

October 6, 2000

Monthly Mutual Fund Report

Statistics for August 2000

Sales and Redemptions

Total assets for all funds increased \$400.6 billion, or 5.7 percent, to \$7.5 trillion in August. Net new cash flow into long-term mutual funds, the dollar value of net new sales and net exchanges, was \$20.2 billion, compared to \$15.1 billion in July. New sales, the purchase of new shares excluding reinvested dividends, were \$122.9 billion in August, up from \$113.4 billion in July. The value of assets appreciated by \$375.5 billion in August, compared with a decrease of \$60.6 billion in July.

Total assets of **equity funds** increased by \$350.0 billion, or 8.3 percent, to \$4.6 trillion. The net new cash flow was \$23.4 billion during August, compared with the inflow of \$17.3 billion in July. The market value of assets appreciated by \$324.6 billion. Year-to-date cash flows are \$255.1 billion. During the same period in 1999, cash flows were \$112.0 billion.

Total assets for **hybrid funds**, which invest in a mix of stocks and bonds, increased 3.2 percent, or \$11.9 billion, to \$363.4 billion. There was a net cash outflow from these funds of \$1.3 billion in August. Year-to-date, their net cash outflow has been \$26.4 billion compared to an outflow of \$3.4 billion during the same period in 1999.

Bond funds experienced a cash outflow of \$1.9 billion in August, as their total assets rose by \$6.7 billion, to \$802.9 billion. The market value of bond funds=assets increased by \$2.3 billion, after adjusting for net sales and reinvested dividends. The assets of tax-exempt funds grew by 1.1 percent while the assets of taxable bond funds increased by 0.8 percent.

Assets of taxable and tax-exempt **money market funds** increased \$32.6 billion, to \$1.7 trillion, an increase of 2.1 percent for taxable money market funds and 1.1 percent for tax-exempt funds.



Liquidity Ratio

The liquidity ratio for bond and hybrid funds increased to 4.2 from 4.1 percent during August, while the ratio for equity funds decreased to 4.7 from 5.0 percent (figure 4).

Weekly Flows

In September, there were inflows to equity funds of 0.2 percent of assets, with losses of 5.1 percent. Bond funds had outflows of 0.6 percent and losses of 1.4 percent.

Performance and net sales among domestic sector funds moved commensurately with the equity aggregate. There were inflows to small-cap funds of 0.2 percent and losses of 2.6 percent. However, Index funds had outflows of 0.7 percent and losses of 5.6 percent.

The Performance of the aggregate of international funds was similar to most domestic sectors with losses of 6.7 percent, although outflows were 0.2 percent of assets. There was variation among the international sectors with outflows from Latin America funds of 3.9 percent and losses of 5.8 percent. Inflows to Japan funds were 1.9 percent with losses of 4.8 percent. Pacific funds had monthly outflows of 0.9 percent and losses of 11.7 percent of total assets.

Capital Market Returns and Volatility

The S&P 500 ended September at 1282.71, an decrease of 2.9 percent from the beginning of the month. The 12-month return was 10.9 percent at month-end. The annualized volatility for the daily return on the S&P 500 was 20.6 percent.

The 12-month average return on the Salomon Brothers Bond Index was 6.9 percent for September. Volatility decreased to 2.7 percent from 2.8 percent in August (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

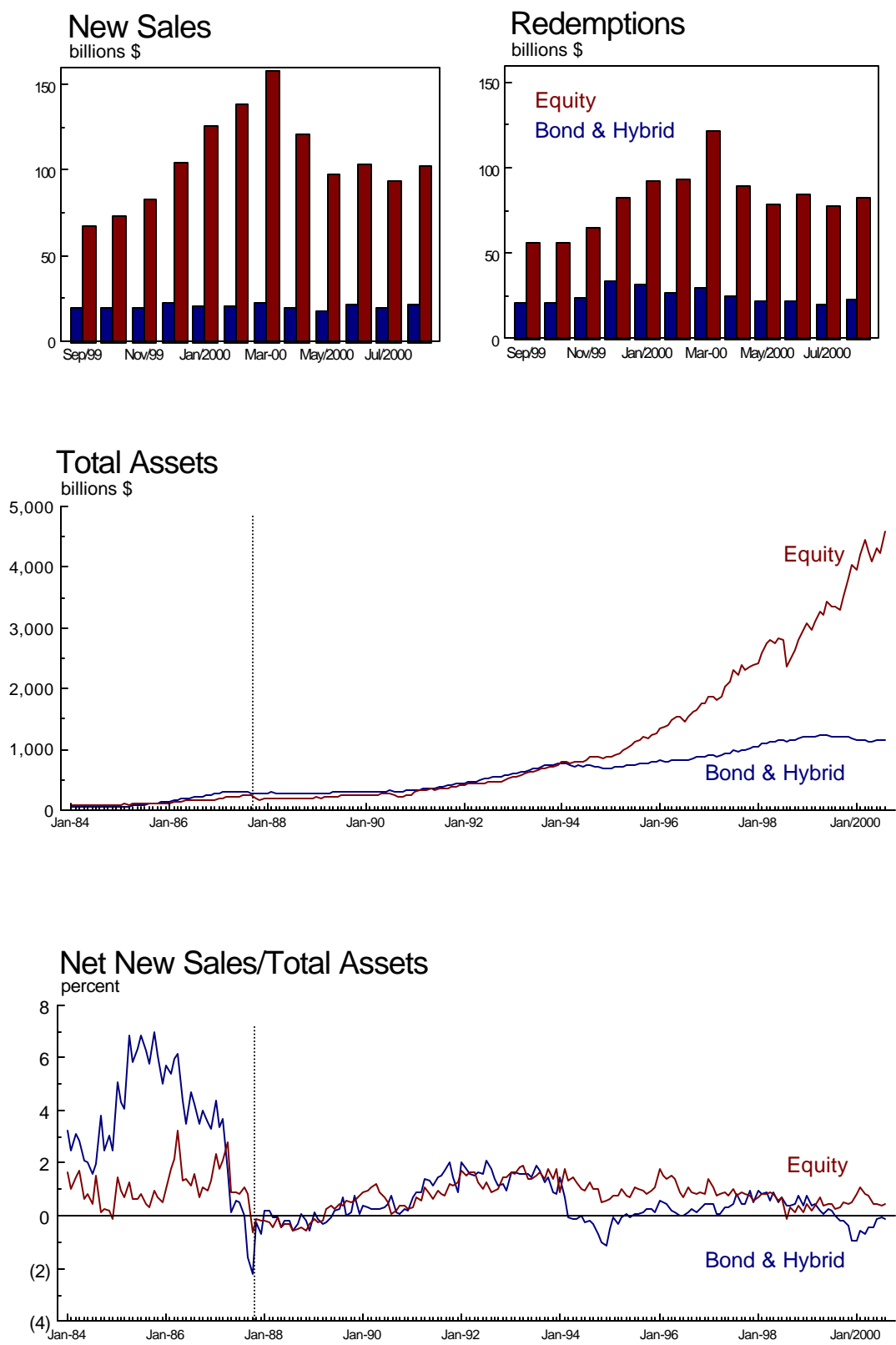


Figure 2
Composition of Mutual Funds' Financial Assets
(percent of Total Financial Assets)

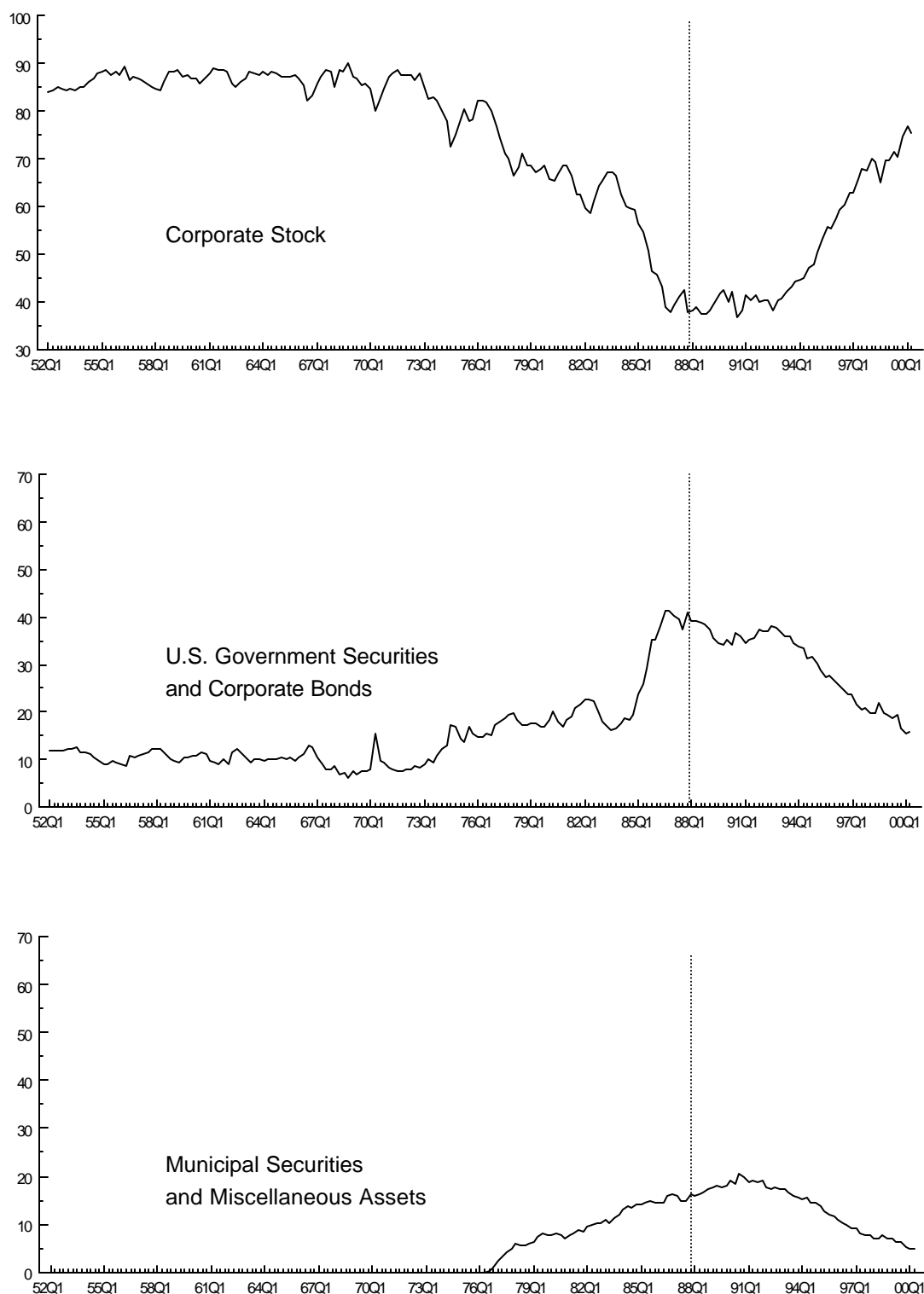


Figure 3
Net Portfolio Purchases
 (percent of Total Assets)

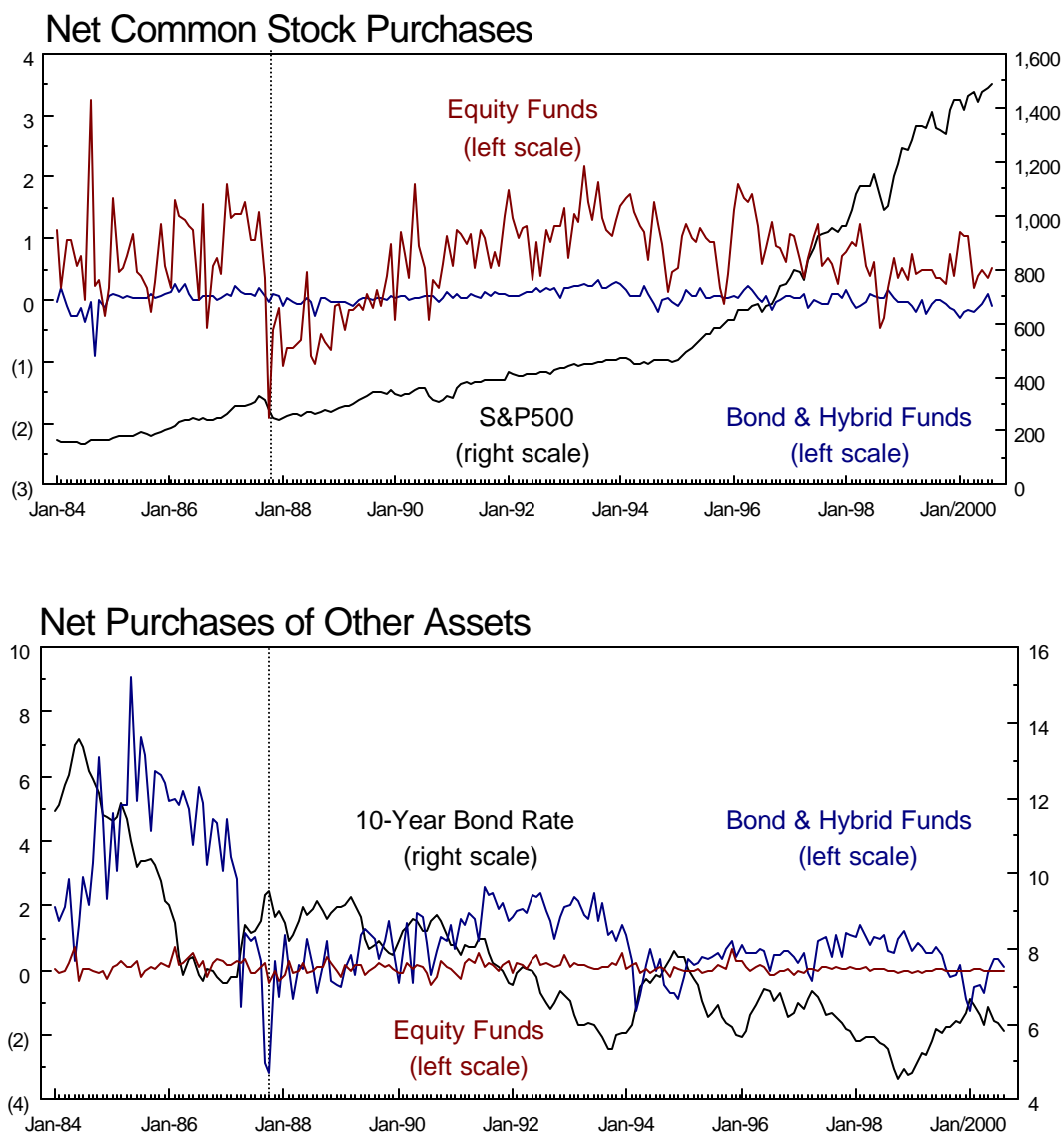
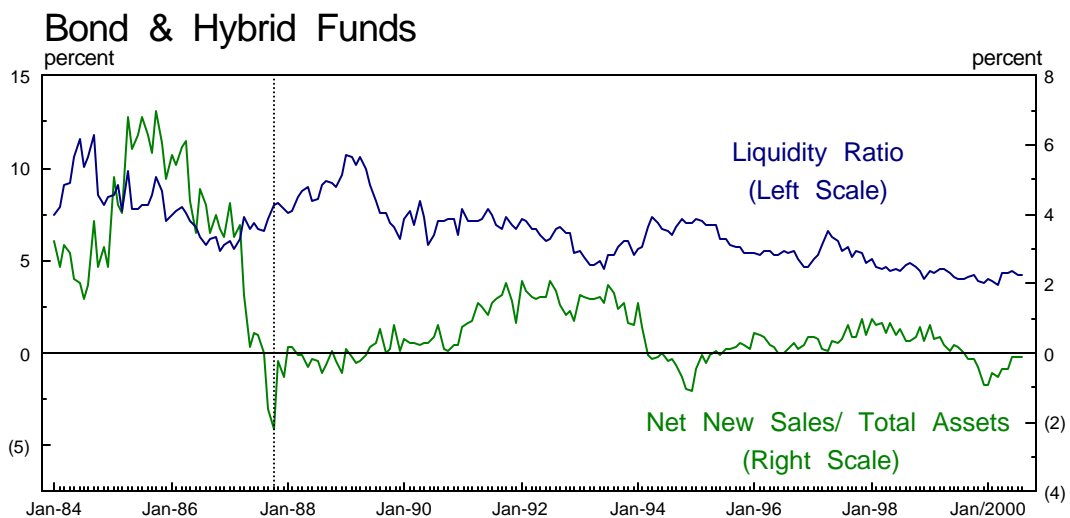
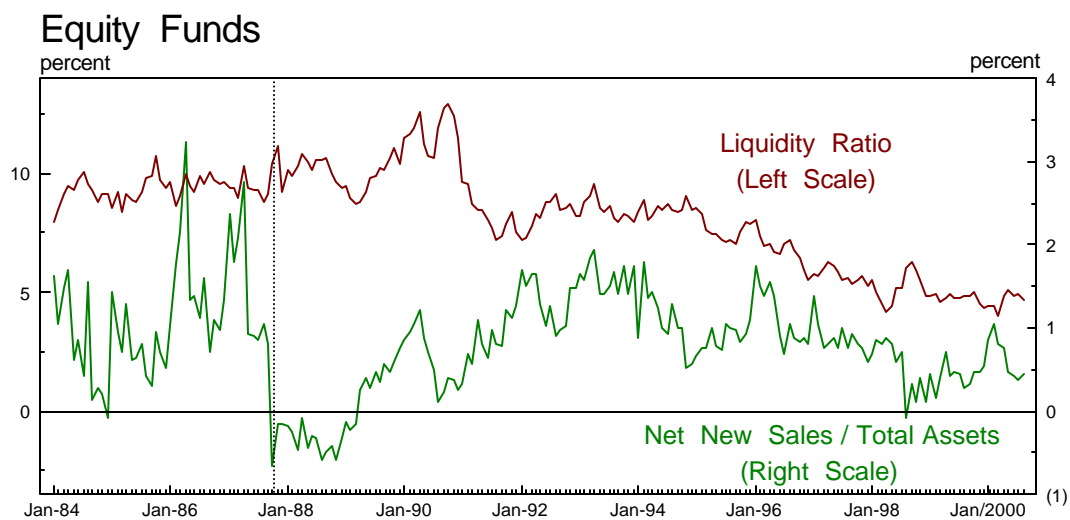
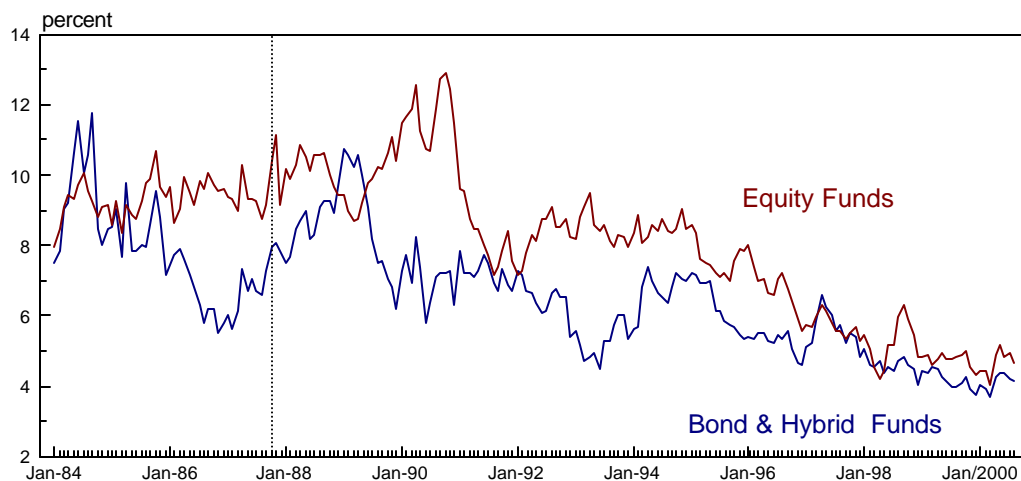


Figure 4
Liquidity Ratio*



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)

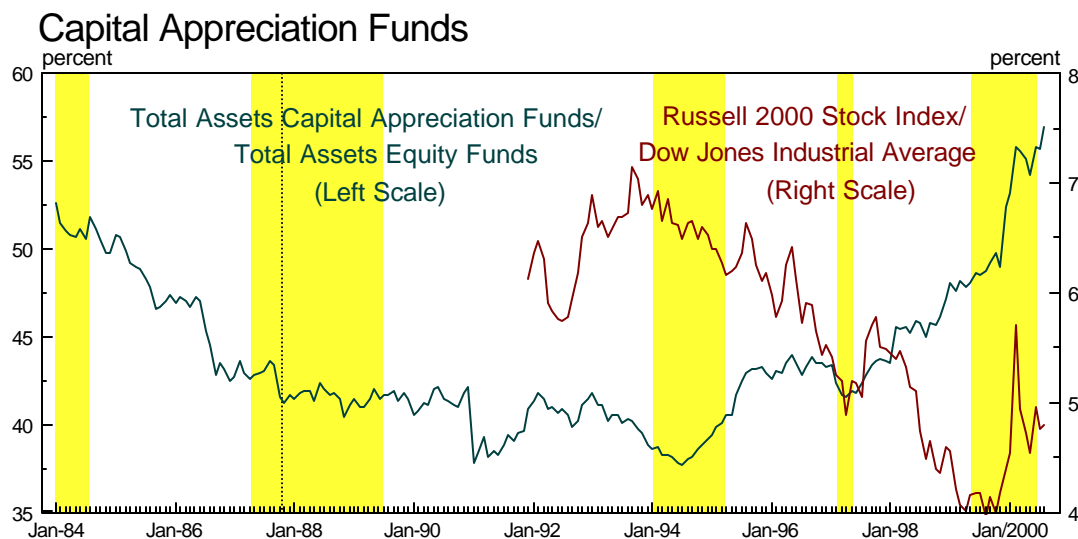
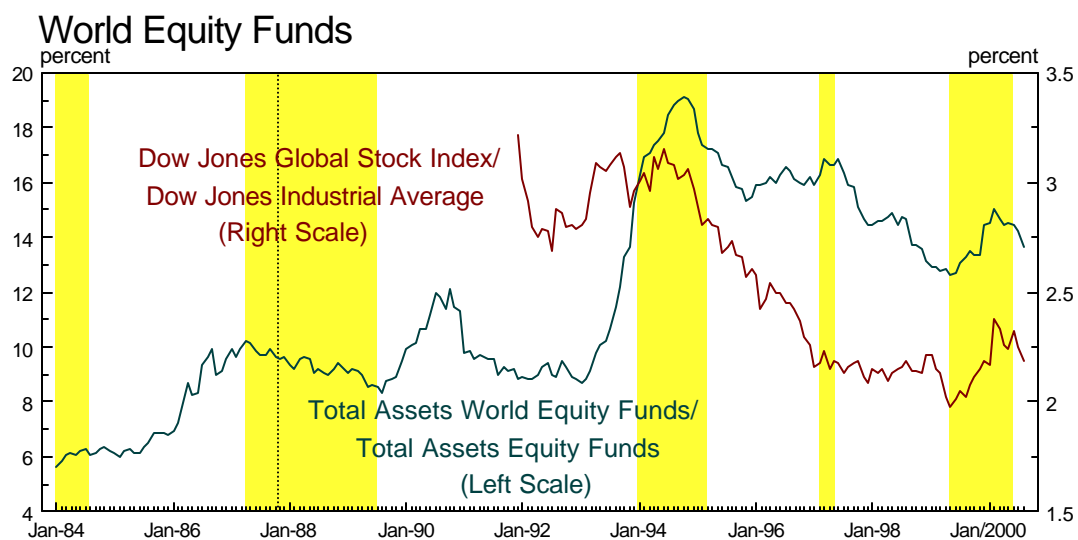
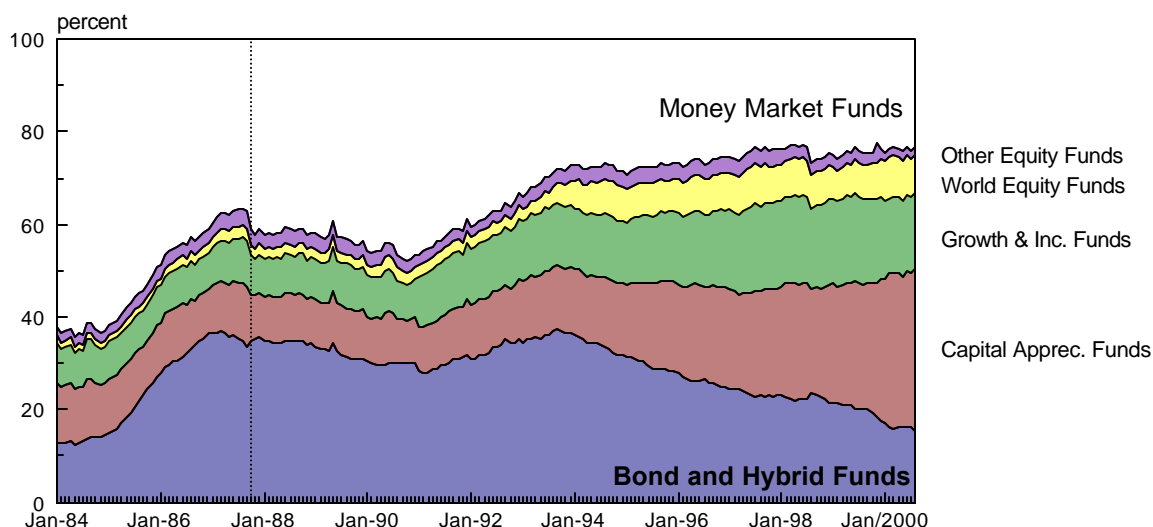


Figure 6a

Weekly Flows into Mutual Funds

(percent of Total Assets)

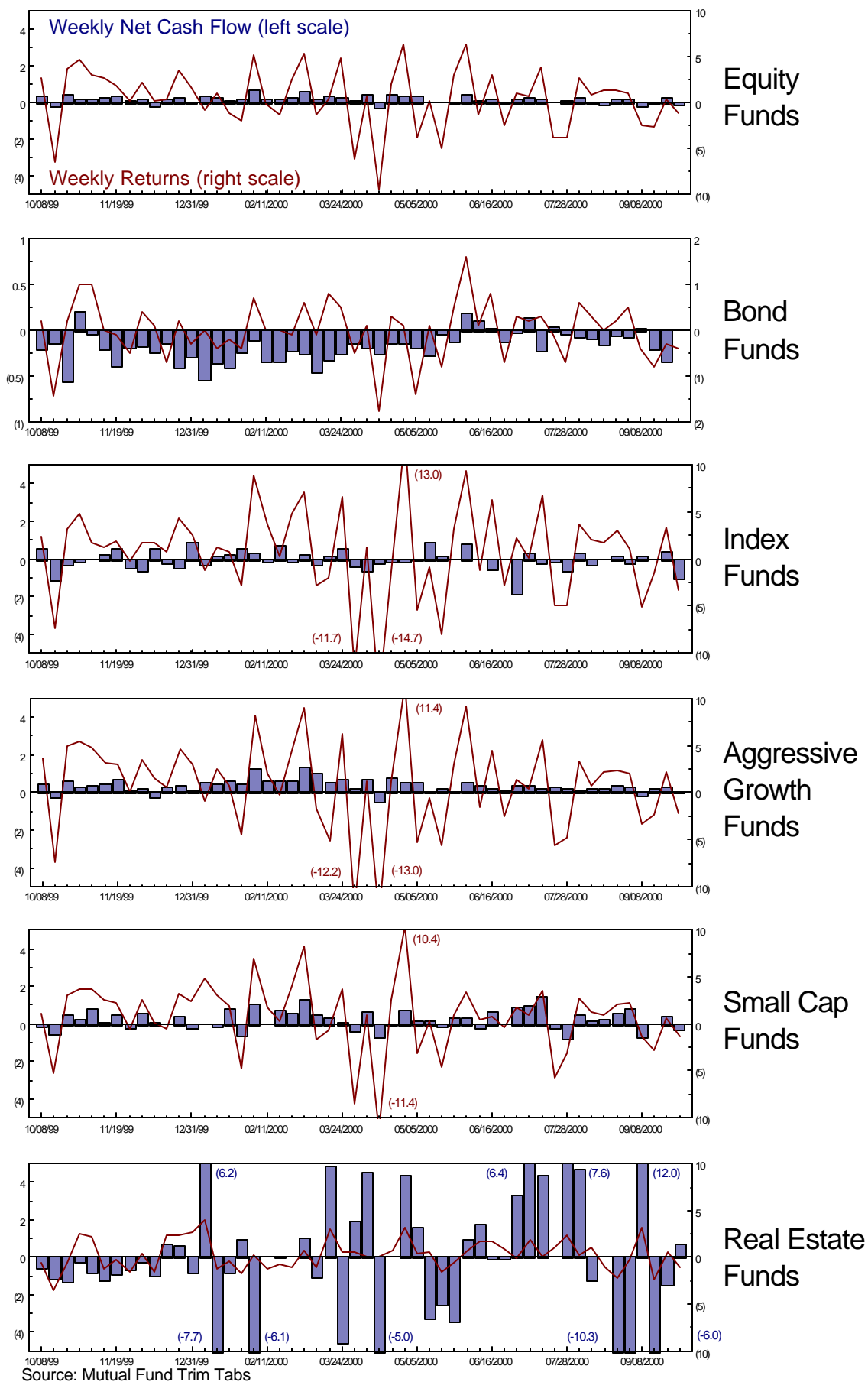


Figure 6b

Weekly Flows into Mutual Funds

(percent of Total Assets)

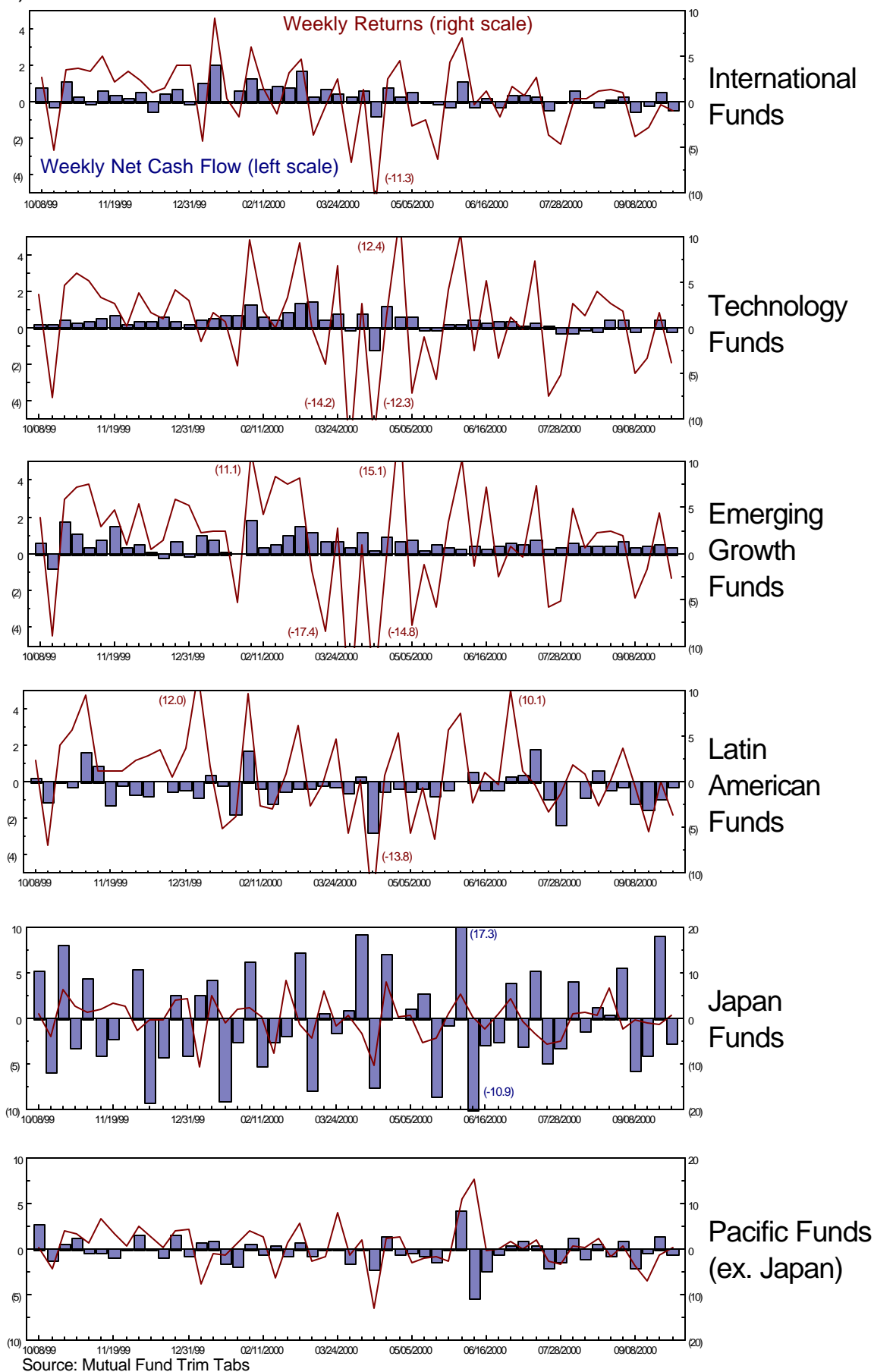


Figure 7
Net New Sales By Investment Objective
 (Shaded Regions Indicate Periods of Rising Fed Funds Rate)

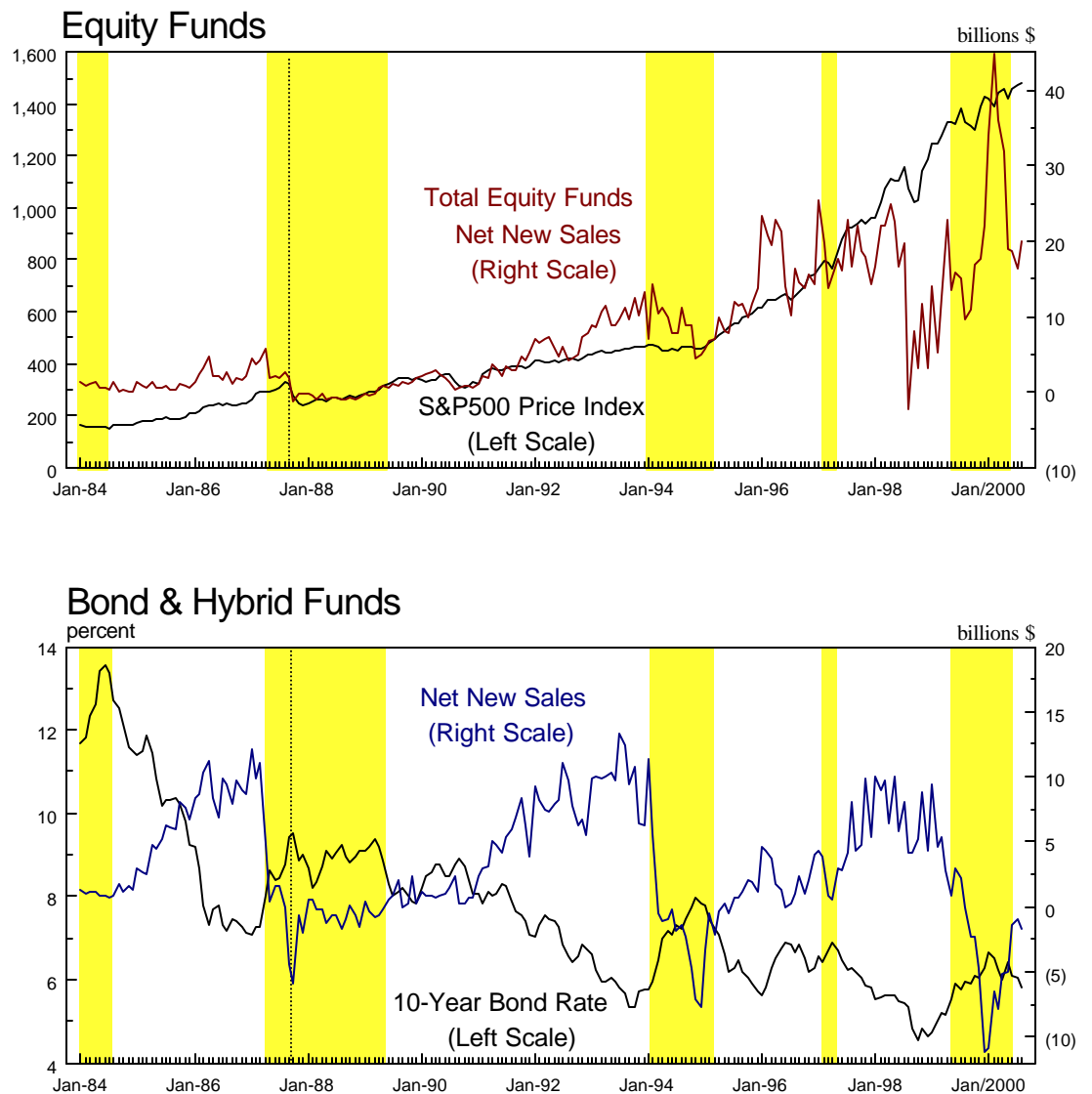


Figure 8
Capital Market Returns and Volatility

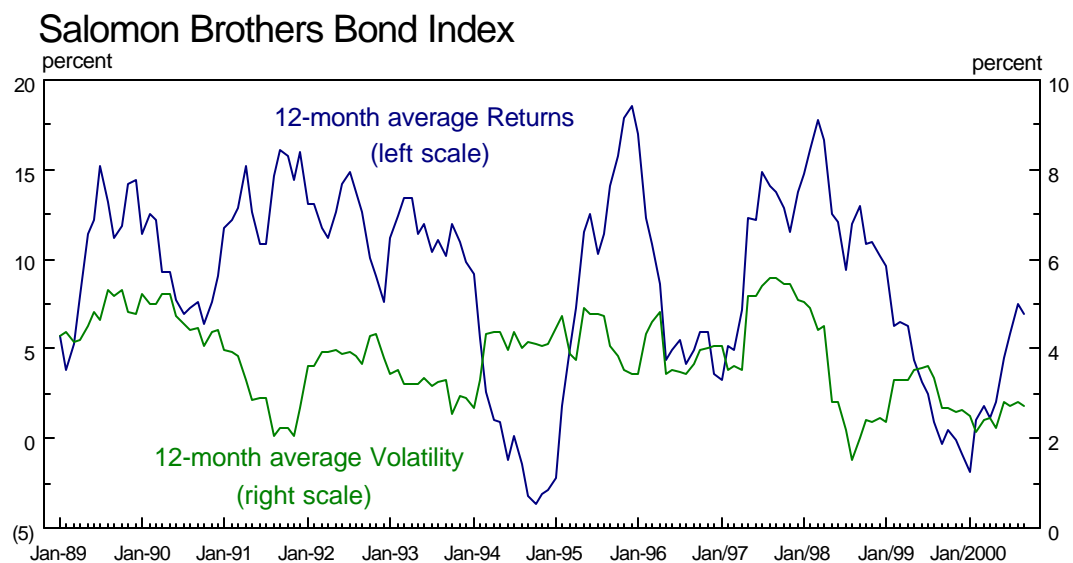
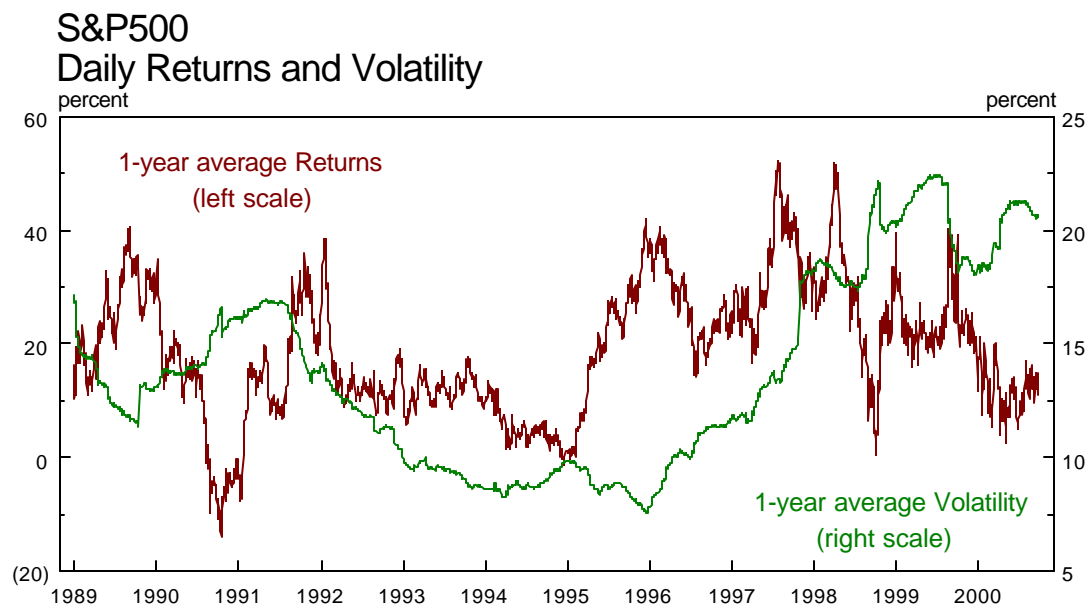
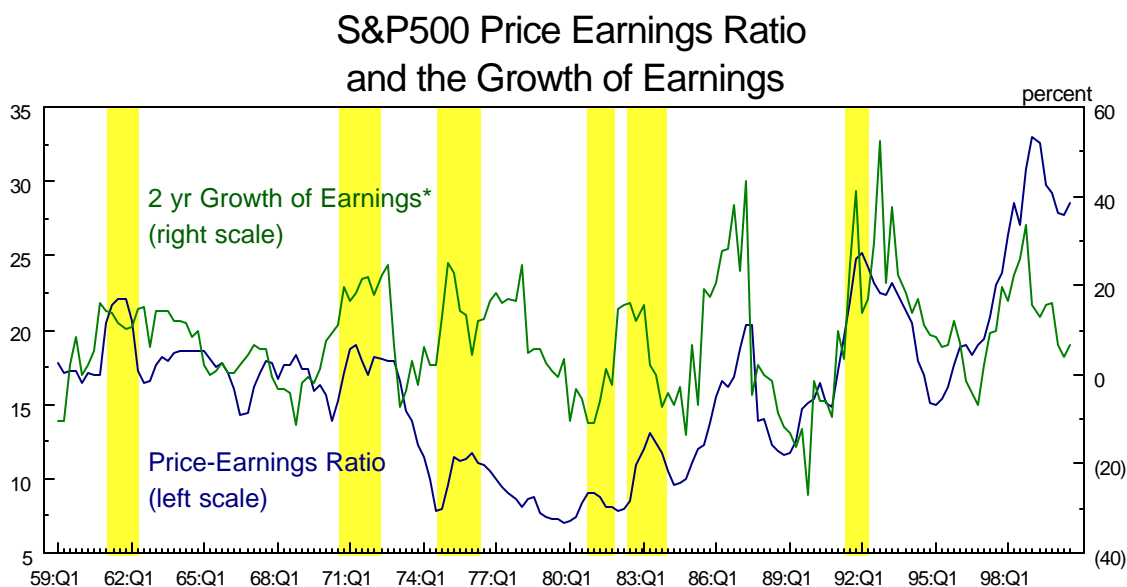
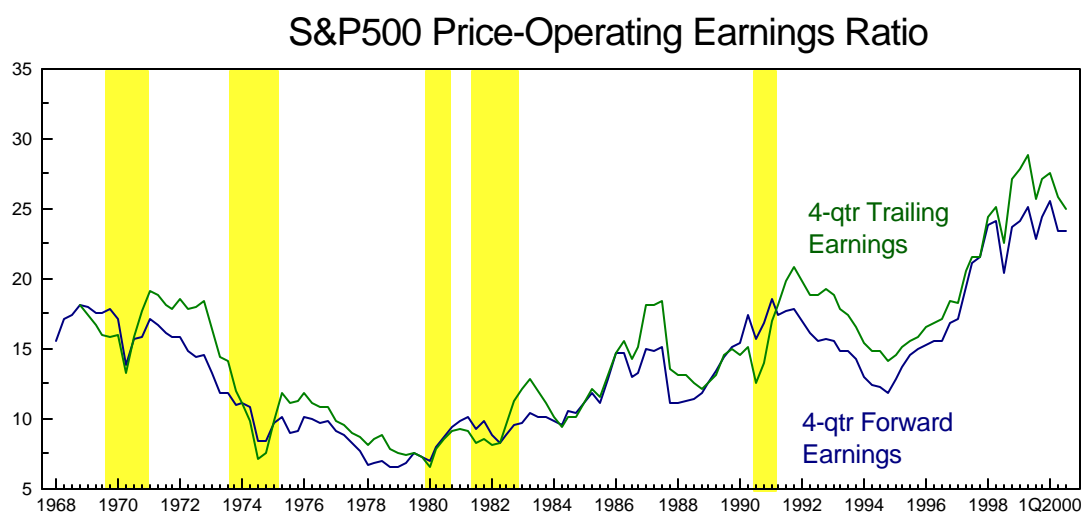
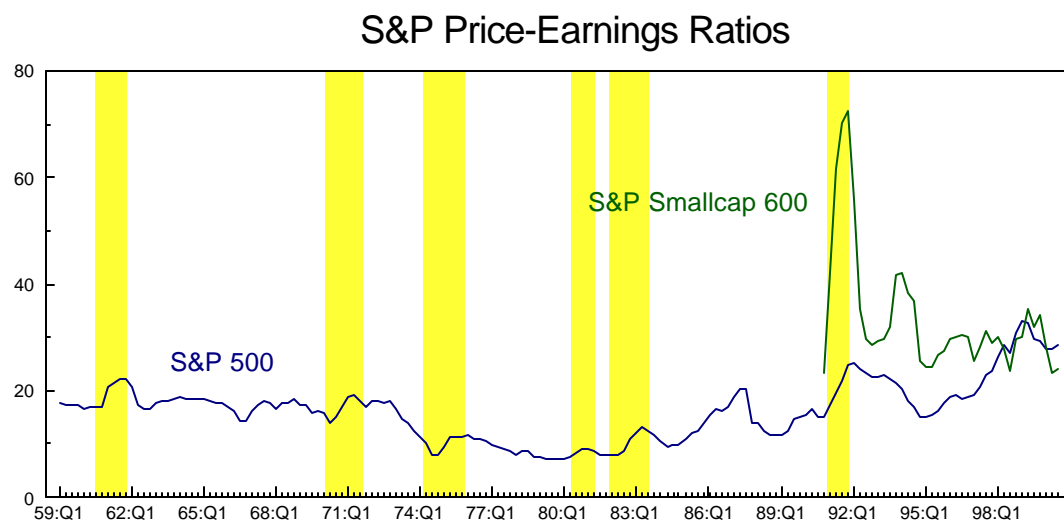


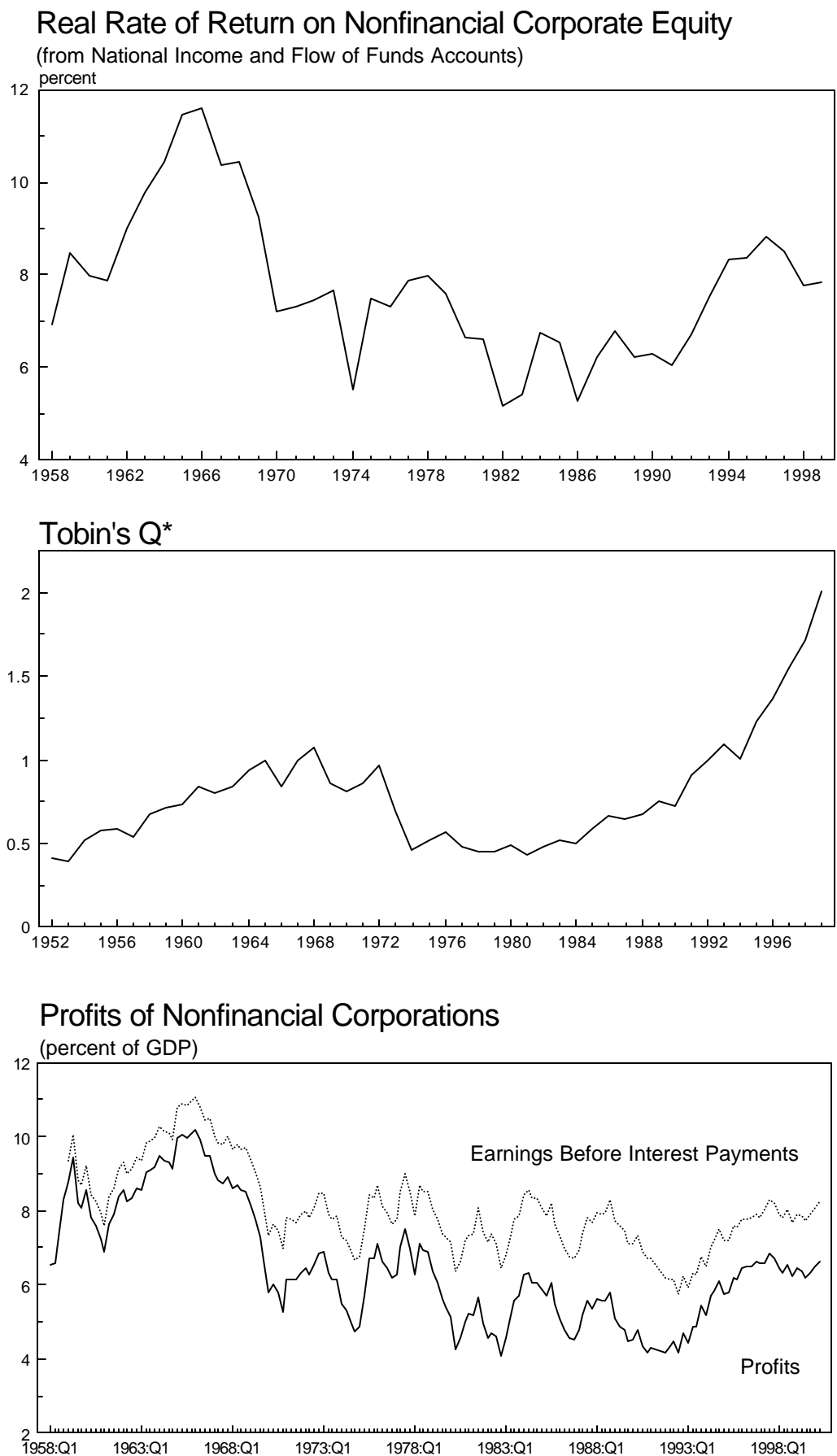
Figure 9



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

source: First Call, DRI, Bloomberg

Figure 10



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