November 9, 2001

Monthly Mutual Fund Report

Statistics for September 2001

Sales and Redemptions

Total assets for all funds decreased in September by $322.4 billion, or 4.8 percent, to $6.4 trillion. Money market funds had a net cash inflow of $53.2 billion compared to an inflow in August of $26.5 billion. Other funds (equity, hybrid, and bond) had a net cash outflow of $23.1 billion, compared to an inflow of $11.2 billion in August. New sales of non-money market funds, the purchase of new shares excluding reinvested dividends, were $77.1 billion in September, down from $106 billion in August. The value of non-money market assets depreciated by $364.7 billion in September, following a depreciation of $203.1 billion in August.

Total assets of **equity funds** decreased by $364.7 billion, or 10.8 percent, to $3.02 trillion. There was a net cash outflow from equity funds of $29.5 billion in September, the highest one-month dollar total of outflows ever, compared with an outflow of $4.8 billion in August. The market value of assets depreciated by $391.6 billion. Year-to-date cash flows are $13.5 billion. During the same period in 2000, cash flows were $273.5 billion.

Total assets for **hybrid funds**, which invest in a mix of stocks and bonds, decreased 5.4 percent, or $18.4 billion, to $324.2 billion. In September, there was a $1.3 billion net cash outflow for these funds. Year-to-date, their net cash inflows have been $4.5 billion compared to an outflow of $28.2 billion during the same period in 2000.

Bond funds experienced a cash inflow of $7.6 billion, while their total assets rose by $1.5 billion, to $909.7 billion. The market value of bond funds assets decreased by $8.6 billion, after adjusting for net sales and reinvested dividends. The assets of tax-exempt funds decreased by 0.8 percent while the assets of taxable bond funds increased by 0.6 percent.

Assets of taxable and tax-exempt **money market funds** increased $59.2 billion, to $2.2 trillion, an increase of 2.9 percent for taxable money market funds and an increase of 2.0 percent for tax-exempt funds.

Liquidity Ratio

The liquidity ratio for bond and hybrid funds decreased from 4.5 to 4.4 percent, while the ratio for equity funds increased from 5.5 to 5.6 percent (figure 4).

Weekly Flows

In October, there were outflows from equity funds of 0.2 percent of total assets with returns of 5.0 percent. Bond funds had inflows of 0.6 percent and returns of 1.0 percent for the month.

Index funds had monthly inflows of 0.6 percent and returns of 8.7 percent. Aggressive growth funds had monthly inflows of 0.3 percent and returns of 7.1 percent. Small-cap funds had inflows of 1.1 percent and returns of 9.1 percent.

There were outflows from international funds in October of 0.9 percent of assets and returns of 5.8 percent. Latin America funds had outflows of 0.3 percent and returns of 3.2 percent. Japan funds had outflows of 0.5 percent and returns of 1.9 percent of assets for the month of October. Pacific funds that do not invest in Japan had outflows of 0.4 percent and returns of 5.5 percent of assets.

Capital Market Returns and Volatility

The S&P 500 ended October at 1059.78, an increase of 1.8 percent from the beginning of the month. The 12-month return was –24.5 percent at month-end. The annualized volatility for the daily return on the S&P 500 was 22.6 percent.

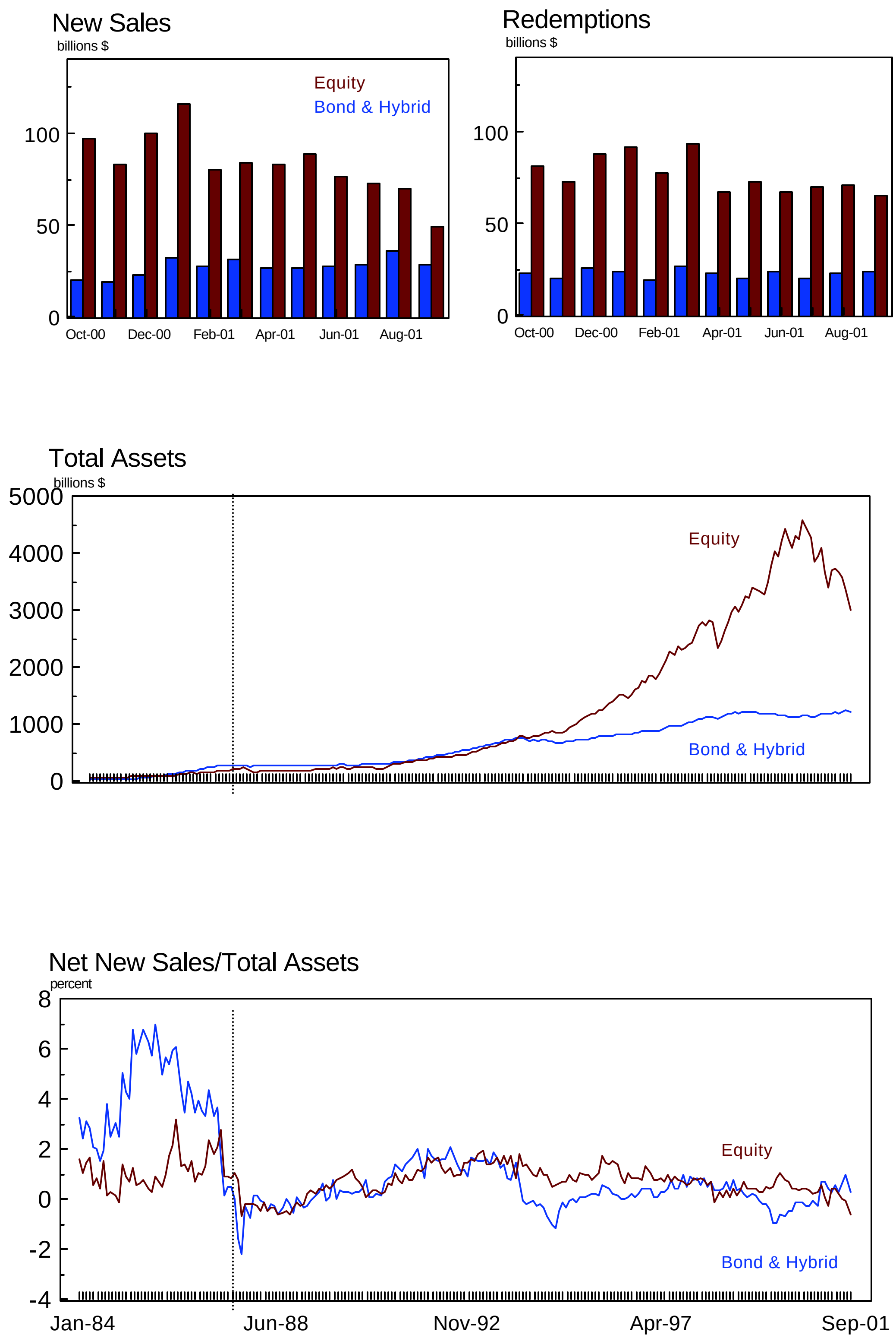
The 12-month average return on the Salomon Brothers Bond Index was 14.6 percent for October. Volatility increased to 2.7 percent (figure 8).

Price-Earnings Ratio

The macro projections for the growth of earnings of the Standard and Poor’s 500 index over the next two years have increased to 5.9 percent, and remain below the 6.7 percent historical average annual growth rate. The trailing price-operating earnings ratio decreased to 22.2 for the third quarter from 23.4 in the second quarter, while the forward price-operating earnings ratio decreased from 23.2 in the second quarter to 19.8 during the third quarter (figure 9). During the third quarter the price-earnings ratio for the Standard and Poor's Small-Cap 600 Index decreased to 29.8 from 33.2.

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)

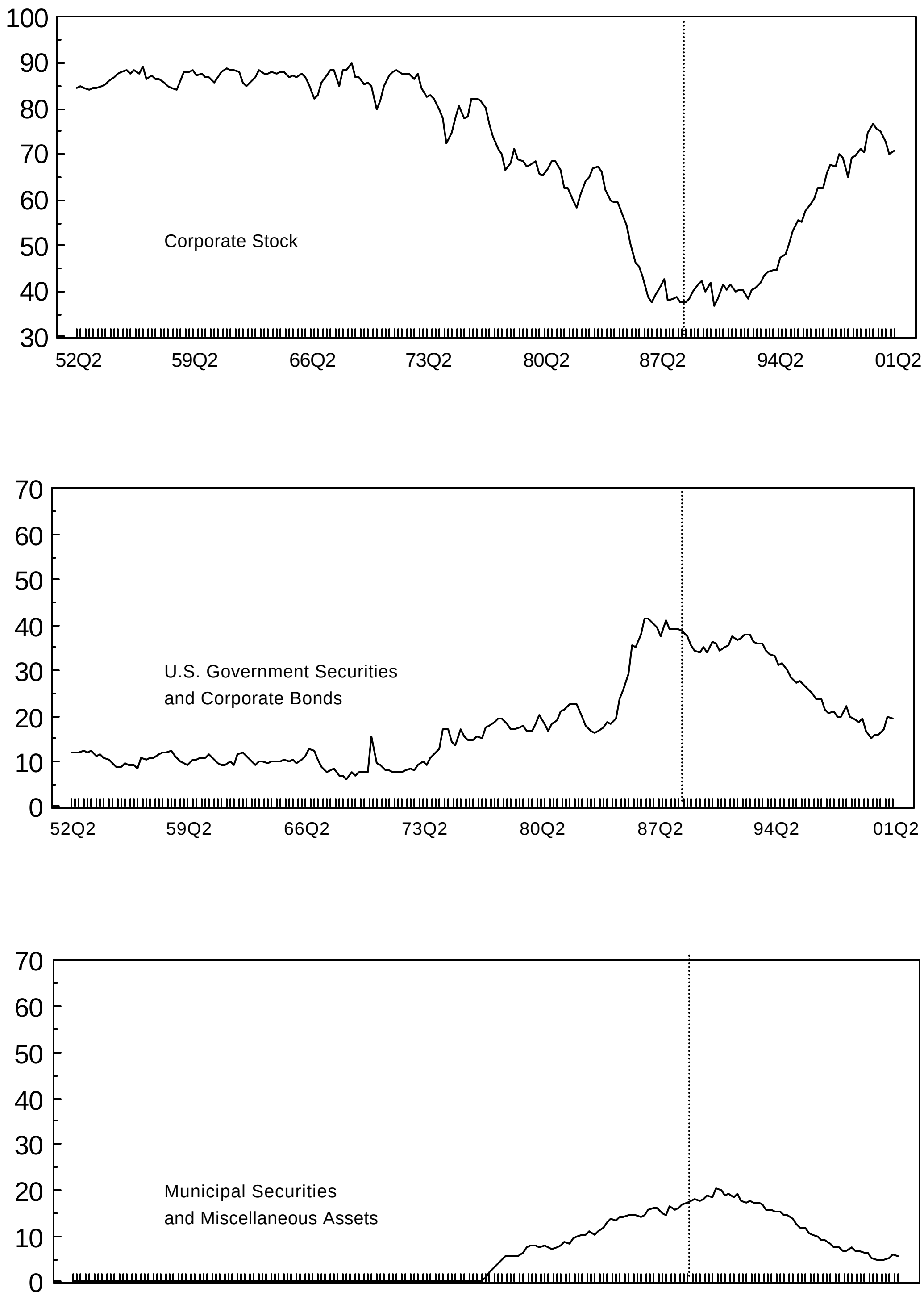


Figure 3

Net Portfolio Purchases

(percent of Total Assets)

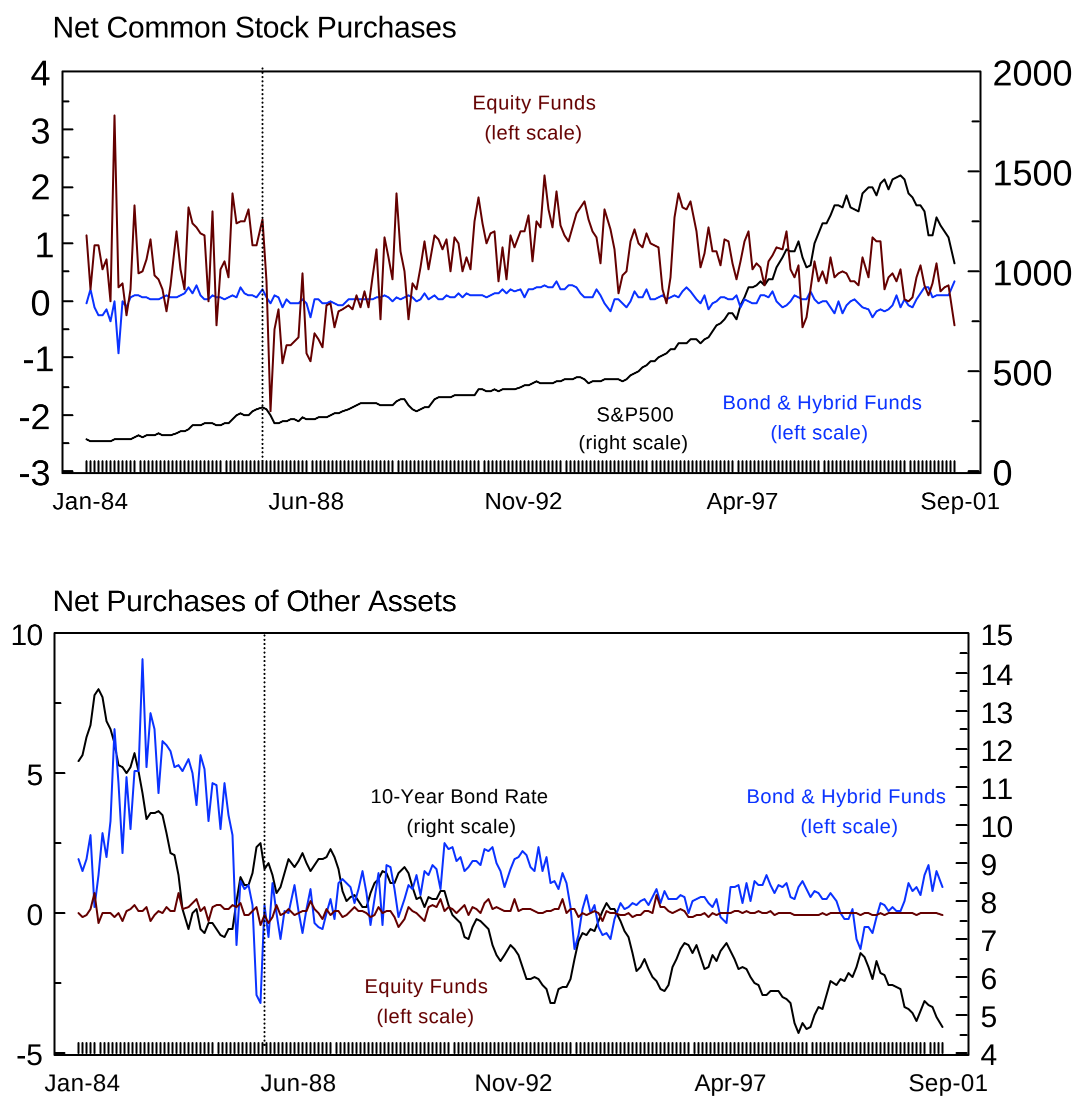
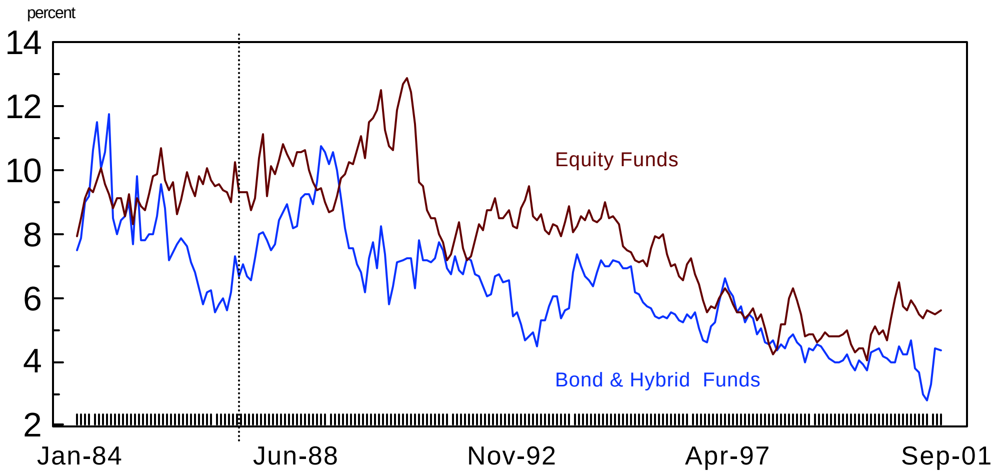
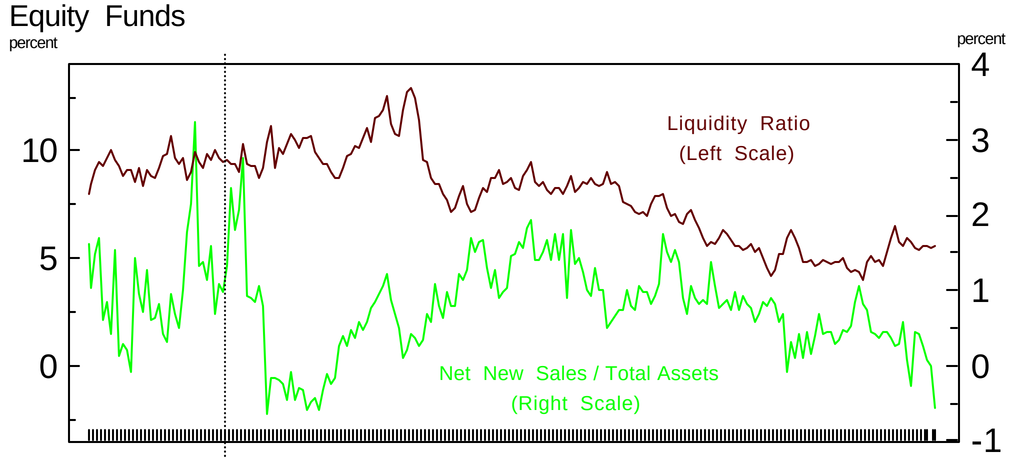


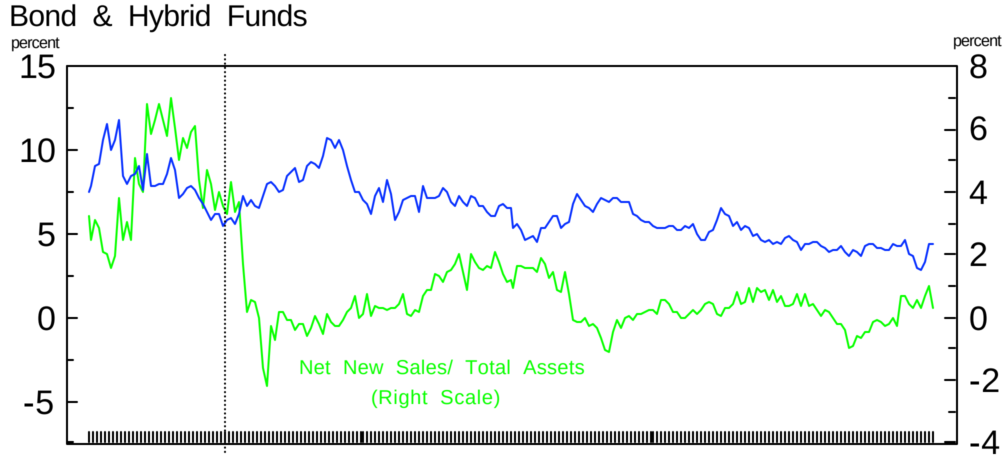
Figure 4
Liquidity Ratio*



Equity Funds



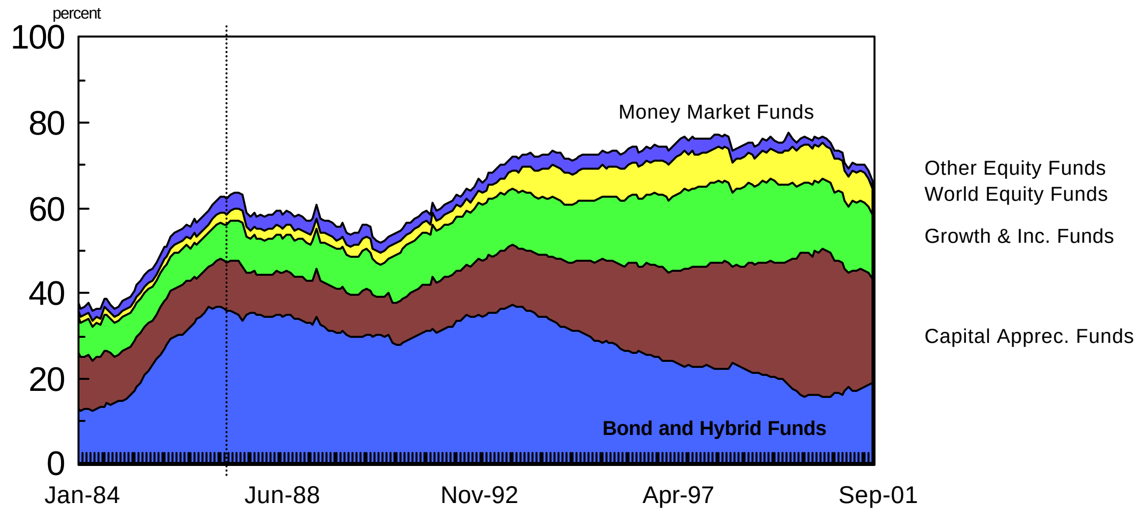
Bond & Hybrid Funds

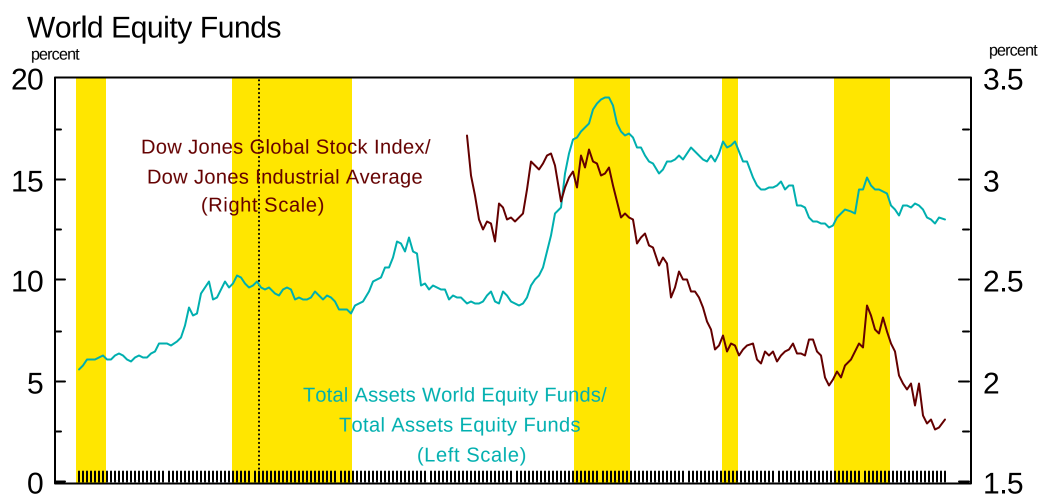


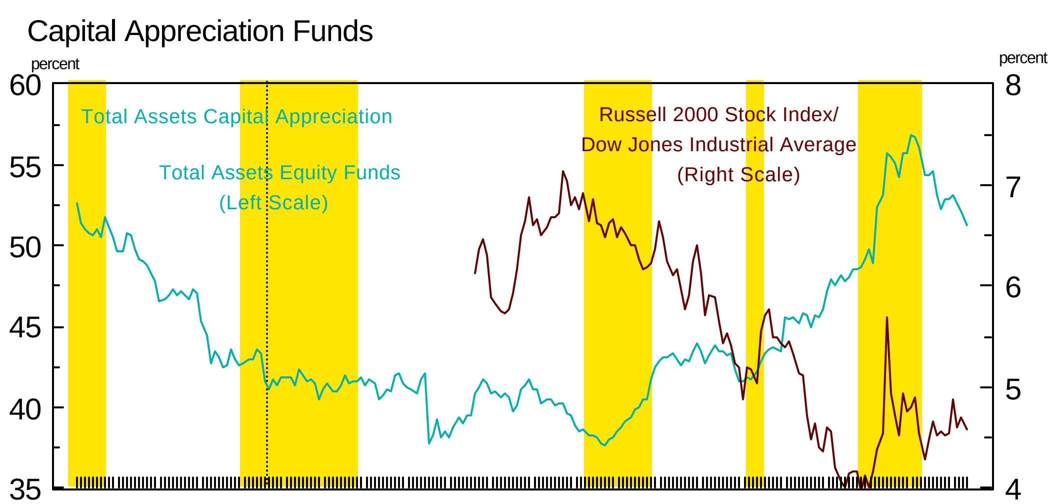
*The Liquidity Ratio is the Percent of Total Assets held in Cash and Short-Term Securities.

Source: Investment Company Institute

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





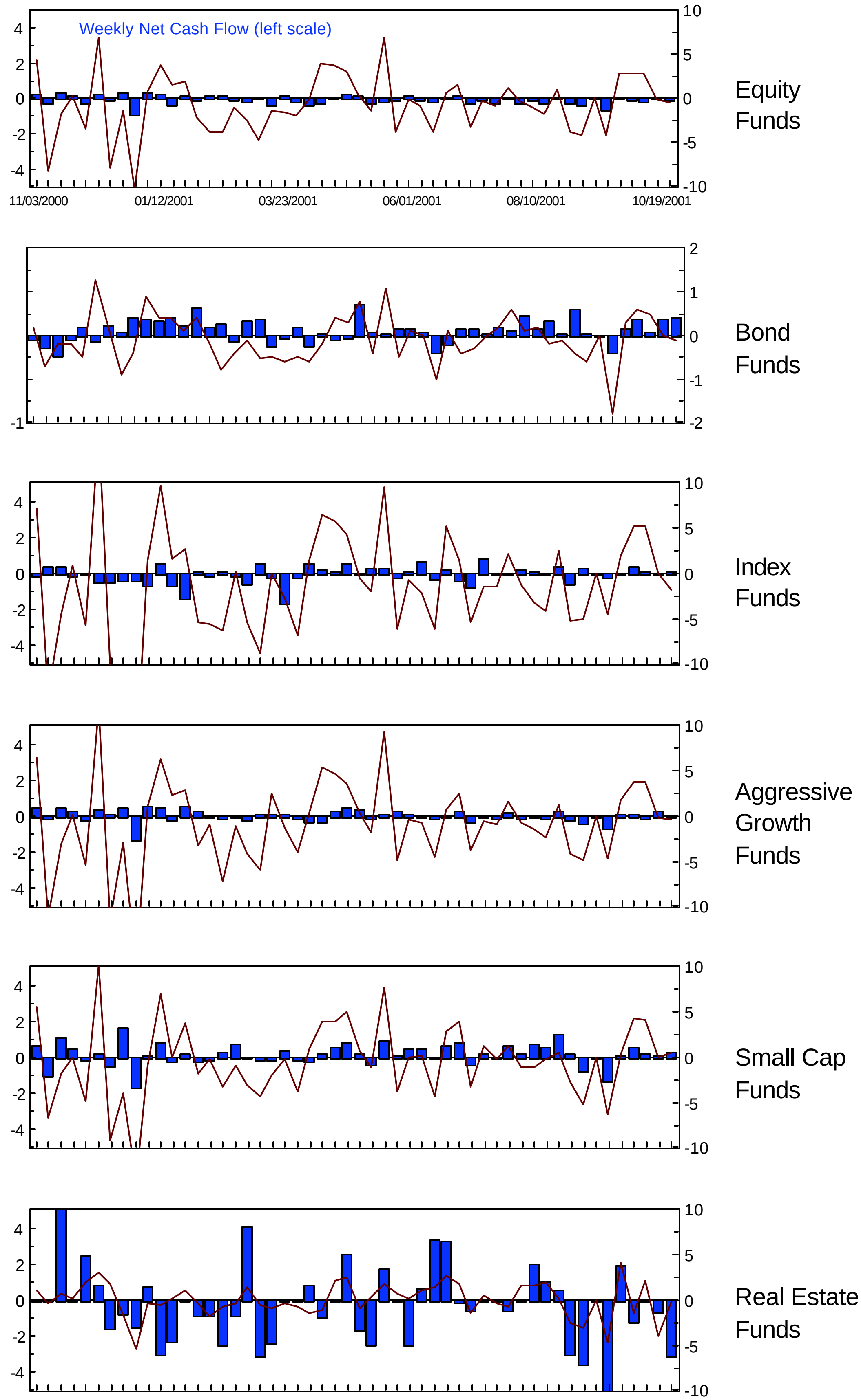


Source: Investment Company Institute

Figure 6a

Weekly Flows into Mutual Funds

(percent of Total Assets)

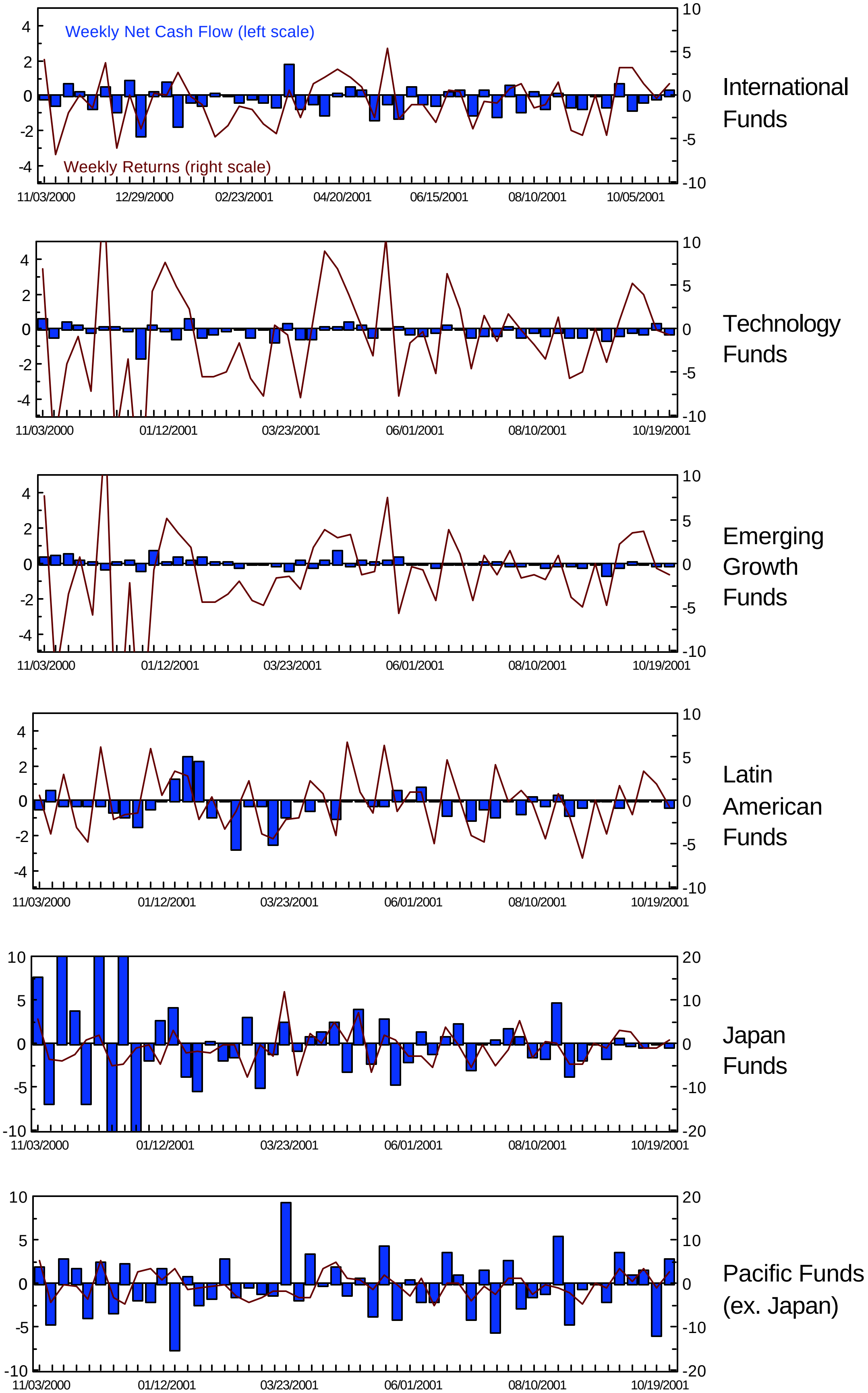


Source: Mutual Fund Trim Tabs

Figure 6b

Weekly Flows into Mutual Funds

(percent of Total Assets)

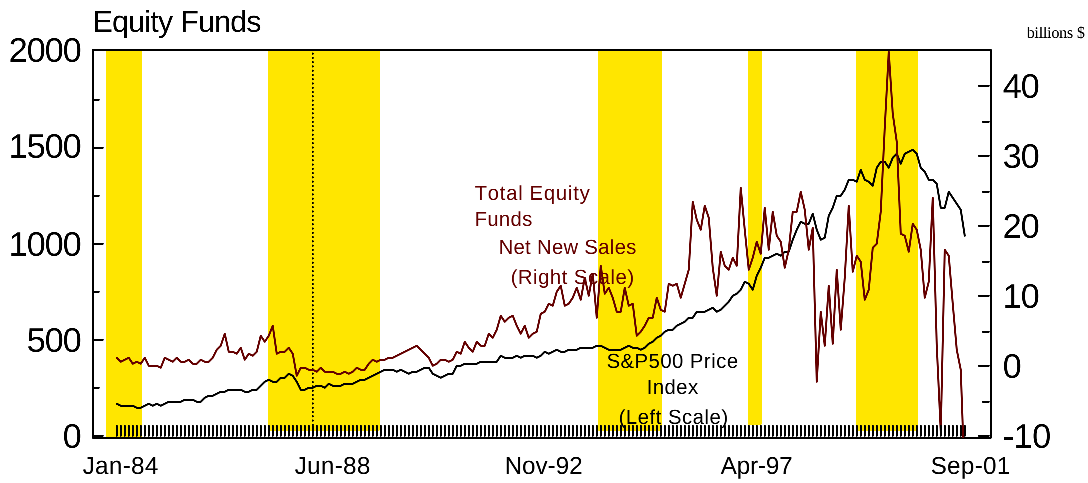


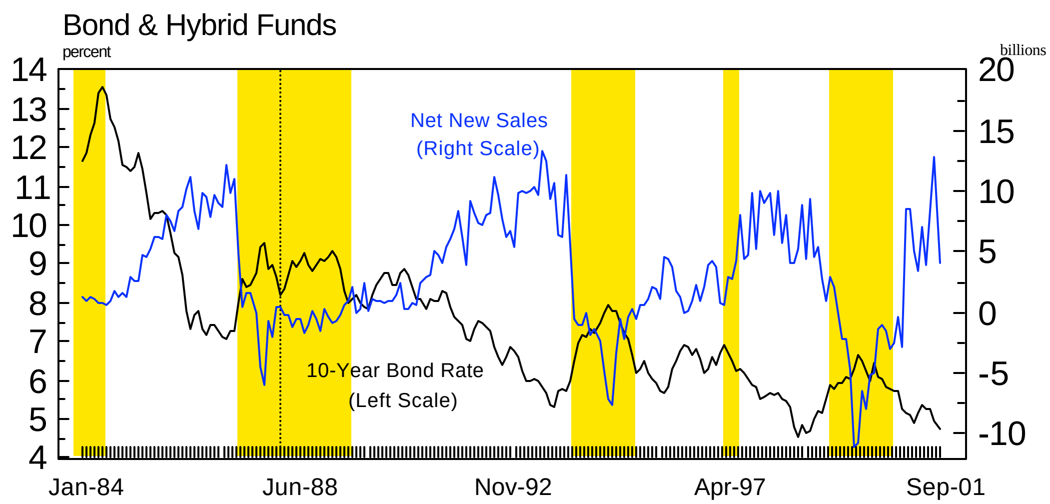
Source: Mutual Fund Trim Tabs

Figure 7

Net New Sales By Investment Objective

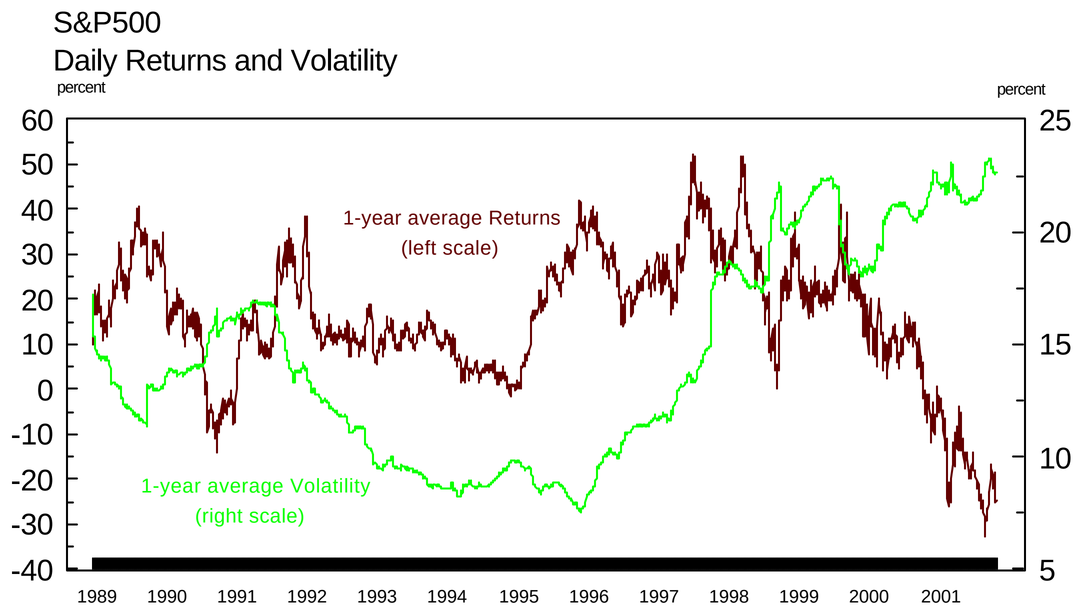
(Shaded Regions Indicate Periods of Rising Fed Funds Rate)





Source: Investment Company Institute

Figure 8
Capital Market Returns and Volatility



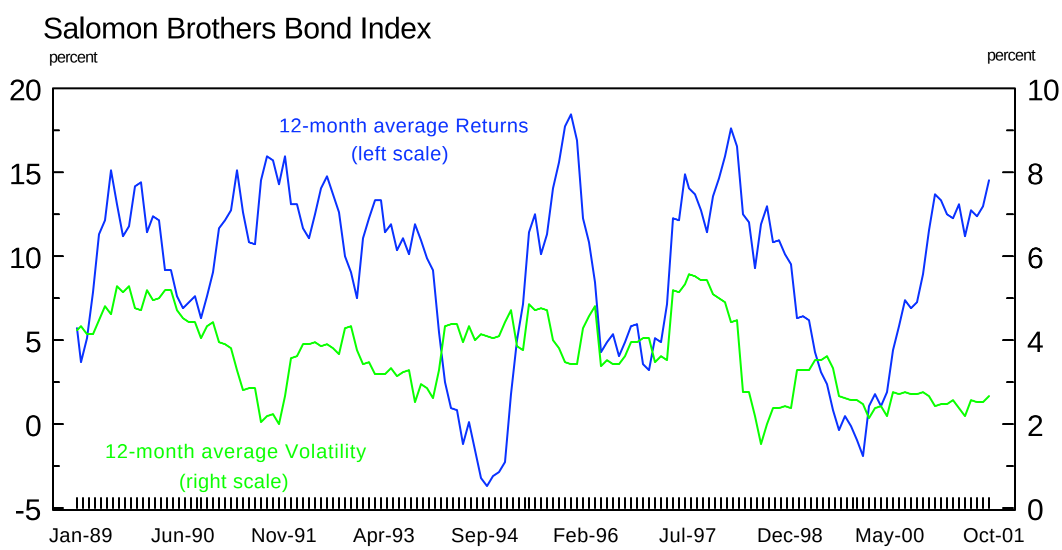
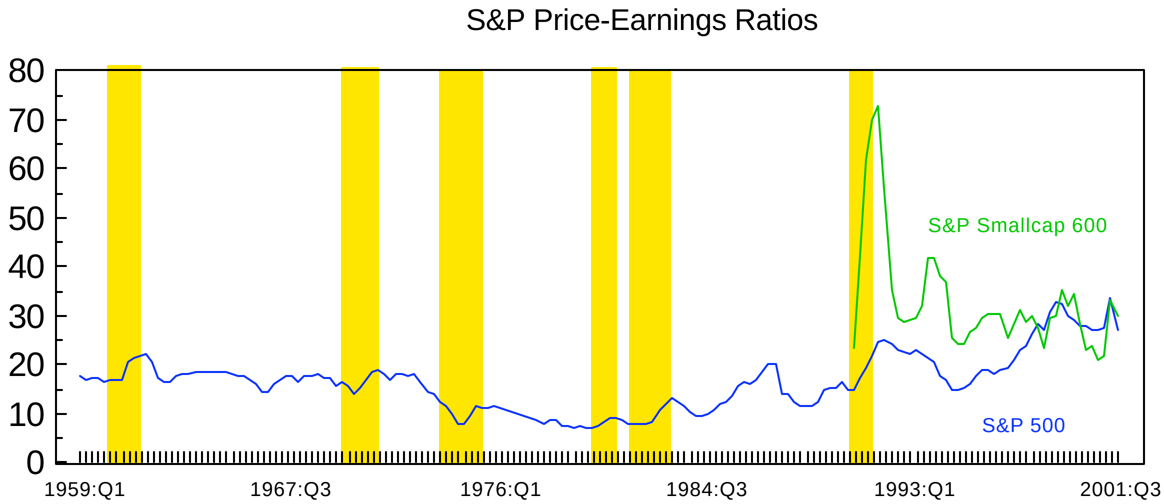
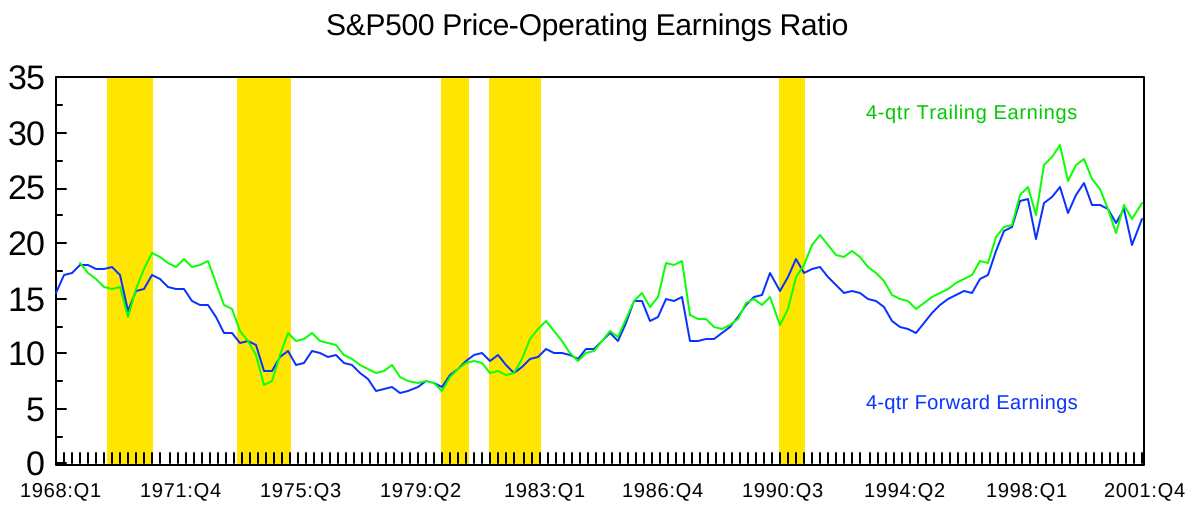
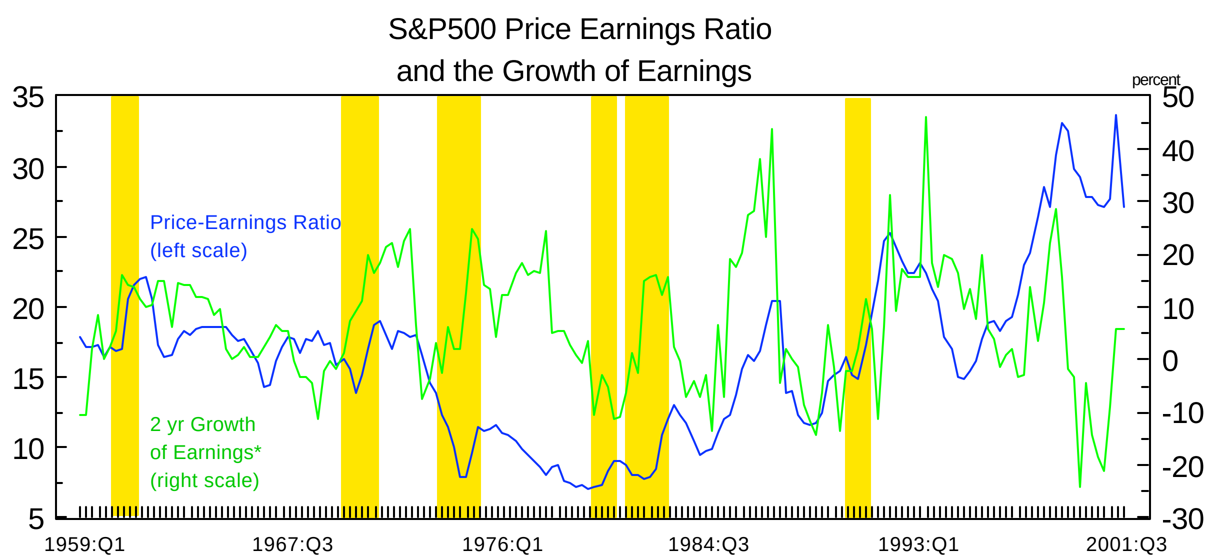


Figure 9





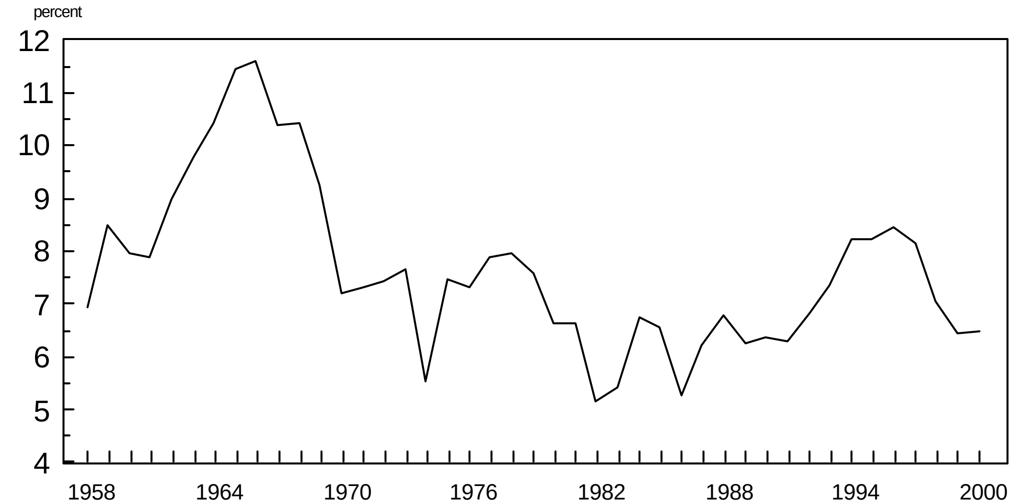


* Growth of earnings over subsequent 8 quarters. Current observations use forecast of earnings from macro projections.

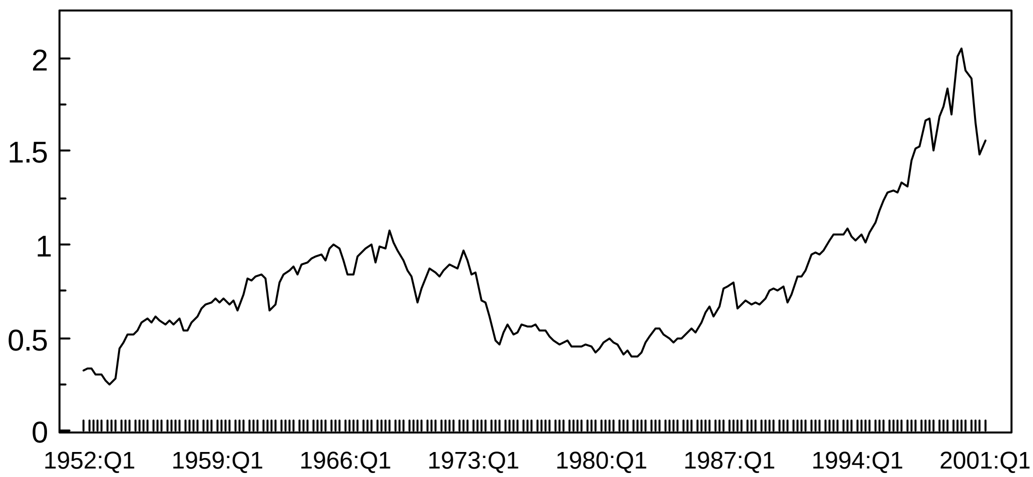
source: First Call, DRI, Bloomberg

Figure 10

(from National Income and Flow of Funds Accounts)

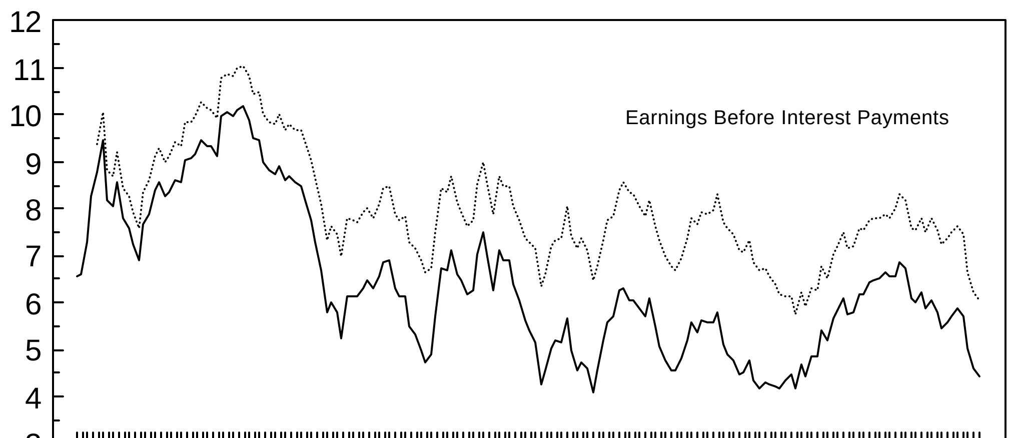


Tobin's Q*



Profits of Nonfinancial Corporations

(percent of GDP)



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