November 2, 2000

Monthly Mutual Fund Report

Statistics for September 2000

Sales and Redemptions

Total assets for all funds decreased $195.0 billion, or 2.6 percent, to $7.3 trillion in September. Net new cash flow into long-term mutual funds, the dollar value of net new sales and net exchanges, was $12.1 billion, compared to $20.9 billion in August. New sales, the purchase of new shares excluding reinvested dividends, were $114.9 billion in September, down from $121.4 billion in August. The value of assets depreciated by $214.2 billion in September, compared with an increase of $375.5 billion in August.

Total assets of **equity funds** decreased by $182.0 billion, or 4.0 percent, to $4.4 trillion. The net new cash flow was $17.3 billion during September, compared with the inflow of $24.0 billion in August. The market value of assets depreciated by $202.5 billion. Year-to-date cash flows are $272.0 billion. During the same period in 1999, cash flows were $123.3 billion.

Total assets for **hybrid funds**, which invest in a mix of stocks and bonds, decreased 2.3 percent, or $8.3 billion, to $363.4 billion. There was a net cash outflow from these funds of $2.1 billion in September. Year-to-date, their net cash outflow has been $28.9 billion compared to an outflow of $4.5 billion during the same period in 1999.

Bond funds experienced a cash outflow of $3.1 billion in September, as their total assets fell by $3.9 billion, to $798.6 billion. The market value of bond funds assets decreased by $3.3 billion, after adjusting for net sales and reinvested dividends. The assets of tax-exempt funds fell by 1.2 percent while the assets of taxable bond funds decreased by 0.2 percent.

Assets of taxable and tax-exempt **money market funds** decreased $0.9 billion, to $1.7 trillion, an increase of 0.1 percent for taxable money market funds and a decrease of 1.2 percent for tax-exempt funds.

Liquidity Ratio

The liquidity ratio for bond and hybrid funds decreased to 4.0 from 4.1 percent during September, while the ratio for equity funds increased to 5.3 from 4.7 percent (figure 4).

Weekly Flows

In October, there were inflows to equity funds of 0.2 percent of assets, with losses of 6.1 percent. Bond funds had outflows of 0.4 percent and losses of 0.9 percent.

Performance and net sales among domestic sector funds moved commensurately with the equity aggregate. Inflows to aggressive growth funds were 0.8 percent while losses were 9.2 percent. There were small inflows to small-cap funds of 0.04 percent of assets, and losses of 6.2 percent. Index funds, however, had outflows 1.3 percent and losses of 13.1 percent.

The Performance of the aggregate of international funds was similar to most domestic sectors with losses of 6.2 percent and inflows of 0.6 percent of assets. There was variation among the international sectors with outflows from Latin America funds of 3.4 percent and losses of 5.6 percent. Inflows to Japan funds were 5.3 percent with losses of 7.6 percent. Pacific funds had monthly outflows of 0.7 percent and losses of 5.6 percent of total assets.

Capital Market Returns and Volatility

The S&P 500 ended October at 1429.4, an decrease of 0.5 percent from the beginning of the month. The 12-month return was 6.1 percent at month-end. The annualized volatility for the daily return on the S&P 500 was 20.8 percent.

The 12-month average return on the Salomon Brothers Bond Index was 7.3 percent for October. Volatility remained at 2.7 percent (figure 8).

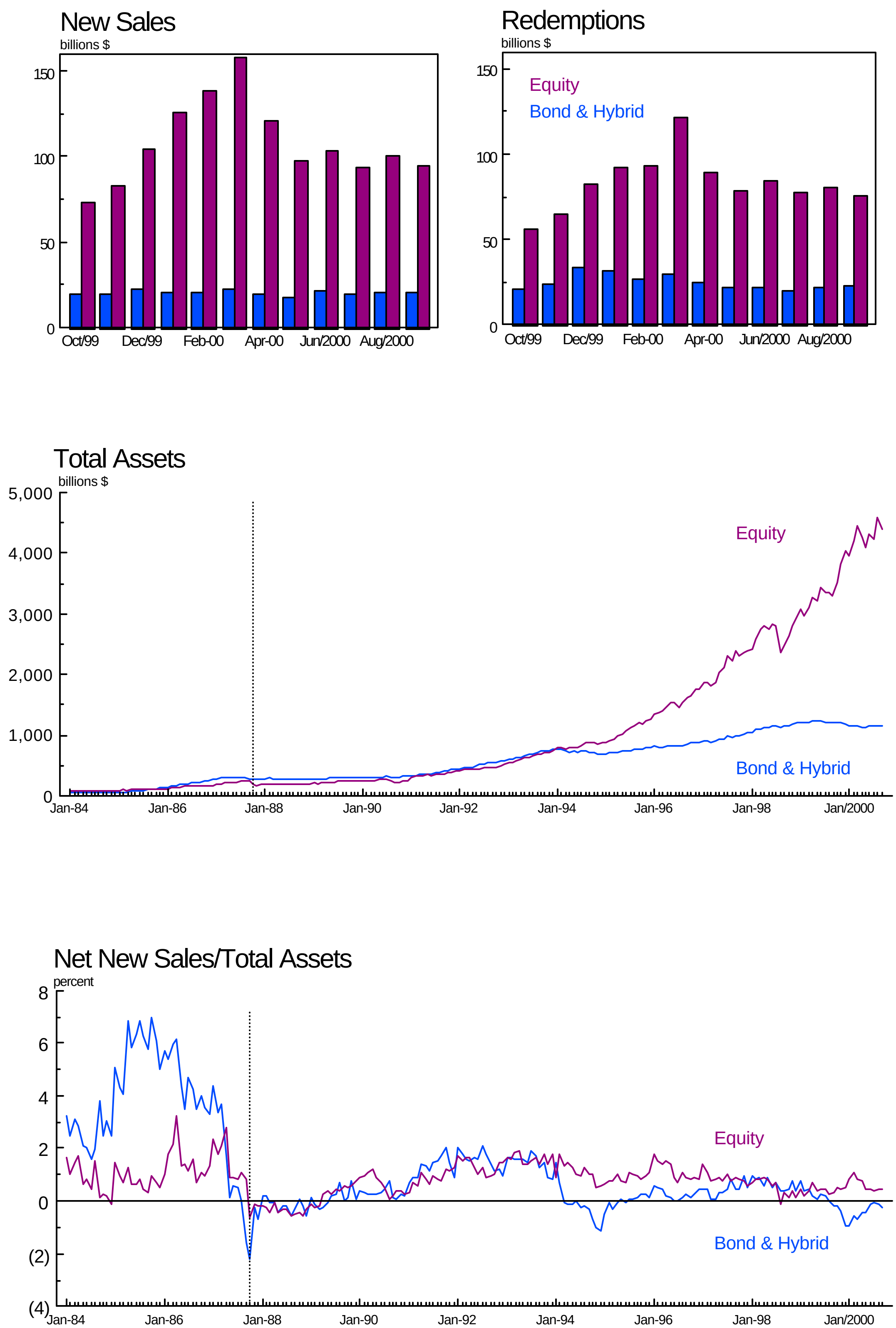
Price-Earnings Ratio

The macro projections for the growth of earnings of the Standard and Poor's 500 index over the next two years has increased to 6.8 percent, its historical average annual growth. The trailing price-earnings ratio increased to 28.6 for the third quarter from 27.8 in the second quarter. The four-quarter forward price to operating earnings ratio remained at 23.4 during the third 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)

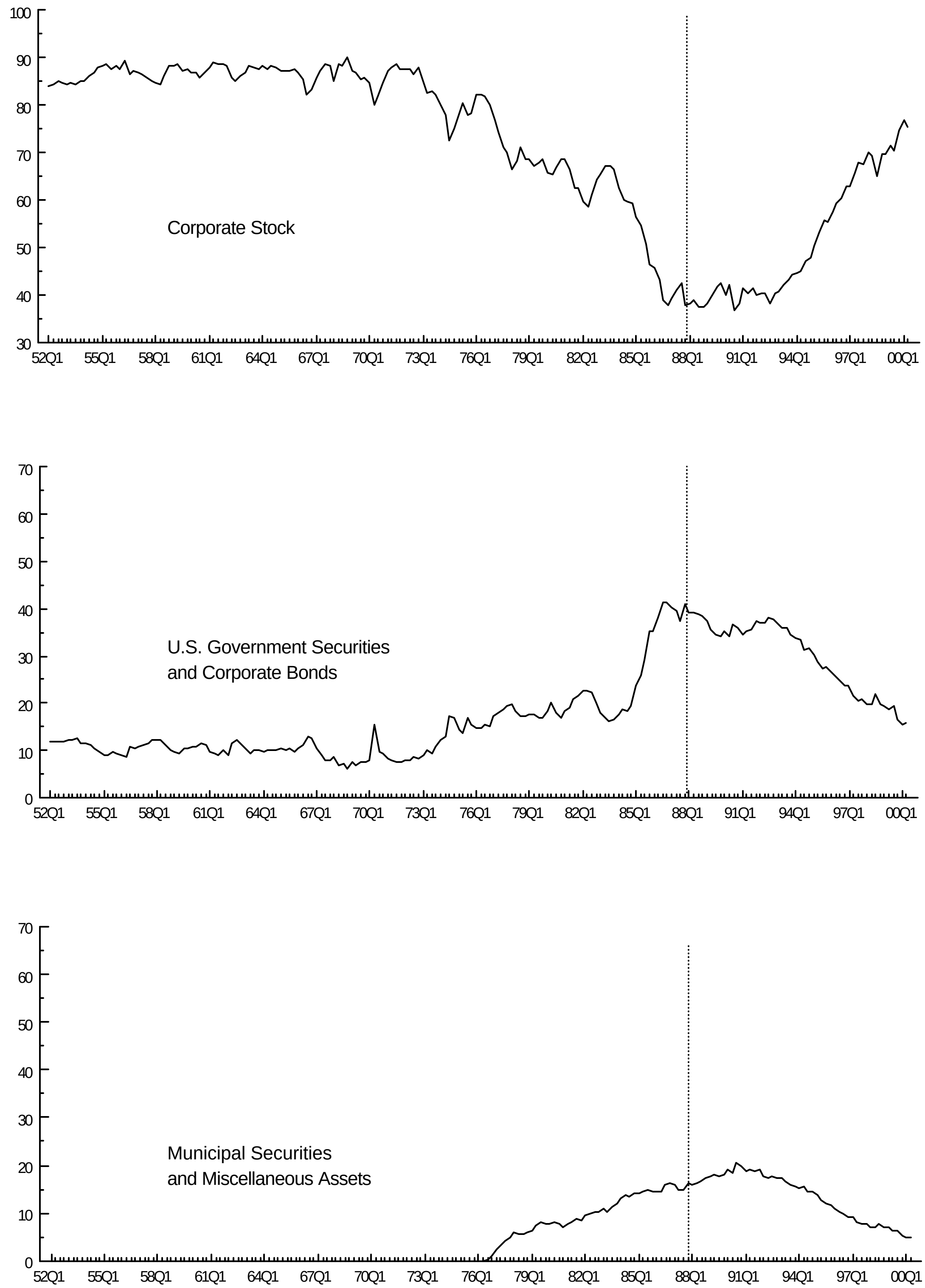
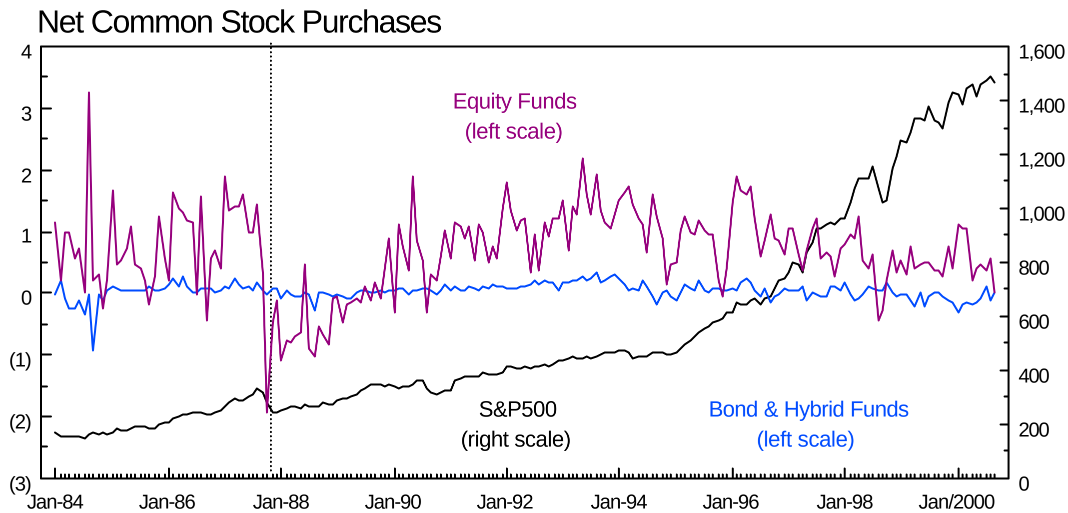


Figure 3

Net Portfolio Purchases

(percent of Total Assets)



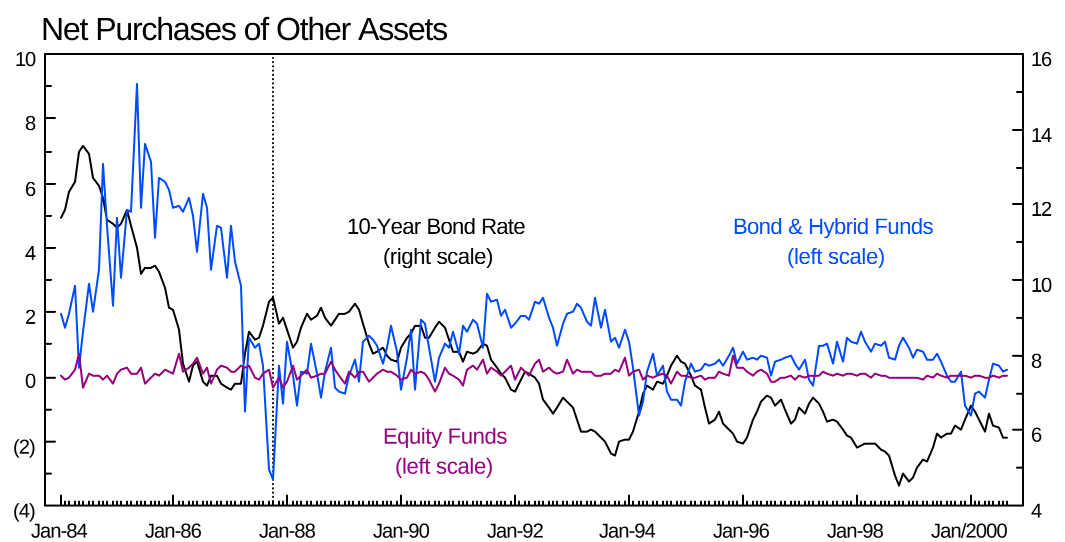
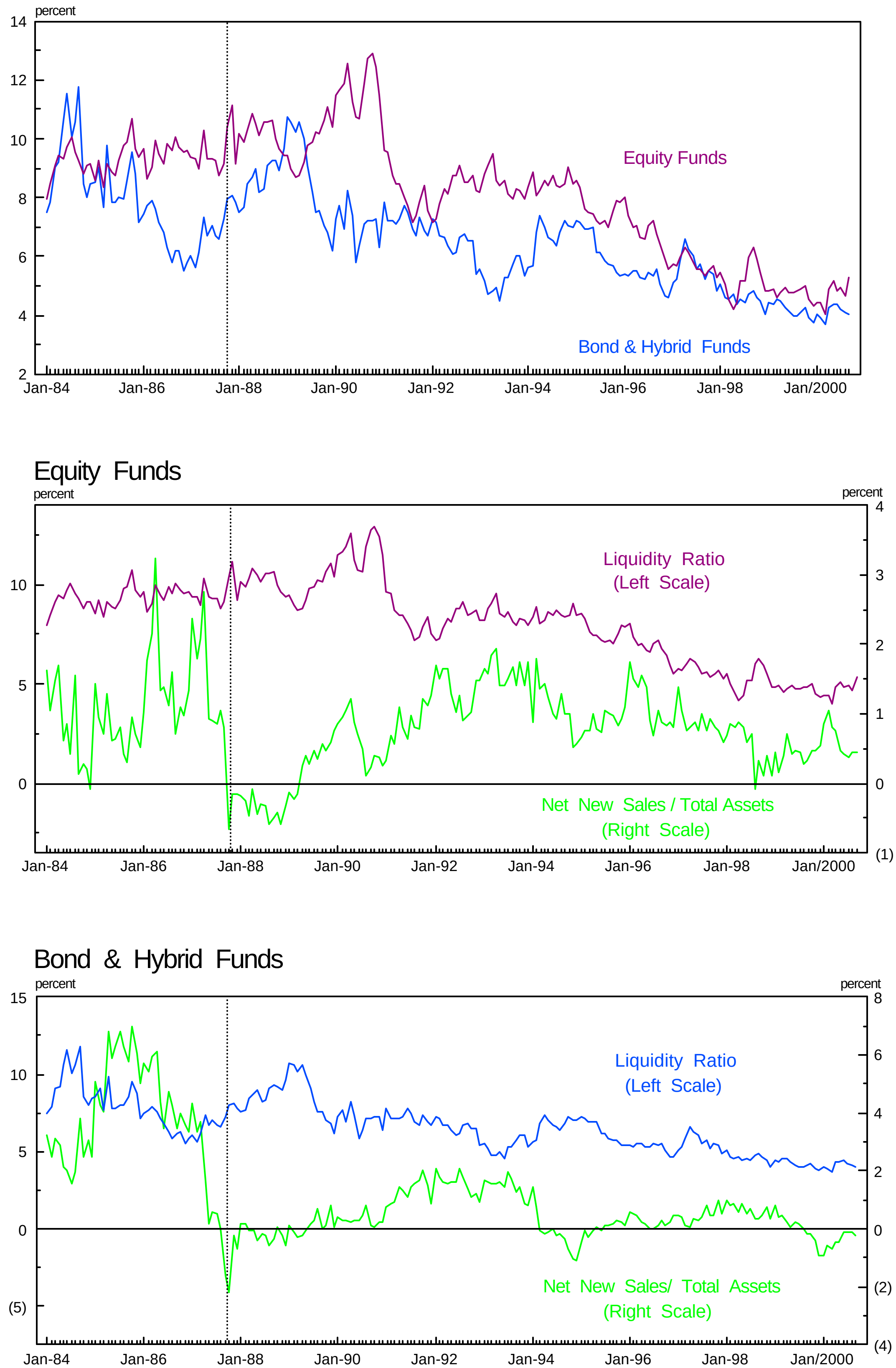


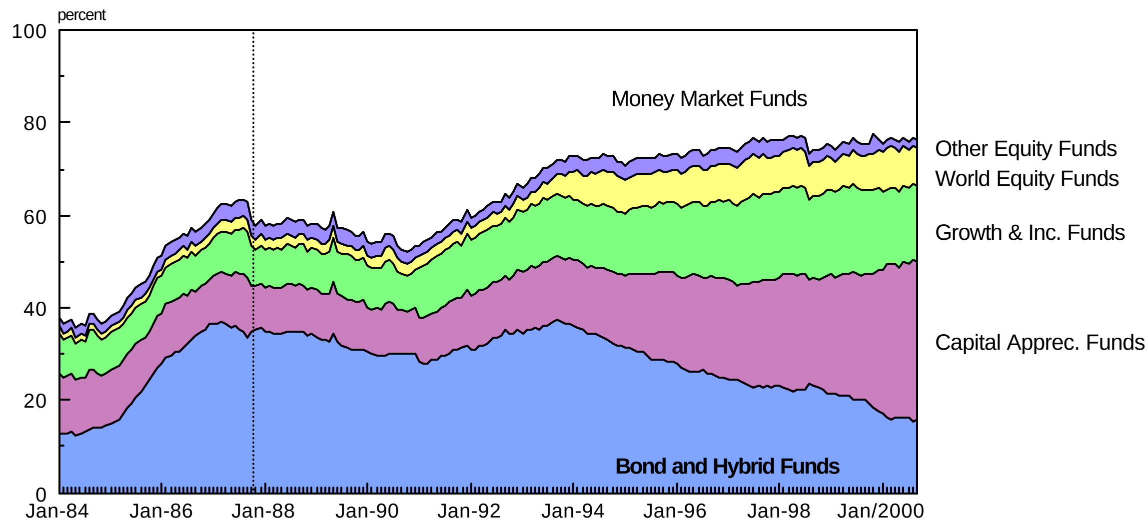
Figure 4
Liquidity Ratio*



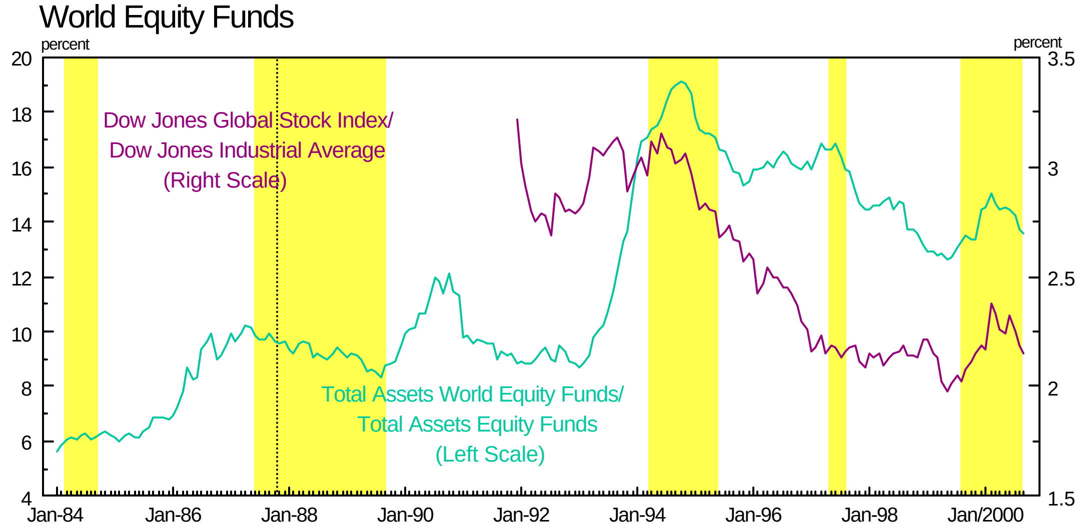
*The Liquidity Ratio is the Percent of Total Assets held in Cash and Short-Term Securities.

Source: Investment Company Institute

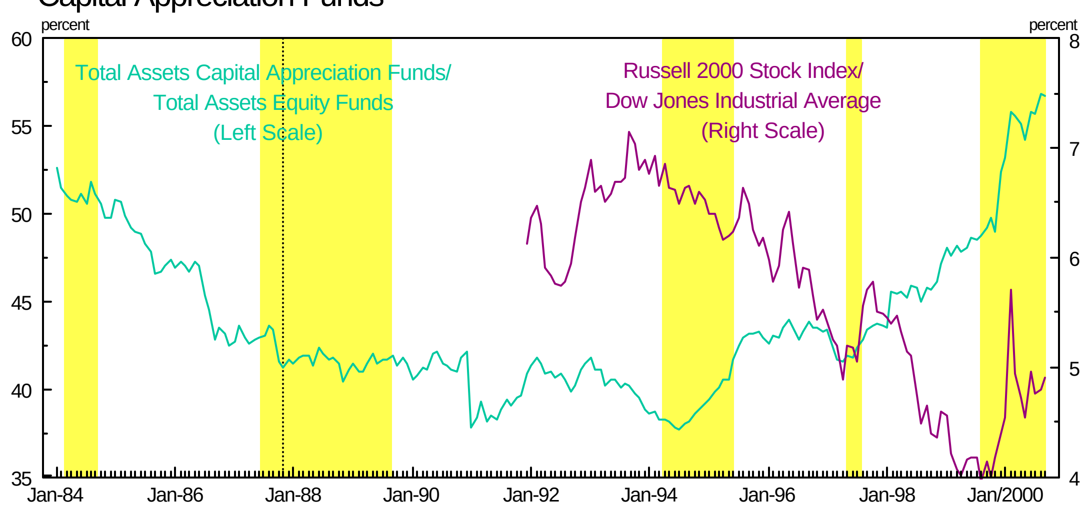
Figure 5
Industry Composition
(Shaded Regions Indicate Periods of Rising Fed Funds Rate)



World Equity Funds



Capital Appreciation Funds

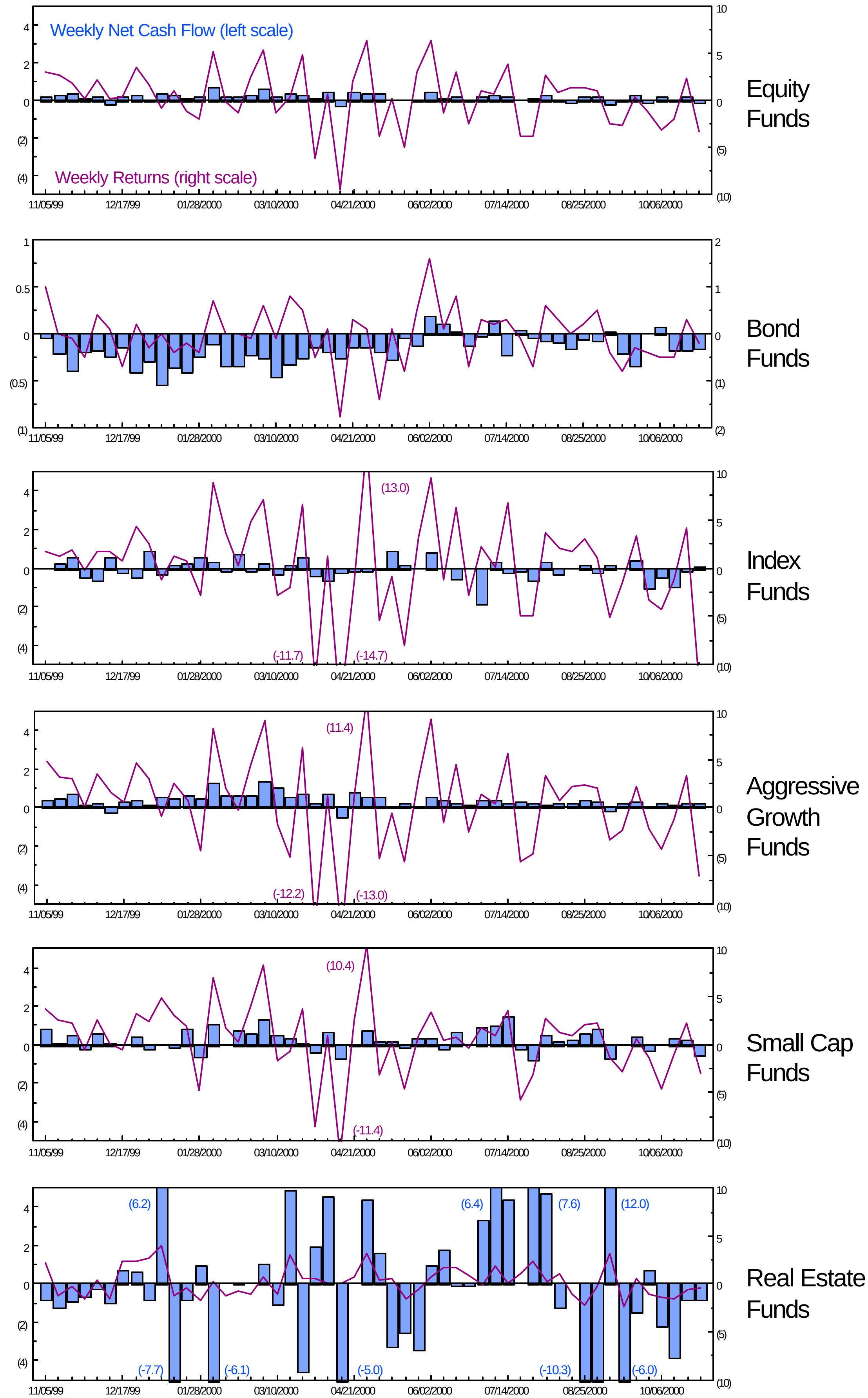


Source: Investment Company Institute

Figure 6a

Weekly Flows into Mutual Funds

(percent of Total Assets)

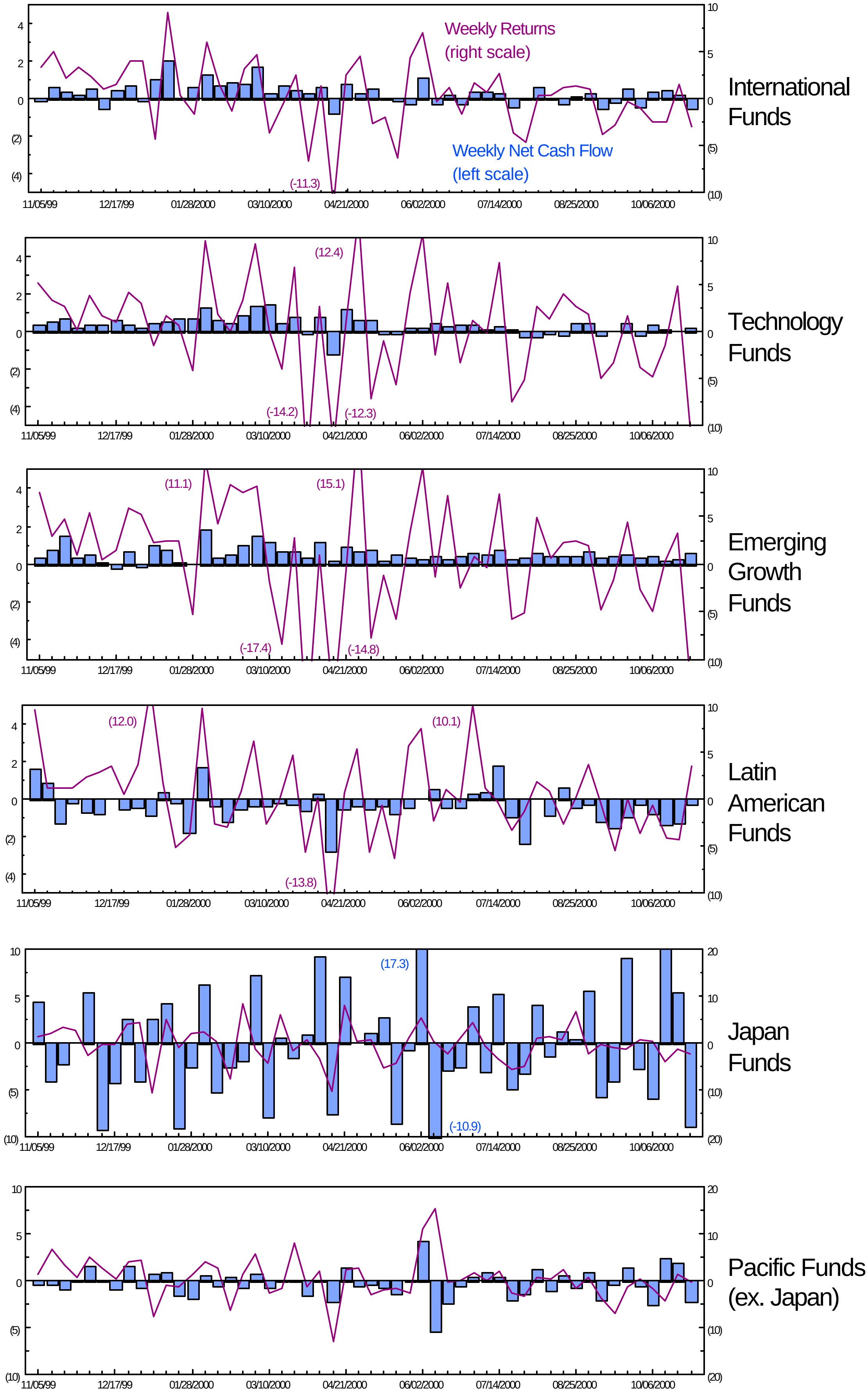


Source: Mutual Fund Trim Tabs

Figure 6b

Weekly Flows into Mutual Funds

(percent of Total Assets)

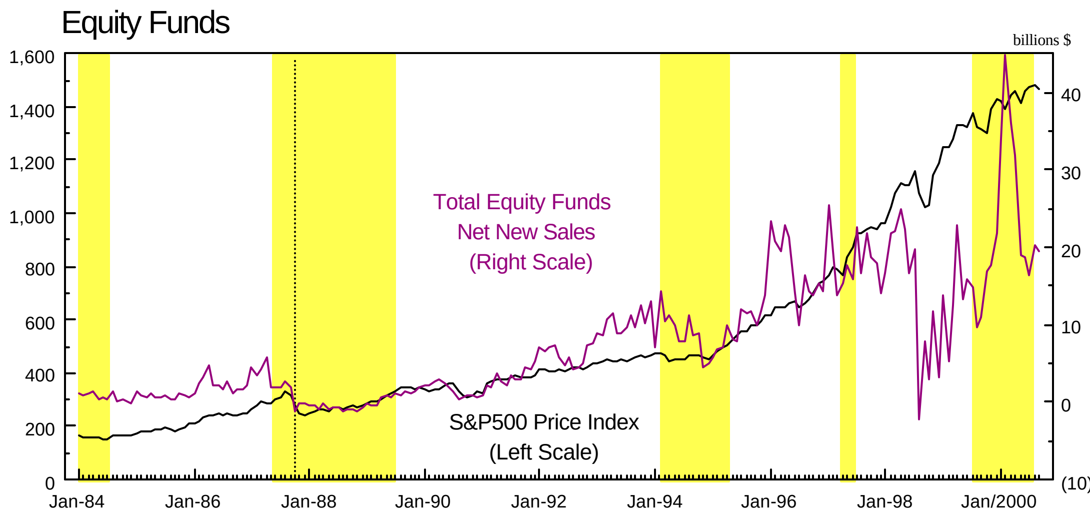


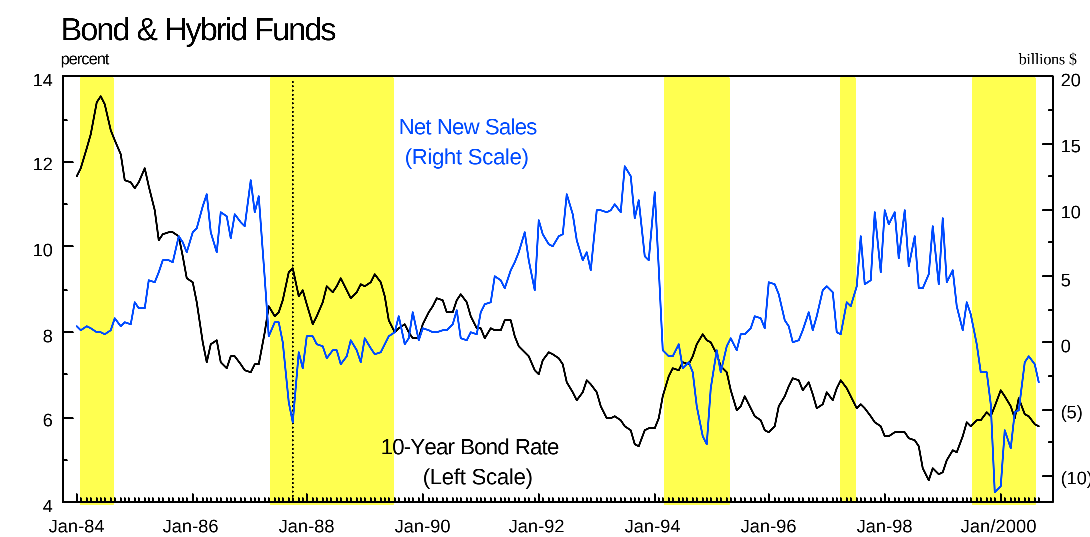
Source: Mutual Fund Trim Tabs

Figure 7

Net New Sales By Investment Objective

(Shaded Regions Indicate Periods of Rising Fed Funds Rate)

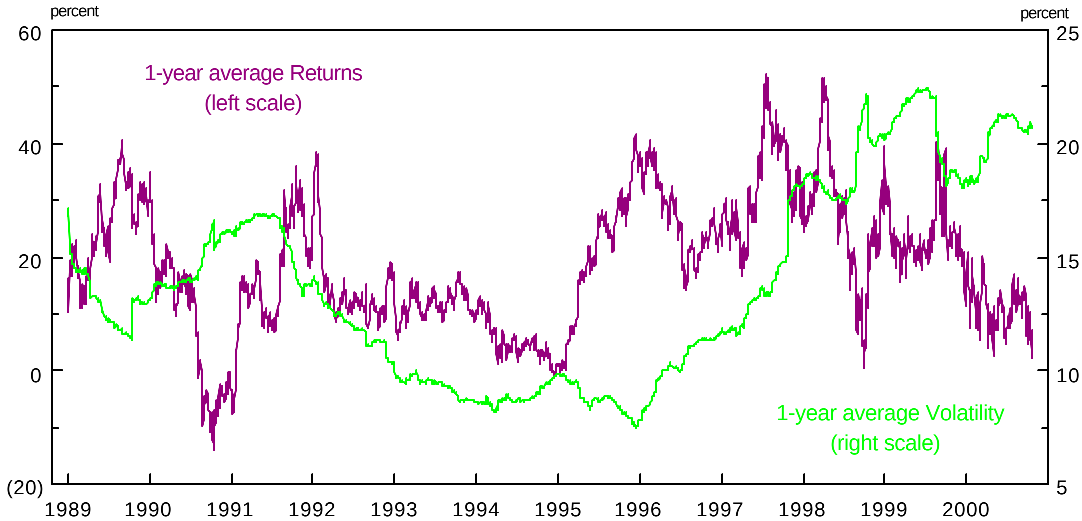




Source: Investment Company Institute

Figure 8
Capital Market Returns and Volatility

S&P500
Daily Returns and Volatility



Salomon Brothers Bond Index

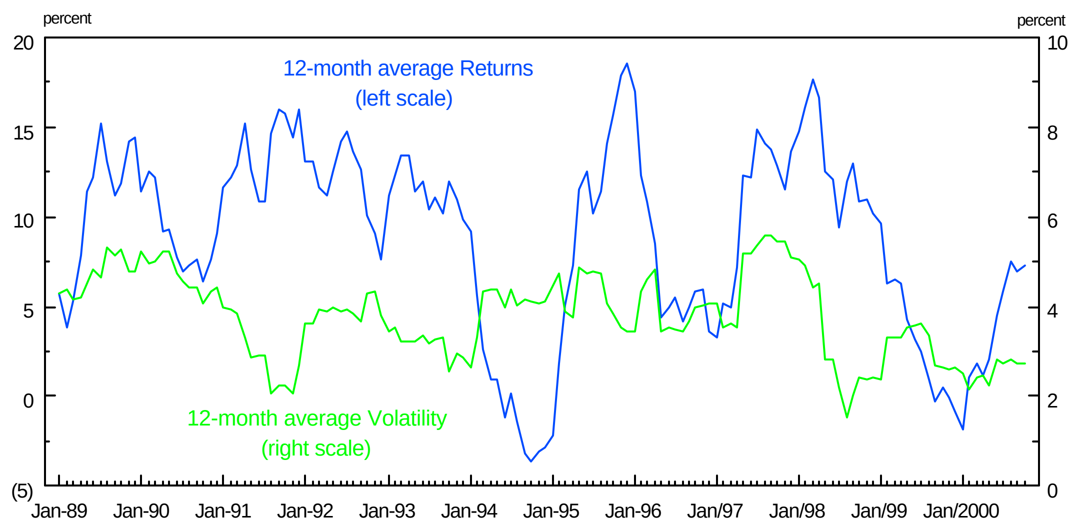
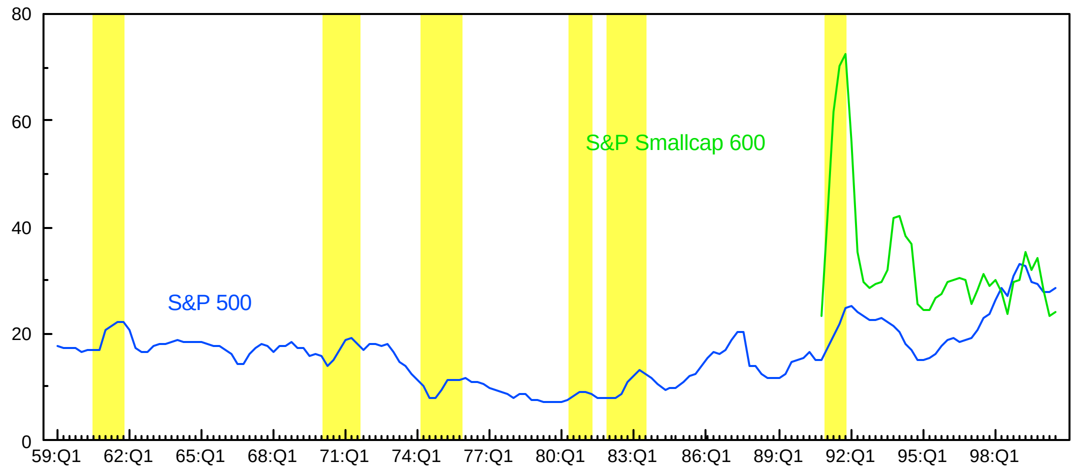
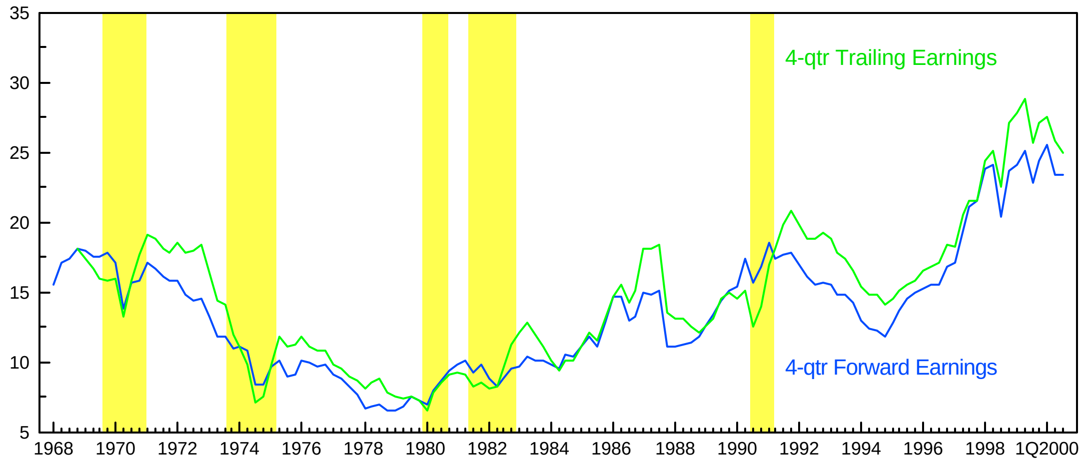


Figure 9

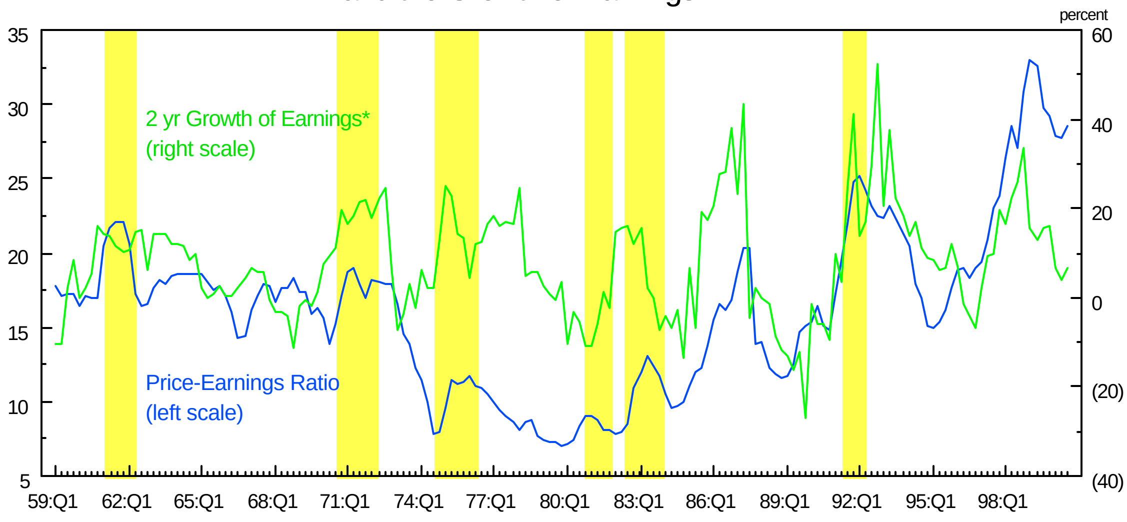
S&P Price-Earnings Ratios



S&P500 Price-Operating Earnings Ratio



S&P500 Price Earnings Ratio
and the Growth of Earnings

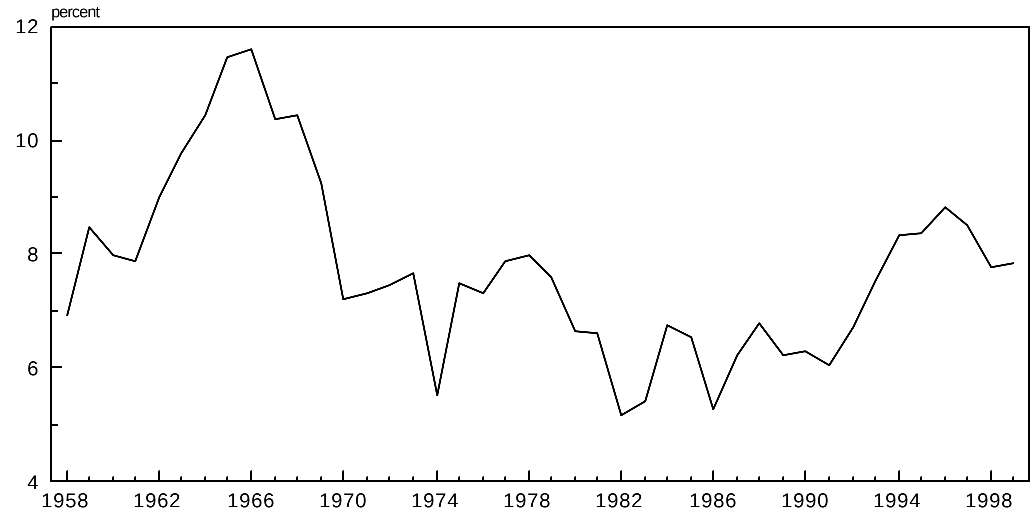


* Growth of earnings over subsequent 8 quarters. Current observations use forecast of earnings from macro projections.

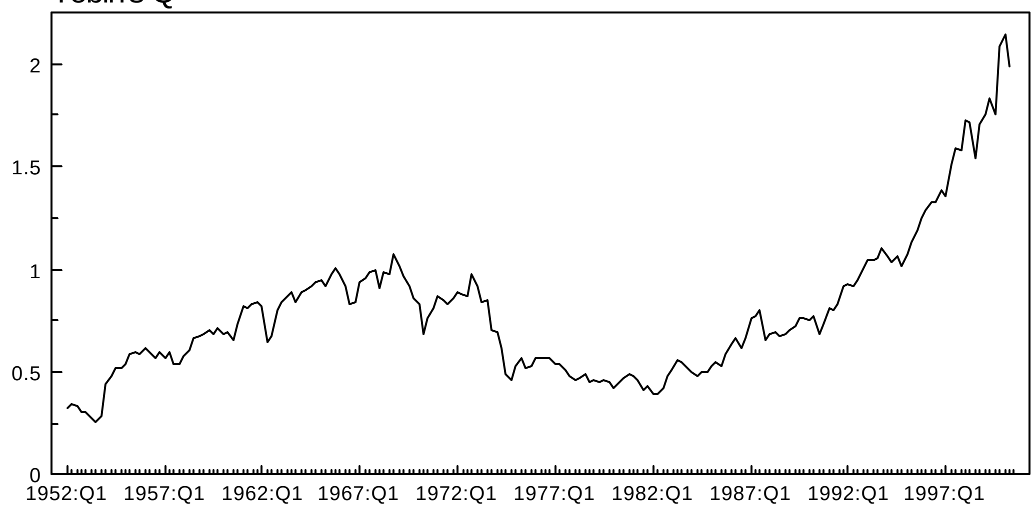
source: First Call, DRI, Bloomberg

Figure 10

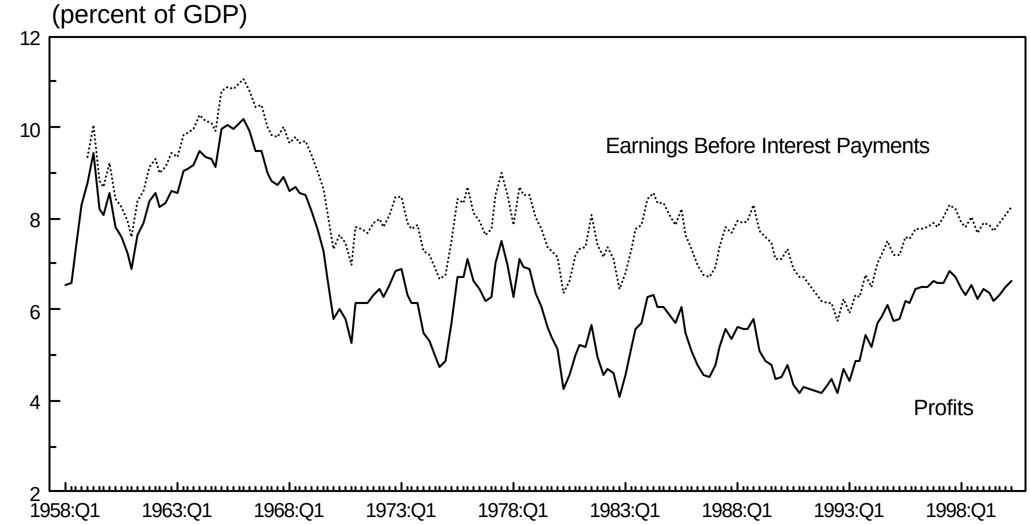
Real Rate of Return on Nonfinancial Corporate Equity
(from National Income and Flow of Funds Accounts)



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