April 6, 2001

Monthly Mutual Fund Report

Statistics for February 2001

Sales and Redemptions

Total assets for all funds decreased $338.3 billion, or 4.7 percent, to $6.9 trillion in February. Net new cash flow into long-term mutual funds, the dollar value of net new sales and net exchanges, was $6.7 billion, compared to $34.9 billion in January. New sales, the purchase of new shares excluding reinvested dividends, were $107.8 billion in February, down from $148.2 billion in January. The value of assets depreciated by $350.4 billion in February, compared with an increase of $227.4 billion in January.

Total assets of **equity funds** decreased by $403.5 billion, or 9.9 percent, to $3.7 trillion. There was a net cash outflow from equity funds of $3.1 billion compared with an inflow of $25.1 billion in January. This is the first monthly cash outflow since the August, 1998 outflow of $117.2 billion. The market value of assets depreciated by $402.5 billion. Year-to-date cash flows are $22.0 billion. During the same period in 2000, cash flows were $100.2 billion.

Total assets for **hybrid funds**, which invest in a mix of stocks and bonds, decreased 2.9 percent, or $10.4 billion, to $346.5 billion. In February, The net new cash flow to these funds was $1.0 billion. Year-to-date, their net cash flows have been $2.1 billion compared to an outflow of $11.3 billion during the same period in 2000.

Bond funds experienced a cash inflow of $8.9 billion in February, as their total assets rose by $11.6 billion, to $841.6 billion. The market value of bond funds assets decreased by $0.2 billion, after adjusting for net sales and reinvested dividends. The assets of tax-exempt funds increased by 1.0 percent while the assets of taxable bond funds increased by 1.6 percent.

Assets of taxable and tax-exempt **money market funds** increased $64.0 billion, to $2.0 trillion, an increase of 3.3 percent for taxable money market funds and 3.4 percent for tax-exempt funds.

Liquidity Ratio

The liquidity ratio increased for both bond and hybrid and equity funds during February. The ratio for bond and hybrid funds increased from 4.2 to 4.4 percent, while the ratio for equity funds increased from 5.6 to 5.8 percent (figure 4).

Weekly Flows

In March, there were outflows from equity funds of 0.5 percent of total assets with returns of –12.1 percent, producing a cumulative two-month loss of 22.7 percent. Bond funds had inflows of 0.3 percent and returns of –2.2 percent for the month.

Flows to domestic sector equity funds moved commensurately with the aggregate, but with greater volatility. Index funds had monthly outflows of 2.0 percent and losses of 23.9 percent, an aggregate two-month loss of 41 percent of total assets. Aggressive growth funds had monthly outflows of 0.1 percent and losses of 12.9 percent. Small-cap funds had outflows of 0.1 percent and losses of 13.6 percent.

There were outflows from international funds in March of 0.1 percent of assets and losses of 11.0 percent. Latin America funds had outflows of 4.0 percent and losses of 8.9 percent. Japan funds had outflows of 1.0 percent and losses of 5.8 percent of assets for the month of March. Pacific funds that do not invest in Japan had inflows of 5.0 percent, despite losses of 14.5 percent.

Capital Market Returns and Volatility

The S&P 500 ended March at 1160.33, a decrease of 6.4 percent from the beginning of the month. The 12-month return was –21.7 percent at month-end. The annualized volatility for the daily return on the S&P 500 was 22.2 percent.

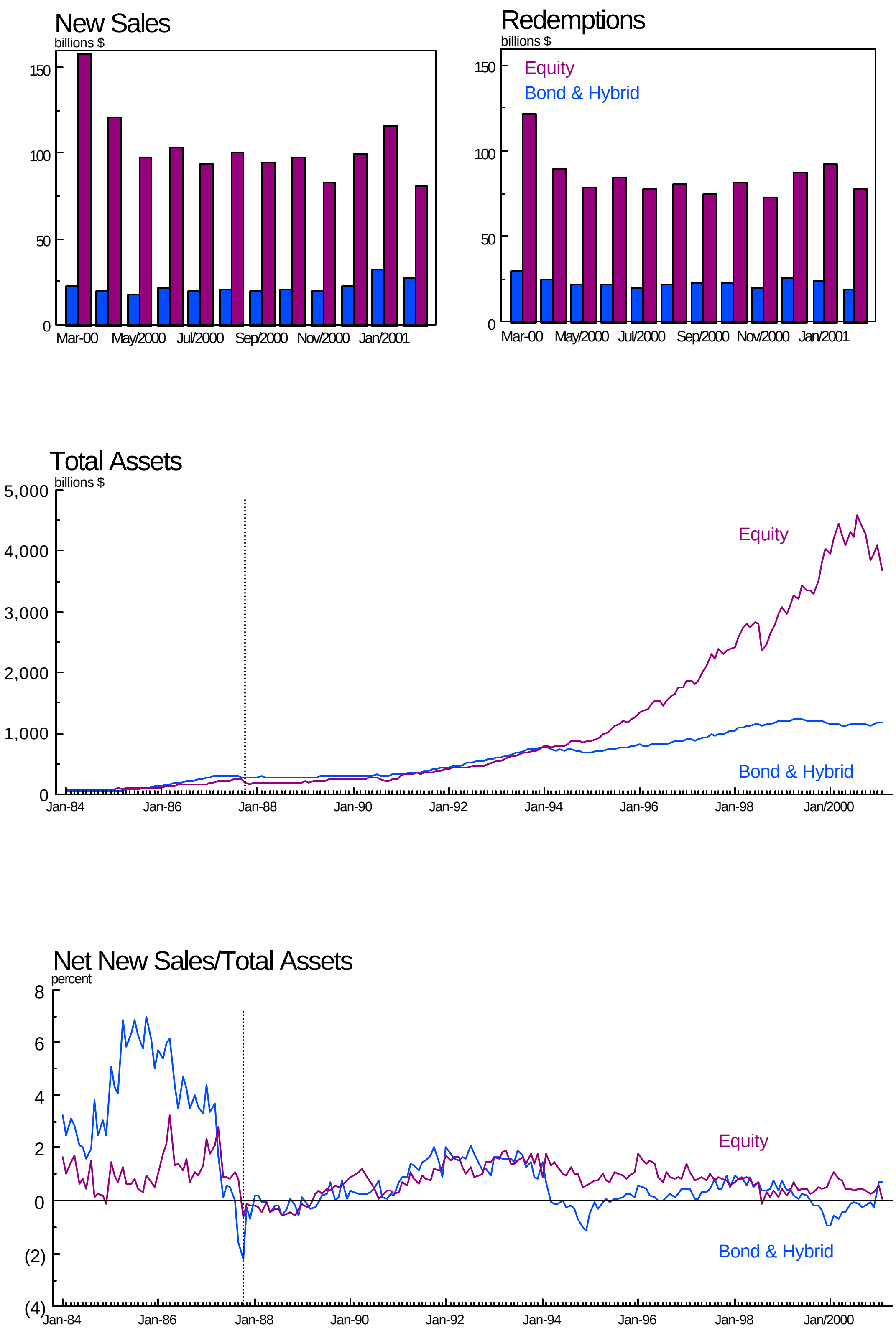
The 12-month average return on the Salomon Brothers Bond Index was 12.6 percent for March. Volatility remained at 2.5 percent (figure 8).

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, 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)

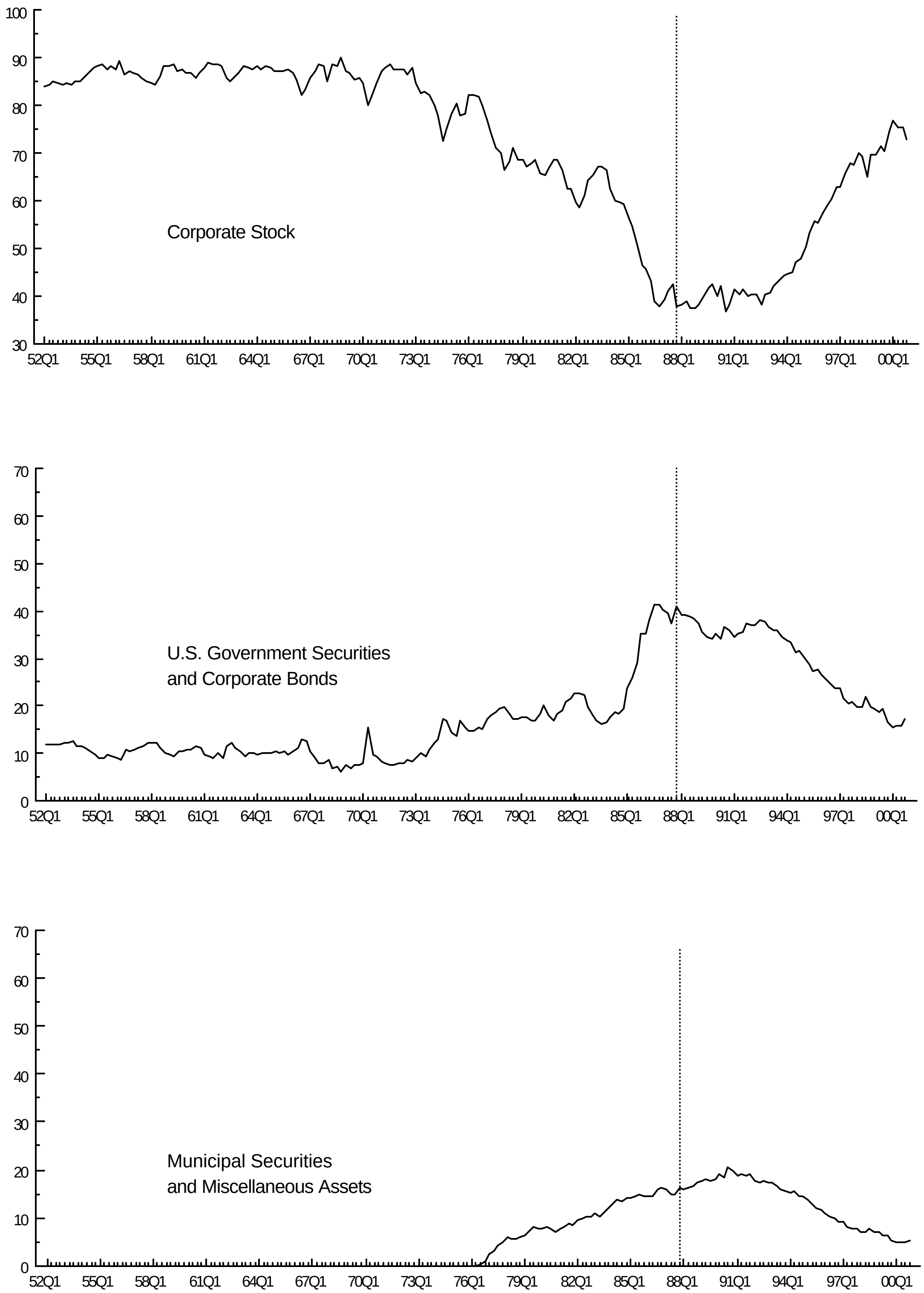
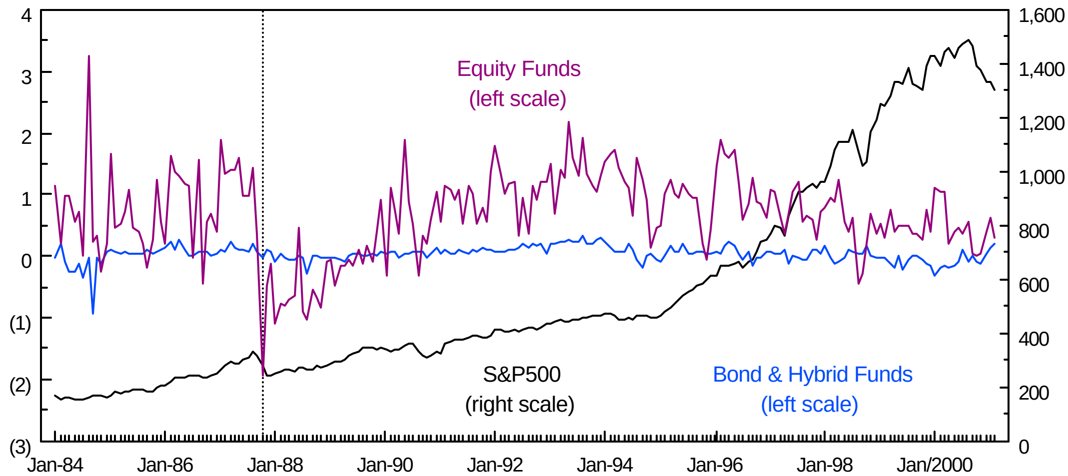


Figure 3

Net Portfolio Purchases

(percent of Total Assets)

Net Common Stock Purchases



Net Purchases of Other Assets

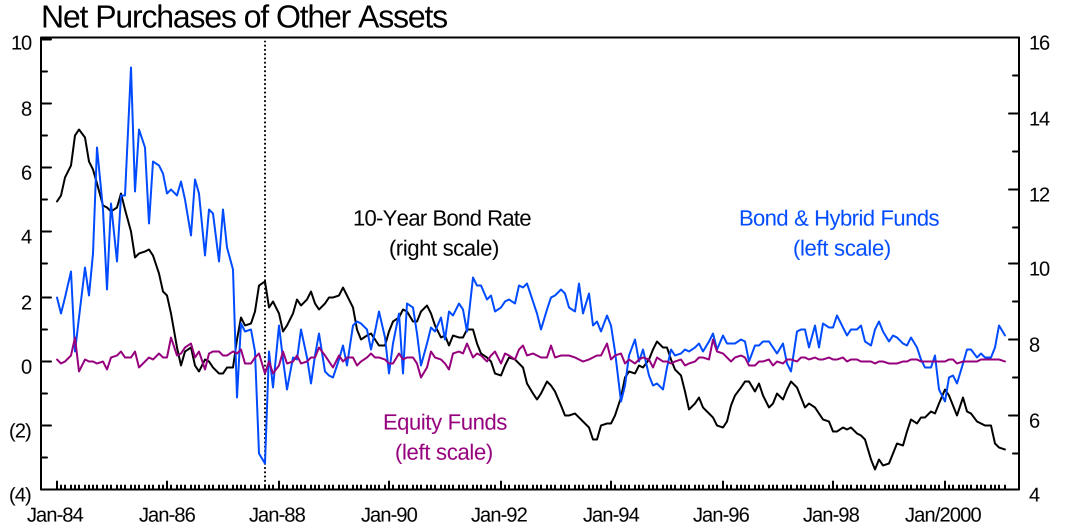
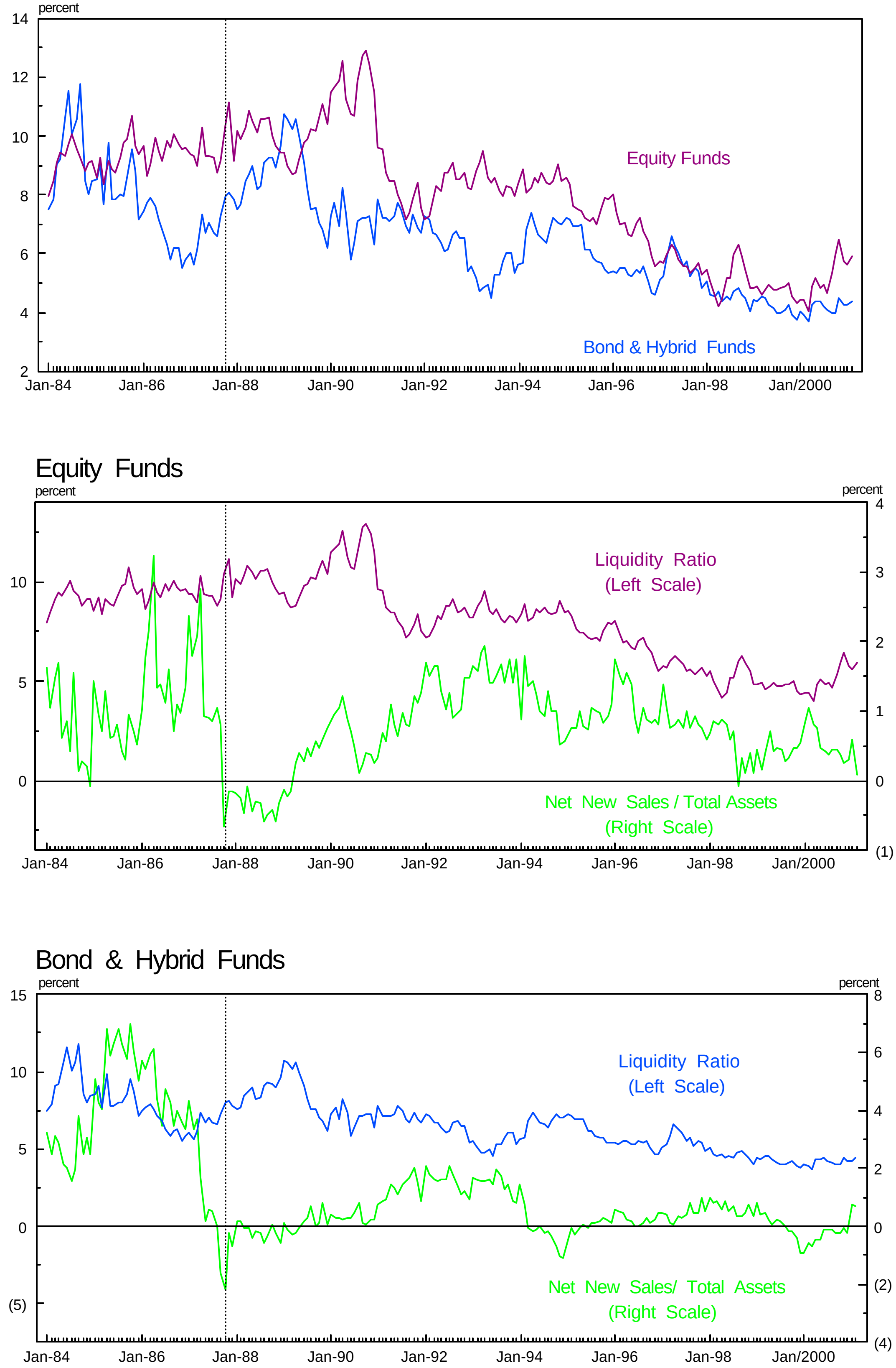


Figure 4
Liquidity Ratio*



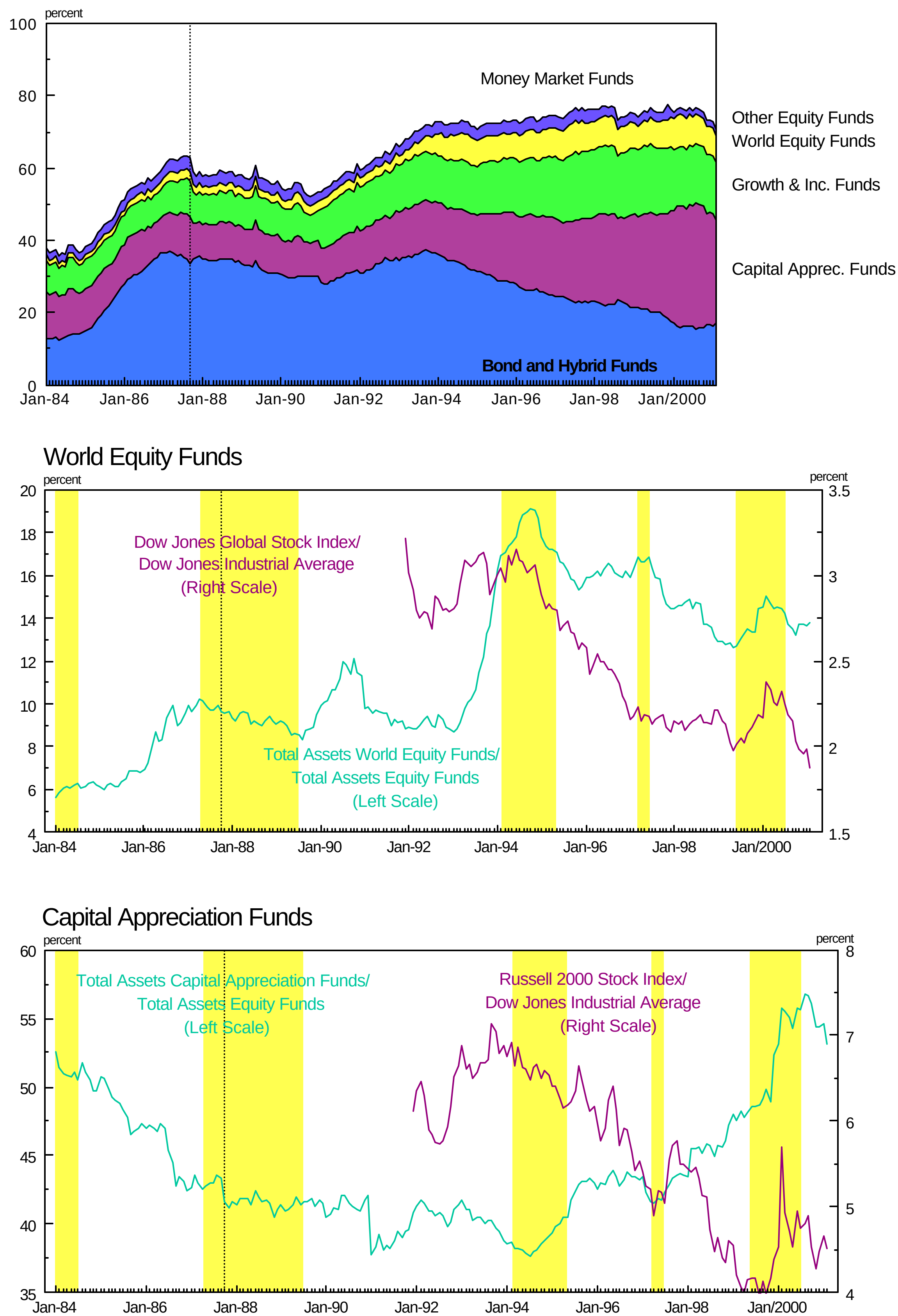
*The Liquidity Ratio is the Percent of Total Assets held in Cash and Short-Term Securities.

Source: Investment Company Institute

Figure 5

Industry Composition

(Shaded Regions Indicate Periods of Rising Fed Funds Rate)

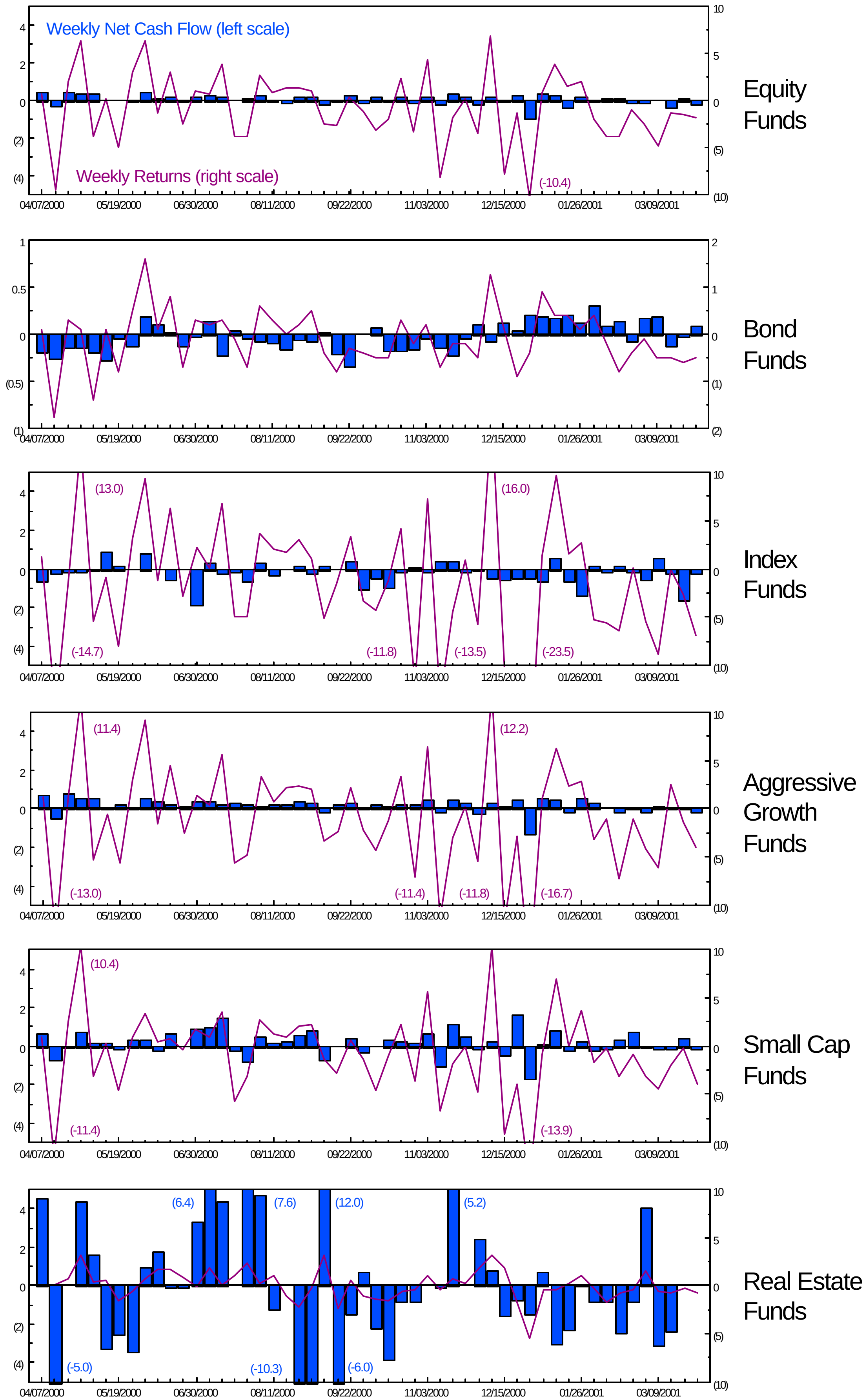


Source: Investment Company Institute

Figure 6a

Weekly Flows into Mutual Funds

(percent of Total Assets)

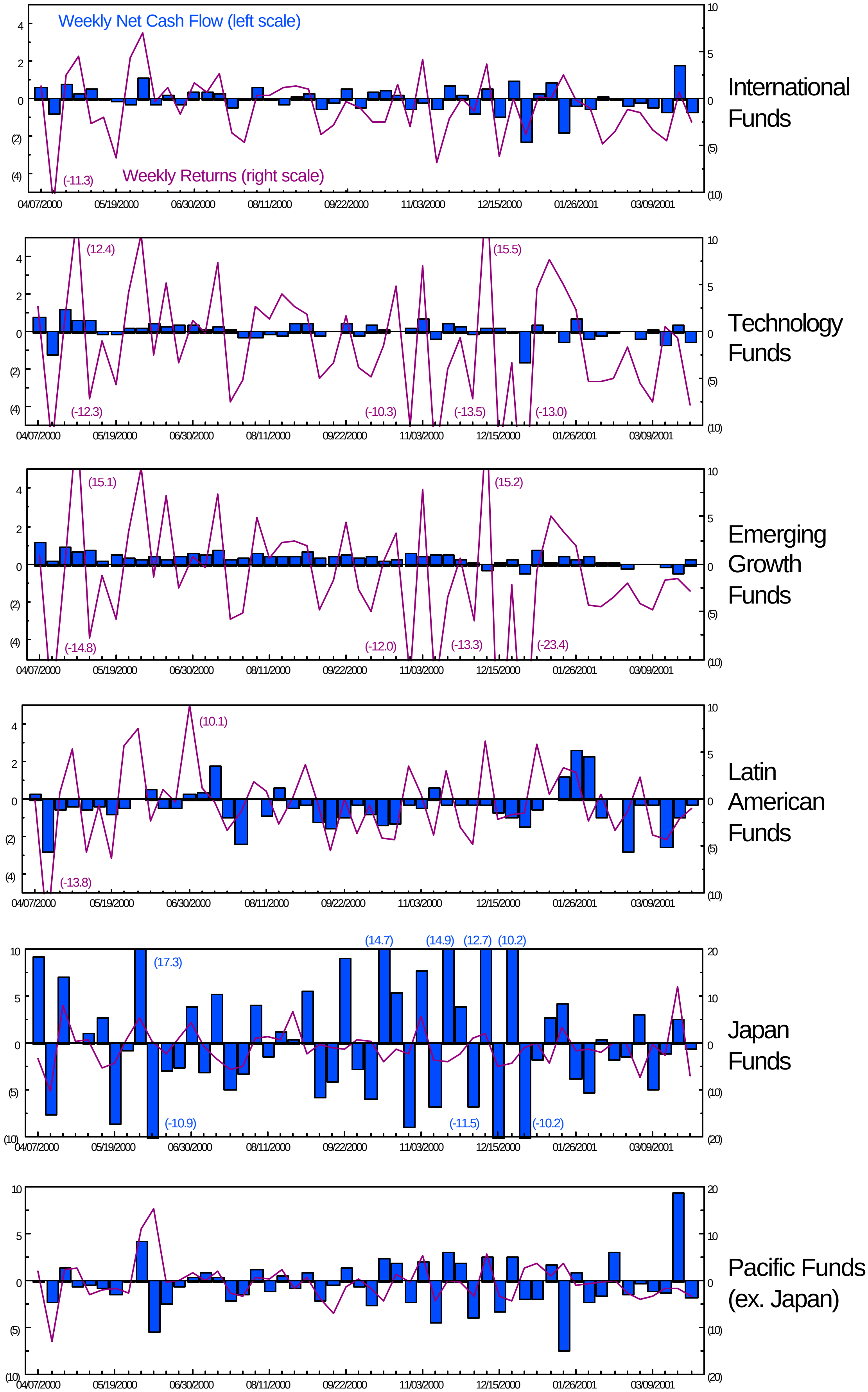


Source: Mutual Fund Trim Tabs

Figure 6b

Weekly Flows into Mutual Funds

(percent of Total Assets)

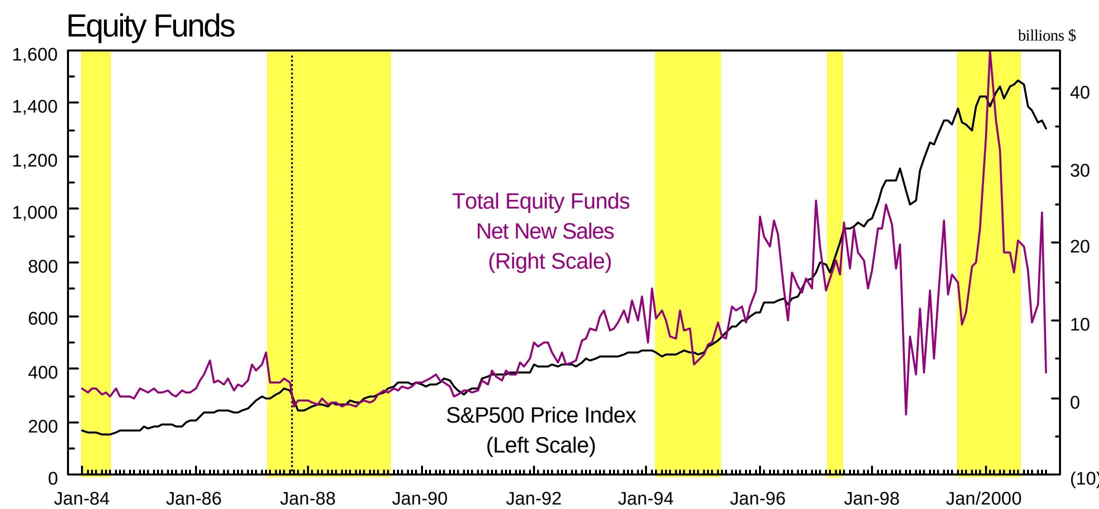


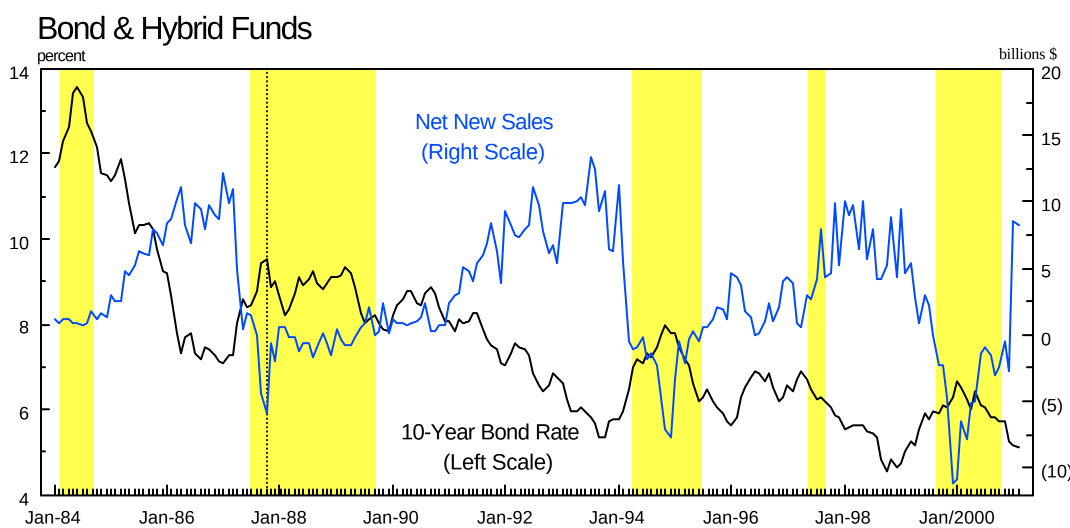
Source: Mutual Fund Trim Tabs

Figure 7

Net New Sales By Investment Objective

(Shaded Regions Indicate Periods of Rising Fed Funds Rate)

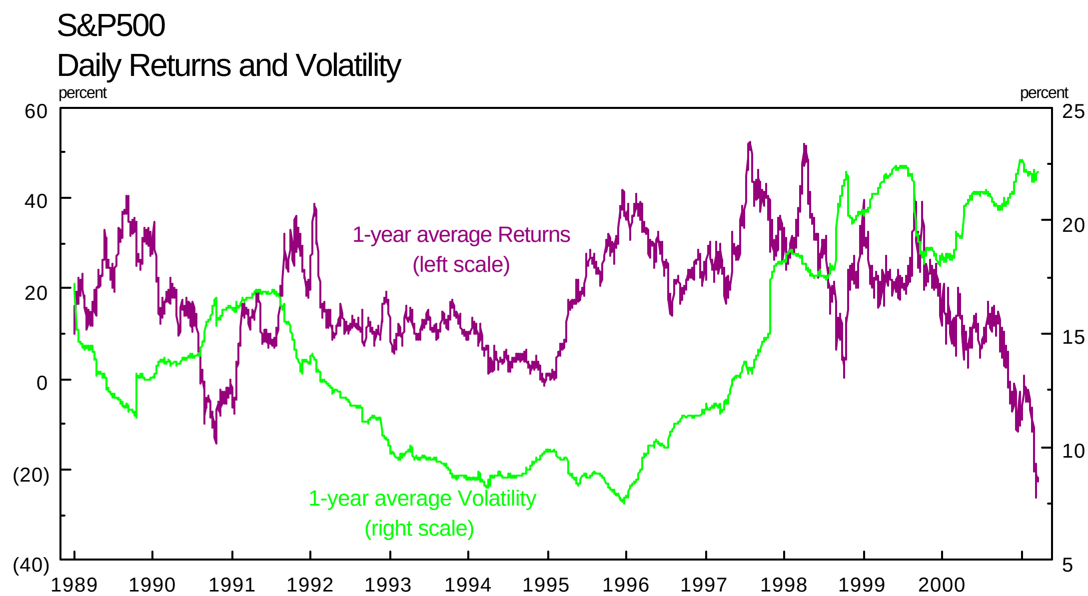




Source: Investment Company Institute

Figure 8

Capital Market Returns and Volatility



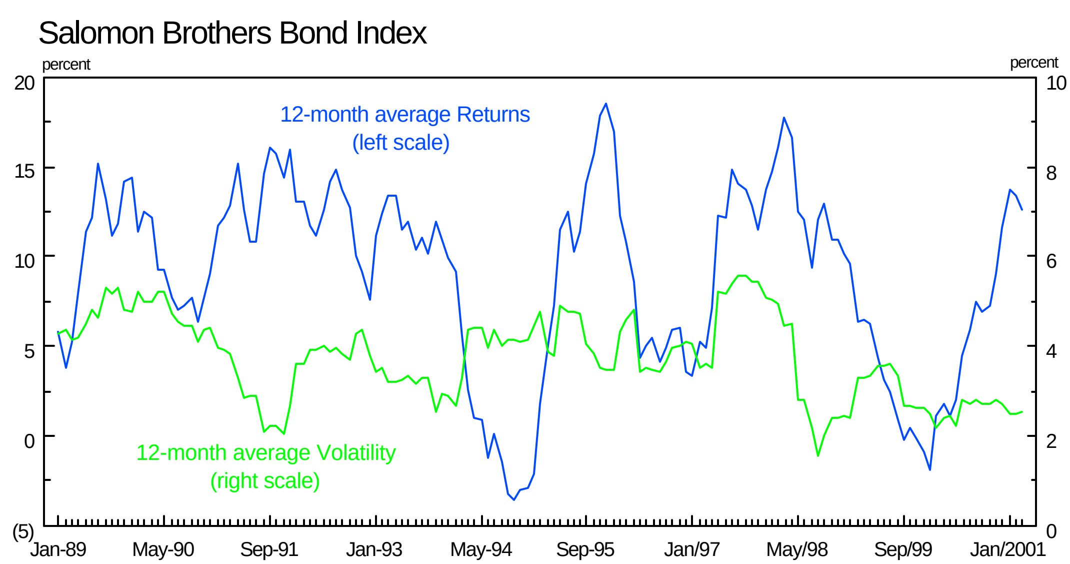
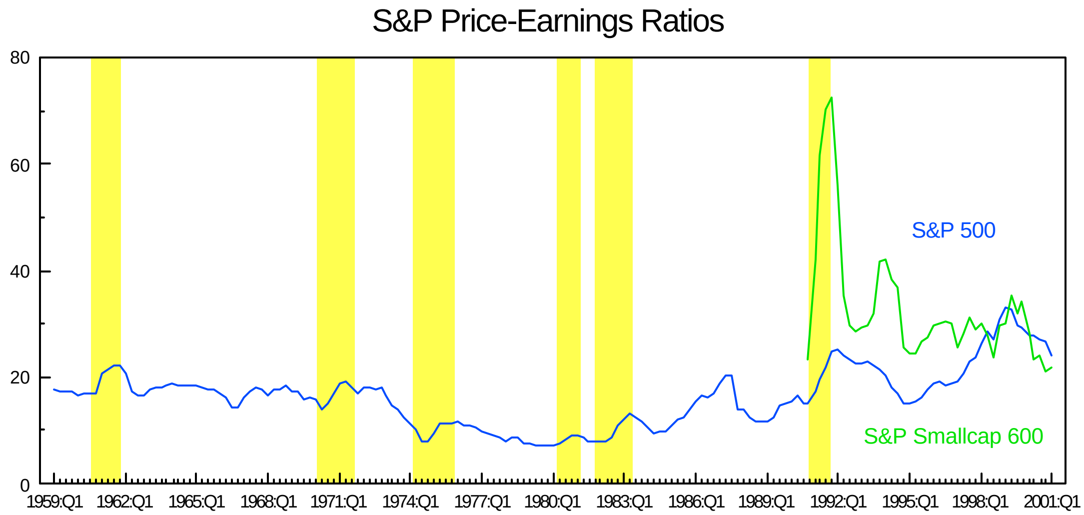
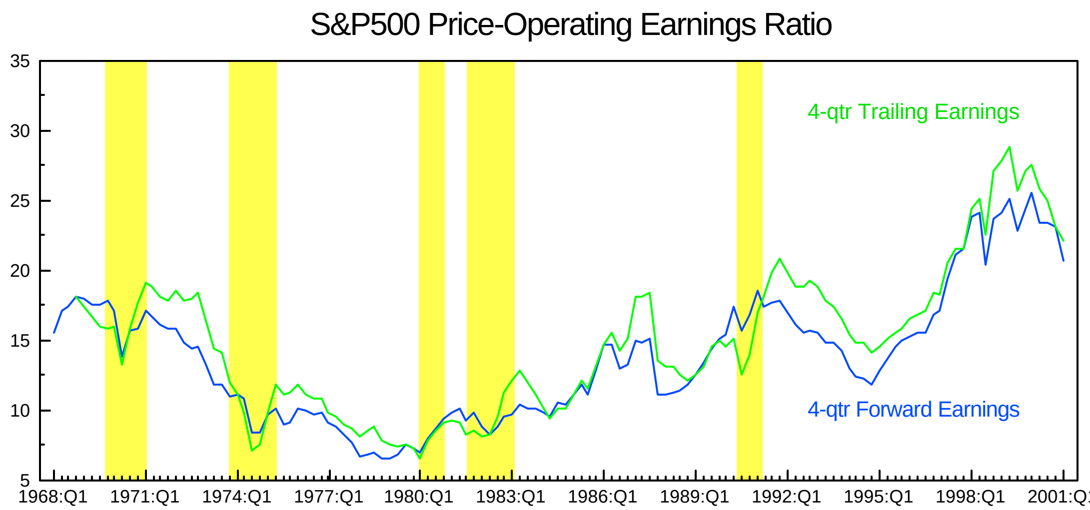
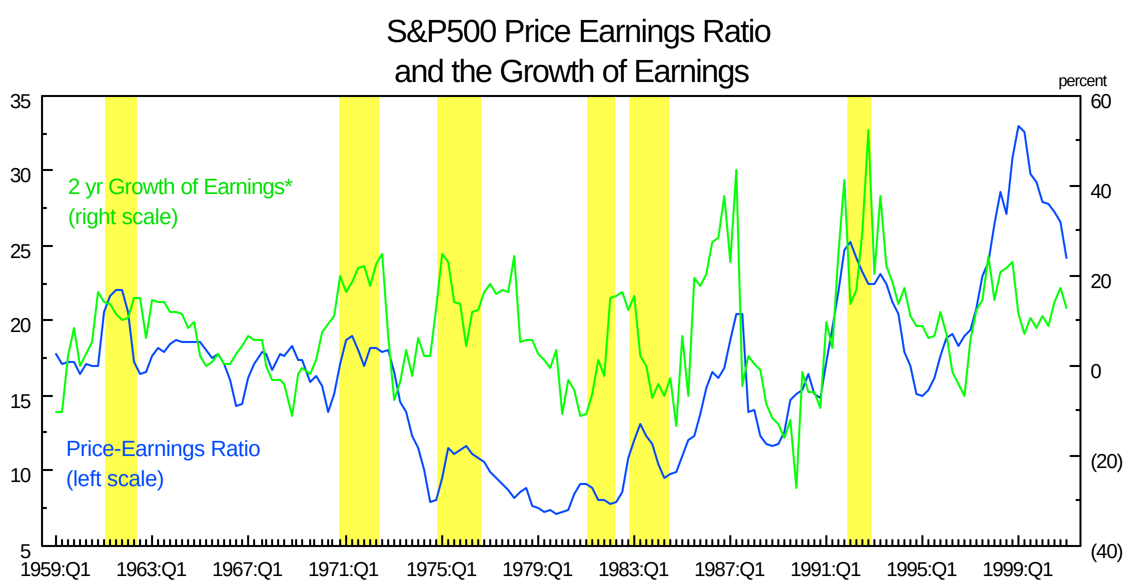


Figure 9







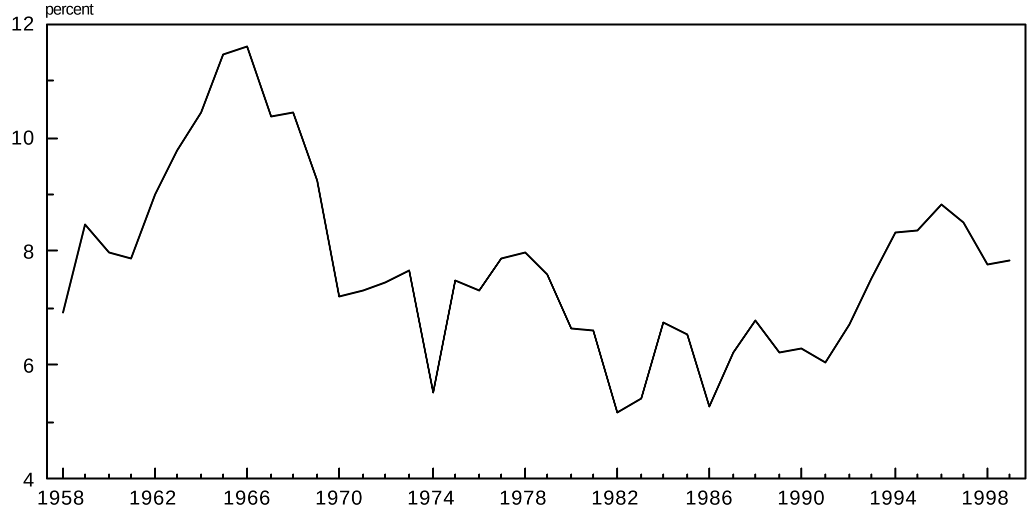
* Growth of earnings over subsequent 8 quarters. Current observations use forecast of earnings from macro projections.

source: First Call, DRI, Bloomberg

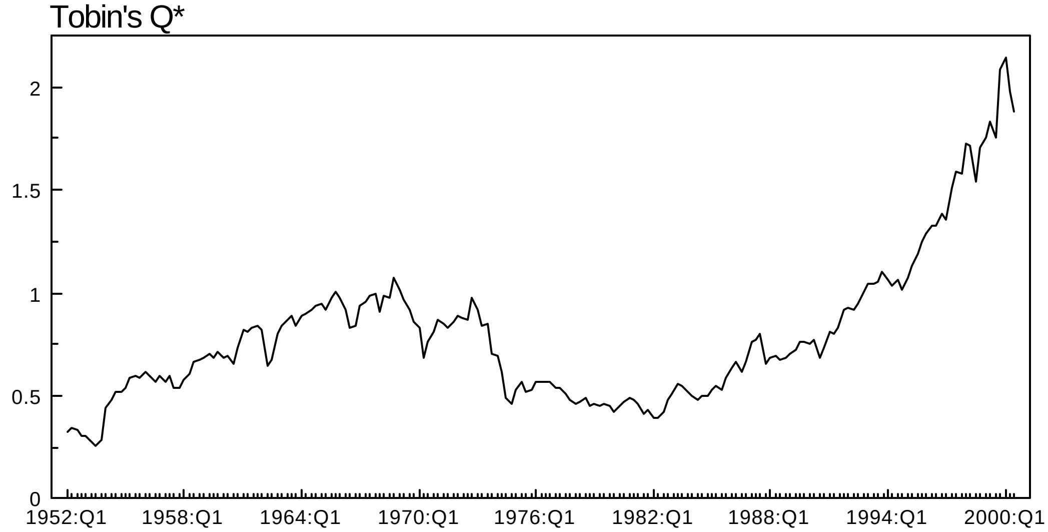
Figure 10

Real Rate of Return on Nonfinancial Corporate Equity

(from National Income and Flow of Funds Accounts)

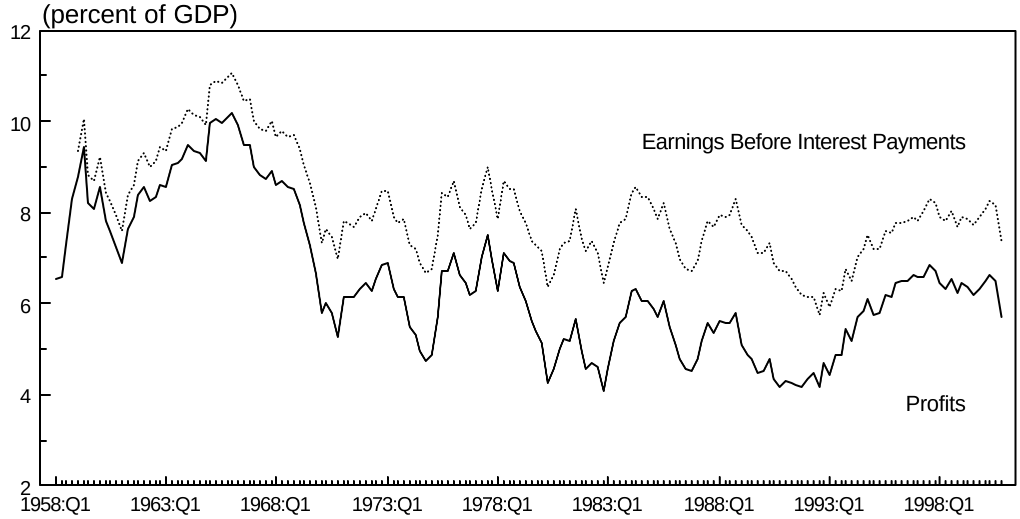


Tobin's Q*



Profits of Nonfinancial Corporations

(percent of GDP)



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