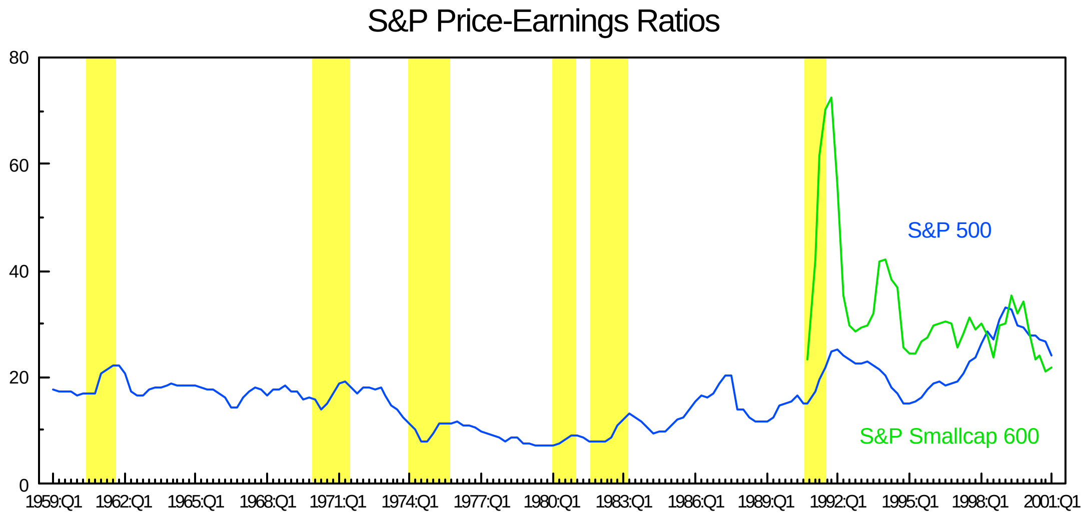
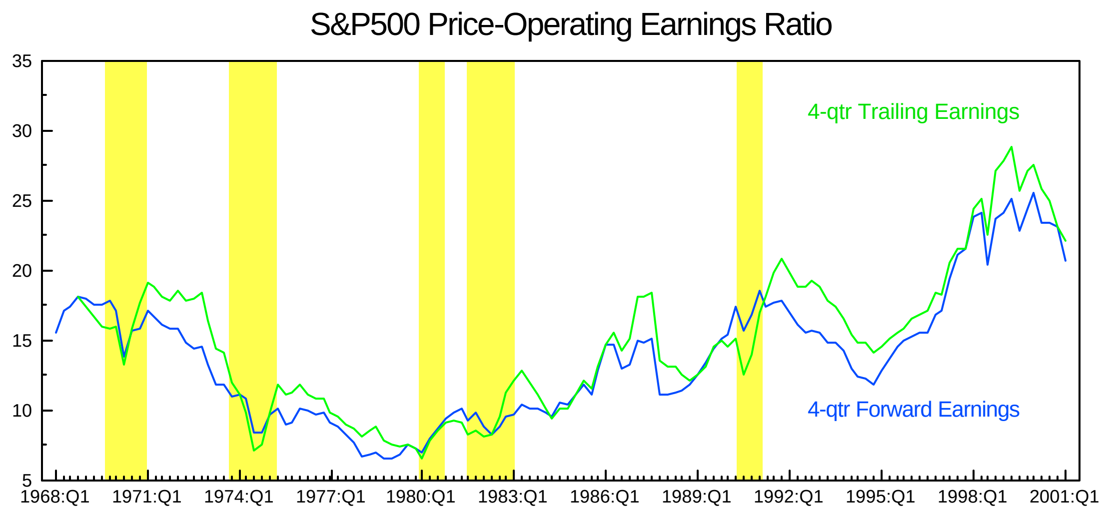
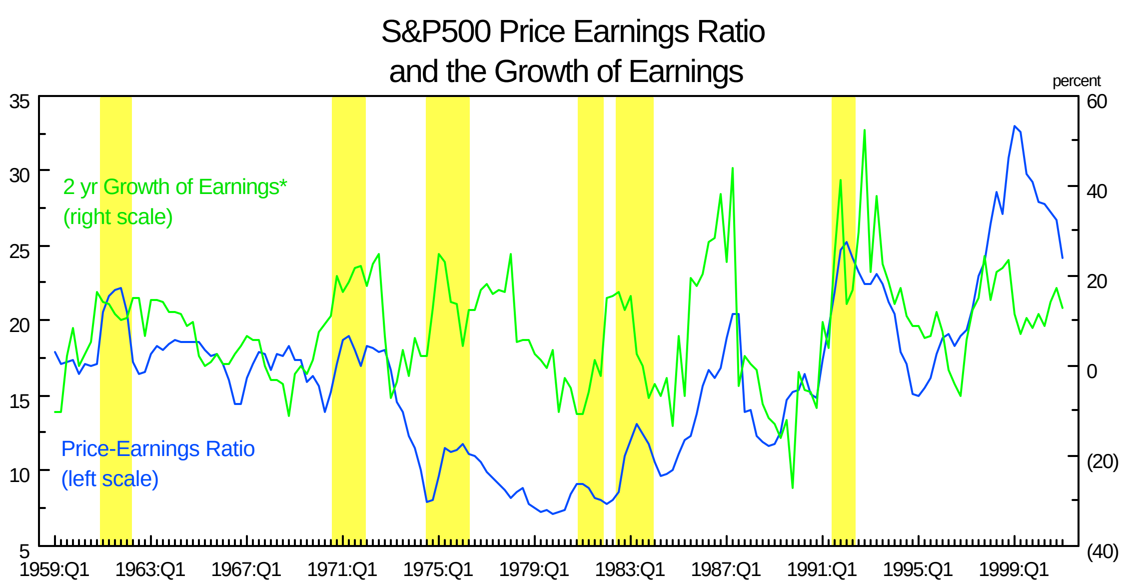


Figure 9



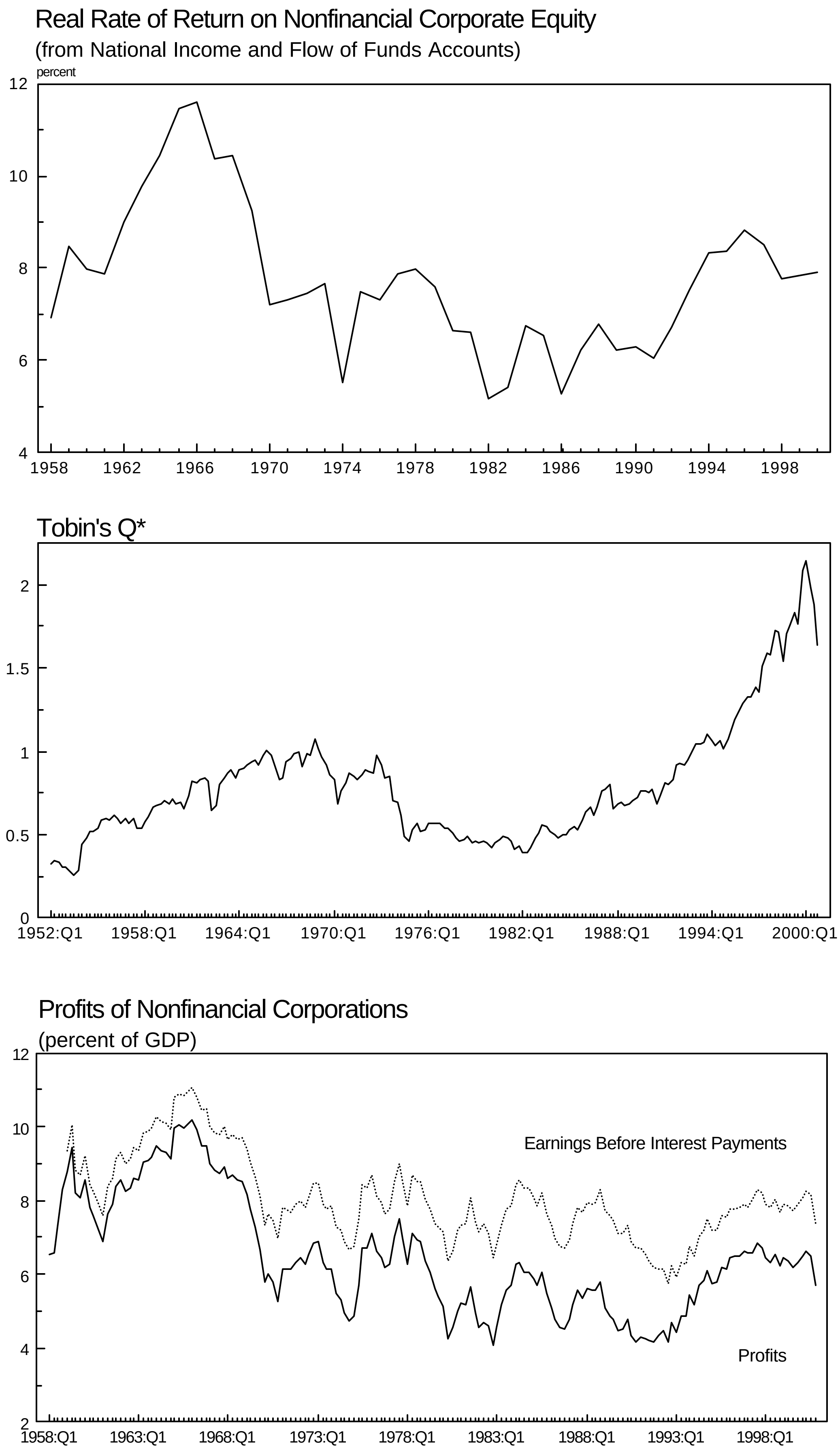




* Growth of earnings over subsequent 8 quarters. Current observations use forecast of earnings from macro projections.

source: First Call, DRI, Bloomberg

Figure 10



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