

*Monthly*  
Mutual  
Fund  
Report

April 9, 2007

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# Monthly Mutual Fund Report

## Statistics for February 2007

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### Sales and Redemptions

Total assets for all funds increased in February by \$43.3 billion, or 0.4 percent, to \$10.6 trillion, following an increase of 1.5 percent in January. Money market funds had a net cash inflow of \$34.4 billion compared to an outflow of \$10.8 billion in January. Other funds (equity, hybrid, and bond) had a net cash inflow of \$45.1 billion, compared to an inflow of \$47.9 billion in January. New sales of non-money market funds, the purchase of new shares excluding reinvested dividends, were \$174.5 billion in February, down from \$201.8 billion in January. The value of non-money market assets depreciated by \$53.9 billion in February, following an appreciation of \$103.7 billion in January.

Total assets of **equity funds** decreased by \$35.9 billion, or 0.6 percent, to \$6.0 trillion in February. There was \$25.6 billion net cash inflow into equity funds in February and the market value of assets depreciated by \$62.0 billion. Equity funds had an inflow of \$54.8 billion year-to-date compared to an inflow of \$58.9 billion during the first two months of 2006.

Total assets for **hybrid funds**, which invest in a mix of stocks and bonds, decreased by 0.5 percent, or \$3.5 billion, to \$656.6 billion in February. There was a \$3.5 billion net cash inflow into these funds in February. Hybrid funds had an inflow of \$7.1 billion year-to-date compared to an inflow of \$0.6 billion during the first two months of 2006.

**Bond funds** experienced a cash inflow of \$16.0 billion, while their total assets increased by \$35.1 billion, to \$1.5 trillion. The market value of bond funds increased by \$15.6 billion, after adjusting for net sales and reinvested dividends. The assets of taxable bond funds increased by 2.5 percent and the assets of tax-exempt bond funds increased by 1.9 percent. Bond funds have shown a cash inflow of \$31.1 billion year-to-date, compared to an inflow of \$16.9 billion during the same period in 2006.

Assets of taxable and tax-exempt **money market funds** increased \$47.5 billion, to \$2.4 trillion, reflecting an increase of 2.1 percent for taxable money market funds and an increase of 1.8 percent for tax-exempt funds. Money market funds experienced a cash inflow of \$23.6 billion year-to-date, compared to an inflow of \$0.8 billion during January and February of 2006.



### **Liquidity Ratio**

The liquidity ratio for bond and hybrid funds decreased to 5.6 percent in February from 5.7 percent in January, while the ratio for equity funds decreased to 3.9 percent in February from 4.0 percent in January (figure 4).

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

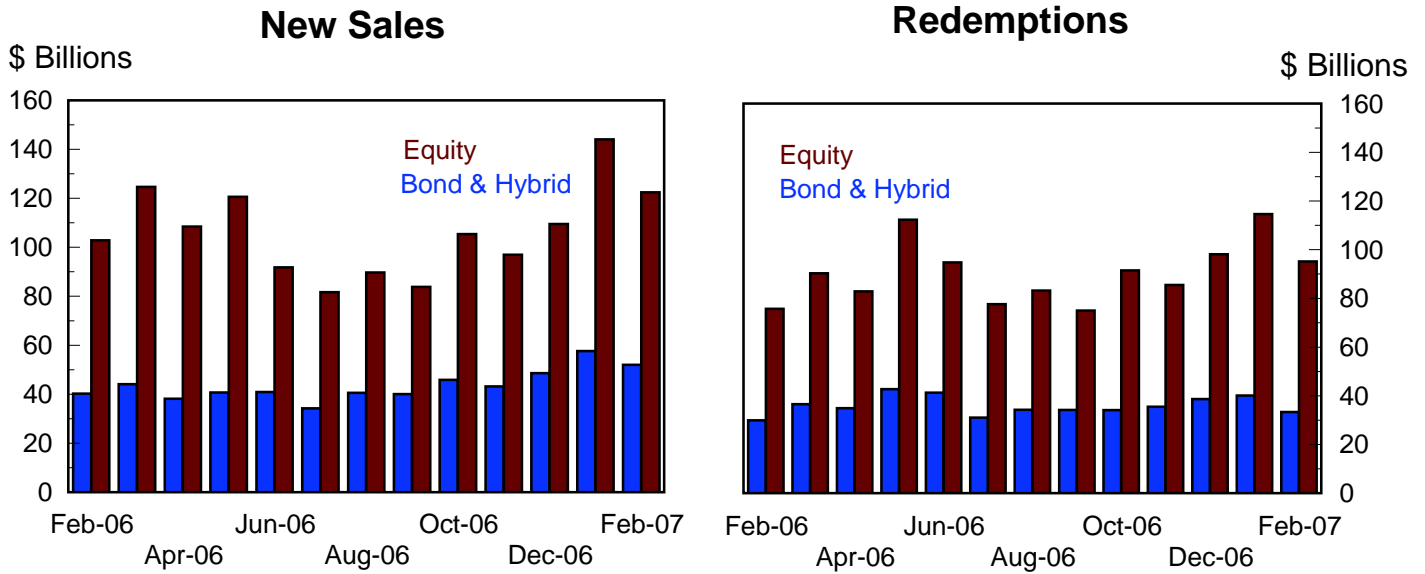
The S&P 500 ended March 30<sup>th</sup> at 1420.9, up 1.0 percent from the previous month, and up 9.7 percent over the previous year. The annualized volatility for the daily return on the S&P 500 was 11.2 percent at the end of March.

The 12-month average return on the Citigroup Bond Index was 6.6 percent in March, up from February's average return of 5.5 percent. The 12-month average volatility on the Citigroup Bond Index was 2.6 percent in March, down from the average volatility of 3.0 percent in February (figure 7).

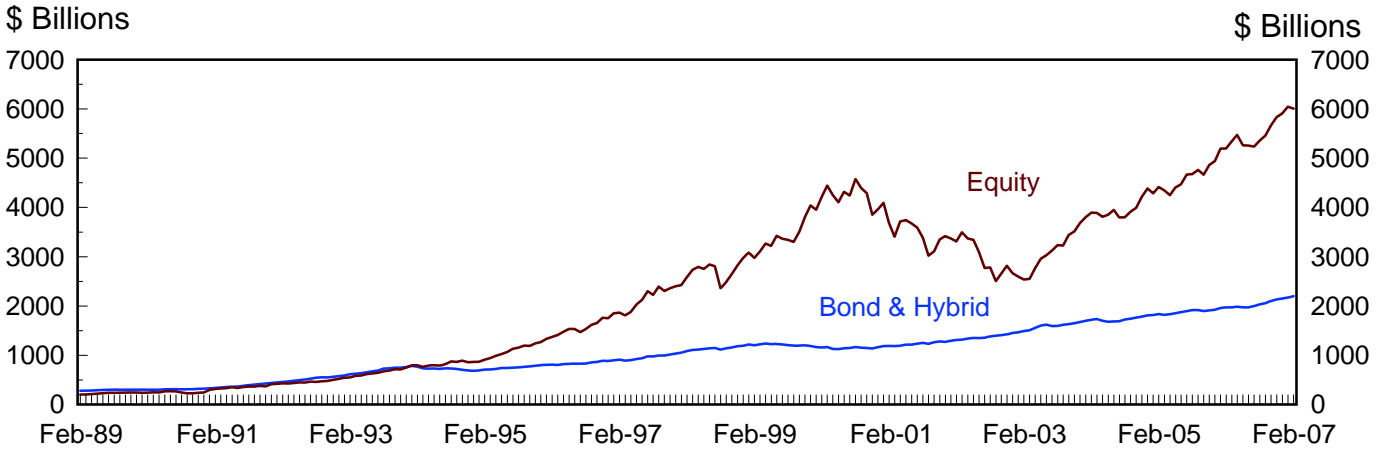
### **Price-Earnings Ratio**

During the first quarter, macro projections for earnings growth for the Standard and Poor's 500 Index over the next two years were 5.2 percent, down from the 5.5 percent seen in the fourth quarter of 2006. The price-earnings ratio for the Standard and Poor's 500 Index was at 16.7 in the first quarter, down from 17.4 in the fourth quarter. The price-earnings ratio for the Small-Cap 600 Index increased to 22.2 in the first quarter of 2007, from 21.9 in the fourth quarter of 2006 (figure 8).

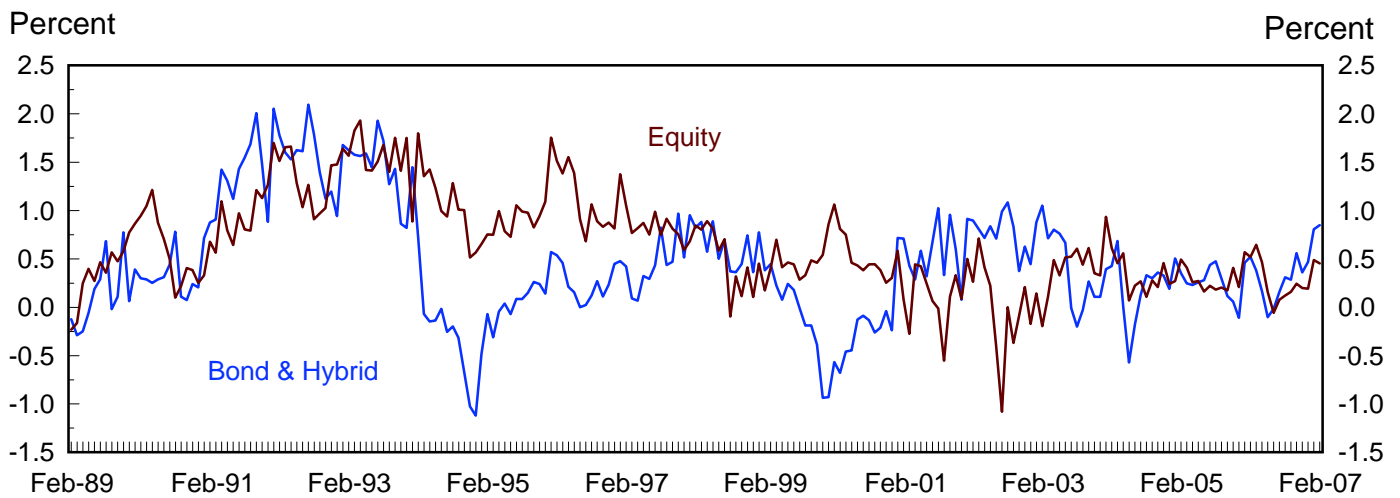
Figure 1  
Sales of Mutual Funds



**Total Assets**

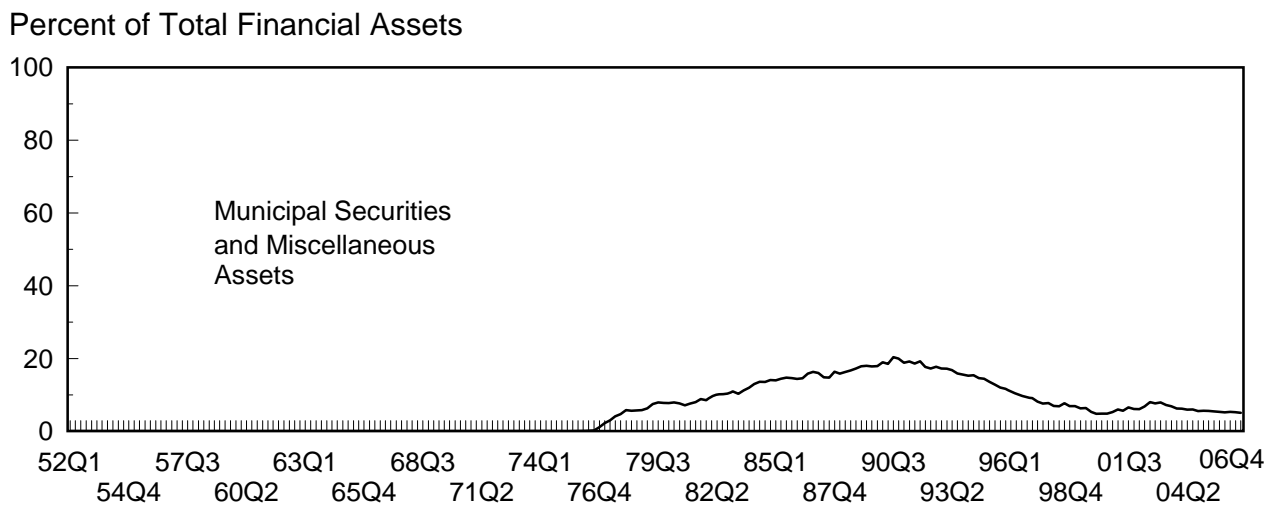
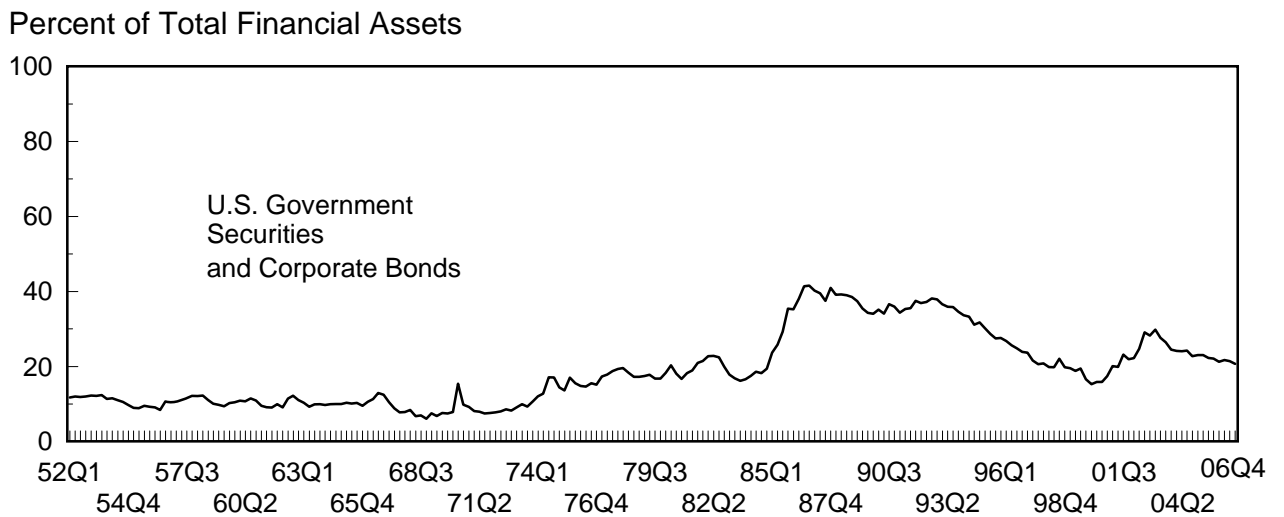
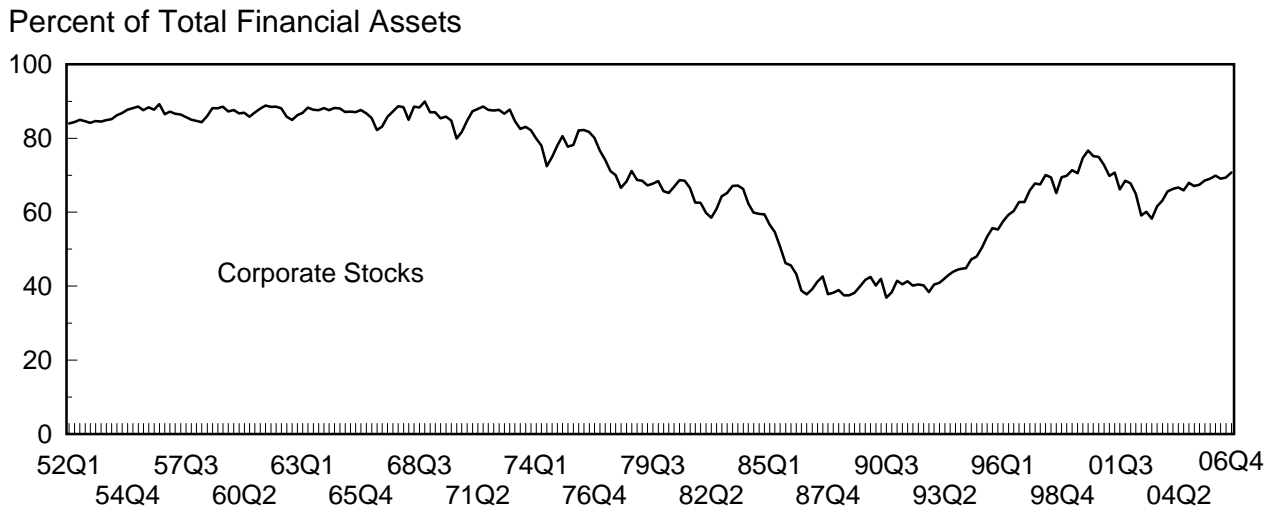


**Net New Sales/Total Assets**



Source: Investment Company Institute.

Figure 2  
**Composition of Mutual Funds' Financial Assets**

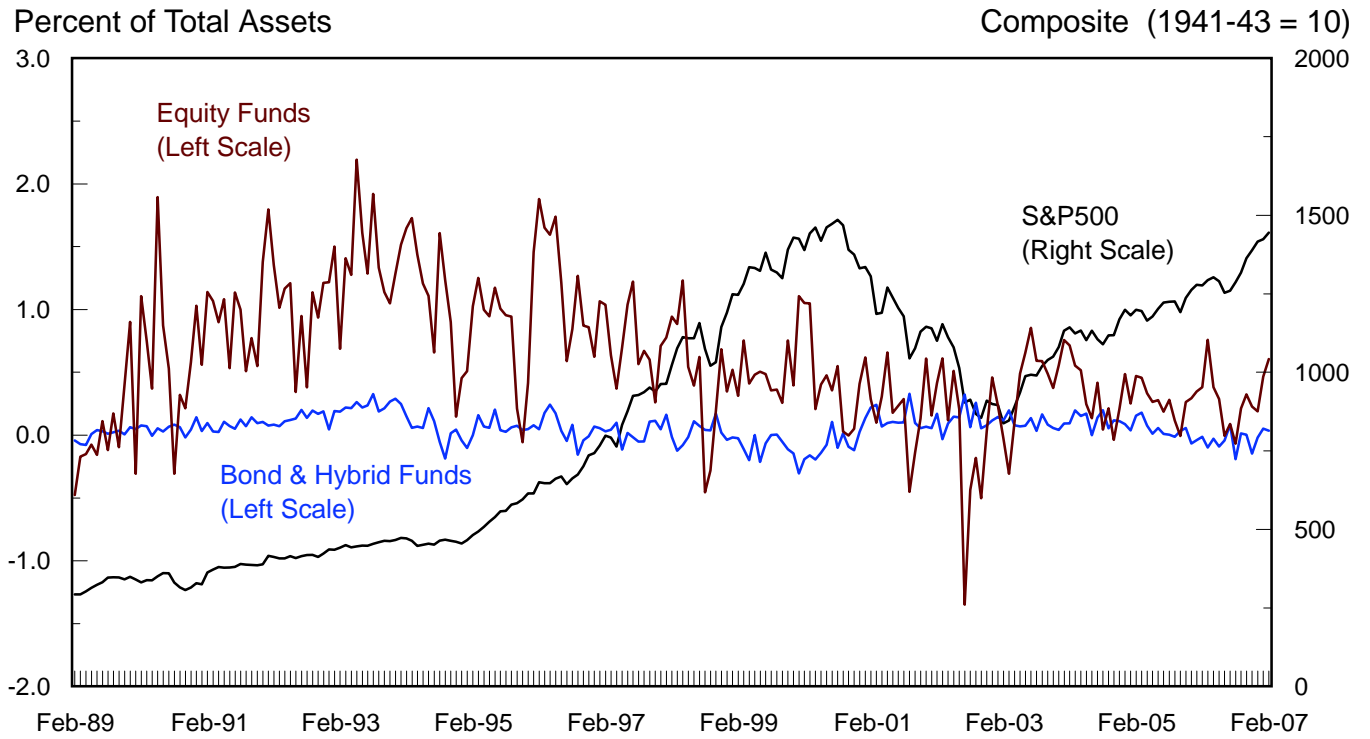


Source: Flow of Funds/Haver Analytics.

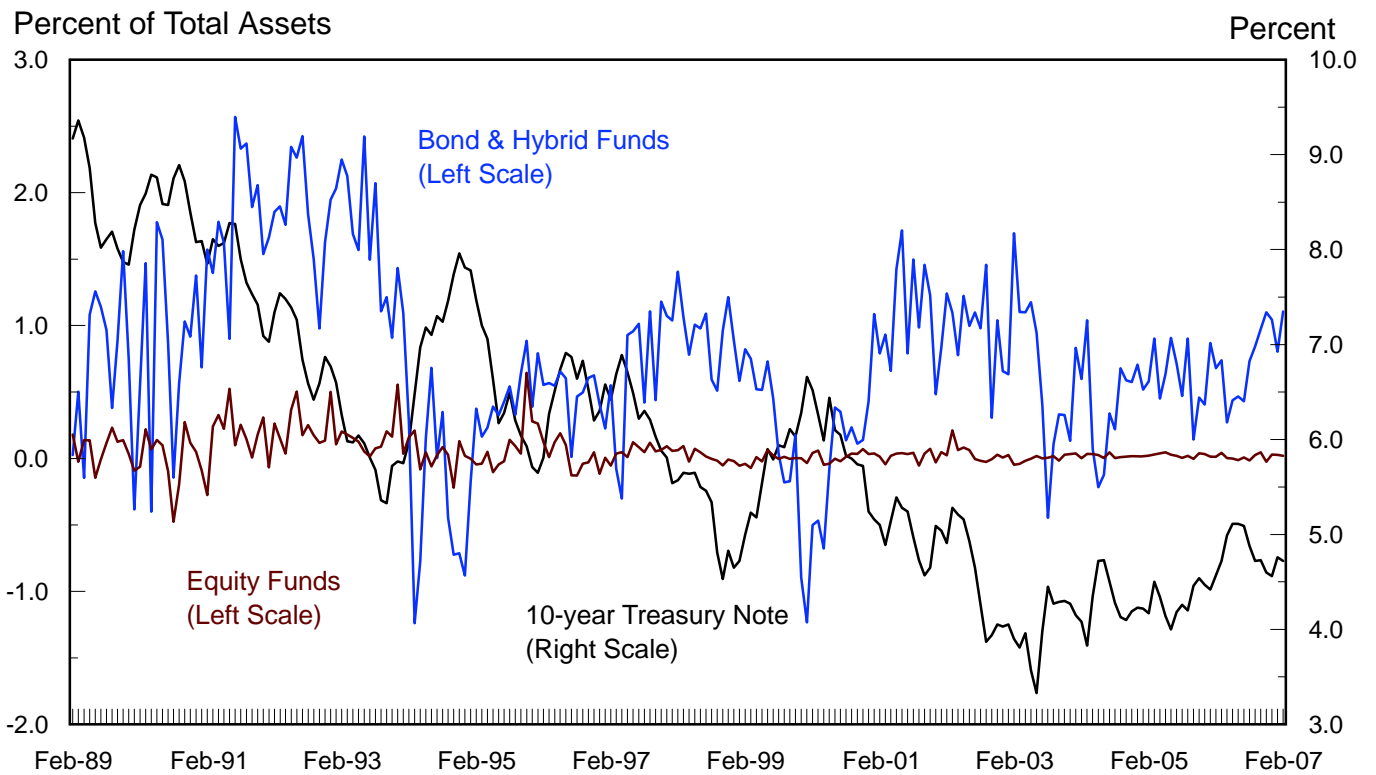
Figure 3

### Net Portfolio Purchases

#### Net Common Stock Purchases



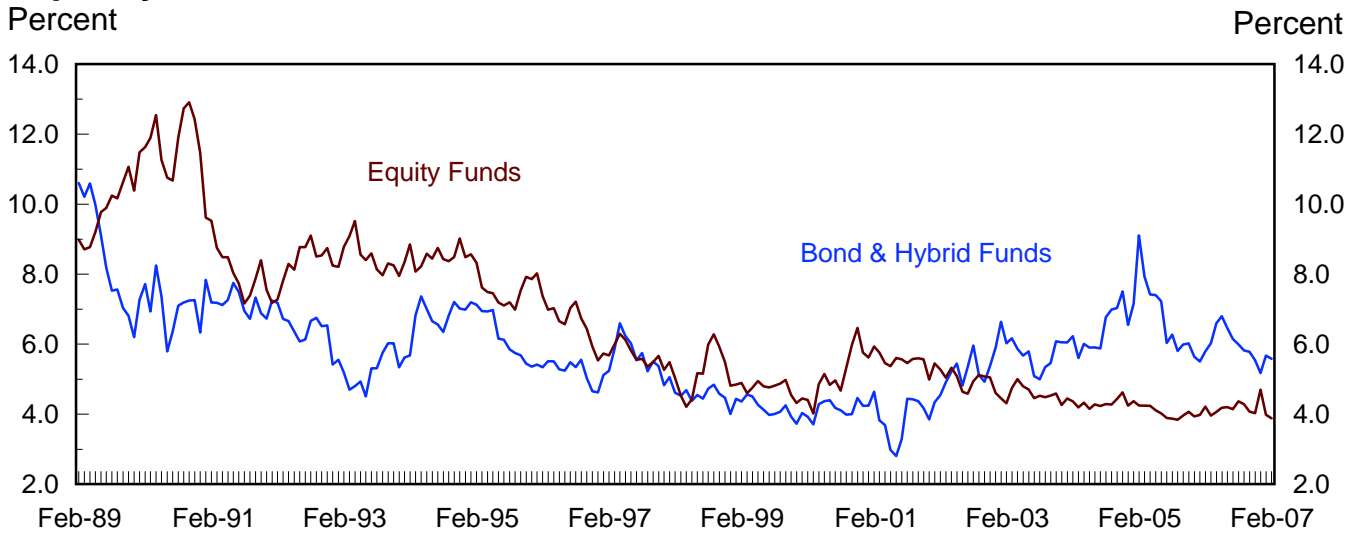
#### Net Purchases of Other Assets



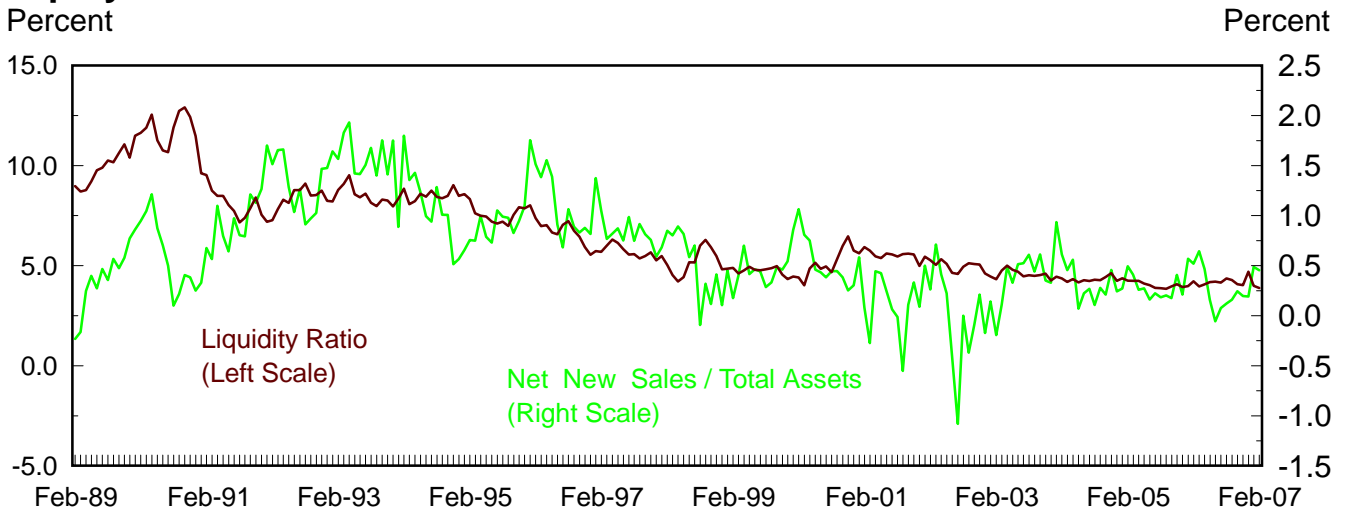
Source: Investment Company Institute.

Figure 4  
**Liquidity Ratios**

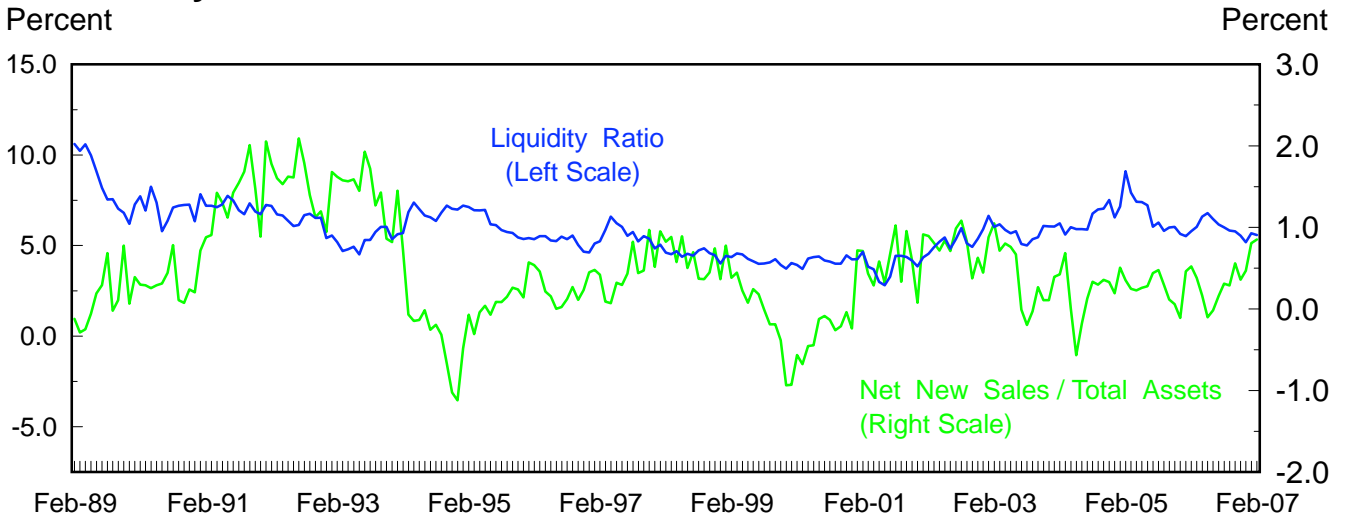
**Liquidity Ratios\***



**Equity Funds**



**Bond & Hybrid Funds**

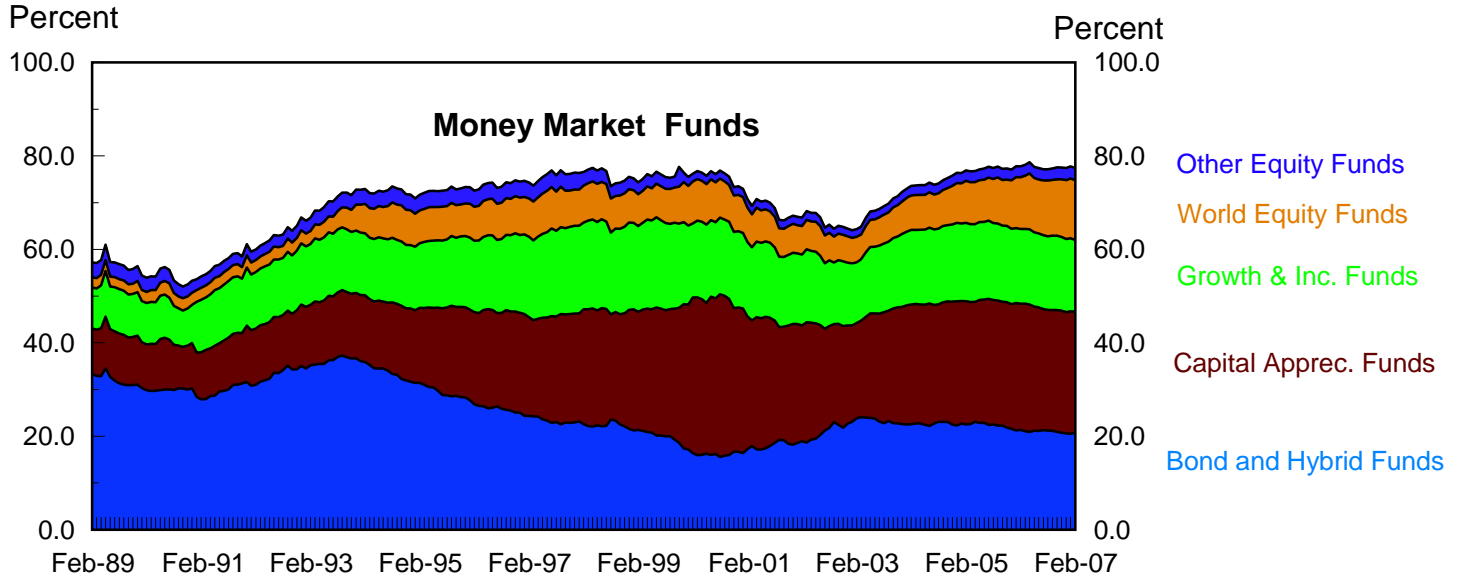


\*Liquidity ratios are the percent of total assets held in cash and short-term securities.

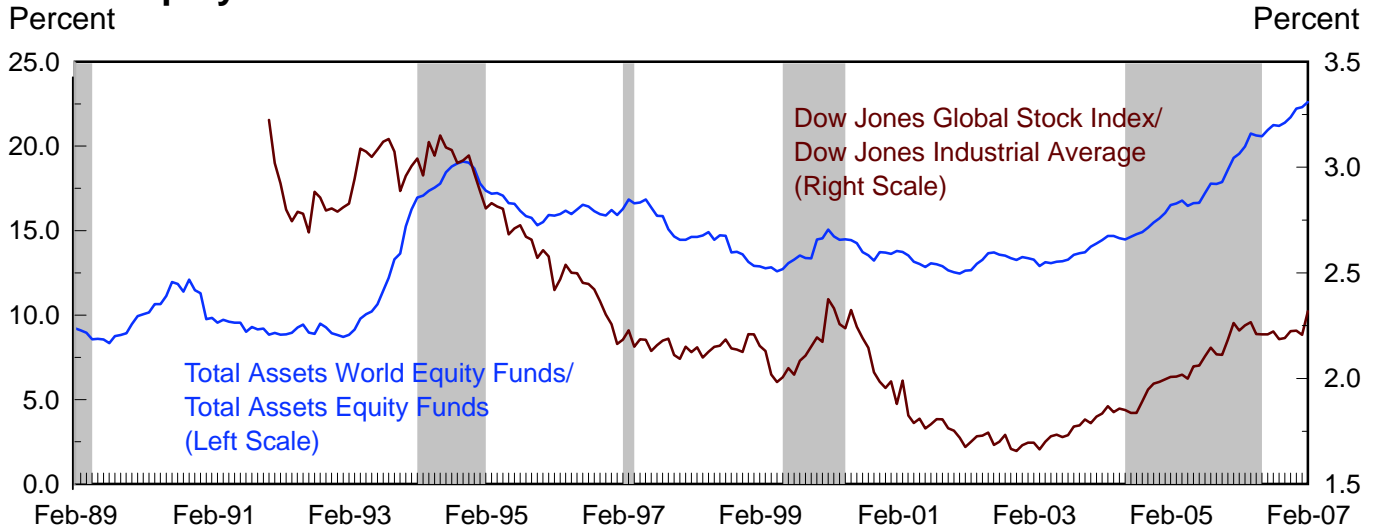
Source: Investment Company Institute.

Figure 5

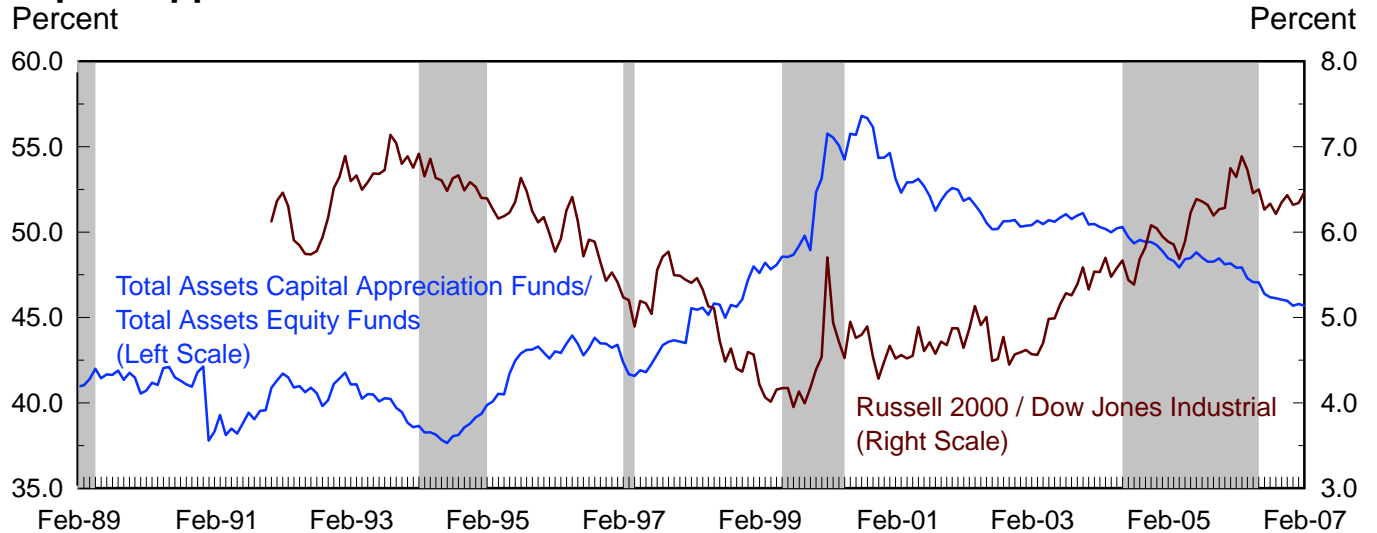
### Industry Composition



### World Equity Funds



### Capital Appreciation Funds



Note: Shaded regions indicate periods of rising fed funds rate.

Source: Investment Company Institute.



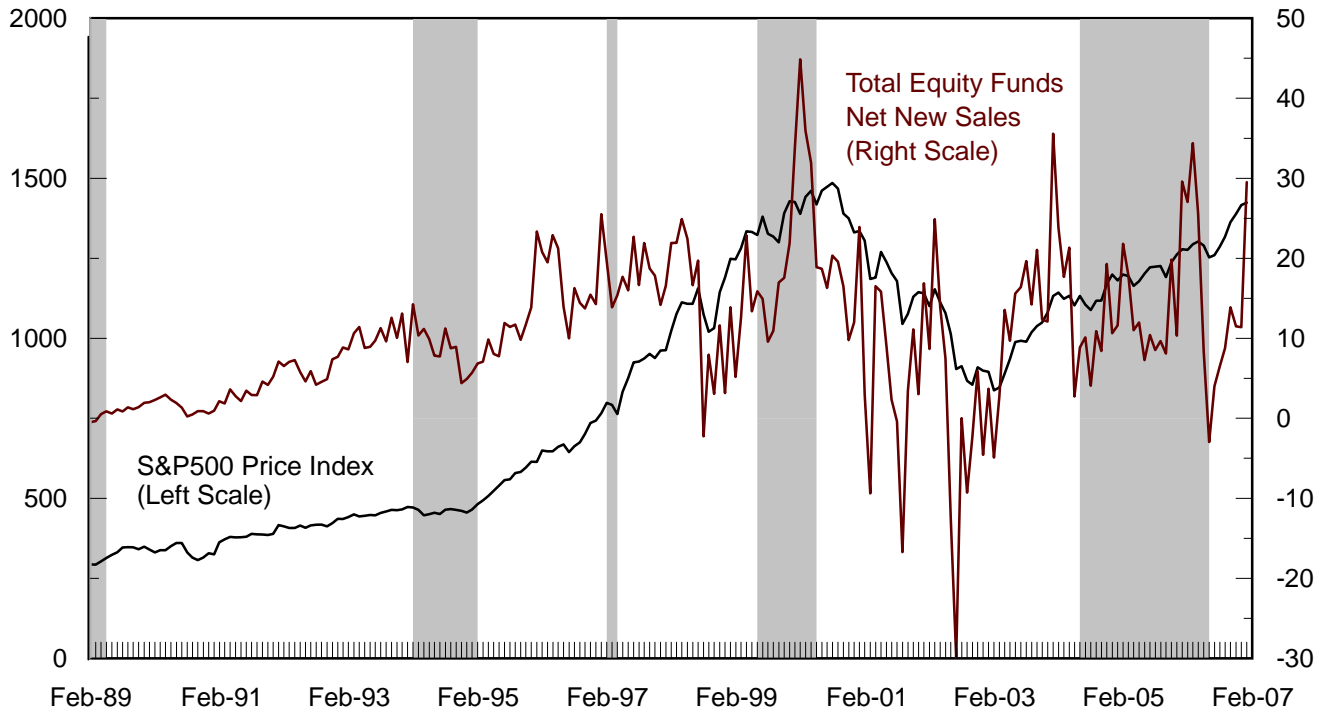
Figure 6

### Net New Sales By Investment Objective

#### Equity Funds

Index (1941 - 43 = 10)

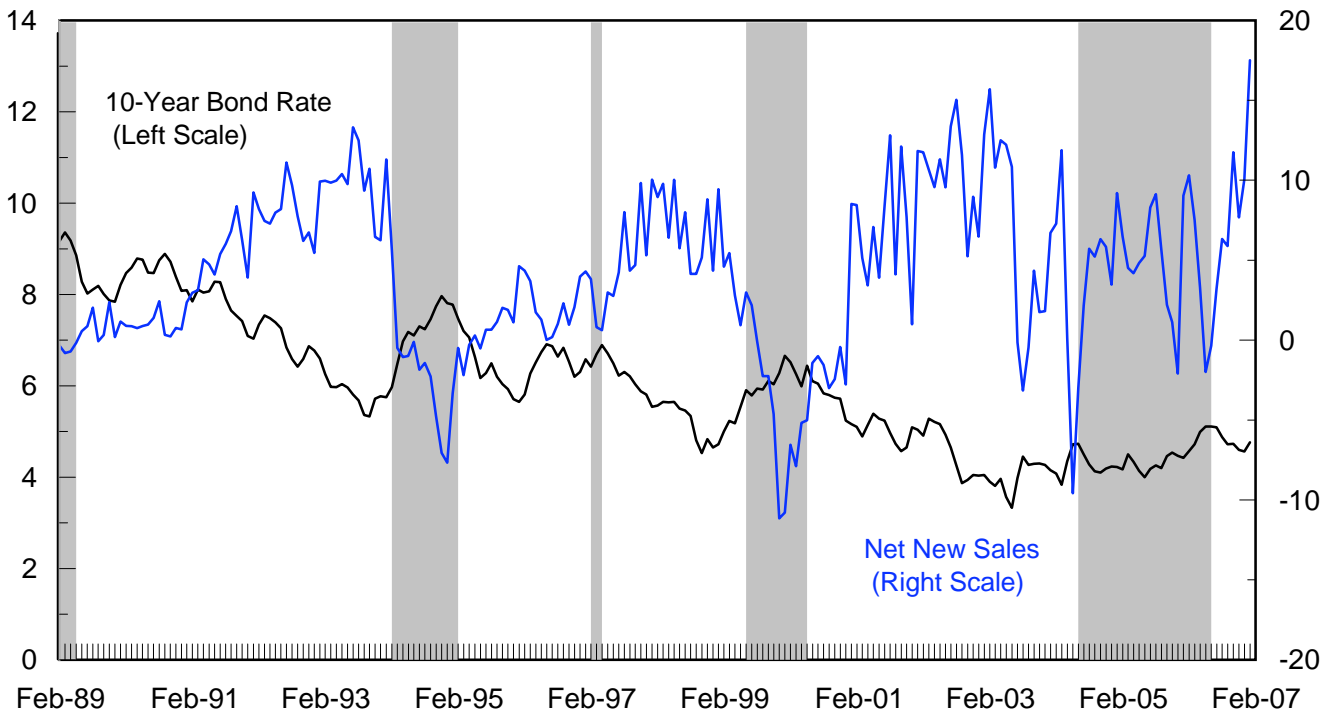
\$ Billions



#### Bond & Hybrid Funds

Percent

\$ Billions



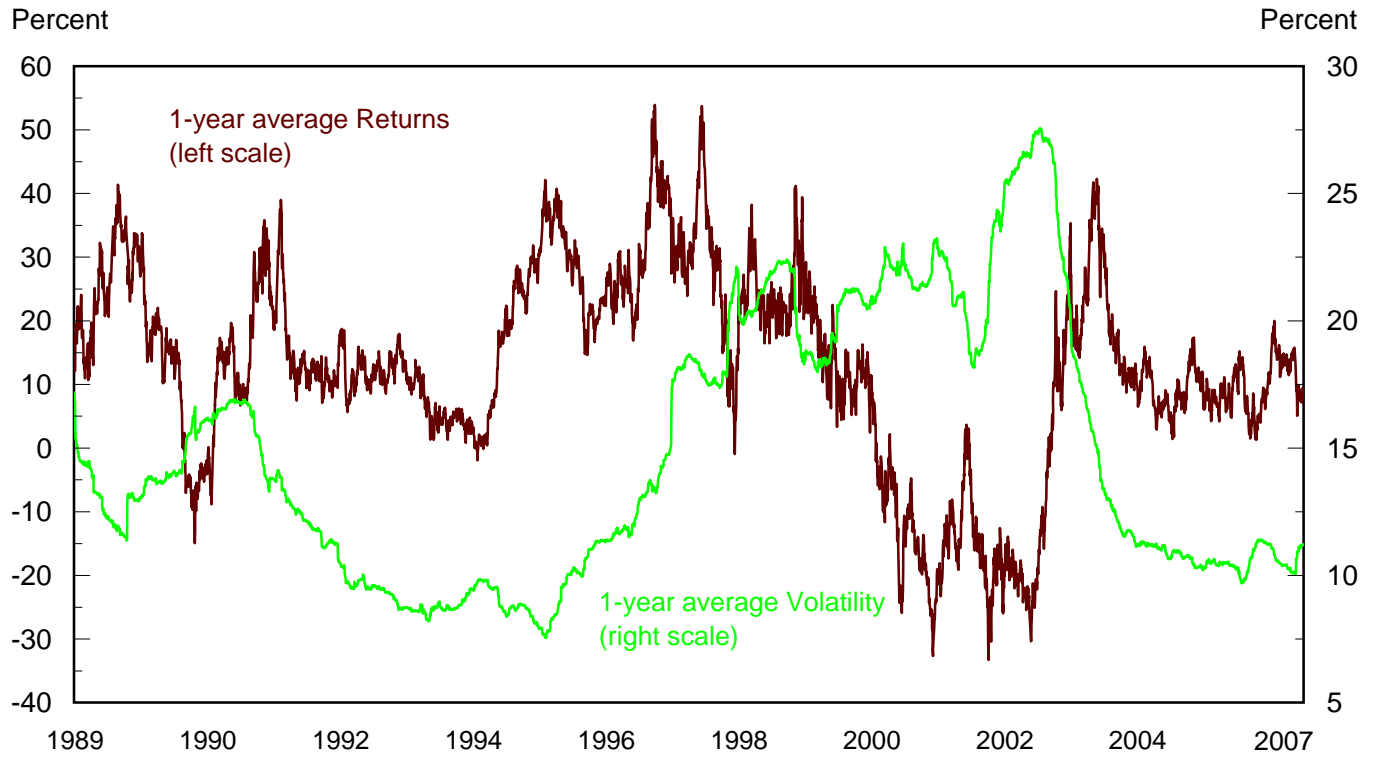
Note: Shaded regions indicate periods of rising fed funds rate.

Source: Investment Company Institute.

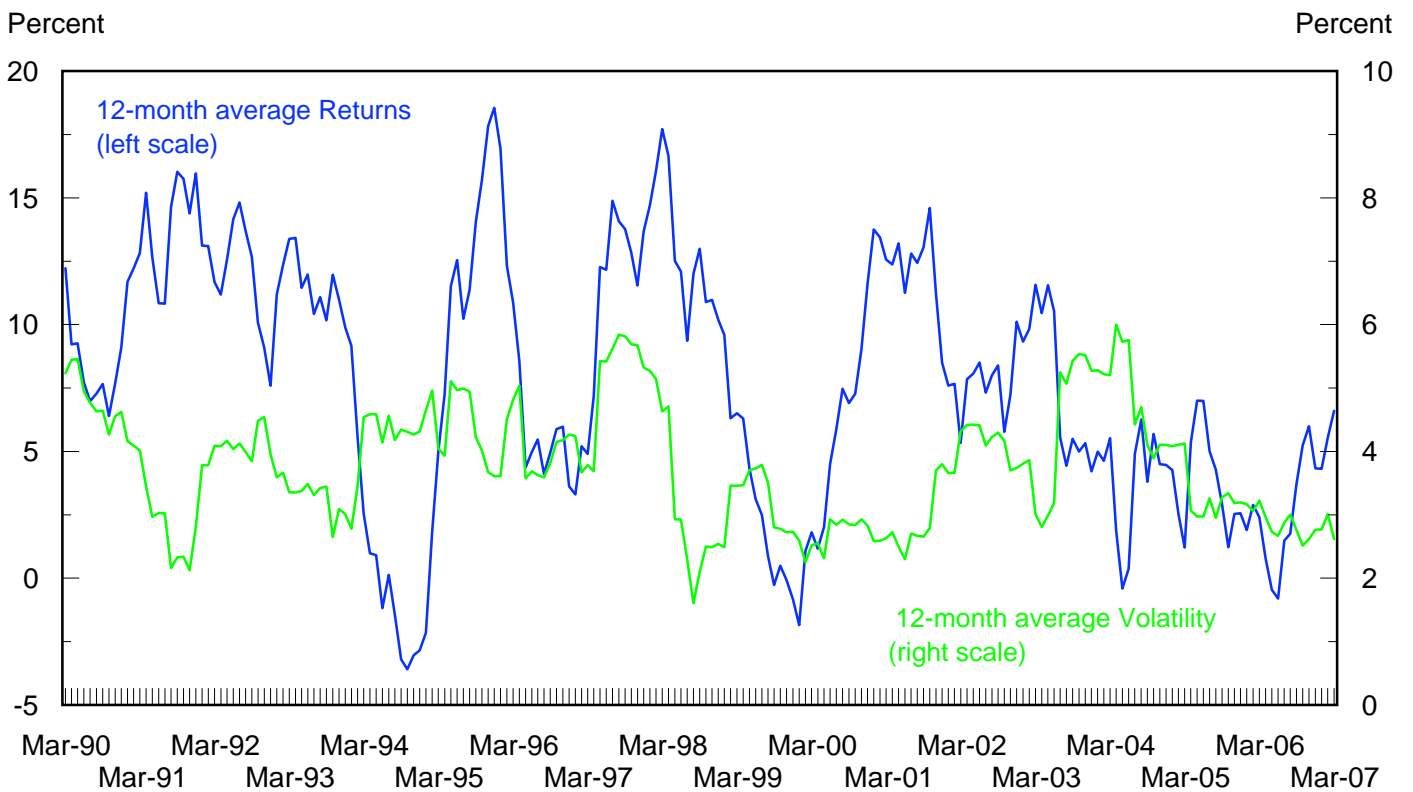
Figure 7

## Capital Market Returns and Volatility

### S&P500, Daily Returns and Volatility



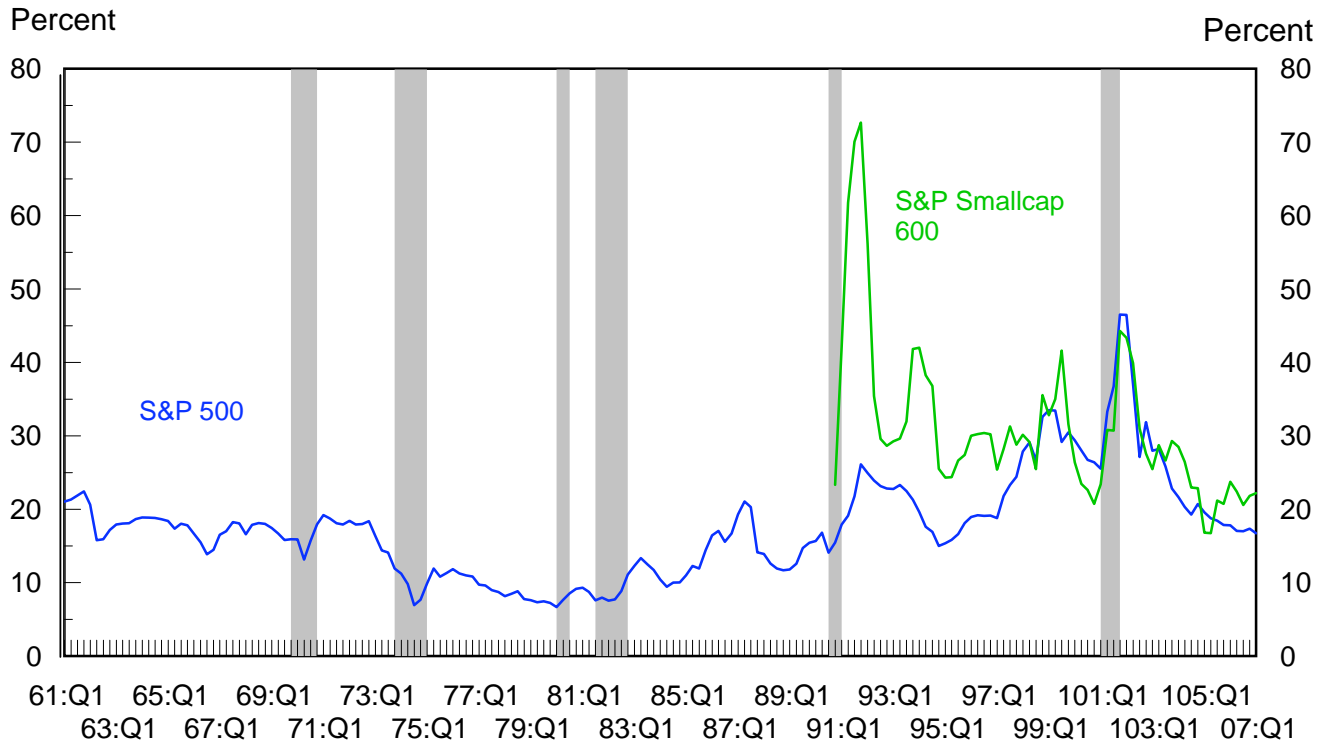
### Citigroup Bond Index



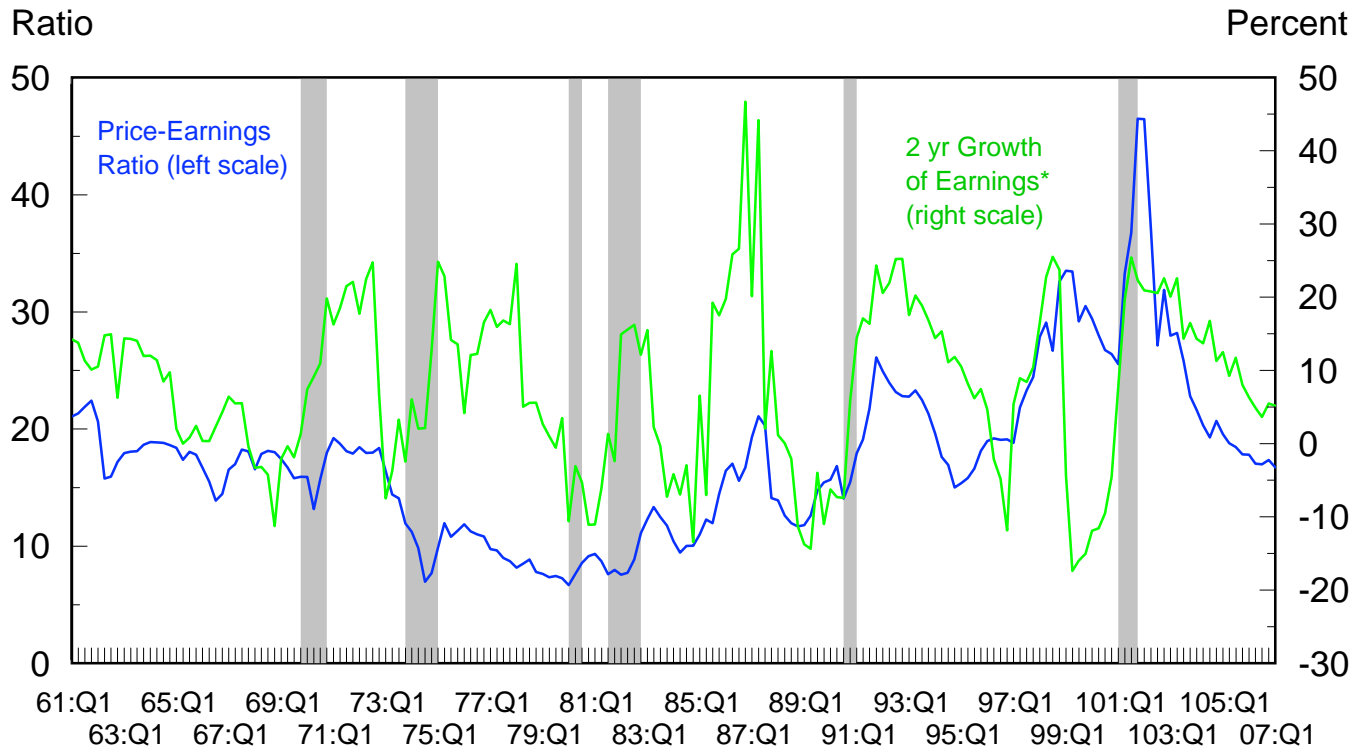
Source: FAME Database, Citigroup.

Figure 8

**S&P Price-Earnings Ratios**



**S&P500 Price Earnings Ratio and the Growth of Earnings**

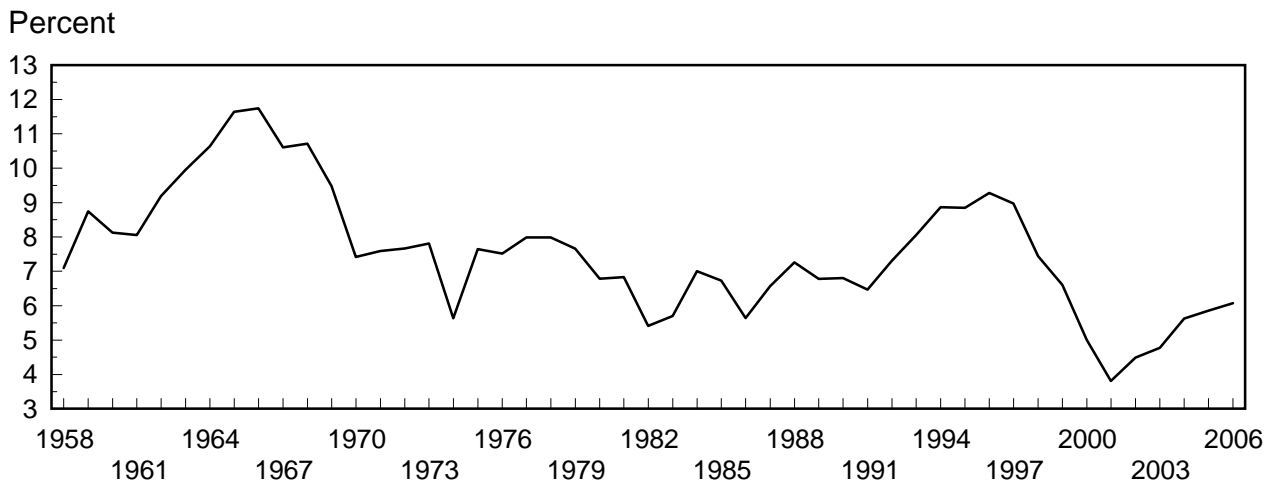


\* Growth of earnings over subsequent 8 quarters. Current observations use forecast of earnings from macro projections.

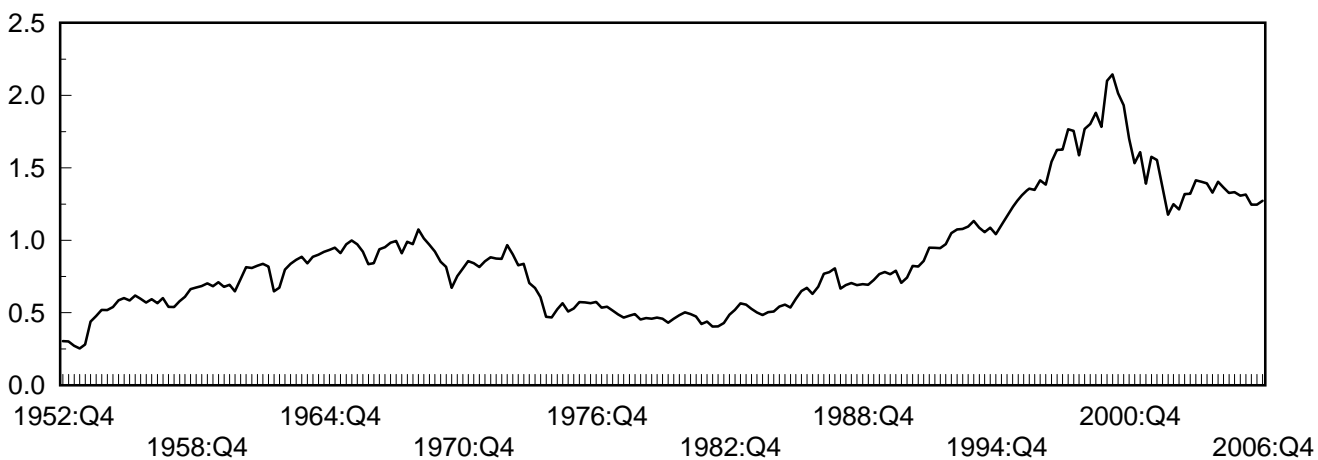
source: Thomson Financial/First Call, Global Insight and Bloomberg.

Figure 9

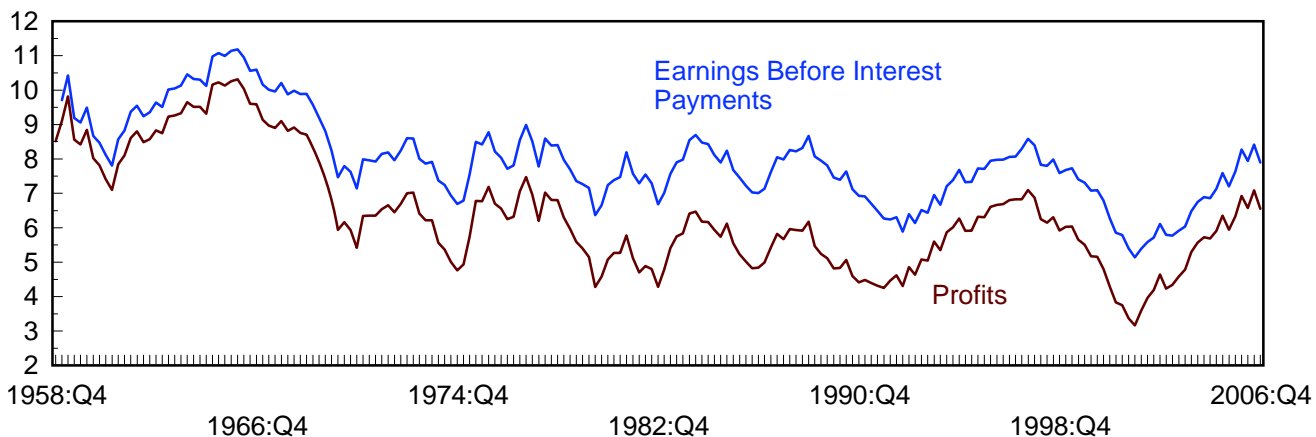
### Real Rate of Return on Nonfinancial Corporate Equity



### Tobin's Q\*



### Profits of Nonfinancial Corporations as a percent of GDP



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

Source: National Income and Flow of Funds/Haver Analytics.