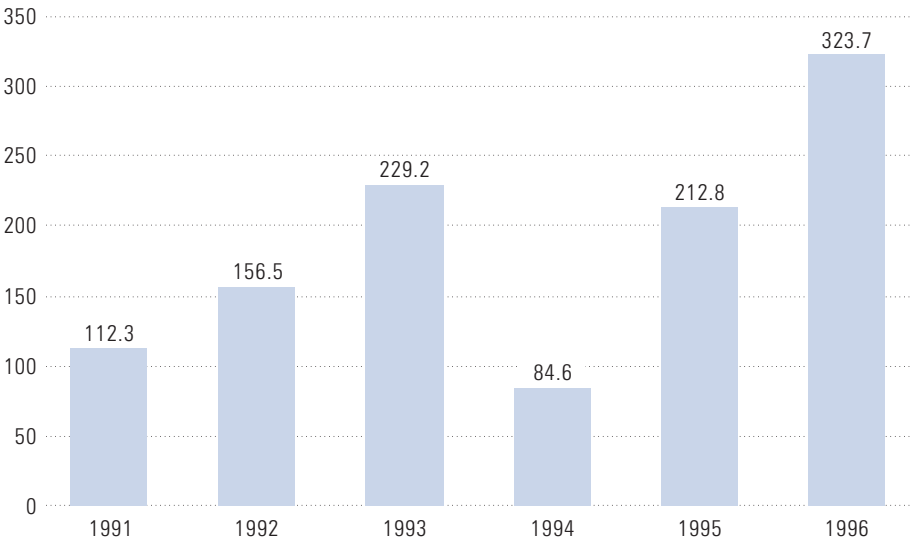


## MUTUAL FUND DEVELOPMENTS IN 1996

The U.S. economy provided a favorable setting for mutual funds in 1996. The economy expanded at a healthy pace, job growth was strong, inflation remained subdued, and corporate earnings advanced further. In financial markets, short-term interest rates were stable, long-term rates rose modestly, and stock prices continued to move significantly higher.

Assets of all mutual funds increased 25.5 percent in 1996 to stand at \$3.539 trillion at yearend, just slightly below the all-time high reached in November. About half of the increase in assets was the result of \$323.7 billion in new cash, and the other half was the result of investment performance. The split in asset growth in 1996 between performance and new

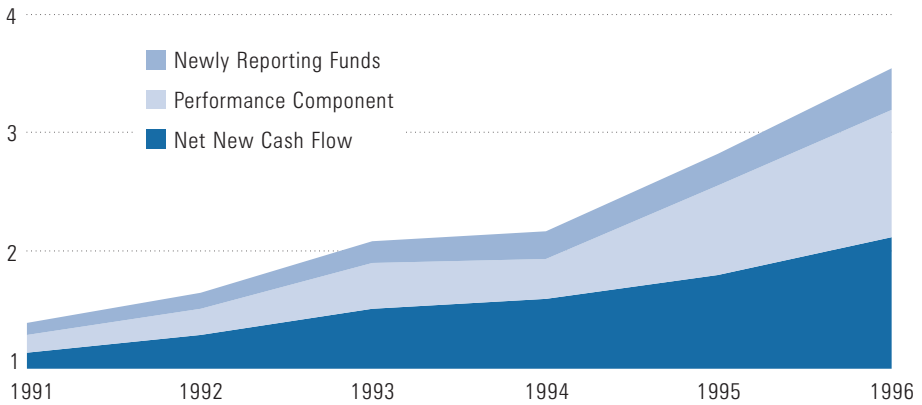
**Net New Cash Flow to Mutual Funds**  
(billions of dollars)



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## Components\* of Mutual Fund Asset Growth

(trillions of dollars)



\*Newly reporting funds are excluded from the calculation of fund performance and net new cash flow during the month in which they are introduced to the ICI data base.

Note: Please see page 103 for data points on this chart.

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investments was roughly in line with that prevailing throughout the 1990s. The performance component last year largely reflected rising stock prices, in contrast to the first part of the decade when rising bond prices also were important.

At the end of 1990, mutual fund assets stood fifth among major financial intermediaries. The increase in security prices since 1990, along with the inflow of net new cash, now places mutual funds ahead of other major financial intermediaries—except for commercial banks—in terms of balance-sheet assets. Since 1990, mutual fund assets have grown at an annual rate of 20 percent, as

compared with 10.1 percent growth by private pension funds and 5.7 percent by commercial banks. The slower growth rate of commercial bank assets partly reflected the much more modest appreciation in the value of their assets.

### EQUITY FUNDS

Assets of equity funds increased 38 percent in 1996 to \$1.751 trillion. The performance of these funds accounted for about half of the increase in assets, roughly in line with the contribution that fund performance has made to asset growth since the beginning of the bull market in stocks in October

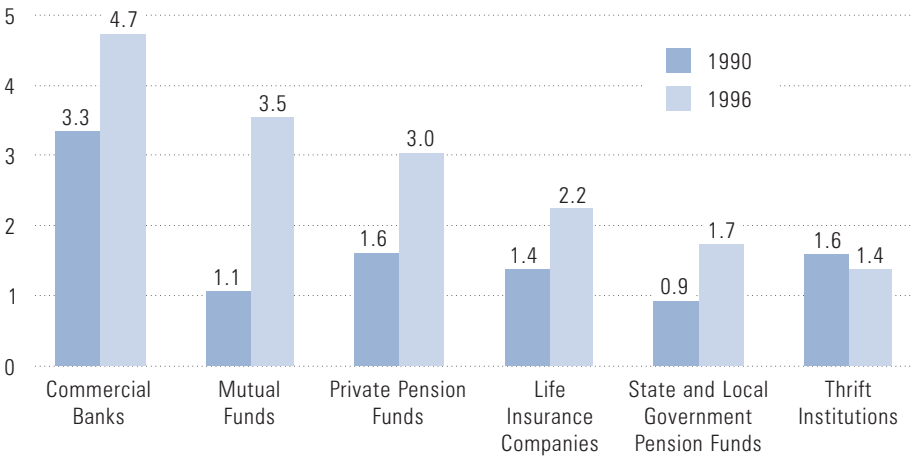
1990 but down from a two-thirds contribution in 1995.

Stock funds posted a record \$221.6 billion in net new cash flow in 1996. This inflow represented a 72.9 percent increase over that in 1995 and was \$92.0 billion more than the previous high of \$129.6 in 1993. New sales of equity fund shares rose 55.9 percent last year relative to 1995 to \$449.3 billion. At the same time, redemptions rose 41 percent to \$243.0 billion, and net exchanges were a record \$15.3 billion.

**Domestic funds.** Domestic equity funds registered a \$175.3 billion inflow in 1996, up from \$116.5

billion in 1995. Growth and income funds led the advance, partly because of the growing popularity of index funds. The net flow to growth-and-income index funds in 1996 increased to \$19.4 billion and accounted for nearly 30 percent of the inflow to all growth and income funds. In 1995, the net flow to index funds represented slightly more than 24 percent of the net flow. Higher-risk fund types—aggressive growth funds and growth funds—also experienced a higher inflow (\$101.7 billion) in 1996, up from \$72.6 billion in 1995. These funds accounted for 58 percent of the net flow to all domestic equity funds in 1996,

### Assets of Major Financial Intermediaries (trillions of dollars)



*Note:* Data are yearend. Commercial banks include U.S.-chartered commercial banks, foreign banking offices in the U.S., bank holding companies, and banks in U.S.-affiliated areas.

*Source:* Federal Reserve Board and Investment Company Institute

## Net New Cash Flow to Equity Funds

(billions of dollars)

|      | Domestic          |        |                 |        |        | Foreign | Total  | Total Assets |
|------|-------------------|--------|-----------------|--------|--------|---------|--------|--------------|
|      | Aggressive Growth | Growth | Growth & Income | Income | Total  |         |        |              |
| 1984 | 1.1               | 0.6    | 1.4             | 1.8    | 4.9    | 0.9     | 5.9    | 83.1         |
| 1985 | 1.4               | 0.2    | 2.7             | 3.4    | 7.7    | 0.8     | 8.5    | 116.9        |
| 1986 | 1.6               | 1.6    | 9.2             | 5.3    | 17.7   | 4.2     | 21.9   | 161.5        |
| 1987 | 3.6               | 3.9    | 9.5             | 2.7    | 19.6   | (0.6)   | 19.1   | 180.7        |
| 1988 | (2.9)             | (4.4)  | (5.2)           | (1.3)  | (13.8) | (2.4)   | (16.2) | 194.8        |
| 1989 | 0.8               | (0.9)  | 4.1             | 0.6    | 4.6    | 1.2     | 5.8    | 249.0        |
| 1990 | 0.5               | 3.3    | 2.9             | (0.4)  | 6.3    | 6.5     | 12.8   | 245.8        |
| 1991 | 8.7               | 14.0   | 12.5            | 1.2    | 36.4   | 3.2     | 39.5   | 411.6        |
| 1992 | 13.4              | 24.9   | 27.3            | 6.4    | 72.1   | 7.0     | 79.2   | 522.8        |
| 1993 | 20.6              | 21.6   | 34.0            | 14.8   | 91.1   | 38.5    | 129.6  | 749.0        |
| 1994 | 25.3              | 22.3   | 19.4            | 8.4    | 75.4   | 43.9    | 119.3  | 866.4        |
| 1995 | 35.7              | 36.9   | 37.0            | 7.0    | 116.5  | 11.7    | 128.2  | 1,269.0      |
| 1996 | 55.5              | 46.2   | 65.0            | 8.6    | 175.3  | 46.3    | 221.6  | 1,750.9      |

*Note: Aggressive growth funds include precious metal funds; income funds include mixed income funds; and foreign funds include global funds and international funds.*

down from 62.3 percent in 1995. The inflow to income-equity funds rose slightly.

**Foreign funds.** Net new cash flow to foreign-related stock funds—international funds and global funds—rebounded to a record \$46.3 billion last year from an \$11.7 billion inflow in 1995, when mutual fund shareholders invested more heavily in robust U.S. stock markets. Despite the pickup, foreign-related funds captured only 20.9 percent of all equity fund flows last year, below the 29.7 percent share garnered in 1993 and 36.8 percent in 1994.

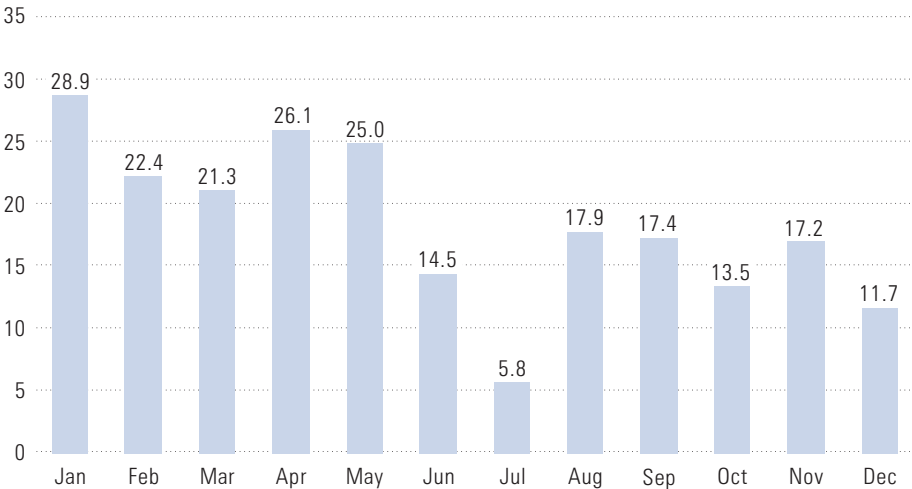
**Intrayear pattern.** Equity funds experienced heavy inflows in the

first five months of 1996. The \$28.9 billion inflow in January set a monthly high, and the inflow in each of the next four months exceeded the previous record of \$18.4 billion in January 1994 and never fell below \$21.3 billion. As a result, by the end of May the cumulative net flow was just below the previous full-year record in 1993. The strong inflows came in part from seasonal flows to 401(k) accounts and Individual Retirement Accounts and from the investment of annual bonuses. The strength also likely reflected a firming in investor demand for stocks, as the elevated pace of inflows continued into May, when upward seasonal pressures typically subside.

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### Net New Cash Flow to Equity Funds, 1996

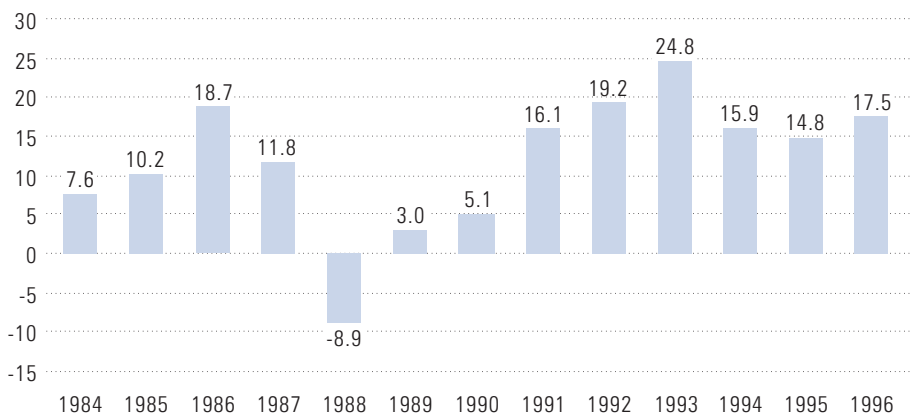
(billions of dollars)



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## Net New Cash Flow to Equity Funds

(percent of previous yearend assets)



Net flow slowed in June and July as stock prices moved lower and volatility increased. The inflow rebounded thereafter with rising stock prices but remained below the elevated levels seen earlier in the year. For the final seven months of the year, inflows averaged \$14.0 billion and never moved above \$17.9 billion.

### *Net flow relative to assets.*

Although the \$221.6 billion in net new cash flow in 1996 was a record, it fell considerably short of an all-time high measured relative to assets of equity funds. That record occurred in 1993 when the \$129.6 billion net flow amounted to 24.8 percent of previous yearend assets. The net flow in 1996

represented 17.5 percent of yearend assets, which also was below the flow rates in 1986 and 1992.

## BOND AND INCOME FUNDS

Bond and income funds experienced an inflow of \$12.6 billion in 1996, reversing outflows the previous two years. The inflow was modest, however, compared with inflows of the mid-1980s and early 1990s when net flows ranged from \$65.2 billion to \$113.7 billion. The improvement in net flow last year was led by stronger inflows to high-yield funds, income-bond funds, and mixed funds, which generally produced the highest returns among all types of bond and income funds. The improved flow

## Net New Cash Flow to Bond & Income Funds

(billions of dollars)

|      | <b>Mixed</b> | <b>U.S. Government<br/>and GNMA</b> | <b>Global</b> | <b>Corporate<br/>Bond</b> | <b>High-<br/>yield</b> | <b>Income-<br/>Bond</b> | <b>Municipal</b> | <b>Total</b> | <b>Total Assets</b> |
|------|--------------|-------------------------------------|---------------|---------------------------|------------------------|-------------------------|------------------|--------------|---------------------|
| 1984 | 0.3          | 7.4                                 | 0.0           | 0.2                       | 1.2                    | 0.0                     | 4.3              | 13.3         | 54.0                |
| 1985 | 2.0          | 42.8                                | 0.0           | 0.9                       | 4.4                    | 1.2                     | 13.9             | 65.2         | 134.8               |
| 1986 | 5.9          | 57.5                                | 0.4           | 3.5                       | 9.6                    | 3.5                     | 28.2             | 108.6        | 262.6               |
| 1987 | 4.1          | 2.9                                 | 0.7           | 0.6                       | 0.6                    | 1.1                     | 0.9              | 10.9         | 273.2               |
| 1988 | (2.5)        | (13.7)                              | 0.6           | (0.2)                     | 3.2                    | 0.5                     | 5.1              | (7.0)        | 277.5               |
| 1989 | 4.3          | (12.8)                              | (0.1)         | 0.8                       | (2.9)                  | 1.7                     | 12.0             | 3.1          | 304.8               |
| 1990 | 2.3          | (7.7)                               | 5.6           | 0.2                       | (5.1)                  | 3.2                     | 9.9              | 8.5          | 322.7               |
| 1991 | 8.3          | 17.4                                | 10.2          | 3.0                       | 1.8                    | 5.2                     | 21.2             | 67.2         | 441.4               |
| 1992 | 22.7         | 29.8                                | (2.8)         | 4.5                       | 4.6                    | 6.6                     | 28.4             | 93.7         | 577.3               |
| 1993 | 40.4         | 6.1                                 | 4.5           | 4.3                       | 8.6                    | 11.5                    | 38.3             | 113.7        | 761.1               |
| 1994 | 21.1         | (39.9)                              | (4.5)         | (1.6)                     | (0.7)                  | (2.3)                   | (15.5)           | (43.4)       | 684.0               |
| 1995 | 5.7          | (13.9)                              | (4.4)         | 2.0                       | 8.1                    | 4.7                     | (7.0)            | (4.8)        | 798.3               |
| 1996 | 10.4         | (13.8)                              | (0.9)         | 2.4                       | 12.3                   | 8.6                     | (6.3)            | 12.6         | 886.5               |

*Note: Mixed funds include balanced funds, flexible portfolio funds, and income-mixed funds.*

also benefited from a slowing in the outflow from global bond funds. U.S. Government, Ginnie Mae, and municipal bond funds continued to experience outflows that were roughly in line with those in 1995.

*Net flow and interest rates.* The overall weak inflow to bond funds last year is partly related to movements in interest rates. Since the mid-1980s, inflows to bond funds generally have occurred during extended periods of falling interest rates and rising returns on bond funds, whereas outflows or weak inflows have been associated with rising interest rates and negative or low returns on bond funds. For example, in 1985 and 1986, interest rates moved sharply lower, causing heavy inflows into Ginnie Mae and U.S. Government bond funds. These flows ended abruptly in the spring of 1987 when the Federal Reserve tightened monetary policy, and did not resume until early 1991 when interest rates began a sustained downward movement. Heavy inflows into the broad range of bond funds continued until the Federal Reserve once again tightened policy in early 1994, producing outflows from bond funds.

In 1996, bond funds started the year with inflows, likely reflecting both seasonal influences and the

downward movement in interest rates that had begun in 1995. Not unexpectedly, as rates began to rise in February, net flows weakened and turned negative in the second and third quarters. Falling yields late in the year may have helped to produce modest inflows in the fourth quarter. Flows to bond funds in both 1995 and 1996 were likely also dampened by the out-sized total return of 56.2 percent on domestic equity funds over the two years and by the relatively high return on short-term investments such as money market funds. Indeed, during 1996, returns for taxable money funds generally exceeded those for U. S.

Government and Ginnie Mae bond funds, and returns for tax-exempt money market funds were near those for municipal bond funds.

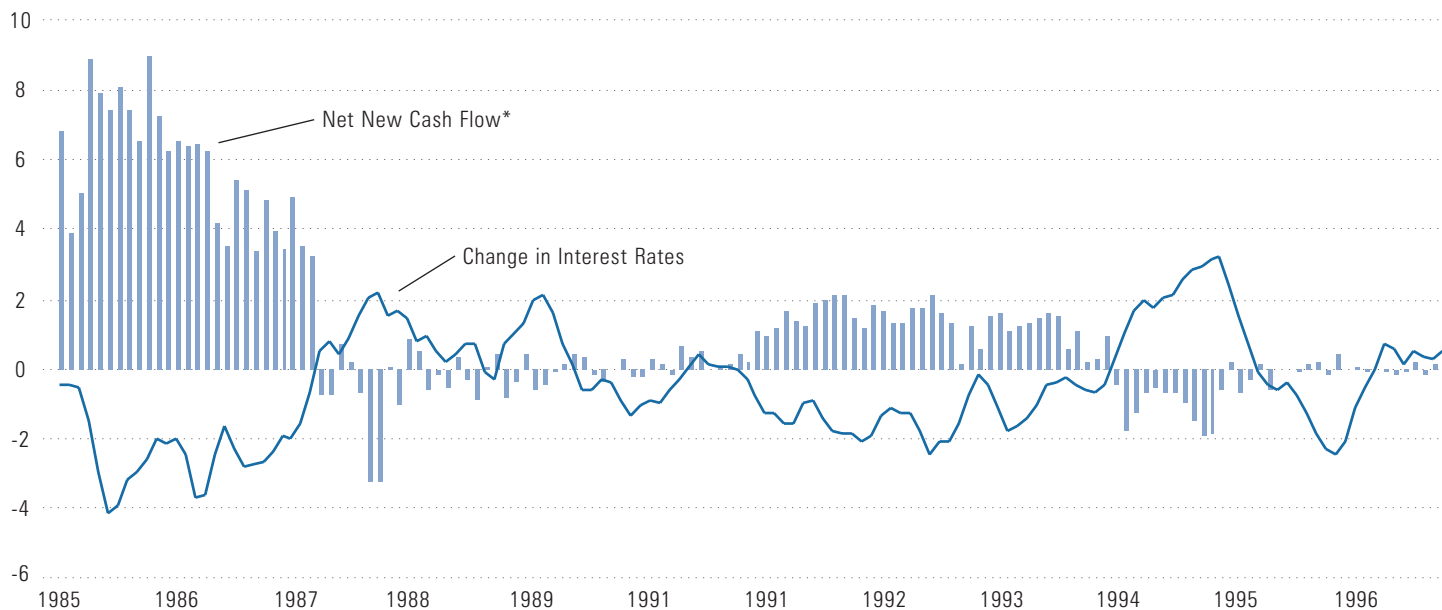
## MONEY MARKET FUNDS

Assets of money market funds increased 19.8 percent last year to \$901.8 billion, and for the first time since 1991, exceeded assets in bond and income funds. Assets of retail funds rose 8.4 percent to \$608.4 billion, and institutional money fund assets rose 31.2 percent to \$293.4 billion. Taxable money market fund assets gained 21 percent to \$761.8 billion, while tax-exempt fund assets increased 13.6 percent to \$140.0 billion.



## Net New Cash Flow to Bond Funds and Interest Rate Changes

(percent)



\*Net new cash flow is shown as a percentage of the previous month's outstanding assets. Interest rate changes are year-over-year changes in the constant maturity yield on the three-year Treasury Note.

Source: Federal Reserve Board and Investment Company Institute

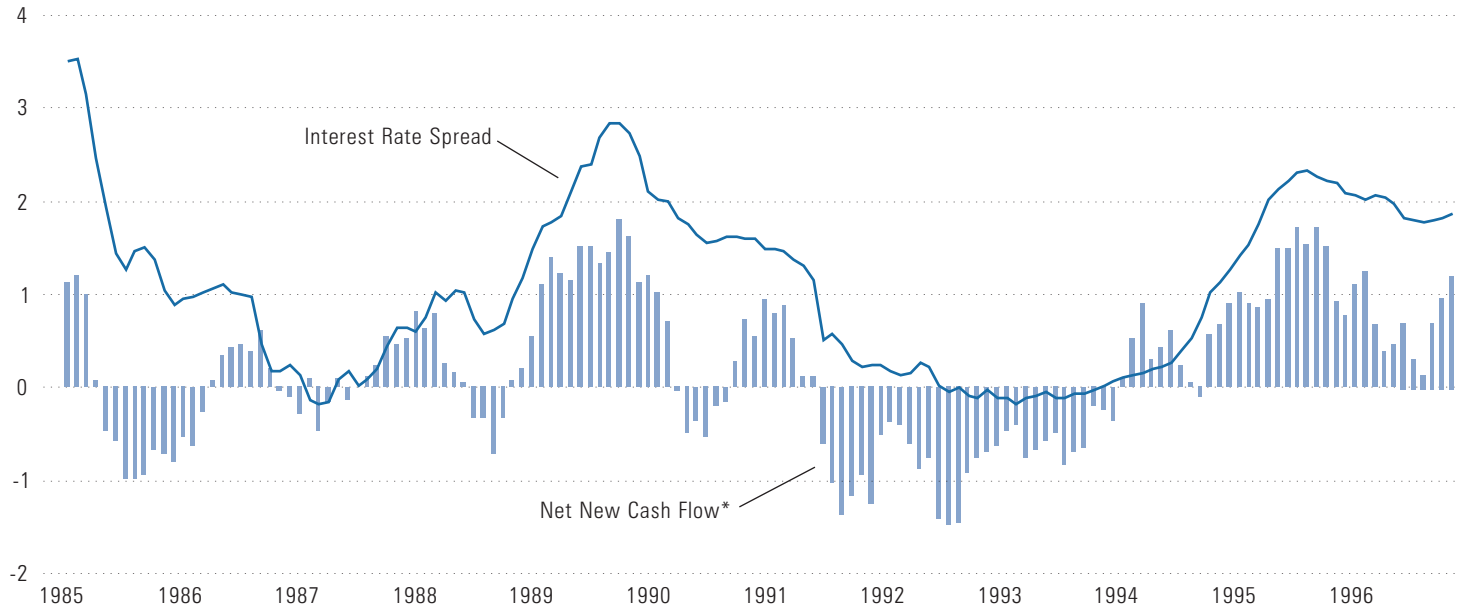
Note: Please see page 103 for data points on this chart.

## Net New Cash Flow to Retail and Institutional Money Market Funds, 1984–1996

(billions of dollars)

|      | Retail  |            |        | Institutional |            |        | Total Taxable | Total Tax-exempt | Total  | Total Assets |
|------|---------|------------|--------|---------------|------------|--------|---------------|------------------|--------|--------------|
|      | Taxable | Tax-exempt | Total  | Taxable       | Tax-exempt | Total  |               |                  |        |              |
| 1984 | 12.3    | 5.0        | 17.3   | 17.0          | 1.0        | 18.0   | 29.2          | 5.9              | 35.1   | 233.6        |
| 1985 | (12.9)  | 8.5        | (4.4)  | (2.9)         | 2.0        | (0.9)  | (15.9)        | 10.5             | (5.4)  | 243.8        |
| 1986 | 3.3     | 17.6       | 20.9   | 5.7           | 7.2        | 12.9   | 9.0           | 24.8             | 33.9   | 292.2        |
| 1987 | 6.7     | (3.0)      | 3.7    | 6.3           | 0.2        | 6.5    | 13.1          | (2.9)            | 10.2   | 316.1        |
| 1988 | 4.1     | 2.0        | 6.1    | (5.6)         | (0.4)      | (6.0)  | (1.5)         | 1.6              | 0.1    | 338.0        |
| 1989 | 51.1    | 3.5        | 54.6   | 11.5          | (2.0)      | 9.5    | 62.5          | 1.5              | 64.1   | 428.1        |
| 1990 | 4.2     | 4.5        | 8.7    | 13.1          | 1.2        | 14.3   | 17.4          | 5.8              | 23.2   | 498.4        |
| 1991 | 4.2     | (1.0)      | 3.2    | 0.2           | 2.0        | 2.2    | 4.4           | 1.1              | 5.5    | 542.4        |
| 1992 | (27.9)  | 3.0        | (24.9) | 7.5           | 1.1        | 8.6    | (20.5)        | 4.2              | (16.3) | 546.2        |
| 1993 | (14.5)  | 3.8        | (10.7) | (4.6)         | 1.2        | (3.4)  | (19.1)        | 5.0              | (14.1) | 565.3        |
| 1994 | 22.1    | 1.5        | 23.6   | (14.3)        | (0.6)      | (14.9) | 7.9           | 0.9              | 8.8    | 611.0        |
| 1995 | 56.7    | 6.4        | 63.1   | 25.4          | 0.9        | 26.3   | 82.1          | 7.3              | 89.4   | 753.0        |
| 1996 | 49.2    | 7.5        | 56.7   | 30.0          | 2.7        | 32.7   | 79.2          | 10.2             | 89.4   | 901.8        |

## Interest Rate Spread and Net New Cash Flow to Retail Money Market Funds (percent)



\*Net new cash flow is a percentage of retail money market fund assets and is shown as a six-month moving average. The interest rate spread is the difference between the taxable money market fund yield and the average interest rate on savings deposits; the series is plotted with a six-month lag.

Source: IBC Financial Data, Inc., Federal Reserve Board, and Investment Company Institute

Note: Please see page 107 for data points on this chart.

*Retail funds.* Net new cash flow to all money market funds was \$89.4 billion, essentially unchanged from that in 1995. Although the total net flow was unchanged, the inflow to retail money funds was down somewhat, largely because the spread between the yield on retail funds and savings deposits narrowed. Interest rate differentials between these retail money funds and short-term certificates of deposit affect the movement of cash into these funds. During 1995, the returns on retail money funds relative to savings deposits had climbed to a six-year high, as short-term interest rates rose with the tightening of monetary policy, whereas interest rates on savings deposits changed little. The Federal Reserve eased monetary policy on three occasions between July 1995 and January 1996, leading to a decline in the returns on retail money funds relative to rates on savings deposits. As a result, the inflow to retail funds slowed somewhat but, with the yield differential still high, remained strong.

*Institutional funds.* Offsetting the decreased inflow to retail money funds last year was a pickup in the net new cash flow to institutional money funds, which rose from \$26.4 billion in 1995 to \$32.6 billion in 1996. The net inflow to institutional funds is very

sensitive to the spread between the returns on these funds and open market interest rates, especially rates on one-day repurchase agreements. In 1996, the spread between institutional fund returns and short-term interest rates was fairly narrow, suggesting that the heavier inflow was attributable to other factors. For instance, the narrow spread between bond fund and money market fund yields may have led some institutional investors to shift from bond funds to money funds. In addition, as corporate businesses continue to outsource cash management services, some short-term assets have flowed into institutional money funds. Indeed, nonfinancial corporate business holdings of money funds rose from \$91.1 billion at yearend 1995 to \$103.0 billion at yearend 1996.

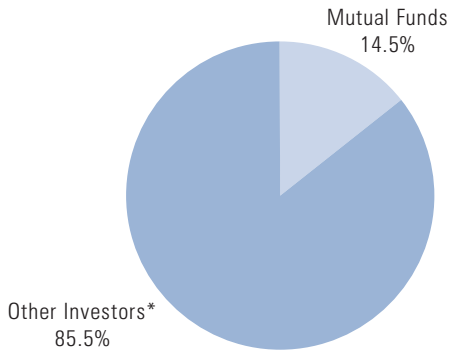
## MUTUAL FUND INVESTMENTS IN THE FINANCIAL MARKETS

Mutual fund investors contribute to U.S. economic growth by investing in the stock, bond, and money markets.

*The Stock Market.* Mutual fund investments in the corporate equity market help finance job creation and provide capital to build American infrastructure. Many initial public offerings of U.S. corporations are purchased by mutual funds, allowing companies to

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## Mutual Fund Ownership of Corporate Equity, December 31, 1996



Total Corporate Equity Outstanding: \$10.09 trillion

\*Other investors include U.S. households, pension funds, and insurance companies.

Source: Federal Reserve Board

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finance their expansion. Many of these companies are in growth industries, such as technology and biotechnology.

### *The Fixed-income Markets.*

Mutual funds also help finance the short- and long-term borrowing needs of institutions such as banks, corporations, and the U.S. government.

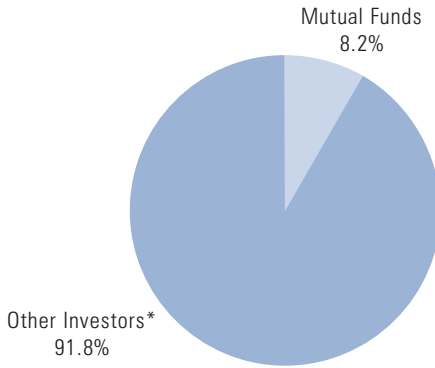
By investing in the money market and the bond market, mutual funds and other investors help lower the cost of borrowing. For example, the Government National Mortgage Association (Ginnie Mae), the Federal National Mortgage Association (Fannie

Mae), and the Federal Home Loan Mortgage Corporation (Freddie Mac) issue mortgage-backed securities. As a result, purchases of these securities by mutual funds and other investors help increase the availability of financing for homeowners and lower the cost of home purchases for millions of Americans.

Mutual funds also provide an important source of funding for states and local governments that issue municipal securities to finance important public projects such as roads, bridges, libraries, and schools.

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## Mutual Fund Ownership of Treasury and Agency Securities, December 31, 1996

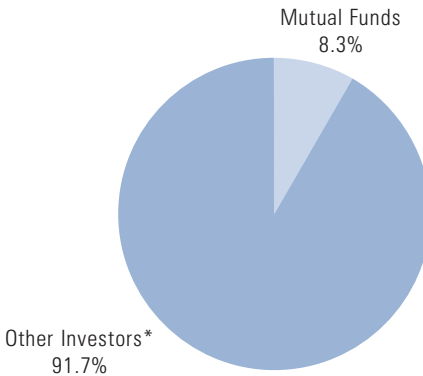


**Total Treasury and Agency Securities Outstanding: \$6.390 trillion**

*\*Other investors include U.S. households, pension funds, foreign investors, and commercial banks.  
Source: Federal Reserve Board*

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## Mutual Fund Ownership of Corporate and Foreign Bonds, December 31, 1996

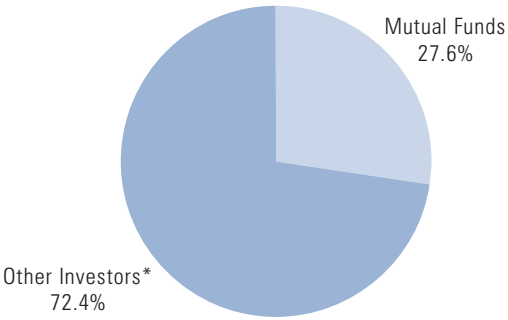


**Total Corporate and Foreign Bonds Outstanding: \$3.049 trillion**

*\*Other investors include U.S. households, pension funds, foreign investors, and insurance companies.  
Source: Federal Reserve Board*

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## Mutual Fund Ownership of Municipal Securities, December 31, 1996



**Total Municipal Securities Outstanding: \$1.306 trillion**

*\*Other investors include U.S. households, insurance companies, and bank personal trusts.  
Source: Federal Reserve Board*

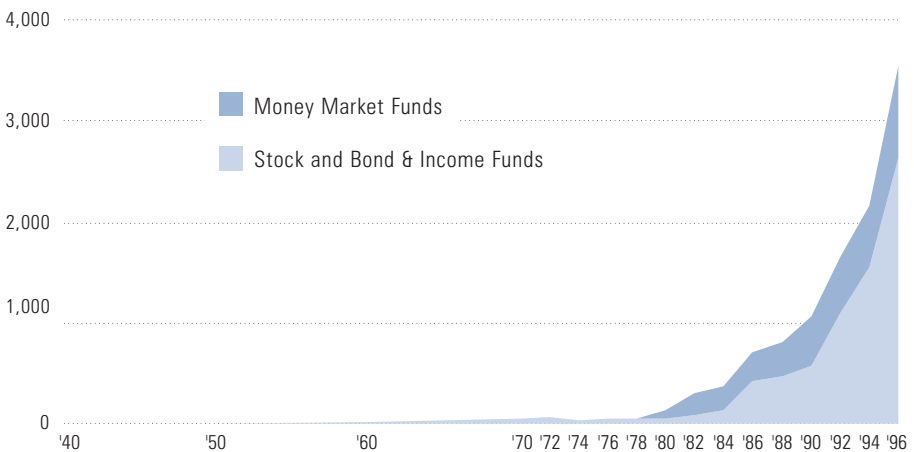
## HISTORY OF MUTUAL FUNDS

Mutual funds have been on the financial landscape for longer than most investors realize. In fact, the industry traces its roots back to 19th century Europe, in particular, Great Britain. The Foreign and Colonial Government Trust, formed in London in 1868, resembled a mutual fund. It promised the “investor of modest means the same advantages as the large capitalist . . . by spreading the investment over a number of different stocks.”

Most of these early British investment companies and their American counterparts resembled today’s closed-end funds. They sold a fixed number of shares whose price was determined by supply and demand.

Until the 1920s, however, most middle-income Americans put their money in banks or bought individual shares of stock in a specific company. Investing in capital markets was still largely limited to the wealthiest investors.

**Assets of Mutual Funds**  
(billions of dollars)



Note: Please see page 110 for data points on this chart.



## A REVOLUTION IN INVESTING

The 75th anniversary of the first modern mutual fund is rapidly approaching. The Massachusetts Investors Trust was introduced in March 1924 and began with a modest portfolio of 45 stocks and \$50,000 in assets.

This was the first so-called open-end mutual fund. It introduced concepts that would revolutionize investment companies and investing: a continuous offering of new shares and redeemable shares that could be sold anytime based on the current value of the fund's assets.

## THE INDUSTRY REGULATES

The early mutual fund industry was, however, overtaken by events. The 1929 stock market crash and the Great Depression that followed prompted Congress to enact sweeping laws to protect investors and to regulate the securities and financial markets, including the mutual fund industry.

First was the Securities Act of 1933. It required for the first time something easily recognized by today's investor: a prospectus describing the fund. The Securities Exchange Act of 1934 made mutual fund distributors subject to SEC regulations and placed them under

the jurisdiction of the National Association of Securities Dealers, Inc., which established advertising and distribution rules.

The most important laws relating to mutual funds and investor protection were adopted in 1940: the Investment Company Act and the Investment Advisers Act. The Investment Company Act of 1940, enacted with strong industry support, has been remarkable in its effectiveness. The Act's core provisions—the requirement that every fund price its assets based on market value every day; prohibitions on transactions between a fund and its manager; leverage limits; and a statutory system of independent directors—are unique to the mutual fund industry.

The 1940 Act imposes regulations not only on mutual funds themselves, but also on their investment advisers, principal underwriters, directors, officers and employees. It mandates that mutual funds redeem their shares anytime upon shareholder request and requires them to pay redeeming shareholders a price based on the next calculated net asset value of the fund's investment portfolio within seven days of receiving a request for redemption.

The Advisers Act requires the registration of all investment

advisers to mutual funds with the exception of banks. It also imposes a general fiduciary duty on investment advisers and contains several broad antifraud provisions. It further requires advisers to meet recordkeeping, reporting, disclosure, and other requirements.

It is no wonder that a former SEC Chairman once observed, “No issuer of securities is subject to more detailed regulation than mutual funds.”

## MUTUAL FUNDS TAKE ROOT AND GROW

Mutual funds began to grow in popularity in the 1940s and 1950s. In 1940, there were fewer than 80 funds with total assets of \$500 million. Twenty years later, there were 160 funds and \$17 billion in assets. The first international stock mutual fund was introduced in 1940; today there are scores of international and global stock and bond funds.

The complexion and size of the mutual fund industry dramatically changed as new products and services were added. For example, before the 1970s, most mutual funds were stock funds, with a few balanced funds that included bonds in their portfolios. In 1972, there were 46 bond and income funds; 20 years later, there were 1,629.

Innovations in investment and retirement vehicles also swept the industry. In 1971, the first money market mutual funds were established. They offered checkwriting and higher interest rates than bank savings accounts. In 1974, the Employee Retirement Income Security Act (ERISA) was enacted and IRAs were created.

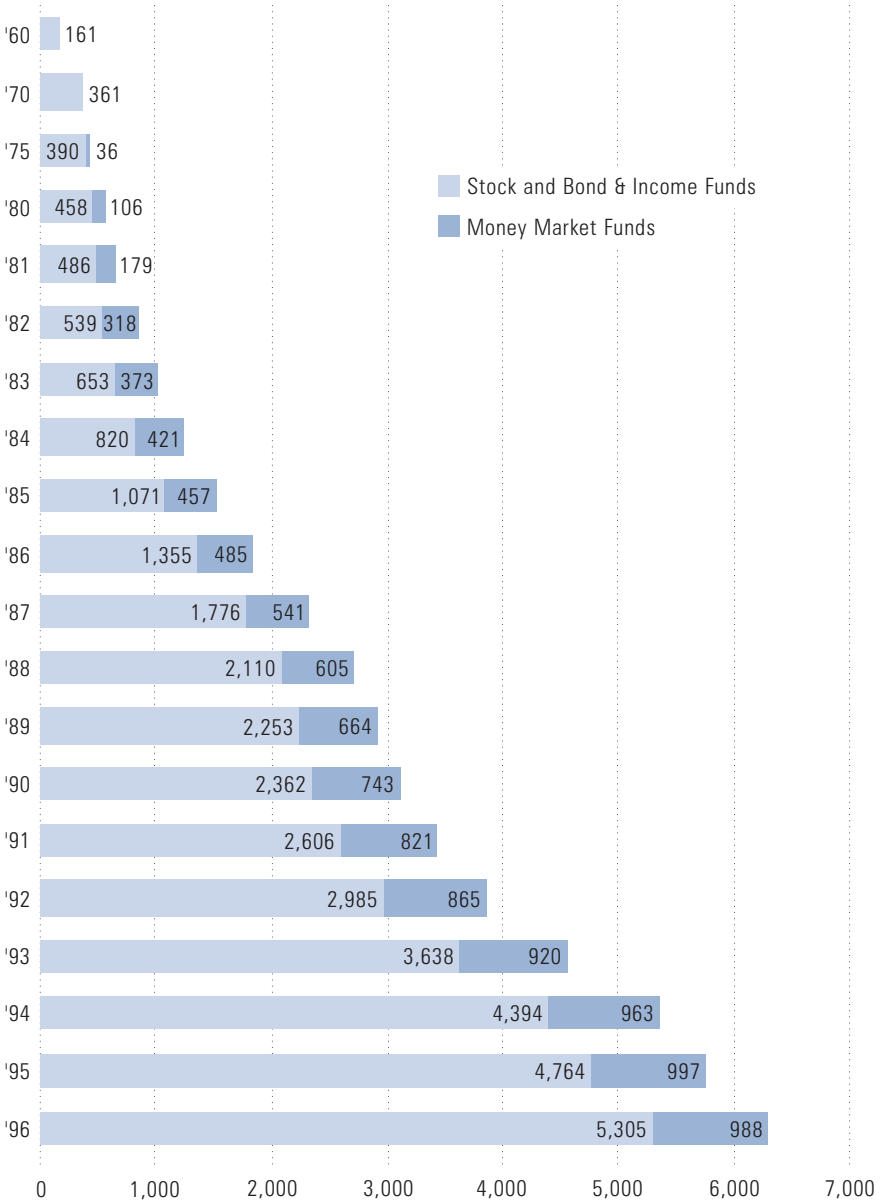
In 1976, the first tax-exempt municipal bond funds were offered, and three years later, the tax-free money market fund was created. It combined the convenience of money market funds and the tax advantages of municipal bond funds. In 1978, the now ubiquitous 401(k) retirement plan was created, as well as the individual retirement plan for the self-employed (or SEP-IRA).

The mutual fund industry also began to introduce even more diverse stock, bond, and money market funds. Today’s mutual funds run the gamut from aggressive growth funds to global bond funds to single state tax-exempt money market funds to “niche” funds that may specialize in one segment of the securities market.

## SERVICES MATURE TOO

Over the past 50 years, mutual fund investors have come to receive an unparalleled array and level of services. These include professional

## Number of Mutual Funds



management in global securities markets, portfolio diversification, trading and execution services, periodic account statements, tax information, daily liquidity and pricing of portfolios, access to fund personnel, and custody of fund portfolio assets.

Mutual funds are also constantly developing and offering new products, services, and distribution channels to meet consumer demands. Much of what we take for granted today—toll-free 24-hour telephone access, computerized account information, and shareholder newsletters—was

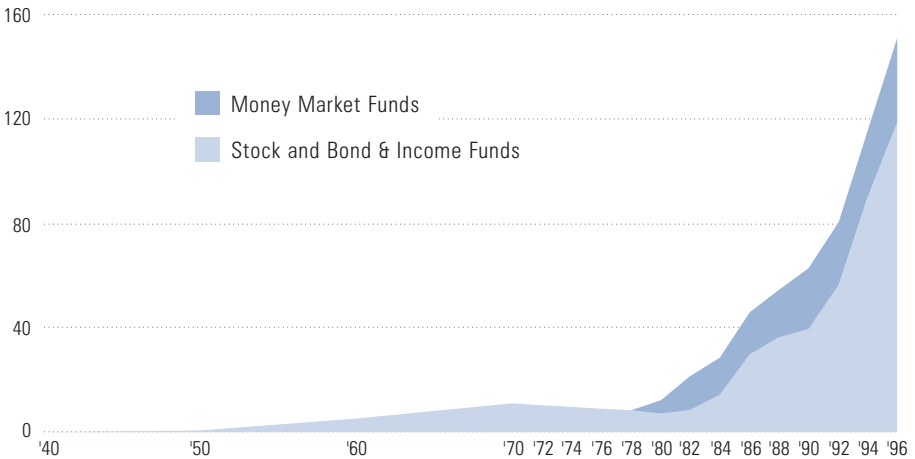
unknown or in its infancy 20 years ago.

## THE INDUSTRY TODAY

The mutual fund industry has enjoyed substantial growth by avoiding the bumps in the road that have occurred in other financial services sectors. The principles that exemplify the industry's long-standing commitment to shareholders—ensuring strong regulation, educating investors, and promoting opportunities for long-term investing—have guided the industry for the past 50 years, and will continue to do so in the future.

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### Mutual Fund Shareholder Accounts (millions)



Note: Please see page 111 for data points on this chart.

## What Is a Mutual Fund?

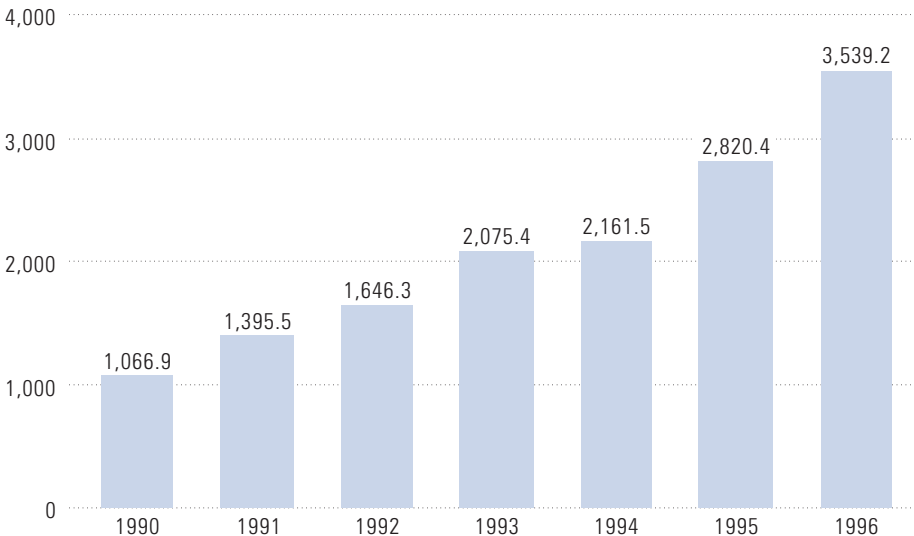
A mutual fund is an investment company that pools money from shareholders and invests in a diversified portfolio of securities. An estimated 63 million individual Americans in 37 million U.S. households own mutual fund shares.

### THREE BASIC TYPES OF MUTUAL FUNDS

There are three basic types of mutual funds: stock (also called equity); bond and income; and

money market. Money market funds are referred to as short-term funds because they invest in securities that generally mature in about one year or less, whereas stock and bond and income funds are known as long-term funds. Of the total \$3.539 trillion invested in mutual funds at the end of 1996, \$1.751 trillion was invested in stock funds, \$886.5 billion in bond and income funds, and \$901.9 billion in money market funds.

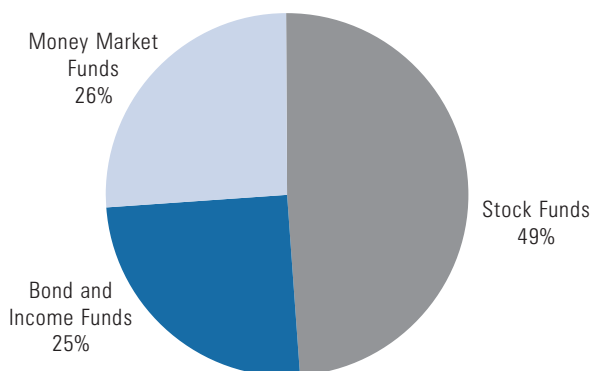
**Assets of Mutual Funds**  
(billions of dollars)



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## How Mutual Fund Assets Are Invested

(Yearend 1996)



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An investor in a mutual fund is a shareholder who buys shares of the fund. Each share represents a proportionate ownership in all the fund's underlying securities. The securities are selected by a professional investment adviser to meet a specified financial goal, such as growth or income.

It is important to remember that you can lose money in a mutual fund. Because funds invest in securities that rise and fall in value, an investor assumes investment risk, including the possible loss of principal. Unlike bank deposits, mutual funds are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency, nor are they guaranteed by any bank or other financial institution—no

matter how or where their shares are sold. Of course, there is also an upside to investment risk.

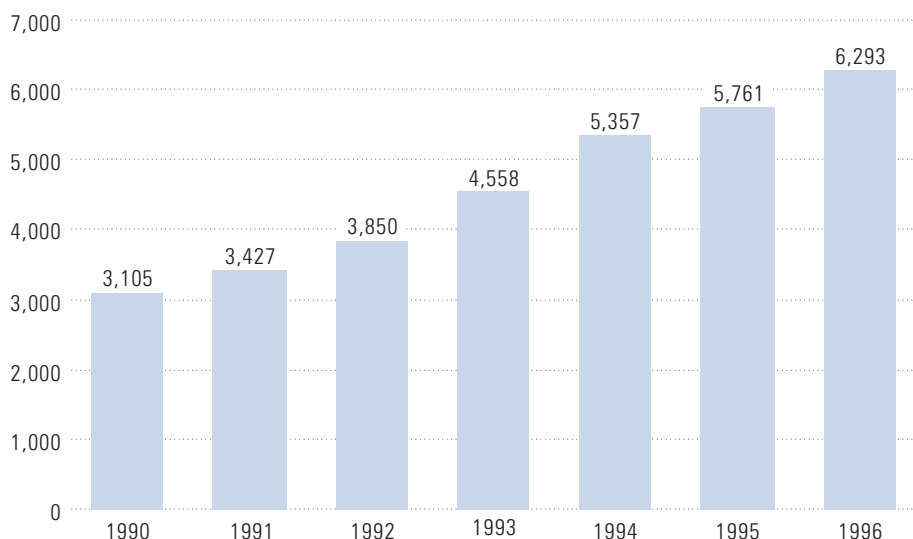
Generally speaking, the greater the investment risk, the greater the potential reward.

### PROFESSIONAL MANAGEMENT

The money accumulated in a mutual fund is managed by professionals who decide investment strategy on behalf of shareholders. These professionals choose investments that best match the fund's objectives as described in the prospectus. Their investment decisions are based on extensive knowledge and research of market conditions and the financial performance of individual companies and specific securities. As economic conditions change, the fund may

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## Number of Mutual Funds



adjust the mix of its investments to adopt a more aggressive or a more defensive posture to meet its investment objective.

### DIVERSIFICATION

Fund managers typically invest in a variety of securities, seeking portfolio diversification. A diversified portfolio helps reduce risk by offsetting losses from some securities with gains in others. The average investor would find it expensive and difficult to construct a portfolio as diversified as that of a mutual fund. Mutual funds provide an economical way for average investors to obtain the same kind of professional money management and diversification of investments

that are available to large institutions and wealthy investors.

### A VARIETY OF FUND INVESTMENTS

There are more than 6,200 mutual funds representing a wide variety of investment objectives, from conservative to aggressive, and investing in a wide range of securities. The Investment Company Institute classifies mutual funds into 21 broad categories according to their basic investment objective (see pages 24 and 25). There are also specialty or sector funds that invest primarily in a specialized segment of the securities markets. Specialty funds include biotechnology funds, small-company growth funds,

## Types of Mutual Funds

### Stock Funds

**Aggressive Growth Funds** seek maximum capital growth; current income is not a significant factor. These funds invest in stocks out of the mainstream, such as new companies, companies fallen on hard times, or industries temporarily out of favor. They may use investment techniques involving greater than average risk.

**Growth Funds** seek capital growth; dividend income is not a significant factor. They invest in the common stock of well-established companies.

**Growth and Income Funds** seek to combine long-term capital growth and current income. These funds invest in the common stock of companies whose share value has increased and that have displayed a solid record of paying dividends.

**Precious Metals/Gold Funds** seek capital growth. Their portfolios are invested primarily in securities associated with gold and other precious metals.

**International Funds** seek growth in the value of their investments. Their portfolios are invested primarily in stocks of companies located outside the U.S.

**Global Equity Funds** seek growth in the value of their investments. They invest in stocks traded worldwide, including those in the U.S.

**Income-Equity Funds** seek a high level of income by investing primarily in stocks of companies with good dividend-paying records.

### Bond and Income Funds

**Flexible Portfolio Funds** allow their money managers to anticipate or respond to changing market conditions by investing in stocks *or* bonds *or* money market instruments, depending on economic changes.

**Balanced Funds** generally seek to conserve investors' principal, pay current income, and achieve long-term growth of principal and income. Their portfolios are a mix of bonds, preferred stocks, and common stocks.

**Income-Mixed Funds** seek a high level of income. These funds invest in income-producing securities, including stocks and bonds.

**Income-Bond Funds** seek a high level of current income. These funds invest in a mix of corporate and government bonds.

**U.S. Government Income Funds** seek current income. They invest in a variety of government securities, including U.S. Treasury bonds, federally guaranteed mortgage-backed securities, and other government notes.

**GNMA (Ginnie Mae) Funds** seek a high level of income. The majority of their portfolios is invested in mortgage securities backed by the Government National Mortgage Association (GNMA).

**Global Bond Funds** seek a high level of income. These funds invest in debt securities of companies and countries worldwide, including those in the U.S.



### *Bond and Income Funds (continued)*

**Corporate Bond Funds** seek a high level of income. The majority of their portfolios is invested in corporate bonds, with the balance in U.S. Treasury bonds or bonds issued by a federal agency.

**High-yield Bond Funds** seek a very high yield, but carry a greater degree of risk than corporate bond funds. The majority of their portfolios is invested in lower-rated corporate bonds.

**National Municipal Bond Funds-Long-term** seek income that is not taxed by the federal government. They invest in bonds issued by states and municipalities to finance schools, highways, hospitals, bridges, and other municipal works.

**State Municipal Bond Funds-Long-term** seek income that is exempt from both federal tax and state tax for residents of that state. They invest in bonds issued by a single state.

### **Money Market Funds**

**Taxable Money Market Funds** seek to maintain a stable net asset value. These funds invest in the short-term, high-grade securities sold in the money market, such as U.S. Treasury bills, certificates of deposit of large banks, and commercial paper. The average maturity of their portfolios is limited to 90 days or less.

**Tax-exempt Money Market Funds-National** seek income that is not taxed by the federal government with minimum risk. They invest in municipal securities with relatively short maturities.

**Tax-exempt Money Market Funds-State** seek income that is exempt from federal tax and state tax for residents of that state. They invest in municipal securities with relatively short maturities issued by a single state.

index funds, funds that invest in other mutual funds, and social criteria funds. The broad selection of funds arose over the years to meet consumer demand for fund products that help meet a variety of financial objectives.

### **DAILY PRICING**

Mutual funds must calculate the price of their shares every business day. Investors can sell (redeem) some or all of their shares anytime

and receive the current share price, which may be more or less than the price originally paid. The share price, called net asset value or NAV, is the market value of all the fund's securities, minus expenses, divided by the total number of shares outstanding. The NAV changes as the values of the underlying securities rise or fall, and as the fund changes its portfolio by buying new securities or selling existing ones. Daily NAVs appear

## How to Read Newspaper Fund Quotes

|               |       |       |     |               |       |       |     |
|---------------|-------|-------|-----|---------------|-------|-------|-----|
| <b>Apzbc:</b> |       |       |     | Grxya         | 15.30 | N.L.  | +04 |
| Axyte         | 9.95  | 10.73 | ... | Gsrxab r      | 12.96 | N.L.  | -04 |
| Bxy Xer       | 10.37 | 11.33 | -01 | Hilt Ltd      | 10.54 | N.L.  | -02 |
| Dar Rppe      | 7.38  | 8.07  | +09 | Holpre r      | 8.40  | N.L.  | -02 |
| Income        | 3.16  | 3.45  | +01 | Hprl Rd       | 13.58 | N.L.  | +07 |
| Tbq Ratl      | 9.97  | 10.47 | +01 | Nev.Sra       | 16.65 | N.L.  | -01 |
| Tbqr Dt       | 10.19 | 10.70 | -02 | Ow Nort       | 13.53 | N.L.  | +17 |
| Xypr Ap r     | 10.05 | 10.98 | -01 | Sys Run       | 5.08  | N.L.  | +01 |
|               |       |       |     | Tqr Hyd       | 8.73  | N.L.  | +02 |
| <b>Brikd:</b> |       |       |     | Tuir IS       | 10.26 | N.L.  | -03 |
| Blgr Dfr      | 15.64 | 16.46 | -03 | Tvsa Ei       | 5.11  | N.L.  | +01 |
| Bmo Pnc       | 8.54  | N.L.  | -06 | Veersl Yr     | 9.49  | 9.87  | +07 |
| Bto Bmd       | 7.27  | 7.65  | ... |               |       |       |     |
| <b>Cmyog:</b> |       |       |     | <b>Fdrk:</b>  |       |       |     |
| MIA p         | 11.86 | 12.79 | +01 | Uhd Eec p     | 10.18 | N.L.  | +03 |
| MIX           | 11.44 | 12.33 | +03 | Rho Qnd p     | 10.77 | N.L.  | +02 |
| Miy p         | 9.70  | 10.46 | -01 | lro Nico p    | 8.54  | N.L.  | -06 |
| MBF           | 11.58 | 12.49 | +04 | <b>Gppl:</b>  |       |       |     |
| MBI           | 14.18 | 15.92 | +20 | Allist B      | 24.00 | N.L.  | +01 |
| MBR           | 11.99 | 12.93 | +03 | Cuy Nini      | 10.76 | N.L.  | -03 |
| MRI           | 13.47 | 14.18 | -04 | Egryti        | 15.87 | 16.71 | +02 |
| Mill          | 7.66  | 8.26  | +02 | Ginta Ir      | 12.00 | N.L.  | +01 |
| MDX           | 10.00 | 10.50 | ... | Gvrt Lis      | 10.18 | N.L.  | +03 |
| DMX r         | 9.74  | 10.23 | ... | Heai lec      | 10.40 | 10.51 | -02 |
| GYI           | 6.93  | 7.47  | -03 | Jbd Hld       | 10.23 | 10.77 | -04 |
| JAM           | 10.01 | 10.79 | -02 | Jiy Sun       | 14.78 | 15.40 | +03 |
| JEL           | 10.09 | 10.59 | -06 | Mini JN       | 10.93 | N.L.  | -01 |
| MTNC          | 10.25 | 10.76 | -02 | Op Sec        | 12.97 | 13.65 | ... |
| MPRS r        | 10.12 | 10.62 | +02 | Prtm Ta       | 16.40 | 17.26 | +03 |
| Jellies       | 20.33 | N.L.  | +01 | Rsil Nc       | 15.33 | 16.14 | -06 |
| Sulter        | 23.81 | N.L.  | +13 | Esrch R t     | 9.24  | N.L.  | -04 |
|               |       |       |     | Xiil Ndx      | 12.13 | 12.77 | +22 |
| <b>Drxpg:</b> |       |       |     | <b>Htoje:</b> |       |       |     |
| Bakc Jau      | 15.45 | 16.52 | +06 | ACT trp t     | 47.99 | 49.22 | +06 |
| Cryl Ba       | 20.68 | 22.12 | +05 | ACT asp r     | 48.89 | 50.14 | +11 |
| Gryd 3        | 12.10 | 12.60 | -04 | Aal AxC       | 14.15 | 14.86 | -03 |
| Frp Dup       | 9.80  | 10.45 | -11 | Batl Pd       | 10.18 | N.L.  | +03 |
| Fye Pm        | 12.61 | N.L.  | ... | Chrg tt       | 14.28 | 15.61 | -01 |
| Hv Finc       | 8.19  | 8.53  | -01 | Dnry E f      | 11.04 | 12.07 | +03 |
| Hx Papie      | 10.96 | 11.42 | -06 | Grante        | 12.02 | 13.14 | -02 |
| Lerl Eiy t    | 10.02 | 10.95 | +02 | Hdro le       | 11.53 | 12.60 | -01 |
| Jxt RP        | 10.90 | 11.12 | -04 | Jlen.Hc       | 18.82 | 20.57 | +12 |
| Lante         | 12.01 | 13.14 | -02 | Jl Ncom       | 11.97 | 12.84 | -06 |
| Mina Si       | 7.36  | 7.67  | -01 | Kgh Pod p     | 15.46 | 16.58 | -01 |
| Msalft t      | 9.56  | 9.96  | +01 | Tbq Ratl      | 17.07 | 18.60 | +08 |
| Nuz Bai       | 9.85  | 9.95  | ... | Tbqr Dt       | 10.72 | 11.72 | +01 |
| Oceana        | 16.49 | 17.64 | +12 |               |       |       |     |

The following is an example of how mutual fund tables appear in many newspapers.

- ▶ The first column is the abbreviated fund's name. Several funds listed under a single heading indicate a family of funds.
- ▶ The second column is the Net Asset Value (NAV) per share as of the close of the preceding business day. In some newspapers, the NAV is identified as the sell or the bid price—the amount per share you would receive if you sold your shares (less the deferred sales charge, if any). Each mutual fund determines its net asset value every business day by dividing the market value of its total net assets, less liabilities, by the number of shares outstanding. On any given day, you can determine the value of your holdings by multiplying the NAV by the number of shares you own.
- ▶ The third column is the offering price or, in some papers, the buy price or the asked price—the price you would pay if you purchased shares. The buy price is the NAV plus any sales charges. If there are no initial sales charges, an NL for no-load appears in this column, and the buy price is the same as the NAV. To figure the sales charge percentage, divide the difference between the NAV and the offering price by the offering price. Here, for instance, the sales charge is 5 percent ( $\$14.18 - \$13.47 = \$0.71$ ;  $\$0.71 \div \$14.18 = 0.050$ ).
- ▶ The fourth column shows the change, if any, in net asset value from the preceding day's quotation—in other words, the change over the most recent one-day trading period. This fund, for example, gained six cents per share.
- ▶ A "p" following the abbreviated name of the fund denotes a fund that charges an annual fee from assets for marketing and distribution costs, also known as a 12b-1 plan (named after the 1980 Securities and Exchange Commission rule that permits them).
- ▶ If the fund name is followed by an "r," the fund has either a contingent deferred sales charge (CDSC) or a redemption fee. A CDSC is a charge if shares are sold within a certain period; a redemption charge is a fee applied whenever shares are sold.
- ▶ A "t" designates a fund that has both a CDSC or a redemption fee and a 12b-1 fee.
- ▶ An "f" indicates a fund that habitually enters the previous day's prices, instead of the current day's.

Other footnotes may also apply to a fund listing. Please see the explanatory notes that accompany mutual fund tables in your newspaper.

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## Dividends and Reinvestment All Types of Mutual Funds

(billions of dollars)

| Year | Investment Income<br>Dividends | Reinvested<br>Dividends | Percent<br>Reinvested |
|------|--------------------------------|-------------------------|-----------------------|
| 1978 | \$2.5                          | \$1.8                   | 71.3%                 |
| 1979 | 5.2                            | 3.7                     | 72.2                  |
| 1980 | 10.4                           | 8.5                     | 81.3                  |
| 1981 | 21.7                           | 19.7                    | 91.7                  |
| 1982 | 25.8                           | 22.9                    | 88.8                  |
| 1983 | 18.8                           | 15.7                    | 83.5                  |
| 1984 | 23.7                           | 18.4                    | 77.6                  |
| 1985 | 28.9                           | 20.4                    | 70.6                  |
| 1986 | 35.8                           | 25.5                    | 71.2                  |
| 1987 | 47.4                           | 30.9                    | 65.2                  |
| 1988 | 52.6                           | 33.2                    | 63.1                  |
| 1989 | 62.7                           | 43.6                    | 69.5                  |
| 1990 | 63.0                           | 47.5                    | 75.4                  |
| 1991 | 64.0                           | 47.1                    | 73.6                  |
| 1992 | 79.5                           | 45.1                    | 56.7                  |
| 1993 | 92.5                           | 49.9                    | 53.9                  |
| 1994 | 85.2                           | 56.1                    | 65.8                  |
| 1995 | 104.5                          | 74.9                    | 71.7                  |

in the financial pages of most major newspapers.

When a fund earns money on its portfolio securities, it distributes the earnings to shareholders as dividends or, if the securities are sold for a profit, as capital gains. Shareholders also may elect to reinvest their dividends and capital gains in the purchase of additional fund shares. If the overall value of the securities held by a fund increases, the value of the fund's

portfolio increases as well.

Dividends and capital gains are paid out to the fund's shareholders in proportion to the number of shares owned. Thus, investors who put \$1,000 in the fund get the same investment return per dollar as those who invest \$100,000.

### REGULATION

All U.S. funds are subject to strict regulation and oversight by the Securities and Exchange

Commission (SEC). As part of this regulation, all funds must provide investors with full and complete disclosure about the fund in a written prospectus. This document describes, among other things, the fund's investment objective, its investment methods, information about how to purchase and redeem shares, information about the investment adviser, and the level of

risk the fund is willing to assume in pursuit of its objective. The SEC requires the placement of a fee table at the front of every prospectus. The fee table below outlines all fund fees and expenses and can be used to compare the costs of different funds.

All funds are required to provide their shareholders with annual and semiannual reports that contain

## Mutual Fund Fees and Expenses

**Shareholder Transaction Expenses** are fees charged directly to the investor's account for a specific transaction, such as a purchase, redemption, or exchange.

- ▶ A *front-end sales charge* or "*load*" may be attached to the initial purchase of mutual fund shares. This fee is to compensate a financial professional for his or her services. By law, this charge may not exceed 8.5 percent of the initial investment, although most fund families charge less than the maximum.
- ▶ A *contingent deferred sales charge*, imposed at the time of redemption, is an alternative way to compensate financial professionals for their services. This fee typically applies for the first few years of ownership and then disappears.
- ▶ A *redemption fee* is another type of back-end charge for redeeming shares. It is expressed as a dollar amount or as a percentage of the redemption price.
- ▶ An *exchange fee* is the fee, if any, charged when transferring money from one fund to another within the same fund family.

**Annual Operating Expenses** reflect the normal costs of operating the fund (e.g., maintaining offices, staff, and equipment). Unlike transaction fees, these expenses are not charged directly to an investor's account, but are deducted from fund assets before earnings are distributed to shareholders.

- ▶ *Management fees* are ongoing fees charged by the fund's investment adviser for managing the fund and selecting its portfolio of securities. These fees generally average between 0.5 percent and 1 percent of the fund's assets annually.

*12b-1 fees*, charged by some funds, are deducted from fund assets to pay marketing and advertising expenses or, more commonly, to compensate sales professionals. By law, 12b-1 fees cannot exceed 0.75 percent of the fund's average net assets per year. The fund may also charge a service fee of up to 0.25 percent of average net assets per year to compensate sales professionals.

recent information on the fund's portfolio, performance, and investment goals and policies. In addition, the investor receives a yearly statement detailing the federal tax status of his or her earnings from the fund. Mutual fund shareholders are taxed on the fund's income directly, as if they held the underlying securities themselves. Similarly, any tax-exempt income received by a fund is generally passed on to the shareholders as tax-exempt.

Mutual funds are regulated under four federal laws designed to

protect investors. The Investment Company Act of 1940 requires all funds to register with the SEC and to meet certain operating standards; the Securities Act of 1933 mandates specific disclosures; the Securities Exchange Act of 1934 sets out antifraud rules covering the purchase and sale of fund shares; and the Investment Advisers Act of 1940 regulates fund advisers.

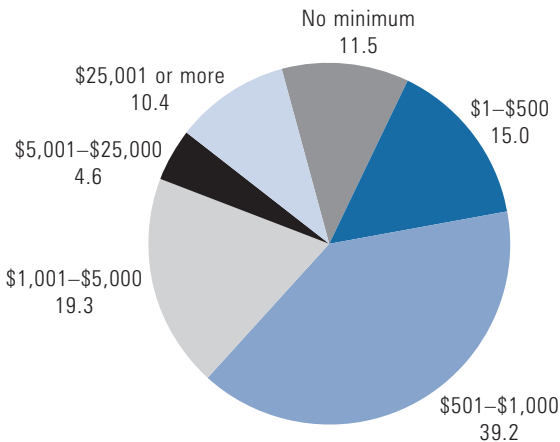
## ACCESSIBILITY

Mutual fund shares are easy to buy. Investors (outside retirement plans) may purchase fund shares either

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### Minimum Investment Requirements

(percent distribution of funds by minimum investment requirement)\*



*\*Many mutual funds offer lower investment minimums for Individual Retirement Accounts and automatic investment plans.*

## Capital Gains and Dividend Distributions to Shareholders All Types of Mutual Funds

(billions of dollars)

|      | <b>Net Realized<br/>Capital Gains</b> | <b>Equity and<br/>Bond &amp; Income<br/>Funds</b> | <b>Taxable<br/>Money Market<br/>Funds</b> | <b>Tax-exempt<br/>Money Market<br/>Funds</b> |
|------|---------------------------------------|---|---|--|
| 1978 | \$0.7                                 | \$2.1   | \$0.4                                     | -  |
| 1979 | 0.9                                   | 2.5   | 2.7                                       | -  |
| 1980 | 1.8                                   | 2.7   | 7.7                                       | \$0.1  |
| 1981 | 2.7                                   | 3.1   | 18.5                                      | 0.1  |
| 1982 | 2.4                                   | 3.8   | 21.7                                      | 0.3  |
| 1983 | 4.4                                   | 5.0   | 13.2                                      | 0.6  |
| 1984 | 6.0                                   | 7.2   | 15.4                                      | 1.0  |
| 1985 | 5.0                                   | 12.9  | 14.4                                      | 1.6  |
| 1986 | 17.5                                  | 22.3  | 11.1                                      | 2.4  |
| 1987 | 23.0                                  | 31.8  | 12.8                                      | 2.8  |
| 1988 | 6.3                                   | 32.0  | 17.3                                      | 3.5  |
| 1989 | 14.8                                  | 34.1  | 24.7                                      | 3.9  |
| 1990 | 8.1                                   | 32.9  | 26.3                                      | 3.8  |
| 1991 | 14.1                                  | 35.3  | 25.2                                      | 3.5  |
| 1992 | 22.3                                  | 59.2  | 17.2                                      | 3.1  |
| 1993 | 36.1                                  | 73.3  | 15.9                                      | 3.3  |
| 1994 | 30.0                                  | 61.5  | 20.5                                      | 3.2  |
| 1995 | 54.6                                  | 67.5  | 32.8                                      | 4.2  |
| 1996 | 101.1                                 | 73.7  | 38.3                                      | 4.2  |

with the help of an investment professional (e.g., a broker, financial planner, bank representative, or insurance agent) or directly, based on the investor's own research and knowledge. Investment professionals provide services to investors—analyzing the client's financial needs and objectives and recommending appropriate funds. They are compensated for those services, generally

through a fee for service, a sales commission, or through 12b-1 fees deducted from the fund's assets.

Direct-marketed funds are sold through the mail, by telephone, or at office locations. They typically offer fund shares to the public with a low sales charge or none at all. Funds that do not charge a sales commission are known as "no-loads." Because direct-marketed

funds do not usually offer specific investment advice, investors are required to do their own research and determine which funds meet their needs.

Mutual funds may also be offered as investment selections in 401(k) plans and other employee benefit plans. (See Chapter 7 for more information on mutual funds and the retirement market).

## SHAREHOLDER SERVICES

Mutual funds offer a wide variety of services to meet shareholders' needs. These services include toll-free (800) telephone numbers,

24-hour telephone access, touch-tone telephone access to account information and transactions, consolidated account statements, shareholder cost basis (tax) information, exchanges between funds, automatic investments, checkwriting privileges on many money market and some bond funds, automatic reinvestment of fund dividends, and automatic withdrawals. Mutual funds also provide extensive investor education and shareholder communications, including newsletters, brochures, retirement and other planning guides, and websites.

# THE ORGANIZATION AND OPERATION OF A MUTUAL FUND

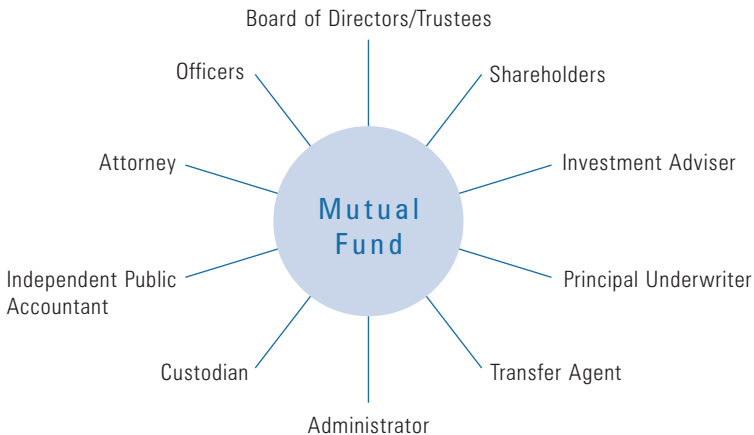
Mutual funds are highly regulated financial entities that must comply with a large number of federal laws and regulations. In particular, the Securities and Exchange Commission (SEC) regulates mutual funds under the Investment Company Act of 1940. The 1940 Act imposes restrictions not only on mutual funds but also on their investment advisers, principal underwriters, directors, officers, and employees.

Virtually all mutual funds are externally managed. They do not have employees of their own. Instead, their operations are

conducted by affiliated organizations and independent contractors. The diagram below depicts a typical mutual fund complex, including its principal service providers. Their roles are described next.

## DIRECTORS

A mutual fund is governed by a board of directors. The directors of a mutual fund have oversight responsibility for the management of the fund's business affairs. They must exercise the care that a reasonably prudent person would take with his or her own business. They are expected to exercise sound





business judgment, establish procedures, and undertake oversight and review of the performance of the investment adviser, principal underwriter, and others that perform services for the fund.

A provision of the 1940 Act states that at least 40 percent of a fund's board of directors must be independent of the fund's investment adviser or principal underwriter. Independent fund directors serve as watchdogs for shareholder interests and oversee a fund's investment adviser and others closely affiliated with the fund.

## SHAREHOLDERS

Like shareholders of other companies, mutual fund shareholders have specific rights. These include, with limited exceptions, the 1940 Act requirement that directors be elected by shareholders at a meeting called for that purpose. Material changes in the terms of a fund's investment advisory contract must be approved by a shareholder vote, and funds seeking to change investment objectives or policies deemed fundamental must also seek shareholder approval.

## INVESTMENT ADVISER

An investment adviser is responsible for selecting portfolio investments consistent with objectives

and policies stated in the mutual fund's prospectus. The investment adviser places portfolio orders with broker-dealers and is responsible for obtaining the best overall execution of portfolio orders.

A written contract between a mutual fund and its investment adviser specifies the services the adviser performs. Most advisory contracts provide for the adviser to receive an annual fee based on a percentage of the fund's average net assets.

The adviser is subject to numerous legal restrictions, especially regarding transactions between itself and the fund it advises.

## ADMINISTRATOR

Administrative services may be provided to a fund by an affiliate of the fund, such as the investment adviser, or by an unaffiliated third party. Administrative services include overseeing the performance of other companies that provide services to the fund and ensuring that the fund's operations comply with federal requirements. Typically, a fund administrator pays for office costs and personnel, provides general accounting services, and may also prepare and file SEC, tax, shareholder, and other reports.

## PRINCIPAL UNDERWRITER

Most mutual funds continuously offer new shares to the public at a price based on the current value of fund assets minus any sales charges. Mutual funds usually distribute their shares through separate organizations designated as principal underwriters. Principal underwriters are regulated as broker-dealers and are subject to National Association of Securities Dealers, Inc. (NASD) rules governing mutual fund sales practices.

## CUSTODIAN

Mutual funds are required by law to protect their portfolio securities by placing them with a custodian. Nearly all mutual funds use qualified bank custodians.

The SEC requires mutual fund custodians to segregate mutual fund portfolio securities from other bank assets.

## TRANSFER AGENT

A transfer agent is employed by a mutual fund to conduct record-keeping and related functions. Transfer agents maintain records of shareholder accounts, calculate and disburse dividends, and prepare and mail shareholder account statements, federal income tax information, and other shareholder notices. Some transfer agents prepare and mail statements confirming shareholder transactions and account balances, and maintain customer service departments to respond to shareholder inquiries.

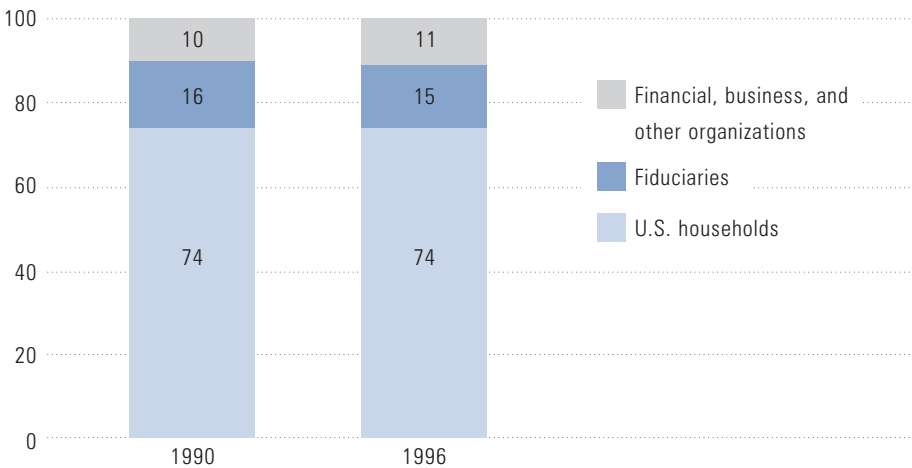
# MUTUAL FUND OWNERSHIP AND SHAREHOLDER BEHAVIOR

U.S. households own the majority of the mutual fund industry's \$3.539 trillion in assets. As of yearend 1996, they held \$2.626 trillion, or 74.2 percent, of mutual fund assets, while fiduciaries—banks and individuals serving as trustees, guardians, or administrators—and other institutional investors held the remaining \$913 billion, or 25.8 percent.

## U.S. HOUSEHOLD FINANCIAL ASSETS

In 1996, U.S. households, on net, purchased \$543 billion of financial assets, including mutual funds, up 8.7 percent from \$499.6 billion in 1995. The increase in net purchases of financial assets was partly financed through higher household saving, which rose 8.3 percent to \$274.0 billion. In addition, a

**Composition of Mutual Fund Ownership**  
(percent of total mutual fund assets)



*Note: Total assets of mutual funds were \$1.067 trillion at yearend 1990 and \$3.539 trillion at yearend 1996.*

pickup in household borrowing in 1996 indirectly helped finance the increase in household purchases of financial assets.

Households directed a significantly higher proportion of their purchases of financial assets to long-term mutual funds in 1996. Stock and bond and income funds garnered a 53.2 percent share of household net acquisitions of financial assets, up from 35.2 percent in 1995.

The increased purchases of long-term fund shares, most of which were equity funds, likely reflected

the strong showing of the U.S. stock market, and may have reflected heightened concern about investing for retirement, as the media and financial advisers stressed retirement savings issues and holding stocks for such long-term objectives. Indeed, inflows to long-term funds from private pension plans—largely defined-contribution plans—doubled last year (see Chapter 7 for more information on mutual funds and the retirement market).

Since the late 1980s, mutual funds have captured an increasing

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### Net Acquisition of Selected Financial Assets by Households

(billions of dollars)

|  | <b>1995</b> | <b>1996</b> |
|--|-------------|-------------|
| Total                                  | 499.6       | 543.5       |
| Long-term Mutual Funds <sup>1</sup>    | 175.7       | 288.9       |
| Deposits and Money Market Mutual Funds | 202.1       | 178.9       |
| Debt Securities                        | (6.6)       | 11.8        |
| Corporate Equity <sup>2</sup>          | (206.4)     | (280.8)     |
| Memo:                                  |             |             |
| Personal Saving                        | 249.3       | 274.0       |
| Net Increase in Liabilities            | 394.9       | 420.4       |

<sup>1</sup>Net purchases of stock and bond and income mutual funds by the household sector, including purchases made through bank personal trusts and private pension funds.

<sup>2</sup>Net purchases of corporate equity, including acquisitions through bank personal trusts and defined-contribution plans.

Source: Federal Reserve Board, Employee Benefit Research Institute, and Investment Company Institute

share of the growing 401(k) market, which at the end of 1995 amounted to an estimated 38.7 percent of the \$675 billion of outstanding plan assets, and industry reports suggest that the share likely increased in 1996.

## U.S. HOUSEHOLD NET PURCHASES OF EQUITIES

Households were net sellers of corporate stocks in 1996 despite increased investments in equity mutual funds. Through equity funds, households made an estimated \$214 billion of net purchases of corporate equities. At the same time, they liquidated \$281 billion in direct holdings. These sales primarily were the product of share retirements associated with corporate repurchase programs and with corporate acquisitions and mergers.

Last year's net redemptions of corporate stock marked the third straight year in which households liquidated stock holdings. Indeed, over this period, net sales of equity by households amounted to \$207 billion. The magnitude of this liquidation points up the importance of considering the entire scope of household investment activity, not just that involving mutual funds, in considering the flow of cash into the stock market.

## EQUITY SHARE OF HOUSEHOLD ASSETS

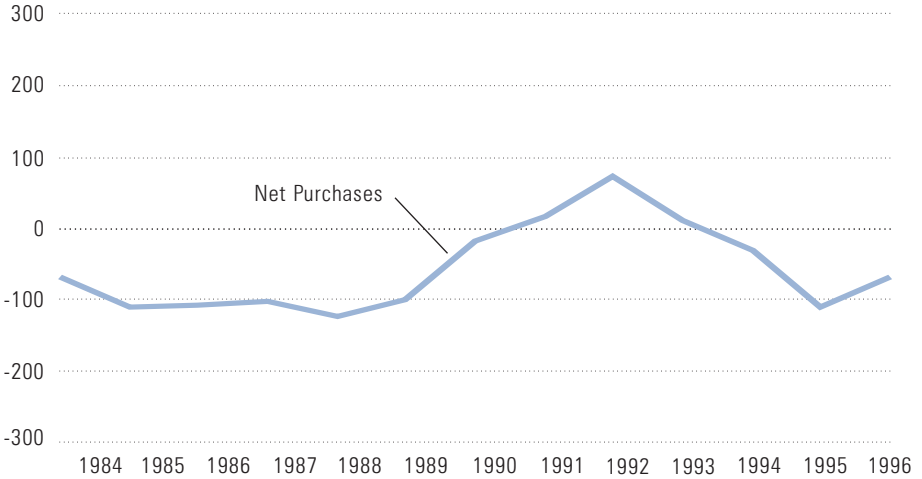
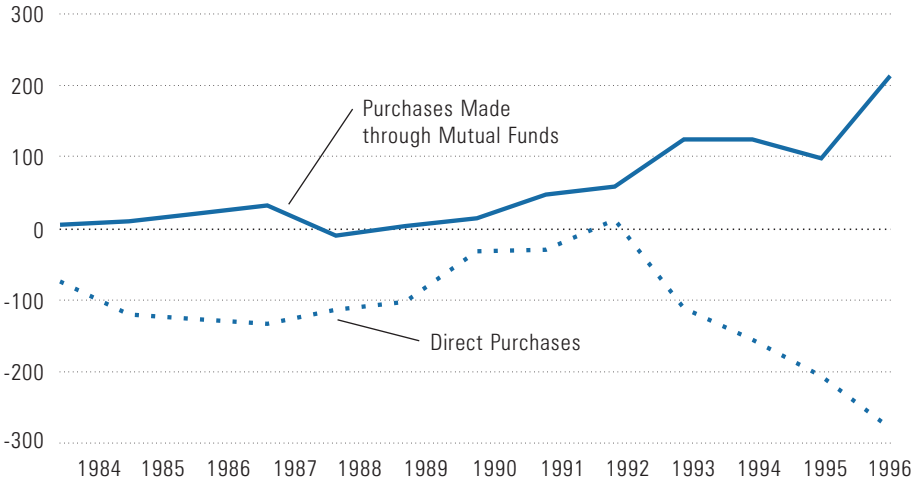
Even though households have been net sellers of corporate equities during the past three years, the share of household financial assets held as equities has increased as a result of rising stock prices. At yearend 1996, the value of household equity holdings, held directly or indirectly, was an estimated \$7.3 trillion and amounted to 31.1 percent of household financial assets. Nevertheless, the share of household assets held as corporate equities is below the peak of 33.9 percent reached in 1968 following the run-up in the stock market during the 1960s.

## OTHER HOUSEHOLD BALANCE SHEET DEVELOPMENTS

Net purchases of liquid assets—deposits and money market funds—were essentially unchanged, and households also directly bought \$11.8 billion in debt securities in 1996. Within the latter class of assets, households continued to liquidate direct holdings of municipal bonds, as they did with indirect holdings through municipal bond funds. This may have reflected concern during the year with the “flat-tax” proposal that many viewed as adversely affecting the tax status of municipal bonds.

## Purchases of Equities by Households\*

(billions of dollars)



\*Direct purchases of equities include purchases through closed-end funds, personal trusts, and private defined-contribution plans.

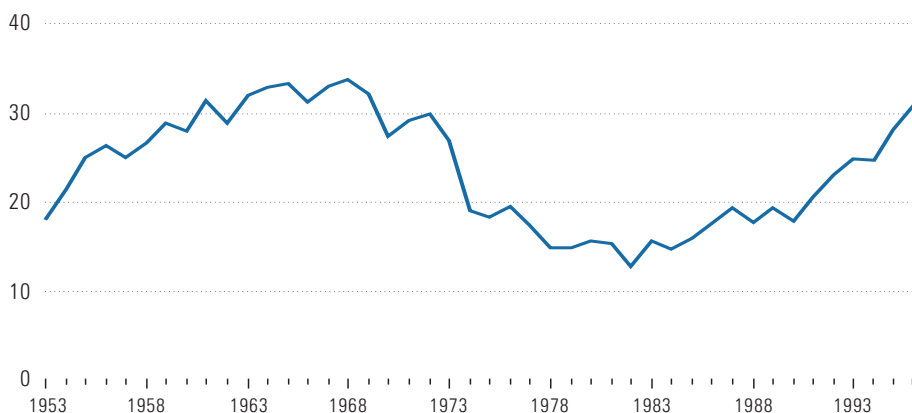
Source: Federal Reserve Board, Employee Benefit Research Institute, and Investment Company Institute

Note: See page 111 for data points for these charts.

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## Total Holdings of Equities by Households\*

(percent of total financial assets of households)



\*Equities held directly, or through mutual funds, bank personal trusts and estates, and defined-contribution plans. Data are annual averages of quarterly data.

Source: Federal Reserve Board, Employee Benefit Research Institute, and Investment Company Institute

Note: See page 112 for data points for this chart.

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There also has been a sizable reduction in outstanding tax-exempt bonds over the past three years that perforce has resulted in liquidations by the largest holder of such securities, the household sector. Households were net buyers of government-related securities in 1996, in contrast to outflows from U.S. Government and Ginnie Mae funds.

### U.S. SHAREHOLDER CHARACTERISTICS

Investment Company Institute research conducted in 1995 found that the average mutual fund

investor is middle class, 44 years old, has financial assets of \$50,000, and is likely to be married and employed. The investment decisionmaker in a fund-owning household is most often solely a man (47 percent compared with 32 percent women). Men and women share decisionmaking in 21 percent of households. Shareholders are fairly evenly distributed among age groups, and only 18 percent of shareholders are retired.

The typical mutual fund investor purchased his or her first fund shares in 1990 or earlier (68

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## Household Owners of Mutual Funds Demographic and Financial Characteristics, 1995<sup>1</sup>

|  | First Purchase<br>in 1990<br>or Earlier | First Purchase<br>in 1991<br>or Later |
|--|---|---------------------------------------|
| <b>Demographic Characteristics</b>             |   |                                       |
| Median Age                                     | 46                                      | 37                                    |
| Percent of Households                          |   |                                       |
| Married  | 73                                      | 63                                    |
| Employed, full or part-time                    | 79                                      | 88                                    |
| Minor children <sup>2</sup>                    | 41                                      | 48                                    |
| Four year college degree or more               | 60                                      | 55                                    |
| <b>Financial Characteristics</b>               |   |                                       |
| Median household income                        | \$60,000                                | \$50,000                              |
| Median household financial assets <sup>3</sup> | \$70,000                                | \$25,000                              |
| Percent of Households Owning: <sup>4</sup>     |   |                                       |
| Individual stocks                              | 57                                      | 48                                    |
| Individual bonds                               | 27                                      | 19                                    |
| Annuities                                      | 29                                      | 18                                    |
| IRA  | 75                                      | 60                                    |
| 401(k)   | 51                                      | 50                                    |

<sup>1</sup>Characteristics of primary financial decisionmaker in the household.

<sup>2</sup>Percent of married households.

<sup>3</sup>Excludes assets in employer-sponsored retirement plans.

<sup>4</sup>Multiple responses included.

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percent). Among these seasoned fund investors, 57 percent also own individual stocks, and 75 percent have Individual Retirement Accounts. Roughly half of seasoned fund investors added money to an existing account in the year preceding the July 1995 survey.

Fund investors have long-term goals. Eighty-four percent cite retirement as one of their

investment goals, and 26 percent list saving for their children's or grandchildren's college education.

The typical mutual fund investor owns more than one kind of fund. For instance, investors in equity mutual funds typically hold three different funds, and more than half of them also hold bond and income funds. About 70 percent of equity fund investors



## Ownership Characteristics of Mutual Fund Households<sup>1</sup>

|  | <b>First Purchase<br/>in 1990<br/>or Earlier</b> | <b>First Purchase<br/>in 1991<br/>or Later</b> |
|--|--|--|
| Median mutual fund assets  | \$25,000   | \$7,000  |
| Median number of funds owned   | 3  | 2  |
| Percent  |  |  |
| Household assets in mutual funds <sup>2</sup>                          | 36   | 28   |
| Fund types owned <sup>3</sup>  |  |  |
| Equity   | 75   | 71   |
| Bond and income  | 50   | 38   |
| Money market   | 54   | 45   |
| Households using purchase channels                                     |  |  |
| Sales force  | 65   | 60   |
| Direct market  | 33   | 29   |
| Investment goal <sup>3</sup>   |  |  |
| Retirement   | 81   | 77   |
| Children's education   | 24   | 27   |
| Risk tolerance profile   |  |  |
| Willing to take:   |  |  |
| Substantial risk with expectation of substantial gain                  | 8  | 10   |
| Above-average risk with expectation of above-average gain              | 36   | 38   |
| Average risk with expectation of average gain                          | 41   | 36   |
| Below-average risk with expectation of below-average gain              | 10   | 13   |
| No risk  | 6  | 3  |
| Awareness: Agreed that investing in stock and bond funds involves risk | 96   | 100  |
| Evaluations: Assessed risk of most recent stock or bond fund purchase  | 67   | 71   |
| Horizon: Assess mutual fund risk in time frame exceeding five years    | 65   | 62   |

<sup>1</sup>Excludes mutual funds in employer-sponsored retirement plans.

<sup>2</sup>Excludes any mutual fund assets held in employer-sponsored retirement plans.

<sup>3</sup>Multiple responses included.

bought their first fund shares in 1990 or earlier; half added money to an existing account in the previous year. In addition, 61 percent of all equity fund shareholders and 59 percent of all bond and income fund shareholders own individual stocks. The types of funds owned tend not to differ according to age or financial assets of shareholder, or sex of investment decisionmaker.

## WOMEN INVESTORS

Thirty-two percent of fund-owning household investment decisionmakers are solely women. As a group, they are very similar to male household investment decisionmakers except that they tend to be slightly older, are less likely to be married (although half of them are married), and are more likely to be widowed. They are also more cautious investors, tolerating a lower level of risk than the average male decisionmaker, and are slightly more likely to use a financial adviser.

## GENERATIONAL DIFFERENCES

Generation X (ages 18 to 30) respondents are very interested in mutual fund investing. This group of shareholders has the lowest level of household assets, yet has the second highest portion of its financial assets in mutual funds (38

percent), after those ages 50 to 70. Not surprisingly, Generation X fund owners also have the highest tolerance for investment risk.

Baby Boomer shareholders (ages 31 to 49) have twice as many financial assets in mutual funds as Generation X fund investors, yet a smaller percentage of their assets is invested in funds. Baby Boom fund owners also tend to own more types of funds than Generation X fund owners, who typically have more assets in equity funds. Retirement as a goal for fund investment was high for shareholders of all generations, ranging from 72 percent to 89 percent.

## SHAREHOLDER BEHAVIOR DURING PERIODS OF MARKET VOLATILITY

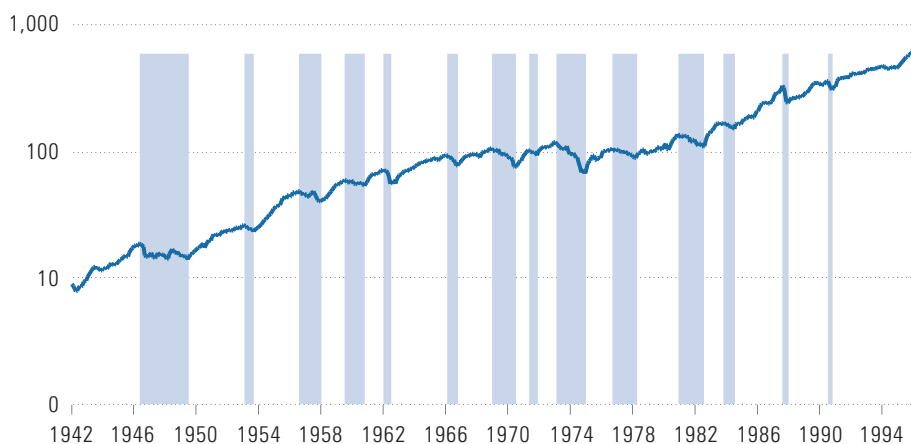
An Investment Company Institute analysis covering more than 50 years—including 14 major market contractions and several sharp market sell-offs—found no historical evidence of mass redemptions from stock mutual funds during U.S. stock market contractions. This analysis is consistent with evidence from shareholder surveys that suggests mutual fund owners have a long-term investment horizon and basic understanding of risk.

*A Post–World War II Analysis.* To determine the historical response of mutual fund shareholders to

## S & P 500 Stock Price Index\*

(monthly average of daily index)

Ratio Scale



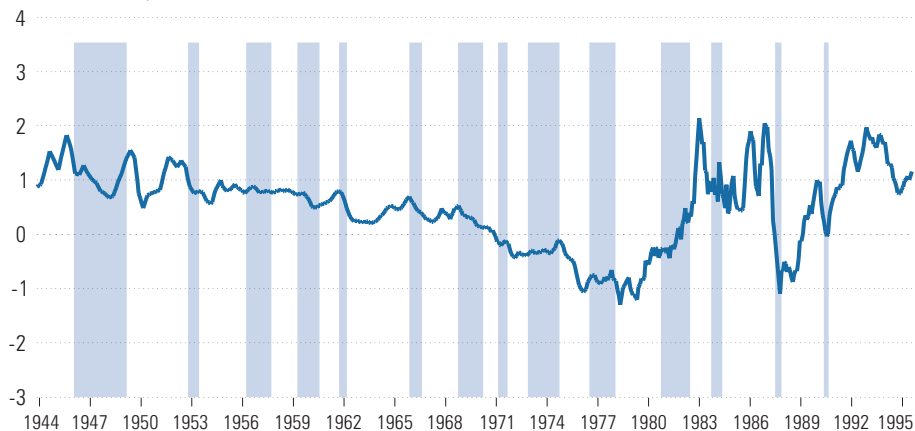
1941-43 = 10

\*Shaded regions represent contraction phase of stock market cycle.

## Net Flow to Equity Funds\*

(monthly, six-month moving average, 1944-1995)

Net cash flow, percent of assets



\*Shaded regions represent contraction phase of stock market cycle.

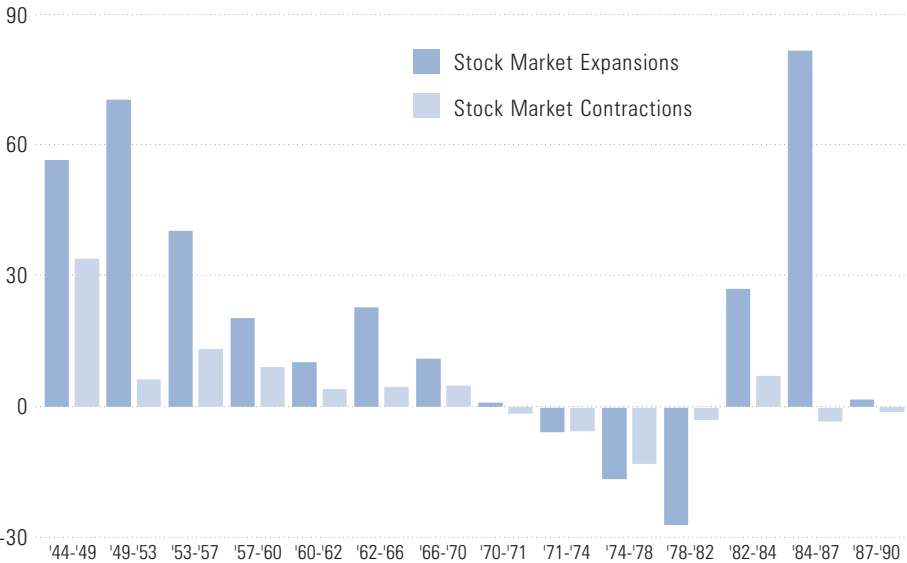
declines in stock prices, changes in the net flow of cash to stock funds were analyzed during stock market cycles from 1944 to the end of 1995. Money market and bond and income funds were not included in the study.

The stock market experienced 14 major cycles during the observed period, and mutual funds grew from 68 funds with \$653 million in assets at yearend 1943

to more than 5,700 funds with more than \$2.8 trillion in assets at yearend 1995. In 1943, 67 of 68 funds were stock funds; in 1995, stock funds numbered more than 2,200 with assets exceeding \$1.3 trillion.

In none of the stock market breaks and sharp declines in equity prices—as measured by the monthly average of the Standard and Poor’s 500 Stock Price Index—did

**Net Flow to Equity Mutual Funds During Stock Market Expansions and Contractions, 1944–1990\***  
(percent of assets)



\*For stock market expansions, net flow is expressed as a percent of assets at trough; for stock market contractions, net flow is expressed as a percent of assets at peak.

stock fund owners liquidate shares en masse.

The study found that the largest net outflow of fund assets—a relatively modest 4.5 percent of total equity fund assets—occurred during and immediately after the 1987 stock market break. Only an estimated 5 percent of stock fund owners redeemed shares in the weeks following the break, and these outflows did not lead to heavy liquidations of securities by equity fund managers.

The shareholder response to other sharp drops in stock prices since 1945 varied widely, but was considerably more restrained than in 1987. During the market contractions of 1946–1949 and 1961–1962, for example, net flow into mutual funds continued to be strong and positive. With the outbreak of the Korean War in June 1950, net flow dipped slightly but remained positive.

The Institute study indicates that equity shareholder response to falling stock prices tended to be relatively orderly and spread over time. Typically, net flow to stock funds declined moderately during bear markets, and generally reflected a slowdown in the pace of share purchases. Share redemptions generally remained unchanged or declined slightly during bear

markets, and did not rise until the bear market ended and stock prices began to recover.

Stock fund investors were also sensitive to long-term trends in equity returns. Stock funds generally experienced inflows throughout the 1944–1970 and 1982–1995 periods when equity returns were relatively high. They generally experienced outflows throughout the 1971–1982 period when equity returns were relatively low.

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### Largest One-month Stock Fund Outflows During Stock Market Contractions

(percent of total assets)

|               |      |
|---------------|------|
| October 1987  | 3.1% |
| January 1981  | 1.1  |
| March 1977    | 1.0  |
| May 1977      | 1.0  |
| August 1977   | 1.0  |
| December 1977 | 1.0  |
| December 1981 | 1.0  |
| May 1982      | 1.0  |
| August 1990   | 1.0  |

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## INTERNATIONAL MUTUAL FUNDS

An increasing proportion of U.S. mutual fund assets is being invested outside of the United States. As of the close of 1996, assets of international and global equity and bond funds were \$321 billion, up from \$230 billion at yearend 1995. In fact, the securities of emerging nations are becoming an increasingly popular option for the mutual fund investor. These new securities offer the opportunity for further portfolio diversification but also carry higher risk.

### THE EMERGING MARKETS

The “emerging markets” include all countries in Latin America and the Caribbean, all countries in Asia (except Australia, Hong Kong, Japan, New Zealand, and Singapore), all countries in Africa and the Middle East (except Israel), all former Eastern bloc countries, Russia and the Commonwealth of Independent States, Greece, Portugal, and Turkey.

Over the past ten years, these nations have increasingly used debt and equity securities rather than bank loans to finance economic

expansion. They also have made considerable progress toward establishing and strengthening domestic capital markets. This growth is reflected in their share of world market capitalization, which increased from 3.7 percent in 1986 to 10.7 percent in 1995.

### INVESTING IN EMERGING MARKETS

There are at least three types of mutual funds that may invest in developing economies.

*International mutual funds* invest in securities of companies located outside of the United States.

*Global mutual funds* invest in securities traded worldwide, including those of U.S. issuers. *Emerging market mutual funds* include those that invest in securities of a single country or region, such as Latin America, as well as those that invest in the broad range of emerging market countries. In addition, funds whose portfolios consist primarily of securities of U.S. issuers may, from time to time, invest a small portion of their assets in emerging market issuers.

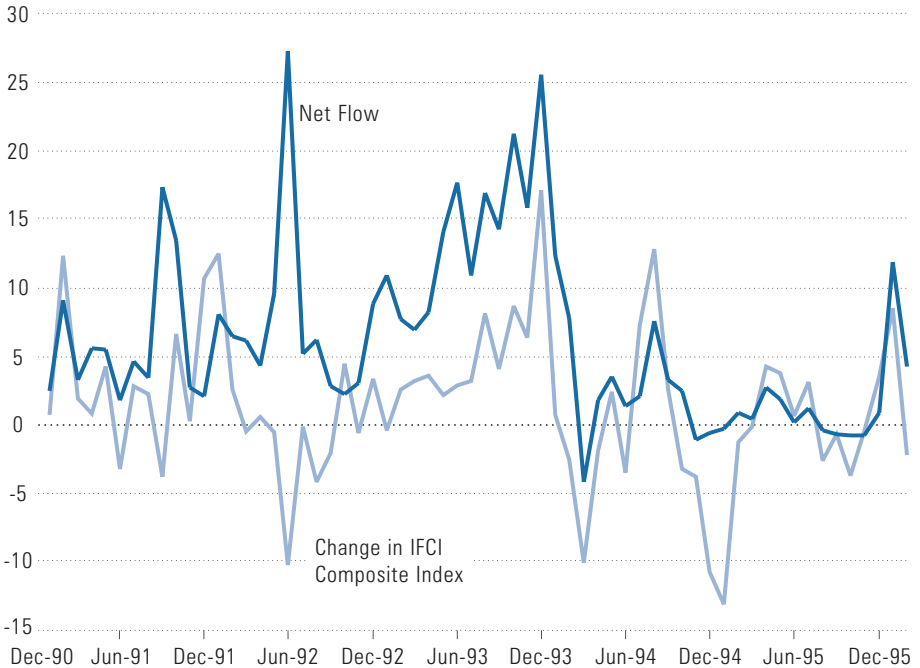
U.S. investors have increased their holdings in emerging market securities. By 1995, about one-third of U.S. holdings of foreign securities were in developing nations. International and global mutual funds invested about 10 percent of assets in emerging market funds at midyear 1996.

## THE GLOBAL MUTUAL FUND PERSPECTIVE

Mutual funds are also growing in many other parts of the world. As can be seen in the table on p. 48, a number of foreign countries, including France, Japan, Germany, Luxembourg, and the United Kingdom, report sizable mutual fund assets. Worldwide assets in mutual funds have grown from \$2.853 trillion at yearend 1991 to

### Net Flow of New Cash to Emerging Market Stock Funds

(percent of assets and the percent change in the IFCI Composite Index of equity prices in emerging markets)



Source: Fund Data-Micropal ICDI, Market Returns-International Finance Corporation

## Assets of Open-end Investment Companies

(millions of U.S. dollars)

| <b>NON-USA COUNTRIES</b>    | <b>1991</b>      | <b>1992</b>      | <b>1993</b>      | <b>1994</b>      | <b>1995</b>      | <b>1996</b>          |                      |
|-----------------------------|------------------|------------------|------------------|------------------|------------------|----------------------|----------------------|
| Australia <sup>a</sup>      | 34,543           | 19,280           | 24,556           | 44,036           | 36,505R          | 47,761               |                      |
| Austria                     | 15,079           | 15,029           | 18,174           | 23,492           | 33,452           | 39,543               |                      |
| Belgium                     | 6,067            | 8,954            | 15,149           | 18,877           | 25,553           | 29,247               |                      |
| Brazil                      | N/A              | N/A              | N/A              | N/A              | N/A              | 103,786              |                      |
| Canada <sup>a</sup>         | 43,195           | 52,921           | 86,567           | 90,349           | 107,812R         | 211,771              |                      |
| Denmark                     | 3,729            | 3,658            | 4,401            | 5,448            | 6,455R           | 9,338                |                      |
| Finland                     | 77               | 110              | 618              | 1,089            | 1,211            | 1,936 <sup>d</sup>   |                      |
| France                      | 429,556          | 447,338          | 483,327          | 496,743          | 519,376          | 534,145              |                      |
| Germany                     | Public           | 77,266           | 70,196           | 78,552           | 112,697          | 134,543              | 137,860              |
|                             | Special          | 88,942           | 101,405          | 133,734          | 160,335          | 213,047              | 241,642 <sup>d</sup> |
| Greece                      | 952              | 1,018            | 3,465            | 6,111            | 10,303           | 15,788               |                      |
| Hong Kong                   | N/A              | 16,351           | 31,135           | 29,522           | 33,695           | 41,017               |                      |
| India                       | 7,895            | 5,835            | 7,925            | 11,669           | 10,107           | 9,717 <sup>f</sup>   |                      |
| Ireland <sup>b</sup>        | 7,452            | 5,905            | 5,244            | 7,806            | 8,461            | N/A                  |                      |
| Italy                       | 48,823           | 41,036           | 64,272           | 79,402           | 79,878           | 129,755              |                      |
| Japan                       | 323,913          | 346,924          | 454,608          | 435,603          | 469,980          | 420,103              |                      |
| Korea                       | 37,050           | 49,183           | 69,988           | 81,304           | 92,405R          | N/A                  |                      |
| Luxembourg                  | 117,112          | 182,244          | 247,804          | 283,020          | 285,448          | 343,501 <sup>e</sup> |                      |
| Mexico                      | N/A              | N/A              | N/A              | N/A              | 9,025            | N/A                  |                      |
| Netherlands <sup>a</sup>    | 21,340           | 34,797           | 48,530           | 62,100           | 62,128           | 67,147               |                      |
| New Zealand <sup>a</sup>    | N/A              | 1,062            | 1,833            | 2,471            | 6,868            | 7,686                |                      |
| Norway                      | 2,481            | 2,722            | 4,737            | 5,119            | 6,834            | 9,930                |                      |
| Portugal                    | 6,380            | 7,925            | 9,319            | 12,854           | 14,233           | 17,087               |                      |
| South Africa                | N/A              | 4,524            | 4,647            | 7,421            | 9,226            | 9,354                |                      |
| Spain                       | 40,025           | 54,699           | 72,058           | 84,877           | 99,923           | 144,134              |                      |
| Sweden                      | 20,779           | 18,108           | 24,356           | 20,208           | 27,388           | 34,981               |                      |
| Switzerland                 | 20,006           | 24,304           | 34,094           | 38,864           | 44,638           | 48,166               |                      |
| Taiwan                      | N/A              | N/A              | N/A              | 3,616            | 4,388            | 8,351 <sup>e</sup>   |                      |
| United Kingdom <sup>c</sup> | 104,394          | 91,153           | 131,455          | 133,092          | 154,452          | 201,304              |                      |
| <b>TOTAL NON-USA</b>        | <b>1,457,056</b> | <b>1,606,681</b> | <b>2,060,548</b> | <b>2,258,125</b> | <b>2,507,334</b> | <b>2,865,050</b>     |                      |
| <b>USA</b>                  | (long-term)      | 853,057          | 1,100,065        | 1,510,047        | 1,550,490        | 2,067,337            | 2,637,398            |
|                             | (short-term)     | 542,442          | 546,195          | 565,319          | 611,005          | 753,018              | 901,807              |
| <b>TOTAL USA</b>            | <b>1,395,498</b> | <b>1,646,259</b> | <b>2,075,366</b> | <b>2,161,495</b> | <b>2,820,355</b> | <b>3,539,205</b>     |                      |
| <b>TOTAL WORLD</b>          | <b>2,852,554</b> | <b>3,252,940</b> | <b>4,135,914</b> | <b>4,419,620</b> | <b>5,327,689</b> | <b>6,404,255</b>     |                      |

<sup>a</sup> = Includes real estate funds.

<sup>b</sup> = Approximately 95 percent relates to life insurance-linked funds; the other 5 percent are unit investment trusts.

<sup>c</sup> = Fund-of-fund assets not included.

<sup>d</sup> = As of September 30, 1996.

<sup>e</sup> = As of June 30, 1996.

<sup>f</sup> = As of March 31, 1996.

R = Revised

Note: Comparison of annual total assets across countries is not recommended because reporting coverage, dates, and definitions are not consistent.



\$6.404 trillion at yearend 1996. For the same period, mutual fund assets in the 22 foreign countries for which data are available grew at an average annual compound rate of 13.3 percent.

The growth in mutual fund assets worldwide is part of the overall growth in both the size and maturity of many foreign capital markets. There are several reasons why this growth has occurred.

First, the securities markets of many developed nations have benefited in recent years from favorable economic conditions. For example, Canada and Western Europe have experienced low interest and inflation rates, which have enhanced the attractiveness of their capital markets to investors worldwide. At the same time, the securities markets in some emerging nations have prospered because of new investment opportunities arising from economic reform, privatization, lowered trade barriers, and rapid economic growth. For example, the emerging markets of Malaysia, Mexico, Taiwan, and Korea are now among the 15 largest equity markets in the world.

Second, mutual funds are popular on a global scale because investors throughout the world share many of the same basic needs and goals as U.S. investors: a comfortable retirement, higher education for their children, and improved family living standards. Like their U.S. counterparts, foreign investors are turning to mutual funds for diversification and as a way to participate in growing securities markets.

In addition, as many countries begin to face the prospect of aging populations, they are considering the need for increased private savings to meet retirement needs. Countries such as Chile have enacted new pension systems that place greater emphasis on the role of private investment in retirement savings. Mutual funds are often used as funding vehicles for these systems.

The continued growth of the middle class in many developed and emerging nations, as well as the continued maturation of their financial markets, is expected to lead to even greater global expansion of mutual funds.

## Number of Open-end Investment Companies

|                          |              | 1991          | 1992          | 1993          | 1994          | 1995          | 1996               |
|--------------------------|--------------|---------------|---------------|---------------|---------------|---------------|--------------------|
| <b>NON-USA COUNTRIES</b> |              |               |               |               |               |               |                    |
| Australia <sup>a</sup>   |              | N/A           | 404           | 366           | 698           | 752           | 1,117              |
| Austria                  |              | 295           | 313           | 337           | 387           | 452           | 517                |
| Belgium                  |              | 73            | 126           | 161           | 211           | 277           | 340                |
| Brazil                   |              | N/A           | N/A           | N/A           | N/A           | N/A           | 1,143              |
| Canada <sup>a</sup>      |              | N/A           | 549           | 633           | 813           | 916           | 954                |
| Denmark                  |              | 114           | 119           | 161R          | 158           | 168           | 189                |
| Finland                  |              | 12            | 16            | 24            | 39            | 44            | 56 <sup>b</sup>    |
| France                   |              | 4,515         | 4,538         | 4,577         | 4,826         | 4,878         | 5,379              |
| Germany                  | Public       | 337           | 412           | 463           | 528           | 583           | 641                |
|                          | Special      | N/A           | N/A           | N/A           | N/A           | 2,609         | 2,839 <sup>b</sup> |
| Greece                   |              | 18            | 39            | 68            | 93            | 119           | 148                |
| Hong Kong                |              | N/A           | 539           | 566           | 630           | 670           | 708                |
| India                    |              | N/A           | N/A           | 20            | 33            | 42            | 42 <sup>d</sup>    |
| Ireland                  |              | 153           | 148           | 145           | 293           | 285           | N/A                |
| Italy                    |              | 221           | 255           | 292           | 354           | 459           | 531                |
| Japan                    |              | N/A           | 5,701         | 6,086         | 6,306         | 6,408         | 5,879              |
| Korea                    |              | N/A           | 705           | 1,149         | 1,404         | 1,943         | N/A                |
| Luxembourg               |              | 761           | 860           | 945           | 1,007         | 3,081R        | 3,403 <sup>c</sup> |
| Mexico                   |              | N/A           | N/A           | N/A           | N/A           | 252           | N/A                |
| Netherlands <sup>a</sup> |              | 88            | 136           | 175           | 136R          | 159R          | 179                |
| New Zealand <sup>a</sup> |              | N/A           | 90            | 120           | 162           | 475           | 551                |
| Norway                   |              | 89            | 100           | 117           | 159           | 185           | 188                |
| Portugal                 |              | 82            | 98            | 109           | 129           | 150           | 182                |
| South Africa             |              | N/A           | N/A           | N/A           | 69            | 91            | 107                |
| Spain                    |              | 373           | 477           | 571           | 656           | 743           | 985                |
| Sweden                   |              | 447           | 435           | 467           | 314           | 298           | 316                |
| Switzerland              |              | 183           | 186           | 201           | 216           | 218           | 251                |
| Taiwan                   |              | N/A           | N/A           | N/A           | 43            | 67            | 82 <sup>c</sup>    |
| United Kingdom           |              | 1,398         | 1,373         | 1,420         | 1,452         | 1,490         | 1,532              |
| <b>TOTAL NON-USA</b>     |              | <b>9,159</b>  | <b>17,619</b> | <b>19,173</b> | <b>21,116</b> | <b>27,814</b> | <b>28,259</b>      |
| <b>USA</b>               | (long-term)  | 2,606         | 2,985         | 3,638         | 4,394         | 4,764         | 5,305              |
|                          | (short-term) | 821           | 865           | 920           | 963           | 997           | 988                |
| <b>TOTAL USA</b>         |              | <b>3,427</b>  | <b>3,850</b>  | <b>4,558</b>  | <b>5,357</b>  | <b>5,761</b>  | <b>6,293</b>       |
| <b>TOTAL WORLD</b>       |              | <b>12,586</b> | <b>21,469</b> | <b>23,731</b> | <b>26,473</b> | <b>33,575</b> | <b>34,552</b>      |

<sup>a</sup> = Includes real estate funds.

<sup>b</sup> = As of September 30, 1996.

<sup>c</sup> = As of June 30, 1996.

<sup>d</sup> = As of March 31, 1996.

R = Revised

Note: Comparison of annual number of funds across countries is not recommended because reporting coverage, dates, and definitions are not consistent.

## MUTUAL FUNDS AND THE RETIREMENT MARKET

Investment Company Institute research finds that pension and retirement plans and IRAs held about \$1 trillion of mutual fund assets at yearend 1995, about 19 percent of the retirement market's total assets of \$5.35 trillion. The remaining 81 percent is managed by such institutions as corporations, pension firms, insurance companies, banks, and brokerage firms.

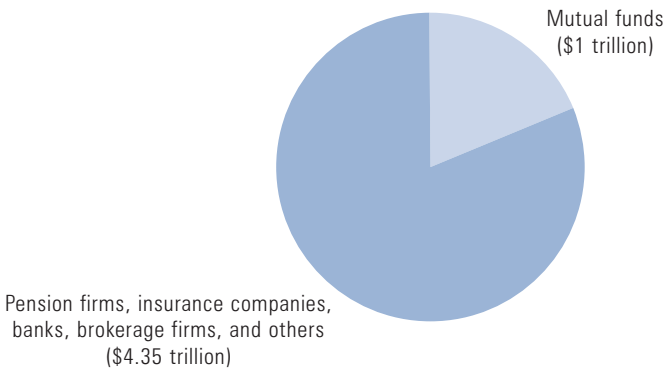
The total U.S. retirement market consists of the assets of private

pension funds, state and local government employee retirement plans, and Individual Retirement Accounts (IRAs). Private pension plans held \$2.65 trillion (including \$675 billion in 401(k) plans), state and local government employee retirement plans had assets of \$1.53 trillion, and IRAs held assets of \$1.17 trillion.

Although only 19 percent of U.S. retirement assets are in mutual funds, these retirement assets represent more than one-third of

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U.S. Retirement Market Assets, 1995\*

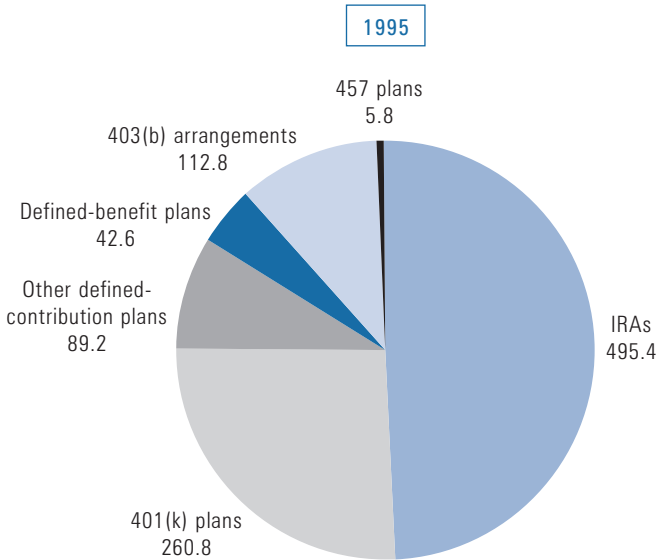
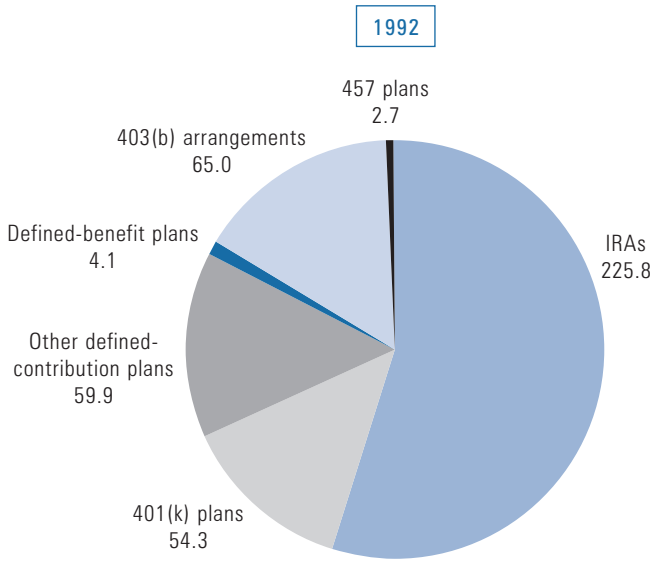


\*Source: ICI and Federal Reserve Board

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## Fund Industry Retirement Assets

(billions of dollars)



## IRA Plan Assets\*

(billions of dollars)

|                          | 1991         | 1992         | 1993         | 1994         | 1995           | 1996          |
|--------------------------|--------------|--------------|--------------|--------------|----------------|---------------|
| Commercial Bank Deposits | 134.4        | 136.9        | 134.1        | 136.1        | 143.0R         | 143.7         |
| Thrifts                  | 91.1         | 85.3         | 76.6         | 71.6         | 72.8R          | 71.5          |
| Life Insurance Companies | 49.7         | 55.6         | 69.5         | 78.7         | 94.3R          | 105.6         |
| Credit Unions            | 32.3         | 32.5         | 32.4         | 32.1         | 33.5R          | 33.2          |
| Mutual Funds**           | 169.1        | 211.0        | 283.9        | 304.9        | 410.8          | 510.8         |
| Brokers—Self-directed*** | 180.6        | 224.7        | 271.0        | 317.5        | 415.0          | 482.6         |
| <b>Total</b>             | <b>657.2</b> | <b>746.0</b> | <b>867.5</b> | <b>940.9</b> | <b>1169.4R</b> | <b>1347.4</b> |

*R=Revised*

*\*Includes rollovers and Simplified Employee Pensions (SEPs).*

*\*\*Does not include IRAs held in "street name" or omnibus accounts such as those that would arise through self-directed IRAs.*

*\*\*\*Includes only those self-directed items not included in other categories (including stocks, bonds, CDs sold by brokers, nonproprietary and other mutual funds not reported to ICI for the mutual fund category), and should not be interpreted as the total self-directed universe for IRAs.*

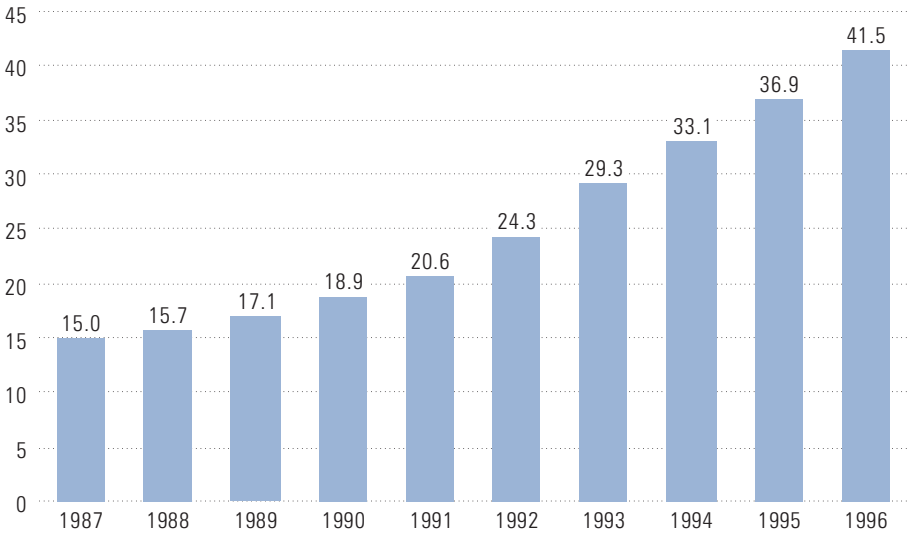
*Source: Federal Reserve Board, ACLI, CUNA, ICI special survey*

total mutual fund assets. By yearend 1995, retirement holdings of mutual fund assets reached more than \$1 trillion, or 35.7 percent, of the fund industry's \$2.82 trillion total assets. This compares with \$766.56 billion, or 36 percent, of the fund industry's \$2.07 trillion total assets a year earlier and 25 percent of total fund assets at yearend 1992, the earliest year for which comparable data are available.

The importance of retirement savings also is evident in mutual fund flows. Retirement-related flows into mutual funds of all types reached an estimated \$100.1 billion, or 47 percent, of the total \$212.8 billion during 1995. These statistics are consistent with other data indicating that the vast majority (84 percent) of mutual fund shareholders in 1995 had retirement as a primary investment objective.

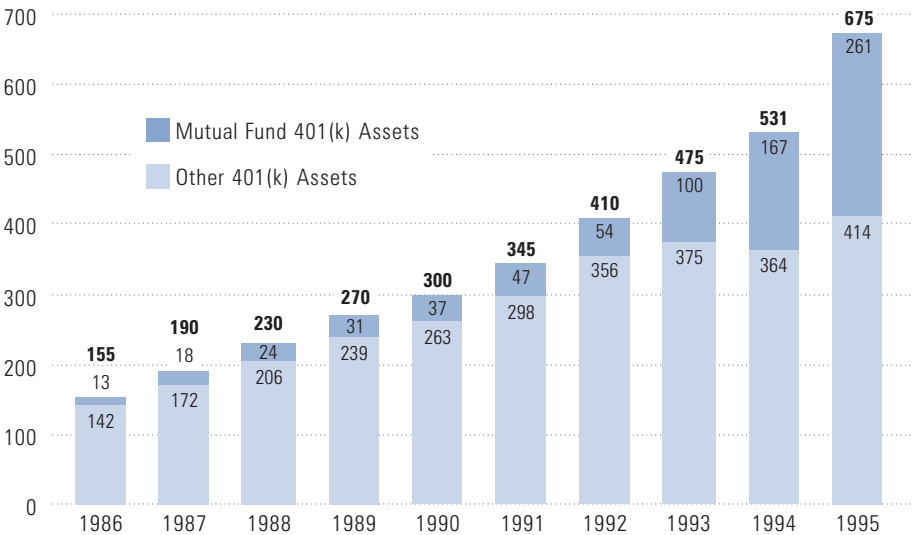
## Mutual Fund Individual Retirement Accounts (IRAs)

(millions)



## 401(k) Plan Assets in Mutual Funds

(billions of dollars)



Source: Access Research and ICI

## ABOUT THIS DATA SECTION

Each table in this section is clearly labeled by classification, for example, Industry Totals, Long-term Funds, Short-term Funds.

The Industry Totals data section (pages 60 to 61) includes information on shareholder assets, accounts, and numbers of funds. Industry totals are broken down from the short- and long-term categories into four separate ones: equity funds, bond and income funds, taxable money market funds, and tax-exempt money market funds.

The Industry Totals section does not provide total sales figures that combine long-term and short-term fund sales. Because of the special nature of short-term funds and the huge, continuous inflows and outflows of money they experience, it would be misleading to add their sales figures to those of long-term funds. Tracking periodic changes in total assets is usually the preferred method for following trends of short-term funds.

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*Section One: Industry Totals*

## Total Industry Net Assets

(billions of dollars)

| <b>Year</b> | <b>Equity Funds</b> | <b>Bond &amp; Income Funds</b> | <b>Taxable Money Market Funds</b> | <b>Tax-exempt Money Market Funds</b> | <b>Total</b> |
|-------------|---------------------|--------------------------------|-----------------------------------|--------------------------------------|--------------|
| 1970        | \$45.1              | \$2.5                          | —                                 | —                                    | \$47.6       |
| 1971        | 51.6                | 3.4                            | —                                 | —                                    | 55.0         |
| 1972        | 55.9                | 3.9                            | —                                 | —                                    | 59.8         |
| 1973        | 43.0                | 3.5                            | —                                 | —                                    | 46.5         |
| 1974        | 30.9                | 3.2                            | \$1.7                             | —                                    | 35.8         |
| 1975        | 37.5                | 4.7                            | 3.7                               | —                                    | 45.9         |
| 1976        | 39.2                | 8.4                            | 3.7                               | —                                    | 51.3         |
| 1977        | 34.0                | 11.0                           | 3.9                               | —                                    | 48.9         |
| 1978        | 32.7                | 12.3                           | 10.9                              | —                                    | 55.9         |
| 1979        | 35.9                | 13.1                           | 45.2                              | \$0.3                                | 94.5         |
| 1980        | 44.4                | 14.0                           | 74.5                              | 1.9                                  | 134.8        |
| 1981        | 41.2                | 14.0                           | 181.9                             | 4.3                                  | 241.4        |
| 1982        | 53.7                | 23.2                           | 206.6                             | 13.2                                 | 296.7        |
| 1983        | 77.0                | 36.6                           | 162.5                             | 16.8                                 | 292.9        |
| 1984        | 83.1                | 54.0                           | 209.7                             | 23.8                                 | 370.6        |
| 1985        | 116.9               | 134.8                          | 207.5                             | 36.3                                 | 495.5        |
| 1986        | 161.5               | 262.6                          | 228.3                             | 63.8                                 | 716.2        |
| 1987        | 180.7               | 273.1                          | 254.7                             | 61.4                                 | 769.9        |
| 1988        | 194.8               | 277.5                          | 272.3                             | 65.7                                 | 810.3        |
| 1989        | 249.1               | 304.8                          | 358.7                             | 69.4                                 | 982.0        |
| 1990        | 245.8               | 322.7                          | 414.7                             | 83.6                                 | 1,066.8      |
| 1991        | 411.6               | 441.4                          | 452.6                             | 89.9                                 | 1,395.5      |
| 1992        | 522.8               | 577.3                          | 451.4                             | 94.8                                 | 1,646.3      |
| 1993        | 749.0               | 761.1                          | 461.9                             | 103.4                                | 2,075.4      |
| 1994        | 866.5               | 684.0                          | 500.4                             | 110.6                                | 2,161.5      |
| 1995        | 1,269.0             | 798.3                          | 629.7                             | 123.3                                | 2,820.3      |
| 1996        | 1,750.9             | 886.5                          | 761.8                             | 140.0                                | 3,539.2      |

Section One: Industry Totals

Total Industry Shareholder Accounts

(millions)

| Year | Equity Funds | Bond & Income Funds | Taxable Money Market Funds | Tax-exempt Money Market Funds | Total |
|------|--------------|---------------------|----------------------------|-------------------------------|-------|
| 1978 | 6.8          | 1.4                 | 0.5                        | -                             | 8.7   |
| 1979 | 6.1          | 1.4                 | 2.3                        | -                             | 9.8   |
| 1980 | 5.8          | 1.5                 | 4.8                        | -                             | 12.1  |
| 1981 | 5.7          | 1.5                 | 10.3                       | -                             | 17.5  |
| 1982 | 6.2          | 2.0                 | 13.1                       | 0.1                           | 21.4  |
| 1983 | 9.2          | 2.8                 | 12.3                       | 0.3                           | 24.6  |
| 1984 | 10.0         | 4.4                 | 13.6                       | 0.3                           | 28.3  |
| 1985 | 11.5         | 8.3                 | 14.4                       | 0.5                           | 34.7  |
| 1986 | 16.6         | 13.2                | 15.6                       | 0.7                           | 46.1  |
| 1987 | 21.4         | 15.5                | 16.8                       | 0.8                           | 54.5  |
| 1988 | 20.6         | 15.6                | 17.6                       | 0.9                           | 54.7  |
| 1989 | 21.5         | 15.4                | 20.2                       | 1.1                           | 58.2  |
| 1990 | 23.0         | 16.6                | 21.6                       | 1.4                           | 62.6  |
| 1991 | 26.1         | 18.9                | 21.9                       | 1.7                           | 68.6  |
| 1992 | 33.2         | 23.4                | 21.8                       | 1.9                           | 80.3  |
| 1993 | 42.5         | 27.5                | 21.6                       | 2.0                           | 93.6  |
| 1994 | 59.0         | 30.5                | 23.3                       | 2.0                           | 114.8 |
| 1995 | 70.7         | 30.9                | 27.9                       | 2.3                           | 131.8 |
| 1996 | 87.3         | 31.5                | 29.9                       | 2.3                           | 151.0 |

Total Number of Funds

| Year | Equity Funds | Bond & Income Funds | Taxable Money Market Funds | Tax-exempt Money Market Funds | Total |
|------|--------------|---------------------|----------------------------|-------------------------------|-------|
| 1978 | 294          | 150                 | 61                         | -                             | 505   |
| 1979 | 289          | 159                 | 76                         | -                             | 524   |
| 1980 | 288          | 170                 | 96                         | 10                            | 564   |
| 1981 | 306          | 180                 | 159                        | 20                            | 665   |
| 1982 | 340          | 199                 | 281                        | 37                            | 857   |
| 1983 | 396          | 257                 | 307                        | 66                            | 1,026 |
| 1984 | 471          | 349                 | 326                        | 95                            | 1,241 |
| 1985 | 579          | 492                 | 346                        | 111                           | 1,528 |
| 1986 | 701          | 654                 | 359                        | 126                           | 1,840 |
| 1987 | 846          | 930                 | 388                        | 153                           | 2,317 |
| 1988 | 1,016        | 1,094               | 431                        | 174                           | 2,715 |
| 1989 | 1,080        | 1,173               | 463                        | 201                           | 2,917 |
| 1990 | 1,127        | 1,235               | 508                        | 235                           | 3,105 |
| 1991 | 1,217        | 1,389               | 554                        | 267                           | 3,427 |
| 1992 | 1,356        | 1,629               | 586                        | 279                           | 3,850 |
| 1993 | 1,615        | 2,023               | 628                        | 292                           | 4,558 |
| 1994 | 1,944        | 2,450               | 644                        | 319                           | 5,357 |
| 1995 | 2,211        | 2,553               | 672                        | 325                           | 5,761 |
| 1996 | 2,626        | 2,679               | 665                        | 323                           | 6,293 |

*Section Two: Long-term Funds*

**An Overview:  
Shareholder Accounts, Total Net Assets, and Liquid Assets  
Equity and Bond & Income Funds**

| <b>Yearend</b> | <b>Number of Reporting Funds</b> | <b>Number of Accounts (thousands)</b> | <b>Net Assets (billions of dollars)</b> | <b>Liquid Assets (billions of dollars)</b> |
|----------------|----------------------------------|---------------------------------------|---|--|
| 1970           | 361                              | 10,690.3                              | \$47.6                                  | \$3.1                                      |
| 1971           | 392                              | 10,901.0                              | 55.0                                    | 2.6  |
| 1972           | 410                              | 10,635.3                              | 59.8                                    | 2.6  |
| 1973           | 421                              | 10,330.9                              | 46.5                                    | 3.4  |
| 1974           | 416                              | 9,970.4                               | 34.1                                    | 3.4  |
| 1975           | 390                              | 9,667.3                               | 42.2                                    | 3.2  |
| 1976           | 404                              | 8,879.4                               | 47.6                                    | 2.4  |
| 1977           | 427                              | 8,515.1                               | 45.0                                    | 3.3  |
| 1978           | 444                              | 8,190.6                               | 45.0                                    | 4.5  |
| 1979           | 446                              | 7,482.2                               | 49.0                                    | 4.7  |
| 1980           | 458                              | 7,325.5                               | 58.4                                    | 5.3  |
| 1981           | 486                              | 7,175.5                               | 55.2                                    | 5.3  |
| 1982           | 539                              | 8,190.3                               | 76.9                                    | 6.0  |
| 1983           | 653                              | 12,065.0                              | 113.6                                   | 8.3  |
| 1984           | 820                              | 14,423.6                              | 137.1                                   | 12.2                                       |
| 1985           | 1,071                            | 19,845.6                              | 251.7                                   | 20.6                                       |
| 1986           | 1,355                            | 29,790.2                              | 424.1                                   | 30.7                                       |
| 1987           | 1,776                            | 36,855.0                              | 453.8                                   | 38.0                                       |
| 1988           | 2,110                            | 36,212.0                              | 472.3                                   | 45.1                                       |
| 1989           | 2,253                            | 36,968.3                              | 553.9                                   | 44.8                                       |
| 1990           | 2,362                            | 39,614.0                              | 568.5                                   | 48.6                                       |
| 1991           | 2,606                            | 44,974.4                              | 853.1                                   | 60.8                                       |
| 1992           | 2,985                            | 56,567.8                              | 1,100.1                                 | 74.4                                       |
| 1993           | 3,638                            | 70,049.2                              | 1,510.1                                 | 100.2                                      |
| 1994           | 4,394                            | 89,484.2R                             | 1,550.5                                 | 121.3                                      |
| 1995           | 4,764                            | 101,597.0R                            | 2,067.3                                 | 142.6                                      |
| 1996           | 5,305                            | 118,751.8                             | 2,637.4                                 | 139.4                                      |

*Note: Figures for shareholder accounts represent combined totals for member companies. Duplications have not been eliminated.*

*R=Revised*

Section Two: Long-term Funds

Type of Shareholder Accounts  
Equity and Bond & Income Funds

| Yearend                   | Total Shareholder Accounts | Regular Accounts | Contractual Accumulation Plans | Contractual Single Payment Plans | Withdrawal Accounts |
|---------------------------|----------------------------|------------------|--------------------------------|----------------------------------|---------------------|
| <b>Number (thousands)</b> |                            |                  |                                |                                  |                     |
| 1980                      | 7,326                      | 6,598            | 554                            | 45                               | 129                 |
| 1981                      | 7,175                      | 6,486            | 537                            | 30                               | 122                 |
| 1982                      | 8,190                      | 7,573            | 471                            | 28                               | 118                 |
| 1983                      | 12,065                     | 11,326           | 585                            | 20                               | 134                 |
| 1984                      | 14,424                     | 13,666           | 615                            | 17                               | 126                 |
| 1985                      | 19,846                     | 19,010           | 647                            | 17                               | 172                 |
| 1986                      | 29,790                     | 28,919           | 624                            | 16                               | 231                 |
| 1987                      | 36,855                     | 35,887           | 687                            | 17                               | 264                 |
| 1988                      | 36,212                     | 35,331           | 605                            | 16                               | 260                 |
| 1989                      | 36,968                     | 36,108           | 561                            | 14                               | 285                 |
| 1990                      | 39,614                     | 38,769           | 463                            | 4                                | 378                 |
| 1991                      | 44,974                     | 44,112           | 497                            | 15                               | 350                 |
| 1992                      | 56,568                     | 56,218           | 107                            | 1                                | 242                 |
| 1993                      | 70,049                     | 69,340           | 131                            | 0                                | 578                 |
| 1994                      | 89,484R                    | 88,554R          | 300                            | 0                                | 630                 |
| 1995                      | 101,597R                   | 100,988R         | 209                            | 15                               | 385                 |
| 1996                      | 118,752                    | 117,267          | 293                            | 111                              | 1,081               |
| <b>Percent</b>            |                            |                  |                                |                                  |                     |
| 1980                      | 100.0%                     | 90.1%            | 7.6%                           | 0.6%                             | 1.7%                |
| 1981                      | 100.0                      | 90.4             | 7.5                            | 0.4                              | 1.7                 |
| 1982                      | 100.0                      | 92.5             | 5.8                            | 0.3                              | 1.4                 |
| 1983                      | 100.0                      | 93.8             | 4.9                            | 0.2                              | 1.1                 |
| 1984                      | 100.0                      | 94.8             | 4.2                            | 0.1                              | 0.9                 |
| 1985                      | 100.0                      | 95.8             | 3.2                            | 0.1                              | 0.9                 |
| 1986                      | 100.0                      | 97.0             | 2.1                            | 0.1                              | 0.8                 |
| 1987                      | 100.0                      | 97.4             | 1.8                            | 0.1                              | 0.7                 |
| 1988                      | 100.0                      | 97.6             | 1.7                            | 0.0                              | 0.7                 |
| 1989                      | 100.0                      | 97.7             | 1.5                            | 0.0                              | 0.8                 |
| 1990                      | 100.0                      | 97.8             | 1.2                            | 0.0                              | 1.0                 |
| 1991                      | 100.0                      | 98.1             | 1.1                            | 0.0                              | 0.8                 |
| 1992                      | 100.0                      | 99.4             | 0.2                            | 0.0                              | 0.4                 |
| 1993                      | 100.0                      | 99.0             | 0.2                            | 0.0                              | 0.8                 |
| 1994                      | 100.0                      | 99.0             | 0.3                            | 0.0                              | 0.7                 |
| 1995                      | 100.0                      | 99.4             | 0.2                            | 0.0                              | 0.4                 |
| 1996                      | 100.0                      | 98.8             | 0.2                            | 0.1                              | 0.9                 |

R=Revised

Section Two: Long-term Funds

**Total Net Assets of Equity and Bond & Income Funds  
by Investment Objective  
Yearend**

(millions of dollars)

|                                   | 1995                 |               | 1996                 |               |
|-----------------------------------|----------------------|---------------|----------------------|---------------|
|                                   | Dollars              | Percent       | Dollars              | Percent       |
| <b>Total Net Assets</b>           | <b>\$2,067,337.3</b> | <b>100.0%</b> | <b>\$2,637,398.0</b> | <b>100.0%</b> |
| Aggressive Growth                 | \$190,822.3          | 9.2%          | \$274,802.1          | 10.4%         |
| Growth                            | 354,235.0            | 17.1          | 482,082.2            | 18.3          |
| Growth & Income                   | 429,202.7            | 20.8          | 589,104.2            | 22.3          |
| Precious Metals                   | 4,727.5              | 0.2           | 4,949.1              | 0.2           |
| International                     | 120,736.3            | 5.8           | 177,414.4            | 6.7           |
| Global Equity                     | 76,001.6             | 3.7           | 106,554.1            | 4.0           |
| Income-Equity                     | 93,314.1             | 4.5           | 116,022.8            | 4.4           |
| Flexible Portfolio                | 52,435.9             | 2.5           | 63,360.2             | 2.4           |
| Balanced                          | 81,288.0             | 3.9           | 99,202.0             | 3.8           |
| Income-Mixed                      | 77,404.4             | 3.8           | 88,324.6             | 3.4           |
| Income-Bond                       | 66,111.2             | 3.2           | 100,889.4            | 3.8           |
| U.S. Government Income            | 87,926.7             | 4.3           | 79,507.9             | 3.0           |
| Ginnie Mae                        | 55,257.0             | 2.7           | 51,331.6             | 2.0           |
| Global Bond                       | 33,412.3             | 1.6           | 37,458.4             | 1.4           |
| Corporate Bond                    | 31,731.9             | 1.5           | 35,573.7             | 1.4           |
| High-yield Bond                   | 59,715.9             | 2.9           | 78,260.3             | 3.0           |
| National Municipal Bond-Long-term | 135,789.0            | 6.6           | 135,631.4            | 5.1           |
| State Municipal Bond-Long-term    | 117,225.5            | 5.7           | 116,929.6            | 4.4           |



Section Two: Long-term Funds

Liquid Assets of Equity and Bond & Income Funds  
by Investment Objective  
Yearend

(millions of dollars)

|                                   | 1995               |               | 1996               |               |
|-----------------------------------|--------------------|---------------|--------------------|---------------|
|                                   | Dollars            | Percent       | Dollars            | Percent       |
| <b>Total Liquid Assets</b>        | <b>\$142,572.4</b> | <b>100.0%</b> | <b>\$139,395.8</b> | <b>100.0%</b> |
| Aggressive Growth                 | \$15,241.7         | 10.7%         | \$12,687.7         | 9.1%          |
| Growth                            | 31,362.1           | 22.0          | 29,074.6           | 20.9          |
| Growth & Income                   | 29,029.3           | 20.4          | 29,234.1           | 21.0          |
| Precious Metals                   | 156.0              | 0.1           | 104.5              | 0.1           |
| International                     | 9,012.3            | 6.3           | 10,922.7           | 7.8           |
| Global Equity                     | 8,031.2            | 5.6           | 9,007.5            | 6.5           |
| Income-Equity                     | 6,947.4            | 4.9           | 5,993.9            | 4.3           |
| Flexible Portfolio                | 6,700.8            | 4.7           | 4,138.5            | 3.0           |
| Balanced                          | 6,985.8            | 4.9           | 6,413.8            | 4.6           |
| Income-Mixed                      | 5,657.8            | 4.0           | 4,639.6            | 3.3           |
| Income-Bond                       | 4,118.4            | 2.9           | 8,607.1            | 6.2           |
| U.S. Government Income            | 1,032.9            | 0.7           | (422.3)            | (0.3)         |
| Ginnie Mae                        | 1,131.0            | 0.8           | (355.0)            | (0.3)         |
| Global Bond                       | 4,197.8            | 2.9           | 5,446.3            | 3.9           |
| Corporate Bond                    | 1,462.2            | 1.0           | 1,384.3            | 1.0           |
| High-yield Bond                   | 4,252.3            | 3.0           | 5,229.4            | 3.7           |
| National Municipal Bond-Long-term | 4,777.6            | 3.4           | 4,517.1            | 3.2           |
| State Municipal Bond-Long-term    | 2,475.8            | 1.7           | 2,772.0            | 2.0           |

*Section Two: Long-term Funds***Liquid Asset Ratio—Equity Funds**

|      | <b>January</b> | <b>February</b> | <b>March</b> | <b>April</b> | <b>May</b> | <b>June</b> | <b>July</b> | <b>August</b> | <b>September</b> | <b>October</b> | <b>November</b> | <b>December</b> |
|------|----------------|-----------------|--------------|--------------|------------|-------------|-------------|---------------|------------------|----------------|-----------------|-----------------|
| 1970 | 7.6            | 7.5             | 7.3          | 7.9          | 8.8        | 9.9         | 10.3        | 9.8           | 9.0              | 8.6            | 7.9             | 6.6             |
| 1971 | 6.3            | 6.1             | 5.4          | 4.8          | 4.2        | 4.6         | 4.9         | 4.8           | 4.0              | 4.7            | 5.3             | 4.7             |
| 1972 | 4.7            | 5.1             | 4.7          | 4.1          | 3.9        | 4.4         | 4.8         | 4.9           | 5.0              | 5.5            | 5.0             | 4.2             |
| 1973 | 4.6            | 5.5             | 6.2          | 6.7          | 7.5        | 7.6         | 7.9         | 8.0           | 7.7              | 7.0            | 7.8             | 7.5             |
| 1974 | 8.0            | 8.4             | 8.6          | 8.9          | 9.1        | 9.3         | 9.8         | 10.9          | 11.8             | 10.7           | 10.7            | 10.1            |
| 1975 | 8.8            | 9.7             | 8.2          | 7.8          | 7.5        | 6.8         | 7.1         | 7.5           | 7.8              | 7.4            | 7.6             | 7.6             |
| 1976 | 6.0            | 5.5             | 5.1          | 4.8          | 5.2        | 4.8         | 4.6         | 4.7           | 4.5              | 4.5            | 5.0             | 4.9             |
| 1977 | 5.3            | 6.0             | 6.5          | 6.1          | 6.6        | 6.2         | 6.8         | 7.5           | 7.9              | 8.2            | 8.0             | 7.5             |
| 1978 | 8.5            | 10.2            | 10.3         | 10.1         | 9.5        | 9.2         | 8.0         | 6.9           | 6.5              | 6.7            | 7.9             | 8.2             |
| 1979 | 8.1            | 8.9             | 8.3          | 8.5          | 8.8        | 8.7         | 8.7         | 8.5           | 8.2              | 7.9            | 8.2             | 7.9             |
| 1980 | 8.5            | 9.0             | 9.2          | 9.5          | 10.4       | 10.1        | 10.4        | 10.3          | 9.8              | 9.7            | 9.3             | 9.1             |
| 1981 | 8.1            | 8.4             | 8.3          | 8.5          | 9.0        | 9.0         | 8.7         | 9.4           | 10.4             | 10.8           | 11.4            | 10.5            |
| 1982 | 10.5           | 10.4            | 10.8         | 10.5         | 11.4       | 12.2        | 11.0        | 10.1          | 9.2              | 8.9            | 8.4             | 8.6             |
| 1983 | 9.7            | 9.5             | 9.9          | 9.9          | 9.5        | 9.4         | 9.0         | 7.7           | 8.6              | 7.9            | 8.7             | 7.8             |
| 1984 | 8              | 8.5             | 9.1          | 9.4          | 9.3        | 9.7         | 10.1        | 9.5           | 9.3              | 8.8            | 9.1             | 9.2             |
| 1985 | 8.6            | 9.3             | 8.3          | 9.1          | 8.9        | 8.8         | 9.2         | 9.8           | 9.9              | 10.7           | 9.7             | 9.4             |
| 1986 | 9.6            | 8.6             | 9.1          | 9.9          | 9.5        | 9.2         | 9.8         | 9.6           | 10.1             | 9.7            | 9.5             | 9.6             |
| 1987 | 9.4            | 9.4             | 9.0          | 10.3         | 9.3        | 9.3         | 9.3         | 8.8           | 9.2              | 10.4           | 11.2            | 9.2             |
| 1988 | 10.1           | 9.9             | 10.3         | 10.8         | 10.5       | 10.1        | 10.6        | 10.6          | 10.6             | 10.0           | 9.7             | 9.4             |
| 1989 | 9.4            | 9.0             | 8.7          | 9.8          | 9.2        | 9.8         | 9.9         | 10.2          | 10.2             | 10.6           | 11.1            | 10.4            |
| 1990 | 11.5           | 11.6            | 11.9         | 12.5         | 11.3       | 10.8        | 10.7        | 11.9          | 12.7             | 12.9           | 12.4            | 11.5            |
| 1991 | 9.6            | 9.5             | 8.8          | 8.5          | 8.5        | 8.0         | 7.7         | 7.2           | 7.4              | 7.9            | 8.4             | 7.5             |
| 1992 | 7.2            | 7.3             | 7.8          | 8.3          | 8.1        | 8.8         | 8.8         | 9.1           | 8.5              | 8.5            | 8.7             | 8.2             |
| 1993 | 8.2            | 8.8             | 9.1          | 9.5          | 8.6        | 8.4         | 8.6         | 8.1           | 8.0              | 8.3            | 8.3             | 8.0             |
| 1994 | 8.3            | 8.9             | 8.1          | 8.2          | 8.6        | 8.4         | 8.8         | 8.4           | 8.4              | 8.5            | 9.0             | 8.5             |
| 1995 | 8.6            | 8.3             | 7.6          | 7.5          | 7.5        | 7.2         | 7.1         | 7.2           | 7.0              | 7.5            | 7.9             | 7.9             |
| 1996 | 8.1            | 7.4             | 7.0          | 7.0          | 6.7        | 6.6         | 7.0         | 7.2           | 6.7              | 6.4            | 5.8             | 5.5             |

*Section Two: Long-term Funds*

**Liquid Asset Ratio—Bond & Income Funds**

|      | <b>January</b> | <b>February</b> | <b>March</b> | <b>April</b> | <b>May</b> | <b>June</b> | <b>July</b> | <b>August</b> | <b>September</b> | <b>October</b> | <b>November</b> | <b>December</b> |
|------|----------------|-----------------|--------------|--------------|------------|-------------|-------------|---------------|------------------|----------------|-----------------|-----------------|
| 1970 | 7.1            | 6.8             | 6.1          | 6.2          | 6.2        | 7.4         | 6.8         | 7.2           | 6.5              | 8.9            | 6.8             | 5.5             |
| 1971 | 4.4            | 3.5             | 3.3          | 2.4          | 3.0        | 2.9         | 2.6         | 4.1           | 4.7              | 6.5            | 5.6             | 5.7             |
| 1972 | 5.2            | 5.2             | 5.3          | 4.4          | 4.6        | 5.2         | 5.9         | 6.0           | 6.8              | 6.1            | 5.8             | 5.9             |
| 1973 | 3.3            | 3.9             | 3.9          | 4.0          | 4.6        | 4.8         | 5.8         | 6.2           | 6.3              | 5.2            | 6.3             | 6.2             |
| 1974 | 6.0            | 6.3             | 6.7          | 7.0          | 7.4        | 7.5         | 8.2         | 9.4           | 9.9              | 8.5            | 8.3             | 7.8             |
| 1975 | 9.4            | 8.5             | 7.9          | 7.8          | 8.3        | 7.4         | 7.7         | 7.8           | 7.8              | 6.9            | 7.2             | 7.7             |
| 1976 | 6.4            | 6.4             | 6.1          | 6.0          | 5.7        | 5.4         | 5.5         | 5.6           | 5.7              | 5.2            | 4.8             | 5.0             |
| 1977 | 6.5            | 6.9             | 7.2          | 6.5          | 5.9        | 6.5         | 6.5         | 5.1           | 6.4              | 7.4            | 7.4             | 6.6             |
| 1978 | 8.7            | 8.9             | 8.3          | 8.6          | 10.4       | 11.6        | 11.5        | 10.6          | 10.8             | 13.4           | 14.4            | 14.8            |
| 1979 | 14.6           | 15.3            | 14.4         | 14.7         | 14.1       | 14          | 13.3        | 11.3          | 13.2             | 12.8           | 13.5            | 14.2            |
| 1980 | 16.0           | 16.7            | 17.3         | 15.4         | 11.5       | 8.9         | 10.1        | 9.6           | 9.9              | 9.7            | 8.4             | 9.3             |
| 1981 | 8.6            | 9.3             | 9.1          | 9.4          | 9.4        | 8.4         | 9.6         | 9.2           | 10.8             | 10.1           | 9.4             | 6.8             |
| 1982 | 8.5            | 10.7            | 10.9         | 11.8         | 9.8        | 10.3        | 10.8        | 8.8           | 7.7              | 7.2            | 6.9             | 6.2             |
| 1983 | 6.3            | 7.0             | 6.3          | 5.8          | 6.0        | 5.8         | 7.3         | 7.9           | 7.0              | 7.2            | 7.4             | 6.5             |
| 1984 | 7.5            | 7.9             | 9.0          | 9.2          | 10.6       | 11.5        | 10.1        | 10.6          | 11.8             | 8.5            | 8.0             | 8.5             |
| 1985 | 8.5            | 9.0             | 7.7          | 9.8          | 7.8        | 7.8         | 8.0         | 8.0           | 8.6              | 9.6            | 8.8             | 7.2             |
| 1986 | 7.5            | 7.7             | 7.9          | 7.6          | 7.1        | 6.8         | 6.3         | 5.8           | 6.2              | 6.2            | 5.5             | 5.8             |
| 1987 | 6.0            | 5.6             | 6.2          | 7.3          | 6.7        | 7.0         | 6.7         | 6.6           | 7.3              | 8.0            | 8.1             | 7.8             |
| 1988 | 7.5            | 7.7             | 8.5          | 8.7          | 9.0        | 8.2         | 8.3         | 9.1           | 9.3              | 9.2            | 9.0             | 9.6             |
| 1989 | 10.8           | 10.6            | 10.2         | 10.6         | 10.0       | 9.1         | 8.2         | 7.5           | 7.6              | 7.0            | 6.8             | 6.2             |
| 1990 | 7.3            | 7.7             | 6.9          | 8.2          | 7.4        | 5.8         | 6.4         | 7.1           | 7.2              | 7.2            | 7.3             | 6.3             |
| 1991 | 7.8            | 7.2             | 7.2          | 7.1          | 7.3        | 7.7         | 7.5         | 6.9           | 6.7              | 7.3            | 6.9             | 6.7             |
| 1992 | 7.2            | 7.2             | 6.7          | 6.7          | 6.4        | 6.1         | 6.1         | 6.7           | 6.8              | 6.5            | 6.5             | 5.4             |
| 1993 | 5.6            | 5.2             | 4.7          | 4.8          | 4.9        | 4.5         | 5.3         | 5.3           | 5.8              | 6.0            | 6.0             | 5.3             |
| 1994 | 5.6            | 5.7             | 6.8          | 7.4          | 7.0        | 6.7         | 6.6         | 6.3           | 6.8              | 7.2            | 7.0             | 7.0             |
| 1995 | 7.2            | 7.1             | 6.9          | 6.9          | 7.0        | 6.2         | 6.1         | 5.9           | 5.7              | 5.7            | 5.4             | 5.4             |
| 1996 | 5.5            | 5.3             | 5.5          | 5.5          | 5.3        | 5.2         | 5.5         | 5.3           | 5.6              | 5.2            | 4.8             | 4.8             |

## Section Two: Long-term Funds

## Distribution of Mutual Fund Assets in Equity and Bond &amp; Income Funds

| Year                       | Total Net Assets | Net Cash & Equivalent | Corporate Bonds | Preferred Stocks | Common Stocks | Municipal Bonds | Long-term U.S. Gov't | Other   |
|----------------------------|------------------|-----------------------|-----------------|------------------|---------------|-----------------|----------------------|---------|
| <b>Millions of dollars</b> |                  |                       |                 |                  |               |                 |                      |         |
| 1986                       | \$424,156        | \$30,716              | \$47,310        | \$7,387          | \$153,657     | \$70,875        | \$111,536            | \$2,675 |
| 1987                       | 453,842          | 38,006                | 41,661          | 5,566            | 176,372       | 68,578          | 119,854              | 3,805   |
| 1988                       | 472,297          | 45,090                | 54,441          | 5,678            | 173,684       | 86,136          | 103,750              | 3,518   |
| 1989                       | 553,866          | 44,780                | 52,945          | 4,582            | 241,307       | 85,017          | 118,108              | 7,127   |
| 1990                       | 568,517          | 48,324                | 44,344          | 2,843            | 216,605       | 118,820         | 128,485              | 9,096   |
| 1991                       | 853,057          | 60,787                | 87,007          | 6,900            | 377,901       | 149,626         | 162,490              | 8,346   |
| 1992                       | 1,100,065        | 74,381                | 115,991         | 10,573           | 479,328       | 191,619         | 225,341              | 2,832   |
| 1993                       | 1,510,047        | 100,209               | 169,997         | 16,241           | 696,828       | 249,141         | 273,915              | 3,716   |
| 1994                       | 1,550,490        | 121,296               | 155,243         | 16,495           | 812,681       | 211,093         | 223,350              | 10,332  |
| 1995                       | 2,067,337        | 142,572               | 191,845R        | 16,991R          | 1,203,791R    | 245,360R        | 261,070R             | 5,708R  |
| 1996                       | 2,637,398        | 139,396               | 238,610         | 21,343           | 1,720,049     | 245,466         | 267,709              | 4,825   |
| <b>Percent</b>             |                  |                       |                 |                  |               |                 |                      |         |
| 1986                       | 100.0%           | 7.3%                  | 11.2%           | 1.7%             | 36.2%         | 16.7%           | 26.3%                | 0.6%    |
| 1987                       | 100.0            | 8.4                   | 9.2             | 1.2              | 38.9          | 15.1            | 26.4                 | 0.8     |
| 1988                       | 100.0            | 9.5                   | 11.5            | 1.2              | 36.8          | 18.2            | 22.0                 | 0.8     |
| 1989                       | 100.0            | 8.1                   | 9.6             | 0.8              | 43.6          | 15.3            | 21.3                 | 1.3     |
| 1990                       | 100.0            | 8.5                   | 7.8             | 0.5              | 38.1          | 20.9            | 22.6                 | 1.6     |
| 1991                       | 100.0            | 7.1                   | 10.2            | 0.8              | 44.3          | 17.5            | 19.1                 | 1.0     |
| 1992                       | 100.0            | 6.8                   | 10.5            | 1.0              | 43.6          | 17.4            | 20.4                 | 0.3     |
| 1993                       | 100.0            | 6.6                   | 11.3            | 1.1              | 46.1          | 16.5            | 18.1                 | 0.3     |
| 1994                       | 100.0            | 7.8                   | 10.0            | 1.1              | 52.4          | 13.6            | 14.4                 | 0.7     |
| 1995                       | 100.0            | 6.9                   | 9.3             | 0.8R             | 58.2          | 11.9R           | 12.6                 | 0.3     |
| 1996                       | 100.0            | 5.3                   | 9.0             | 0.8              | 65.2          | 9.3             | 10.2                 | 0.2     |

R=Revised

*Section Two: Long-term Funds*

**Net New Cash Flow\* by Investment Objective**

(millions of dollars)

|                                      | <b>1995</b>        | <b>1996</b>        |
|--------------------------------------|--------------------|--------------------|
| Aggressive Growth                    | 36,634.4           | 55,841.9           |
| Growth                               | 36,884.5           | 46,458.4           |
| Growth & Income                      | 37,010.0           | 65,137.4           |
| Precious Metals                      | (976.9)            | (328.3)            |
| International                        | 6,730.5            | 29,801.3           |
| Global Equity                        | 4,962.2            | 16,552.7           |
| Income-Equity                        | 6,978.1            | 8,612.7            |
| <b>Total Equity Funds</b>            | <b>\$128,222.8</b> | <b>\$222,076.1</b> |
| Flexible Portfolio                   | (1,478.2)          | 1,238.6            |
| Balanced                             | 1,812.5            | 5,005.9            |
| Income-Mixed                         | 5,409.1            | 4,224.1            |
| Income-Bond                          | 4,658.7            | 8,600.6            |
| Government                           | (8,565.7)          | (8,947.6)          |
| GNMA                                 | (5,344.0)          | (4,796.3)          |
| Global Bond                          | (4,402.9)          | (598.2)            |
| Corporate Bond                       | 1,987.7            | 2,450.3            |
| High-yield Bond                      | 8,141.7            | 12,320.7           |
| National Municipal Bond-Long-term    | (4,771.4)          | (4,349.7)          |
| State Municipal Bond-Long-term       | (2,255.1)          | (1,973.7)          |
| <b>Total Bond &amp; Income Funds</b> | <b>(\$4,807.6)</b> | <b>\$13,174.7</b>  |

*\*Net new cash flow is the dollar value of new sales minus redemptions, combined with net exchanges.*

Section Two: Long-term Funds

Net New Cash Flow\* and Total Net Assets of Equity Funds

(millions of dollars)

| Year         | Net New Cash Flow  | Total Net Assets     |
|--------------|--------------------|----------------------|
| 1984         | \$5,873.7          | \$83,084.0           |
| 1985         | 8,454.5            | 116,938.6            |
| 1986         | 21,865.9           | 161,538.8            |
| 1987         | 19,063.3           | 180,690.9            |
| 1988         | (16,163.0)         | 194,820.4            |
| 1989         | 5,788.0            | 249,045.0            |
| 1990         | 12,790.0           | 245,788.2            |
| 1991         | 39,535.4           | 411,619.2            |
| 1992         | 79,154.1           | 522,776.7            |
| 1993         | 129,550.1          | 748,953.3            |
| 1994         | 119,293.5          | 866,448.3            |
| <b>1995</b>  |                    |                      |
| January      | 5,477.4            | 869,842.3            |
| February     | 8,575.6            | 908,793.9            |
| March        | 7,234.1            | 943,989.1            |
| April        | 10,672.8           | 988,653.6            |
| May          | 8,386.5            | 1,025,081.2          |
| June         | 8,172.1            | 1,067,145.9          |
| July         | 13,903.1           | 1,132,504.7          |
| August       | 13,191.0           | 1,152,774.9          |
| September    | 12,734.9           | 1,198,259.8          |
| October      | 9,164.2            | 1,189,717.0          |
| November     | 14,323.8           | 1,243,197.2          |
| December     | 16,387.2           | 1,269,039.5          |
| <b>Total</b> | <b>\$128,222.7</b> | <b>\$1,269,039.5</b> |
| <b>1996</b>  |                    |                      |
| January      | 28,902.0           | 1,332,247.6          |
| February     | 22,378.2           | 1,374,177.7          |
| March        | 21,255.5           | 1,408,574.6          |
| April        | 26,066.8           | 1,473,745.4          |
| May          | 25,045.5           | 1,530,672.4          |
| June         | 14,463.4           | 1,532,457.3          |
| July         | 5,752.2            | 1,466,528.9          |
| August       | 17,911.2           | 1,531,340.3          |
| September    | 17,369.2           | 1,620,223.1          |
| October      | 13,548.6           | 1,650,988.4          |
| November     | 17,160.9           | 1,763,253.6          |
| December     | 11,749.2           | 1,750,928.9          |
| <b>Total</b> | <b>\$221,602.7</b> | <b>\$1,750,928.9</b> |

\*Net new cash flow is the dollar value of new sales minus redemptions, combined with net exchanges.

Section Two: Long-term Funds

Net New Cash Flow\* and Total Net Assets  
of Bond & Income Funds

(millions of dollars)

| Year         | Net New<br>Cash Flow | Total<br>Net Assets |
|--------------|----------------------|---------------------|
| 1984         | \$13,320.4           | \$54,042.4          |
| 1985         | 65,196.3             | 134,756.5           |
| 1986         | 108,606.1            | 262,617.5           |
| 1987         | 10,904.3             | 273,151.5           |
| 1988         | (7,004.8)            | 277,476.2           |
| 1989         | 3,112.3              | 304,816.8           |
| 1990         | 8,549.2              | 322,728.7           |
| 1991         | 67,239.2             | 441,437.5           |
| 1992         | 93,652.0             | 577,288.0           |
| 1993         | 113,725.9            | 761,094.1           |
| 1994         | (43,440.5)           | 684,042.1           |
| <b>1995</b>  |                      |                     |
| January      | (3,592.0)            | 692,856.6           |
| February     | 1,092.8              | 709,684.9           |
| March        | (3,734.3)            | 712,238.0           |
| April        | (1,352.7)            | 721,072.0           |
| May          | 675.5                | 743,568.6           |
| June         | (3,103.2)            | 740,911.2           |
| July         | 50.7                 | 747,566.2           |
| August       | 631.9                | 754,974.5           |
| September    | 332.9                | 764,118.0           |
| October      | 1,804.8              | 773,187.4           |
| November     | 1,971.5              | 789,133.9           |
| December     | 414.6                | 798,297.8           |
| <b>Total</b> | <b>(\$4,807.5)</b>   | <b>\$798,297.8</b>  |
| <b>1996</b>  |                      |                     |
| January      | 4,284.4              | 810,456.9           |
| February     | 1,933.2              | 807,302.3           |
| March        | 1,764.5              | 803,479.1           |
| April        | 508.5                | 819,280.1           |
| May          | 252.1                | 825,475.6           |
| June         | (218.3)              | 830,553.9           |
| July         | (1,007.1)            | 829,380.0           |
| August       | (56.6)               | 834,580.4           |
| September    | 1,917.2              | 853,830.8           |
| October      | (515.3)              | 866,452.2           |
| November     | 1,426.6              | 889,534.6           |
| December     | 2,346.1              | 886,469.1           |
| <b>Total</b> | <b>\$12,635.3</b>    | <b>\$886,469.1</b>  |

\*Net new cash flow is the dollar value of new sales minus redemptions, combined with net exchanges.

*Section Two: Long-term Funds*

**An Overview:  
Sales, Redemptions, and Net Sales of Equity and  
Bond & Income Funds**

(millions of dollars)

| <b>Year</b> | <b>Sales</b> | <b>Redemptions</b> | <b>Net Sales</b> |
|-------------|--------------|--------------------|------------------|
| 1970        | \$4,625.8    | \$2,987.6          | \$1,638.2        |
| 1971        | 5,147.2      | 4,750.2            | 397.0            |
| 1972        | 4,892.5      | 6,562.9            | (1,670.4)        |
| 1973        | 4,359.3      | 5,651.1            | (1,291.8)        |
| 1974        | 3,091.5      | 3,380.9            | (289.4)          |
| 1975        | 3,307.2      | 3,686.3            | (379.1)          |
| 1976        | 4,360.5      | 6,801.2            | (2,440.7)        |
| 1977        | 6,399.6      | 6,026.0            | 373.6            |
| 1978        | 6,705.3      | 7,232.4            | (527.1)          |
| 1979        | 6,826.1      | 8,005.0            | (1,178.9)        |
| 1980        | 9,993.7      | 8,200.0            | 1,793.7          |
| 1981        | 9,710.4      | 7,470.4            | 2,240.0          |
| 1982        | 15,738.3     | 7,571.8            | 8,166.5          |
| 1983        | 40,325.1     | 14,677.6           | 25,647.5         |
| 1984        | 45,856.9     | 20,030.2           | 25,826.7         |
| 1985        | 114,313.5    | 33,763.4           | 80,550.1         |
| 1986        | 215,847.9    | 67,012.7           | 148,835.2        |
| 1987        | 190,628.0    | 116,224.3          | 74,403.7         |
| 1988        | 95,292.9     | 92,474.1           | 2,818.8          |
| 1989        | 125,711.0    | 91,655.5           | 34,055.5         |
| 1990        | 149,512.5    | 98,250.9           | 51,261.6         |
| 1991        | 236,633.3    | 116,325.3          | 120,308.0        |
| 1992        | 364,402.2    | 165,506.6          | 198,895.6        |
| 1993        | 511,578.5    | 231,356.2          | 280,222.3        |
| 1994        | 473,975.6    | 329,735.6          | 144,240.0        |
| 1995        | 477,233.8    | 313,582.7R         | 163,651.1R       |
| 1996        | 684,813.2    | 398,719.1          | 286,094.1        |

*R=Revised*



Section Two: Long-term Funds

Sales of Equity and Bond & Income Funds  
by Investment Objective

(millions of dollars)

|                                   | 1995               |               | 1996               |               |
|-----------------------------------|--------------------|---------------|--------------------|---------------|
|                                   | Dollars            | Percent       | Dollars            | Percent       |
| <b>Total Sales</b>                | <b>\$477,233.8</b> | <b>100.0%</b> | <b>\$684,813.2</b> | <b>100.0%</b> |
| Aggressive Growth                 | \$61,728.3         | 12.9%         | \$95,308.6         | 13.9%         |
| Growth                            | 81,963.2           | 17.2          | 127,831.8          | 18.7          |
| Growth & Income                   | 86,421.8           | 18.1          | 130,213.3          | 19.0          |
| Precious Metals                   | 1,921.4            | 0.4           | 3,289.6            | 0.5           |
| International                     | 39,318.7           | 8.2           | 61,869.4           | 9.0           |
| Global Equity                     | 16,603.3           | 3.5           | 28,812.1           | 4.2           |
| Income-Equity                     | 18,767.2           | 3.9           | 24,028.9           | 3.5           |
| Flexible Portfolio                | 9,512.7            | 2.0           | 12,201.2           | 1.8           |
| Balanced                          | 16,678.8           | 3.5           | 23,513.8           | 3.4           |
| Income-Mixed                      | 23,185.9           | 4.9           | 25,818.9           | 3.8           |
| Income-Bond                       | 24,440.6           | 5.1           | 38,129.5           | 5.6           |
| U.S. Government Income            | 18,848.3           | 3.9           | 18,130.6           | 2.7           |
| Ginnie Mae                        | 8,075.2            | 1.7           | 7,754.8            | 1.1           |
| Global Bond                       | 7,487.4            | 1.6           | 10,043.7           | 1.5           |
| Corporate Bond                    | 7,566.7            | 1.6           | 10,373.2           | 1.5           |
| High-yield Bond                   | 18,036.1           | 3.8           | 26,278.8           | 3.8           |
| National Municipal Bond-Long-term | 20,127.4           | 4.2           | 22,439.3           | 3.3           |
| State Municipal Bond-Long-term    | 16,550.8           | 3.5           | 18,775.7           | 2.7           |

Section Two: Long-term Funds

Sales and Reinvested Dividends by Investment Objective

(millions of dollars)

1995

|                                   | Total<br>Sales     | Total<br>Reinvested Sales | Sales Less<br>Reinvested Dividends |
|-----------------------------------|--------------------|---------------------------|------------------------------------|
| <b>Total</b>                      | <b>\$477,233.8</b> | <b>\$46,915.7</b>         | <b>\$430,318.1R</b>                |
| Aggressive Growth                 | \$61,728.3         | \$1,546.7                 | \$60,181.6                         |
| Growth                            | 81,963.2           | 4,994.7                   | 76,968.5                           |
| Growth & Income                   | 86,421.8           | 7,066.5                   | 79,355.4                           |
| Precious Metals                   | 1,921.4            | 36.0                      | 1,885.3                            |
| International                     | 39,318.7           | 1,603.9                   | 37,714.7                           |
| Global Equity                     | 16,603.3           | 885.9                     | 15,717.4                           |
| Income-Equity                     | 18,767.2           | 2,426.0                   | 16,341.2                           |
| Flexible Portfolio                | 9,512.7            | 1,577.6                   | 7,935.1                            |
| Balanced                          | 16,678.8           | 2,551.0                   | 14,127.8                           |
| Income-Mixed                      | 23,185.9           | 2,955.8                   | 20,230.1                           |
| Income-Bond                       | 24,440.6           | 2,899.4                   | 21,541.2                           |
| Government                        | 18,848.3           | 3,365.9                   | 15,482.4                           |
| GNMA                              | 8,075.2            | 2,013.0                   | 6,062.2                            |
| Global Bond                       | 7,487.4            | 1,358.6                   | 6,128.9R                           |
| Corporate Bond                    | 7,566.7            | 1,220.5                   | 6,346.1                            |
| High-yield Bond                   | 18,036.1           | 2,958.4                   | 15,077.7                           |
| National Municipal Bond-Long-term | 20,127.4           | 4,215.8                   | 15,911.7                           |
| State Municipal Bond-Long-term    | 16,550.8           | 3,240.0                   | 13,310.8                           |

1996

|                                   | Total<br>Sales     | Total<br>Reinvested Sales | Sales Less<br>Reinvested Dividends |
|-----------------------------------|--------------------|---------------------------|------------------------------------|
| <b>Total</b>                      | <b>\$684,813.2</b> | <b>\$53,593.3</b>         | <b>\$631,219.9</b>                 |
| Aggressive Growth                 | \$95,308.6         | \$1,909.5                 | \$93,399.1                         |
| Growth                            | 127,831.8          | 4,790.4                   | 123,041.3                          |
| Growth & Income                   | 130,213.3          | 8,724.7                   | 121,488.7                          |
| Precious Metals                   | 3,289.6            | 139.2                     | 3,150.3                            |
| International                     | 61,869.4           | 2,266.2                   | 59,603.2                           |
| Global Equity                     | 28,812.1           | 1,472.4                   | 27,339.6                           |
| Income-Equity                     | 24,028.9           | 2,724.0                   | 21,304.8                           |
| Flexible Portfolio                | 12,201.2           | 1,833.9                   | 10,367.3                           |
| Balanced                          | 23,513.8           | 2,921.1                   | 20,592.8                           |
| Income-Mixed                      | 25,818.9           | 3,232.3                   | 22,586.6                           |
| Income-Bond                       | 38,129.5           | 4,217.5                   | 33,912.1                           |
| Government                        | 18,130.6           | 3,209.9                   | 14,920.7                           |
| GNMA                              | 7,754.8            | 2,018.9                   | 5,735.9                            |
| Global Bond                       | 10,043.7           | 1,599.7                   | 8,444.0                            |
| Corporate Bond                    | 10,373.2           | 1,525.3                   | 8,847.9                            |
| High-yield Bond                   | 26,278.8           | 3,631.7                   | 22,647.2                           |
| National Municipal Bond-Long-term | 22,439.3           | 4,142.7                   | 18,296.6                           |
| State Municipal Bond-Long-term    | 18,775.7           | 3,233.9                   | 15,541.8                           |

R = Revised

*Section Two: Long-term Funds*

**Equity and Bond & Income Funds'  
Distributions to Shareholders**

(millions of dollars)

| <b>Year</b> | <b>Distributions from<br/>Net Investment Income</b> | <b>Net Realized<br/>Capital Gains</b> |
|-------------|---|---------------------------------------|
| 1970        | \$1,414.1   | \$922.1                               |
| 1971        | 1,330.7   | 775.5                                 |
| 1972        | 1,286.6   | 1,402.6                               |
| 1973        | 1,300.2   | 943.3                                 |
| 1974        | 1,553.2   | 484.3                                 |
| 1975        | 1,449.1   | 219.2                                 |
| 1976        | 1,580.0   | 470.9                                 |
| 1977        | 1,789.7   | 634.8                                 |
| 1978        | 2,116.0   | 710.6                                 |
| 1979        | 2,451.4   | 929.9                                 |
| 1980        | 2,669.0   | 1,774.2                               |
| 1981        | 3,143.0   | 2,697.2                               |
| 1982        | 3,832.9   | 2,350.1                               |
| 1983        | 4,981.0   | 4,391.6                               |
| 1984        | 7,238.4   | 6,019.2                               |
| 1985        | 12,864.2  | 4,984.6                               |
| 1986        | 22,273.4  | 17,463.8                              |
| 1987        | 31,823.7  | 22,975.6                              |
| 1988        | 31,978.3  | 6,345.3                               |
| 1989        | 34,096.1  | 14,802.8                              |
| 1990        | 32,917.7  | 8,054.6                               |
| 1991        | 35,322.2  | 14,116.1                              |
| 1992        | 59,177.0  | 22,335.6                              |
| 1993        | 73,302.4  | 36,105.3                              |
| 1994        | 61,517.3  | 29,969.6                              |
| 1995        | 67,536.2  | 54,572.6                              |
| 1996        | 73,683.1  | 101,073.5                             |

*Section Two: Long-term Funds*

**Annual Redemption Rate for  
Equity and Bond & Income Funds**

(millions of dollars)

| <b>Year</b> | <b>Average<br/>Total Net Assets</b> | <b>Redemptions</b> | <b>Redemption Rate</b> |
|-------------|-------------------------------------|--------------------|------------------------|
| 1970        | \$47,954                            | \$2,988            | 6.2%                   |
| 1971        | 51,332                              | 4,750              | 9.3                    |
| 1972        | 57,438                              | 6,563              | 11.4                   |
| 1973        | 53,175                              | 5,651              | 10.6                   |
| 1974        | 40,290                              | 3,381              | 8.4                    |
| 1975        | 38,120                              | 3,686              | 9.7                    |
| 1976        | 44,880                              | 6,801              | 15.2                   |
| 1977        | 46,316                              | 6,026              | 13.0                   |
| 1978        | 45,014                              | 7,232              | 16.1                   |
| 1979        | 46,980                              | 8,005              | 17.0                   |
| 1980        | 53,690                              | 8,200              | 15.3                   |
| 1981        | 56,803                              | 7,470              | 13.2                   |
| 1982        | 66,024                              | 7,572              | 11.5                   |
| 1983        | 95,220                              | 14,678             | 15.4                   |
| 1984        | 125,362                             | 20,030             | 16.0                   |
| 1985        | 194,411                             | 33,763             | 17.4                   |
| 1986        | 337,926                             | 67,013             | 19.8                   |
| 1987        | 438,999                             | 116,224            | 26.5                   |
| 1988        | 463,070                             | 92,474             | 20.0                   |
| 1989        | 513,079                             | 91,656             | 17.9                   |
| 1990        | 561,189                             | 98,251             | 17.5                   |
| 1991        | 710,787                             | 116,325            | 16.4                   |
| 1992        | 976,561                             | 165,507            | 16.9                   |
| 1993        | 1,305,056                           | 231,356            | 17.7                   |
| 1994        | 1,530,269                           | 329,736            | 21.5                   |
| 1995        | 1,808,914                           | 313,583R           | 17.3                   |
| 1996        | 2,352,368                           | 398,719            | 16.9                   |

*Note: "Average Total Net Assets" are an average of values at the beginning of the year and at the end of the year. The redemption rate is the dollar redemption volume as a percent of average assets.*

*R=Revised*

Section Two: Long-term Funds

## Redemptions of Equity and Bond & Income Funds by Investment Objective

(millions of dollars)

|                                   | 1995                |               | 1996               |               |
|-----------------------------------|---------------------|---------------|--------------------|---------------|
|                                   | Dollars             | Percent       | Dollars            | Percent       |
| <b>Total Redemptions</b>          | <b>\$313,582.7R</b> | <b>100.0%</b> | <b>\$398,719.1</b> | <b>100.0%</b> |
| Aggressive Growth                 | \$30,132.1          | 9.6%          | \$45,522.9         | 11.4%         |
| Growth                            | 46,028.7            | 14.7          | 73,894.1           | 18.5          |
| Growth & Income                   | 45,407.3            | 14.5          | 61,907.8           | 15.5          |
| Precious Metals                   | 2,166.9             | 0.7           | 3,152.9            | 0.8           |
| International                     | 27,731.0            | 8.8           | 31,927.0           | 8.0           |
| Global Equity                     | 9,922.1R            | 3.2           | 12,508.0           | 3.1           |
| Income-Equity                     | 10,960.4            | 3.5           | 14,129.4           | 3.6           |
| Flexible Portfolio                | 7,281.9             | 2.3           | 7,432.1            | 1.9           |
| Balanced                          | 11,241.0            | 3.6           | 14,238.0           | 3.6           |
| Income-Mixed                      | 14,306.0            | 4.6           | 16,801.0           | 4.2           |
| Income-Bond                       | 16,888.5            | 5.4           | 24,429.5           | 6.1           |
| U.S. Government Income            | 22,512.7            | 7.2           | 20,521.0           | 5.2           |
| Ginnie Mae                        | 11,034.7            | 3.5           | 9,328.1            | 2.3           |
| Global Bond                       | 8,996.6             | 2.9           | 9,095.1            | 2.3           |
| Corporate Bond                    | 5,112.2             | 1.6           | 6,154.2            | 1.5           |
| High-yield Bond                   | 9,229.7             | 2.9           | 11,882.6           | 3.0           |
| National Municipal Bond-Long-term | 19,431.6            | 6.2           | 19,663.4           | 4.9           |
| State Municipal Bond-Long-term    | 15,199.3            | 4.8           | 16,132.0           | 4.1           |

R = Revised

*Section Two: Long-term Funds*

**Total Purchases, Total Sales, and Net Purchases  
of Portfolio Securities by Mutual Funds**

(millions of dollars)

| <b>Year</b> | <b>Total Purchases</b> | <b>Total Sales</b> | <b>Net Purchases</b> |
|-------------|------------------------|--------------------|----------------------|
| 1970        | \$20,405.0             | \$18,588.5         | \$1,816.5            |
| 1971        | 25,360.2               | 24,793.8           | 566.4                |
| 1972        | 24,467.6               | 25,823.6           | (1,356.0)            |
| 1973        | 19,706.6               | 21,903.0           | (2,196.4)            |
| 1974        | 12,299.7               | 12,213.5           | 86.2                 |
| 1975        | 15,396.9               | 15,511.4           | (114.5)              |
| 1976        | 15,348.2               | 16,881.2           | (1,533.0)            |
| 1977        | 18,168.0               | 19,420.7           | (1,252.7)            |
| 1978        | 20,945.6               | 23,069.7           | (2,124.1)            |
| 1979        | 22,412.1               | 23,702.5           | (1,290.4)            |
| 1980        | 32,987.2               | 32,080.6           | 906.6                |
| 1981        | 36,161.7               | 33,709.2           | 2,452.5              |
| 1982        | 55,682.0               | 47,920.7           | 7,761.3              |
| 1983        | 93,009.5               | 71,466.5           | 21,543.0             |
| 1984        | 119,272.4              | 98,929.6           | 20,342.8             |
| 1985        | 259,578.5              | 186,974.6          | 72,603.9             |
| 1986        | 501,058.5              | 365,167.6          | 135,890.9            |
| 1987        | 531,075.8              | 485,640.1          | 45,435.7             |
| 1988        | 410,714.2              | 421,449.7          | (10,735.5)           |
| 1989        | 472,218.6              | 445,730.4          | 26,488.2             |
| 1990        | 555,699.8              | 506,547.9          | 49,151.9             |
| 1991        | 736,771.8              | 608,908.4          | 127,863.4            |
| 1992        | 950,632.5              | 758,972.1          | 191,660.4            |
| 1993        | 1,337,057.0            | 1,061,038.5        | 276,018.5            |
| 1994        | 1,435,130.6            | 1,330,271.9        | 104,858.7            |
| 1995        | 1,553,663.1            | 1,402,986.1        | 150,677.0            |
| 1996        | 2,023,712.7            | 1,740,366.7        | 283,346.0            |

*Section Two: Long-term Funds*

**Total Purchases, Total Sales, and Net Purchases  
of Common Stocks by Mutual Funds**

(millions of dollars)

| <b>Year</b> | <b>Total Purchases</b> | <b>Total Sales</b> | <b>Net Purchases</b> |
|-------------|------------------------|--------------------|----------------------|
| 1970        | \$17,127.6             | \$15,900.8         | \$1,226.8            |
| 1971        | 21,557.7               | 21,175.1           | 382.6                |
| 1972        | 20,943.5               | 22,552.8           | (1,609.3)            |
| 1973        | 15,560.7               | 17,504.4           | (1,943.7)            |
| 1974        | 9,085.3                | 9,372.1            | (286.8)              |
| 1975        | 10,948.7               | 11,902.3           | (953.6)              |
| 1976        | 10,729.1               | 13,278.3           | (2,549.2)            |
| 1977        | 8,704.7                | 12,211.3           | (3,506.6)            |
| 1978        | 12,832.9               | 14,454.7           | (1,621.8)            |
| 1979        | 13,089.0               | 15,923.0           | (2,834.0)            |
| 1980        | 19,893.8               | 21,799.9           | (1,906.1)            |
| 1981        | 20,859.7               | 21,278.3           | (418.6)              |
| 1982        | 27,397.2               | 24,939.6           | 2,457.6              |
| 1983        | 54,581.7               | 40,813.9           | 13,767.8             |
| 1984        | 56,587.9               | 50,895.0           | 5,692.9              |
| 1985        | 80,783.1               | 72,577.3           | 8,205.8              |
| 1986        | 134,711.0              | 118,091.9          | 16,619.1             |
| 1987        | 199,042.0              | 176,084.9          | 22,957.1             |
| 1988        | 112,831.8              | 128,896.2          | (16,064.4)           |
| 1989        | 142,965.5              | 141,748.3          | 1,217.2              |
| 1990        | 166,753.5              | 146,743.9          | 20,009.6             |
| 1991        | 250,734.7              | 209,536.1          | 41,198.6             |
| 1992        | 328,330.0              | 262,121.7          | 66,208.3             |
| 1993        | 507,808.7              | 381,334.1          | 126,474.6            |
| 1994        | 629,628.8              | 512,992.1          | 116,636.7            |
| 1995        | 792,330.5              | 688,771.4          | 103,559.1            |
| 1996        | 1,154,990.8            | 929,870.5          | 225,120.3            |

*Section Two: Long-term Funds*

**Total Purchases, Total Sales, and Net Purchases  
of Securities Other Than Common Stocks by Mutual Funds**  
(millions of dollars)

| <b>Year</b> | <b>Total Purchases</b> | <b>Total Sales</b> | <b>Net Purchases</b> |
|-------------|------------------------|--------------------|----------------------|
| 1970        | \$3,277.4              | \$2,687.7          | \$589.7              |
| 1971        | 3,802.5                | 3,618.6            | 183.9                |
| 1972        | 3,524.1                | 3,270.9            | 253.2                |
| 1973        | 4,145.9                | 4,398.7            | (252.8)              |
| 1974        | 3,214.4                | 2,841.4            | 373.0                |
| 1975        | 4,448.2                | 3,609.1            | 839.1                |
| 1976        | 4,619.1                | 3,602.9            | 1,016.2              |
| 1977        | 9,463.3                | 7,209.4            | 2,253.9              |
| 1978        | 8,112.7                | 8,615.0            | (502.3)              |
| 1979        | 9,323.1                | 7,779.5            | 1,543.6              |
| 1980        | 13,093.4               | 10,280.7           | 2,812.7              |
| 1981        | 15,302.0               | 12,430.9           | 2,871.1              |
| 1982        | 28,284.8               | 22,981.1           | 5,303.7              |
| 1983        | 38,427.7               | 30,652.6           | 7,775.1              |
| 1984        | 62,684.6               | 48,034.6           | 14,650.0             |
| 1985        | 178,795.3              | 114,397.3          | 64,398.0             |
| 1986        | 366,347.5              | 247,075.7          | 119,271.8            |
| 1987        | 332,033.8              | 309,555.2          | 22,478.6             |
| 1988        | 297,882.5              | 292,553.5          | 5,329.0              |
| 1989        | 329,253.2              | 303,982.1          | 25,271.1             |
| 1990        | 388,946.3              | 359,804.0          | 29,142.3             |
| 1991        | 486,037.1              | 399,372.3          | 86,664.8             |
| 1992        | 622,302.5              | 496,850.4          | 125,452.1            |
| 1993        | 829,248.3              | 679,704.4          | 149,543.9            |
| 1994        | 805,501.8              | 817,279.8          | (11,778.0)           |
| 1995        | 761,332.6              | 714,214.7          | 47,117.9             |
| 1996        | 868,721.9              | 810,496.2          | 58,225.7             |



Section Two: Long-term Funds

Portfolio Purchases by Investment Objective

(millions of dollars)

|                                   | All Securities       |                      | Common Stock Only  |                      |
|-----------------------------------|----------------------|----------------------|--------------------|----------------------|
|                                   | 1995                 | 1996                 | 1995               | 1996                 |
| <b>Total</b>                      | <b>\$1,553,663.1</b> | <b>\$2,023,712.7</b> | <b>\$792,330.5</b> | <b>\$1,154,990.8</b> |
| Aggressive Growth                 | \$177,252.7          | \$275,026.0          | \$171,871.9        | \$270,313.8          |
| Growth                            | 287,747.6            | 371,324.6            | 263,599.3          | 356,178.0            |
| Growth & Income                   | 183,348.8            | 269,570.5            | 160,483.6          | 240,068.8            |
| Precious Metals                   | 1,608.7              | 3,817.0              | 1,517.3            | 3,709.9              |
| International                     | 62,224.4             | 89,222.4             | 55,052.1           | 81,277.3             |
| Global Equity                     | 40,891.1             | 58,740.8             | 35,290.6           | 54,135.4             |
| Income-Equity                     | 51,167.6             | 77,643.1             | 34,711.5           | 58,102.2             |
| Flexible Portfolio                | 53,624.4             | 69,951.1             | 25,683.8           | 28,872.3             |
| Balanced                          | 65,880.7             | 74,134.7             | 28,671.7           | 37,415.8             |
| Income-Mixed                      | 73,910.2             | 87,992.4             | 9,266.7            | 14,618.7             |
| Income-Bond                       | 87,957.7             | 139,383.5            | 856.9              | 1,148.0              |
| U.S. Government Income            | 153,778.9            | 156,844.8            | 1.8                | 11.7                 |
| Ginnie Mae                        | 66,404.1             | 73,685.4             | 0.0                | 0.0                  |
| Global Bond                       | 47,590.8             | 54,441.4             | 3,350.3            | 5,670.1              |
| Corporate Bond                    | 33,343.1             | 36,254.3             | 232.8              | 255.7                |
| High-yield Bond                   | 46,953.2             | 71,878.3             | 1,710.4            | 3,213.1              |
| National Municipal Bond-Long-term | 71,991.4             | 67,769.7             | 2.9                | 0.0                  |
| State Municipal Bond-Long-term    | 47,987.7             | 46,032.7             | 26.9               | 0.0                  |

Section Two: Long-term Funds

Portfolio Sales by Investment Objective

(millions of dollars)

|                                   | All Securities       |                      | Common Stock Only  |                    |
|-----------------------------------|----------------------|----------------------|--------------------|--------------------|
|                                   | 1995                 | 1996                 | 1995               | 1996               |
| <b>Totals</b>                     | <b>\$1,402,986.1</b> | <b>\$1,740,366.7</b> | <b>\$688,771.4</b> | <b>\$929,870.5</b> |
| Aggressive Growth                 | \$146,270.1          | \$226,613.6          | \$141,839.0        | \$221,438.6        |
| Growth                            | 262,284.7            | 320,536.9            | 248,793.2          | 299,913.2          |
| Growth & Income                   | 151,040.8            | 199,900.1            | 128,054.6          | 173,913.5          |
| Precious Metals                   | 2,158.0              | 4,174.5              | 2,057.4            | 4,074.0            |
| International                     | 53,158.8             | 60,911.4             | 46,060.2           | 55,416.4           |
| Global Equity                     | 35,033.2             | 40,653.4             | 30,194.8           | 37,796.8           |
| Income-Equity                     | 43,145.2             | 67,408.2             | 27,058.1           | 51,441.2           |
| Flexible Portfolio                | 53,901.0             | 64,255.6             | 23,260.0           | 30,317.0           |
| Balanced                          | 61,734.7             | 65,211.5             | 27,203.8           | 34,345.5           |
| Income-Mixed                      | 64,146.5             | 78,102.0             | 7,970.3            | 12,740.3           |
| Income-Bond                       | 77,904.9             | 124,223.6            | 830.0              | 1,039.1            |
| U.S. Government Income            | 153,895.3            | 157,358.4            | 298.7              | 11.9               |
| Ginnie Mae                        | 67,417.8             | 73,526.4             | 0.0                | 0.0                |
| Global Bond                       | 48,621.7             | 54,158.5             | 3,532.9            | 4,666.3            |
| Corporate Bond                    | 29,328.1             | 33,101.0             | 169.0              | 177.1              |
| High-yield Bond                   | 36,838.4             | 57,404.7             | 1,436.1            | 2,577.7            |
| National Municipal Bond-Long-term | 70,152.1             | 67,445.6             | 0.0                | 1.9                |
| State Municipal Bond-Long-term    | 45,954.8             | 45,381.3             | 13.3               | 0.0                |

Section Three: Short-term Funds

**Total Short-term Funds**  
**1980–1996**  
(millions of dollars)

| <b>Yearend</b> | <b>Total Sales</b> | <b>Total Redemptions</b> | <b>Net Sales</b> | <b>Net New Cash Flow*</b> | <b>Number of Funds</b> | <b>Total Accounts Outstanding</b> | <b>Total Net Assets</b> |
|----------------|--------------------|--------------------------|------------------|---------------------------|------------------------|-----------------------------------|-------------------------|
| 1980           | \$237,427.7        | \$207,877.7              | \$29,550.0       | \$24,022.7                | 106                    | 4,762,103                         | \$76,361.3              |
| 1981           | 462,422.6          | 354,972.1                | 107,450.5        | 91,143.7                  | 179                    | 10,323,466                        | 186,158.2               |
| 1982           | 611,202.9          | 580,778.4                | 30,424.5         | 9,184.1                   | 318                    | 13,258,143                        | 219,837.5               |
| 1983           | 507,447.0          | 551,151.3                | (43,704.3)       | (55,664.9)                | 373                    | 12,539,688                        | 179,386.5               |
| 1984           | 634,226.7          | 586,992.4                | 47,234.3         | 35,062.4                  | 421                    | 13,844,697                        | 233,553.8               |
| 1985           | 839,498.8          | 831,121.2                | 8,377.6          | (5,381.8)                 | 457                    | 14,934,631                        | 243,802.4               |
| 1986           | 989,816.0          | 948,641.3                | 41,174.7         | 33,861.8                  | 485                    | 16,313,148                        | 292,151.6               |
| 1987           | 1,060,949.2        | 1,062,519.7              | (1,570.5)        | 10,191.2                  | 541                    | 17,674,790                        | 316,096.1               |
| 1988           | 1,081,702.0        | 1,074,373.5              | 7,328.5          | 74.7                      | 605                    | 18,569,817                        | 337,956.5               |
| 1989           | 1,319,492.6        | 1,235,643.0              | 83,849.6         | 64,053.4                  | 664                    | 21,314,228                        | 428,093.2               |
| 1990           | 1,415,711.8        | 1,372,713.4              | 42,998.4         | 23,221.5                  | 743                    | 22,970,493                        | 498,374.9               |
| 1991           | 1,800,744.7        | 1,763,094.9              | 37,649.8         | 5,484.4                   | 821                    | 23,556,000                        | 542,441.7               |
| 1992           | 2,386,288.0        | 2,382,893.3              | 3,394.7          | (16,299.6)                | 865                    | 23,647,198                        | 546,194.5               |
| 1993           | 2,677,539.5        | 2,673,456.9              | 4,082.6          | (14,109.7)                | 920                    | 23,585,346R                       | 565,319.1               |
| 1994           | 2,603,330.5        | 2,598,992.9              | 4,337.6          | 8,767.0                   | 963                    | 25,382,690                        | 611,004.5               |
| 1995           | 3,125,209.0        | 3,001,928.0              | 123,281.0        | 89,411.1                  | 997                    | 30,144,344R                       | 753,017.8R              |
| 1996           | 3,990,534.2        | 3,868,773.6              | 121,760.6        | 89,423.6                  | 988                    | 32,199,937                        | 901,806.9               |

\*Net new cash flow is the dollar value of new sales minus redemptions, combined with net exchanges.

R=Revised

## Section Three: Short-term Funds

## An Overview: Taxable Money Market Funds

(millions of dollars)

| Yearend | Total Sales | Total Redemptions | Net Sales  | Net New Cash Flow | Number of Funds | Total Accounts Outstanding | Average Maturity (days) | Total Net Assets |
|---------|-------------|-------------------|------------|-------------------|-----------------|----------------------------|-------------------------|------------------|
| 1975    | \$6,748.7   | \$5,883.9         | \$864.8    | -                 | 36              | 208,777                    | 93                      | \$3,695.7        |
| 1976    | 9,360.9     | 9,609.2           | (248.3)    | (1,128.5)         | 48              | 180,676                    | 110                     | 3,685.8          |
| 1977    | 10,673.0    | 10,662.7          | 10.3       | (1,124.5)         | 50              | 177,522                    | 76                      | 3,887.7          |
| 1978    | 30,452.2    | 24,294.5          | 6,157.7    | 6,382.2           | 61              | 467,803                    | 42                      | 10,858.0         |
| 1979    | 111,855.1   | 78,363.4          | 33,491.7   | 31,778.2          | 76              | 2,307,852                  | 34                      | 45,214.2         |
| 1980    | 232,172.8   | 204,068.5         | 28,104.3   | 22,527.6          | 96              | 4,745,572                  | 24                      | 74,447.7         |
| 1981    | 451,889.5   | 346,701.5         | 105,188.0  | 88,939.7          | 159             | 10,282,095                 | 34                      | 181,910.4        |
| 1982    | 581,758.9   | 559,581.1         | 22,177.8   | 1,704.2           | 281             | 13,101,347                 | 37                      | 206,607.5        |
| 1983    | 462,978.7   | 508,729.9         | (45,751.2) | (57,437.5)        | 307             | 12,276,639                 | 37                      | 162,549.5        |
| 1984    | 571,959.3   | 531,050.9         | 40,908.4   | 29,163.5          | 329             | 13,556,180                 | 43                      | 209,731.9        |
| 1985    | 730,073.8   | 732,343.0         | (2,269.2)  | 15,884.1          | 346             | 14,435,386                 | 42                      | 207,535.3        |
| 1986    | 792,349.1   | 776,303.2         | 16,045.9   | 9,028.8           | 359             | 15,653,595                 | 40                      | 228,345.8        |
| 1987    | 869,099.1   | 865,668.4         | 3,430.7    | 13,054.6          | 388             | 16,832,666                 | 31                      | 254,676.4        |
| 1988    | 903,425.9   | 899,397.3         | 4,028.6    | (1,512.4)         | 431             | 17,630,528                 | 28                      | 272,293.3        |
| 1989    | 1,134,647.8 | 1,055,142.4       | 79,505.4   | 62,537.5          | 463             | 20,173,265                 | 38                      | 358,719.2        |
| 1990    | 1,218,936.0 | 1,183,065.7       | 35,870.3   | 17,433.2          | 508             | 21,577,559                 | 41                      | 414,733.3        |
| 1991    | 1,569,852.0 | 1,536,499.7       | 33,352.3   | 4,420.8           | 554             | 21,863,352                 | 50                      | 452,559.2        |
| 1992    | 2,099,796.8 | 2,101,327.8       | (1,531.0)  | (20,468.2)        | 586             | 21,770,693                 | 51                      | 451,353.4        |
| 1993    | 2,335,653.0 | 2,336,932.2       | (1,279.2)  | (19,122.3)        | 628             | 21,586,862                 | 49                      | 461,903.9        |
| 1994    | 2,233,904.8 | 2,228,905.6       | 4,999.2    | 7,890.5           | 644             | 23,338,196                 | 34                      | 500,427.8        |
| 1995    | 2,727,886.4 | 2,616,013.5       | 111,872.9  | 82,080.4          | 672             | 27,852,374                 | 52                      | 629,729.2R       |
| 1996    | 3,522,304.7 | 3,414,032.4       | 108,272.3  | 79,185.4          | 665             | 29,901,153                 | 49                      | 761,754.8        |

R=Revised

Section Three: Short-term Funds

An Overview: Tax-exempt Money Market Funds  
1981–1996

(millions of dollars)

| Yearend |          | Total Sales | Total Redemptions | Net Sales | Net New Cash Flow* | Number of Funds | Total Accounts Outstanding | Total Net Assets |
|---------|----------|-------------|-------------------|-----------|--------------------|-----------------|----------------------------|------------------|
| 1982    |          | \$29,444.0  | \$22,197.3        | \$7,246.7 | \$7,480.0          | 37              | 156,796                    | \$13,230.0       |
| 1983    |          | 44,468.3    | 42,421.4          | 2,046.9   | 1,772.6            | 66              | 263,049                    | 16,837.0         |
| 1984    |          | 62,267.4    | 55,941.5          | 6,325.9   | 5,898.9            | 95              | 288,517                    | 23,821.9         |
| 1985    |          | 109,425.0   | 98,778.2          | 10,646.8  | 10,502.3           | 111             | 499,245                    | 36,267.1         |
| 1986    | National | 188,017.3   | 165,329.1         | 22,688.2  | 22,240.1           | 100             | 604,055                    | 59,367.5         |
|         | State    | 9,449.7     | 7,009.1           | 2,440.6   | 2,592.8            | 26              | 55,498                     | 4,438.2          |
| 1987    | National | 179,215.0   | 185,031.1         | (5,816.1) | (4,926.4)          | 111             | 731,265                    | 54,555.8         |
|         | State    | 12,635.1    | 11,820.2          | 814.9     | 2,063.0            | 42              | 110,859                    | 6,863.9          |
| 1988    | National | 158,085.8   | 158,120.8         | (35.0)    | (2,214.3)          | 120             | 754,068                    | 54,541.7         |
|         | State    | 20,190.4    | 16,855.5          | 3,334.9   | 3,801.4            | 54              | 185,221                    | 11,118.5         |
| 1989    | National | 152,713.4   | 151,851.4         | 862.0     | (2,053.4)          | 129             | 875,626                    | 52,824.7         |
|         | State    | 32,131.3    | 28,649.2          | 3,482.1   | 3,569.4            | 72              | 265,337                    | 16,549.4         |
| 1990    | National | 155,956.9   | 153,363.8         | 2,593.1   | 1,162.5            | 132             | 984,301                    | 59,200.5         |
|         | State    | 40,818.9    | 36,283.9          | 4,535.0   | 4,625.8            | 103             | 408,633                    | 24,441.1         |
| 1991    | National | 181,137.9   | 178,927.1         | 2,210.8   | 474.1              | 141             | 1,139,741                  | 62,338.0         |
|         | State    | 49,754.8    | 47,668.1          | 2,086.7   | 589.4              | 126             | 552,907                    | 27,544.5         |
| 1992    | National | 223,414.2   | 220,832.0         | 2,582.2   | 2,659.5            | 139             | 1,120,747                  | 64,863.3         |
|         | State    | 63,077.0    | 60,733.5          | 2,343.5   | 1,509.1            | 140             | 755,758                    | 29,977.8         |
| 1993    | National | 264,920.5   | 261,742.8         | 3,177.7   | 2,773.4            | 146             | 1,237,691R                 | 70,501.3         |
|         | State    | 76,966.0    | 74,781.9          | 2,184.1   | 2,239.2            | 146             | 760,793R                   | 32,913.9         |
| 1994    | National | 282,293.5   | 284,070.6         | (1,777.1) | (855.6)            | 157             | 1,273,384                  | 73,417.8         |
|         | State    | 87,132.2    | 86,016.7          | 1,115.5   | 1,732.1            | 162             | 771,110                    | 37,158.9         |
| 1995    | National | 293,120.5   | 288,032.3         | 5,088.2   | 2,508.8            | 158             | 1,384,887R                 | 79,639.1         |
|         | State    | 104,202.1   | 97,882.2          | 6,319.9   | 4,821.9            | 167             | 907,083                    | 43,649.5         |
| 1996    | National | 342,838.4   | 336,204.2         | 6,634.2   | 4,451.8            | 158             | 1,353,979                  | 89,328.4         |
|         | State    | 125,391.1   | 118,537.0         | 6,854.1   | 5,786.4            | 165             | 944,805                    | 50,723.7         |

R=Revised

\*Net new cash flow is the dollar value of new sales minus redemptions, combined with net exchanges.

Section Three: Short-term Funds

**Taxable Money Market Fund Monthly Total Net Assets  
by Type of Fund**

(thousands of dollars)

|             | <b>Individual</b> | <b>Institutional</b> | <b>Total</b>  |
|-------------|-------------------|----------------------|---------------|
| <b>1994</b> |                   |                      |               |
| January     | \$303,236,495     | \$176,678,247        | \$479,914,742 |
| February    | 307,635,320       | 159,507,466          | 467,142,786   |
| March       | 314,838,565       | 152,574,686          | 467,413,251   |
| April       | 322,093,585       | 155,152,506          | 477,246,091   |
| May         | 319,282,652       | 146,723,214          | 466,005,866   |
| June        | 317,195,228       | 148,277,213          | 465,472,441   |
| July        | 324,950,414       | 149,105,393          | 474,055,807   |
| August      | 322,882,862       | 145,831,389          | 468,714,251   |
| September   | 327,613,742       | 148,064,527          | 475,678,269   |
| October     | 333,038,139       | 153,147,231          | 486,185,370   |
| November    | 344,716,055       | 148,824,781          | 493,540,836   |
| December    | 344,023,752       | 156,404,088          | 500,427,840   |
| <b>1995</b> |                   |                      |               |
| January     | \$357,382,640     | \$166,568,603        | \$523,951,243 |
| February    | 358,212,078       | 164,298,299          | 522,510,377   |
| March       | 361,081,603       | 164,329,410          | 525,411,013   |
| April       | 366,154,066       | 169,245,990          | 535,400,056   |
| May         | 378,902,997       | 174,854,321          | 553,757,318   |
| June        | 389,832,858       | 179,114,476          | 568,947,334   |
| July        | 403,114,016       | 185,871,885          | 588,985,901   |
| August      | 409,685,271       | 185,439,485          | 595,124,756   |
| September   | 409,666,331       | 181,371,778          | 591,038,109   |
| October     | 421,734,184       | 188,573,572          | 610,307,756   |
| November    | 429,808,093       | 195,590,256          | 625,398,349   |
| December    | 428,563,762       | 201,165,388          | 629,729,150   |
| <b>1996</b> |                   |                      |               |
| January     | \$435,556,931     | \$214,698,628        | \$650,255,559 |
| February    | 453,346,889       | 235,565,899          | 688,912,788   |
| March       | 458,882,381       | 228,768,048          | 687,650,429   |
| April       | 453,380,107       | 228,012,833          | 681,392,940   |
| May         | 454,965,114       | 231,060,292          | 686,025,406   |
| June        | 457,718,067       | 227,992,523          | 685,710,590   |
| July        | 474,876,778       | 232,407,957          | 707,284,735   |
| August      | 478,434,103       | 241,709,224          | 720,143,327   |
| September   | 475,528,200       | 241,749,023          | 717,277,223   |
| October     | 481,824,413       | 257,070,511          | 738,894,924   |
| November    | 489,426,047       | 265,526,216          | 754,952,263   |
| December    | 497,522,278       | 264,232,562          | 761,754,840   |

Section Three: Short-term Funds

**Taxable Money Market Fund  
Shareholder Accounts by Type of Fund**

|             | <b>Individual</b> | <b>Institutional</b> | <b>Total</b> |
|-------------|-------------------|----------------------|--------------|
| <b>1994</b> |                   |                      |              |
| January     | 21,307,967        | 248,316              | 21,556,283   |
| February    | 21,624,012        | 242,878              | 21,866,890   |
| March       | 21,851,325        | 248,056              | 22,099,381   |
| April       | 22,365,137        | 223,332              | 22,588,469   |
| May         | 22,274,155        | 223,365              | 22,497,520   |
| June        | 22,193,718        | 217,849              | 22,411,567   |
| July        | 22,456,048        | 222,347              | 22,678,395   |
| August      | 22,348,011        | 258,418              | 22,606,429   |
| September   | 22,480,195        | 263,031              | 22,743,226   |
| October     | 22,830,425        | 264,519              | 23,094,944   |
| November    | 23,119,607        | 331,337              | 23,450,944   |
| December    | 23,075,051        | 263,145              | 23,338,196   |
| <b>1995</b> |                   |                      |              |
| January     | 23,571,930        | 267,969              | 23,839,899   |
| February    | 23,703,905        | 262,683              | 23,966,588   |
| March       | 24,260,028        | 1,905,168            | 26,165,196   |
| April       | 24,618,734        | 1,861,850            | 26,480,584   |
| May         | 24,849,872        | 1,868,446            | 26,718,318   |
| June        | 24,882,418        | 1,890,559            | 26,772,977   |
| July        | 25,229,823        | 1,910,666            | 27,140,489   |
| August      | 25,289,492        | 1,943,138            | 27,232,630   |
| September   | 25,335,138        | 1,942,867            | 27,278,005   |
| October     | 25,663,759        | 1,959,085            | 27,622,844   |
| November    | 25,946,042        | 2,022,049            | 27,968,091   |
| December    | 25,841,223        | 2,011,151            | 27,852,374   |
| <b>1996</b> |                   |                      |              |
| January     | 26,167,616        | 2,030,705            | 28,198,321   |
| February    | 26,589,134        | 2,078,542            | 28,667,676   |
| March       | 27,121,479        | 2,138,847            | 29,260,326   |
| April       | 27,211,629        | 2,197,920            | 29,409,549   |
| May         | 27,104,828        | 2,370,413            | 29,475,241   |
| June        | 27,155,990        | 2,330,777            | 29,486,767   |
| July        | 27,642,944        | 2,419,802            | 30,062,746   |
| August      | 27,740,476        | 2,386,004            | 30,126,480   |
| September   | 27,234,441        | 2,415,111            | 29,649,552   |
| October     | 27,542,132        | 2,482,649            | 30,024,781   |
| November    | 27,273,829        | 2,492,744            | 29,766,573   |
| December    | 27,343,926        | 2,557,227            | 29,901,153   |

*Section Three: Short-term Funds*

## Taxable Money Market Fund Asset Composition

(millions of dollars)

|                           | 1990               | 1991               | 1992               | 1993               | 1994               | 1995               | 1996               |
|---------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Total Net Assets</b>   | <b>\$414,733.3</b> | <b>\$452,559.1</b> | <b>\$451,353.4</b> | <b>\$461,903.9</b> | <b>\$500,427.8</b> | <b>\$629,729.1</b> | <b>\$761,754.8</b> |
| U.S. Treasury Bills       | 25,471.8           | 47,645.5           | 47,284.4           | 53,188.7           | 44,348.2           | 42,280.8           | 41,960.6           |
| Other Treasury Securities | 19,987.1           | 32,077.5           | 32,544.6           | 28,582.7           | 23,257.9           | 29,174.7           | 49,644.1           |
| U.S. Securities           | 36,892.2           | 41,387.8           | 55,254.1           | 67,985.0           | 78,863.6           | 92,689.9           | 104,189.2          |
| Repurchase Agreements     | 58,954.8           | 68,205.7           | 67,118.3           | 67,522.4           | 70,316.2           | 89,316.2           | 105,710.6          |
| Commercial Bank CDs       | 15,932.6           | 6,281.1            | 5,313.3            | 4,339.7            | 6,712.9            | 8,144.8            | 16,539.1           |
| Other Domestic CDs        | 5,054.7            | 27,056.8           | 25,987.2           | 20,709.4           | 15,807.8           | 31,753.8           | 52,777.7           |
| Eurodollar CDs            | 27,052.0           | 21,841.0           | 20,610.6           | 10,130.7           | 16,020.3           | 20,066.1           | 23,569.3           |
| Commercial Paper          | 200,256.0          | 189,482.0          | 173,978.1          | 164,932.4          | 188,885.5          | 237,121.9          | 276,801.4          |
| Bankers' Acceptances      | 6,433.4            | 4,611.0            | 2,664.8            | 2,320.9            | 2,431.8            | 3,059.6            | 2,619.9            |
| Cash Reserves             | 11,397.6           | (211.6)            | (2,699.9)          | (1,224.7)          | (2,575.5)          | (3,596.9)          | (1,159.0)          |
| Other Assets              | 7,301.1            | 14,182.3           | 23,297.9           | 43,416.7           | 56,359.1           | 79,718.2           | 89,101.9           |
| <br>                      |                    |                    |                    |                    |                    |                    |                    |
| Average Maturity          | 41                 | 50                 | 51                 | 49                 | 34                 | 52                 | 49                 |
| Number of Funds           | 508                | 554                | 586                | 628                | 644                | 672                | 665                |



*Section Four: Exchanges for All Funds*

## Sales Due to Exchanges by Investment Objective

(millions of dollars)

| <b>Investment Objective</b>       | <b>1995</b> | <b>1996</b> |
|-----------------------------------|-------------|-------------|
| Aggressive Growth                 | \$44,584.7  | \$72,065.7  |
| Growth                            | 38,615.7    | 49,955.9    |
| Growth & Income                   | 21,860.2    | 35,933.3    |
| Precious Metals                   | 9,056.7     | 13,025.9    |
| International                     | 20,711.6    | 34,124.0    |
| Global Equity                     | 9,876.6     | 17,945.7    |
| Income-Equity                     | 7,856.0     | 10,915.3    |
| Flexible Portfolio                | 2,114.4     | 2,501.8     |
| Balanced                          | 2,535.4     | 3,626.3     |
| Income-Mixed                      | 2,469.6     | 2,646.6     |
| Income-Bond                       | 5,108.3     | 6,107.5     |
| U.S. Government Income            | 5,090.5     | 5,417.0     |
| Ginnie Mae                        | 2,199.1     | 2,292.1     |
| Global Bond                       | 2,317.8     | 3,498.0     |
| Corporate Bond                    | 3,076.6     | 2,784.2     |
| High-yield Bond                   | 7,135.4     | 9,793.2     |
| National Municipal Bond-Long-term | 19,934.4    | 24,425.7    |
| State Municipal Bond-Long-term    | 10,806.7    | 10,598.6    |
| Tax-exempt Money Market-National  | 11,278.3    | 11,359.3    |
| Tax-exempt Money Market-State     | 4,654.4     | 4,772.5     |
| Taxable Money Market              | 121,047.6   | 181,839.0   |

Section Four: Exchanges for All Funds

## Redemptions Due to Exchanges by Investment Objective

(millions of dollars)

| <b>Investment Objective</b>       | <b>1995</b> | <b>1996</b> |
|-----------------------------------|-------------|-------------|
| Aggressive Growth                 | \$37,999.7  | \$64,118.5  |
| Growth                            | 32,671.1    | 52,919.9    |
| Growth & Income                   | 18,798.3    | 30,523.5    |
| Precious Metals                   | 9,752.0     | 13,353.5    |
| International                     | 23,964.8    | 32,020.0    |
| Global Equity                     | 10,709.6R   | 16,219.4    |
| Income-Equity                     | 6,258.7     | 9,493.2     |
| Flexible Portfolio                | 4,245.8     | 4,271.8     |
| Balanced                          | 3,609.6     | 5,008.5     |
| Income-Mixed                      | 2,984.6     | 4,208.5     |
| Income-Bond                       | 5,102.3     | 7,005.7     |
| U.S. Government Income            | 6,626.0     | 8,824.0     |
| Ginnie Mae                        | 2,570.6     | 3,503.3     |
| Global Bond                       | 3,853.0     | 3,778.8     |
| Corporate Bond                    | 2,322.9     | 3,028.6     |
| High-yield Bond                   | 4,841.7     | 8,238.0     |
| National Municipal Bond-Long-term | 21,185.9    | 27,411.0    |
| State Municipal Bond-Long-term    | 11,173.3    | 11,993.3    |
| Tax-exempt Money Market-National  | 11,771.4    | 11,516.5    |
| Tax-exempt Money Market-State     | 5,096.8     | 4,741.2     |
| Taxable Money Market              | 125,998.2   | 182,533.7   |

R = Revised

Section Four: Exchanges for All Funds

Net Sales Due to Exchanges by Investment Objective

(millions of dollars)

| <b>Investment Objective</b>       | <b>1995</b> | <b>1996</b> |
|-----------------------------------|-------------|-------------|
| Aggressive Growth                 | \$6,585.0   | \$7,947.1   |
| Growth                            | 5,944.6     | (2,964.0)   |
| Growth & Income                   | 3,061.9     | 5,409.8     |
| Precious Metals                   | (695.4)     | (327.6)     |
| International                     | (3,253.2)   | 2,104.0     |
| Global Equity                     | (833.1)R    | 1,726.2     |
| Income-Equity                     | 1,597.3     | 1,422.1     |
| Flexible Portfolio                | (2,131.5)   | (1,770.0)   |
| Balanced                          | (1,074.2)   | (1,382.2)   |
| Income-Mixed                      | (515.0)     | (1,561.8)   |
| Income-Bond                       | 5.9         | (898.2)     |
| U.S. Government Income            | (1,535.4)   | (3,407.1)   |
| Ginnie Mae                        | (371.4)     | (1,211.2)   |
| Global Bond                       | (1,535.1)   | (280.8)     |
| Corporate Bond                    | 753.8       | (244.3)     |
| High-yield Bond                   | 2,293.7     | 1,555.2     |
| National Municipal Bond-Long-term | (1,251.5)   | (2,985.3)   |
| State Municipal Bond-Long-term    | (366.6)     | (1,394.7)   |
| Tax-exempt Money Market-National  | (493.0)     | (157.2)     |
| Tax-exempt Money Market-State     | (442.4)     | 31.3        |
| Taxable Money Market              | (4,950.7)   | (694.7)     |

R = Revised

## IRA Assets and Accounts by Investment Objective Yearend 1996

| Investment Objective   | Assets              |               | Accounts           |               |
|------------------------|---------------------|---------------|--------------------|---------------|
|                        | Millions of Dollars | Percent       | Number (thousands) | Percent       |
| Aggressive Growth      | \$54,091.8          | 10.6%         | 5,248.2            | 12.7%         |
| Growth                 | 90,239.5            | 17.7          | 7,205.4            | 17.4          |
| Growth & Income        | 99,115.3            | 19.4          | 6,616.7            | 16.0          |
| Precious Metals        | 1,182.2             | 0.2           | 192.8              | 0.5           |
| International          | 18,454.0            | 3.6           | 2,152.0            | 5.2           |
| Global Equity          | 22,860.3            | 4.5           | 2,037.5            | 4.9           |
| Income-Equity          | 29,842.6            | 5.8           | 1,996.8            | 4.8           |
| Flexible Portfolio     | 11,229.7            | 2.2           | 905.9              | 2.1           |
| Balanced               | 21,286.2            | 4.2           | 1,509.7            | 3.6           |
| Income-Mixed           | 18,165.0            | 3.6           | 893.3              | 2.2           |
| Income-Bond            | 9,309.3             | 1.8           | 569.3              | 1.4           |
| U.S. Government Income | 14,641.7            | 2.9           | 987.5              | 2.3           |
| Ginnie Mae             | 12,313.7            | 2.4           | 834.7              | 2.0           |
| Global Bond            | 2,233.6             | 0.4           | 204.9              | 0.5           |
| Corporate Bond         | 6,658.0             | 1.3           | 491.3              | 1.2           |
| High-yield Bond        | 15,248.4            | 3.0           | 975.6              | 2.4           |
| Taxable Money Market   | 83,788.6            | 16.4          | 8,631.0            | 20.8          |
| <b>Total</b>           | <b>510,659.9</b>    | <b>100.0%</b> | <b>41,452.6</b>    | <b>100.0%</b> |

## Self-employed Retirement Plan Assets and Accounts by Investment Objective Yearend 1996

| Investment Objective   | Assets              |               | Accounts           |               |
|------------------------|---------------------|---------------|--------------------|---------------|
|                        | Millions of Dollars | Percent       | Number (thousands) | Percent       |
| Aggressive Growth      | \$6,392.5           | 10.8%         | 469.0              | 18.0%         |
| Growth                 | 10,118.7            | 17.1          | 438.4              | 16.8          |
| Growth & Income        | 11,656.2            | 19.7          | 336.3              | 12.9          |
| Precious Metals        | 162.8               | 0.3           | 13.4               | 0.5           |
| International          | 4,536.6             | 7.7           | 151.2              | 5.8           |
| Global Equity          | 3,087.1             | 5.2           | 120.8              | 4.6           |
| Income-Equity          | 3,901.8             | 6.6           | 163.8              | 6.3           |
| Flexible Portfolio     | 1,356.3             | 2.3           | 65.6               | 2.5           |
| Balanced               | 1,650.7             | 2.8           | 41.9               | 1.6           |
| Income-Mixed           | 1,684.8             | 2.8           | 42.0               | 1.6           |
| Income-Bond            | 1,465.4             | 2.5           | 38.7               | 1.5           |
| U.S. Government Income | 612.6               | 1.0           | 22.7               | 0.9           |
| Ginnie Mae             | 672.1               | 1.1           | 30.2               | 1.2           |
| Global Bond            | 236.8               | 0.4           | 10.6               | 0.4           |
| Corporate Bond         | 658.4               | 1.1           | 13.2               | 0.5           |
| High-yield Bond        | 833.6               | 1.4           | 34.6               | 1.3           |
| Taxable Money Market   | 10,186.6            | 17.2          | 616.7              | 23.6          |
| <b>Total</b>           | <b>\$59,213.0</b>   | <b>100.0%</b> | <b>2609.1</b>      | <b>100.0%</b> |

## Section Six: Institutional Investors

### Assets of Major Institutions and Financial Intermediaries (millions of dollars)

|                                       | 1989R              | 1990R              | 1991R              | 1992R              | 1993R              | 1994R              | 1995R              | 1996                 |
|---------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|----------------------|
| <b>Depository Institutions</b>        |                    |                    |                    |                    |                    |                    |                    |                      |
| Commercial Banks <sup>a</sup>         | \$3,231,350        | \$3,337,480        | \$3,442,190        | \$3,654,930        | \$3,891,810        | \$4,159,760        | \$4,493,680        | \$4,710,020          |
| Credit Unions <sup>b</sup>            | 201,920            | 217,240            | 239,970            | 264,700            | 281,710            | 293,600            | 310,660            | 327,310              |
| Savings Institutions <sup>c</sup>     | 1,512,600          | 1,357,650          | 1,171,980          | 1,078,830          | 1,029,460          | 1,013,480          | 1,016,200          | 1,034,890            |
| <b>Life Insurance</b>                 | <b>\$1,260,250</b> | <b>\$1,367,370</b> | <b>\$1,505,280</b> | <b>\$1,614,340</b> | <b>\$1,784,880</b> | <b>\$1,888,540</b> | <b>\$2,091,110</b> | <b>\$2,239,350</b>   |
| <b>Investment Institutions</b>        |                    |                    |                    |                    |                    |                    |                    |                      |
| Bank-administered Trusts <sup>d</sup> | \$1,328,481        | \$1,368,666        | \$1,585,406        | \$1,791,526        | \$2,050,122        | \$2,043,197        | \$2,444,823        | N/A                  |
| Closed-end Investment Companies       | 53,626             | 52,554             | 72,716             | 93,467             | 109,352            | 103,596            | 126,094            | 128,500 <sup>e</sup> |
| Mutual Funds <sup>f</sup>             | 981,955            | 1,066,892          | 1,395,498          | 1,646,259          | 2,075,366          | 2,161,495          | 2,820,355          | 3,539,205            |

<sup>a</sup> Includes U.S.-chartered commercial banks, foreign banking offices in the U.S., bank holding companies, and banks in affiliated areas.

<sup>b</sup> Includes only federal or federally insured state credit unions serving natural persons.

<sup>c</sup> Includes mutual savings banks, federal savings banks, and savings & loan associations.

<sup>d</sup> Reflects only discretionary trusts and agencies.

<sup>e</sup> Preliminary number.

<sup>f</sup> Includes short-term funds.

N/A=Not available

R=Revised

Source: Federal Reserve Board, Federal Financial Institutions Examination Council, ICI

Section Six: Institutional Investors

Assets of Fiduciary, Business, and Other Institutional Investors  
in Equity and Bond & Income Funds

(millions of dollars)

|   | 1990               | 1991               | 1992               | 1993               | 1994               | 1995                | 1996                 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|----------------------|
| <b>Fiduciaries (Banks and Individuals Serving as Trustees, Guardians, and Administrators)</b> | <b>\$62,715.4</b>  | <b>\$93,635.2</b>  | <b>\$127,530.6</b> | <b>\$183,471.4</b> | <b>\$200,383.6</b> | <b>\$253,524.9R</b> | <b>\$322,751.7</b>   |
| <b>Business Organizations</b>   | <b>\$85,766.6</b>  | <b>\$125,127.1</b> | <b>\$222,006.2</b> | <b>\$342,385.0</b> | <b>\$359,891.3</b> | <b>\$550,422.0R</b> | <b>\$747,937.4</b>   |
| Business Corporations   | 9,723.2            | 14,828.0           | 21,148.1           | 29,776.2           | 31,061.0           | 47,440.5R           | 61,448.4             |
| Retirement Plans  | 45,353.6           | 64,420.7           | 130,148.1          | 200,350.3          | 213,014.2          | 305,154.0R          | 407,686.8            |
| Insurance Companies and Other Financial Institutions  | 30,689.8           | 45,878.4           | 70,710.0           | 112,258.5          | 115,816.1          | 197,827.5R          | 278,802.2            |
| <b>Non-profit Organizations</b>   | <b>\$3,929.8</b>   | <b>\$5,805.0</b>   | <b>\$6,688.0</b>   | <b>\$10,632.8</b>  | <b>\$12,498.3</b>  | <b>\$24,009.1R</b>  | <b>\$39,972.9</b>    |
| <b>Other Institutional Investors Not Classified<sup>a</sup></b>                               | <b>\$9,882.1</b>   | <b>\$14,923.6</b>  | <b>\$24,398.3</b>  | <b>\$27,515.8</b>  | <b>\$33,599.7</b>  | <b>\$36,814.5R</b>  | <b>\$35,257.4</b>    |
| <b>Total</b>  | <b>\$162,293.9</b> | <b>\$239,490.9</b> | <b>\$380,623.1</b> | <b>\$564,005.1</b> | <b>\$606,372.9</b> | <b>\$864,770.5R</b> | <b>\$1,145,919.4</b> |

<sup>a</sup>Includes institutional assets for which no determination of classification can be made.

Note: Reporters of institutional data represented 83.0% of total net assets in 1990, 80.9% in 1991, 85.8% in 1992, 85.0% in 1993, 79.7% in 1994, 79.4% in 1995, and 79.4% in 1996.

R=Revised

## Section Six: Institutional Investors

## Assets of Fiduciary, Business, and Other Institutional Investors in Taxable Money Market Funds

(millions of dollars)

|   | 1990               | 1991               | 1992               | 1993               | 1994               | 1995                | 1996               |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|--------------------|
| <b>Fiduciaries (Banks and Individuals Serving as Trustees, Guardians, and Administrators)</b> | <b>\$96,488.2</b>  | <b>\$101,878.9</b> | <b>\$104,973.1</b> | <b>\$118,920.6</b> | <b>\$125,535.5</b> | <b>\$136,394.2R</b> | <b>\$160,885.5</b> |
| <b>Business Organizations</b>   | <b>\$61,093.3</b>  | <b>\$72,511.0</b>  | <b>\$93,466.6</b>  | <b>\$103,025.9</b> | <b>\$103,625.5</b> | <b>\$141,606.4R</b> | <b>\$194,595.1</b> |
| Business Corporations   | 22,839.5           | 27,559.1           | 41,498.1           | 37,954.0           | 45,789.9           | 70,159.4R           | 79,127.1           |
| Retirement Plans  | 21,062.9           | 21,312.1           | 22,852.9           | 30,132.8           | 35,189.6           | 41,423.1R           | 47,892.2           |
| Insurance Companies and Other Financial Institutions  | 17,190.9           | 23,639.8           | 29,115.6           | 34,939.1           | 22,646.0           | 30,023.9R           | 67,575.8           |
| <b>Non-profit Organizations</b>   | <b>\$3,320.4</b>   | <b>\$3,506.3</b>   | <b>\$4,045.1</b>   | <b>\$4,193.2</b>   | <b>\$5,175.6</b>   | <b>\$7,104.7R</b>   | <b>\$12,019.3</b>  |
| <b>Other Institutional Investors Not Classified <sup>a</sup></b>                              | <b>\$11,150.3</b>  | <b>\$12,405.9</b>  | <b>\$14,828.5</b>  | <b>\$17,932.7</b>  | <b>\$19,034.6</b>  | <b>\$26,151.0R</b>  | <b>\$17,080.9</b>  |
| <b>Total</b>  | <b>\$172,052.2</b> | <b>\$190,302.1</b> | <b>\$217,313.3</b> | <b>\$244,072.4</b> | <b>\$253,371.2</b> | <b>\$311,256.3R</b> | <b>\$384,580.8</b> |

<sup>a</sup> Includes institutional assets for which no determination of classification can be made.

Note: Reporters of institutional data represented 64.5% of total net assets in 1990, 70.5% in 1991, 64.4% in 1992, 60.2% in 1993, 58.2% in 1994, 52.0% in 1995, and 50.8% in 1996.

R=Revised



Section Six: Institutional Investors

Assets of Fiduciary, Business, and Other Institutional Investors  
in Taxable Money Market Funds by Type of Fund

|   | Individual          |                    | Institutional       |                    |
|---|---------------------|--------------------|---------------------|--------------------|
|   | 1995                | 1996               | 1995                | 1996               |
| <b>Fiduciaries (Banks and Individuals Serving as Trustees, Guardians, and Administrators)</b> | <b>\$61,094.1R</b>  | <b>\$59,532.6</b>  | <b>\$75,300.0R</b>  | <b>\$101,353.0</b> |
| <b>Business Organizations</b>   | <b>\$49,258.7R</b>  | <b>\$74,929.9</b>  | <b>\$92,347.7R</b>  | <b>\$119,665.1</b> |
| Business Corporations   | 26,832.5R           | 34,975.7           | 43,326.9R           | 44,151.4           |
| Retirement Plans  | 18,876.5R           | 22,683.3           | 22,546.6R           | 25,208.9           |
| Insurance Companies and Other Financial Institutions  | 3,549.7R            | 17,270.9           | 26,474.2R           | 50,304.8           |
| <b>Non-profit Organizations</b>   | <b>\$4,430.4R</b>   | <b>\$6,649.3</b>   | <b>\$2,674.3R</b>   | <b>\$5,370.0</b>   |
| <b>Other Institutional Investors Not Classified <sup>a</sup></b>                              | <b>\$10,443.6R</b>  | <b>\$8,033.5</b>   | <b>\$15,707.4R</b>  | <b>\$9,047.4</b>   |
| <b>Total</b>  | <b>\$125,226.8R</b> | <b>\$149,145.3</b> | <b>\$186,029.5R</b> | <b>\$235,435.5</b> |

<sup>a</sup>Includes institutional assets for which no determination of classification can be made.

R=Revised

## Section Six: Institutional Investors

## Assets of Fiduciary, Business, and Other Institutional Investors in Tax-exempt Money Market Funds

(millions of dollars)

|   | 1990              | 1991              | 1992              | 1993              | 1994              | 1995               | 1996              |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|-------------------|
| <b>Fiduciaries (Banks and Individuals Serving as Trustees, Guardians, and Administrators)</b> | <b>\$21,664.3</b> | <b>\$22,713.4</b> | <b>\$23,729.6</b> | <b>\$22,830.2</b> | <b>\$25,236.6</b> | <b>\$29,689.0R</b> | <b>\$35,199.8</b> |
| <b>Business Organizations</b>   | <b>\$4,815.9</b>  | <b>\$6,772.4</b>  | <b>\$7,083.8</b>  | <b>\$8,945.3</b>  | <b>\$8,610.3</b>  | <b>\$9,431.9R</b>  | <b>\$14,795.1</b> |
| Business Corporations   | 3,481.3           | 4,755.5           | 5,848.2           | 6,858.2           | 6,418.6           | 6,838.5R           | 8,828.2           |
| Retirement Plans  | 460.3             | 672.1             | 67.2              | 309.3             | 708.9             | 886.8R             | 204.6             |
| Insurance Companies and Other Financial Institutions  | 874.3             | 1,344.8           | 1,168.4           | 1,777.8           | 1,482.8           | 1,706.6R           | 5,762.3           |
| <b>Non-profit Organizations</b>   | <b>\$84.8</b>     | <b>\$38.7</b>     | <b>\$31.0</b>     | <b>\$39.0</b>     | <b>\$74.9</b>     | <b>\$137.8R</b>    | <b>\$196.6</b>    |
| <b>Other Institutional Investors Not Classified<sup>a</sup></b>                               | <b>\$1,071.4</b>  | <b>\$2,638.3</b>  | <b>\$1,910.9</b>  | <b>\$1,124.8</b>  | <b>\$3,161.7</b>  | <b>\$3,467.1R</b>  | <b>\$1,026.7</b>  |
| <b>Total</b>  | <b>\$27,636.4</b> | <b>\$32,162.8</b> | <b>\$32,755.3</b> | <b>\$32,939.3</b> | <b>\$37,083.5</b> | <b>\$42,725.8R</b> | <b>\$51,218.2</b> |

<sup>a</sup>Includes institutional assets for which no determination can be made.

Note: Tax-exempt money market fund reporters represented 69.0% of total net assets in 1990, 63.2% in 1991, 68.9% in 1992, 60.3% in 1993, 54.4% in 1994, 52.3% in 1995, and 50.1% in 1996.

R=Revised

Section Six: Institutional Investors

Number of Accounts of Fiduciary, Business, and  
Other Institutional Investors in Equity and Bond & Income Funds

|   | 1990             | 1991             | 1992              | 1993              | 1994              | 1995               | 1996              |
|---|------------------|------------------|-------------------|-------------------|-------------------|--------------------|-------------------|
| <b>Fiduciaries (Banks and Individuals Serving as Trustees, Guardians, and Administrators)</b> | <b>3,538,438</b> | <b>3,706,706</b> | <b>4,991,566R</b> | <b>6,498,972</b>  | <b>7,972,672</b>  | <b>8,168,461R</b>  | <b>11,452,005</b> |
| <b>Business Organizations</b>   | <b>2,216,587</b> | <b>2,507,813</b> | <b>3,345,117</b>  | <b>4,678,300</b>  | <b>5,549,662</b>  | <b>17,098,665R</b> | <b>22,216,813</b> |
| Business Corporations   | 131,723          | 145,135          | 193,906           | 234,412           | 296,970           | 423,761R           | 460,886           |
| Retirement Plans  | 1,999,287        | 2,332,763        | 3,108,029         | 4,373,959         | 5,161,769         | 16,565,287R        | 21,365,159        |
| Insurance Companies and Other Financial Institutions  | 85,577           | 29,915           | 43,182            | 69,929            | 90,923            | 109,617R           | 390,768           |
| <b>Non-profit Organizations</b>   | <b>45,945</b>    | <b>57,157</b>    | <b>62,297</b>     | <b>107,899</b>    | <b>94,606</b>     | <b>250,138R</b>    | <b>1,439,006</b>  |
| <b>Institutional Investors Not Classified<sup>a</sup></b>                                     | <b>204,320</b>   | <b>335,288</b>   | <b>490,800</b>    | <b>701,804</b>    | <b>1,188,925</b>  | <b>892,619R</b>    | <b>438,665</b>    |
| <b>Total</b>  | <b>6,005,290</b> | <b>6,606,964</b> | <b>8,889,780R</b> | <b>11,986,975</b> | <b>14,805,865</b> | <b>26,409,883R</b> | <b>35,546,489</b> |

<sup>a</sup>Includes institutional accounts for which no determination of classification can be made.

Note: Reporters of institutional data represented 82.3% of total accounts in 1990, 82.4% in 1991, 83.5% in 1992, 84.0% in 1993, 78.4% in 1994, 79.4% in 1995, and 81.9% in 1996.

R=Revised

## Section Six: Institutional Investors

### Number of Accounts of Fiduciary, Business, and Other Institutional Investors in Taxable Money Market Funds

|   | 1990             | 1991             | 1992             | 1993             | 1994             | 1995              | 1996             |
|---|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|
| <b>Fiduciaries (Banks and Individuals Serving as Trustees, Guardians, and Administrators)</b> | <b>909,720</b>   | <b>950,781</b>   | <b>1,021,682</b> | <b>984,959</b>   | <b>1,641,291</b> | <b>1,740,108R</b> | <b>1,661,220</b> |
| <b>Business Organizations</b>   | <b>1,103,288</b> | <b>1,068,958</b> | <b>947,393</b>   | <b>974,016</b>   | <b>1,222,001</b> | <b>2,809,456R</b> | <b>3,255,941</b> |
| Business Corporations   | 272,321          | 213,283          | 280,480          | 219,491          | 272,250          | 356,728R          | 438,479          |
| Retirement Plans  | 781,699          | 828,714          | 635,911          | 704,337          | 851,991          | 2,327,604R        | 2,706,929        |
| Insurance Companies and Other Financial Institutions  | 49,268           | 26,961           | 31,002           | 50,188           | 97,760           | 125,124R          | 110,533          |
| <b>Non-profit Organizations</b>   | <b>43,112</b>    | <b>48,138</b>    | <b>52,776</b>    | <b>47,622</b>    | <b>62,882</b>    | <b>77,427R</b>    | <b>406,578</b>   |
| <b>Other Institutional Investors Not Classified<sup>a</sup></b>                               | <b>57,663</b>    | <b>71,464</b>    | <b>85,103</b>    | <b>140,417</b>   | <b>249,784</b>   | <b>461,680R</b>   | <b>339,100</b>   |
| <b>Total</b>  | <b>2,113,783</b> | <b>2,139,341</b> | <b>2,106,954</b> | <b>2,147,014</b> | <b>3,175,958</b> | <b>5,088,671R</b> | <b>5,662,839</b> |

<sup>a</sup>Includes institutional accounts for which no determination of classification can be made.

Note: Reporters of institutional data represented 62.0% of total taxable money market fund accounts in 1990, 64.4% in 1991, 62.8% in 1992, 58.2% in 1993, 61.5% in 1994, 45.8% in 1995, and 49.8% in 1996.

R=Revised

Section Six: Institutional Investors

Number of Accounts of Fiduciary, Business, and  
Other Institutional Investors in Taxable Money Market Funds by Type of Fund

|   | Individual        |                  | Institutional     |                  |
|---|-------------------|------------------|-------------------|------------------|
|   | 1995              | 1996             | 1995              | 1996             |
| <b>Fiduciaries (Banks and Individuals Serving as Trustees, Guardians, and Administrators)</b> | <b>1,681,388R</b> | <b>1,523,841</b> | <b>58,720R</b>    | <b>137,379</b>   |
| <b>Business Organizations</b>   | <b>1,308,268R</b> | <b>1,484,095</b> | <b>1,501,188R</b> | <b>1,771,846</b> |
| Business Corporations   | 309,532R          | 356,949          | 47,196R           | 81,530           |
| Retirement Plans  | 921,292R          | 1,075,965        | 1,406,312R        | 1,630,964        |
| Insurance Companies and Other Financial Institutions  | 77,444R           | 51,181           | 47,680R           | 59,352           |
| <b>Non-profit Organizations</b>   | <b>70,422R</b>    | <b>336,333</b>   | <b>7,005R</b>     | <b>70,245</b>    |
| <b>Other Institutional Investors Not Classified<sup>a</sup></b>                               | <b>346,765R</b>   | <b>316,173</b>   | <b>114,915R</b>   | <b>22,927</b>    |
| <b>Total</b>  | <b>3,406,843R</b> | <b>3,660,442</b> | <b>1,681,828R</b> | <b>2,002,397</b> |

<sup>a</sup>Includes institutional accounts for which no determination of classification can be made.

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## Section Six: Institutional Investors

### Number of Accounts of Fiduciary, Business, and Other Institutional Investors in Tax-exempt Money Market Funds

|   | 1990           | 1991           | 1992           | 1993           | 1994           | 1995            | 1996           |
|---|----------------|----------------|----------------|----------------|----------------|-----------------|----------------|
| <b>Fiduciaries (Banks and Individuals Serving as Trustees, Guardians, and Administrators)</b> | <b>132,326</b> | <b>129,806</b> | <b>124,996</b> | <b>158,814</b> | <b>242,762</b> | <b>258,100R</b> | <b>213,350</b> |
| <b>Business Organizations</b>   | <b>27,487</b>  | <b>32,838</b>  | <b>20,121</b>  | <b>25,864</b>  | <b>28,925</b>  | <b>40,285R</b>  | <b>54,059</b>  |
| Business Corporations   | 13,436         | 16,831         | 16,573         | 18,924         | 19,442         | 30,887R         | 36,959         |
| Retirement Plans  | 11,977         | 15,035         | 2,286          | 3,577          | 5,487          | 3,781R          | 3,643          |
| Insurance Companies and Other Financial Institutions  | 2,074          | 972            | 1,262          | 3,363          | 3,996          | 5,617R          | 13,457         |
| <b>Non-profit Organizations</b>   | <b>286</b>     | <b>409</b>     | <b>357</b>     | <b>717</b>     | <b>866</b>     | <b>953R</b>     | <b>1,635</b>   |
| <b>Other Institutional Investors Not Classified<sup>a</sup></b>                               | <b>5,683</b>   | <b>6,486</b>   | <b>5,146</b>   | <b>6,520</b>   | <b>10,174</b>  | <b>20,491R</b>  | <b>16,336</b>  |
| <b>Total</b>  | <b>165,782</b> | <b>169,539</b> | <b>150,620</b> | <b>191,915</b> | <b>282,727</b> | <b>319,829R</b> | <b>285,380</b> |

<sup>a</sup>Includes institutional accounts for which no determination of classification can be made.

Note: Tax-exempt money market fund reporters represented 78.3% of total shareholder accounts in 1990, 62.8% in 1991, 66.2% in 1992, 59.7% in 1993, 53.3% in 1994, 49.5% in 1995, and 48.9% in 1996.

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# DATA POINTS

## Page 2—Components of Mutual Fund Asset Growth, 1991–1996

(trillions of dollars)

|      | <b>Net New Cash Flow</b> | <b>Performance Component</b> | <b>Newly Reporting Funds</b> |
|------|--------------------------|------------------------------|------------------------------|
| 1991 | 1.1292                   | 0.1617                       | 0.1046                       |
| 1992 | 1.2784                   | 0.2333                       | 0.1346                       |
| 1993 | 1.5011                   | 0.3907                       | 0.1836                       |
| 1994 | 1.5896                   | 0.3326                       | 0.2393                       |
| 1995 | 1.7999                   | 0.7423                       | 0.2782                       |
| 1996 | 2.1128                   | 1.0755                       | 0.3509                       |

## Page 9—Net New Cash Flow to Bond Funds and Interest Rate Changes

|      |    | <b>Change in Interest Rates</b> | <b>Net New Cash Flow</b> |
|------|----|---------------------------------|--------------------------|
| 1985 | 1  | -0.5                            | 6.80918705               |
|      | 2  | -0.5                            | 3.905839707              |
|      | 3  | -0.539999962                    | 5.028217431              |
|      | 4  | -1.489999771                    | 8.879176658              |
|      | 5  | -3                              | 7.91894088               |
|      | 6  | -4.130000114                    | 7.42015853               |
|      | 7  | -3.899999619                    | 8.103694715              |
|      | 8  | -3.18999958                     | 7.419688661              |
|      | 9  | -2.970000267                    | 6.542320337              |
|      | 10 | -2.600000382                    | 8.969566454              |
|      | 11 | -2.019999504                    | 7.238432129              |
|      | 12 | -2.160000801                    | 6.206144225              |
| 1986 | 1  | -2.020000458                    | 6.53589975               |
|      | 2  | -2.449999809                    | 6.405576712              |
|      | 3  | -3.75                           | 6.440547015              |
|      | 4  | -3.629999638                    | 6.227393835              |
|      | 5  | -2.480000019                    | 4.191547582              |
|      | 6  | -1.640000343                    | 3.523557397              |
|      | 7  | -2.320000172                    | 5.445071914              |
|      | 8  | -2.820000649                    | 5.099078744              |

|             |    |              |              |
|-------------|----|--------------|--------------|
|             | 9  | -2.75        | 3.33000701   |
|             | 10 | -2.690000057 | 4.86283529   |
|             | 11 | -2.420000076 | 3.96401288   |
|             | 12 | -1.96999979  | 3.451016665  |
| <b>1987</b> | 1  | -2           | 4.909613391  |
|             | 2  | -1.540000439 | 3.532384924  |
|             | 3  | -0.720000267 | 3.249166174  |
|             | 4  | 0.460000038  | -0.751672778 |
|             | 5  | 0.750000477  | -0.780656867 |
|             | 6  | 0.410000324  | 0.745695237  |
|             | 7  | 0.879999638  | 0.187532693  |
|             | 8  | 1.53999962   | -0.664050442 |
|             | 9  | 2.050000191  | -3.273887429 |
|             | 10 | 2.190000057  | -3.2837319   |
|             | 11 | 1.529999733  | 0.044279806  |
|             | 12 | 1.700000286  | -1.055031003 |
| <b>1988</b> | 1  | 1.460000038  | 0.8221118    |
|             | 2  | 0.820000172  | 0.517929833  |
|             | 3  | 0.920000076  | -0.653880853 |
|             | 4  | 0.509999752  | -0.204156917 |
|             | 5  | 0.219999313  | -0.552815381 |
|             | 6  | 0.400000095  | 0.337460577  |
|             | 7  | 0.699999809  | -0.291895665 |
|             | 8  | 0.740000725  | -0.921989712 |
|             | 9  | -0.100000381 | 0.056658302  |
|             | 10 | -0.319999695 | 0.39638111   |
|             | 11 | 0.730000496  | -0.804845215 |
|             | 12 | 0.979999542  | -0.40106811  |
| <b>1989</b> | 1  | 1.329999924  | 0.405742175  |
|             | 2  | 1.93999958   | -0.621279338 |
|             | 3  | 2.109999657  | -0.453603869 |
|             | 4  | 1.569999695  | -0.124667987 |
|             | 5  | 0.739999771  | 0.143775698  |
|             | 6  | 0.149999619  | 0.443435023  |
|             | 7  | -0.609999657 | 0.348118329  |
|             | 8  | -0.640000343 | -0.18365848  |
|             | 9  | -0.309999466 | -0.406469852 |
|             | 10 | -0.409999847 | 0.005151466  |
|             | 11 | -0.920000076 | 0.247108724  |
|             | 12 | -1.339999676 | -0.263798105 |
| <b>1990</b> | 1  | -1.069999695 | -0.259445817 |
|             | 2  | -0.929999351 | 0.231246147  |
|             | 3  | -0.979999542 | 0.147690354  |
|             | 4  | -0.619999886 | -0.14009361  |
|             | 5  | -0.289999962 | 0.660722287  |
|             | 6  | 0.029999733  | 0.356444624  |



|             |    |              |              |
|-------------|----|--------------|--------------|
|             | 7  | 0.430000305  | 0.523026155  |
|             | 8  | 0.090000153  | -0.055672222 |
|             | 9  | 0.010000229  | 0.067905725  |
|             | 10 | 0.049999237  | 0.130573669  |
|             | 11 | -0.06000042  | 0.45075361   |
|             | 12 | -0.300000191 | 0.179996455  |
| <b>1991</b> | 1  | -0.75        | 1.107260765  |
|             | 2  | -1.31000042  | 0.931478531  |
|             | 3  | -1.28000021  | 1.124415557  |
|             | 4  | -1.549999714 | 1.669639328  |
|             | 5  | -1.569999695 | 1.389743042  |
|             | 6  | -1.009999752 | 1.245200015  |
|             | 7  | -0.880000114 | 1.887087063  |
|             | 8  | -1.420000076 | 1.928077     |
|             | 9  | -1.770000458 | 2.079682518  |
|             | 10 | -1.839999676 | 2.076183949  |
|             | 11 | -1.839999676 | 1.478841932  |
|             | 12 | -2.079999924 | 1.146390307  |
| <b>1992</b> | 1  | -1.980000019 | 1.849487248  |
|             | 2  | -1.360000134 | 1.658369509  |
|             | 3  | -1.170000076 | 1.333683046  |
|             | 4  | -1.300000191 | 1.311944694  |
|             | 5  | -1.309999943 | 1.772269351  |
|             | 6  | -1.789999962 | 1.741815634  |
|             | 7  | -2.470000267 | 2.142491983  |
|             | 8  | -2.080000401 | 1.567686398  |
|             | 9  | -2.079999924 | 1.289448048  |
|             | 10 | -1.590000153 | 0.088960963  |
|             | 11 | -0.760000229 | 1.236543351  |
|             | 12 | -0.179999828 | 0.598074578  |
| <b>1993</b> | 1  | -0.470000267 | 1.555733774  |
|             | 2  | -1.139999866 | 1.618580543  |
|             | 3  | -1.779999733 | 1.065205578  |
|             | 4  | -1.629999638 | 1.247744112  |
|             | 5  | -1.409999847 | 1.289511669  |
|             | 6  | -1.069999695 | 1.437253225  |
|             | 7  | -0.480000019 | 1.579080183  |
|             | 8  | -0.359999657 | 1.50134288   |
|             | 9  | -0.25        | 0.590162601  |
|             | 10 | -0.460000038 | 1.080708419  |
|             | 11 | -0.639999866 | 0.160222972  |
|             | 12 | -0.670000076 | 0.295684712  |
| <b>1994</b> | 1  | -0.449999809 | 0.944436005  |
|             | 2  | 0.25         | -0.434550324 |
|             | 3  | 1            | -1.79444911  |
|             | 4  | 1.68999958   | -1.286741425 |

|             |    |              |              |
|-------------|----|--------------|--------------|
|             | 5  | 1.940000057  | -0.678657115 |
|             | 6  | 1.739999771  | -0.52131854  |
|             | 7  | 2.050000191  | -0.656197278 |
|             | 8  | 2.139999866  | -0.706560136 |
|             | 9  | 2.519999981  | -1.0151587   |
|             | 10 | 2.860000134  | -1.520153846 |
|             | 11 | 2.940000057  | -1.956376319 |
|             | 12 | 3.170000076  | -1.851042755 |
| <b>1995</b> | 1  | 3.179999828  | -0.617791783 |
|             | 2  | 2.420000076  | 0.185662705  |
|             | 3  | 1.489999771  | -0.700605477 |
|             | 4  | 0.690000057  | -0.313484432 |
|             | 5  | -0.070000172 | 0.10788152   |
|             | 6  | -0.46999979  | -0.612233986 |
|             | 7  | -0.590000153 | -0.039849745 |
|             | 8  | -0.400000095 | -0.040522041 |
|             | 9  | -0.800000191 | -0.0803016   |
|             | 10 | -1.269999981 | 0.152985822  |
|             | 11 | -1.869999886 | 0.157467425  |
|             | 12 | -2.320000172 | -0.14394761  |
| <b>1996</b> | 1  | -2.460000038 | 0.383483815  |
|             | 2  | -2.110000134 | 0.008702492  |
|             | 3  | -1.099999905 | 0.036403071  |
|             | 4  | -0.569999695 | -0.088369867 |
|             | 5  | 0            | -0.038045215 |
|             | 6  | 0.68999958   | -0.128447444 |
|             | 7  | 0.559999943  | -0.143613864 |
|             | 8  | 0.110000134  | -0.111799865 |
|             | 9  | 0.519999981  | 0.226155206  |
|             | 10 | 0.309999943  | -0.14786189  |
|             | 11 | 0.249999828  | 0.119586224  |
|             | 12 | 0.520000134  | 0.251924609  |

## Page 11—Interest Rate Spread and Net New Cash Flow to Retail Money Market Funds

|             |    | Net New Cash Flow | Interest Rate Spread |
|-------------|----|-------------------|----------------------|
| <b>1985</b> | 1  | 1.129831          | 3.585735241          |
|             | 2  | 1.200403          | 3.611689107          |
|             | 3  | 1.000668          | 3.238400379          |
|             | 4  | 0.082176          | 2.529511958          |
|             | 5  | (0.456062)        | 1.990801428          |
|             | 6  | (0.573816)        | 1.506207476          |
|             | 7  | (0.987899)        | 1.316386668          |
|             | 8  | (0.979538)        | 1.511687742          |
|             | 9  | (0.943718)        | 1.572040267          |
|             | 10 | (0.676326)        | 1.423686308          |
|             | 11 | (0.720309)        | 1.089748252          |
|             | 12 | (0.810365)        | 0.940968081          |
| <b>1986</b> | 1  | (0.538014)        | 0.990999249          |
|             | 2  | (0.627650)        | 1.015488358          |
|             | 3  | (0.254931)        | 1.06287741           |
|             | 4  | 0.078724          | 1.124045701          |
|             | 5  | 0.341709          | 1.157730601          |
|             | 6  | 0.447074          | 1.076038982          |
|             | 7  | 0.469847          | 1.043454872          |
|             | 8  | 0.396570          | 1.032360843          |
|             | 9  | 0.626732          | 0.51                 |
|             | 10 | 0.216158          | 0.21                 |
|             | 11 | (0.044600)        | 0.22                 |
|             | 12 | (0.095221)        | 0.28                 |
| <b>1987</b> | 1  | (0.278329)        | 0.16                 |
|             | 2  | 0.093601          | -0.11                |
|             | 3  | (0.463589)        | -0.15                |
|             | 4  | (0.158616)        | -0.13                |
|             | 5  | 0.102427          | 0.13                 |
|             | 6  | (0.120935)        | 0.22                 |
|             | 7  | 0.005748          | 0.05                 |
|             | 8  | 0.111860          | 0.13                 |
|             | 9  | 0.240296          | 0.24                 |
|             | 10 | 0.548677          | 0.48                 |
|             | 11 | 0.456927          | 0.69                 |
|             | 12 | 0.517963          | 0.69                 |
| <b>1988</b> | 1  | 0.822820          | 0.65                 |
|             | 2  | 0.647039          | 0.79                 |
|             | 3  | 0.799956          | 1.07                 |
|             | 4  | 0.251442          | 0.97                 |
|             | 5  | 0.158776          | 1.09                 |

|             |    |            |      |
|-------------|----|------------|------|
|             | 6  | 0.047969   | 1.08 |
|             | 7  | (0.335945) | 0.77 |
|             | 8  | (0.325046) | 0.61 |
|             | 9  | (0.709637) | 0.66 |
|             | 10 | (0.338981) | 0.74 |
|             | 11 | 0.070059   | 1.01 |
|             | 12 | 0.204789   | 1.23 |
| <b>1989</b> | 1  | 0.562189   | 1.54 |
|             | 2  | 1.111181   | 1.78 |
|             | 3  | 1.416519   | 1.84 |
|             | 4  | 1.226205   | 1.91 |
|             | 5  | 1.151470   | 2.17 |
|             | 6  | 1.509988   | 2.44 |
|             | 7  | 1.528703   | 2.47 |
|             | 8  | 1.350067   | 2.75 |
|             | 9  | 1.442802   | 2.92 |
|             | 10 | 1.815480   | 2.91 |
|             | 11 | 1.626606   | 2.81 |
|             | 12 | 1.140897   | 2.55 |
| <b>1990</b> | 1  | 1.209091   | 2.17 |
|             | 2  | 1.024907   | 2.09 |
|             | 3  | 0.705295   | 2.07 |
|             | 4  | (0.037343) | 1.87 |
|             | 5  | (0.488245) | 1.82 |
|             | 6  | (0.342000) | 1.7  |
|             | 7  | (0.532740) | 1.62 |
|             | 8  | (0.202539) | 1.64 |
|             | 9  | (0.142854) | 1.68 |
|             | 10 | 0.273135   | 1.67 |
|             | 11 | 0.740757   | 1.66 |
|             | 12 | 0.552882   | 1.65 |
| <b>1991</b> | 1  | 0.950568   | 1.54 |
|             | 2  | 0.804477   | 1.54 |
|             | 3  | 0.888266   | 1.52 |
|             | 4  | 0.518733   | 1.43 |
|             | 5  | 0.131321   | 1.36 |
|             | 6  | 0.132556   | 1.2  |
|             | 7  | (0.588711) | 0.54 |
|             | 8  | (1.031747) | 0.62 |
|             | 9  | (1.361250) | 0.5  |
|             | 10 | (1.168450) | 0.32 |
|             | 11 | (0.925493) | 0.26 |
|             | 12 | (1.257660) | 0.27 |
| <b>1992</b> | 1  | (0.504717) | 0.27 |
|             | 2  | (0.374834) | 0.22 |
|             | 3  | (0.384266) | 0.16 |

|             |    |            |       |
|-------------|----|------------|-------|
|             | 4  | (0.605172) | 0.18  |
|             | 5  | (0.875317) | 0.31  |
|             | 6  | (0.753398) | 0.25  |
|             | 7  | (1.401779) | 0.06  |
|             | 8  | (1.467385) | -0.01 |
|             | 9  | (1.462918) | 0.03  |
|             | 10 | (0.909878) | -0.05 |
|             | 11 | (0.756085) | -0.08 |
|             | 12 | (0.682316) | 0.01  |
| <b>1993</b> | 1  | (0.617520) | -0.07 |
|             | 2  | (0.460033) | -0.09 |
|             | 3  | (0.404976) | -0.15 |
|             | 4  | (0.753638) | -0.07 |
|             | 5  | (0.657561) | -0.06 |
|             | 6  | (0.583281) | -0.02 |
|             | 7  | (0.486299) | -0.08 |
|             | 8  | (0.831924) | -0.07 |
|             | 9  | (0.697294) | -0.03 |
|             | 10 | (0.635668) | -0.03 |
|             | 11 | (0.188899) | 0.01  |
|             | 12 | (0.243668) | 0.05  |
| <b>1994</b> | 1  | (0.350373) | 0.09  |
|             | 2  | 0.100771   | 0.14  |
|             | 3  | 0.526772   | 0.16  |
|             | 4  | 0.904015   | 0.18  |
|             | 5  | 0.305549   | 0.24  |
|             | 6  | 0.439293   | 0.25  |
|             | 7  | 0.613682   | 0.3   |
|             | 8  | 0.234185   | 0.43  |
|             | 9  | 0.046619   | 0.58  |
|             | 10 | (0.096864) | 0.79  |
|             | 11 | 0.571675   | 1.07  |
|             | 12 | 0.696986   | 1.18  |
| <b>1995</b> | 1  | 0.903563   | 1.32  |
|             | 2  | 1.018505   | 1.48  |
|             | 3  | 0.917382   | 1.58  |
|             | 4  | 0.858205   | 1.81  |
|             | 5  | 0.949888   | 2.08  |
|             | 6  | 1.494050   | 2.2   |
|             | 7  | 1.493693   | 2.28  |
|             | 8  | 1.723902   | 2.38  |
|             | 9  | 1.548579   | 2.4   |
|             | 10 | 1.731892   | 2.33  |
|             | 11 | 1.531241   | 2.29  |
|             | 12 | 0.944254   | 2.26  |
| <b>1996</b> | 1  | 0.769888   | 2.15  |

|    |          |      |
|----|----------|------|
| 2  | 1.107155 | 2.12 |
| 3  | 1.253508 | 2.09 |
| 4  | 0.678038 | 2.13 |
| 5  | 0.403224 | 2.1  |
| 6  | 0.471261 | 2.04 |
| 7  | 0.738313 | 1.87 |
| 8  | 0.349096 | 1.85 |
| 9  | 0.172197 | 1.84 |
| 10 | 0.726418 | 1.85 |
| 11 | 1.003310 | 1.89 |
| 12 | 1.253344 | 1.93 |

## Page 16—Assets of Mutual Funds

(billions of dollars)

| Year | Stock,<br>Bond & Income | Taxable & Tax-exempt<br>Money Markets | Total  |
|------|-------------------------|---------------------------------------|--------|
| 40   | 0.4                     |                                       | 0.4    |
| 50   | 2.5                     |                                       | 2.5    |
| 60   | 17.0                    |                                       | 17.0   |
| 70   | 47.6                    |                                       | 47.6   |
| 72   | 59.8                    |                                       | 59.8   |
| 74   | 34.1                    | 1.7                                   | 35.8   |
| 76   | 47.6                    | 3.7                                   | 51.3   |
| 78   | 45.0                    | 10.9                                  | 55.9   |
| 80   | 58.4                    | 76.4                                  | 134.8  |
| 82   | 76.9                    | 219.8                                 | 296.7  |
| 84   | 137.1                   | 233.5                                 | 370.6  |
| 86   | 424.1                   | 292.1                                 | 716.2  |
| 88   | 472.3                   | 338.0                                 | 810.3  |
| 90   | 568.5                   | 498.3                                 | 1066.8 |
| 92   | 1100.1                  | 546.2                                 | 1646.3 |
| 94   | 1550.5                  | 611.0                                 | 2161.5 |
| 96   | 2637.4                  | 901.8                                 | 3539.2 |

## Page 20—Mutual Fund Shareholder Accounts

(millions)

|    | <b>Stock and<br/>Bond &amp; Income Funds</b> | <b>Money Market<br/>Funds</b> |
|----|--|-------------------------------|
| 40 | 0.3  |                               |
| 50 | 0.9  |                               |
| 60 | 4.9  |                               |
| 70 | 10.7   |                               |
| 72 | 10.6   |                               |
| 74 | 10.0   | 0.1                           |
| 76 | 8.9  | 0.2                           |
| 78 | 8.2  | 0.5                           |
| 80 | 7.3  | 4.8                           |
| 82 | 8.2  | 13.3                          |
| 84 | 14.4   | 13.9                          |
| 86 | 29.8   | 16.3                          |
| 88 | 36.2   | 18.5                          |
| 90 | 39.6   | 23.0                          |
| 92 | 56.6   | 23.6                          |
| 94 | 89.5   | 25.4                          |
| 96 | 118.8  | 32.2                          |

## Page 38—Purchases of Equities by Households

(billions of dollars)

|      | <b>Net Purchases</b> | <b>Direct<br/>Purchases</b> | <b>Purchases Made<br/>through Mutual Funds</b> |
|------|----------------------|-----------------------------|--|
| 1984 | -68.673              | -73.810                     | 5.137  |
| 1985 | -110.425             | -120.817                    | 10.392   |
| 1986 | -107.659             | -128.067                    | 20.408   |
| 1987 | -102.884             | -134.456                    | 31.572   |
| 1988 | -123.672             | -113.832                    | -9.840   |
| 1989 | -100.365             | -103.007                    | 2.642  |
| 1990 | -18.393              | -32.044                     | 13.651   |
| 1991 | 17.913               | -29.875                     | 47.788   |
| 1992 | 71.787               | 12.299                      | 59.488   |
| 1993 | 12.117               | -112.277                    | 124.394  |
| 1994 | -30.575              | -155.649                    | 125.074  |
| 1995 | -108.959             | -206.446                    | 97.487   |
| 1996 | -67.271              | -280.846                    | 213.576  |

## Page 39—Total Holdings of Equities by Households

(percent of total financial assets of households)

|      |         |
|------|---------|
| 1953 | 18.0367 |
| 1954 | 21.5122 |
| 1955 | 25.0953 |
| 1956 | 26.3236 |
| 1957 | 24.9999 |
| 1958 | 26.668  |
| 1959 | 28.9327 |
| 1960 | 27.9843 |
| 1961 | 31.3918 |
| 1962 | 28.8253 |
| 1963 | 32.0925 |
| 1964 | 32.9247 |
| 1965 | 33.3179 |
| 1966 | 31.2971 |
| 1967 | 33.0639 |
| 1968 | 33.8623 |
| 1969 | 32.1658 |
| 1970 | 27.4129 |
| 1971 | 29.1339 |
| 1972 | 29.8695 |
| 1973 | 26.9319 |
| 1974 | 19.084  |
| 1975 | 18.2932 |
| 1976 | 19.5698 |
| 1977 | 17.3568 |
| 1978 | 14.9635 |
| 1979 | 14.8342 |
| 1980 | 15.6114 |
| 1981 | 15.2708 |
| 1982 | 12.8143 |
| 1983 | 15.6883 |
| 1984 | 14.7347 |
| 1985 | 15.8848 |
| 1986 | 17.5575 |
| 1987 | 19.3908 |
| 1988 | 17.7605 |
| 1989 | 19.368  |
| 1990 | 17.8741 |
| 1991 | 20.5088 |
| 1992 | 23.1096 |
| 1993 | 24.8201 |
| 1994 | 24.7708 |
| 1995 | 28.1567 |
| 1996 | 31.0506 |



# GLOSSARY OF MUTUAL FUND TERMS

*For an explanation of fund types, see pages 24-25.*

**Adviser.** An organization employed by a mutual fund to give professional advice on the fund's investments and asset management practices (also called the investment adviser).

**Annual and Semiannual Reports.** Summaries that a mutual fund sends to its shareholders, which discuss the fund's performance over a defined period and identify the securities currently in the fund's portfolio.

**Asked or Offering Price.** (*as seen in some mutual fund newspaper listings*) The price at which a mutual fund's shares can be purchased. The asked or offering price includes the current net asset value per share plus any sales charge.

**Assets.** The investment holdings and cash owned by a mutual fund.

**Automatic Reinvestment.** A shareholder-authorized purchase of additional shares using dividends and capital gain distributions.

**Bear Market.** A period during which security prices are generally falling.

**Bid or Sell Price.** (*as seen in some mutual fund newspaper listings*) The price at which a mutual fund's shares are redeemed, or bought back, by the fund. The bid or redemption price is usually the current net asset value per share.

**Bond.** A debt security issued by a company, municipality, or government agency. A bond investor lends money to the issuer, and, in exchange, the issuer promises to repay the loan amount on a specified maturity date; the issuer also must pay the bondholder periodic, fixed-interest payments over the life of the loan.

**Broker/Dealer (or Dealer).** A firm that buys and sells mutual fund shares and other securities from and to investors.

**Bull Market.** A period during which security prices are generally rising.

**Capital Appreciation.** An increase in the market value of a mutual

fund's securities, as reflected in the net asset value of the fund's shares. Capital appreciation (or growth) is a specific long-term objective of many mutual funds.

**Capital Depreciation.** A decline in an investment's value.

**Capital Gain Distribution.** A payment to shareholders of profits realized from the disposition of a mutual fund's investment portfolio of securities. For tax purposes, if these gains are held for more than one year, they may be distributed as a capital gain dividend. A fund shareholder treats a capital gain dividend, which is typically distributed once a year in December, as a long-term capital gain. However, any gains from securities held less than a year (by the fund) are not treated as short-term capital gains. Instead, these payments to shareholders are treated as ordinary income, as if the payments were attributable to dividend or interest income.

**Classes of Shares (e.g., Class A, Class B).** The trend among some fund organizations to provide multiple purchase options to investors. Multiple classes represent ownership in the same portfolio of securities, but permit shareholders to choose the type of fee structure that best suits their particular needs. For example, Class A shares

of a fund might require payment of a front-end sales load, whereas Class B shares of the same fund might impose a contingent deferred sales charge and an annual 12b-1 fee instead of a front-end load. A fund's Class C shares might have annual 12b-1 and service fees, but no front-end or contingent deferred sales charge. Other classes of shares might be available to institutional investors only.

**Commission.** A fee paid by an investor to a broker or other sales agent for investment advice and assistance.

**Compounding.** Earnings on an investment's earnings. For example, if one invests \$1,000 at a fixed rate of 5 percent per year, the initial investment is worth \$1,050 after one year. During the second year, assuming the same rate of return, earnings are based not on the original \$1,000 investment, but also on the \$50 in first-year earnings. Over time, compounding can produce significant growth in the value of an investment.

**Contingent Deferred Sales Charge (CDSC).** A fee imposed when shares are redeemed (sold back to the fund) during the first few years of share ownership.

**Contractual Plan.** A program for the accumulation of mutual fund

shares in which an investor agrees to invest a fixed amount on a regular basis for a specified number of years. A substantial portion of any investment sales charge is usually deducted from early payments.

**Custodian.** An organization, usually a bank, that holds the securities and other assets of a mutual fund.

**Direct Marketing.** A method of distribution whereby a fund company sells shares directly to the public without the intervention of a salesperson. Investors purchase fund shares through the mail or by telephone in response to advertising or other direct solicitations.

**Distribution.** 1) The payment of dividends and capital gains, or 2) a term used to describe a method of selling to the public.

**Diversification.** The practice of investing broadly across a number of securities to reduce risk; a hallmark of mutual fund investing.

**Dollar-cost Averaging.** The practice of investing equal amounts of money at regular intervals, regardless of whether the securities markets are declining or rising. Hypothetically, this investment strategy reduces the average share cost to an investor, whose constant purchases acquire more shares as a security's price drops, and fewer as the price rises.

**Exchange Privilege.** The option enabling mutual fund shareholders to transfer their investment from one fund to another within the same fund family as their needs or objectives change. Typically, fund companies allow the use of the exchange privilege several times a year for a low fee or at no charge.

**Ex-dividend Date.** With regard to mutual funds, this is the day on which declared distributions (dividends or capital gains) are deducted from the fund's assets before the fund calculates its net asset value (NAV). The NAV per share will drop by the amount of the distribution per share.

**Expense Ratio.** A fund's cost of doing business—disclosed in the prospectus—as a percent of its assets.

**Family of Funds.** A group of mutual funds, each typically with its own investment objective, managed and distributed by the same company.

**401(k) Plan.** An employer-sponsored retirement plan that enables employees to defer taxes on a portion of their salaries by earmarking that portion for the retirement plan.

**403(b) Plan.** An employer-sponsored retirement plan that enables employees of universities, public schools, and nonprofit organizations to defer taxes on a portion

of their salaries by earmarking that portion for the retirement plan.

**Hedge Fund.** A private investment pool, exempt from SEC regulation, which has no limits placed on its portfolio composition. Hedge funds differ substantially from mutual funds, especially regarding regulatory requirements, fees, pricing, liquidity, and the typical investor (who usually must invest at least \$1 million).

**Income.** Dividends, interest, and/or short-term capital gains paid to a mutual fund's shareholders. Income is earned on a fund's investment portfolio after deducting operating expenses.

**Individual Retirement Account (IRA).** An investor-established, tax-deferred account set up to hold funds until retirement.

**Investment Company.** A corporation, trust, or partnership that invests pooled shareholder dollars in securities appropriate to the organization's objective. Among the benefits of investment companies are professional management and diversification. Mutual funds, also known as "open-end" investment companies, are the most popular type of investment company.

**Investment Objective.** The goal—long-term capital growth or current income, for example—that an investor and mutual fund pursue together. (See pages 24 and 25 for explanations of different objectives.)

**Liquidity.** The ability to redeem (sell back) all or a part of your mutual fund shares on any business day and receive the current value (which may be more or less than the original cost).

**Long-term Funds.** An industry designation for all funds other than short-term funds (taxable and tax-exempt money market funds). Long-term funds are broadly divided into equity (stock) and bond and income funds.

**Management Fee.** The amount paid by a mutual fund to the investment adviser for its services.

**Mutual Fund.** An investment company that pools money from shareholders and invests in a variety of securities, including stocks, bonds, and money market instruments. A mutual fund stands ready to buy back (redeem) its shares at their current net asset value, which depends on the total market value of the fund's investment portfolio at the time of redemption. As an open-end investment, a mutual fund continuously offers new shares to investors.

**National Association of Securities Dealers, Inc. (NASD).**

A self-regulatory organization with authority over firms that distribute mutual fund shares as well as other securities.

**Net Asset Value Per Share (NAV).**

The market worth of one share of a mutual fund, this figure is calculated by adding a fund's total assets (securities, cash, and any accrued earnings), subtracting liabilities, and dividing by the number of shares outstanding.

**No-load Fund.** A mutual fund whose shares are sold at net asset value.

**Open-end Investment Company.**

The statutory terminology for a mutual fund, indicating that it stands ready to redeem (buy back) its unlimited number of shares on investor demand.

**Operating Expenses.** Normal business costs paid from a fund's assets before earnings are distributed to shareholders. A mutual fund incurs operating expenses as a result of employing staff; maintaining offices and equipment; and investing the fund's portfolio of securities.

**Over-the-counter Market.** The universe of securities, both stocks and bonds, not listed on national or regional exchanges (such as the

New York Stock Exchange or the Nasdaq Stock Market). Over-the-counter transactions are primarily conducted through an informal network or by auction.

**Payroll Deduction Plan.** An arrangement that some employers offer employees to accumulate mutual fund shares. Employees authorize their employer to deduct a specified amount from their salaries at stated times and transfer the proceeds to a fund.

**Pooling.** A basic concept behind mutual funds in which a fund aggregates the assets of investors who share common financial goals. A fund uses the investment pool to buy a diversified portfolio of investments, and each mutual fund share purchased represents ownership in all the fund's underlying securities.

**Portfolio.** A collection of securities owned by an individual or an institution (such as a mutual fund) that may include stocks, bonds, and money market securities.

**Portfolio Managers.** Specialists employed by a mutual fund company to invest its pool of assets in accordance with predetermined investment objectives.

**Portfolio Turnover.** A measure of the trading activity in a fund's investment portfolio; in essence,

how often securities are bought and sold by a fund.

**Principal.** The basic amount of money you invest, not to be confused with reinvested dividends or capital gains.

**Professional Management.** The full-time, experienced team of professionals that decides what securities to buy, hold, and sell for a mutual fund portfolio.

**Prospectus.** The official document that describes a mutual fund to all prospective investors. The prospectus contains information required by the Securities and Exchange Commission, such as investment objectives and policies, services, and fees.

**Redeem.** To cash in shares by selling them back to a mutual fund company. Mutual fund shares may be redeemed on any business day.

**Redemption Price.** The amount per share (shown as the “bid” in newspaper tables) that mutual fund shareholders receive when they cash in shares. The value of a fund’s shares on any given day depends on the market value of its underlying investment portfolio at that time.

**Reinvestment Privilege.** An option whereby mutual fund dividends and capital gain distributions are

used to automatically buy new fund shares and thus increase the investor’s holdings.

**Risk.** The possibility that an investment may fluctuate in value. Such factors as credit quality, currency exchange rates, inflation rates, or the direction of interest rates may increase an investment’s volatility. The level of risk incurred by a shareholder varies from fund to fund (see risk/reward tradeoff).

**Risk/Reward Tradeoff.** The investment principle that an investment must offer higher potential returns as compensation for the likelihood of increased volatility. Investors normally accept higher risk on long-term investments, where the effects of price volatility usually diminish over time; they generally seek lower risk on short-term investments, where accessibility and preservation of principal override the need for maximum return.

**Rollover.** The shifting of an investor’s assets from one qualified retirement plan to another—due to changing jobs, for instance—without a tax penalty.

**Sales Charge or Load.** The amount charged for fund shares sold by brokers or other sales professionals. By law, a mutual fund sales charge may not exceed 8.5 percent of an investment purchase,

although the charge may vary depending on the amount invested and the fund chosen. A sales charge or load is reflected in the asked or offering price (see asked price).

**Sales Force Marketing.** A distribution method in which fund shares are sold to the public through sales professionals such as brokers, financial planners, and insurance agents. Some fund companies sell shares directly to the public through their own sales professionals.

**Securities and Exchange Commission (SEC).** The primary U.S. federal agency regulating the registration and distribution of mutual fund shares.

**Series Funds.** Funds that are organized with separate portfolios of securities, each with its own investment objective.

**Shareholder.** An investor who owns shares of a mutual fund or other company.

**Short-term Funds.** An industry designation for mutual funds that invest primarily in securities maturing in periods of one year or less (i.e., money market funds); these include taxable and tax-exempt funds.

**Statement of Additional Information (SAI).** The supplementary document (to a prospectus)

that contains updated or more detailed information about a mutual fund; also known as “Part B” of the registration statement.

**Stock.** A share of ownership or equity in a corporation. A corporation’s financial performance chiefly determines the value of its stock.

**Total Return.** A measure of a fund’s performance that encompasses all elements of return: dividends, capital gain distributions, and changes in net asset value. Total return is the change in value of an investment over a given period, assuming reinvestment of any dividends and capital gain distributions, expressed as a percentage of the initial investment.

**Transfer Agent.** The organization employed by a mutual fund to prepare and maintain records relating to shareholder accounts; some fund companies serve as their own transfer agents.

**12b-1 Fee.** A mutual fund expense named for the SEC rule that describes it. These fees pay for distribution costs, such as advertising and commissions paid to dealers. Any 12b-1 fees will be included in the fee table of a fund’s prospectus. Industry rules place two caps on the level of 12b-1 fees. One is an annual limit of 0.75 percent of a fund’s assets. (An additional 0.25 percent service fee may be paid to

brokers or other sales professionals in return for providing ongoing information and assistance.) The other is a rolling cap on total sales charges, to be calculated at 6.25 percent of new sales plus interest for funds that pay a service fee, and 7.25 percent plus interest for funds that do not pay a service fee.

**Underwriter.** The organization acting as the distributor of a mutual fund's shares to broker/dealers and investors.

**Variable Annuity.** An investment contract sold by an insurance company; capital is accumulated, often through mutual fund investments, and converted to an income stream later, often at an investor's retirement.

**Withdrawal Plan.** A program whereby shareholders receive income or principal payments from their mutual fund investments at regular intervals.

**Yield.** A measure of the net income (dividends and interest less expenses) earned by the securities in the

fund's portfolio during a specified period. A fund's yield is expressed as a percentage of the maximum offering price per share on a specified date. Money market mutual funds calculate both yield and effective yield.

Money market fund yield refers to the net income earned by a fund during a recent seven-day period. This income is assumed to be generated each week over a 52-week period. The *effective yield* is calculated similarly, but, when annualized, the income earned is assumed to be reinvested. Thus, the effective yield will be slightly higher than the yield because of the compounding effect of the assumed reinvestment.

Long-term fund yields refer to the net income earned by a fund during a recent 30-day period. This income is annualized and then divided by the maximum offering price per share on the last day of the 30-day period. The yield formula for long-term funds reflects semiannual compounding.