May 2, 2003

Monthly Mutual Fund Report

Statistics for March-April 2003

Sales and Redemptions

Total assets for all funds decreased in March by $2.0 billion, or 0.03 percent, to $6.27 trillion. Money market funds had a net cash outflow of $32.3 billion compared to an outflow in February of $39.6 billion. Other funds (equity, hybrid, and bond) had a net cash inflow of $11.9 billion, compared to an inflow of $8.7 billion in February. New sales of non-money market funds, the purchase of new shares excluding reinvested dividends, were $109.0 billion in March, up from $93.0 billion in February. The value of non-money market assets appreciated by $10.4 billion in March, following a depreciation of $40.4 billion in February.

Total assets of **equity funds** increased by $13.8 billion, or 0.5 percent, to $2.55 trillion. There was a $0.2 billion net cash inflow to equity funds in March, compared with an outflow of $11.1 billion in February. Year-to-date, equity funds have a $11.1 billion outflow, compared to an inflow of $53.7 billion in the first quarter of 2002. The market value of assets appreciated by $11.3 billion.

Total assets for **hybrid funds**, which invest in a mix of stocks and bonds, increased 0.7 percent, or $2.4 billion, to $325.3 billion. In March, there was a $0.8 billion net cash inflow for these funds. In 2003, hybrid funds have a $2.0 billion inflow, while there was a $7.8 billion inflow through this point in 2002.

Bond funds experienced a cash inflow of $10.8 billion, while their total assets increased by $12.9 billion, to $1.18 trillion. The market value of bond funds assets decreased by $1.1 billion, after adjusting for net sales and reinvested dividends. The assets of taxable bond funds increased by 1.6 percent, while the assets of tax-exempt bond funds decreased by 0.3 percent. The year-to-date inflow to bonds is $43.5 billion; through last March, the year-to-date inflow was $27.9 billion.

Assets of taxable and tax-exempt **money market funds** decreased $4.2 billion, to $2.21 trillion, a decrease of 1.6 percent for taxable money market funds and an increase of 10.7 percent for tax-exempt funds. Compared to a net cash outflow of $44.6 billion through March 2002, money market funds had an outflow of $73.1 billion in the first quarter of 2003.

Liquidity Ratio
The liquidity ratio for bond and hybrid funds decreased from 6.03 to 5.87 percent, while the ratio for equity funds increased from 4.31 to 4.75 percent (figure 4).

Weekly Flows
In April, there were outflows from equity funds of 0.02 percent of total assets, with returns of 3.8 percent. Bond funds had inflows of 0.2 percent and returns of 1.0 percent for the month.

Index funds had monthly inflows of 1.2 percent and returns of 3.9 percent. Aggressive growth funds had monthly inflows of 0.2 percent and returns of 3.8 percent. Small-cap funds had an outflow of 0.3 percent, and losses of 0.9 percent.

There were inflows to international funds in April of 0.3 percent of assets and returns of 3.1 percent. Latin America funds had outflows of 0.2 percent and returns of 7.6 percent. Japan funds had outflows of 0.5 percent and losses of 3.8 percent of assets for the month of April. Pacific funds that do not invest in Japan had outflows of 4.1 percent and losses of 2.8 percent of assets.

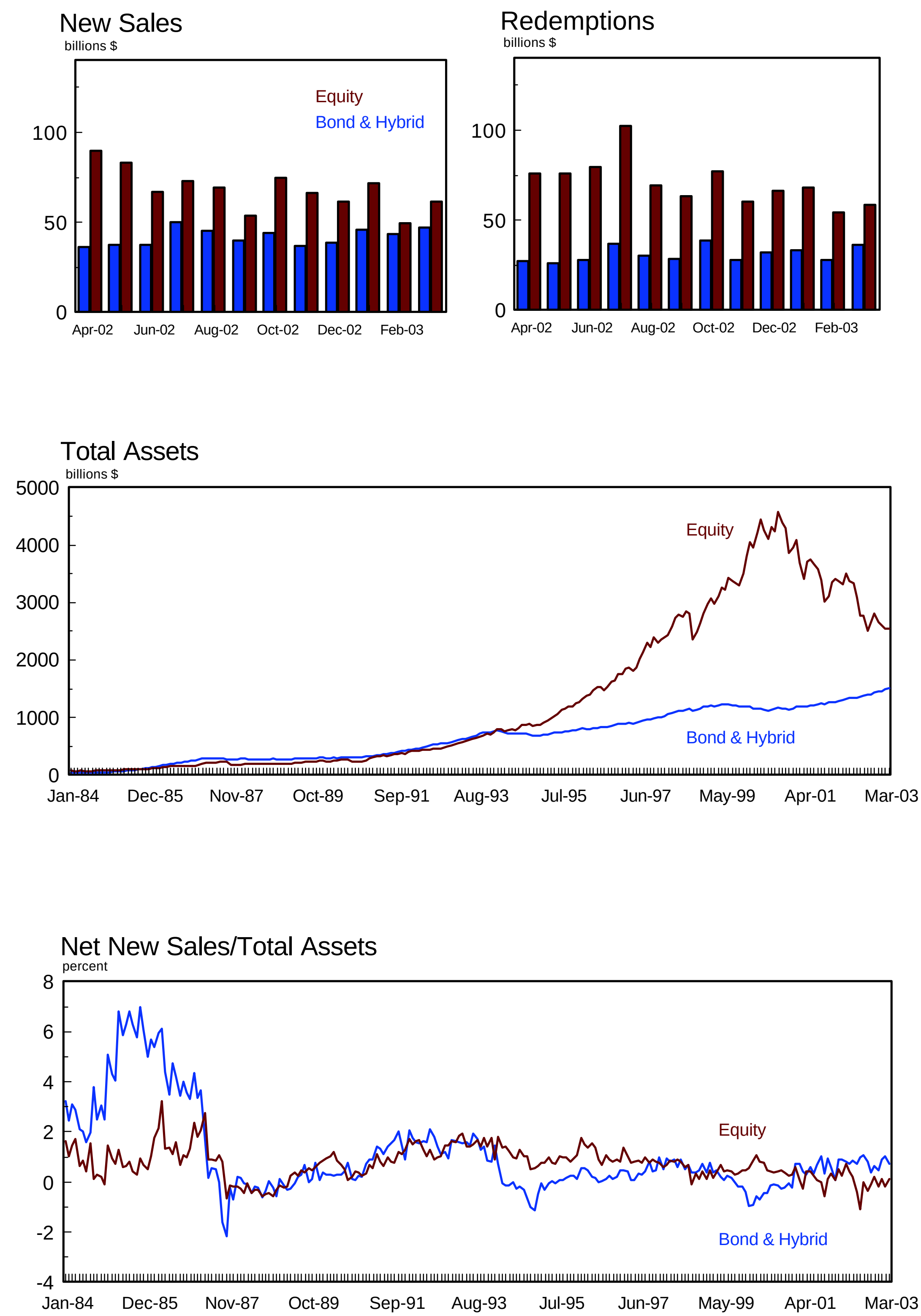
Capital Market Returns and Volatility
The S&P 500 ended April at 916.92, an increase of 8.1 percent from the beginning of the month. The 12-month loss was 13.7 percent at month-end. The annualized volatility for the daily return on the S&P 500 was 27.5 percent.

The 12-month average return on the Citigroup Bond Index was 11.6 percent for March. Volatility decreased to 2.90 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 8.7 percent, but still above the 6.4 percent historical average annual growth rate. The trailing price-operating earnings ratio decreased from 20.3 in the first quarter to 20.0 for the second quarter of 2003, while the forward price-operating earnings ratio increased from 15.8 in the first quarter to 15.9 during the second quarter (figure 9). During the first quarter the price-earnings ratio for the Standard and Poor's Small-Cap 600 Index fell to 23.0 from 26.8.

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

Figure 1
Sales of Mutual Funds

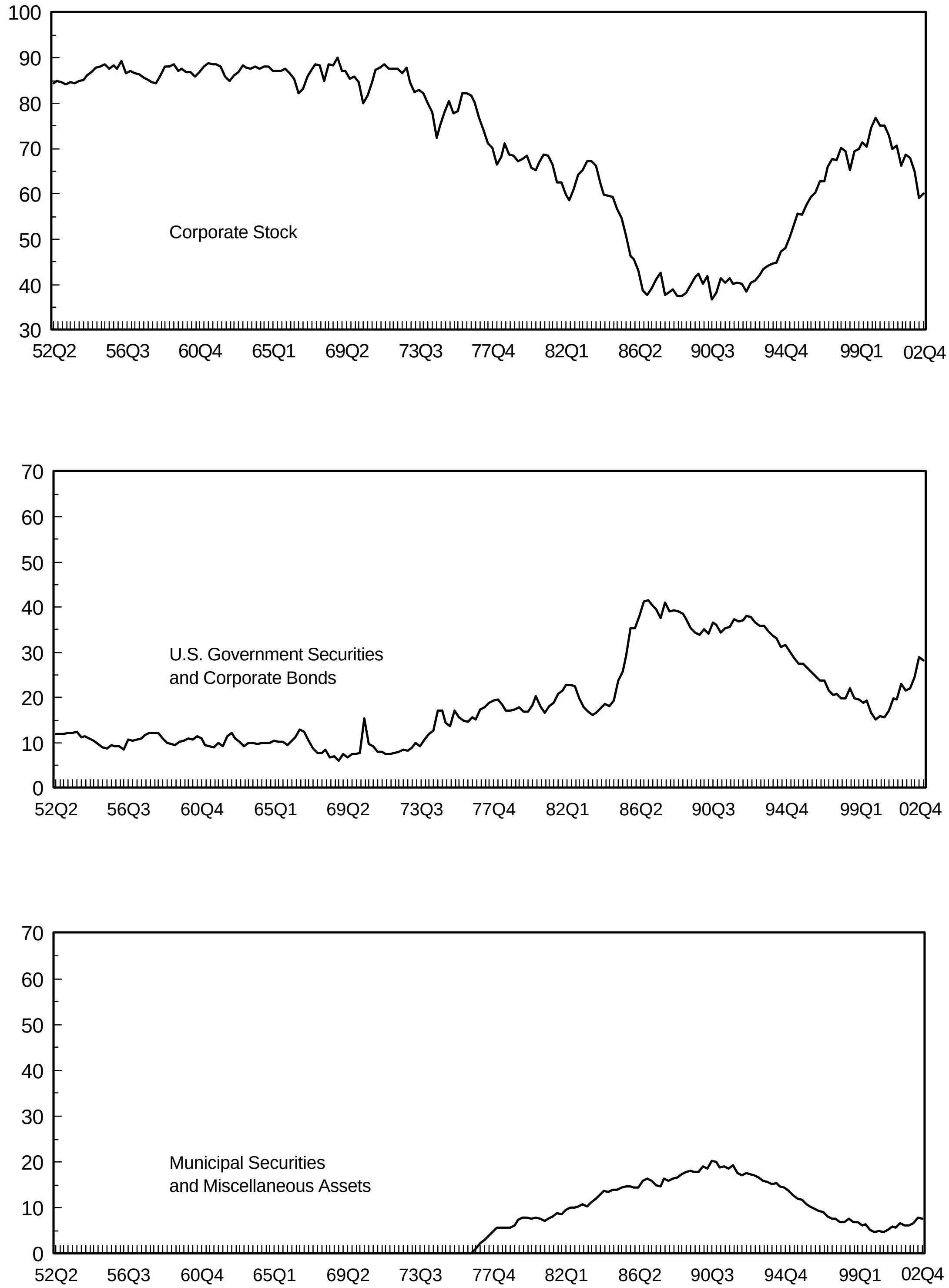


Source: Investment Company Institute

Figure 2

Composition of Mutual Funds' Financial Assets

(percent of Total Financial Assets)

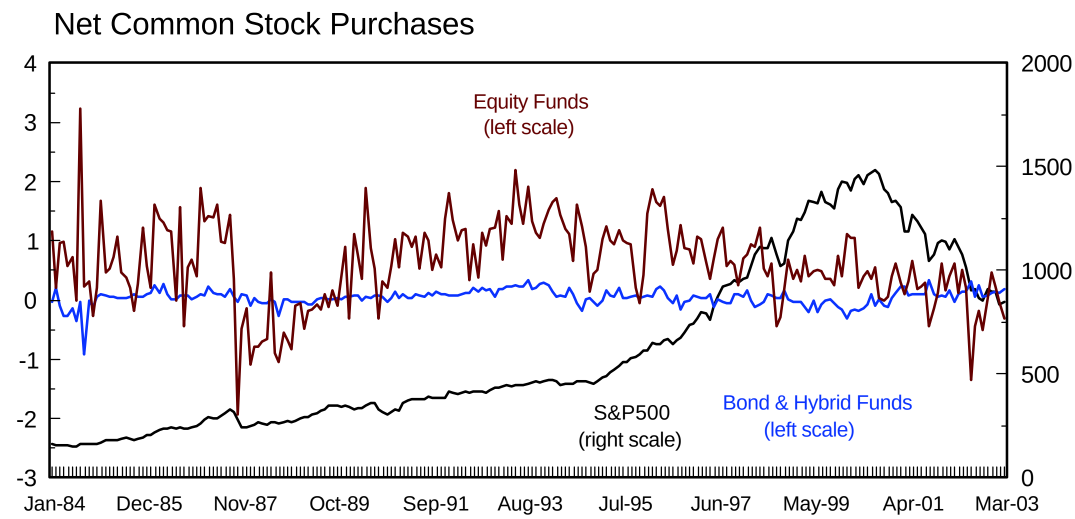


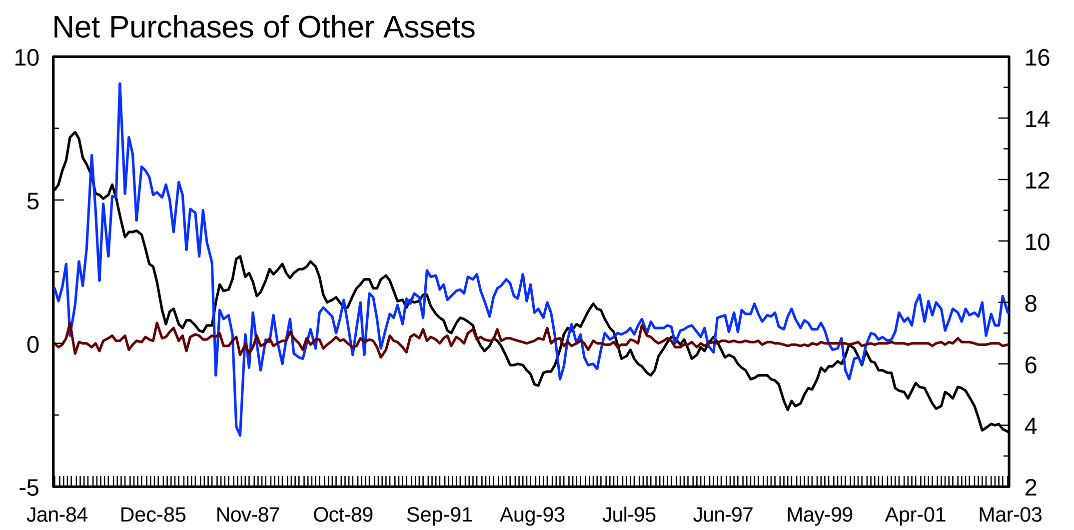
Source: Flow of Funds, Haver Analytics

Figure 3

Net Portfolio Purchases

(percent of Total Assets)

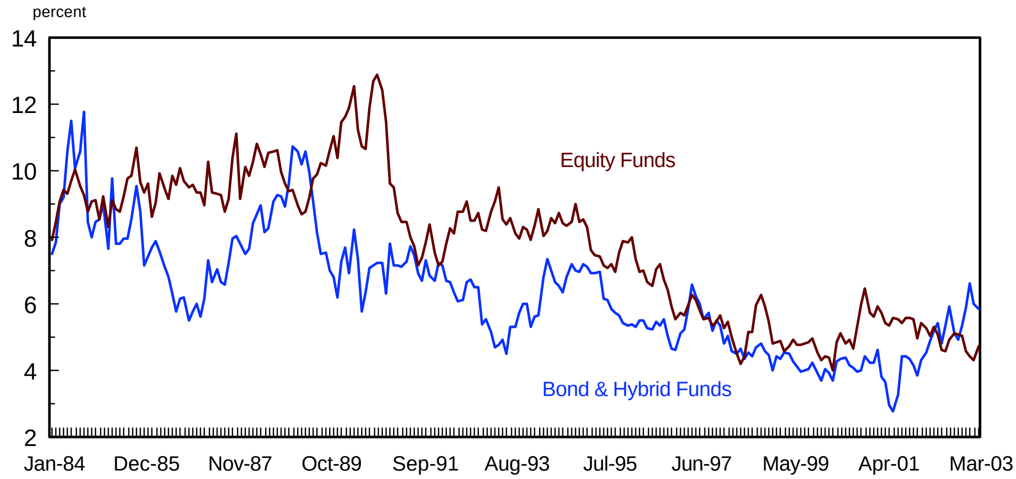


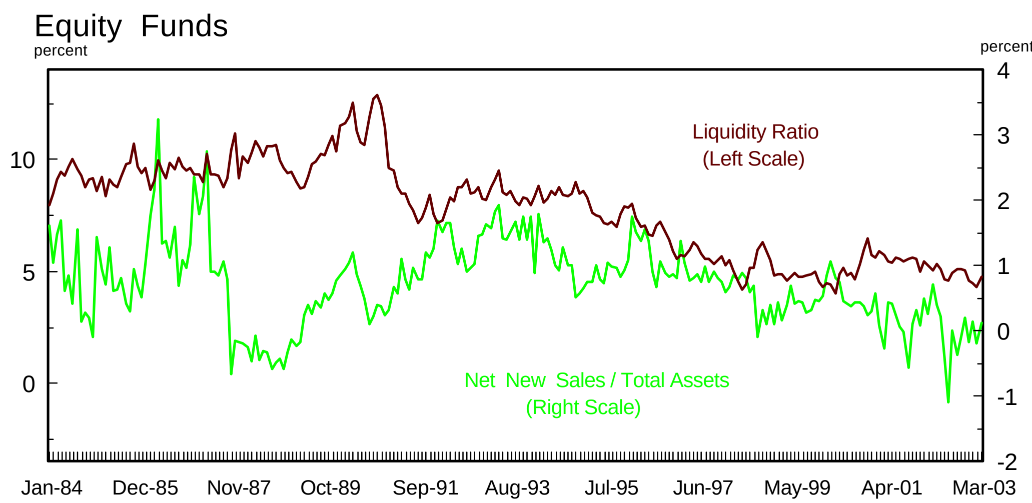


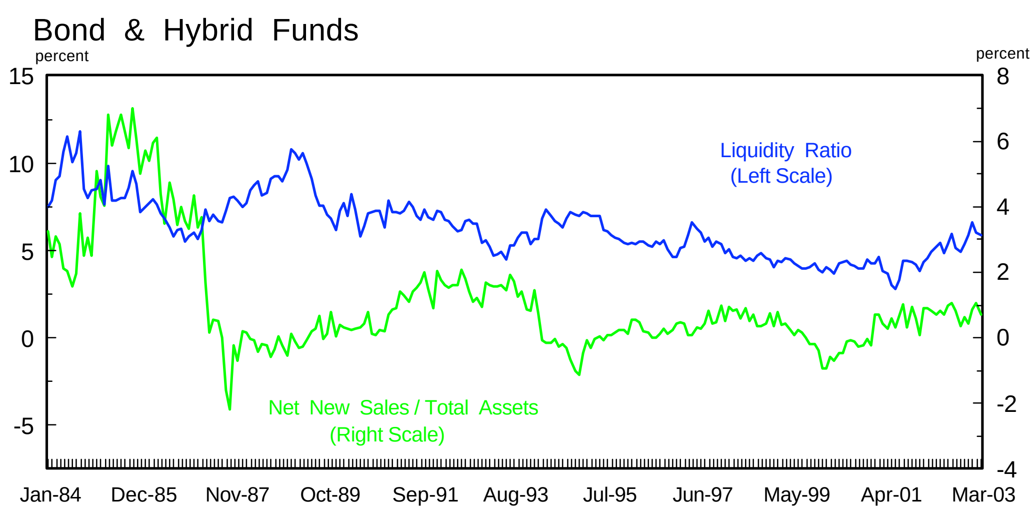
Source: Investment Company Institute

Figure 4

Liquidity Ratio*







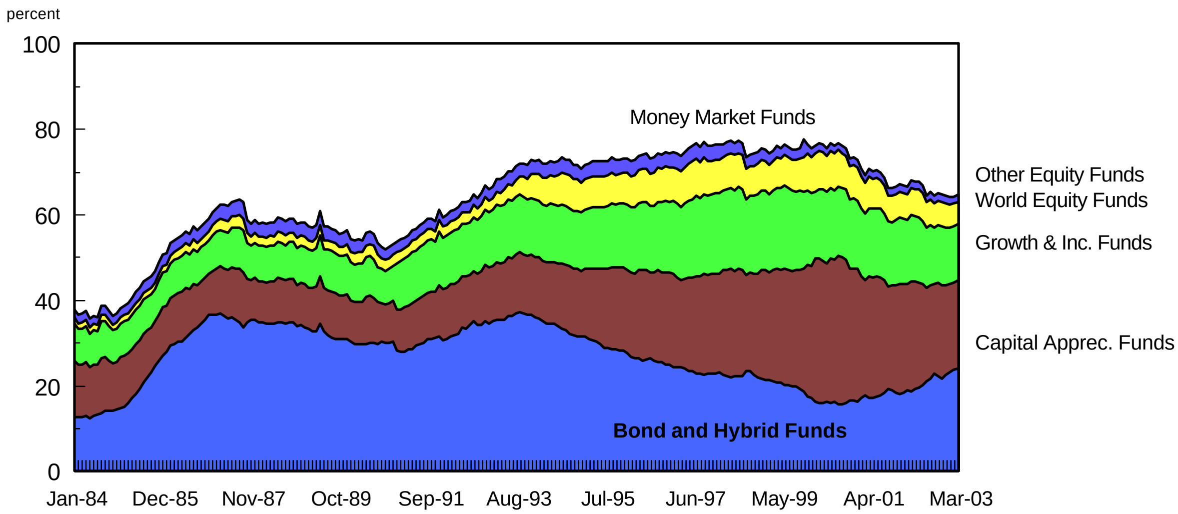
*The Liquidity Ratio is the Percent of Total Assets held in Cash and Short-Term Securities.

Source: Investment Company Institute

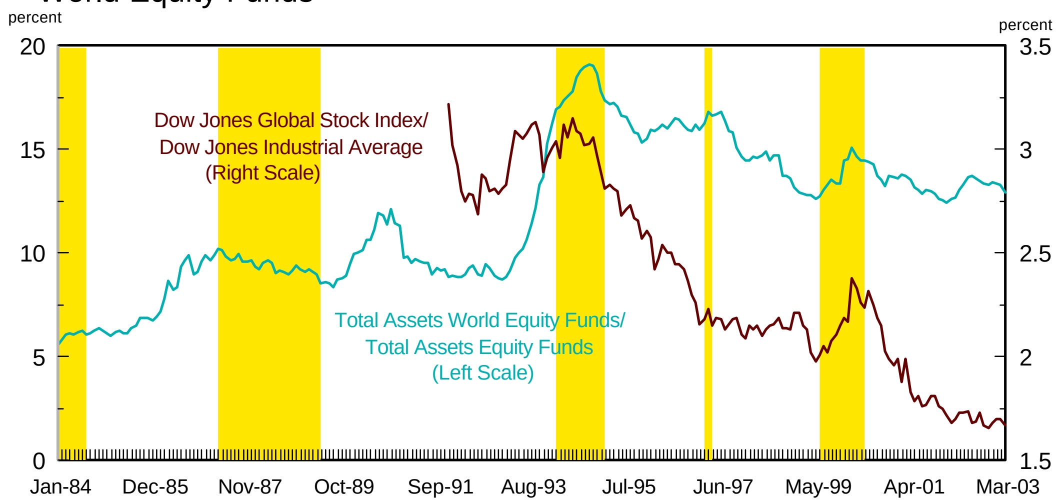
Figure 5

Industry Composition

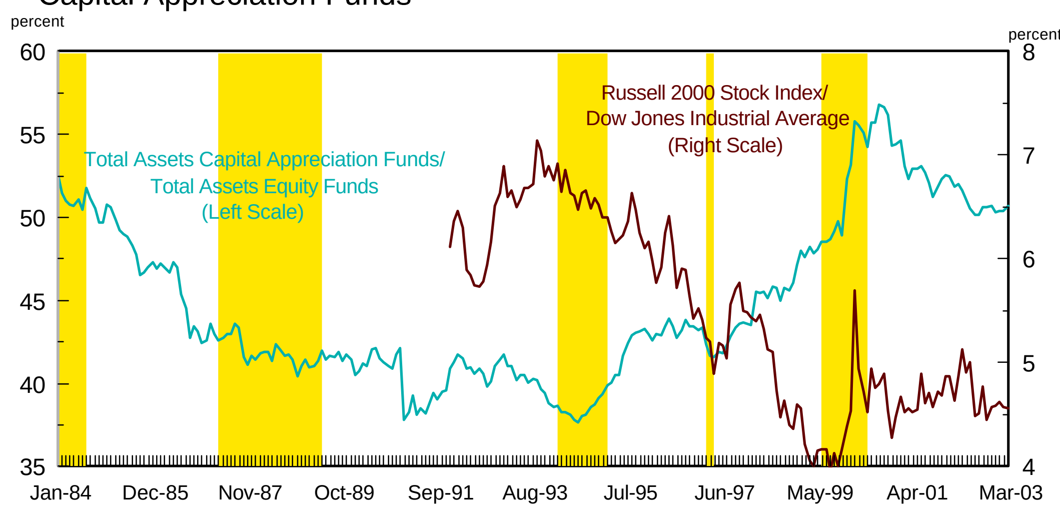
(Shaded Regions Indicate Periods of Rising Fed Funds Rate)



World Equity Funds



Capital Appreciation Funds

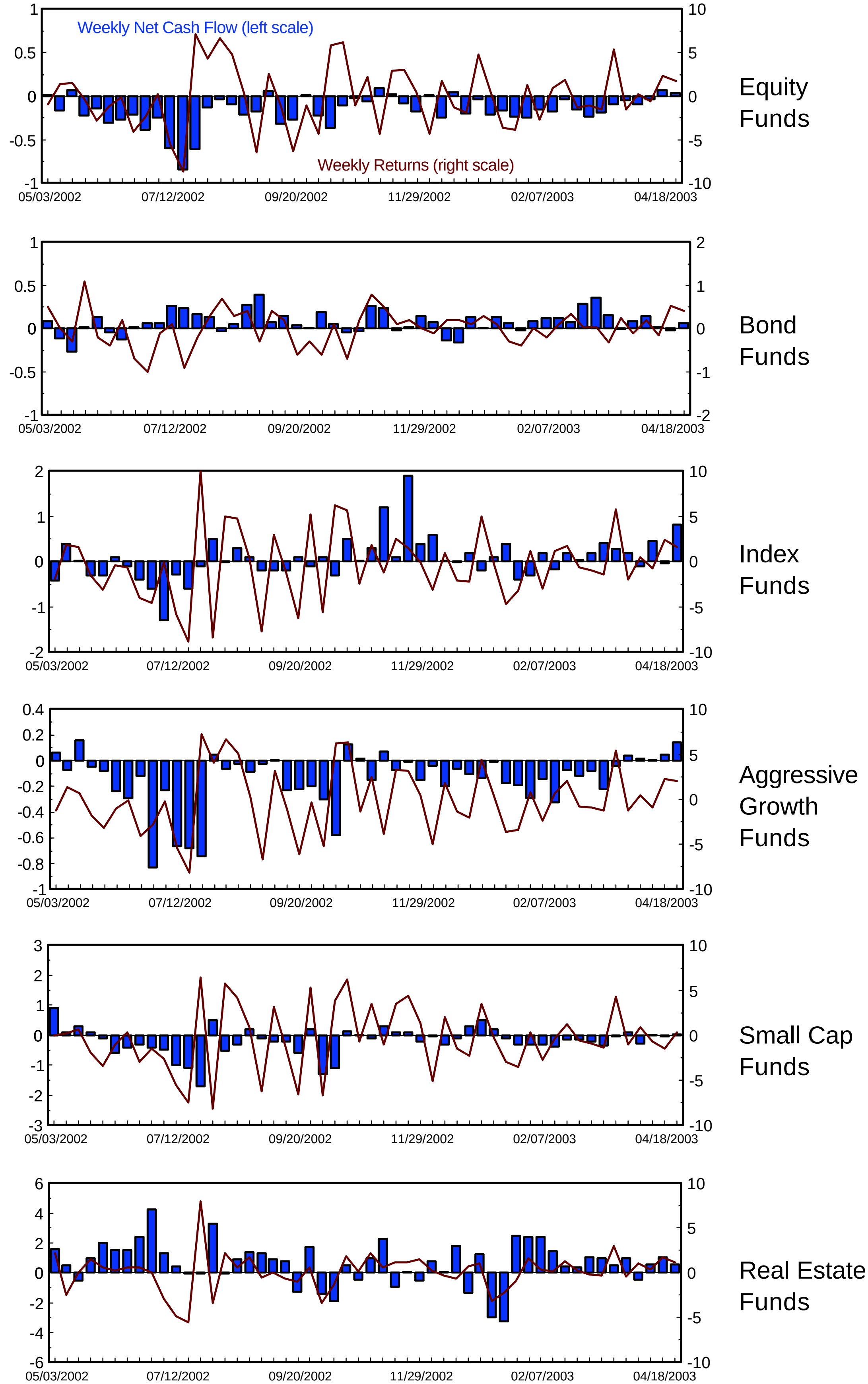


Source: Investment Company Institute

Figure 6a

Weekly Flows into Mutual Funds

(percent of Total Assets)

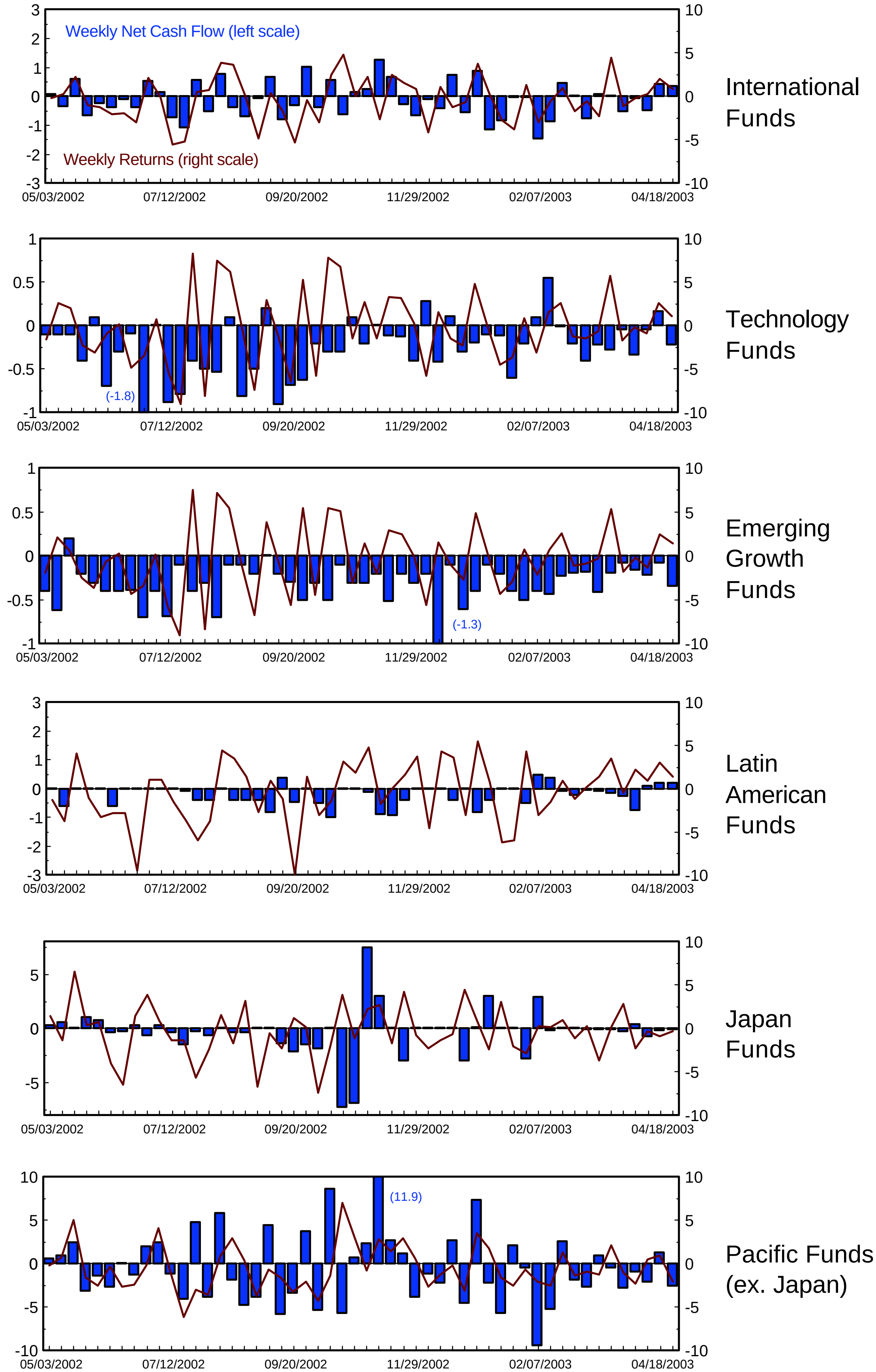


Source: Mutual Fund Trim Tabs

Figure 6b

Weekly Flows into Mutual Funds

(percent of Total Assets)

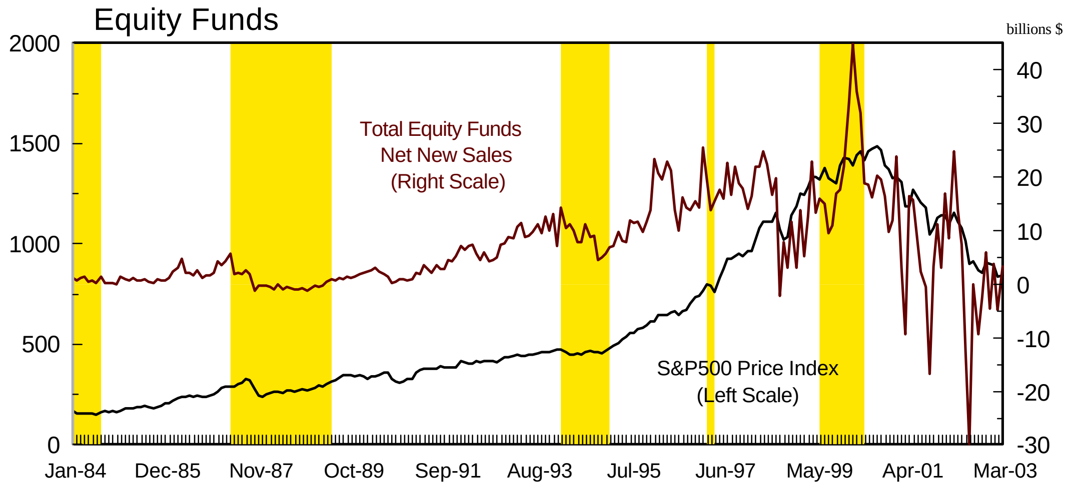


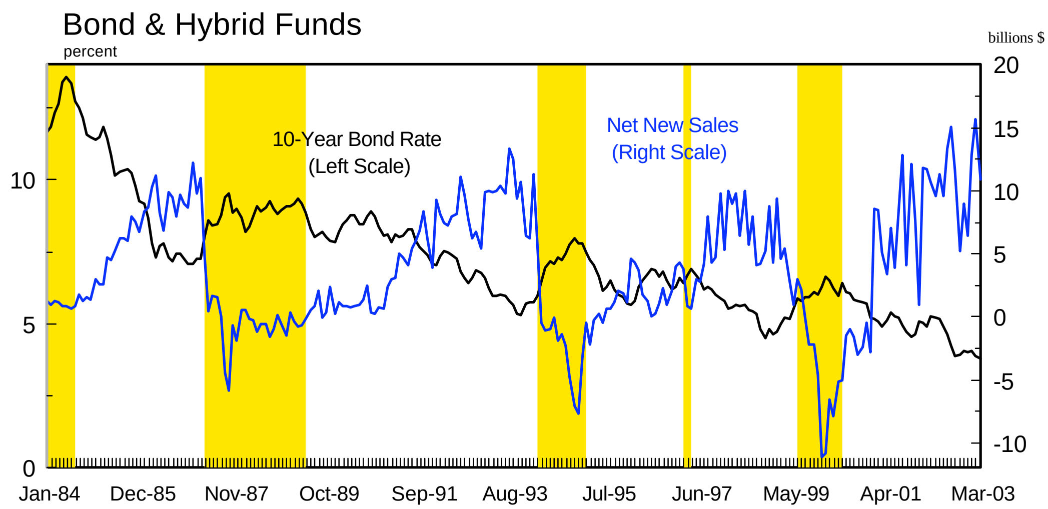
Source: Mutual Fund Trim Tabs

Figure 7

Net New Sales By Investment Objective

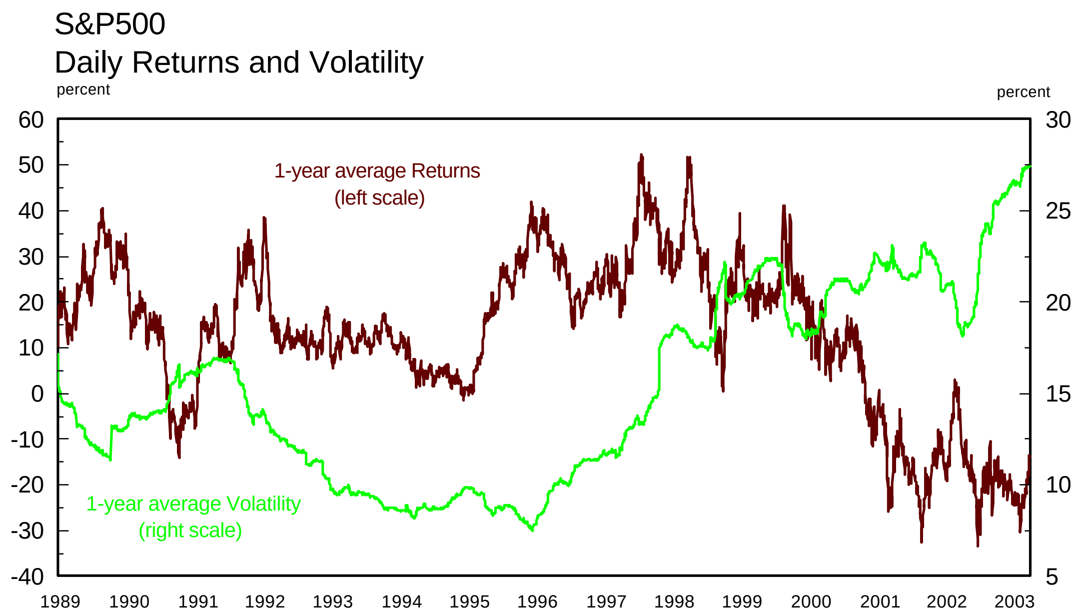
(Shaded Regions Indicate Periods of Rising Fed Funds Rate)

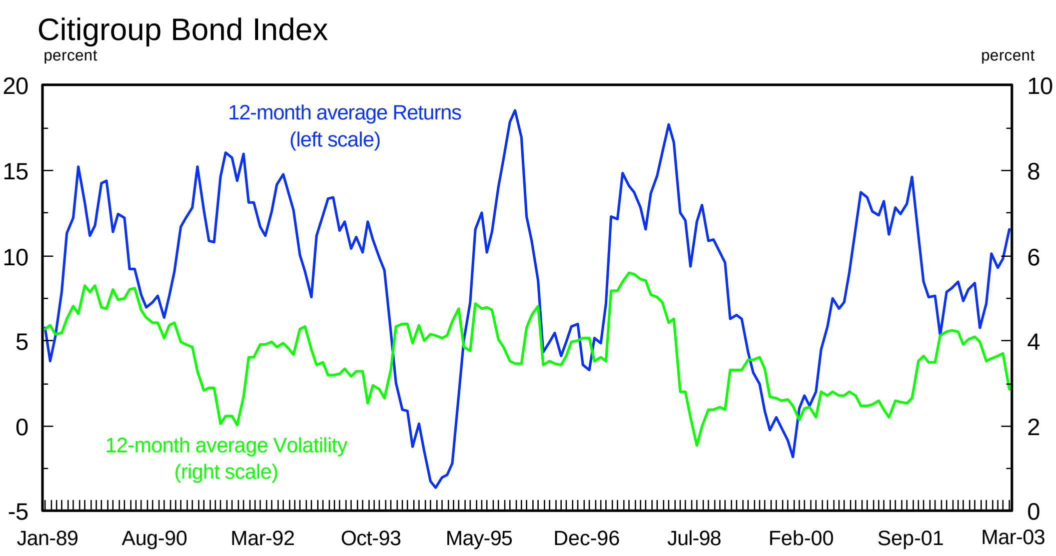




Source: Investment Company Institute

Figure 8
Capital Market Returns and Volatility

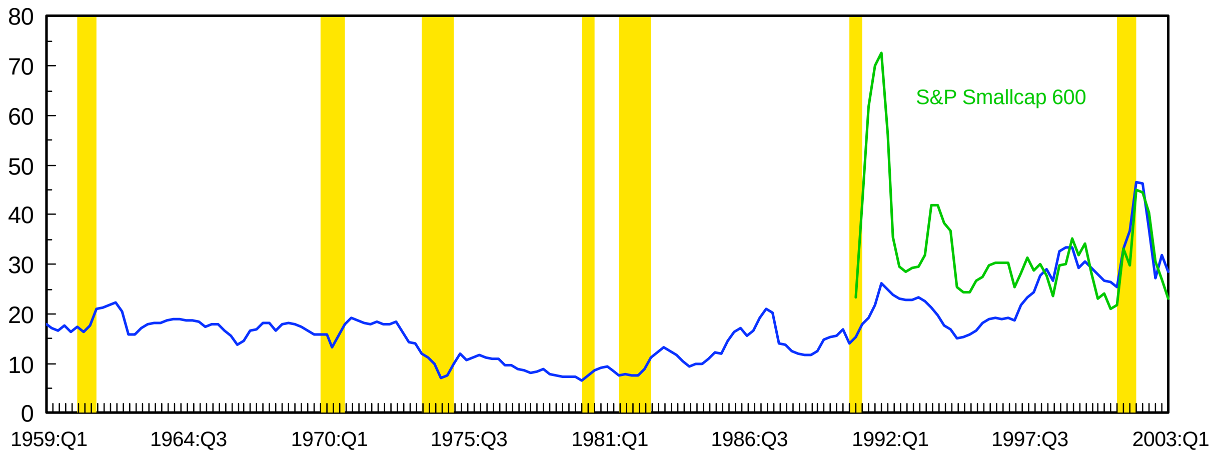




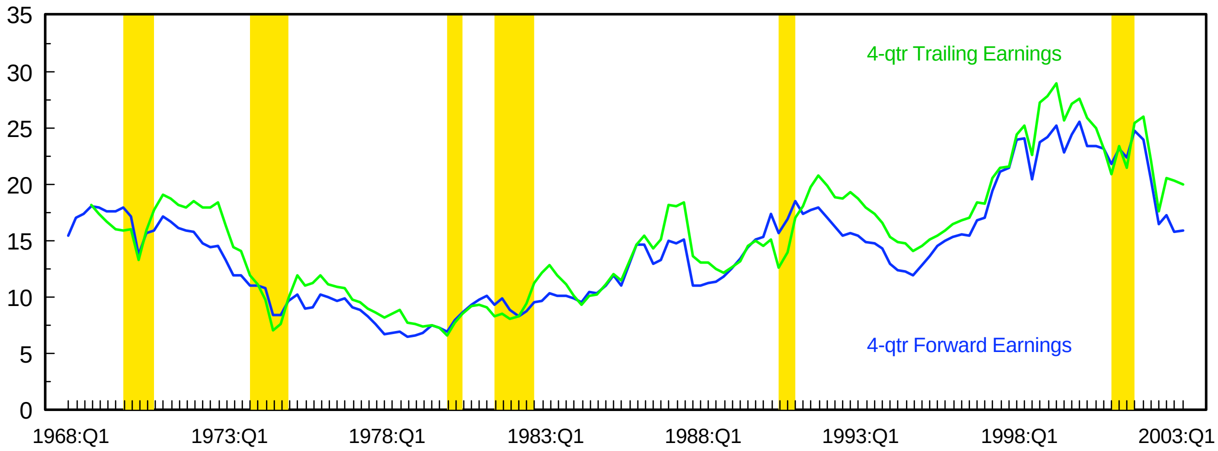
Source: FAME Database, Citigroup

Figure 9

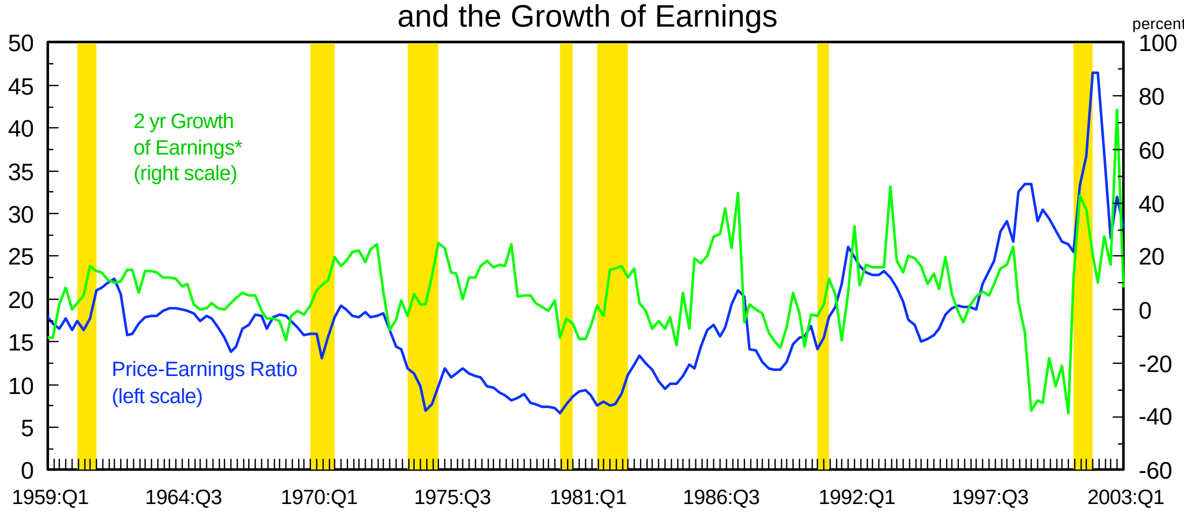
S&P Price-Earnings Ratios



S&P500 Price-Operating Earnings Ratio



S&P500 Price Earnings Ratio
and the Growth of Earnings

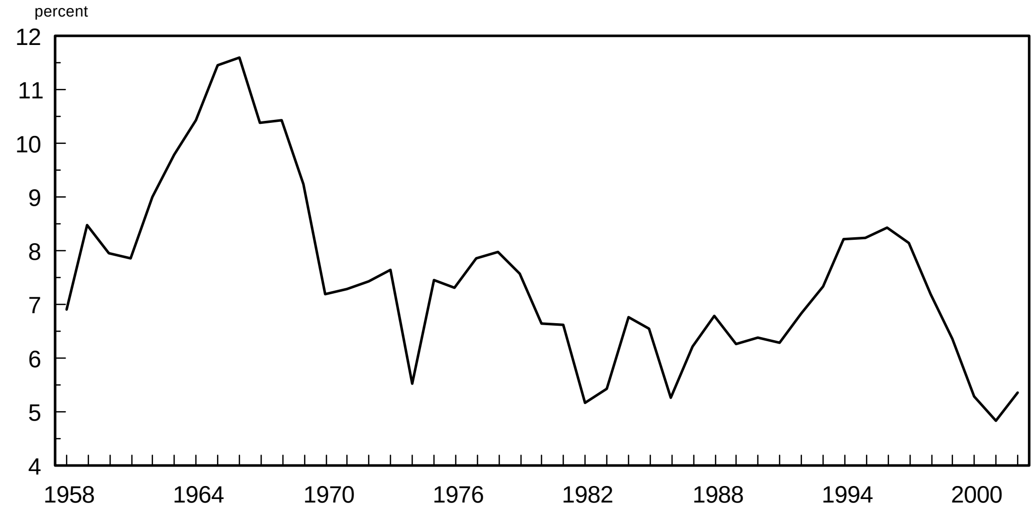


* Growth of earnings over subsequent 8 quarters. Current observations use forecast of earnings from macro projections.

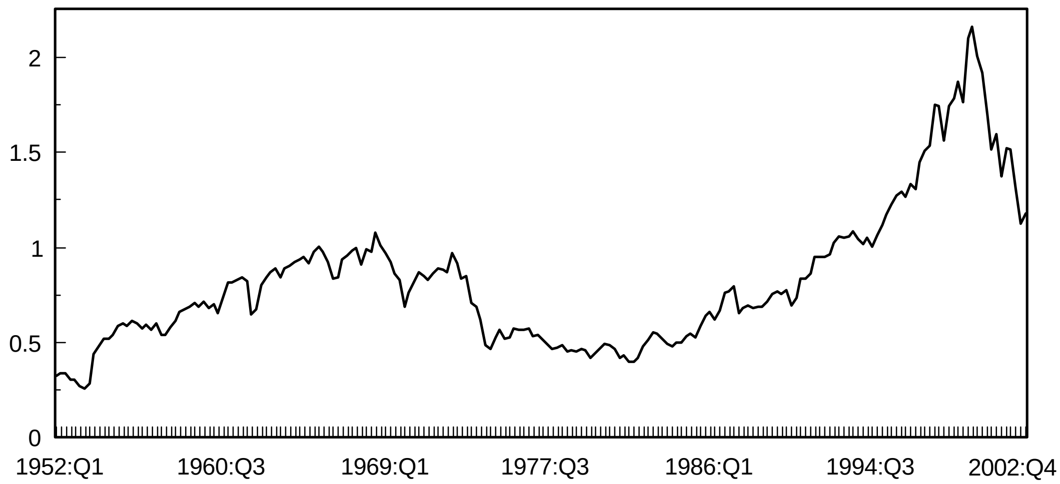
source: Thomson Financial/First Call, Global Exchange (formerly DRI), Bloomberg

Figure 10

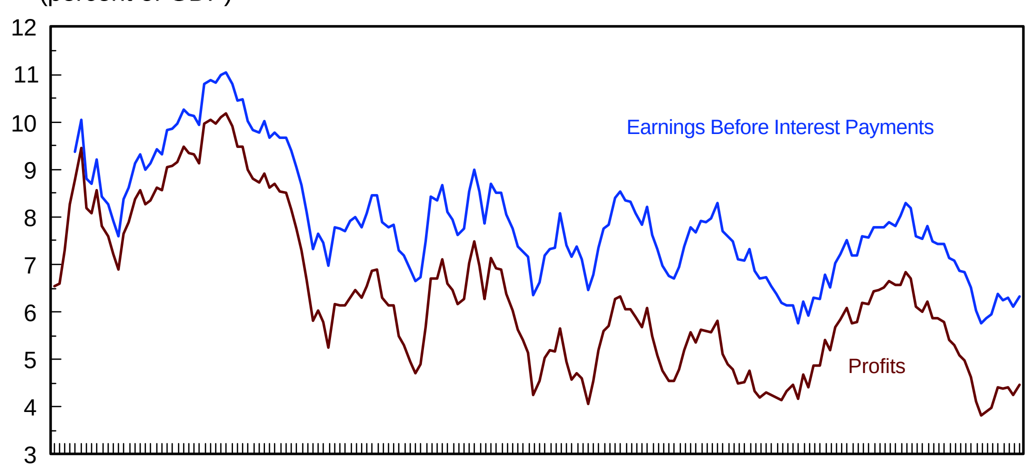
Real Rate of Return on Nonfinancial Corporate Equity
(from National Income and Flow of Funds Accounts)



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

Source: Flow of Funds, Haver Analytics