

May 3, 2002

# Monthly Mutual Fund Report

## Statistics for March 2002

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### Sales and Redemptions

Total assets for all funds increased in March by \$142.7 billion, or 2.1 percent, to \$7.1 trillion. Money market funds had a net cash outflow of \$53.1 billion compared to an outflow in February of \$5.5 billion. Other funds (equity, hybrid, and bond) had a net cash inflow of \$39.5 billion, compared to an inflow of \$18.4 billion in February. New sales of non-money market funds, the purchase of new shares excluding reinvested dividends, were \$131.7 billion in March, up from \$108.8 billion in February. The value of non-money market assets appreciated by \$147.3 billion in March, following a depreciation of \$67.1 billion in February.

Total assets of **equity funds** increased by \$186.5 billion, or 5.6 percent, to \$3.50 trillion. There was a \$29.3 billion net cash inflow to equity funds in March, compared with an inflow of \$5.4 billion in February. Year-to-date, equity funds have a net cash inflow of \$54.7 billion, compared to a \$0.9 billion inflow for the first three months of 2001. The market value of assets appreciated by \$154.7 billion.

Total assets for **hybrid funds**, which invest in a mix of stocks and bonds, increased 3.1 percent, or \$10.8 billion, to \$359.2 billion. In March, there was a \$3.4 billion net cash inflow for these funds for a total of \$7.9 billion in 2002, exceeding the inflow of \$3.4 billion in the first quarter of last year.

**Bond funds** experienced a cash inflow of \$6.8 billion, while their total assets decreased by \$3.8 billion, to \$958.9 billion. The market value of bond funds assets decreased by \$13.5 billion, after adjusting for net sales and reinvested dividends. The assets of tax-exempt funds decreased by 2.0 percent while the assets of taxable bond funds increased by 0.3 percent. There has been a net inflow into bond funds of \$28.0 billion in 2002, compared to \$25.6 billion in the same period in 2001.

Assets of taxable and tax-exempt **money market funds** decreased \$50.9 billion, to \$2.25 trillion, a decrease of 2.5 percent for taxable money market funds and an increase of 0.3 percent for tax-exempt funds. After a net cash inflow of \$175.4 billion in the first quarter 2001, money market funds have an outflow of \$44.6 billion so far this year.



### **Liquidity Ratio**

The liquidity ratio for bond and hybrid funds increased from 4.6 to 4.9 percent, while the ratio for equity funds decreased from 5.3 to 5.0 percent (figure 4).

### **Weekly Flows**

In April, there were outflows from equity funds of 0.3 percent of total assets with losses of 5.1 percent. Bond funds had outflows of 0.01 percent and returns of 0.2 percent for the month.

Index funds had monthly outflows of 0.4 percent and losses of 10.5 percent. Aggressive growth funds had monthly inflows of 0.3 percent and losses of 4.9 percent. Small-cap funds had inflows of 1.8 percent and losses of 0.6 percent.

There were outflows from international funds in April of 1.2 percent of assets and losses of 1.4 percent. Latin America funds had outflows of 0.5 percent and losses of 2.9 percent. Japan funds had inflows of 0.06 percent and returns of 7.1 percent of assets for the month of April. Pacific funds that do not invest in Japan had outflows of 1.5 percent and returns of 1.1 percent of assets.

### **Capital Market Returns and Volatility**

The S&P 500 ended April at 1076.92, a decrease of 6.1 percent from the beginning of the month. The 12-month loss was 13.0 percent at month-end. The annualized volatility for the daily return on the S&P 500 was 18.2 percent.

The 12-month average return on the Citigroup (formerly Solomon Brothers) Bond Index was 5.3 percent for March. Volatility increased to 4.13 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 6.9 percent, but remain above the 6.1 percent historical average annual growth rate. The trailing price-operating earnings ratio of 26.1 for the second quarter was the same as the first quarter, while the forward price-operating earnings ratio increased from 20.9 in the first quarter to 21.5 during the second quarter of 2002 (figure 9). During the first quarter the price-earnings ratio for the Standard and Poor's Small-Cap 600 Index decreased to 44.6 from 44.9.

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

Figure 1  
**Sales of Mutual Funds**

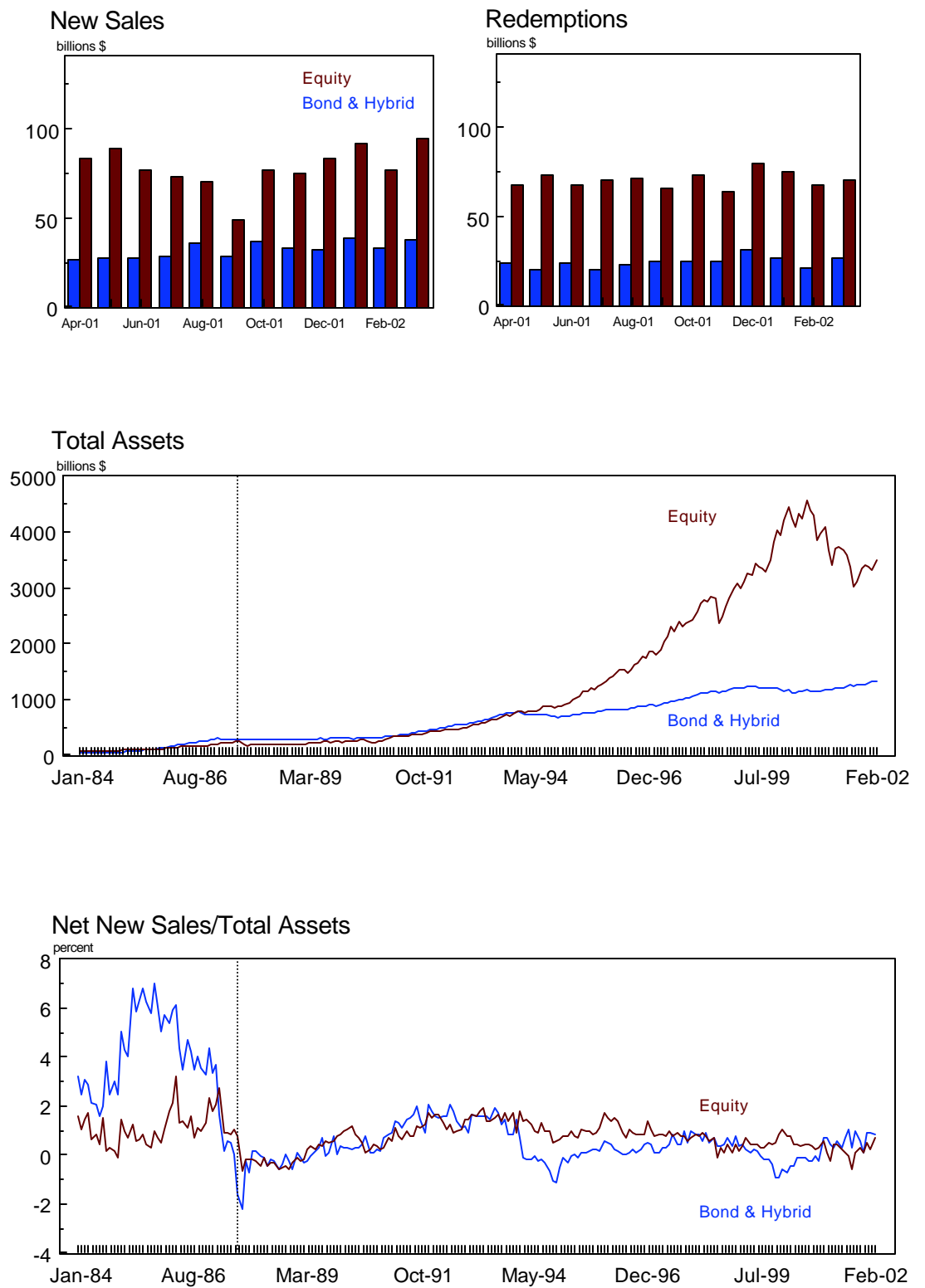


Figure 2

## Composition of Mutual Funds' Financial Assets

(percent of Total Financial Assets)

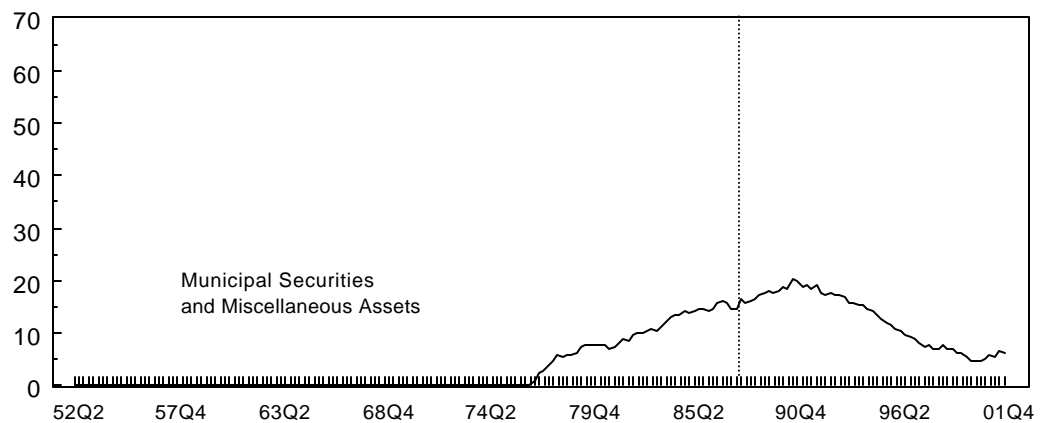
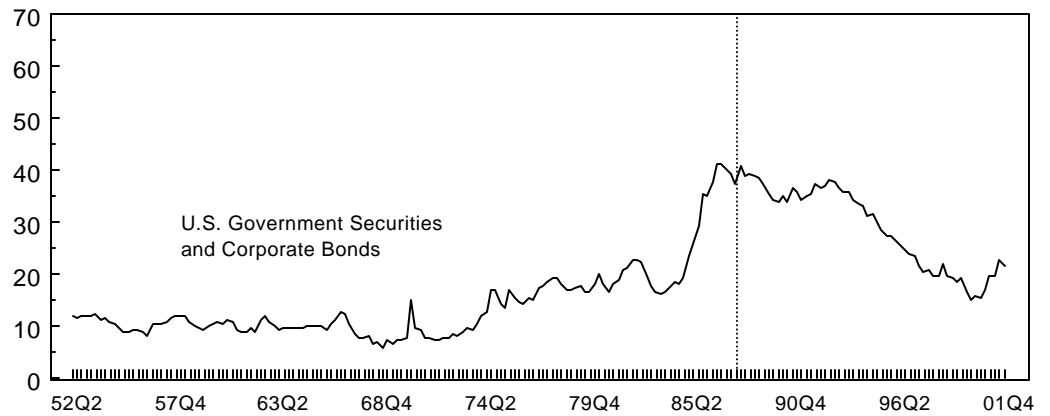
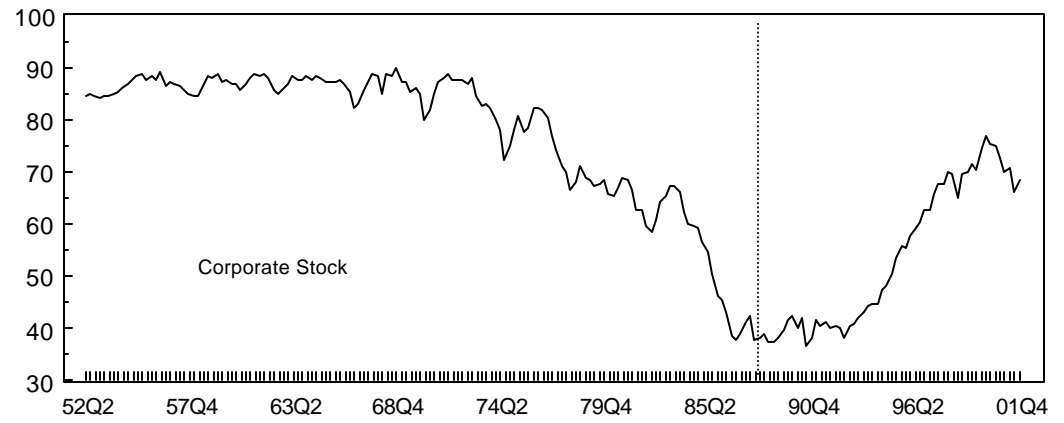


Figure 3  
**Net Portfolio Purchases**  
(percent of Total Assets)

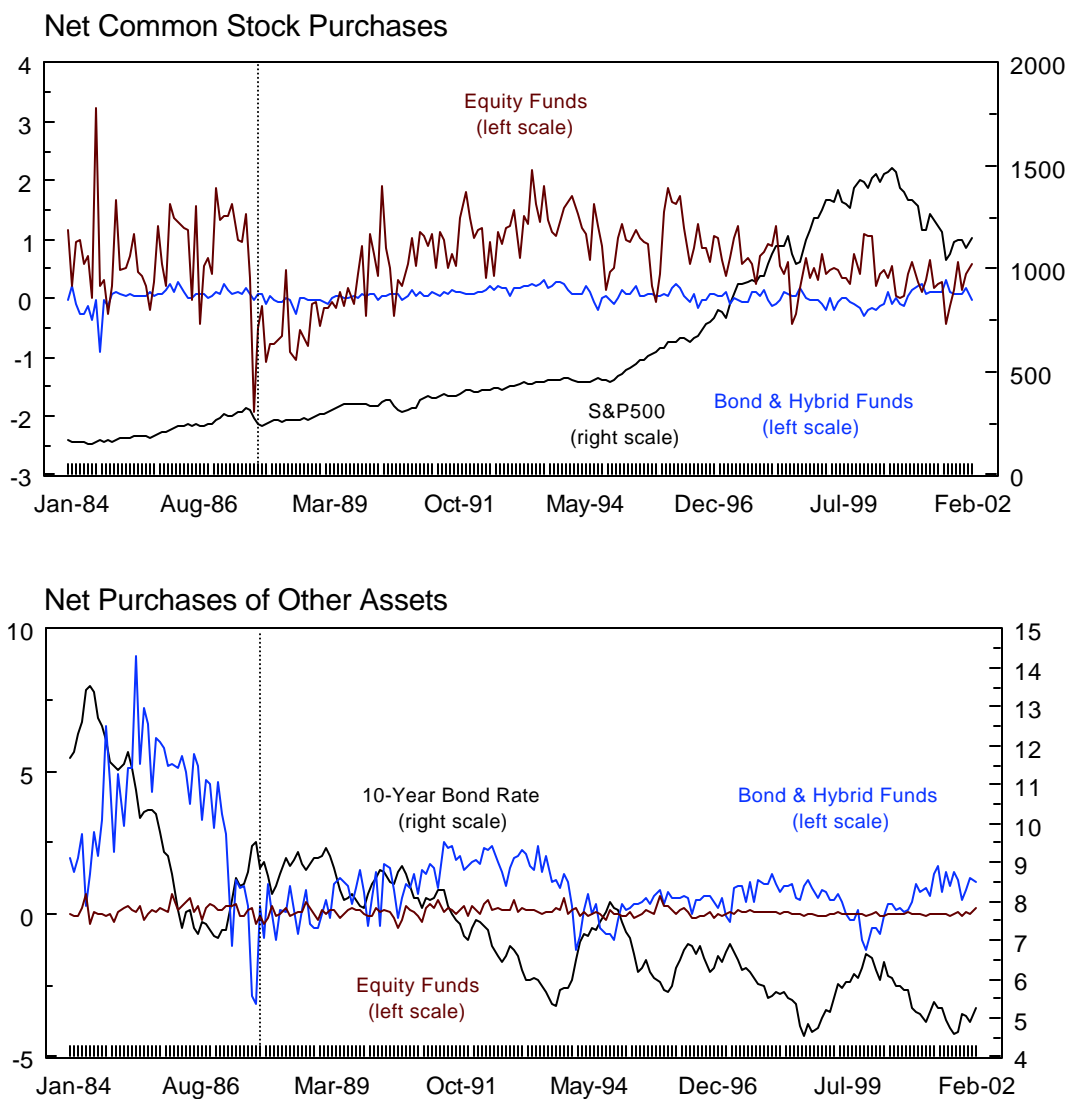
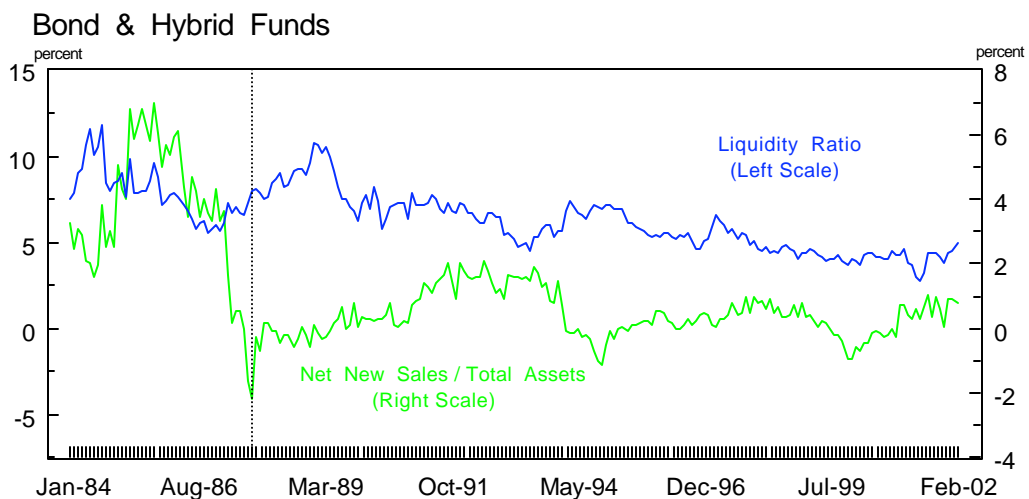
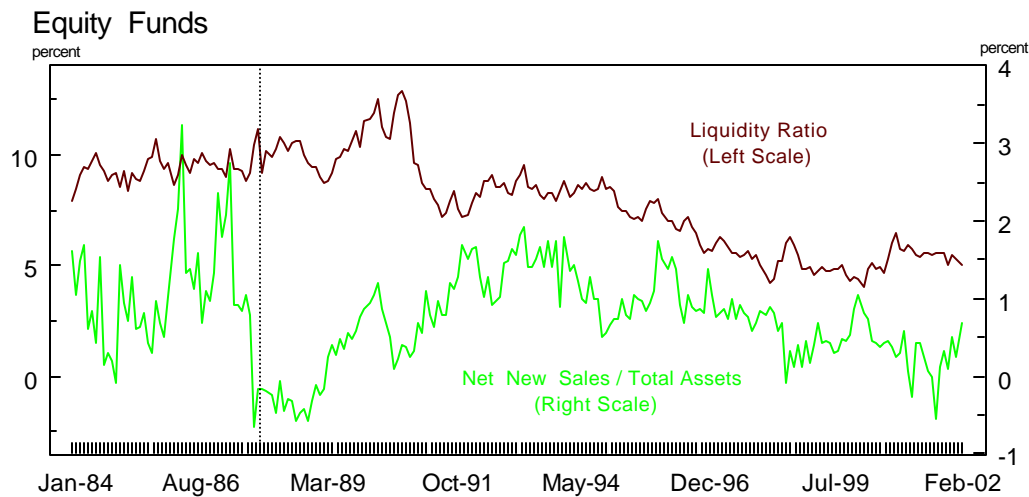
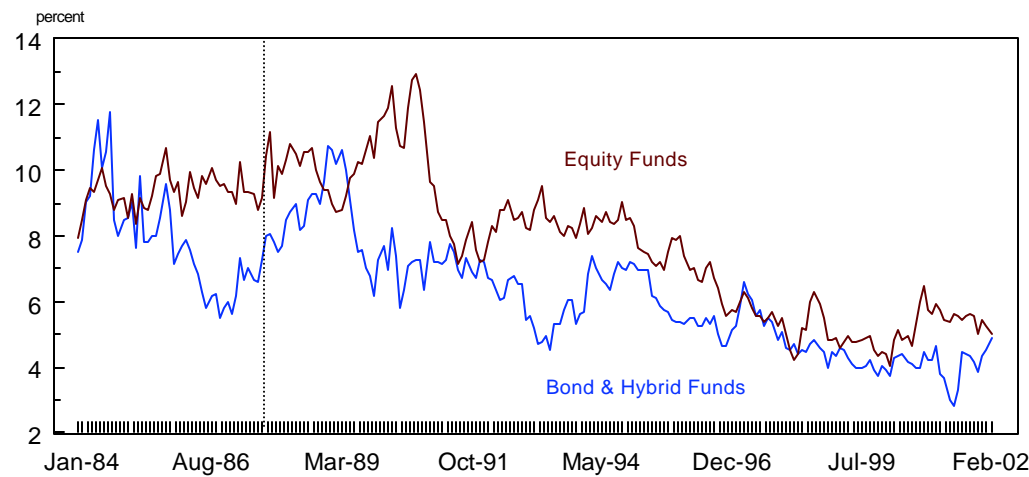


Figure 4  
**Liquidity Ratio\***

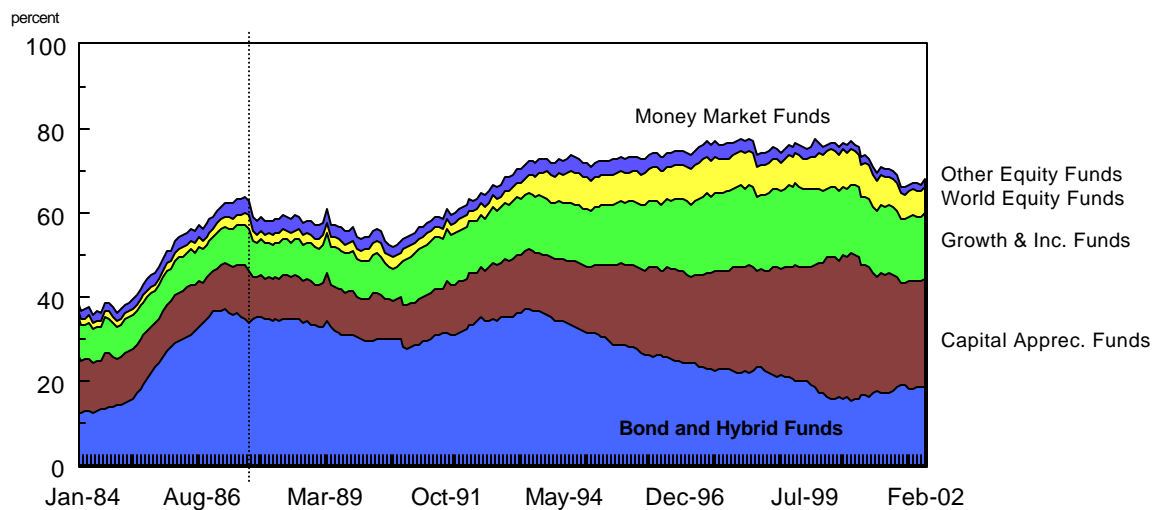


\*The Liquidity Ratio is the Percent of Total Assets held in Cash and Short-Term Securities.  
Source: Investment Company Institute

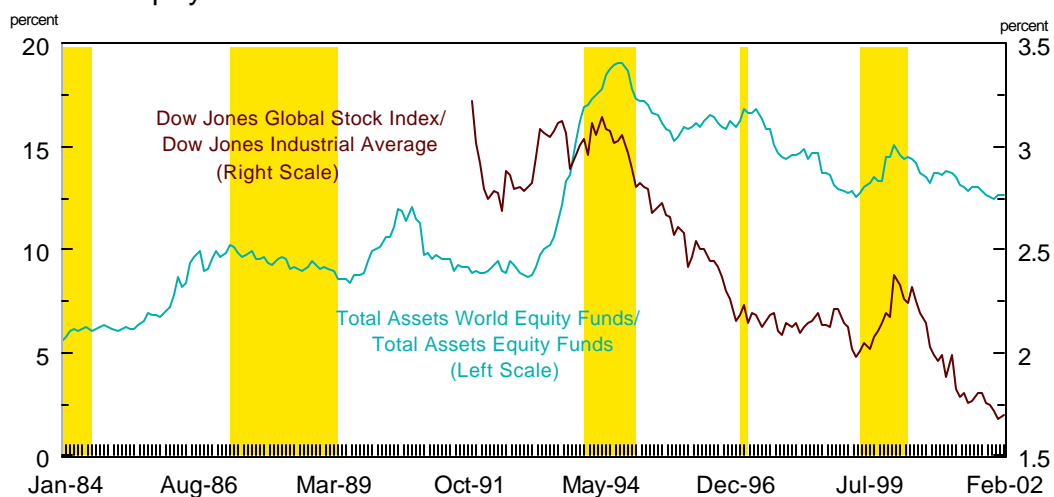
Figure 5

## Industry Composition

(Shaded Regions Indicate Periods of Rising Fed Funds Rate)



### World Equity Funds



### Capital Appreciation Funds

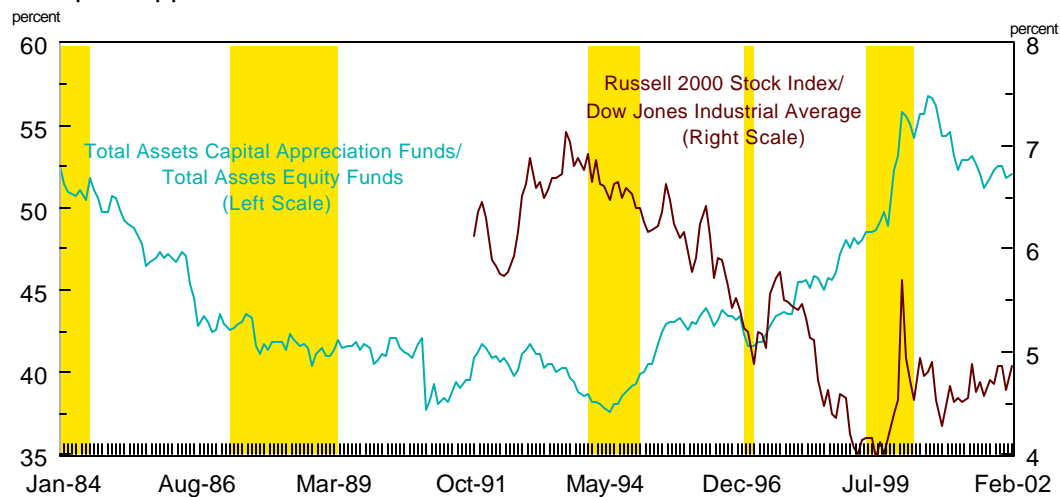
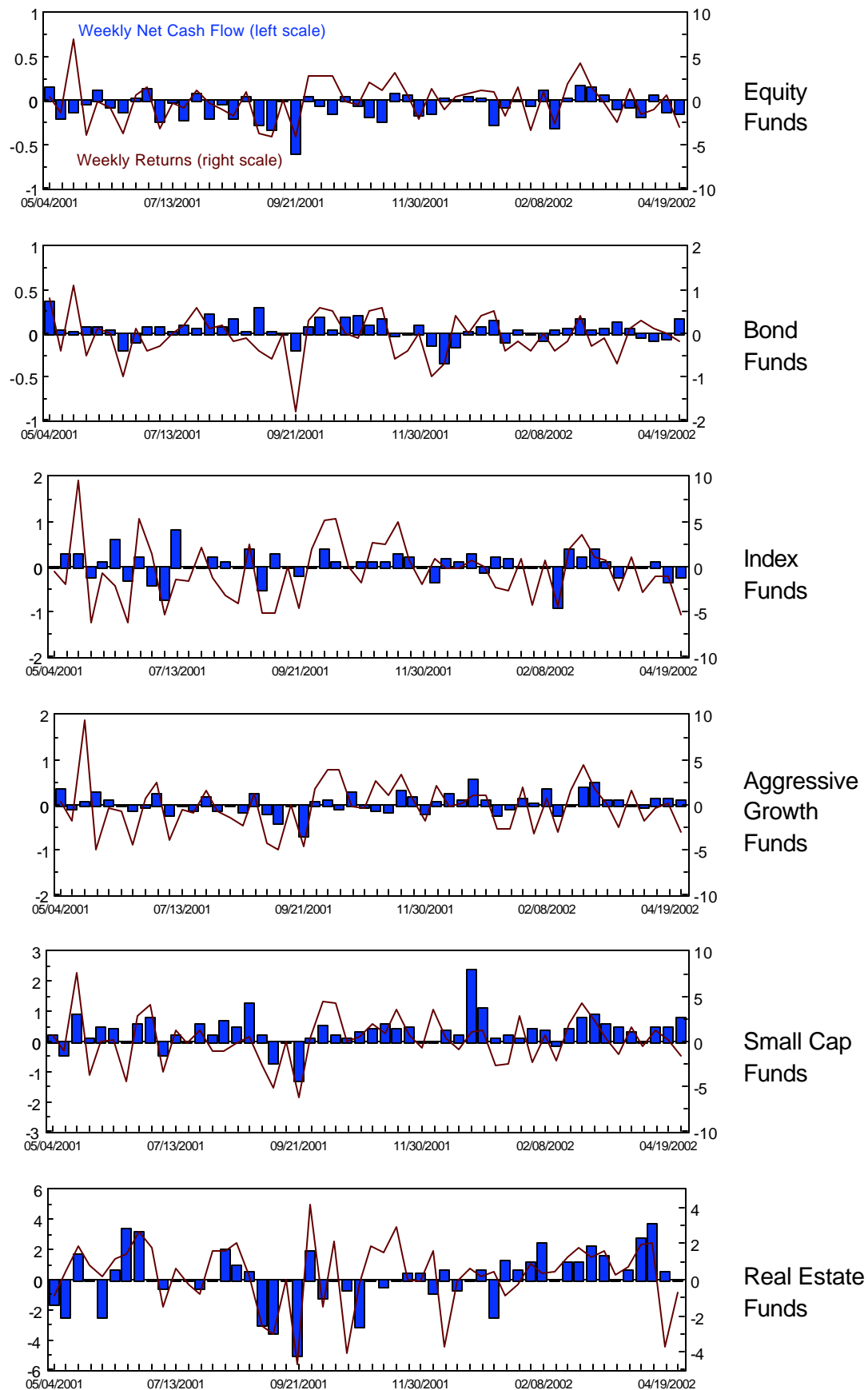


Figure 6a

## 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)

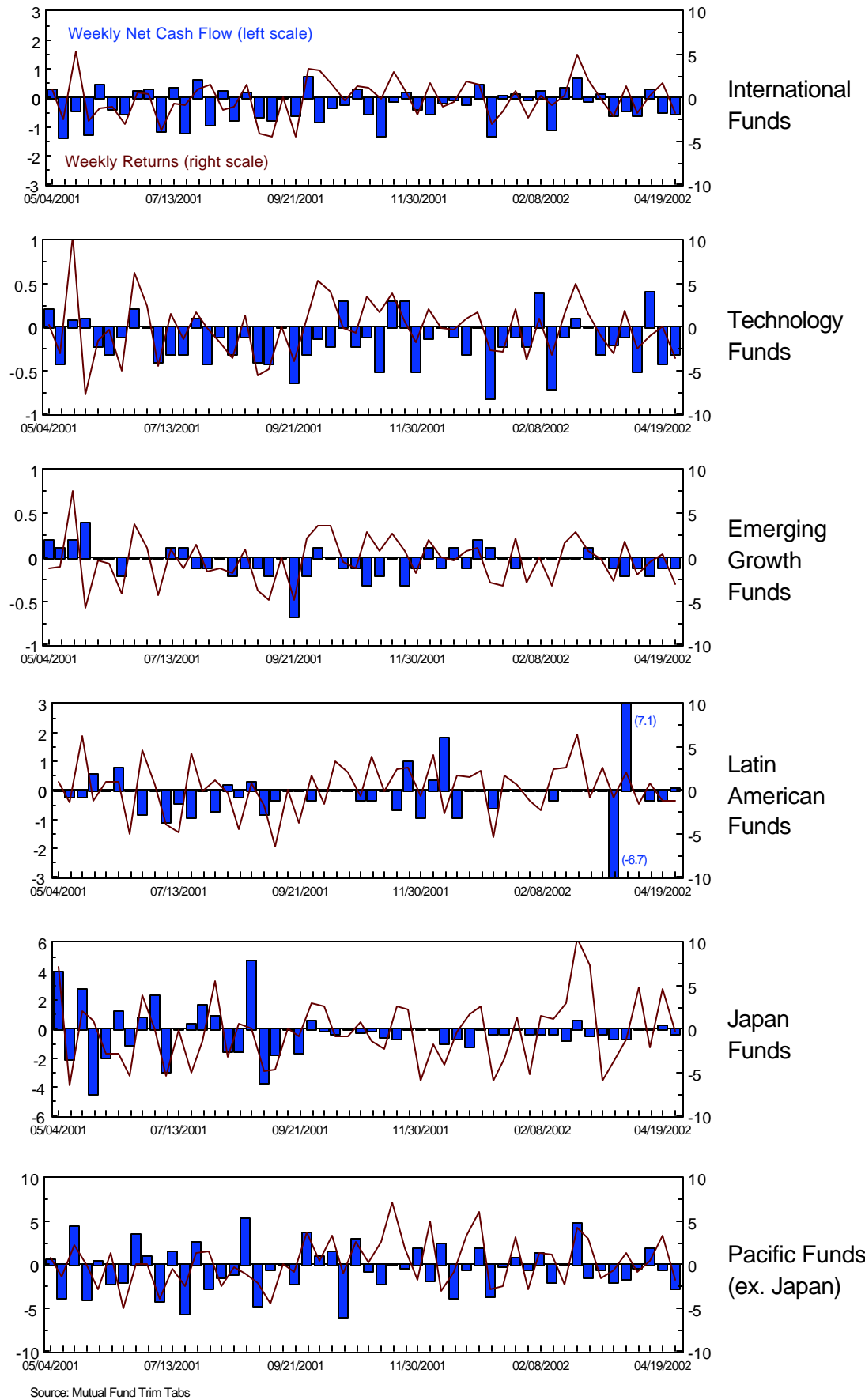


Figure 7

## Net New Sales By Investment Objective

(Shaded Regions Indicate Periods of Rising Fed Funds Rate)

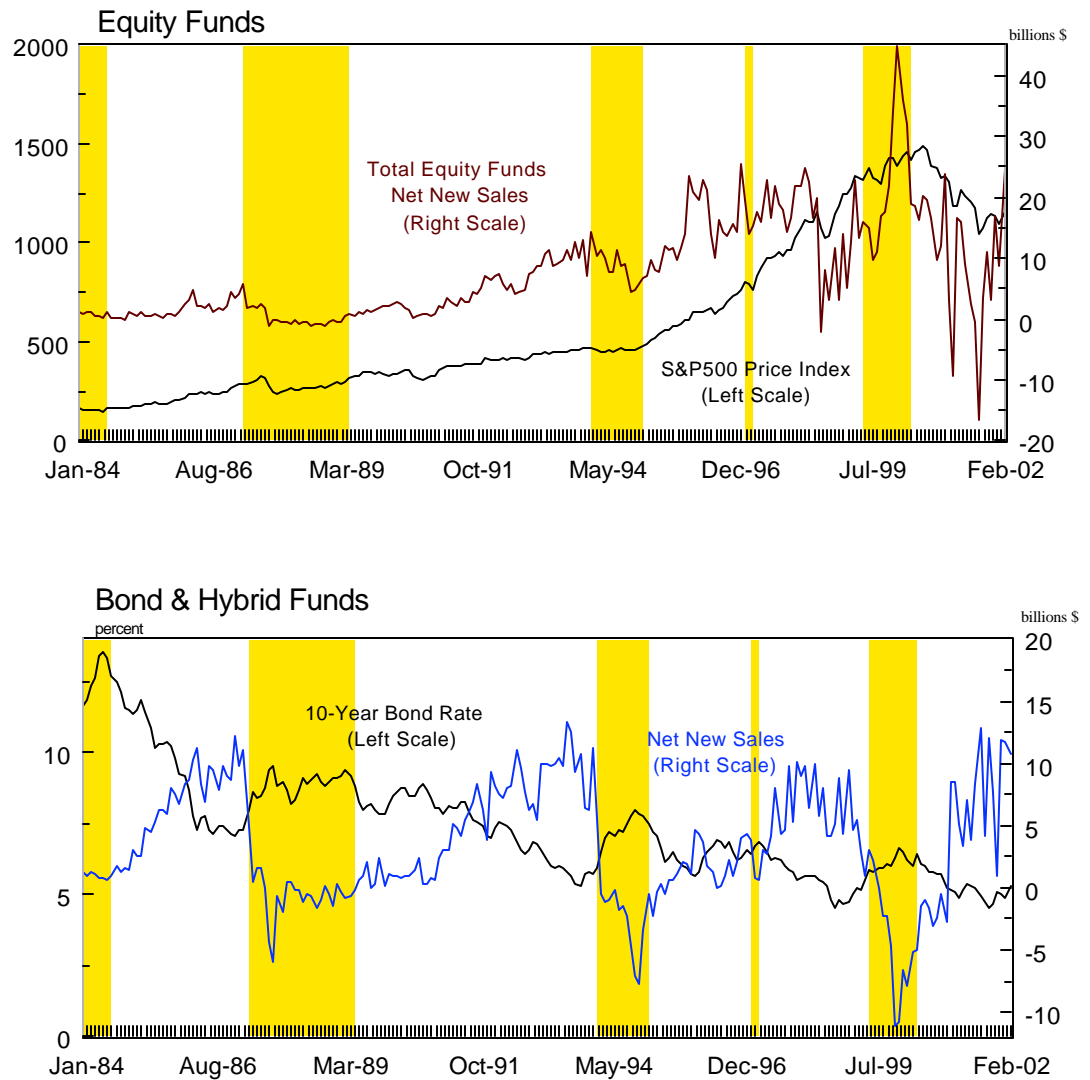


Figure 8  
Capital Market Returns and Volatility

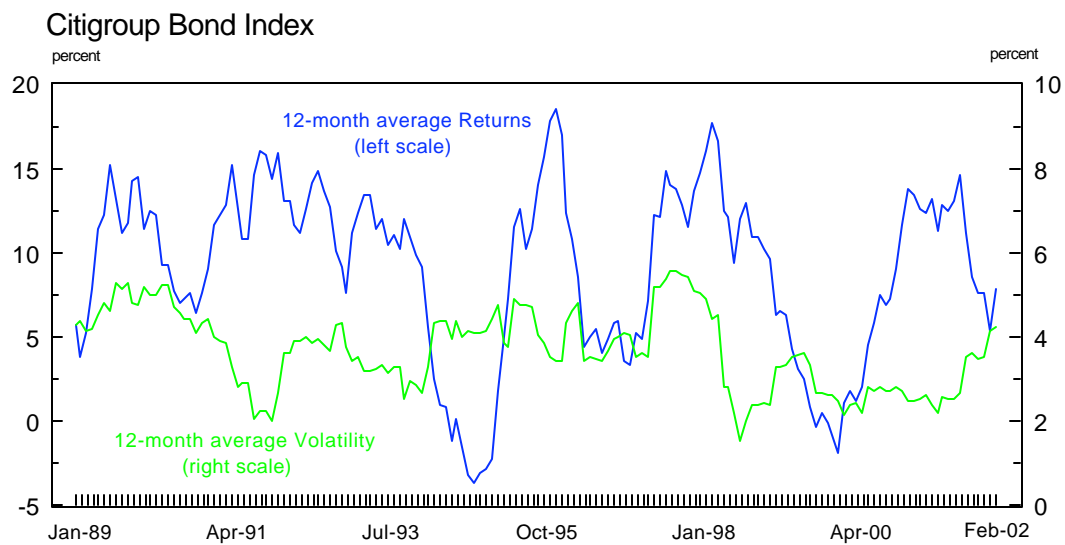
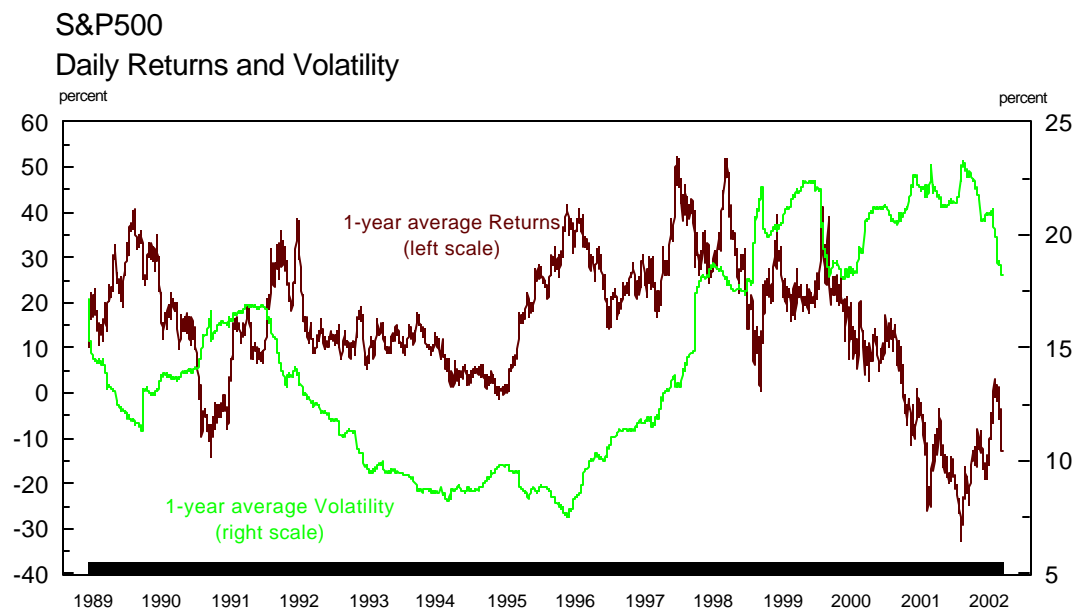
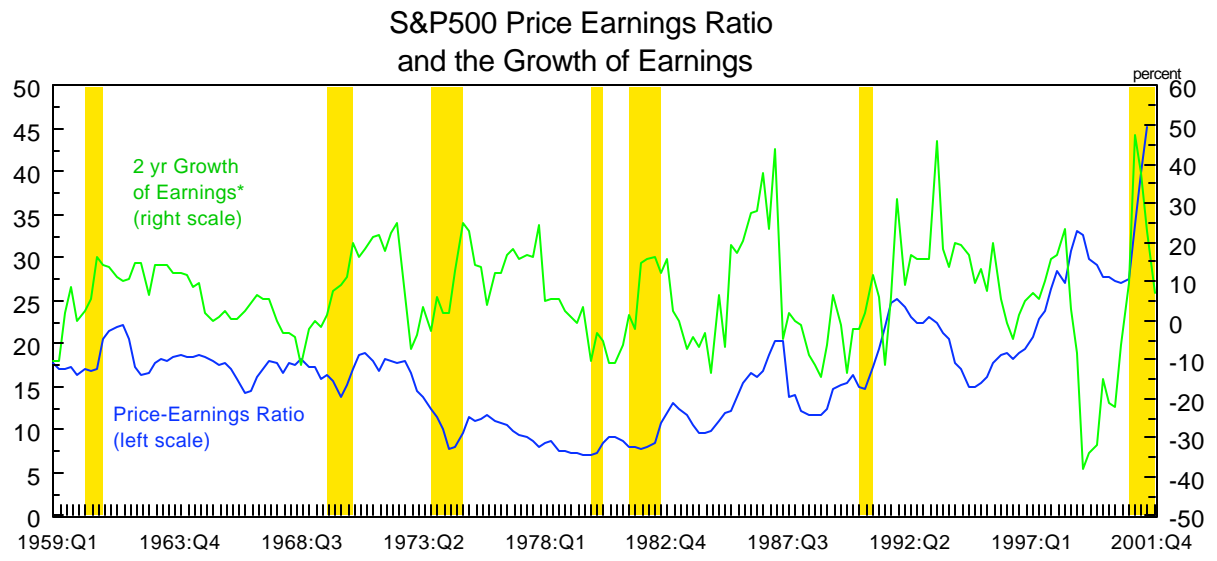
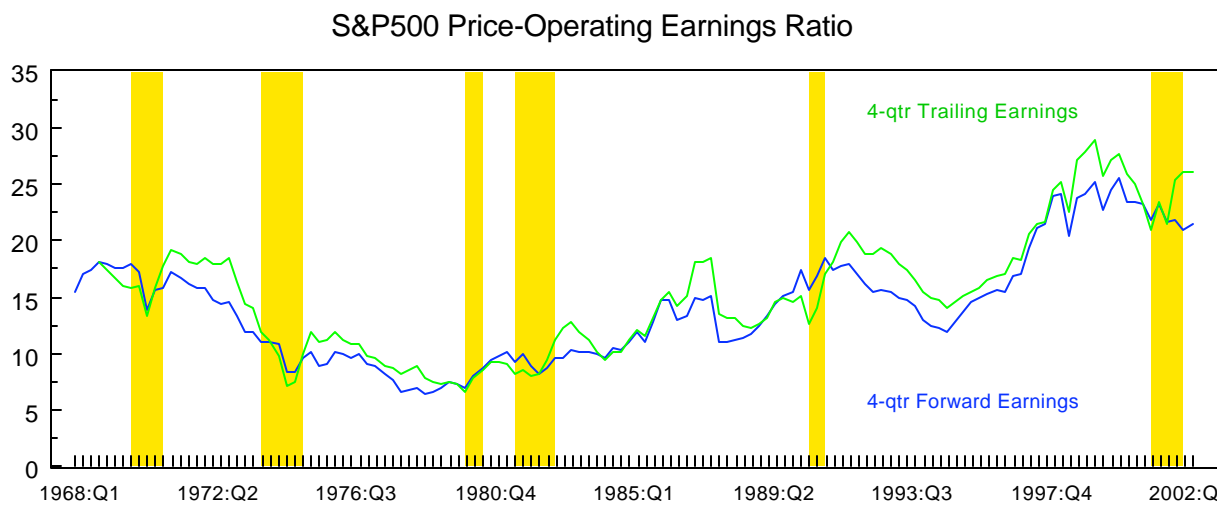
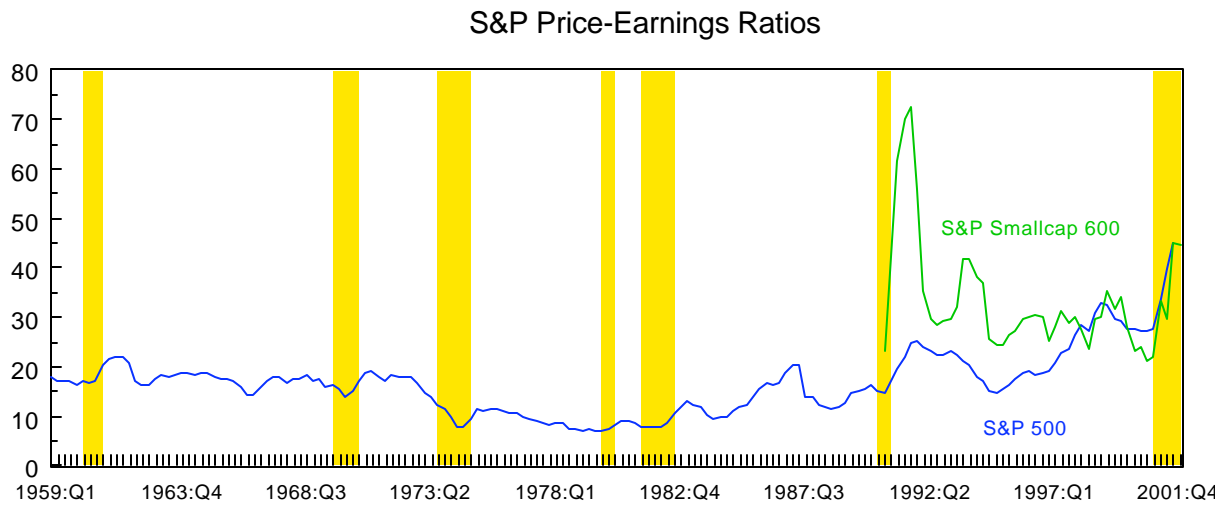


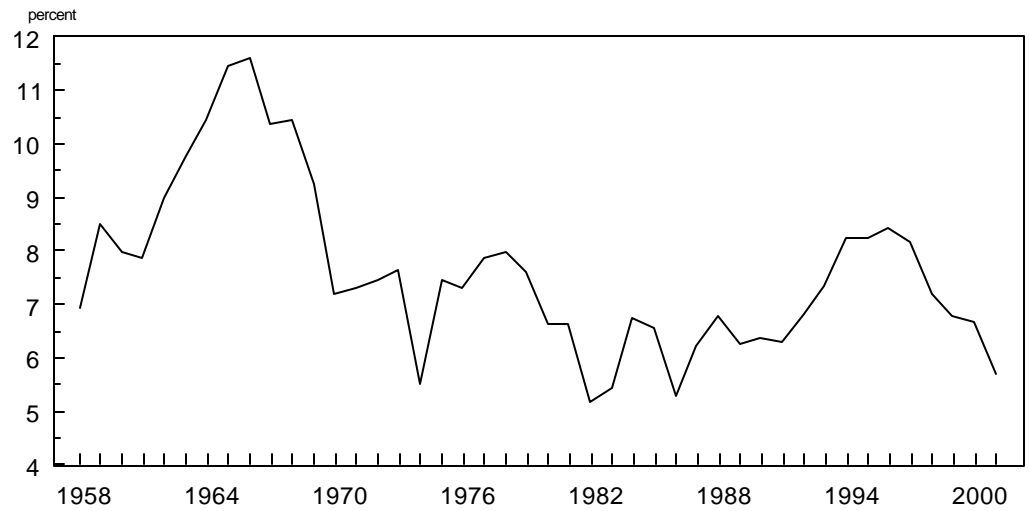
Figure 9



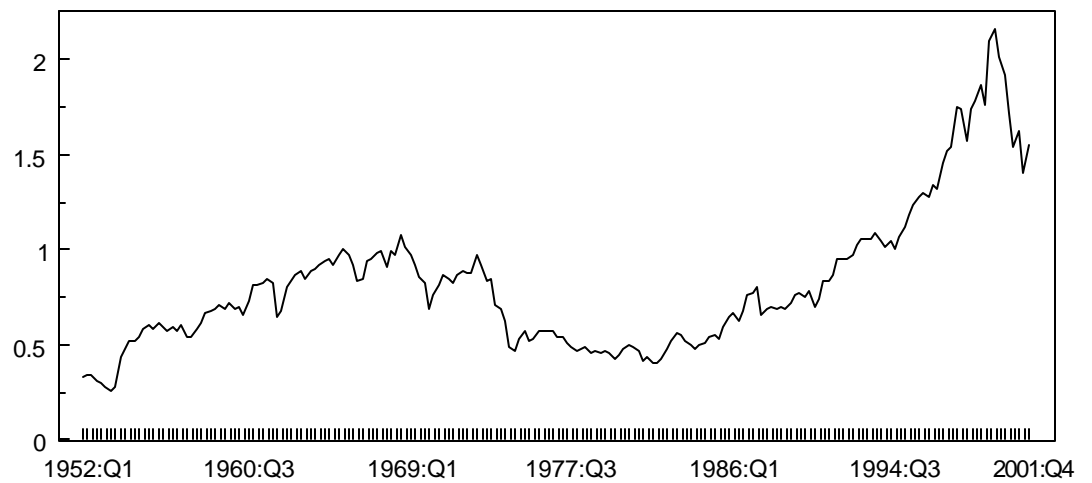
\* Growth of earnings over subsequent 8 quarters. Current observations use forecast of earnings from macro projections.  
source: First Call, DRI, Bloomberg

Figure 10

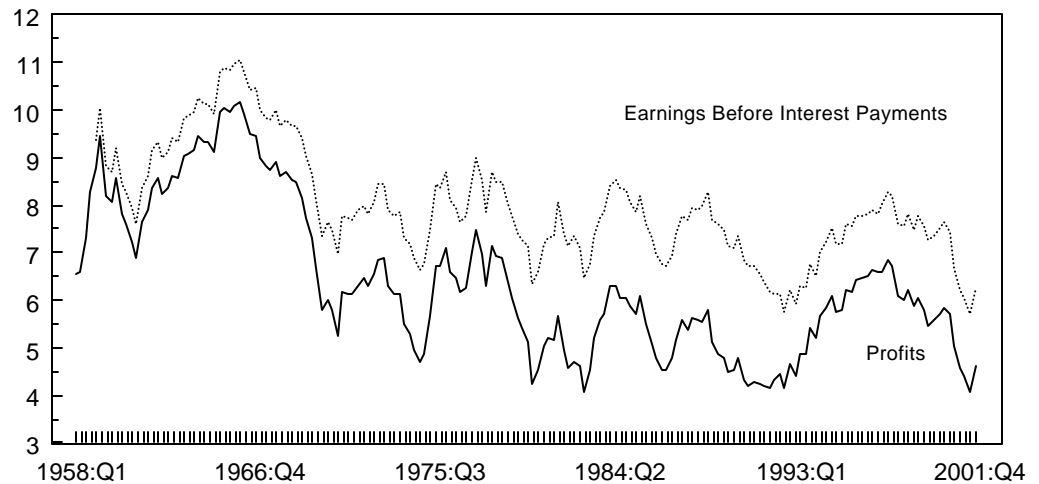
# Real Rate of Return on Nonfinancial Corporate Equity (from National Income and Flow of Funds Accounts)



## 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