September 8, 2000

Monthly Mutual Fund Report

Statistics for July 2000

Sales and Redemptions

Total assets for all funds decreased $40.3 billion, or 0.6 percent, to $7.1 trillion in July. Net new cash flow into long-term mutual funds, the dollar value of net new sales and net exchanges, was $15.7 billion, compared to $20.4 billion in June. New sales, the purchase of new shares excluding reinvested dividends, were $113.4 billion in July, down from $123.7 billion in June. The value of assets depreciated by $60.6 billion in July, compared with an increase of $82.5 billion in June.

Total assets of **equity funds** decreased by $84.3 billion, or 2.0 percent, to $4.2 trillion. The net new cash flow was $17.6 billion during July, compared with the inflow of $22.1 billion in June. The market value of assets depreciated by $103.5 billion. Year-to-date cash flows are $231.4 billion. During the same period in 1999, cash flows were $102.6 billion.

Total assets for **hybrid funds**, which invest in a mix of stocks and bonds, increased 0.5 percent, or $1.6 billion, to $352.4 billion. There was a net cash outflow from these funds of $1.2 billion in July. Year-to-date, their net cash outflow has been $24.8 billion compared to an outflow of $2.6 billion during the same period in 1999.

Bond funds experienced a cash outflow of $0.7 billion in July, as their total assets rose by $4.0 billion, to $790.9 billion. The market value of bond funds' assets increased by $2.2 billion, after adjusting for net sales and reinvested dividends. The assets of tax-exempt funds grew by 1.4 percent while the assets of taxable bond funds were unchanged.

Assets of taxable and tax-exempt **money market funds** increased $38.4 billion, to $1.7 trillion, an increase of 2.2 percent for taxable money market funds and 2.9 percent for tax-exempt funds.

Liquidity Ratio

The liquidity ratio for bond and hybrid funds decreased to 4.1 from 4.4 percent during July, while the ratio for equity funds increased to 5.0 from 4.8 percent (figure 4).

Weekly Flows

In August, there were consistent inflows to equity funds of 0.4 percent of assets, with returns of 6.5 percent. Bond funds had outflows of 0.4 percent and returns of 1.1 percent.

Performance and net sales among domestic sector funds moved commensurately with the equity aggregate. Index funds had inflows of 0.1 percent and returns of 10.5 percent. There were inflows to small-cap funds of 1.5 percent and returns of 6.9 percent.

Performance and net sales of the aggregate of international funds was similar to most domestic sectors, with inflows of 0.5 percent and returns of 3.5 percent. There was variation among the international sectors with outflows from Latin America funds of 0.6 percent and returns of 0.6 percent. Inflows to Japan funds were 4.0 percent with returns of 9.8 percent. Pacific funds had monthly outflows of 0.2 percent and returns of 1.5 percent of total assets.

Capital Market Returns and Volatility

The S&P 500 ended August at 1517.7, an increase of 5.5 percent from the beginning of the month. The 12-month return was 12.3 percent at month-end. The annualized volatility for the daily return on the S&P 500 was 20.7 percent.

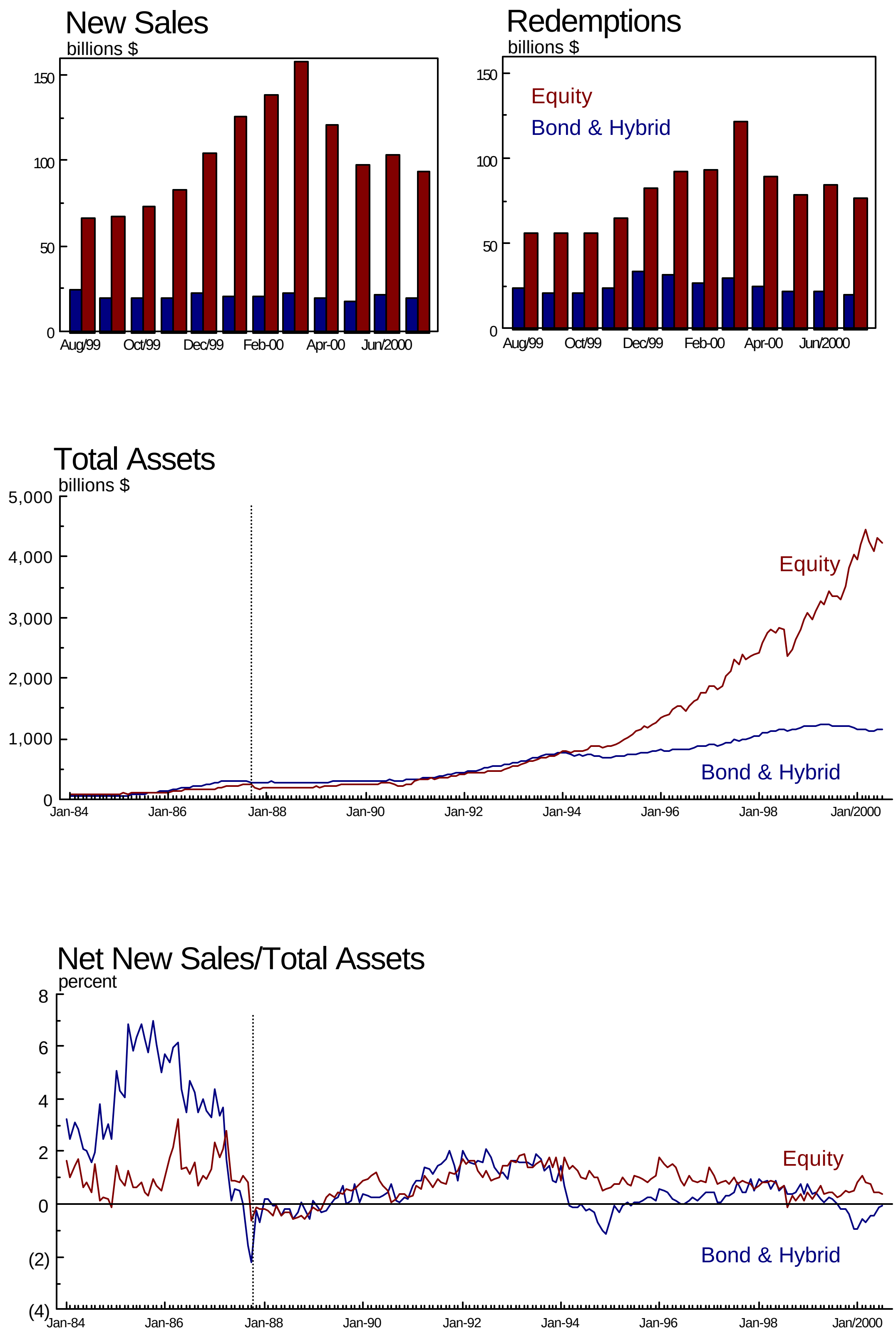
The 12-month average return on the Salomon Brothers Bond Index was 7.5 percent for August. Volatility increased to 2.8 percent from 2.7 percent in July (figure 8).

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 4.0 percent, below its historical average of 6.7 percent annual growth. The trailing price-earnings ratio increased to 29.5 for the second quarter from 27.8 in the first quarter. The four-quarter forward price to operating earnings ratio, however, fell during the second quarter to 23.9 from 25.2 in the previous 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)

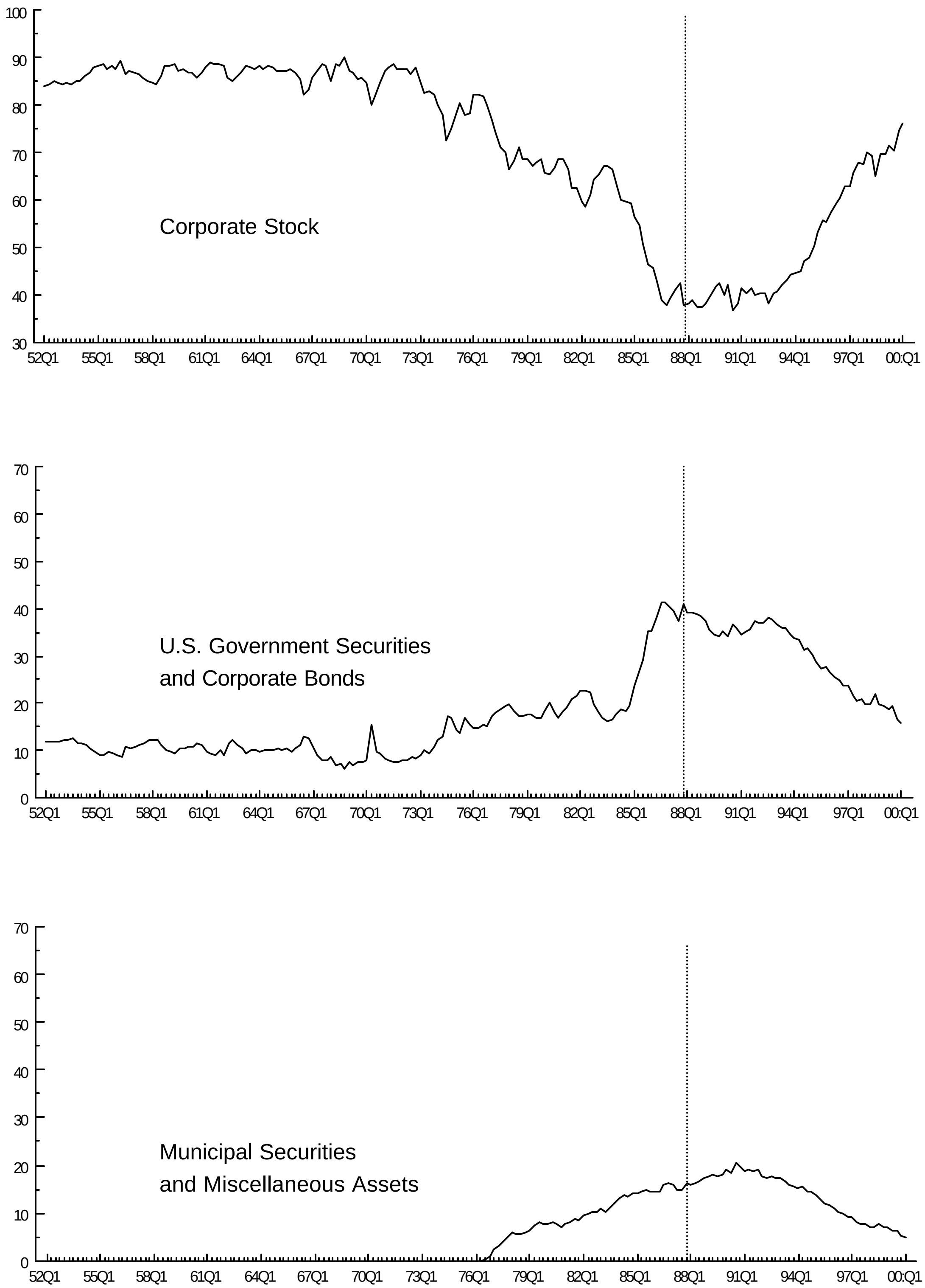
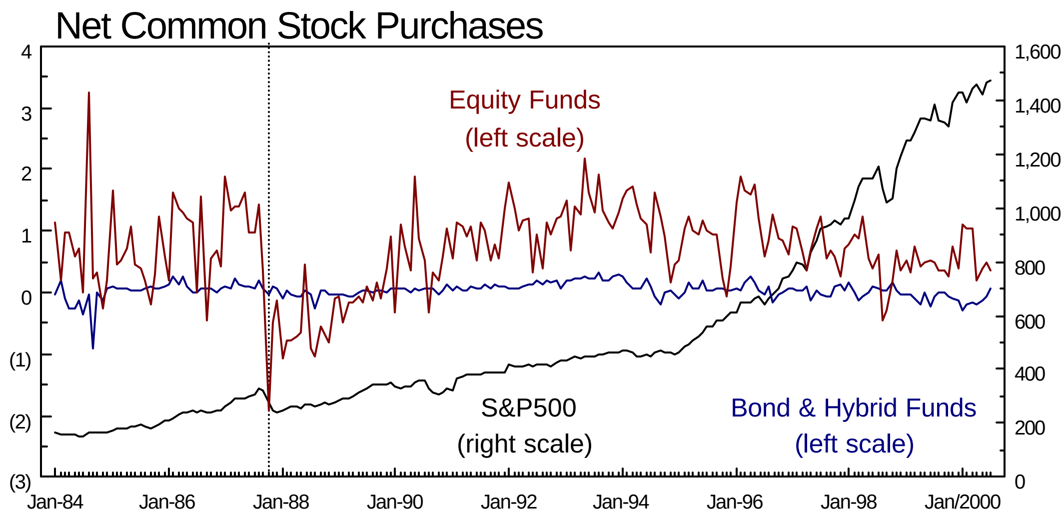


Figure 3
Net Portfolio Purchases
(percent of Total Assets)



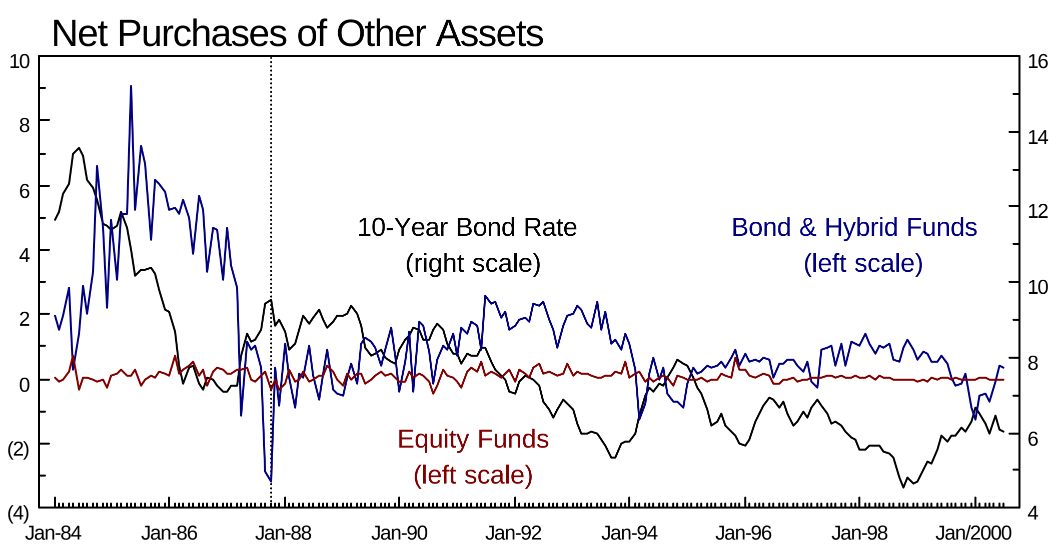
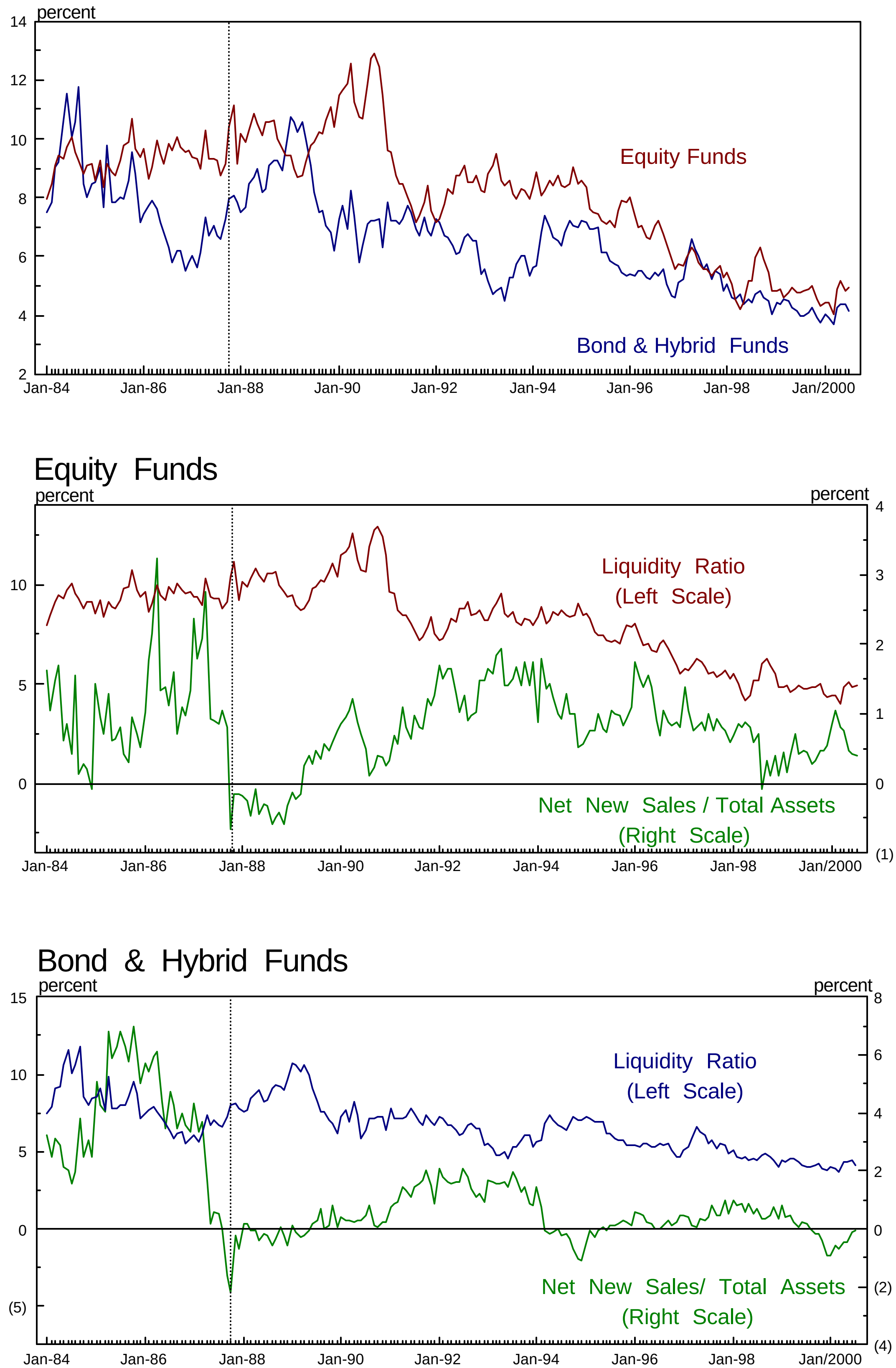
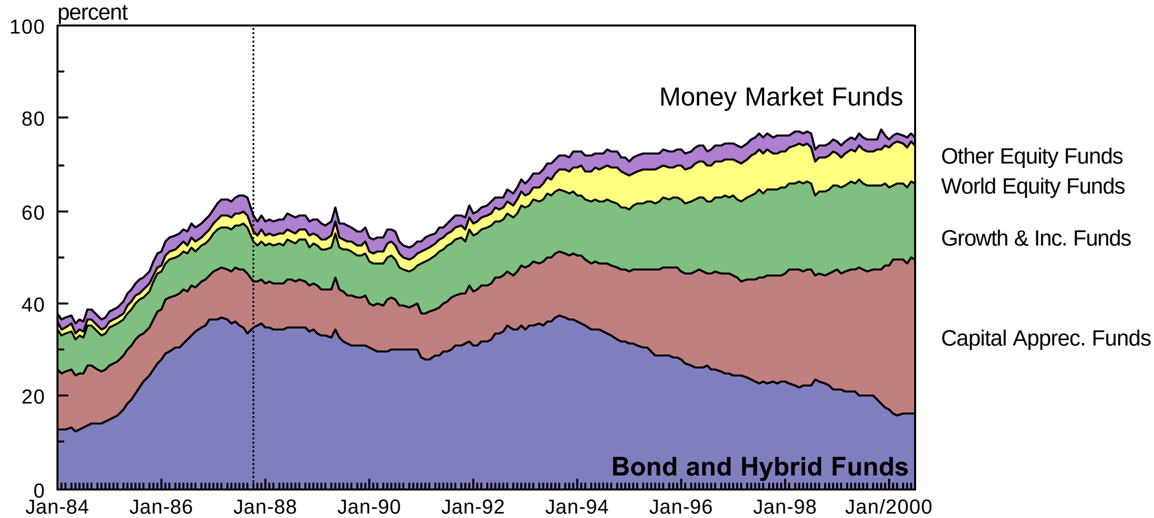


Figure 4
Liquidity Ratio*

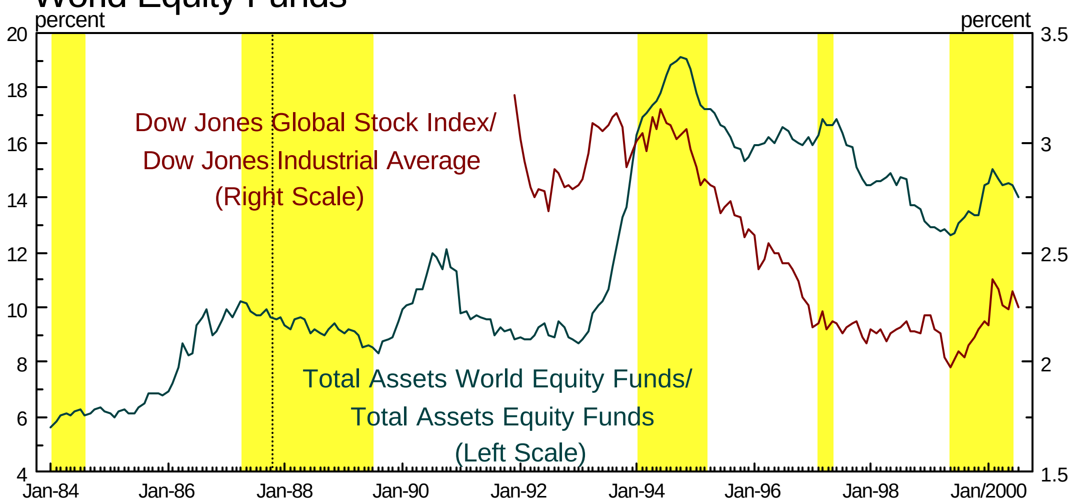


Source: Investment Company Institute
*The Liquidity Ratio is the Percent of Total Assets held in Cash and Short-Term Securities.

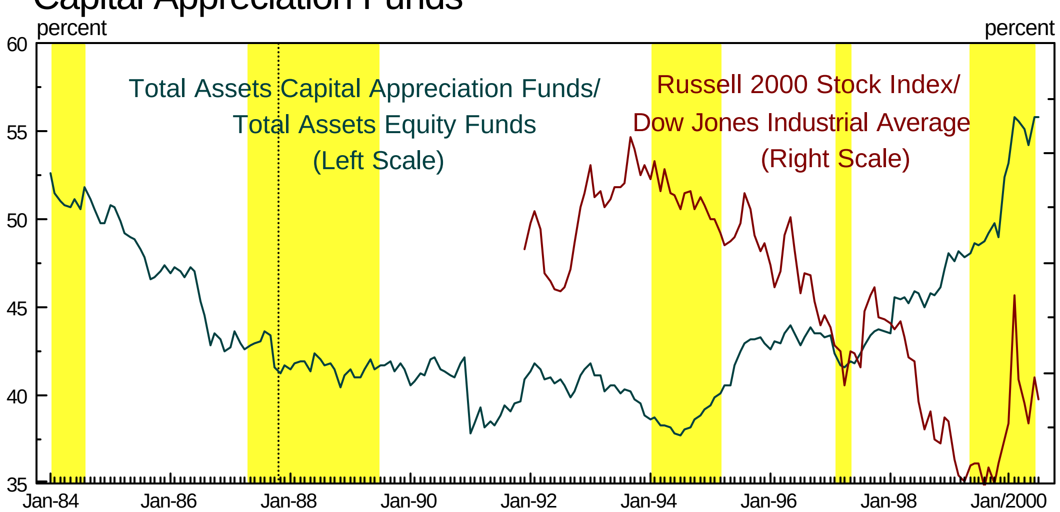
Figure 5
Industry Composition
(Shaded Regions Indicate Periods of Rising Fed Funds Rate)



World Equity Funds



Capital Appreciation Funds

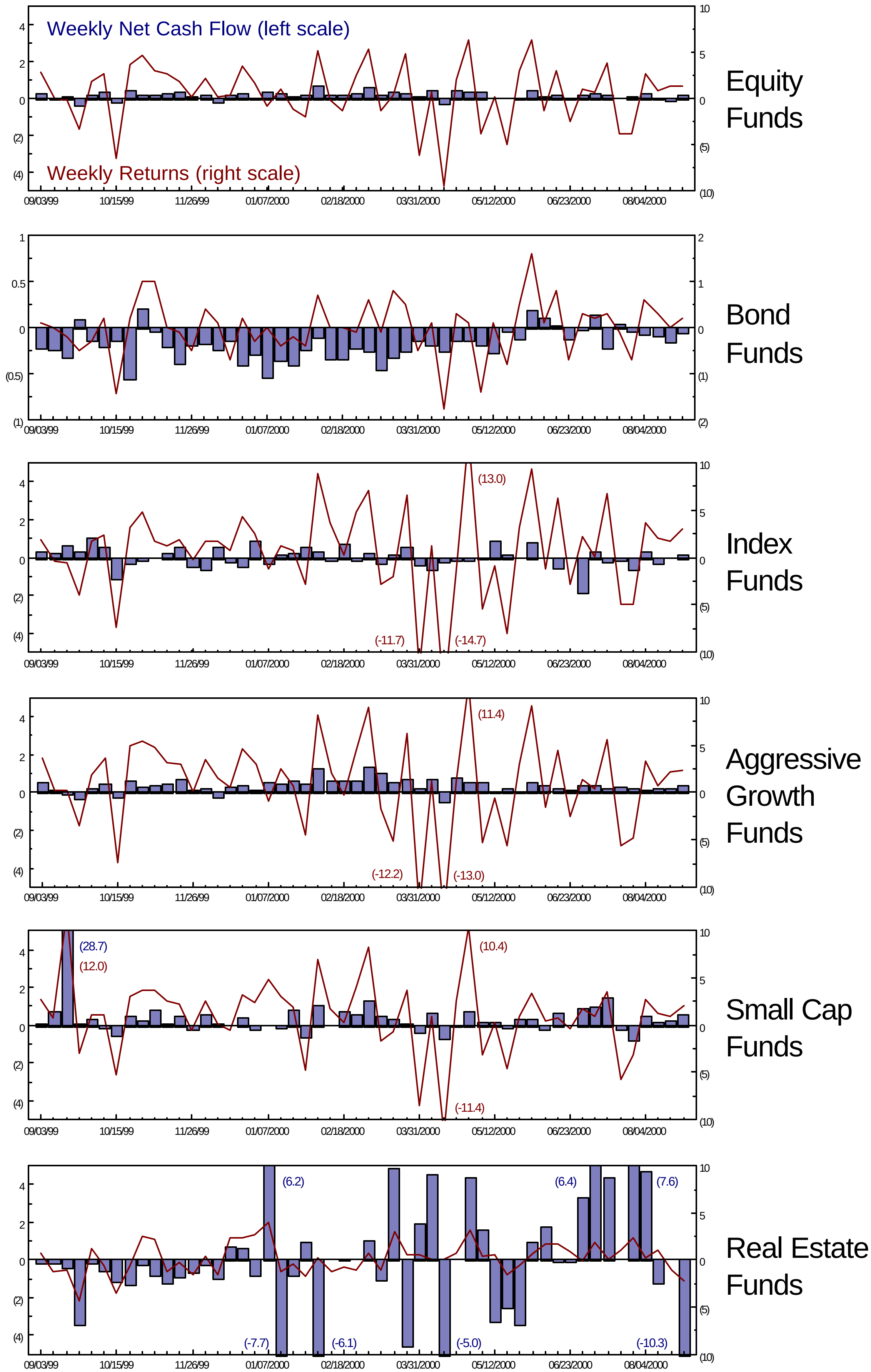


Source: Investment Company Institute

Figure 6a

Weekly Flows into Mutual Funds

(percent of Total Assets)

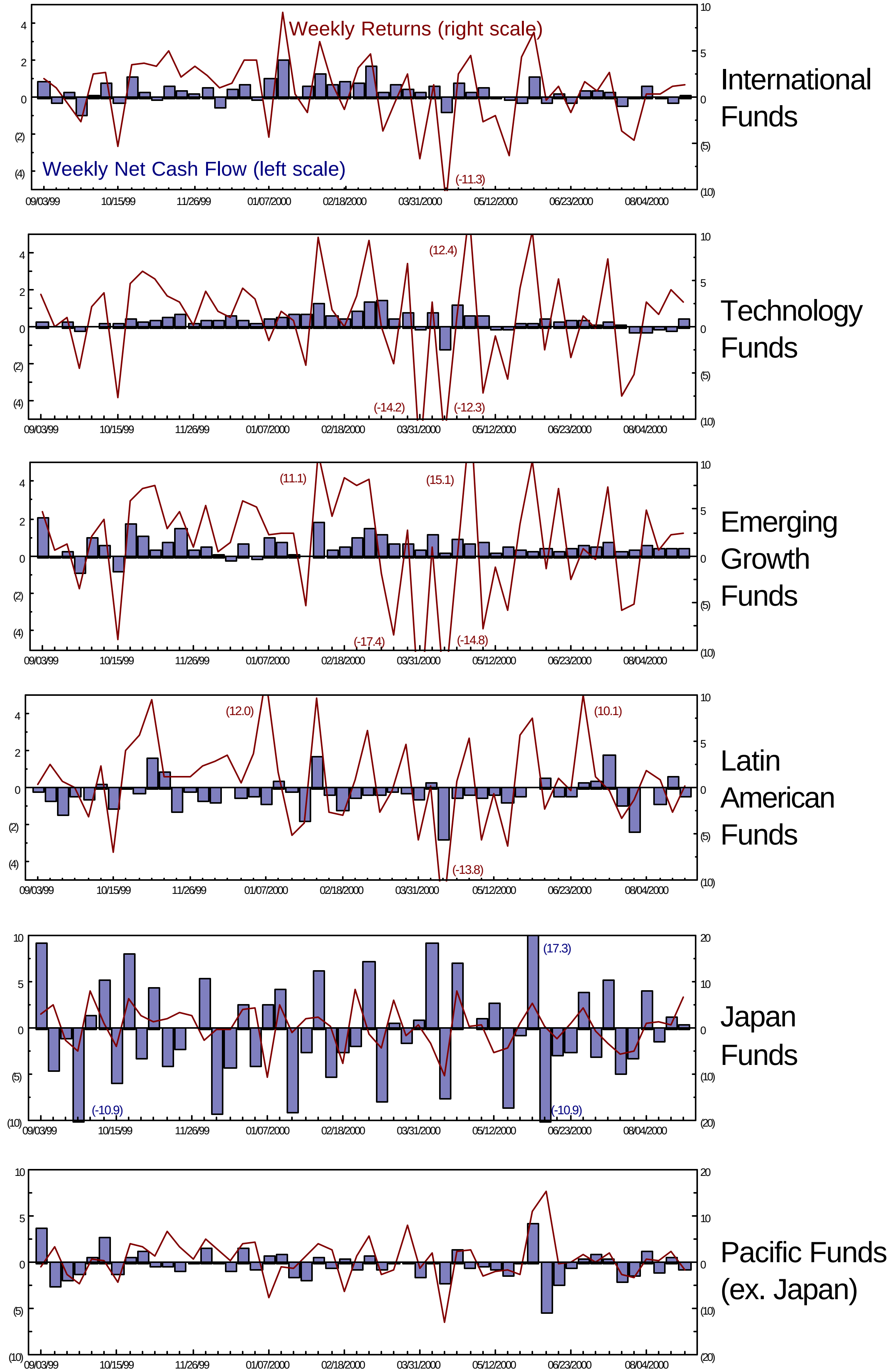


Source: Mutual Fund Trim Tabs

Figure 6b

Weekly Flows into Mutual Funds

(percent of Total Assets)

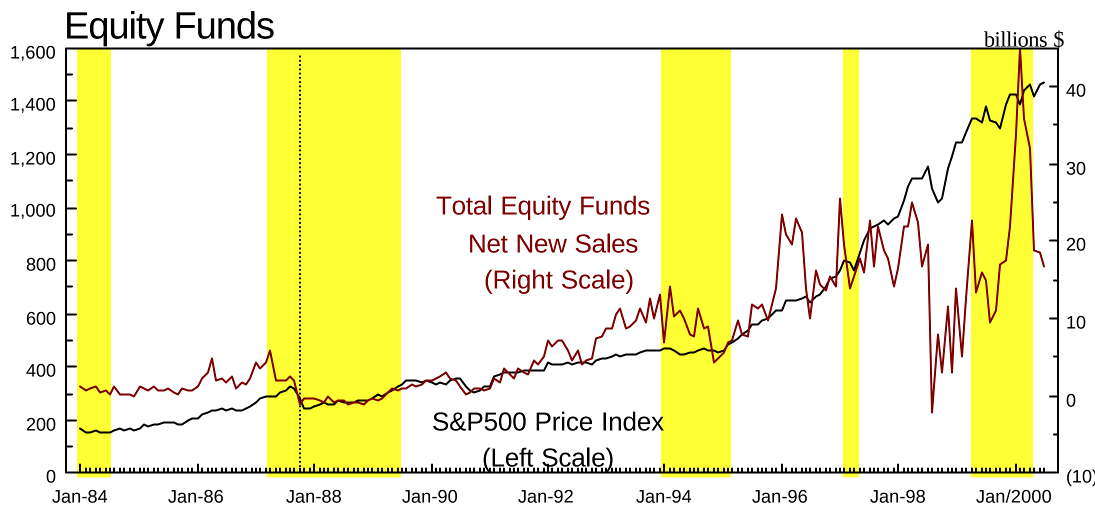


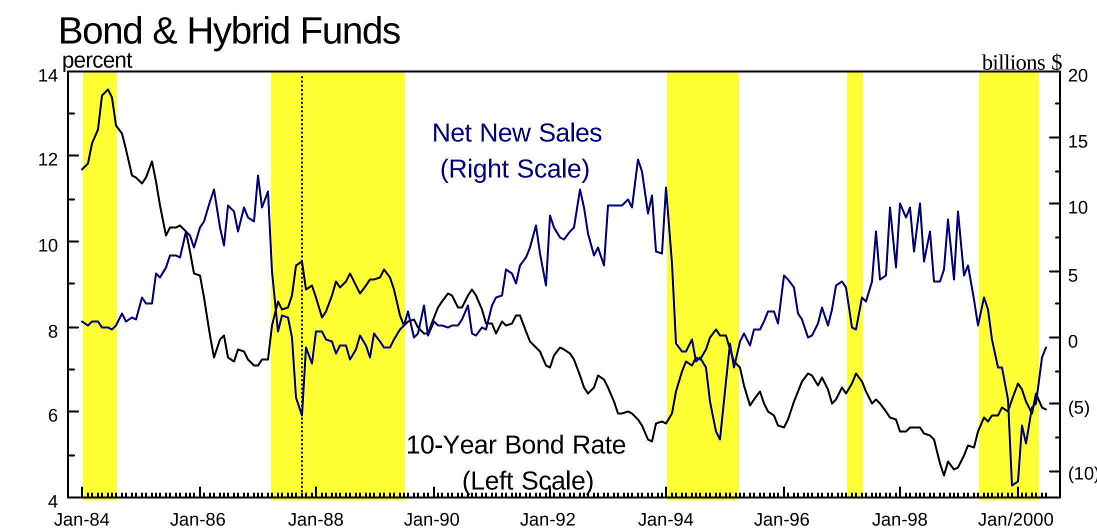
Source: Mutual Fund Trim Tabs

Figure 7

Net New Sales By Investment Objective

(Shaded Regions Indicate Periods of Rising Fed Funds Rate)

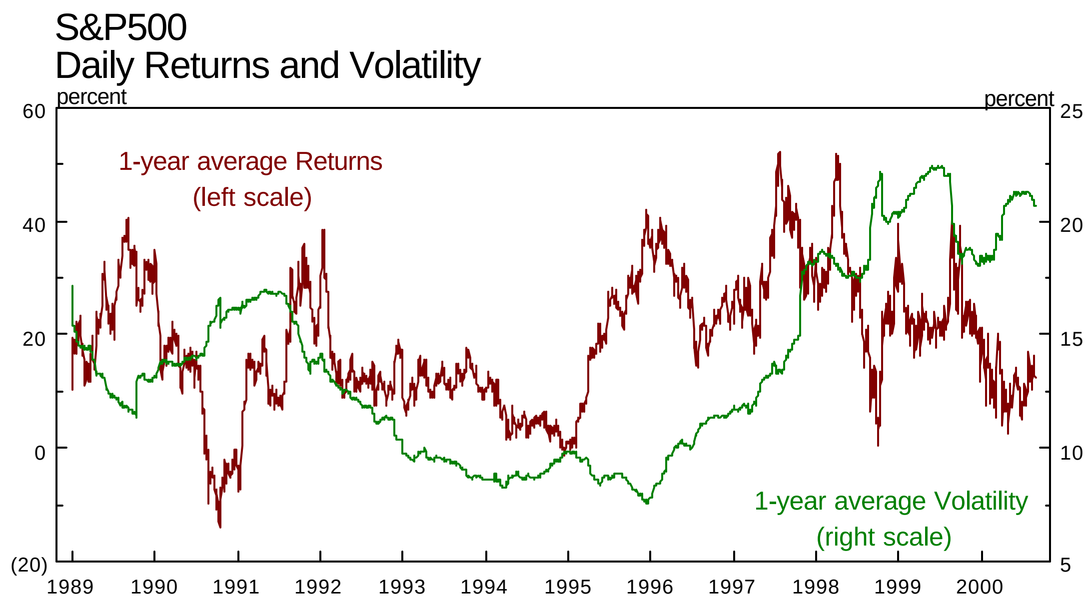




Source: Investment Company Institute

Figure 8

Capital Market Returns and Volatility



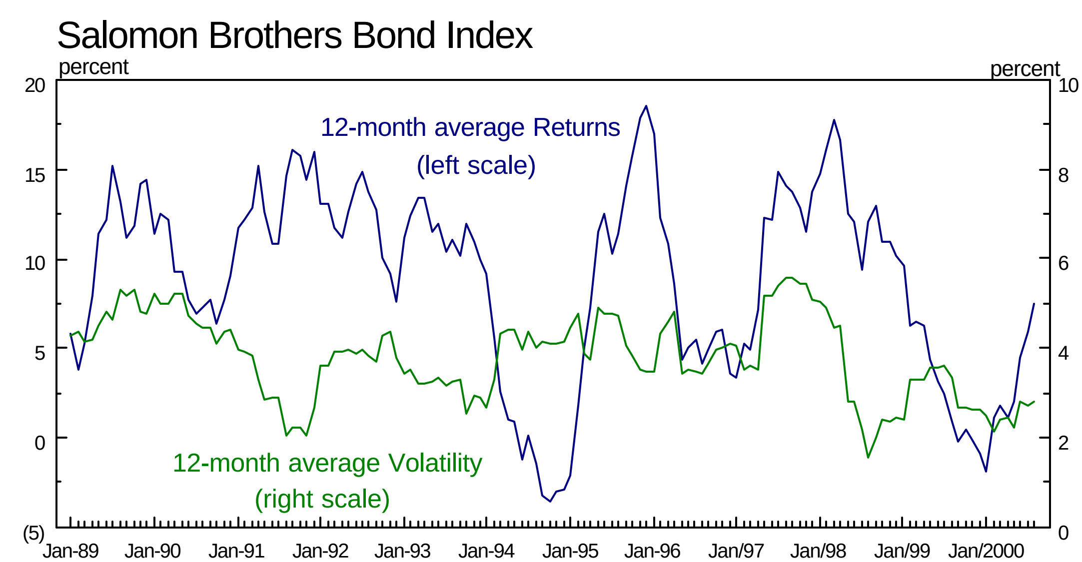
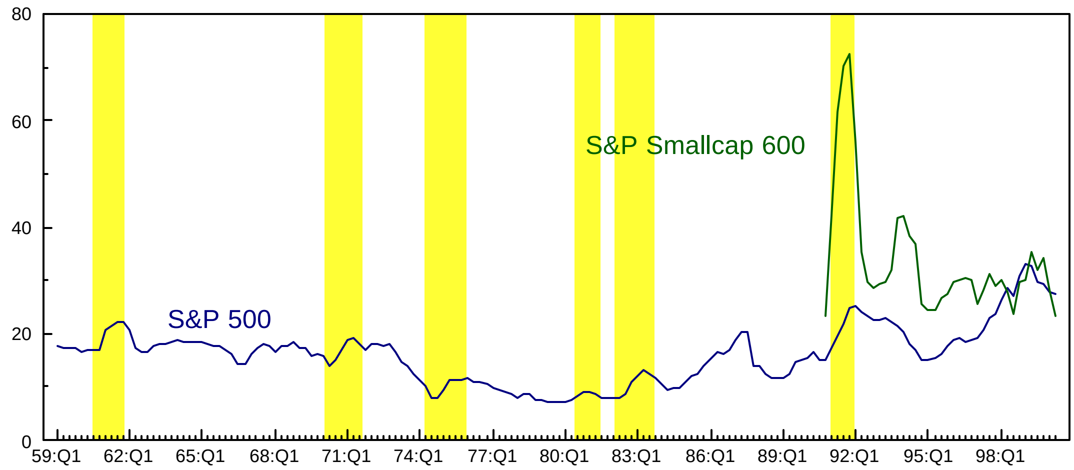
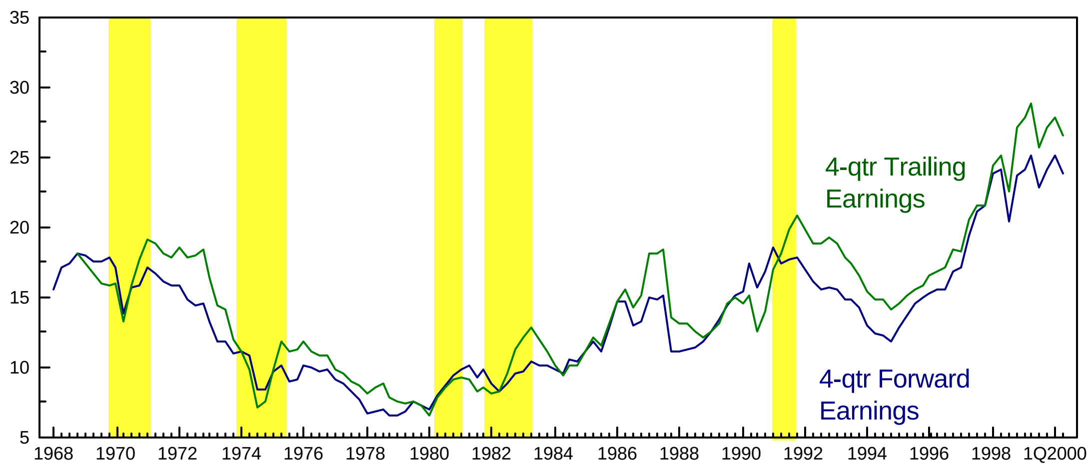


Figure 9

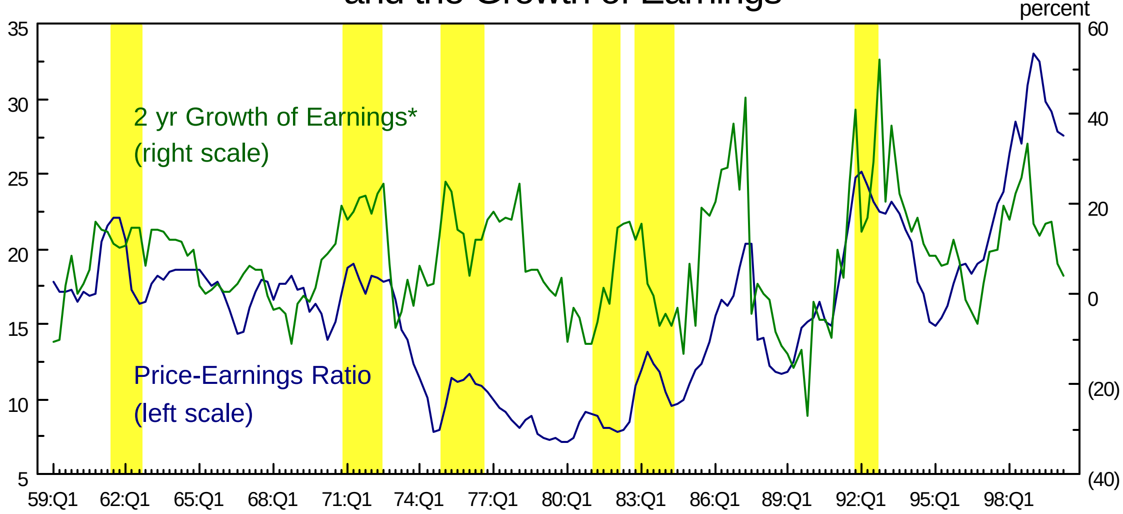
S&P Price-Earnings Ratios



S&P500 Price-Operating Earnings Ratio



S&P500 Price Earnings Ratio and the Growth of Earnings



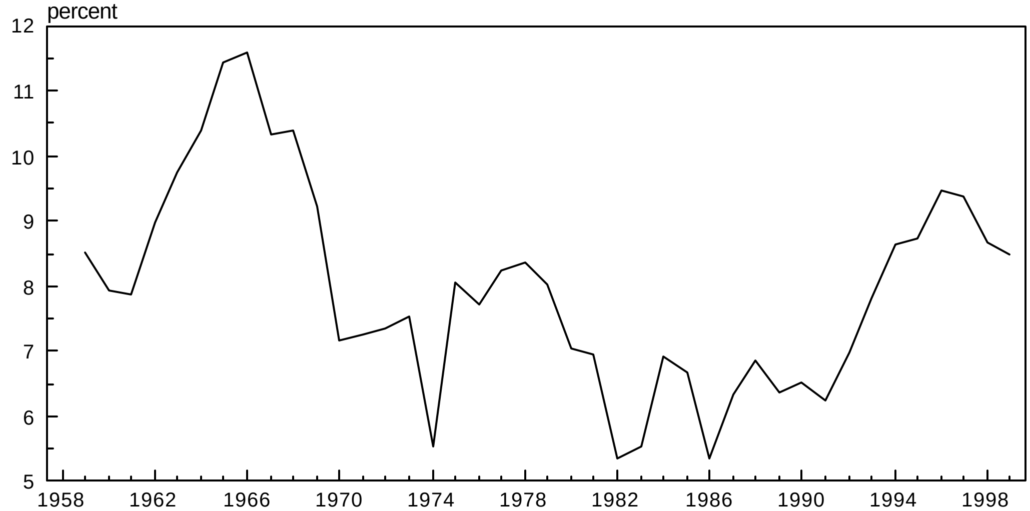
* Growth of earnings over subsequent 8 quarters. Current observations use forecast of earnings from macro projections.

source: First Call, DRI, Bloomberg

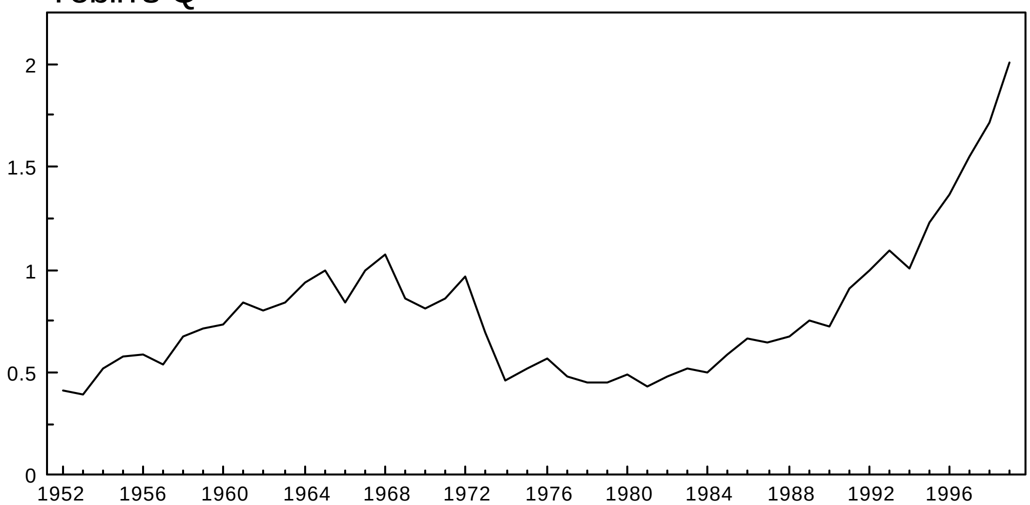
Figure 10

Real Rate of Return on Nonfinancial Corporate Equity

(from National Income and Flow of Funds Accounts)

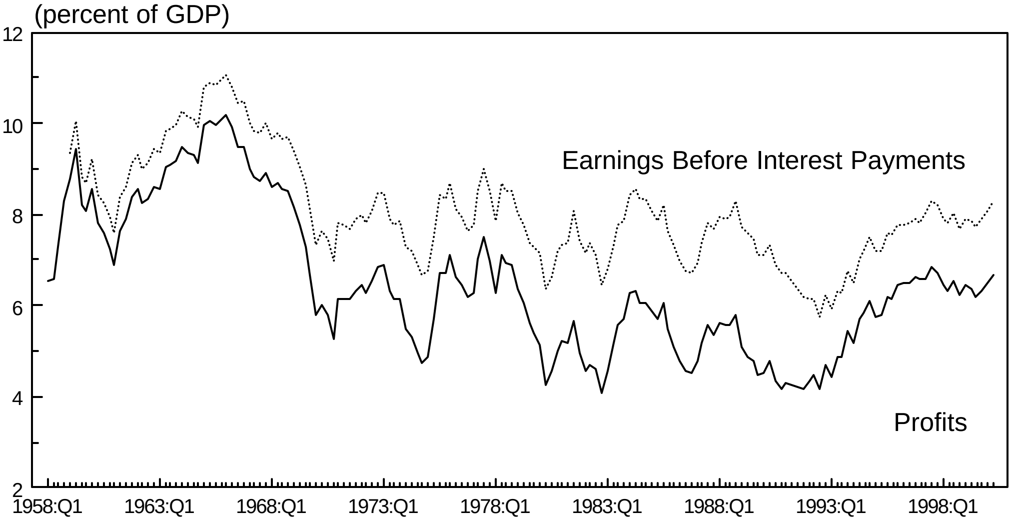


Tobin's Q*



Profits of Nonfinancial Corporations

(percent of GDP)



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