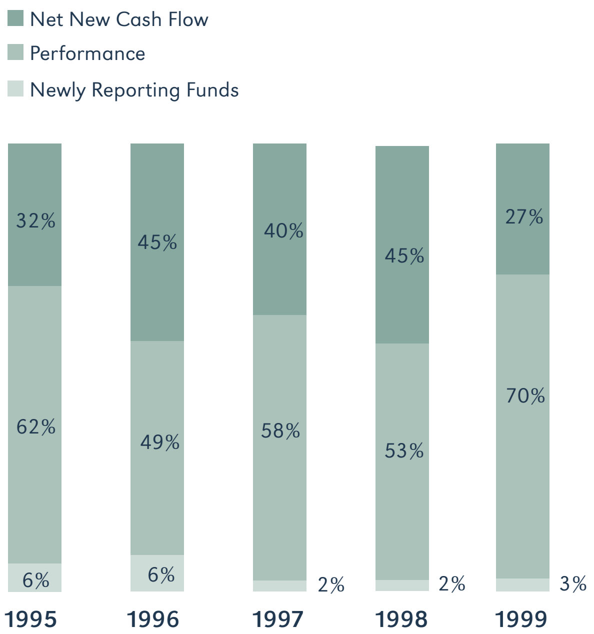
U.S. Mutual Fund Developments in 1999

Assets in U.S.-based mutual funds increased 24 percent in 1999 to $6.846 trillion. Investment performance—asset appreciation plus reinvested dividends and capital gains distributions—accounted for about two-thirds of the growth. Net new cash flow of $363 billion accounted for 28 percent of the increase, and the remainder was attributable to new funds.

Equity and money market fund assets—which rose 36 percent and 19 percent, respectively—

Components of Mutual Fund Asset Growth*



** 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 Institute's database.*

Note: The data contain a series break beginning in 1996. Data for funds that invest in other mutual funds were excluded from the series. Data prior to 1996 have been restated to create a consistent series back to 1995.

Net New Cash Flow to Mutual Funds

(billions of dollars)

	Equity	Hybrid	Bond	Money Market	Total*	Total Mutual Fund Assets
1984	$5.9	$0.3	$13.1	$35.1	$54.3	$370.7
1985	8.5	1.9	63.2	(5.4)	68.2	495.4
1986	21.7	5.6	102.6	33.9	163.8	715.7
1987	19.0	4.0	6.8	10.2	40.0	769.2
1988	(16.1)	(2.5)	(4.5)	0.1	(23.0)	809.4
1989	5.8	4.2	(1.2)	64.1	72.8	980.7
1990	12.9	1.5	6.8	23.2	44.4	1,065.2
1991	39.9	7.1	59.2	5.5	111.7	1,393.2
1992	79.0	21.8	70.9	(16.3)	155.4	1,642.5
1993	127.3	44.2	70.6	(14.1)	228.0	2,070.0
1994	114.5	23.1	(62.5)	8.8	83.9	2,155.4
1995	124.4	4.0	(6.1)	89.4	211.7	2,811.5
1996	217.0	12.3	2.8	89.4	321.4	3,526.3
1997	227.1	16.5	28.4	102.1	374.1	4,468.2
1998	157.0	10.2	74.6	235.3	477.1	5,525.2
1999	187.7	(12.4)	(5.5)	193.6	363.4	6,846.3

Note: The data contain a series break beginning in 1990. All funds were reclassified in 1990 and a separate category was created for hybrid funds. At the same time, data for funds that invest in other mutual funds were excluded from the series. Data prior to 1990 have been restated to create a consistent series back to 1984.

**Components may not sum to the total due to rounding.*

accounted for most of the 1999 asset growth in the industry, while hybrid fund assets grew 5 percent and bond fund assets dropped 3 percent for the year. Equity and money market funds attracted all of the net new cash flow in 1999, $188 billion and $194 billion, respectively. Hybrid and bond funds experienced net outflows for the year.

Funds benefited from the performance of U.S. technology and communications stocks, and their exposure to the strong gains of many foreign stock markets, especially in Asia. Rising U.S. interest rates led to one of the largest annual declines in bond prices in 30 years, which hampered asset growth at U.S.-based bond funds.

Equity Funds

Assets in equity funds rose 36 percent in 1999 to $4.041 trillion, with investment performance accounting for about 80 percent of the increase. The remainder of the asset growth came from $188 billion in net new cash flow from investors, a 20 percent increase from the $157 billion in net new cash flow to equity funds in 1998.

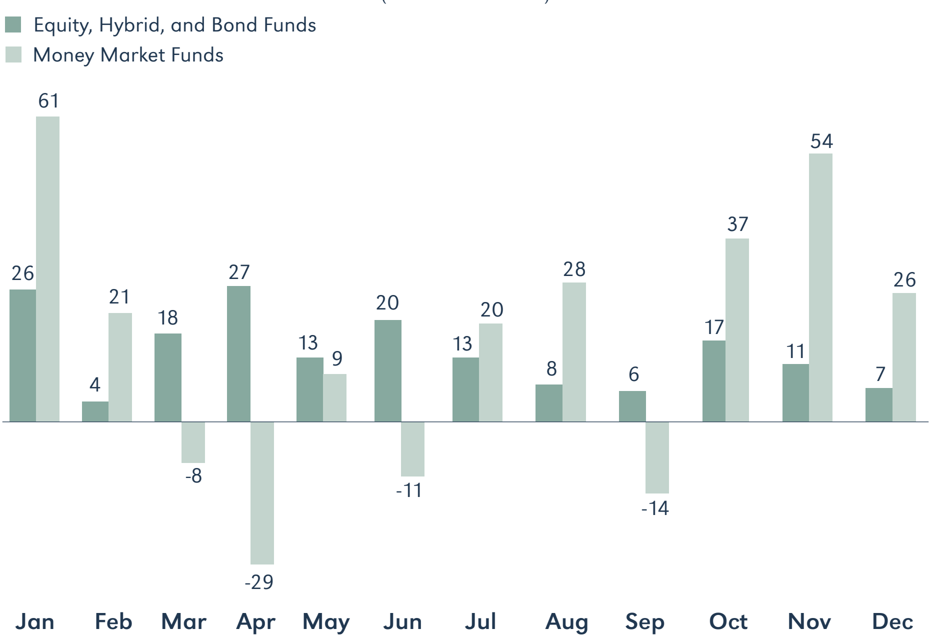
Domestic Equity Funds

Domestic funds attracted most of the net new cash flow to U.S. equity funds in 1999. Net new cash flow to domestic equity funds rose to $176 billion for the year, up from $150 billion in 1998. Net flows to these funds began the year at a subdued pace, averaging $12 billion per month in the first quarter, the lowest level in a first quarter since 1995. Net flows picked up in the spring and averaged $15 billion per month over the last nine months of the year.

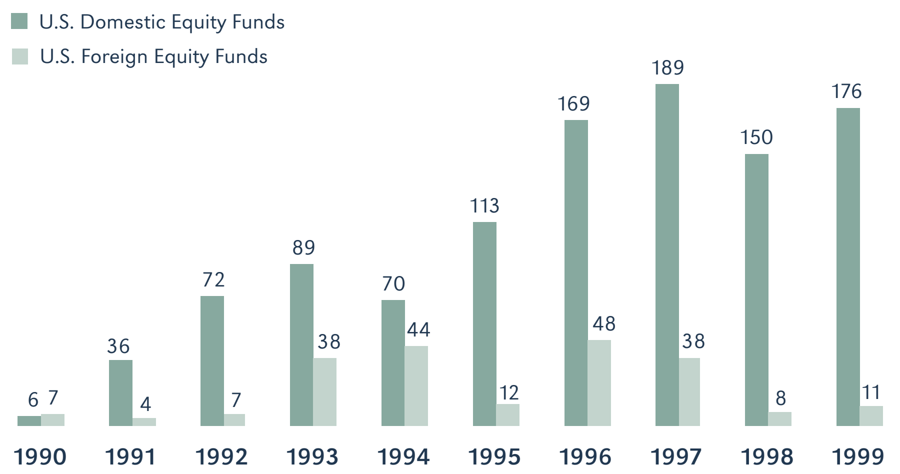
Net flows across individual domestic equity fund investment objectives were more concentrated than usual in 1999. The increased concentration of flows to domestic equity funds partly reflected the strong performance of technology stock prices. These stocks posted gains in 1999 that greatly exceeded the market as a whole. Indeed, 56 percent of all stocks listed on U.S. exchanges declined last year, whereas the technology-laden Nasdaq 100 index more than doubled in 1999 and the Nasdaq index rose 86 percent. The S&P 500 index and the Russell 2000, which have smaller technology components, rose 20 percent.

The average return on domestic equity funds exceeded the return on the S&P 500 index, but a large share of the

Net New Cash Flow to Mutual Funds, 1999
Long-term vs. Short-term
(billions of dollars)



Net New Cash Flow to U.S. Equity Funds
Domestic vs. Foreign
(billions of dollars)



Note: The sum of the net flows to foreign and domestic funds may not equal the total shown on page 2 because of rounding.

net flows went to funds benefiting from relatively large technology stock investments. In a sample of 1,633 domestic stock funds, for example, the 10 percent with the highest net new cash flows had about one-third of their assets in technology stocks, roughly double that of the 10 percent with the lowest net flows. Investor preference for funds with significant exposure to the technology sector similarly was reflected in net new cash flows by investment objective. For example, capital appreciation funds nearly doubled their net flow in 1999 to $160 billion from $83 billion in 1998. In contrast, the net flow to funds with a total return objective fell to $16 billion in 1999 from $67 billion in 1998.

Domestic equity index funds also continued to attract investor interest in 1999. Net new cash flow to these funds was $54 billion, up from $38 billion in 1998. During the last five years, index funds, particularly S&P 500 index funds, gained in popularity, rising from 2 percent of all net new cash flow to domestic funds in 1994 to 31 percent in 1999. Over this period, large-capitalization stocks generally outperformed small-capitalization stocks. As a result, index funds, which tend to hold large-capitalization stocks, generally outperformed many small-stock and actively managed funds, which invest more heavily in medium- and small-capitalization stocks.

International and Global Equity Funds

Assets of U.S.-based international and global equity funds increased 49 percent, to $585 billion in 1999. Investment performance was responsible for virtually all of the growth in assets, as net new cash totaled $11 billion.

The relatively low level of net flow to international and global funds occurred even though most foreign stock markets posted sizable gains, as did world equity funds generally. The sluggish pace of inflows to these funds was a continuation of a trend that began in October 1997 with the economic and financial crises in many emerging market countries. The reluctance of U.S. fund owners to invest in foreign-related funds was reinforced with the decline in foreign stock prices in late summer of 1998. For the twelve-month period beginning in August 1998 and ending in July 1999, international and global funds posted net outflows in ten of the twelve months, and the cumulative outflow over the entire period was $19 billion. During the last five months of 1999, however, net inflows resumed, with investors adding, on balance, $18 billion to these funds.

Bond Funds

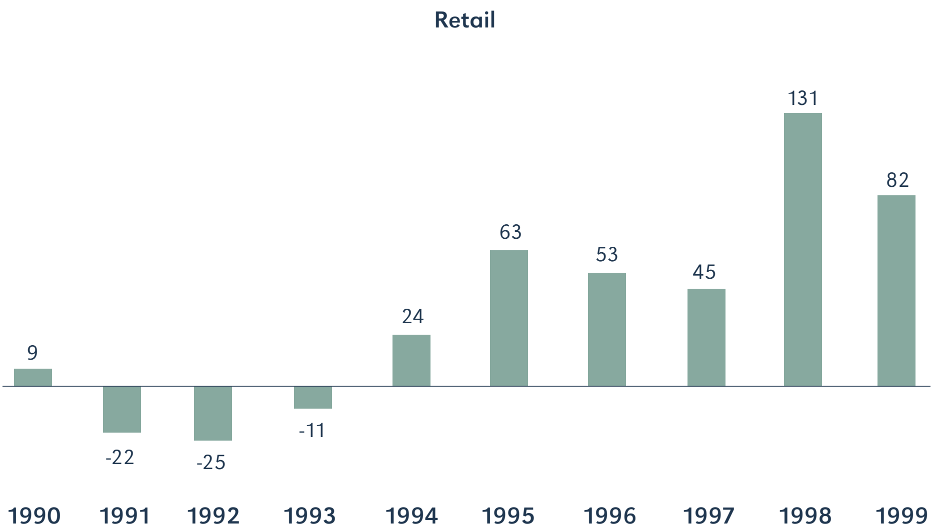
Assets in bond funds fell 3 percent in 1999, to $808 billion from $831 billion in 1998. Net new cash flow fell to -$6 billion in 1999 from $75 billion in 1998.

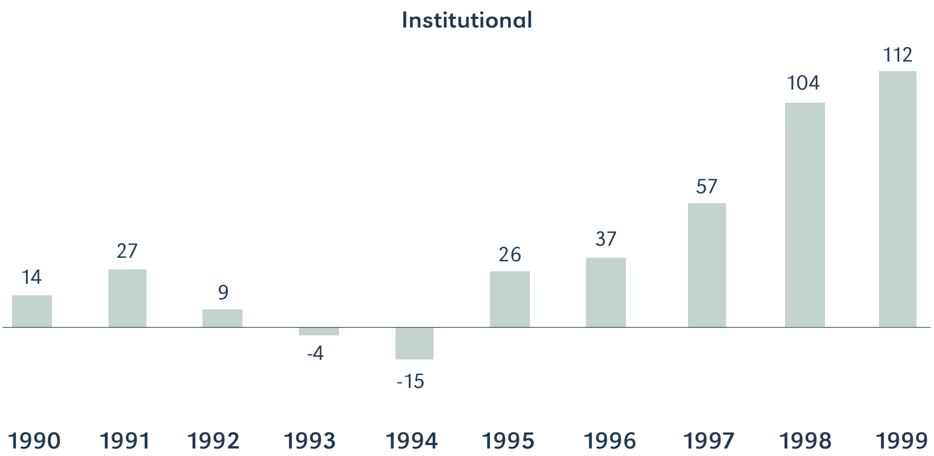
The decline was attributable to rising interest rates and falling bond prices. Intermediate- and long-term interest rates, which had reached 30-year lows in the fall of 1998, rose throughout 1999. The yield on the 10-year Treasury note, for example, gained 1.5 percentage points during the year and its price dropped 13 percent. This marked the largest one-year drop in Treasury prices since 1994.

In this environment, the average return was 1 percent on taxable bond funds and -3.8 percent on tax-exempt bond funds. Net new cash flow to bond funds, which typically declines when interest rates rise, fell to -$6 billion in 1999 from $75 billion in 1998. Net flow began the year at a strong pace, totaling $19 billion during the first quarter. As interest rates rose, monthly net flows turned negative and totaled -$24 billion over the last three quarters. The level of net outflows increased in the last quarter, as many investors likely sold funds for tax purposes, as they did in 1994 when many bond funds also posted losses for the year.

Net New Cash Flow to Money Market Funds

(billions of dollars)





Taxable Bond Funds

Assets of taxable bond funds rose 1 percent to $537 billion in 1999. Net new cash flow fell to $7 billion in 1999 from $59 billion in 1998, reflecting both a decline in new sales and a pickup in redemptions. Monthly new sales (including exchange sales) averaged 3.4 percent of previous monthend assets, compared with 3.9 percent in 1998. The average rate of monthly redemptions (including exchange redemptions) rose to 3.3 percent in 1999 from 2.9 percent in 1998. The combination of lower sales and higher redemptions was consistent with the patterns and magnitudes exhibited during other periods of rising interest rates over the past 25 years.

Municipal Bond Funds

Assets of municipal bond funds fell 9 percent to $272 billion from $299 billion in 1998, the first annual decline since 1996. About two-thirds of the decline was attributable to fund performance, with the remainder resulting from a $12 billion net outflow. As with taxable bond funds, new sales declined and redemptions rose. New sales slowed to an average monthly rate of 2.1 percent of previous monthend assets in 1999 from 2.3 percent in 1998, while the redemption rate rose to 2.5 percent from 1.9 percent.

Hybrid Funds

Assets in hybrid funds—those funds that invest in both stocks and bonds—rose 5 percent in 1999 to $383 billion. The modest asset growth resulted from fund performance, which was held down by the decline in bond prices, and from a net outflow of $12 billion, the first annual outflow from these types of funds since 1988. Net new cash flow turned negative after the stock market sell-off in the summer of 1998 and remained negative throughout most of 1999.

The decline in net flow reflected an increase in redemptions rather than a slowdown in new sales, which remained nearly unchanged in 1999. Redemptions rose to $72 billion in 1999 from $55 billion in 1998. As a percentage of assets, they rose to 19 percent from 16 percent in 1998.

Money Market Funds

Assets of money market funds rose 19 percent in 1999 to $1.613 trillion. Net new cash flow was $194 billion, down from $235 billion in 1998. The slowdown in net flow occurred entirely at retail money funds, which are primarily held by individuals. In contrast, institutional funds—held primarily by businesses, pension funds, financial institutions, and governments—posted a record inflow in 1999.

Retail Funds

Retail money funds posted an increase in assets of 15 percent in 1999, rising from $835 billion in 1998 to $965 billion in 1999. Asset growth slowed from the 26 percent pace in 1998 largely because net inflow declined to $82 billion in 1999 from $131 billion in 1998. Inflows to retail funds typically slow when yields on retail money funds fall relative to rates on bank and thrift deposits, as occurred during the first part of 1999. Monthly net flows did not increase appreciably until the second half of the year when the yield advantage of money funds over bank and thrift deposits widened significantly.

The slowdown in net new cash flow to retail money funds also may have reflected a decline in household demand for liquidity. Net inflows strengthened noticeably after the stock market sell-off in the summer of 1998 and remained strong through February 1999. As the U.S. stock market recovered from a drop in February 1999, net flows to retail money funds declined. In fact, from March through June the net flow to retail funds was at the lowest level during that four-month period since 1993.

Inflows to retail money funds did not increase appreciably near yearend, providing further evidence that individuals' reactions to potential Y2K problems was muted. Monthly inflows averaged $9 billion during the last quarter of 1999, somewhat higher than for the same period in 1996 and 1997 and less than in 1998.

Institutional Funds

Assets in institutional money funds rose 26 percent in 1999 to $648 billion. Net new cash flow was a record $112 billion, surpassing the 1998 net flow of $104 billion by 7 percent. The increase in assets in 1999 extended the rapid growth that began in 1994. This growth partly reflected a shift by corporate cash managers to money funds from other liquid assets.

The stronger net flows to institutional money funds last year also reflected a build up in balances at yearend. Institutional money funds typically experience a drop in assets over the last half of December, partly resulting from quarterly corporate tax payments in mid-December. In addition, money market rates often rise relative to money fund yields at yearend, causing some institutional cash managers to shift from money funds into money market instruments. This seasonal pattern, however, did not materialize in 1999, as assets of institutional funds increased $17 billion over the last two weeks in December. In contrast, between 1996 and 1998, assets of institutional funds declined $22 billion, on average, over the second half of December.

Institutional investors may have added to balances at money funds because of uncertainties surrounding the potential for computer problems at the turn of the year. The absence of outflows also reflected steps taken by the Federal Reserve to keep overnight interest rates from rising at yearend. As a result, overnight interest rates were below yields on many institutional money funds during the last week of December, giving institutional investors an incentive to maintain balances in money funds rather than directly holding money market instruments.

What Is a Mutual Fund?

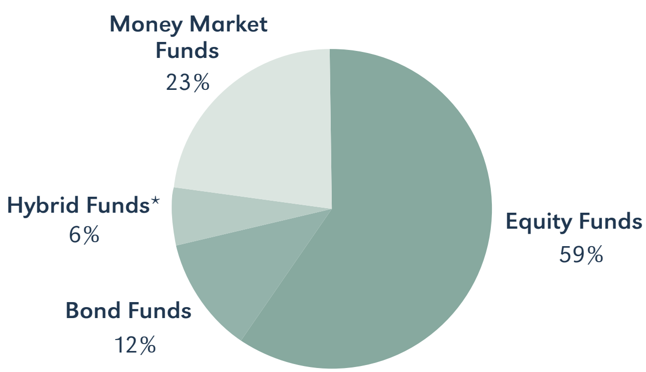
A mutual fund is an investment company that pools money from shareholders and invests in a diversified portfolio of securities. An estimated 83 million Americans in 48.4 million households own mutual fund shares.

Four Basic Types of Mutual Funds

There are four basic types of mutual funds: stock (also called equity), bond, hybrid, 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, while stock, bond, and hybrid funds are known as long-term funds. (Hybrid funds invest in a combination of stocks, bonds, and other securities.) Of the total $6.8 trillion invested in mutual funds at the end of 1999, $4.04 trillion was invested in stock funds, $1.61 trillion in money market funds, $808 billion in bond funds, and $383 billion in hybrid funds.

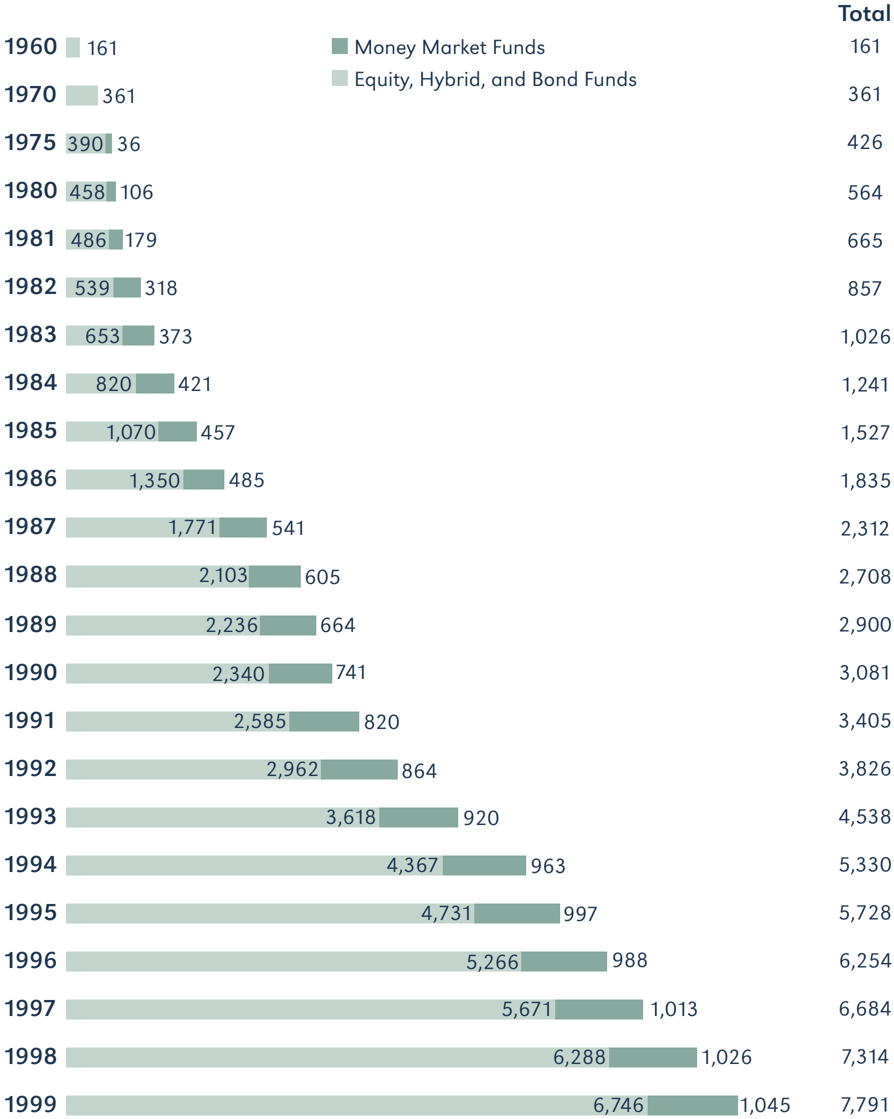
An investor in a mutual fund is a shareholder who buys shares of the

How Mutual Fund Assets Are Invested
(yearend 1999)



**Hybrid funds include balanced, asset allocation, and other similar funds.*

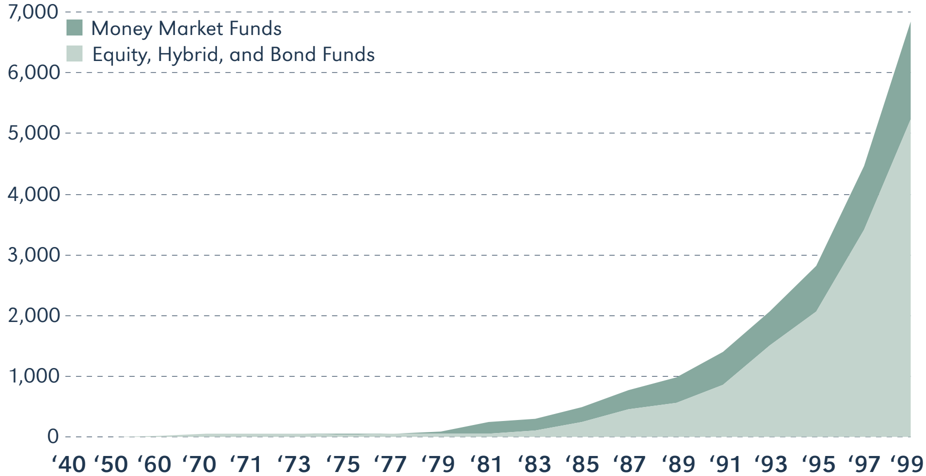
Number of Mutual Funds



Note: The data contain a series break beginning in 1996. Data for funds that invest in other mutual funds were excluded from the series. Data prior to 1996 have been restated to create a consistent series back to 1984.

Assets of Mutual Funds

(billions of dollars)



Note: See page 107 for data points on this chart. The data contain a series break beginning in 1996. Data for funds that invest in other mutual funds were excluded from the series. Data prior to 1990 have been restated to create a consistent series back to 1984.

fund. Each share represents 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.

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, taking greater investment risk offers the opportunity for greater reward.

Professional Management

The money accumulated in a mutual fund is managed by professionals who decide on behalf of shareholders on an investment strategy. These professionals choose investments that best match the fund's objectives as described in its 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 adjust the mix of its investments to adopt a more aggressive or a more defensive posture to meet its investment objective.

MUTUAL FUND INVESTMENT OBJECTIVES

The Investment Company Institute classifies mutual funds into 33 investment objective categories.

EQUITY FUNDS

Capital Appreciation Funds seek capital appreciation; dividends are not a primary consideration.

- *Aggressive growth funds* invest primarily in common stocks of small growth companies.
- *Growth funds* invest primarily in common stocks of well-established companies.
- *Sector funds* invest primarily in companies in related fields.

Total Return Funds seek a combination of current income and capital appreciation.

- *Growth-and-income funds* invest primarily in common stocks of established companies with the potential for growth and a consistent record of dividend payments.
- *Income-equity funds* invest primarily in equity securities of companies with a consistent record of dividend payments. They seek income more than capital appreciation.

World Equity Funds invest primarily in stocks of foreign companies.

- *Emerging market funds* invest primarily in companies based in developing regions of the world.
- *Global equity funds* invest primarily in equity securities traded worldwide, including those of U.S. companies.
- *International equity funds* must invest in equity securities of companies located outside the United States and cannot invest in U.S. company stocks.
- *Regional equity funds* invest in companies based in a specific part of the world.

HYBRID FUNDS

Hybrid funds may invest in a mix of equities, fixed-income securities, and derivative instruments.

- *Asset allocation funds* invest in various asset classes including, but not limited to, equities, fixed-income securities, and money market instruments. They seek high total return by maintaining precise weightings in asset classes. Global asset allocation funds invest in a mix of equity and debt securities issued worldwide.
- *Balanced funds* invest in a mix of equity securities and bonds with the three-part objective of conserving principal, providing income, and achieving long-term growth of both principal and income. These funds maintain target percentages in asset classes.
- *Flexible portfolio funds* invest in common stocks, bonds, and other debt securities, and money market securities to provide high total return. These funds may invest up to 100 percent in any one type of security and may easily change weightings depending upon market conditions.

- *Income-mixed funds* invest in a variety of income-producing securities, including equities and fixed-income instruments. These funds seek a high level of current income without regard to capital appreciation.

TAXABLE BOND FUNDS

Corporate Bond Funds seek current income by investing in high-quality debt securities issued by U.S. corporations.

- *Corporate bond funds—general* invest two-thirds or more of their portfolios in U.S. corporate bonds with no explicit restrictions on average maturity.
- *Corporate bond funds—intermediate-term* invest two-thirds or more of their portfolios in U.S. corporate bonds with an average maturity of five to 10 years. These funds seek a high level of income with less price volatility than longer-term bond funds.
- *Corporate bond funds—short-term* invest two-thirds or more of their portfolios in U.S. corporate bonds with an average maturity of one to five years. These funds seek a high level of income with less price volatility than intermediate-term bond funds.

High-yield Funds invest two-thirds or more of their portfolios in lower-rated U.S. corporate bonds (Baa or lower by Moody's and BBB or lower by Standard and Poor's rating services).

World Bond Funds invest in debt securities offered by foreign companies and governments. They seek the highest level of current income available worldwide.

- *Global bond funds—general* invest in worldwide debt securities with no stated average maturity or an average maturity of five years or more. These funds may invest up to 25 percent of assets in companies located in the United States.
- *Global bond funds—short-term* invest in debt securities worldwide with an average maturity of one to five years. These funds may invest up to 25 percent of assets in companies located in the United States.
- *Other world bond funds,* such as international bond and emerging market debt funds, invest in foreign government and corporate debt instruments. Two-thirds of an international bond fund's portfolio must be invested outside the United States. Emerging market debt funds invest primarily in debt from underdeveloped regions of the world.

Government Bond Funds invest in U.S. Government bonds of varying maturities. They seek high current income.

- *Government bond funds—general* invest two-thirds or more of their portfolios in U.S. government securities of no stated average maturity. Securities utilized by investment managers may change with market conditions.
- *Government bond funds—intermediate-term* invest two-thirds or more of their portfolios in U.S. government securities with an average maturity of five years to 10 years. Securities utilized by investment managers may change with market conditions.
- *Government bond funds—short-term* invest two-thirds or more of their portfolios in U.S. government securities with an average maturity of one to five years. Securities utilized by investment managers may change with market conditions.

- *Mortgage-backed funds* invest two-thirds or more of their portfolios in pooled mortgage-backed securities.

Strategic Income Funds invest in a combination of U.S. fixed-income securities to provide a high level of current income.

TAX-FREE BOND FUNDS

State Municipal Bond Funds invest primarily in municipal bonds issued by a particular state. These funds seek high after-tax income for residents of individual states.

- *State municipal bond funds—general* invest primarily in single-state municipal bonds with an average maturity of greater than five years or no specific stated maturity. The income from these funds is largely exempt from federal as well as state income tax for residents of the state.
- *State municipal bond funds—short-term* invest primarily in single-state municipal bonds with an average maturity of one to five years. The income of these funds is largely exempt from federal as well as state income tax for residents of the state.

National Municipal Bond Funds invest primarily in the bonds of various municipal issuers in the United States. These funds seek high current income free from federal tax.

- *National municipal bond funds—general* invest primarily in municipal bonds with an average maturity of more than five years or no specific stated maturity.
- *National municipal bond funds—short-term* invest primarily in municipal bonds with an average maturity of one to five years.

MONEY MARKET FUNDS

Taxable Money Market Funds invest in short-term, high-grade money market securities and must have average maturities of 90 days or less. These funds seek the highest level of income consistent with preservation of capital (i.e., maintaining a stable share price).

- *Taxable money market funds—government* invest primarily in U.S. Treasury obligations and other financial instruments issued or guaranteed by the U.S. government, its agencies, or its instrumentalities.
- *Taxable money market funds—non-government* invest primarily in a variety of money market instruments, including certificates of deposit from large banks, commercial paper, and bankers acceptances.

Tax-exempt Money Market Funds invest in short-term municipal securities and must have average maturities of 90 days or less. These funds seek the highest level of income—free from federal and, in some cases, state and local taxes—consistent with preservation of capital.

- *National tax-exempt money market funds* invest in short-term securities of various U.S. municipal issuers.
- *State tax-exempt money market funds* invest primarily in short-term securities of municipal issuers in a single state to achieve the highest level of tax-free income for residents of that state.

How a Fund Determines Its Share Price

Mutual Fund X owns a portfolio of stocks worth $6 million dollars; its liabilities are $60,000; its shareholders own 500,000 shares.

$$\text{Fund Share Price or Net Asset Value (NAV) } \$11.88 = \frac{\text{Market Value in Dollars of a Fund's Securities Minus Its Liabilities } (\$6{,}000{,}000 - \$60{,}000)}{\text{Number of Investor Shares Outstanding } (500{,}000)}$$

Fund share prices appear in the financial pages of most major newspapers (see page 18). A fund's share price can also be found in its semiannual and annual reports.

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 the average investor to obtain the same kind of professional money management and diversification of investments that is available to large institutions and wealthy investors.

A Variety of Fund Investments

There are nearly 7,800 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 33 broad categories according to their basic investment objective (see pages 14-16). There are also specialty or sector funds that invest primarily in specialized segments of the securities markets. Specialty funds include biotechnology funds, small-company growth funds, 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.

Mutual Fund Share Pricing

Mutual funds are required by law to determine the price of their shares each business day. A fund's net asset value (NAV) per share is the current value of all the fund's assets, minus liabilities, divided by the total number of shares outstanding (see illustration above). A fund's share price, or offering price, is its NAV per share plus any applicable front-end sales charge (the offering price of a fund without a sales charge would be the same as its NAV per share).

How to Read Newspaper Fund Quotes

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

Apzbc:			
Axyte	9.95	10.73	...
Bxy Xer	10.37	11.33	-.01
Dar Rppe	7.38	8.07	+.09
Income	3.16	3.45	+.01
Tbq Ratl	9.97	10.47	+.01
Tbqr Dt	10.19	10.70	-.02
Xypr Ap r	10.05	10.98	-.01
Brlkd:			
Blgr Dfr	15.64	16.46	-.03
Bmo Pnc	8.54	N.L.	-.06
Bto Bmd	7.27	7.65	...
Cmyog:			
MIA p	11.86	12.79	+.01
MIX	11.44	12.33	+.03
MIY p	9.70	10.46	-.01
MBF	11.58	12.49	+.04
MBI	14.18	15.92	+.20
MBR	11.99	12.93	+.03
MRI	10.01	10.79	-.02
MII	7.66	8.26	+.02
MDX	10.00	10.50	...
DMX r	9.74	10.23	...
GYI	6.93	7.47	-.03
JAM	13.47	14.18	-.04
JEL	10.09	10.59	-.06
MTNC	10.25	10.76	-.02
MPRS r	10.12	10.62	+.02
Jellies	20.33	N.L.	+.01
Sulter	23.81	N.L.	+.13
Drxpg:			
Bakc Jau	8.19	8.53	-.01
Cryl Ba	20.68	22.12	+.05
Gryd 3	12.10	12.60	-.04
Frp Dur p	9.80	10.45	-.11
Fye Pm p	12.61	N.L.	...
Hy Finc	15.45	16.52	+.06
Hx Papie	10.96	11.42	-.06
Lerl Eiy t	10.02	10.95	+.02
Jxt RP	10.90	11.12	-.04
Lante	12.01	13.14	-.02
Mina Si	7.36	7.67	-.01
MsalT p	9.56	9.96	+.01
Nuz Bai	9.85	9.95	...
Oceana	16.49	17.64	+.12
Grxya	15.30	N.L.	+.04
Gsrxab r	12.96	N.L.	-.04
Hilt ltd	10.54	N.L.	-.02
Holpre r	8.40	N.L.	-.02
Hprl Rd	13.58	N.L.	+.07
Nev Sra	16.65	N.L.	-.01
Ow Nort r	13.53	N.L.	+.17
Sys Run	5.08	N.L.	+.01
Tqr Hyd	8.73	N.L.	+.02
Tuir IS	10.26	N.L.	-.03
Tvsa Ei	5.11	N.L.	+.01
Veersl Yr	9.49	9.87	+.07
Fdrlk:			
Uhd Eec	10.18	N.L.	+.03
Rho Qnd p	10.77	N.L.	+.02
Iro Nico t	8.54	N.L.	-.06
Gpprl:			
Allist B	24.00	N.L.	+.01
Cuy Nini t	10.76	N.L.	-.03
Eqryti	15.87	16.71	+.02
Ginta Ir	12.00	N.L.	+.01
Gvrt Lis	10.18	N.L.	+.03
Heai lec f	10.40	10.51	-.02
Jbd Hld	10.23	10.77	-.04

- 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 ÷ $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.

The NAV must reflect the current market value of the fund's securities, as long as market quotations for those securities are readily available. Other assets should be priced at fair value, determined in good faith by a fund's board of directors. The Investment Company Act of 1940 requires "forward pricing": shareholders purchasing or redeeming shares receive the next computed share price following the fund's receipt of the transaction order.

Any income and expenses (including any fees) must be accrued through the date the share price is calculated. Changes in holdings and in the number of shares must be reflected no later than the first calculation of the share price on the next business day.

Funds typically value exchange-traded securities using the closing prices from the exchange on which the securities are principally traded, even if the exchange closes before the fund's daily pricing time (which occurs with many foreign securities). If a material event that will likely affect the value of a security occurs after the exchange closed and before the fund's share price is determined, it may be necessary to determine the fair value of the security in light of that event.

Pricing Process

Mutual fund pricing is an intensive process that takes place in a short time frame at the end of each business day. Generally, a fund's pricing process begins at the close of the New York Stock Exchange, normally 4:00 pm Eastern time. Fund accounting agents internally validate the prices received by subjecting them to various control procedures. For example, depending on the nature and extent of its holdings, a fund

Mutual Fund Disclosure—Informing Investors

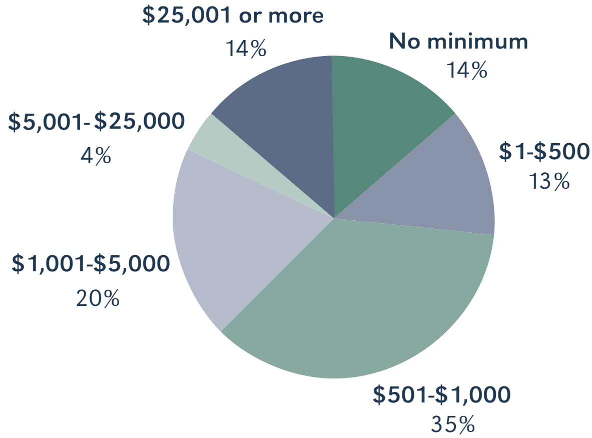
To protect investors, all mutual funds are highly regulated by the federal government through the U.S. Securities and Exchange Commission (SEC). As part of this government regulation, all funds must provide two types of documents to investors free of charge: a prospectus and a shareholder report.

A mutual fund's prospectus describes the fund's goals, fees and expenses, investment strategies and risks, as well as information on how to buy and sell shares. A fund's current prospectus can be obtained from the fund or a broker or financial planner. The SEC requires a fund to provide a full prospectus either before an investment or together with the confirmation statement of an initial investment.

Annual and semiannual shareholder reports discuss the fund's recent performance and include other important information, such as the fund's financial statements. By examining these reports, an investor can learn if a fund has been effective in meeting the goals and investment strategies described in the fund's prospectus.

Mutual Fund Minimum Investment Requirements, 1999

(percent distribution of funds by minimum investment requirement)*



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

may use more than one pricing service to ensure accuracy.

Availability of Share Prices

The vast majority of mutual funds release their daily share prices through Nasdaq. For a fund's share price to be published in the next day's morning newspapers, it must be delivered by 5:50 pm Eastern time to Nasdaq. As prices are received by Nasdaq, they are instantaneously transmitted to wire services and other subscribers. Wire services transmit the prices to their client newspapers.

In addition to newspapers, daily fund prices are available from other sources. Many funds offer toll-free telephone service, which provides the fund's share price and other current information.

Regulation

All U.S. funds are subject to strict regulation and oversight by the U.S. 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 (see *Mutual Fund Disclosure—Informing Investors*, on page 19). In addition, the investor receives a yearly statement detailing the federal tax status of his or her distributions 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. See Chapter 7 for more information on mutual funds and taxes.

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. See Chapter 4 for more information on the structure and regulation of mutual funds.

Accessibility

Mutual fund shares are easy to buy. Investors (outside retirement plans) may purchase fund shares either 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 sales commission or through 12b-1 and/or service 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 any front-end or deferred sales charge and that charge 12b-1 fees of no more than 0.25 percent 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 6 for more information on mutual funds and the retirement market.

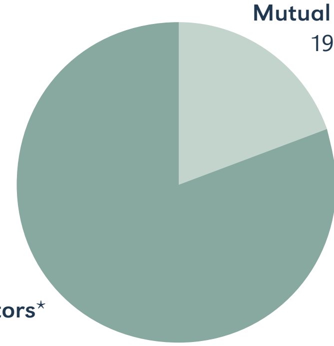
Shareholder Services

Mutual funds offer a wide variety of services to meet shareholders' needs. These services include toll-free (800) telephone service, 24-hour telephone access to account information and transaction processing, 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.

Mutual Fund Investments in the Financial Markets

Investments in mutual funds often contribute to U.S. economic growth by investing in the nation's stock, bond, and money markets.

Mutual Fund Ownership of U.S. Corporate Equity
December 31, 1999



Value of Publicly Held U.S. Equity Outstanding: $17.5 trillion

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

Source: Investment Company Institute, Nasdaq, AMEX, NYSE

The Stock Market

Mutual fund investments in the U.S. stock market help finance job creation and provide capital to build American infrastructure. Many initial public offerings (IPOs) of U.S. corporations are purchased by mutual funds, allowing companies to finance their expansion. Many of these companies are in growth industries, such as technology and biotechnology.

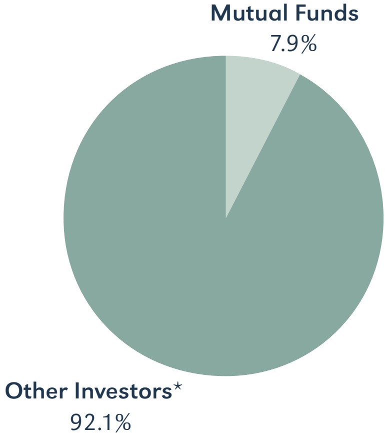
The Fixed-income Markets

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 institutional 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. 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.

Mutual Fund Ownership of Treasury and Agency Securities
December 31, 1999

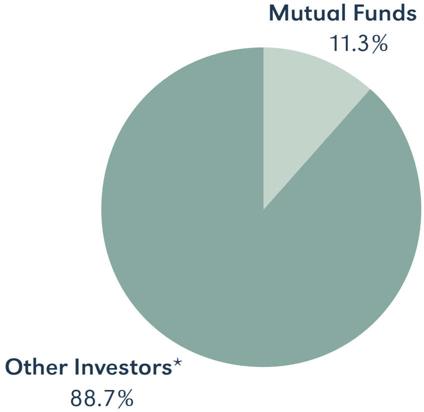


Total Treasury and Agency Securities Outstanding: $7.6 trillion

**Other investors include U.S. households, pension funds, foreign investors, and commercial banks.*

Source: Investment Company Institute and Federal Reserve Board

Mutual Fund Ownership of Corporate and Foreign Bonds
December 31, 1999

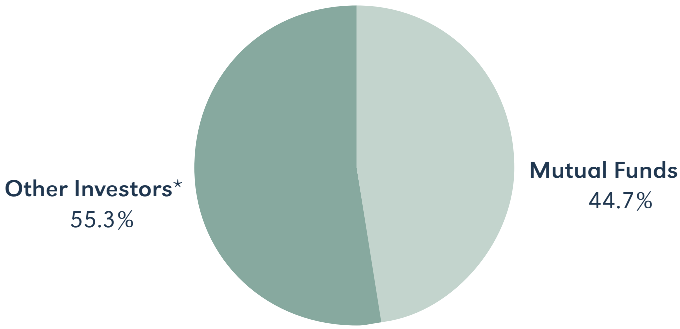


Total Corporate and Foreign Bonds Outstanding: $4.6 trillion

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

Source: Investment Company Institute and Federal Reserve Board

Mutual Fund Ownership of Commercial Paper
December 31, 1999

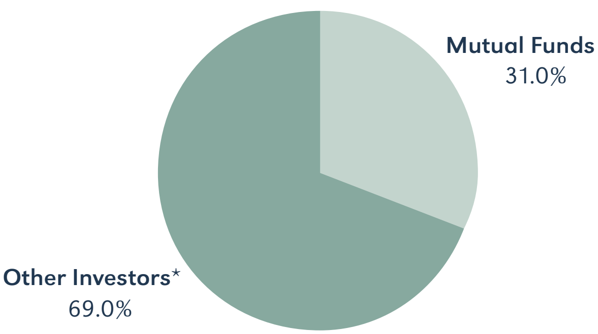


Total Commercial Paper Outstanding: $1.4 trillion

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

Source: Investment Company Institute and Federal Reserve Board

Mutual Fund Ownership of Municipal Securities
December 31, 1999



Total Municipal Securities Outstanding: $1.53 trillion

**Other investors include U.S. households, insurance companies, and bank personal trusts.*

Source: Investment Company Institute and Federal Reserve Board

Mutual Fund Fees and Expenses

Mutual funds provide a variety of investment-related services and benefits that help make saving and investing simple, accessible, and affordable. These benefits and services, however, come with a cost. The fees shareholders pay cover the costs of managing a fund's portfolio of securities and producing account statements, computerized account services, recordkeeping, legal services, printing, and mailing. Some mutual fund fees also compensate an investment professional for services rendered, especially the advice provided in helping an investor select a fund to meet investment goals.

The Two Types of Mutual Fund Costs

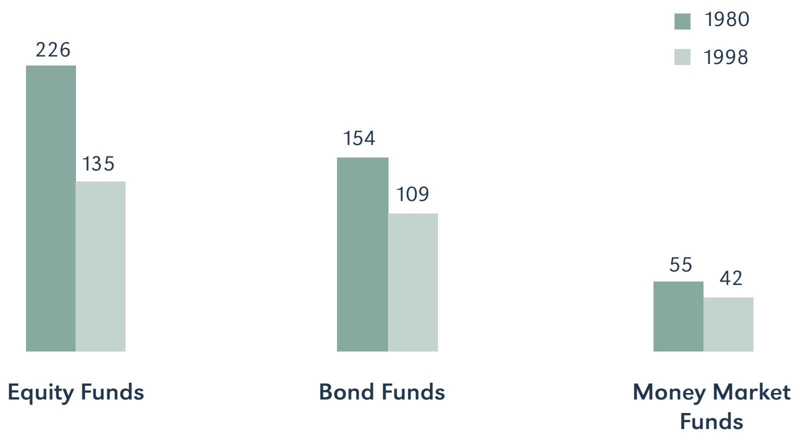
Mutual fund fees generally fall into two categories: shareholder fees and annual operating expenses.

Shareholder Fees

Investors may or may not pay shareholder fees. A "front-end load," for example, is an industry term for a fee that some funds charge when an

Average Cost of Investing in Mutual Funds*

(basis points)



**Sales-weighted averages of total shareholder cost ratios for individual funds.*

investor buys shares. This sales charge, or "load," usually compensates an investment professional for his or her services, especially for the advice he or she provides in selecting a fund to meet an investor's goals. By law, it may not exceed 8.5 percent of the initial investment, although most funds that charge these fees charge far less than the maximum.

Some funds charge a "back-end load" (also called a deferred sales charge), when an investor sells shares. This charge is an alternative way to compensate financial professionals for their services. A common type of back-end load, a contingent deferred sales charge, typically is calculated as a percentage of the net asset value or offering price at the time of purchase and applies only for the first few years that an investor owns a fund. The fee decreases incrementally, usually 1 percent per year, until it disappears if an investor does not sell the shares over a specified period of years.

No-load funds do not have front-end or deferred sales charges. Like all mutual funds, however, no-load funds also charge annual operating expenses.

Classes of shares. A fund may offer different "classes" of shares, such as Class A, Class B, and Class C. Share classes represent ownership in the same mutual fund, but offer different ways of paying the associated costs. The way an investor pays for fund shares depends on the share class owned. Share classes were created to help an investor choose a payment structure that best suits his or her investment needs and preferences.

Class A shares, for example, generally have a front-end sales charge (or "load"). Class B shares often have a 12b-1 fee (see below) and a deferred sales charge. Class C shares may charge a higher 12b-1 fee, but no front-end or deferred sales charges. Some funds offer still other share classes, such as a class sold without a sales charge for tax-deferred retirement plans.

Annual Operating Expenses

All funds have annual operating expenses that investors pay for the ongoing costs of running a fund and other services. These expenses, along with most other charges, are shown in a fund's prospectus, expressed as a percentage of the fund's average net assets and referred to as "total operating expenses."

The management fee. The largest component of a fund's total operating expenses usually is its management fee, an ongoing charge paid to an investment adviser who manages the fund's assets and selects its portfolio of securities.

The 12b-1 fee. Some funds pay a 12b-1 fee, which is named for a rule under the Investment Company Act of 1940 that authorizes mutual funds to pay for distribution expenses, such as compensating sales professionals, directly from a fund's assets.

By law, 12b-1 fees used to pay distribution expenses cannot exceed 0.75 percent of a fund's average net assets per year. There is also a lifetime cap based on a fund's overall sales. In addition, a fund may also pay a service fee of up to 0.25 percent of average net assets each year to compensate sales professionals for providing ongoing services to investors or their accounts.

A "no-load" fund may pay a 12b-1 fee of up to 0.25 percent of average net assets each year.

Oversight of Fees

The fees that a mutual fund charges shareholders are subject to ongoing oversight and review by the fund's board of directors, including its independent directors. Directors have a responsibility under the law to protect the interests of shareholders.

A mutual fund's directors annually review the fees paid to manage the fund. Any increase in these fees must be approved by fund shareholders and a majority of the fund's independent directors.

The SEC requires that a fund's board and a majority of its independent directors annually approve the 12b-1 fee. Any increase in a 12b-1 fee must also be approved by shareholders.

Fee Disclosure

Mutual fund fees are subject to more exacting regulatory standards and disclosure requirements than any comparable financial product offered to investors.

Investors can easily discern all the fees a fund charges by looking at a standardized fee table at the front of a fund's prospectus (see pages 28-29). The table lists all fees charged by a fund and allows easy comparison of the costs of one fund versus another.

In addition, because mutual funds buy and sell securities, they incur brokerage costs. Because these costs vary and are difficult to predict, they are not included in the fee table. However, they are included in any computations of a fund's performance that appears in advertising.

How Mutual Fund Fees Affect Investment Return

Mutual fund fees and charges affect an investor's return from the fund, but neither higher nor lower expenses guarantee better performance.

A fund with lower expenses may perform better than a fund with higher expenses. And the opposite may be true. Certain types of funds may have higher expenses because they require additional work by their managers. Investors may also pay higher fees for funds that provide extra shareholder services, such as toll-free telephone numbers, Internet access, checkwriting, and automatic investment plans.

Mutual Fund Fee Table Required by Federal Law

(example is hypothetical)

Maximum Sales Charge (Load) Imposed on Purchases—The maximum "front-end load" or sales charge that may be attached to the purchase of mutual fund shares. This fee compensates a financial professional for his or her services. By law, this charge may not exceed 8.5 percent of the investment, although most fund families charge less than the maximum.

Maximum Deferred Sales Charge (Load)—The maximum "back-end load" or sales charge that a fund may impose when shares are redeemed or sold; an alternative way to compensate financial professionals for their services. A common type of deferred sales charge is a "contingent deferred sales charge," which typically applies for the first few years of ownership, declining until it disappears.

Maximum Sales Charge (Load) on Reinvested Dividends—The maximum fee charged by a fund when dividends are reinvested in the purchase of additional shares. Most funds do not charge a fee for this service. Beginning in April 2000, new funds were prohibited from charging this fee.

Redemption Fee—Like a contingent deferred sales charge, this fee is another type of back-end charge when an investor redeems shares. Unlike contingent deferred sales charges, this fee is paid to the fund. It covers costs, other than sales costs, involved with a redemption. The fee is expressed as a dollar amount or as a percentage of the redemption price.

Exchange Fee—This fee may be charged when an investor transfers money from one fund to another within the same fund family.

Account Maintenance Fee—This fee may be charged by some funds, for example, to maintain low-balance accounts.

Shareholder Fees are charged directly to an investor for a specific transaction, such as a purchase, redemption, or exchange.

Shareholder Fees

Maximum Sales Charge (Load) Imposed on Purchases	**4.5%**
Maximum Deferred Sales Charge (Load)	**None**
Maximum Sales Charge (Load) on Reinvested Dividends	**None**
Redemption Fee	**None**
Exchange Fee	**None**
Annual Account Maintenance Fee	**None**

Annual Fund Operating Expenses reflect the normal costs of operating a fund. Unlike transaction fees, these expenses are not charged directly to an investor but are deducted from fund assets before earnings are distributed to shareholders.

Annual Fund Operating Expenses

Management Fees	**0.47%**
Distribution (12b-1) Fees	**0.21%**
Other Expenses	**0.36%**
Total Annual Fund Operating Expenses (Expense Ratio)	**1.04%**

Example

This example is intended to help an investor compare the cost of investing in different funds. The example assumes a $10,000 investment in the fund for one, three, five, and ten years and then a redemption of all fund shares at the end of those periods. The example also assumes that an investment returns 5 percent each year and that the fund's operating expenses remain the same. Although actual costs may be higher or lower, based on these assumptions an investor's costs would be:

1 year	**$552**
3 years	**$771**
5 years	**$1,013**
10 years	**$1,730**

Management Fees—This is a fee charged by a fund's investment adviser for managing the fund's portfolio of securities and providing related services.

Distribution (12b-1) Fees—This fee, if charged, is deducted from fund assets to pay marketing and advertising expenses or, more commonly, to compensate sales professionals. By law, 12b-1 fees cannot exceed 1 percent of a fund's average net assets per year. The 12b-1 fee may include a service fee of up to 0.25 percent of average net assets per year to compensate sales professionals for providing services or maintaining shareholder accounts.

Other Expenses—These expenses include, for example, fees paid to a fund's transfer agent for providing fund shareholder services, such as toll-free phone communications, computerized account services, website services, recordkeeping, printing, and mailing.

Total Annual Fund Operating Expenses (Expense Ratio)—This represents the sum of all a fund's annual operating costs, expressed as a percentage of average net assets. Total annual fund operating expenses are also known as the fund's expense ratio.

Example of the effect of expenses on a $10,000 investment is a hypothetical illustration required by the SEC to be included in every fund's fee table. It is presented in a standardized format and based on specified assumptions (five percent annual return, expenses unchanged) in order to make it easier for investors to compare different funds' fees.

Recent Studies Find Mutual Fund Costs Dropping

The results of Investment Company Institute studies released in 1999 suggest that the average cost of investing in mutual funds has declined significantly, and that a substantial majority of equity fund shareholder accounts appear to have benefited from economies of scale.

Trends in the Costs of Fund Investing

Shareholders continue to benefit from intense competition in the mutual fund industry, according to the results of Institute research. "Mutual Fund Costs, 1980-1998" found across-the-board decreases in total shareholder costs incurred during the 1980s and 1990s. The research revealed several key findings:

1) The total cost of investing in all types of funds has declined over time. The average total cost of investing in equity funds decreased by approximately 40 percent between 1980 and 1998, to 1.35 percent of each dollar invested in 1998 from 2.26 percent in 1980. The average total cost of investing in bond funds decreased by about 30 percent for the same period, to 1.09 percent of each dollar invested from 1.54 percent. The average total cost of investing in money market funds decreased by 24 percent, to 0.42 percent from 0.55 percent.

2) The decline in the level of average cost of funds does not depend on a narrow range of low-cost funds. Even after excluding low-cost index and institutional funds, and the equity funds offered by the three largest mutual fund complexes, a downward trend in mutual fund costs holds true. Removing all of these groups of funds from the analysis still resulted in a 27 percent decrease in total shareholder cost between 1980 and 1998.

Economies of Scale in the Mutual Fund Industry

Institute research also examined whether equity fund operating expenses—on a fund-by-fund basis—reflect economies of scale. An Institute paper based on the research, "Operating Expense Ratios, Assets, and Economies of Scale in Equity Mutual Funds," yielded two key findings on economies of scale at the individual fund level:

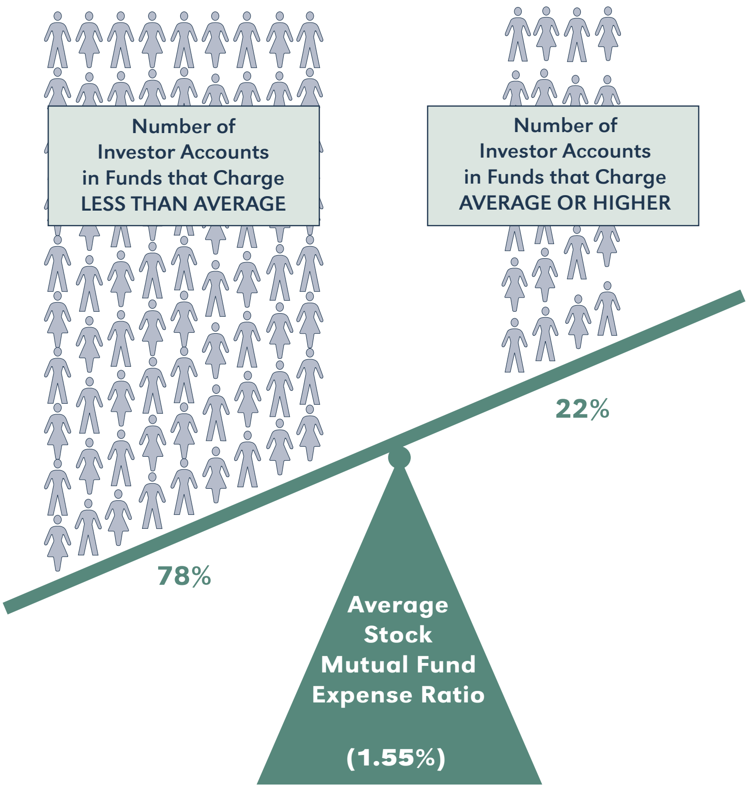
1) Large equity funds generally have lower operating expense ratios than small equity funds. Of the 2,643 equity funds examined for 1998, the average operating expense ratio of funds with assets of $5 billion or more was nearly 50 percent lower than the average for funds with assets of $250 million or less.

2) Operating expense ratios of individual equity funds have generally declined over time as their assets have grown. The study examined 497 equity funds with assets exceeding $500 million. These funds account for 74 percent of all equity fund shareholder accounts and 71 percent of equity fund assets. Of these 497 funds, 368, or 74 percent, had lower operating expense ratios in 1998 than they did in their first full year of operation when they were appreciably smaller in size.

See the Institute's website for our most recent study of trends in shareholder costs (www.ici.org/pdf/per05-04.pdf) and economies of scale in the mutual fund industry (www.ici.org/pdf/per05-05.pdf).

Most Investor Accounts Are in Lower-cost Equity Funds

An estimated 78 percent of equity fund shareholder accounts were invested in stock funds with annual expense ratios below the average for all stock funds, according to 1998 data.



Source: Morningstar Principia™ Software, 6/30/98; Investment Company Institute

CHAPTER 4

The Structure and Regulation of Mutual Funds

Mutual funds are highly regulated financial entities that must comply with 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. The 1940 Act also regulates the two other types of

The 60th Anniversary of the Investment Company Act of 1940

Since the passage of the Investment Company Act of 1940 on August 23, 1940, mutual funds have enjoyed steady growth, with assets increasing from $450 million to nearly $7 trillion by yearend 1999.

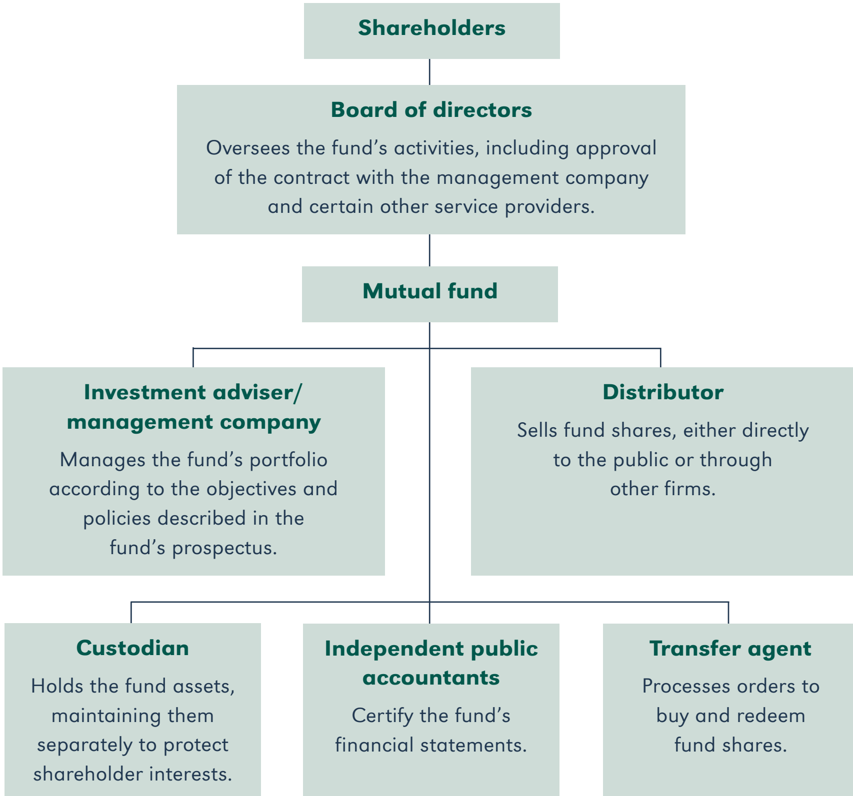
Many factors have contributed to the industry's success: a growing economy, strong securities markets, an expanding middle class, and government policies that promote retirement savings. But these factors affected all financial products, not just mutual funds. Something else accounts for the extraordinary public acceptance of mutual funds. The key to the fund industry's success lies in the comprehensive program of federal regulation under the Investment Company Act.

The 1940 Act was the culmination of a six-year study begun in 1935. Congress directed the Securities and Exchange Commission to undertake a major study of the investment company industry that year which led to a 5,100-page report with recommendations for stringent federal legislation.

Fund industry leaders supported the bill that Congress passed unanimously and signed into law as the 1940 Act. President Roosevelt, congressional leaders, and SEC officials noted the remarkable spirit of cooperation that resulted in the Investment Company Act. "This attitude on the part of the investment trust industry and investment advisers is most commendable," the President said during the signing ceremony.

Despite the vast changes that have taken place leading up to the 1940 Act's 60th anniversary on August 23, 2000, the mutual fund industry continues to follow those basic precepts enacted into law six decades ago to serve the best interests of fund shareholders.

The Structure of a Mutual Fund



investment companies—closed-end funds and unit investment trusts.

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 above depicts a typical mutual fund complex, including its principal service providers.

Shareholders

Like shareholders of other companies, mutual fund shareholders have specific voting rights. These include the right to elect directors at a meeting called for that purpose (subject to a limited exception for filling vacancies). 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.

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. Because mutual fund directors are, in essence, looking out for shareholders' money, the law holds directors to a very high standard. 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. Lawyers call this being a "fiduciary" or having a "fiduciary duty." This means a director is expected to obtain adequate information about items that come before the board and to exercise his or her "business judgment," a legal concept that involves a good-faith effort by the director.

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 the shareholders' interests and oversee a fund's investment adviser and others closely affiliated with the fund.

Investment Advisers

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

Advisory Group Recommends Best Practices for Fund Directors

In June 1999, a panel of mutual fund independent directors and industry leaders announced a series of recommendations designed to enhance the system of governance that protects the nation's 82.8 million mutual fund shareholders. The Advisory Group on Best Practices identified 15 practices to strengthen the role of independent investment company directors and to enhance the effectiveness of mutual fund boards in general.

The recommendations in the Advisory Group's report go beyond what is required by law and regulation. Among the 15 practices and policies cited in the report is a call for independent directors to represent a "super-majority" (or at least two-thirds on all fund boards), rather than the 40 percent generally required by law. The report also recommends that former officers or directors of a fund's investment adviser, principal underwriter, or certain affiliates may never serve as independent directors of the fund; that fund independent directors have access to separate counsel; and that a fund's independent directors meet separately from management.

The complete report, including the 15 recommendations, is on the Institute's website at www.ici.org/pdf/rpt_best_practices.pdf.

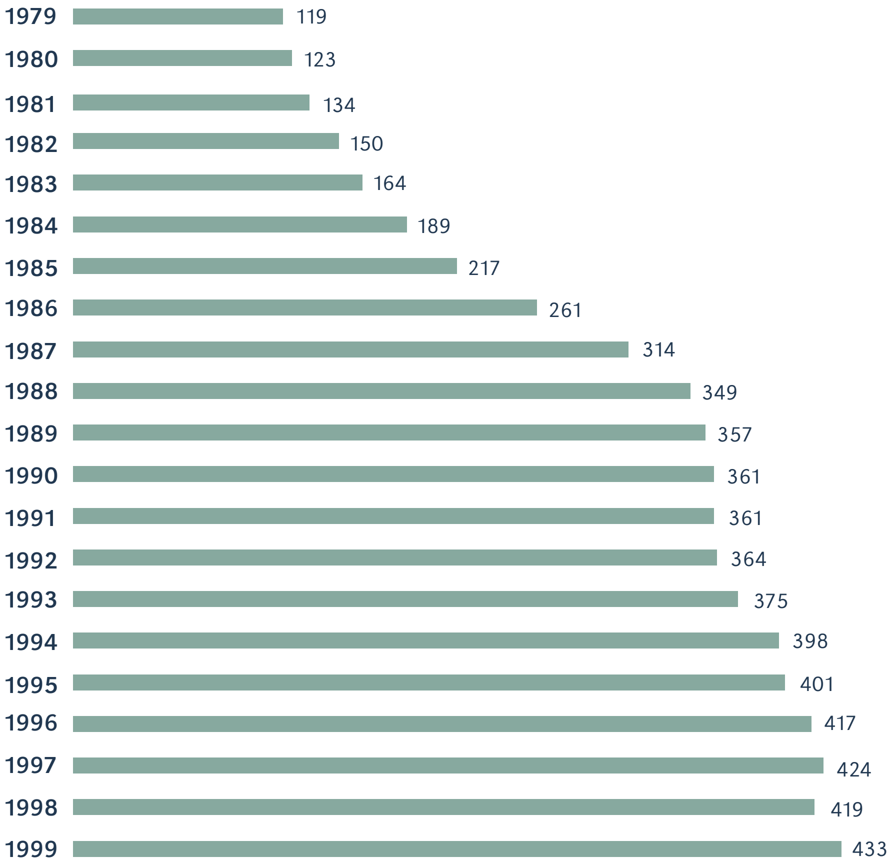
Fund Directors' Duties

Investment company directors perform many of the same duties as other directors of public companies, but they also have specific responsibilities, established by the SEC, that are not required of other directors.

Description of Duty	Corporate Director	Fund Director
Authorize issuance of securities	x	x
Declare dividends	x	x
Elect officers	x	x
Appoint committees	x	x
Serve on committees:		
Audit committee	x	x
Nominating committee	x	x
Call shareholder meetings	x	x
Adopt and amend bylaws, if necessary	x	x
Select independent public accountants	x	x
Approve mergers or other transactions	x	x
Review registration statement (including prospectus)	x	x
Review proxy statements	x	x
Review financial reports	x	x
Handle extraordinary situations:		
Takeovers	x	x
Regulatory problems	x	x
Approve investment advisory and subadvisory contract		x
Approve underwriting or distribution contract		x
Approve service contracts:		
Transfer agent		x
Custodian		x
Handle disputes or claims arising under the company's contracts with service providers		x
Approve foreign custodian arrangements		x

Description of Duty	Corporate Director	Fund Director
Approve securities depositories		x
Approve time for calculation of net asset value		x
Approve procedures for valuation of securities		x
Approve trading practices and procedures:		
Principal transactions with affiliates		x
Underwritings		x
Affiliated broker transactions		x
Repurchase agreements		x
Securities lending		x
Approve insurance arrangements:		
Fidelity bond		x
D&O/E&O		x
Approve investment objectives and policies		x
Approve code of ethics		x
Monitor investments in derivatives		x
Monitor liquidity of portfolio		x
Determine policies for voting of proxies in connection with portfolio securities		x
Oversee personal investing by fund managers		x
Approve 12b-1 plan		x
Approve multiple-class arrangements		x
Money market funds:		
Monitor portfolio credit quality and valuation in connection with the use of amortized cost		x
Closed-end funds:		
Approve borrowing		x
Approve repurchases of shares		x
Approve conversion to an open-end company, if appropriate		x
Authorize issuance of new shares		x

Number of Mutual Fund Complexes*



**Investment Company Institute member firms (accounting for 95% of mutual fund industry assets)*

Note: A fund complex is a group of funds under substantially common management (or distributorship), composed of one or more families of funds.

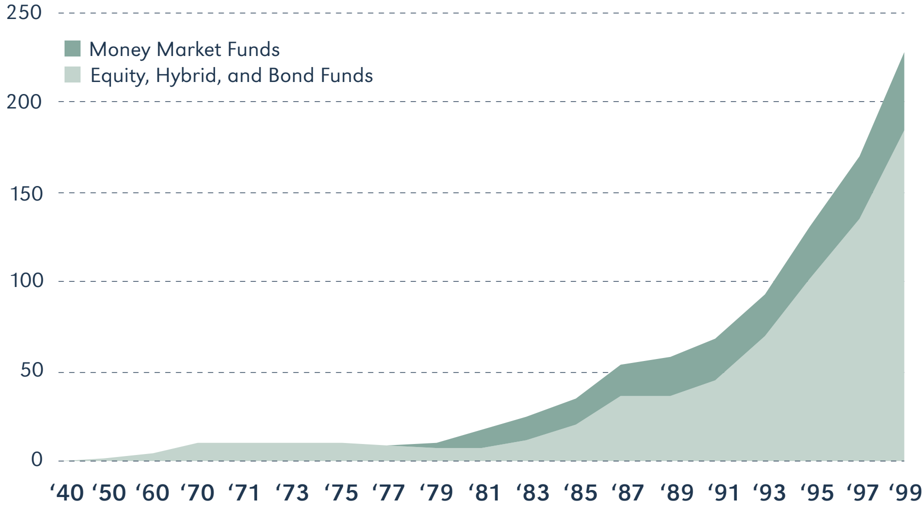
stated in the mutual fund's prospectus. The investment adviser places portfolio orders with broker-dealers and is responsible for obtaining the best overall execution of those orders.

A written contract between a mutual fund and its investment adviser specifies the services the adviser performs. Most advisory contracts provide that the adviser receive an annual fee based on a percentage of the fund's average net assets (see Chapter 3, *Mutual Fund Fees and Expenses,* on page 25).

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

Mutual Fund Shareholder Accounts

(millions)



Note: See page 108 for all data points on this chart. The data contain a series break beginning in 1996. Data for funds that invest in other mutual funds were excluded from the series. Data prior to 1996 have been restated to create a consistent series back to 1984.

Administrators

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 legal 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 Underwriters

Most mutual funds continuously offer new shares to the public at a price based on the current value of fund assets plus any sales charges. Mutual funds usually distribute their shares through 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.

Custodians

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 Agents

A transfer agent is employed by a mutual fund to conduct recordkeeping 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 Characteristics

An estimated 82.8 million individuals in 48.4 million U.S. households own the majority of the mutual fund industry's $6.8 trillion in assets. As of yearend 1999, they held $5.5 trillion, or 81 percent, of mutual fund assets, while fiduciaries—banks and individuals serving as trustees, guardians or administrators—and other institutional investors held the remaining $1.3 trillion, or 19 percent.

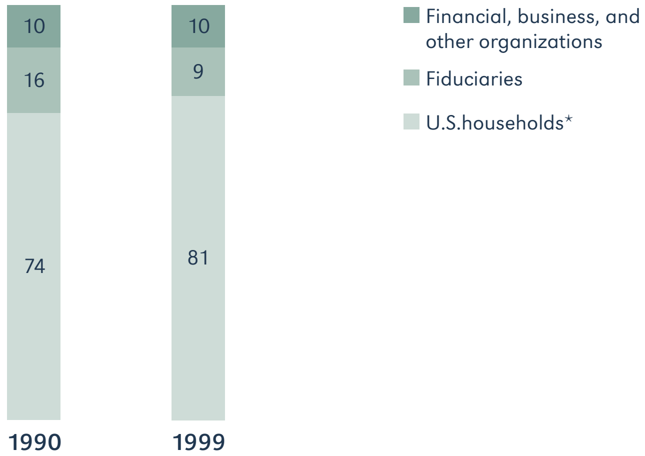
U.S. Household Financial Assets

U.S. households own many financial assets, including mutual funds, stocks, bonds, and bank deposits. In 1999, households made $505 billion net purchases of financial assets, up from $452 billion in 1998.

U.S. households invested $327 billion of their total net purchases

Composition of Mutual Fund Ownership*

(percent of total mutual fund assets)

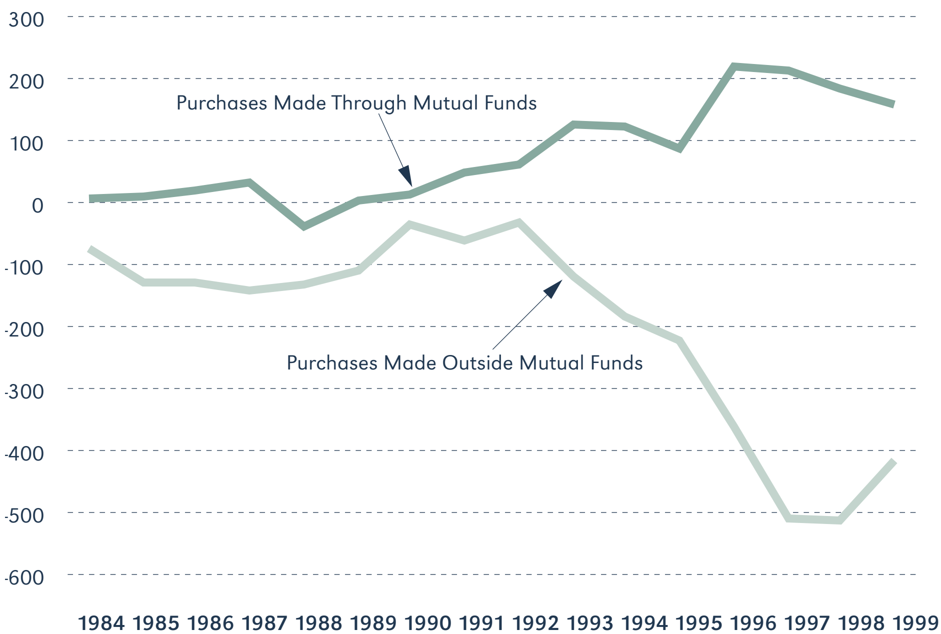


Note: Total assets of mutual funds were $1.067 trillion at yearend 1990 and $6.846 trillion at yearend 1999.

**Household holdings include mutual funds held in retail accounts as well as through employer-sponsored pension plans, individual retirement accounts, and variable annuities.*

Purchases of Equities by Households*

(billions of dollars)



**Equities held directly or through mutual funds, bank personal trusts and estates, closed-end funds, and defined-contribution plans.*

Note: See page 109 for data points for these charts.

Source: Federal Reserve Board and Investment Company Institute

of financial assets in mutual funds (including reinvested dividends) in 1999. Long-term mutual funds—equity, hybrid, and bond funds—accounted for $209 billion and money market funds attracted $118 billion.

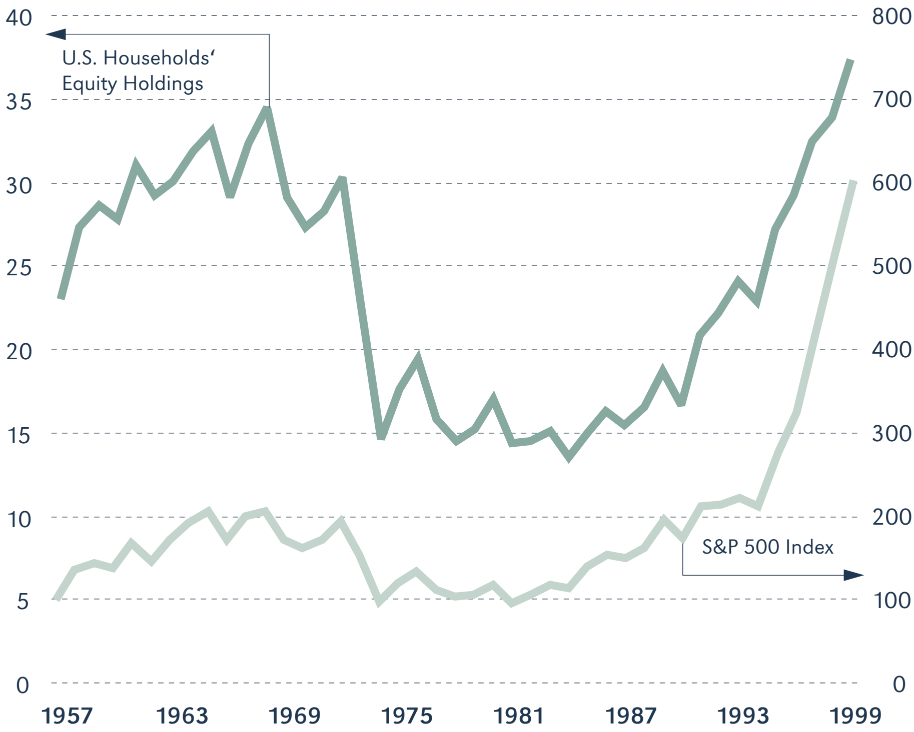
U.S. Households: Net Sellers in the Equity Market

Equity funds have experienced large inflows throughout the 1990s. At the same time, U.S. households have been net sellers of stock. This past decade U.S. households, on net, sold $2.452 trillion of equity holdings from sources other than mutual funds while purchasing $1.235 trillion through mutual funds. In 1990, net equity purchases through mutual funds were $14 billion; in 1999, that figure was $159 billion.

In 1999, households were net sellers of $416 billion in direct holdings of stocks; this marked the sixth straight year that households were net sellers of stock.

Total Holdings of Equities by Households*

(percent of total financial assets of households and the real value of the S&P 500 Index, deflated by the Consumer Price Index)



**Equities held directly or through mutual funds, bank personal trusts and estates, closed-end funds, and defined-contribution plans.*

Note: See page 110 for data points on this chart.

Source: Federal Reserve Board, Employee Benefit Research Institute, Investment Company Institute, and Standard & Poor's

Stock Market Performance Fuels Equity Asset Growth

Even though households have been net sellers of corporate stock this decade, the share of their household financial assets held in equities has risen. This occurred because of the appreciation in value of U.S. households' remaining stock holdings, including those held in mutual funds. At yearend 1999, household direct and indirect holdings of equities were $13.077 trillion and amounted to 37.4 percent of household financial assets. This amount is up from 33.9 percent at the end of 1998. The current share of household financial assets held in equities is at an all-time high.

U.S. Shareholder Characteristics

The 82.8 million individuals who own mutual funds are, in many respects, a reflection of the U.S. population itself. Investment Company Institute research finds that the typical mutual fund investor is middle-aged, married, and saving for retirement. More specifically, the typical fund investor is 44 years old, with financial assets of $80,000, and mutual fund assets of $25,000.

More than 80 percent of households with mutual fund holdings are headed by individuals in their primary income-earning years from age 25 to 64, with the heaviest concentration in the 35-to-44 age bracket. Only 17 percent of shareholders are retired.

Fund Shareholders Demonstrate a Long-term Perspective

Most shareholders invest in funds for retirement, are willing to take at least moderate risk for moderate gain, and are not focused on short-term market fluctuations.

More than three-quarters of all mutual fund-owning households participate in an employer-sponsored defined-contribution retirement plan. Sixty-two percent of fund-owning households own mutual funds in their defined-contribution plans, and half view the workplace as their primary purchase channel for mutual funds. Fifty-seven percent have Individual Retirement Accounts.

The typical shareholder has $25,000 invested in mutual funds, representing nearly a third of the shareholder's household assets. Seven out of eight households include equity funds among their holdings. Eighty-two percent of mutual fund shareholders are employed full- or part-time. In married households, the spouse also tends to work. Median household income is $55,000 and median household financial assets are $80,000. Half of all household owners made their first mutual fund

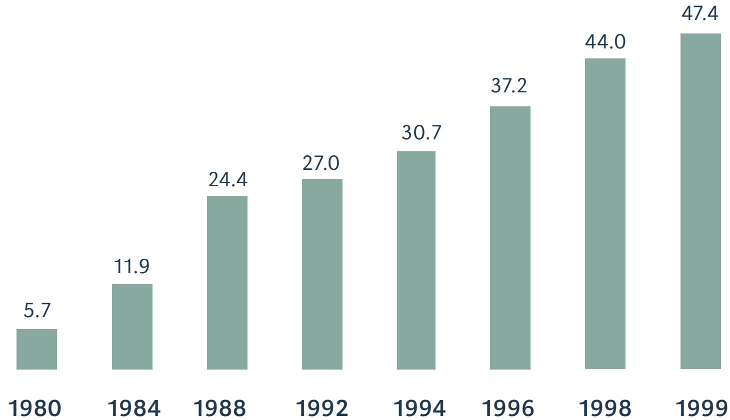
The Typical Mutual Fund Shareholder

Investment Company Institute research finds that the typical mutual fund shareholder:

- is middle-aged, married, and college educated;
- invests in mutual funds through employer-sponsored retirement plans;
- is of moderate financial means;
- has $25,000 invested in mutual funds;
- understands the key elements of investing in a mutual fund; and
- has long-term mutual fund goals.

Household Ownership of Mutual Funds*

(percent of U.S. households)



	1980	1984	1988	1992	1994	1996	1998	1999
Millions of Households	**4.6**	**10.2**	**22.2**	**25.8**	**30.2**	**36.8**	**44.4**	**48.4**

**Households owning mutual funds in 1980 and 1984 were estimated from data on the number of accounts held by individual shareholders and the number of funds owned by fund-owning households; data for 1980 through 1992 exclude households only owning mutual funds through employer-sponsored retirement plans; data for 1994 through 1999 include households owning mutual funds only through employer-sponsored retirement plans. Data for 1998 and 1999 include fund ownership through variable annuities. An estimated 1.9 million households owned mutual funds solely through variable annuities in 1999.*

purchase before 1990 and more than one-third did so between 1990 and 1995.

Investment decisionmaking is shared in 54 percent of fund-owning households. Males make the investment decisions in 24 percent of fund-owning households, females in 22 percent. Members of the Baby Boom Generation (individuals born between 1946 and 1964) make up the greatest percentage of mutual fund shareholders at 51 percent. Twenty-seven percent of fund shareholders are members of the so-called Silent Generation (born before 1946), and 22 percent are members of Generation X (born in 1965 or later). Thirty-one percent of mutual fund shareholders reside in the Midwest; 30 percent in the South; 21 percent in the West; and 18 percent in the Northeast.

U.S. Mutual Fund Shareholder Characteristics, 1998[1]

Median	
Age	44 years
Household income	$55,000
Household financial assets[2]	$80,000
Average	
Age	45 years
Household income	$69,000
Household financial assets[2]	$199,000
Percent	
Household investment decisionmaker:	
Male is sole decisionmaker	24
Female is sole decisionmaker	22
Co-decisionmakers	54
Married	68
Living with a partner	6
Widowed	5
Four-year college degree or more	50
Completed graduate school	18
Employed	82
Spouse or partner employed[3]	75
Retired from life-time occupation	17
Own individual stocks, bonds, or annuities[4]	73
Own an IRA[4]	57
Household has defined-contribution plan(s) (total)[5]	77
401(k) plan	60
403(b) plan	12
State, local, or federal government plan	24

[1]Refers to the household's responding financial decisionmaker for mutual fund investments.

[2]Excludes primary residence but includes assets in employer-sponsored retirement plans.

[3]Percent of shareholders married or living with a partner.

[4]Unpublished data from an ICI survey conducted in May 1998.

[5]Multiple responses included.

Note: Number of respondents varies. Data includes households owning mutual funds inside and outside employer-sponsored retirement plans.

Ownership Characteristics of U.S. Mutual Fund Shareholders, 1998

Median	
Total mutual fund assets	$25,000
Number of mutual funds owned	4
Number of fund companies in which fund assets are invested	2
Year of first fund purchase	1990
Average Per Household	
Total mutual fund assets	$74,400
Number of mutual funds owned	5
Number of fund companies in which fund assets are invested	3
Year of first fund purchase	1987
Percent of Households	
Own:[1]	
Equity funds	88
Bond funds	42
Hybrid funds	35
Money market funds	48
Have variable annuity invested in mutual funds	23
Own mutual funds bought:[1]	
Outside employer-sponsored retirement plan(s) (total)	54
Sales force[2]	39
Direct market[3]	25
Inside employer-sponsored retirement plan(s) (total)	62
401(k) plan	51
403(b) plan	9
State, local, or federal government plan	12
Primary mutual fund purchase channel:	
Outside employer-sponsored retirement plan(s) (total)	50
Sales force[2]	34
Direct market[3]	16
Inside employer-sponsored retirement plan(s)	50
Bought first mutual fund:	
Before 1990	50
Between 1990 and 1995	36
1996 or later	14
Source of first mutual fund:	
Outside employer-sponsored retirement plan(s) (total)	53
Sales force[2]	36
Direct market[3]	17
Inside employer-sponsored retirement plan(s)	47

[1]Multiple responses included.

[2]Includes funds purchased from full-service brokers, insurance agents, financial planners, and bank representatives.

[3]Includes funds purchased directly from fund companies and through discount brokers.

Note: Number of respondents varies. Data includes households owning mutual funds inside and outside employer-sponsored retirement plans.

Recent Institute Research on Shareholder Demographics

For more complete demographic information on mutual fund shareholders, see *1998 Profile of Mutual Fund Shareholders* on the Institute's website at www.ici.org/pdf/rpt_profile99.pdf. The report examines demographics for shareholders nationwide, as well as those for several subclassifications of shareholders, such as gender, age, geographic region, and prevalence of retirement plan participation.

Another demographic study conducted by the Securities Industry Association (SIA) and the Investment Company Institute (ICI)—*Equity Ownership in America*—provides detailed demographic information on U.S. equity owners—those who buy stocks either directly or through mutual funds.

The report indicates that U.S. equity owners are seasoned investors with long-term investment goals. The report finds that nearly one in two U.S. households owns equities, and the vast majority of these U.S. equity investors employ a "buy-and-hold" investment strategy. Most are seasoned investors, with 54 percent having purchased their first equity before 1990 and 28 percent making their first purchase between 1990 and 1995. Nearly 60 percent invested in stock mutual funds as their first equity purchase. The complete report is on the Institute's website at www.ici.org/pdf/rpt_equity_owners.pdf.

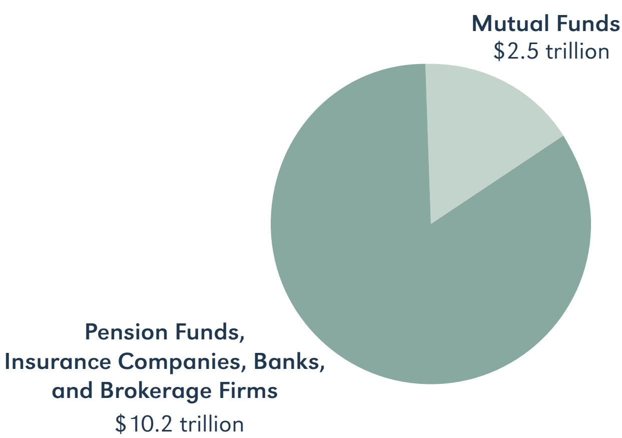
Mutual Funds and the Retirement Market

Mutual funds accounted for $2.5 trillion, or 20 percent, of the $12.7 trillion U.S. retirement market at yearend 1999. The remaining $10.2 trillion, or 80 percent, of assets in the retirement market is managed by pension funds, insurance companies, banks, and brokerage firms.

Retirement Accounts Hold One-third of Fund Industry Assets

The $2.5 trillion in mutual fund retirement plan assets represented 36 percent of all mutual fund assets at yearend 1999. Consistent with overall asset growth in the mutual fund industry, mutual fund

U.S. Retirement Market Assets, 1999



Source: Investment Company Institute and Federal Reserve Board

Mutual Fund Retirement Assets

(billions of dollars)

	Total Retirement	Employer-sponsored Accounts*	IRAs
1991	350	161	189
1992	442	203	239
1993	601	277	324
1994	681	329	352
1995	934	455	479
1996	1,199	597	602
1997	1,542	778	764
1998	1,920	975	944
1999	2,472	1,250	1,222

**Includes private defined-contribution plans (401(k), 403(b), and others), state and local government employee retirement funds (and 457 plans), and private defined-benefit plans.*

Source: Investment Company Institute, Federal Reserve Board, Internal Revenue Service, and Department of Labor

retirement account assets grew by $553 billion, or 29 percent, during the year.

Mutual fund retirement assets primarily come from two sources: employer-sponsored defined-contribution plans and Individual Retirement Accounts (IRAs). Funds hold roughly the same amount of assets from each source.

Mutual Funds and the Employer-sponsored Pension Market

Mutual fund assets held in employer-sponsored retirement accounts totaled $1,250 billion in 1999, an increase of $275 billion, or 28 percent, from 1998. Mutual funds accounted for approximately 12 percent of the overall employer-sponsored market at yearend 1999. The employer-sponsored pension market is comprised of $2.5 trillion in assets in private defined-benefit pension funds, $2.5 trillion in private defined-contribution pension funds, $3.2 trillion in state and local government employee retirement funds (and 457 plans), $1.3 trillion in annuity reserves, and $0.7 trillion in federal government defined-benefit plans.

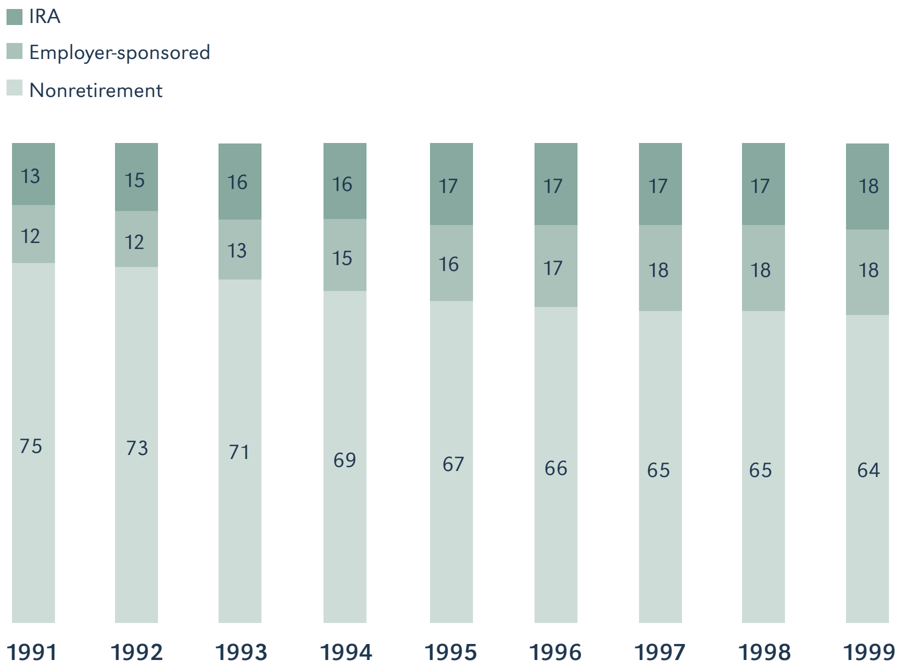
Mutual Funds and the Defined-contribution Market

The most important source of fund assets in the employer-sponsored plan market is defined-contribution plans, especially 401(k) plans.

At yearend 1999, 65 percent of mutual fund defined-contribution plan assets were held in 401(k) plans. For the year, mutual fund assets in 401(k) plans rose 30 percent, or $179 billion, to $777 billion. Mutual funds' share of the

Share of Mutual Fund Assets in Retirement Plans

(percent of total mutual fund assets)



401(k) market has increased during the 1990s from 9 percent in 1990 to an estimated 45 percent at yearend 1999. Mutual fund assets in 403(b) plans—another type of defined-contribution plan—rose 24 percent, to $281 billion from $227 billion.

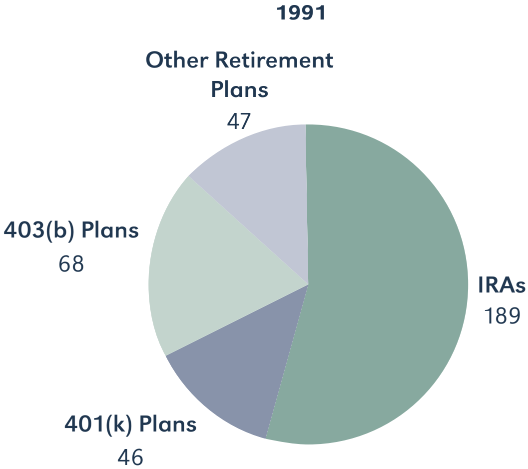
Mutual Funds and the IRA Market

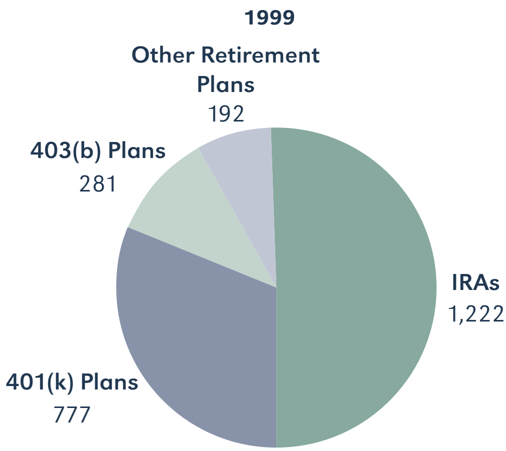
Although the Tax Reform Act of 1986 significantly reduced contributions to IRAs, assets in IRAs have continued to grow during the 1980s and 1990s due to investment performance and rollovers from employer-sponsored plans. In addition, legislative changes in the late 1990s introduced new types of IRAs (SIMPLE, Roth, and Education).

Since the mid-1980s, the mutual fund industry's share of the IRA market has increased from 14 percent to 49 percent at yearend 1999. At the end of 1999, mutual funds accounted for $1,222 billion of the estimated $2.5 trillion IRA market, an increase of $278 billion, or 29 percent, from 1998.

Mutual Fund Assets by Type of Retirement Plan

(billions of dollars)

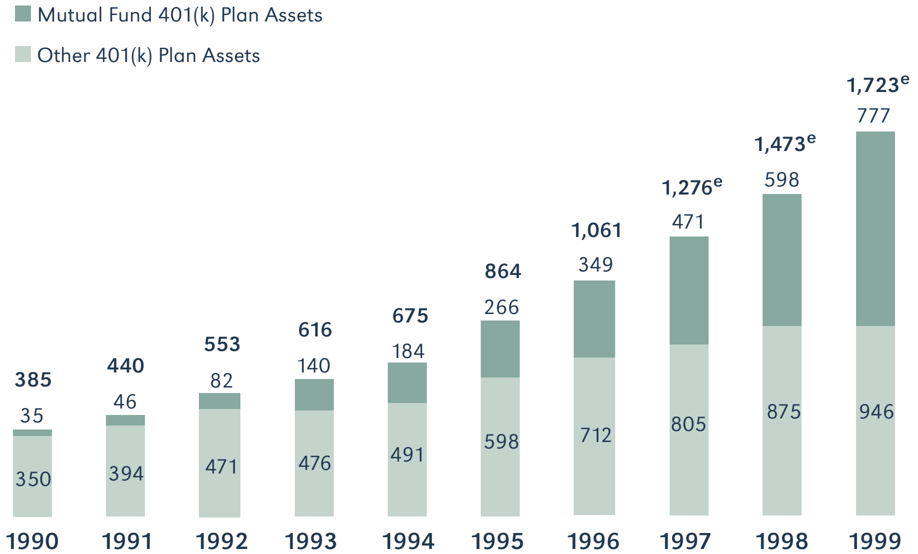




Source: Investment Company Institute, Federal Reserve Board, Internal Revenue Service, and Department of Labor

Assets in 401(k) Plans

(billions of dollars)



e=Estimated

Source: Investment Company Institute, Federal Reserve Board, and Department of Labor

Types of Funds Used by Retirement Plan Investors

Of the $2.5 trillion in mutual fund retirement assets at yearend 1999, $1.9 trillion, or 76 percent, were invested in U.S. domestic or foreign equity funds. U.S. domestic equity funds alone comprise $1.7 trillion, or 67 percent, of mutual fund retirement assets. By comparison, about 59 percent of overall fund industry assets—including retirement and nonretirement accounts—are invested in equity funds.

Approximately $396 billion, or 16 percent, of mutual fund retirement assets are invested in fixed-income funds: bond or money market funds. Bond funds hold $177 billion, or 7 percent, of mutual fund retirement assets, and money market funds account for $219 billion, or 9 percent.

The remaining $194 billion, or approximately 8 percent, of mutual fund retirement assets are held in hybrid funds, which invest in a mix of equity and fixed-income securities and derivative instruments.

Assets in the IRA Market

(billions of dollars)

	1991	1992	1993	1994	1995	1996	1997	1998	1999
Bank and Thrift Deposits*	$282	$275	$263	$255	$261	$258	$254	$249	$244
Life Insurance Companies	50	56	70	79	94	110	160	190	220
Mutual Funds	189	239	324	352	479	602	764	944	1,222
Securities Held Directly Through Brokerage Accounts	255	297	336	370	454	496	550	646	787
Total IRA Assets	**$776**	**$866**	**$993**	**$1,056**	**$1,288**	**$1,467**	**$1,728**	**$2,029**	**$2,473**

**Bank and thrift deposits include Keogh deposits.*

Note: Components may not add to totals due to rounding.

Source: Investment Company Institute, Federal Reserve Board, American Council of Life Insurance, and Internal Revenue Service

Mutual Fund Retirement Assets by Type of Fund, 1999

(billions of dollars)

	Equity		Bond	Hybrid	Money Market	Total
	Domestic	Foreign				
IRAs	$762	$125	$100	$97	$140	$1,222
401(k) Plans	553	64	38	73	49	777
403(b) Plans	230	18	8	12	13	281
Other Employer-sponsored Plans	113	18	32	12	18	192
Total	**$1,658**	**$224**	**$177**	**$194**	**$219**	**$2,472**

Note: Components may not add to totals due to rounding.

Institute/EBRI Study Indicates 401(k) Plan Participants Diversify Their Investments

A study released in January 2000 by the Institute and the Employee Benefit Research Institute (EBRI) indicates that 401(k) plan participants diversify their retirement portfolios, and many are accumulating substantial account balances as they approach retirement age.

The study reports updated results from the ongoing "EBRI/ICI Participant-Directed Retirement Plan Data Collection Project," the most comprehensive database on participants in 401(k) retirement plans. The updated database includes information on 7.9 million active 401(k) plan participants in 30,102 plans holding $372 billion in assets at the end of 1998. The database accounts for about 27 percent of all 401(k) plan assets, 22 percent of all 401(k) participants, and 11 percent of all 401(k) plans as of 1998.

The research finds that, on average, 49.8 percent of total plan balances are invested in equity funds, 17.7 percent in company stock, 11.4 percent in guaranteed investment contracts (GICs), 8.4 percent in balanced funds, 6.1 percent in bond funds, 4.7 percent in money funds, and 0.3 percent in other stable value funds.

The updated EBRI/ICI database shows that average 401(k) account asset allocations vary with the participant's age—younger participants tend to favor equity funds while older participants are more likely to invest in GICs and bond funds. On average, individuals in their twenties, for example, invest 62.1 percent of their assets in equity funds, 4.7 percent in GICs, and 4.7 percent in bond funds. Individuals in their sixties invest 39.8 percent of their assets in equity funds, 20.6 percent in GICs, and 9.0 percent in bond funds.

The research finds that asset allocation also varies with participant salary. For example, the percentage of account balances invested in equity funds rises from 49.8 percent for participants earning between $20,000 and $40,000 per year to 59.6 percent for those earning more than $100,000 per year. In contrast, the percentage of account balances allocated to GICs declines as salary increases.

The investment options offered by 401(k) plan sponsors appear to influence asset allocation as well. Participants in plans offering company stock, for example, tend to reduce their allocations to balanced and equity funds; participants in plans with GICs allocate less to bond and money funds.

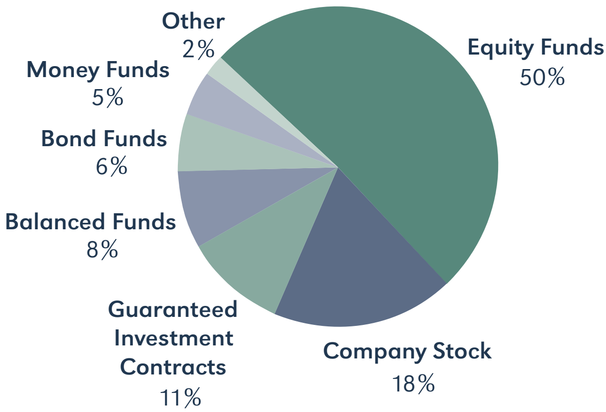
The EBRI/ICI database illustrates that 401(k) plans can provide substantial retirement income for workers with long tenure at their current employer. Workers in their sixties with at least 30 years of job tenure at their current employer, for example, have 401(k) account balances of $185,474, on average. Workers in their fifties with 20 to 30 years of tenure at their current employer have average 401(k) account balances of about $135,000.

The average account balance, minus plan loans, for all participants was $47,004 at yearend 1998, or 26 percent higher than the average account balance at yearend 1996. The median account balance was $13,038 in 1998.

The complete 401(k) report is on the Institute website at www.ici.org/economy/perspective.html.

Average Asset Allocation for All 401(k) Plan Balances, 1998

(percent)



Source: EBRI/ICI Participant-Directed Retirement Plan Data Collection Project

CHAPTER 7

Mutual Funds and Taxes

Mutual funds make two types of taxable distributions to shareholders every year: ordinary dividends and capital gains.

Dividend distributions come primarily from the interest and dividends earned by the securities in a fund's portfolio, after expenses are paid by the fund. These distributions must be reported as dividends on an investor's tax return.

Capital gain distributions represent a fund's net gains, if any, from the sale of securities held in its portfolio for more than one year. When gains from these sales exceed losses, they are distributed to shareholders.

At tax time, mutual funds send investors Form 1099-DIV (see page 59), which tells them what earnings, if any, to report on their income tax return. Ordinary dividends are reported as dividend income; capital gain distributions are reported as long-term capital gains—regardless of how long the taxpayer has owned the fund shares.

How Dividend and Capital Gain Distributions Affect a Fund's Share Price

Whenever funds distribute dividends and capital gains to shareholders, the share price or net asset

The Principal Federal Statute Governing Mutual Fund Taxation

Unlike most corporations, a mutual fund generally distributes all of its earnings each year and is taxed only on amounts it retains. Thus, the fund's earnings typically are taxed only once—when received by the fund's shareholders.

This specialized "pass-though" tax treatment of mutual fund income and capital gains was established under the Revenue Act of 1936, and endures today under Subchapter M of the Internal Revenue Code of 1986. To qualify for this favorable tax treatment under the Code, mutual funds must meet, among other conditions, various investment diversification standards and pass a test regarding the source of their income.

Capital Gain and Dividend Distributions to Shareholders
All Types of Mutual Funds

(billions of dollars)

	Capital Gain Distributions	Dividend Distributions		
	Equity, Hybrid, and Bond Funds	Equity, Hybrid, and Bond Funds	Taxable Money Market Funds	Tax-exempt Money Market Funds
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	12.7	14.1	1.5
1986	17.7	22.7	12.4	2.5
1987	22.9	31.8	12.8	2.8
1988	6.3	31.9	18.0	3.6
1989	14.8	34.1	24.7	3.9
1990	8.0	33.2	26.4	3.8
1991	13.9	35.1	25.2	3.5
1992	22.1	58.6	17.2	3.1
1993	35.9	73.2	15.7	3.3
1994	29.8	61.3	20.5	3.2
1995	54.3	67.2	32.8	4.2
1996	100.5	73.3	38.4	4.2
1997	183.4	79.9	44.1	4.7
1998	165.0	81.0	52.1	5.3
1999	237.5	95.6	63.1	5.9

Note: The data contain a series break beginning in 1990. Data for funds that invest in other mutual funds were excluded from the series. Data prior to 1990 have been restated to create a consistent series back to 1984.

value (NAV) drops by the amount distributed. For example, an investor buys 10 shares of a fund for $100 at an NAV of $10. Later, the fund distributes a capital gain of 50 cents per share and ordinary income of 50 cents per share ($1 per share).

At that point, the shareholder receives a $10 dividend, the NAV drops to $9 a share, and the total value of the shareholder's 10 shares declines to $90.

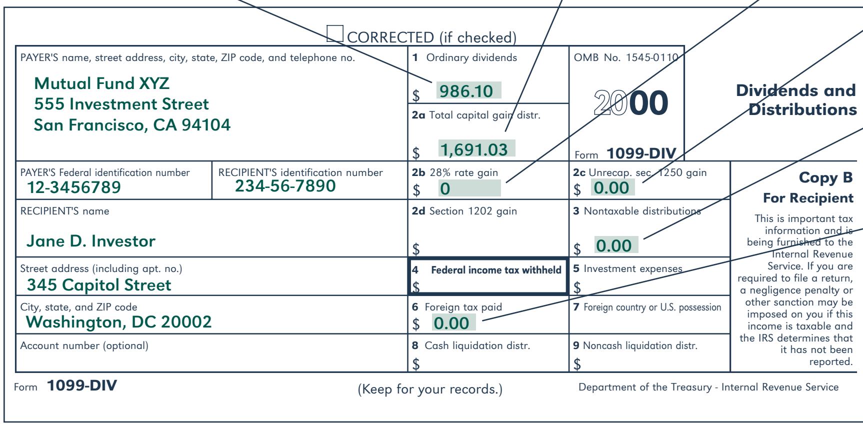
Despite the lower post-distribution price, the total value of the shareholder's investment remains unchanged. If the shareholder reinvested the dividend, 1.1 additional shares (with an NAV of $9) are purchased for $10 and the total value of the 11.1 shares returns to $100.

How to Read Form 1099-DIV

Once a year a fund sends a Form 1099-DIV to any shareholder receiving $10 or more taxable income. This form contains much of the tax reporting information a shareholder needs. Any taxpayer who receives a capital gain distribution from a mutual fund and has no other capital gains is generally not required to complete Schedule D (for capital gains and losses) as part of yearend tax filing.

Ordinary dividends—the amount to report on Form 1040 as dividend income. These include any short-term capital gain distributions (assets held less than 12 months).

Total capital gain distributions—the amount to report as capital gain distributions. Amounts reported in box 2a include amounts reported in boxes 2b, 2c, and 2d.



☐ CORRECTED (if checked)

PAYER'S name, street address, city, state, ZIP code, and telephone no.
Mutual Fund XYZ
555 Investment Street
San Francisco, CA 94104

1 Ordinary dividends $ 986.10

2a Total capital gain distr. $ 1,691.03

OMB No. 1545-0110

2000

Form 1099-DIV

Dividends and Distributions

PAYER'S Federal identification number 12-3456789

RECIPIENT'S identification number 234-56-7890

2b 28% rate gain $ 0

2c Unrecap. sec. 1250 gain $ 0.00

Copy B
For Recipient

This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.

RECIPIENT'S name
Jane D. Investor

2d Section 1202 gain $

3 Nontaxable distributions $ 0.00

Street address (including apt. no.)
345 Capitol Street

4 Federal income tax withheld $

5 Investment expenses $

City, state, and ZIP code
Washington, DC 20002

6 Foreign tax paid $ 0.00

7 Foreign country or U.S. possession

Account number (optional)

8 Cash liquidation distr. $

9 Noncash liquidation distr. $

Form 1099-DIV (Keep for your records.) Department of the Treasury - Internal Revenue Service

28% rate gain—capital gain distributions subject to the 28 percent maximum tax rate. These include gain on certain "collectibles," such as gold bullion.

Unrecaptured sec. 1250 gain—the portion, if any, of capital gain distributions attributable to certain real estate investments.

Nontaxable distributions—distributions that represent a return of capital; these are not taxable, but do reduce the basis of fund shares.

Foreign tax paid and foreign country or U.S. possession—an amount entered here represents a shareholder's proportionate share of foreign income tax paid by the fund. An investor may be able to take a deduction or credit for this amount. An investor taking a foreign tax credit may be required to attach Form 1116 to Form 1040.

Note: Funds often send "substitute" forms that contain the required information shown above, but in a different layout.

How to Read Form 1099-B

A mutual fund sends Form 1099-B, typically after yearend, to each shareholder who sells fund shares during the year. Any taxpayer who sells or exchanges during the year must complete Schedule D (for capital gains and losses) as part of their yearend tax filing, based on information found on Form 1099-B and fund account statements.

Date of sale—the date on which the fund transaction occurred.

CUSIP no.—the fund's identification number.

Stocks, bonds, etc.—the proceeds in dollars delivered to the shareholder.

Federal income tax withheld—shareholders not furnishing a taxpayer identification number are subject to backup withholding at a 31 percent rate on certain payments.

Description—a brief description of the transaction or fund.

☐ CORRECTED (if checked)

PAYER'S name, street address, city, state, ZIP code, and telephone no.
Mutual Fund XYZ
555 Investment Street
San Francisco, CA 94104

1a Date of sale: 4/29/00
1b CUSIP No.: 74148110
2 Stocks, bonds, etc.: $ 2,765.94

OMB No. 1545-0715
2000
Form 1099-B

Proceeds From Broker and Barter Exchange Transactions

Reported to IRS } ☐ Gross proceeds ☐ Gross proceeds less commissions and option premiums

PAYER'S Federal identification number: 12-3456789
RECIPIENT'S identification number: 234-56-7890

3 Bartering: $
4 Federal income tax withheld: $ 0.00

Copy B
For Recipient
This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.

RECIPIENT'S name: Jane D. Investor
Street address (including apt. no.): 345 Capitol Street
City, state, and ZIP code: Washington, DC 20002
Account number (optional)

5 Description: Exchange to International Fund

Regulated Futures Contracts

6 Profit or (loss) realized in 1999: $
7 Unrealized profit or (loss) on open contractsÐ12/31/98: $
8 Unrealized profit or (loss) on open contractsÐ12/31/99: $
9 Aggregate profit or (loss): $

Form 1099-B (Keep for your records.) Department of the Treasury - Internal Revenue Service

Note: Funds often send "substitute" forms that contain the required information shown above, but in a different layout.

Yearend Distributions from Mutual Funds

Investors often hear suggestions, around November and December, to postpone large, lump-sum mutual fund share purchases until January. Mutual funds sometimes make large taxable distributions around this time, the argument goes, and an investor can avoid taxes by waiting the few weeks until the new tax year begins on January 1.

A "timing" strategy can ignore other important considerations. Before employing a timing strategy, investors should consider the type of fund and the amount of any expected distribution. The timing of investments in money market funds, for example, is irrelevant. These funds declare dividends daily, seek to maintain a $1 share price, and investors incur a tax liability on the dividends declared each day. Even with long-term funds—stock, bond, and hybrid (which invest in both stocks and bonds)—the value of a timing strategy may prove less than clear-cut. For example, bond funds usually offer periodic (e.g., monthly) distributions, making yearend payouts typically small.

Generally, for investors considering funds that make relatively small dividend and capital gain distributions, the benefits of timed transactions may be outweighed by the market risks they entail. An increase in a share price while waiting to buy, for example, could cost more than the tax an investor is trying to avoid.

If the $10 is retained, the investor has 10 shares worth $90 and $10 in cash.

Share Sales and Exchanges

An investor who sells mutual fund shares usually incurs a capital gain or loss in the year the shares are sold; an exchange of shares between funds in the same fund family also results in either a capital gain or loss (see page 63, *Tax-deferred Retirement Accounts,* for exceptions to these rules).

Investors are liable for tax on any capital gain arising from the sale of fund shares, just as they would be if they sold any other security such as a stock or bond. Capital losses from mutual fund share sales and exchanges, like capital losses from other investments, may be used to offset other gains in the current year and thereafter.

The amount of a shareholder's gain or loss on fund shares is determined by the difference between the "cost basis" of the shares (generally, the purchase price for shares, including those acquired with reinvested dividends) and the sale price. To figure the gain or loss on a sale of shares, it is essential to know the cost basis. Many funds provide cost basis information to shareholders or compute gains and losses for shares sold.

Gains and losses on the sale or exchange of fund shares are reported on Part I of Schedule D (*Short-term Capital Gains and Losses*) if the shares were held for one year or less; and on Part II

(*Long-term Capital Gains and Losses*) if held for more than one year.

Tax-exempt Funds

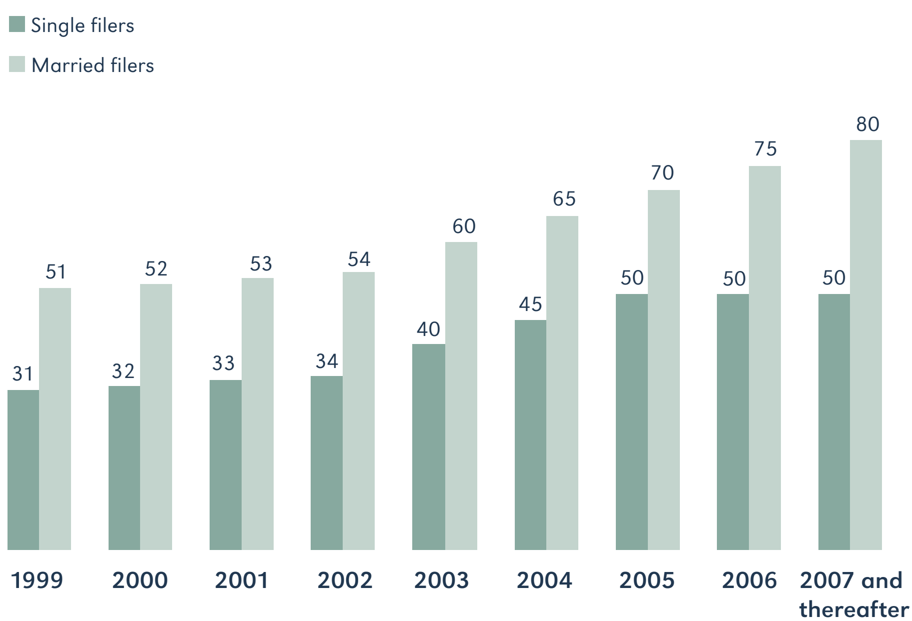
Tax-exempt bond funds pay dividends earned from municipal bond interest. This income is exempt from federal income tax and, in some cases, state and local taxes as well. Tax-exempt money market funds invest in short-term municipal securities, and also pay exempt-interest dividends.

Even though income from these two types of funds is generally tax-exempt, investors must still report it on their income tax returns. Tax-exempt mutual funds provide investors with this information in a yearend statement, and typically explain how to handle tax-exempt dividends on a state-by-state basis. For some taxpayers, portions of income earned by tax-exempt funds may also be subject to the federal alternative minimum tax, which can raise the need for an investor to consult a tax adviser.

Even though municipal bond dividends and interest may be tax-free, an investor who redeems tax-exempt fund shares may realize a taxable capital gain. An investor may also realize a taxable gain from a tax-exempt fund if the fund manager sells securities during the year for a net gain.

Eligibility for Deductible IRAs

(household income in thousands of dollars)



Tax-deferred Retirement Accounts

Mutual fund investments in certain retirement accounts are tax-deductible and, generally, dividend and capital gain distributions remaining in the accounts accrue tax-deferred until distributed from the account.

In employer-sponsored 401(k) plans, for example, individuals typically contribute pre-tax dollars from their salary to an account in the plan. Similarly, IRA contributions may be tax-deductible depending upon a person's eligibility to participate in an employer-sponsored retirement plan and their adjusted gross income.

Taxes on mutual fund earnings are deferred when they remain in 401(k) plans, IRAs, and other similar tax-deferred accounts, such as 403(b) accounts. Thus, no tax is incurred as a result of dividend and capital gain distributions, or from the sale of fund shares, until the investor takes distributions from the tax-deferred account. Distributions are treated as income, which is subject to the investor's federal income tax rate at the time of distribution. (Nondeductible or after-tax contributions to these retirement accounts are not subject to taxation at distribution, and distributions from Roth IRAs also may not be subject to taxation at distribution.)

For most investors, distributions from tax-deferred accounts typically begin at or near retirement age, at which time the individual may be in a lower income tax bracket. Investors who receive proceeds from tax-deferred accounts prior to age 59½ may incur a tax penalty in addition to federal, state, and local income taxes.

About This Data Section

The data in the first five sections of this Data Section represent aggregate statistics reported to the Institute from individual mutual funds representing 95 percent of the U.S. industry's assets. Section Six provides data on open-end investment companies from around the world.

The U.S. fund data are broadly classified according to two broad categories: long-term funds and short-term (or money market) funds. Long-term fund data are classified according to three broad fund categories—equity, bond, and hybrid—and further categorized into 29 more specific investment objective groupings. Short-term (or money market) funds are categorized into four taxable and tax-exempt investment objective groupings.

This Data Section begins with a breakdown of U.S. industry totals (pages 69 to 71), including information on fund assets, accounts, and the number to funds. U.S. industry totals are broken down from the short- and long-term categories into five separate ones: equity funds, hybrid funds, bond funds, taxable money market funds, and tax-exempt money market funds. The U.S. 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.

Subsequent data sections on U.S. funds concentrate on:

- long-term fund statistics (pages 72 to 92),
- short-term fund statistics (pages 93 to 98),
- exchanges to and from all types of U.S. funds (pages 99 to 101), and
- institutional funds in the U.S. (pages 102 to 104).

Table of Contents

SECTION ONE: U.S. Industry Totals

SECTION TWO: U.S. Industry Long-term Funds

SECTION THREE: U.S. Industry Short-term Funds

SECTION FOUR: Exchanges for All Funds in the U.S. Industry

SECTION FIVE: Institutional Investors in the U.S. Industry

SECTION SIX: Worldwide Totals

Total Industry Net Assets

(billions of dollars)

Year	Equity Funds	Bond & Income Funds	Taxable Money Market Funds	Tax-exempt Money Market Funds	Total
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

	Equity Funds	Hybrid Funds	Bond Funds	Taxable Money Market Funds	Tax-exempt Money Market Funds	Total
1984	83.1	7.8	46.2	209.7	23.8	370.7
1985	116.9	12.0	122.6	207.5	36.3	495.4
1986	161.4	18.8	243.3	228.3	63.8	715.7
1987	180.5	24.2	248.4	254.7	61.4	769.2
1988	194.7	21.1	255.7	272.3	65.7	809.4
1989	248.8	31.8	271.9	358.7	69.4	980.7
1990	239.5	36.1	291.3	414.7	83.6	1,065.2
1991	404.7	52.2	393.8	452.6	89.9	1,393.2
1992	514.1	78.0	504.2	451.4	94.8	1,642.5
1993	740.7	144.5	619.5	461.9	103.4	2,070.0
1994	852.8	164.5	527.1	500.6	110.4	2,155.4
1995	1,249.1	210.5	598.9	630.0	123.0	2,811.5
1996	1,726.1	252.9	645.4	762.0	139.8	3,526.3
1997	2,368.0	317.1	724.2	898.1	160.8	4,468.2
1998	2,978.2	364.7	830.6	1,163.2	188.5	5,525.2
1999	4,041.9	383.2	808.1	1,408.7	204.4	6,846.3

Note: The data contain a series break beginning in 1990. All funds were reclassified in 1990 and a separate category was created for hybrid funds. At the same time, data for funds that invest in other mutual funds were excluded from the series. Data prior to 1990 have been restated to create a consistent series back to 1984.

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

	Equity Funds	Hybrid Funds	Bond Funds	Taxable Money Market Funds	Tax-exempt Money Market Funds	Total
1984	8.6	1.1	5.1	13.6	0.3	28.7
1985	11.5	1.5	6.9	14.4	0.5	34.8
1986	16.0	2.2	11.6	15.7	0.7	46.0
1987	20.8	2.9	13.1	16.8	0.8	54.4
1988	20.1	2.7	13.4	17.6	0.9	54.7
1989	20.8	2.8	13.3	20.2	1.1	58.1
1990	22.2	3.2	13.6	21.6	1.4	62.0
1991	25.6	3.6	15.5	21.9	1.7	68.3
1992	32.7	4.5	19.0	21.8	1.9	79.9
1993	42.3	6.9	20.5	21.6	2.0	93.3
1994	57.9	10.3	20.8	23.3	2.0	114.4
1995	69.3	10.9	20.8	27.8	2.2	131.2
1996	85.4	12.1	20.5	29.9	2.3	150.2
1997	101.8	12.9	20.2	33.0	2.7	170.6
1998	119.8	13.8	21.3	36.4	2.4	193.7
1999	149.0	14.4	20.7	41.2	2.4	227.7

Note: The data contain a series break beginning in 1990. All funds were reclassified in 1990 and a separate category was created for hybrid funds. At the same time, data for funds that invest in other mutual funds were excluded from the series. Data prior to 1990 have been restated to create a consistent series back to 1984.

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

	Equity Funds	Hybrid Funds	Bond Funds	Taxable Money Market Funds	Tax-exempt Money Market Funds	Total
1984	471	77	272	326	95	1,241
1985	579	87	404	346	111	1,527
1986	698	102	550	359	126	1,835
1987	843	146	782	388	153	2,312
1988	1,011	162	930	431	174	2,708
1989	1,069	175	992	463	201	2,900
1990	1,100	194	1,046	506	235	3,081
1991	1,192	213	1,180	553	267	3,405
1992	1,325	237	1,400	585	279	3,826
1993	1,587	285	1,746	628	292	4,538
1994	1,887	365	2,115	646	317	5,330
1995	2,140	414	2,177	674	323	5,728
1996	2,572	470	2,224	666	322	6,254
1997	2,951	501	2,219	682	331	6,684
1998	3,513	525	2,250	685	341	7,314
1999	3,952	533	2,261	702	343	7,791

Note: The data contain a series break beginning in 1990. Data for funds that invest in other mutual funds were excluded from the series. Data prior to 1990 have been restated to create a consistent series back to 1984.

An Overview:
Shareholder Accounts, Total Net Assets, and Liquid Assets
Equity, Hybrid, and Bond Funds

Year	Number of Reporting Funds	Number of Accounts (thousands)	Net Assets (billions of dollars)	Liquid Assets (billions of dollars)
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	1,070	19,827.4	251.6	20.6
1986	1,349	29,699.7	423.5	30.6
1987	1,770	36,746.4	453.1	37.9
1988	2,102	36,107.1	471.4	45.0
1989	2,335	36,820.8	552.6	44.6
1990	2,340	38,979.8	566.9	48.4
1991	2,585	44,778.8	850.7	60.4
1992	2,962	56,285.6	1,096.3	74.0
1993	3,618	69,632.0	1,504.7	99.4
1994	4,367	89,009.6	1,544.4	120.4
1995	4,731	101,094.3	2,058.5	141.8
1996	5,266	117,976.6	2,624.5	152.0
1997	5,671	134,897.0	3,409.3	198.8
1998	6,288	155,006.7	4,173.5	191.4
1999	6,746	184,061.2	5,233.2	219.1

Note: Figures for shareholder accounts represent combined totals for member companies; duplications have not been eliminated. The data contain a series break beginning in 1990. Data for funds that invest in other mutual funds were excluded from the series. Data prior to 1990 have been restated to create a consistent series back to 1984.

Total Net Assets of Equity, Hybrid, and Bond Funds by Investment Objective

(millions of dollars)

	1997	1998	1999
Total Net Assets	**$3,409,314.9**	**$4,173,531.1**	**$5,233,193.7**
Aggressive Growth	335,164.5	394,175.3	623,855.6
Growth	644,682.4	890,077.5	1,286,616.7
Sector	95,422.4	120,742.2	204,588.1
World Equity–Emerging Markets	16,048.1	12,674.8	22,101.0
World Equity–Global	137,469.8	159,774.7	236,389.7
World Equity–International	164,945.2	187,185.6	276,226.8
World Equity–Regional	27,905.2	32,002.4	50,537.2
Growth and Income	817,979.3	1,032,842.7	1,202,141.2
Income Equity	128,407.5	148,751.4	139,433.8
Total Equity Funds	**$2,368,024.4**	**$2,978,226.6**	**$4,041,890.1**
Asset Allocation	42,765.0	40,113.6	39,004.4
Balanced	141,046.7	168,368.8	184,294.0
Flexible Portfolio	70,345.6	85,785.6	94,517.1
Income–Mixed	62,954.0	70,446.2	65,348.3
Total Hybrid Funds	**$317,111.3**	**$364,714.2**	**$383,163.8**
Corporate Bond–General	30,085.5	37,326.3	35,004.1
Corporate Bond–Intermediate-term	56,189.3	69,035.1	70,265.2
Corporate Bond–Short-term	33,079.6	37,147.6	37,761.7
High-yield Bond	104,911.0	117,443.5	116,904.5
World Bond–Global General	16,080.8	15,922.1	14,919.1
World Bond–Global Short-term	6,145.7	5,674.3	4,044.3
World Bond–Other	3,764.0	3,323.7	4,622.4
Government Bond–General	35,400.2	38,338.4	34,653.5
Government Bond–Intermediate-term	20,667.6	25,389.8	24,561.8
Government Bond–Short-term	17,339.7	19,735.0	19,599.6
Government Bond–Mortgage-backed	55,479.6	60,890.9	59,981.2
Strategic Income	73,145.8	101,769.1	114,188.5
State Municipal–General	117,694.6	129,648.0	117,829.2
State Municipal–Short-term	8,842.7	10,311.9	10,059.7
National Municipal Bond–General	117,416.1	126,756.0	112,448.7
National Municipal Bond–Short-term	27,937.0	31,878.6	31,296.3
Total Bond Funds	**$724,179.2**	**$830,590.3**	**$808,139.8**

Note: Data for funds that invest in other mutual funds were excluded from the series.

Liquid Assets of Equity, Hybrid, and Bond Funds by Investment Objective

(millions of dollars)

	1997	1998	1999
Total Liquid Assets	**$198,825.7**	**$191,393.0**	**$219,079.9**
Aggressive Growth	21,102.7	20,146.5	23,491.9
Growth	41,712.1	42,962.7	60,079.1
Sector	6,205.9	7,288.3	11,581.8
World Equity–Emerging Markets	1,231.6	949.6	651.1
World Equity–Global	13,472.2	11,224.0	14,790.8
World Equity–International	11,854.3	9,568.4	13,846.5
World Equity–Regional	1,310.4	1,061.9	1,754.4
Growth and Income	40,110.0	40,579.5	41,778.4
Income Equity	8,565.5	9,735.8	6,717.9
Total Equity Funds	**$145,564.7**	**$143,516.7**	**174,691.9**
Asset Allocation	4,746.5	3,384.4	3,013.8
Balanced	8,217.8	7,707.3	7,667.3
Flexible Portfolio	6,763.5	7,869.6	7,525.4
Income–Mixed	5,033.0	6,607.7	3,063.6
Total Hybrid Funds	**$24,760.8**	**$25,569.0**	**$21,270.1**
Corporate Bond–General	1,177.1	558.0	840.2
Corporate Bond–Intermediate-term	2,219.2	755.0	1,920.6
Corporate Bond–Short-term	2,364.4	3,282.1	3,439.7
High-yield Bond	5,611.9	5,350.0	5,035.2
World Bond–Global General	1,171.0	908.2	1,022.2
World Bond–Global Short-term	845.7	458.3	312.6
World Bond–Other	247.3	147.3	281.6
Government Bond–General	501.7	(931.6)	(633.4)
Government Bond–Intermediate-term	577.9	482.8	472.5
Government Bond–Short-term	387.9	207.8	(684.9)
Government Bond–Mortgage-backed	(468.3)	(4,042.0)	(5,432.5)
Strategic Income	7,171.7	8,855.1	10,268.0
State Municipal–General	2,447.7	2,179.8	2,402.4
State Municipal–Short-term	228.4	217.7	316.0
National Municipal Bond–General	1,583.5	1,924.6	2,340.0
National Municipal Bond–Short-term	2,433.1	1,954.2	1,235.7
Total Bond Funds	**$28,500.2**	**$22,307.3**	**$23,135.9**

Note: Data for funds that invest in other mutual funds were excluded from the series.

Liquid Asset Ratio—Equity Funds

Year	January	February	March	April	May	June	July	August	September	October	November	December
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	8.0	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	8.8	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	10.7	10.7	11.9	12.8	12.9	12.4	11.4
1991	9.7	9.5	8.7	8.4	8.5	8.0	7.7	7.2	7.4	7.8	8.4	7.6
1992	7.1	7.2	7.8	8.3	8.1	8.7	8.8	9.1	8.5	8.6	8.8	8.3
1993	8.2	8.8	9.1	9.5	8.5	8.4	8.5	8.0	7.8	8.1	8.0	7.8
1994	8.2	8.6	7.8	8.0	8.4	8.3	8.6	8.3	8.2	8.3	8.9	8.3
1995	8.4	8.2	7.5	7.4	7.4	7.1	7.1	7.2	7.0	7.5	7.9	7.8
1996	8.1	7.4	7.0	7.0	6.6	6.5	7.0	7.1	6.7	6.3	6.3	6.2
1997	6.6	6.5	6.9	7.1	6.9	6.4	5.9	6.1	6.0	6.2	6.5	6.1
1998	6.4	5.7	5.2	4.8	4.9	5.2	5.2	6.0	6.3	5.9	5.5	4.8
1999	4.9	4.9	4.6	4.8	4.9	4.8	4.8	4.8	4.9	5.0	4.6	4.3

Distribution of Mutual Fund Assets in Equity, Hybrid, and Bond Funds

(millions of dollars)

Year	Total Net Assets	Net Cash & Equivalent	Corporate Bonds	Preferred Stocks	Common Stocks	Municipal Bonds	Long-term U.S. Gov't	Other
1984	$137,126	$11,978	$15,018	$1,627	$81,597	$18,522	$8,009	$375
1985	251,583	20,598	24,950	3,771	119,644	38,322	43,452	846
1986	423,518	30,670	47,239	7,376	153,426	70,768	111,368	2,671
1987	453,081	37,942	41,591	5,557	176,076	68,463	119,653	3,799
1988	471,423	45,007	54,340	5,667	173,363	85,977	103,558	3,511
1989	552,585	44,676	52,823	4,571	240,749	84,820	117,835	7,111
1990	566,853	48,441	46,065	3,391	216,402	118,892	130,131	11,531
1991	850,748	60,386	86,931	6,606	375,007	149,533	163,284	9,001
1992	1,096,349	73,984	115,442	10,521	474,769	191,779	225,282	4,572
1993	1,504,705	99,436	165,595	16,209	696,083	249,163	272,264	5,953
1994	1,544,339	120,424	155,163	16,463	807,295	211,127	223,081	10,822
1995	2,058,466	141,760	190,890	16,914	1,198,422	245,331	259,117	6,032
1996	2,624,463	152,025	238,046	21,168	1,697,236	245,183	265,177	5,628
1997	3,409,315	198,826	292,616	29,529	2,328,723	266,310	282,377	10,934
1998	4,173,531	191,393	389,047	25,109	2,979,190	292,505	286,514	9,773
1999	5,233,194	219,098	386,829	26,159	4,030,274	267,535	295,644	7,655

Note: The data contain a series break beginning in 1990. Data for funds that invest in other mutual funds were excluded from the series. Data prior to 1990 have been restated to create a consistent series back to 1984.

Net New Cash Flow* by Investment Objective

(millions of dollars)

	1997	1998	1999
Aggressive Growth	$32,531.1	$11,663.9	$34,340.2
Growth	51,812.4	64,255.1	97,001.6
Sector	10,151.2	6,829.4	28,948.3
World Equity–Emerging Markets	3,846.6	99.0	763.9
World Equity–Global	16,070.4	4,297.4	3,091.2
World Equity–International	20,084.9	831.0	5,986.8
World Equity–Regional	(2,156.3)	2,299.5	1,382.5
Growth and Income	83,573.5	61,893.5	30,660.6
Income Equity	11,192.7	4,863.6	(14,509.4)
Total Equity Funds	**$227,106.5**	**$157,032.4**	**$187,665.7**
Asset Allocation	$1,785.5	($4,184.5)	($5,236.5)
Balanced	8,140.8	8,077.9	(140.2)
Flexible Portfolio	3,429.9	2,618.7	(2,387.3)
Income–Mixed	3,143.2	3,642.0	(4,587.9)
Total Hybrid Funds	**$16,499.4**	**$10,154.1**	**($12,351.9)**
Corporate Bond–General	$2,562.2	$5,745.4	($505.3)
Corporate Bond–Intermediate-term	7,513.0	10,198.1	3,991.2
Corporate Bond–Short-term	1,001.8	4,177.5	733.7
High-yield Bond	16,850.7	13,601.7	(2,545.8)
World Bond–Global General	(2,004.6)	(1,306.2)	(1,423.1)
World Bond–Global Short-term	156.9	(171.4)	(559.1)
World Bond–Other	560.3	321.8	(388.5)
Government Bond–General	(5,198.6)	1,152.3	(2,620.0)
Government Bond–Intermediate-term	(580.6)	2,352.2	846.2
Government Bond–Short-term	421.7	2,841.2	(392.9)
Government Bond–Mortgage-backed	(4,136.7)	2,553.0	190.5
Strategic Income	10,405.2	17,944.7	9,295.0
State Municipal–General	(1,013.2)	6,765.0	(4,602.4)
State Municipal–Short-term	1,365.8	1,234.1	19.5
National Municipal Bond–General	(2,351.2)	4,177.4	(7,009.7)
National Municipal Bond–Short-term	2,871.0	3,022.8	(564.2)
Total Bond Funds	**$28,423.7**	**$74,609.6**	**($5,534.9)**

Note: Data for funds that invest in other mutual funds were excluded from the series.

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

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

(millions of dollars)

1997	**Net New Cash Flow**	**Total Net Assets**
January	$28,516.5	$1,828,788.6
February	17,495.7	1,840,030.4
March	9,971.9	1,785,113.4
April	15,760.4	1,853,442.9
May	20,302.9	2,000,016.9
June	16,332.6	2,096,820.3
July	26,369.4	2,272,763.1
August	13,648.8	2,199,211.7
September	25,269.1	2,361,739.5
October	19,758.8	2,275,980.9
November	18,121.8	2,329,895.5
December	15,558.6	2,368,024.4
Total	**$227,106.5**	**$2,368,024.4**
1998		
January	$14,089.1	$2,392,569.3
February	24,060.8	2,586,483.9
March	22,437.6	2,733,526.9
April	26,191.0	2,792,090.0
May	18,847.8	2,750,361.9
June	18,991.9	2,835,775.5
July	19,341.8	2,806,322.9
August	(11,578.2)	2,359,355.7
September	6,254.8	2,479,182.2
October	2,378.3	2,646,860.9
November	12,821.9	2,813,423.8
December	3,195.6	2,978,226.6
Total	**$157,032.4**	**$2,978,226.6**
1999		
January	$17,221.8	$3,073,611.9
February	767.1	2,976,057.7
March	12,570.4	3,109,136.5
April	25,849.5	3,265,041.1
May	14,953.8	3,220,462.4
June	18,870.3	3,424,674.2
July	12,335.1	3,367,283.3
August	9,475.2	3,342,455.2
September	11,246.5	3,301,188.3
October	20,964.6	3,506,880.2
November	18,526.8	3,672,348.4
December	24,884.6	4,041,890.1
Total	**$187,665.7**	**$4,041,890.1**

Note: Data for funds that invest in other mutual funds were excluded from the series.

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

Net New Cash Flow* and Total Net Assets of Hybrid Funds

(millions of dollars)

1997	**Net New Cash Flow**	**Total Net Assets**
January	$1,885.7	$261,806.5
February	1,461.0	264,833.5
March	1,174.0	258,965.4
April	1,194.2	266,699.7
May	1,273.1	278,680.6
June	1,354.9	288,532.9
July	1,579.8	304,980.5
August	1,390.0	298,043.3
September	1,413.2	310,383.6
October	1,298.1	306,468.3
November	1,633.7	312,862.4
December	841.7	317,111.3
Total	**$16,499.4**	**$317,111.3**
1998		
January	$2,555.1	$322,207.9
February	2,031.9	336,637.1
March	1,736.7	348,350.0
April	1,011.3	351,738.2
May	1,079.4	349,746.3
June	1,028.1	356,698.0
July	1,042.1	355,125.3
August	(948.5)	321,274.9
September	(518.2)	332,306.0
October	(208.8)	343,891.4
November	1,475.0	357,419.2
December	(130.0)	364,714.2
Total	**$10,154.1**	**$364,714.2**
1999		
January	$597.2	$368,855.5
February	(1,021.8)	360,534.6
March	(1,052.5)	366,758.0
April	(247.7)	380,762.3
May	(220.2)	374,697.8
June	(413.5)	384,464.5
July	(249.1)	377,594.6
August	(854.8)	372,966.3
September	(1,051.8)	366,714.0
October	(813.2)	375,011.1
November	(2,563.4)	376,779.5
December	(4,461.1)	383,163.8
Total	**($12,351.9)**	**$383,163.8**

Note: Data for funds that invest in other mutual funds were excluded from the series.

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

Net New Cash Flow* and Total Net Assets of Bond Funds

(millions of dollars)

1997	Net New Cash Flow	Total Net Assets
January	$1,832.8	$647,819.3
February	1,020.8	653,637.2
March	(3,098.3)	642,307.7
April	378.7	648,334.9
May	1,182.0	657,948.2
June	801.5	666,047.9
July	2,696.7	684,316.0
August	5,771.3	684,998.4
September	2,541.3	696,238.9
October	2,632.4	701,802.9
November	8,587.9	713,589.4
December	4,076.5	724,179.2
Total	**$28,423.7**	**$724,179.2**
1998		
January	$9,102.1	$741,639.4
February	6,323.6	749,512.3
March	6,425.9	758,718.6
April	4,220.1	762,945.5
May	8,754.0	777,085.1
June	4,136.9	784,849.6
July	6,822.8	792,635.9
August	5,879.9	795,774.2
September	5,634.1	811,490.0
October	5,272.4	810,201.0
November	8,692.2	828,125.7
December	3,345.6	830,590.3
Total	**$74,609.6**	**$830,590.3**
1999		
January	$8,330.3	$843,956.2
February	4,380.2	841,827.6
March	6,232.5	852,026.9
April	1,651.3	859,105.5
May	(1,939.5)	847,738.0
June	1,856.1	841,913.1
July	494.9	839,924.4
August	(1,007.9)	833,062.5
September	(3,829.9)	830,490.8
October	(3,513.9)	823,189.0
November	(4,649.3)	823,651.8
December	(13,539.7)	808,139.8
Total	**($5,534.9)**	**$808,139.8**

Note: Data for funds that invest in other mutual funds were excluded from the series.

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

An Overview: Sales, Redemptions, and Net Sales of Equity, Hybrid, and Bond Funds

(millions of dollars)

Year	Sales	Redemptions	Net Sales
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	45,857.0	20,030.4	25,826.6
1985	114,233.0	33,761.9	80,471.1
1986	215,288.2	66,970.0	148,318.2
1987	190,207.2	116,060.6	74,146.6
1988	95,115.7	92,326.9	2,788.8
1989	125,339.0	91,526.5	33,812.5
1990	149,094.6	98,071.3	51,023.3
1991	236,342.3	116,584.2	119,758.1
1992	363,163.3	165,308.3	197,855.0
1993	509,916.6	230,983.9	278,932.7
1994	472,439.5	329,232.2	143,207.3
1995	475,526.9	312,936.7	162,590.2
1996	681,142.7	397,550.2	283,592.5
1997	869,025.9	541,192.6	327,833.3
1998	1,057,820.8	747,680.4	310,140.4
1999	1,273,654.0	1,021,188.8	252,465.2

Note: The data contain a series break beginning in 1990. Data for funds that invest in other mutual funds were excluded from the series. Data prior to 1990 have been restated to create a consistent series back to 1984.

Sales of Equity, Hybrid, and Bond Funds by Investment Objective

(millions of dollars)

	1997	1998	1999
Total Sales	**$869,025.9**	**$1,057,820.8**	**$1,273,654.0**
Aggressive Growth	$101,705.3	$113,817.1	$153,230.4
Growth	150,194.6	204,846.4	294,832.0
Sector	29,555.3	32,759.3	62,648.9
World Equity–Emerging Markets	9,038.4	7,511.7	7,308.1
World Equity–Global	36,994.5	39,723.4	47,807.3
World Equity–International	62,934.7	71,644.7	108,132.8
World Equity–Regional	15,480.1	18,096.2	22,786.6
Growth and Income	170,855.8	205,656.2	227,631.8
Income Equity	25,406.1	27,995.9	21,634.5
Total Equity Funds	**$602,164.8**	**$722,050.9**	**$946,012.4**
Asset Allocation	$9,043.6	$7,199.5	$6,494.3
Balanced	31,040.2	37,728.0	42,799.9
Flexible Portfolio	13,543.8	16,240.9	17,639.2
Income–Mixed	12,830.4	17,093.0	14,486.3
Total Hybrid Funds	**$66,458.0**	**$78,261.4**	**$81,419.7**
Corporate Bond–General	$10,367.6	$14,377.1	$10,339.3
Corporate Bond–Intermediate-term	20,214.4	24,936.7	24,907.3
Corporate Bond–Short-term	16,583.7	18,830.4	17,733.1
High-yield Bond	38,106.6	48,033.4	39,204.2
World Bond–Global General	4,897.3	4,457.0	3,495.0
World Bond–Global Short-term	2,175.6	1,931.8	1,576.7
World Bond–Other	1,733.1	2,029.8	1,911.4
Government Bond–General	6,407.0	10,948.2	10,536.6
Government Bond–Intermediate-term	5,033.3	8,032.8	8,895.3
Government Bond–Short-term	8,250.3	10,212.4	9,425.7
Government Bond–Mortgage-backed	9,378.5	14,403.2	15,368.1
Strategic Income	26,892.5	37,318.6	44,407.3
State Municipal–General	19,132.7	25,620.2	23,319.0
State Municipal–Short-term	3,173.4	3,123.6	3,104.7
National Municipal Bond–General	18,542.9	22,926.0	20,628.5
National Municipal Bond–Short-term	9,514.2	10,327.3	11,369.7
Total Bond Funds	**$200,403.1**	**$257,508.5**	**$246,221.9**

Note: Data for funds that invest in other mutual funds were excluded from the series.

Reinvested Dividends of Equity, Hybrid, and Bond Funds by Investment Objective

(millions of dollars)

	1997	1998	1999
Total Reinvested Dividends	**$58,423.1**	**$60,038.8**	**$70,005.6**
Aggressive Growth	$1,054.7	$1,295.1	$1,828.2
Growth	4,155.2	3,931.4	6,451.3
Sector	1,232.2	1,101.2	1,413.2
World Equity–Emerging Markets	200.2	156.6	86.1
World Equity–Global	1,580.0	1,285.4	1,732.3
World Equity–International	2,268.4	2,430.5	2,248.0
World Equity–Regional	333.7	356.4	298.8
Growth and Income	10,003.4	9,759.5	10,739.4
Income Equity	2,272.7	2,065.5	2,534.7
Total Equity Funds	**$23,100.5**	**$22,381.6**	**$27,332.0**
Asset Allocation	$1,282.7	$947.4	$1,074.8
Balanced	3,930.5	3,932.2	4,846.8
Flexible Portfolio	2,001.5	1,801.0	2,025.2
Income–Mixed	2,386.9	2,843.0	2,991.3
Total Hybrid Funds	**$9,601.6**	**$9,523.6**	**$10,938.1**
Corporate Bond–General	$1,148.6	$1,219.8	$1,336.3
Corporate Bond–Intermediate-term	2,260.7	2,560.2	3,085.6
Corporate Bond–Short-term	1,284.3	1,324.9	1,470.6
High-yield Bond	4,794.9	6,161.3	6,844.3
World Bond–Global General	646.6	477.6	479.0
World Bond–Global Short-term	260.7	195.5	173.5
World Bond–Other	125.8	159.6	197.3
Government Bond–General	1,386.9	1,299.0	1,457.4
Government Bond–Intermediate-term	712.5	774.7	907.2
Government Bond–Short-term	710.5	696.6	788.2
Government Bond–Mortgage-backed	2,152.8	2,219.8	2,500.7
Strategic Income	2,788.6	3,509.3	4,563.4
State Municipal–General	3,103.1	3,149.3	3,276.5
State Municipal–Short-term	173.8	188.4	215.9
National Municipal Bond–General	3,453.3	3,416.2	3,539.1
National Municipal Bond–Short-term	717.9	781.4	900.5
Total Bond Funds	**$25,721.0**	**$28,133.6**	**$31,735.5**

Note: Data for funds that invest in other mutual funds were excluded from the series.

Sales Less Reinvested Dividends of Equity, Hybrid, and Bond Funds by Investment Objective

(millions of dollars)

	1997	1998	1999
Total New Sales	**$810,602.8**	**$997,782.0**	**$1,203,648.3**
Aggressive Growth	$100,650.7	$112,522.0	$151,402.1
Growth	146,039.4	200,915.0	288,380.7
Sector	28,323.0	31,658.0	61,235.7
World Equity–Emerging Markets	8,838.2	7,355.2	7,222.0
World Equity–Global	35,414.5	38,438.0	46,075.0
World Equity–International	60,666.3	69,214.2	105,884.8
World Equity–Regional	15,146.4	17,739.8	22,487.8
Growth and Income	160,852.5	195,896.7	216,892.4
Income Equity	23,133.4	25,930.4	19,099.8
Total Equity Funds	**$579,064.4**	**$699,669.3**	**$918,680.3**
Asset Allocation	$7,760.9	$6,252.0	$5,419.5
Balanced	27,109.7	33,795.8	37,953.1
Flexible Portfolio	11,542.3	14,440.0	15,614.0
Income–Mixed	10,443.5	14,250.0	11,495.0
Total Hybrid Funds	**$56,856.4**	**$68,737.8**	**$70,481.6**
Corporate Bond–General	$9,219.0	$13,157.3	$9,003.0
Corporate Bond–Intermediate-term	17,953.7	22,376.5	21,821.7
Corporate Bond–Short-term	15,299.5	17,505.5	16,262.5
High-yield Bond	33,311.6	41,872.1	32,359.9
World Bond–Global General	4,250.6	3,979.4	3,016.0
World Bond–Global Short-term	1,914.8	1,736.4	1,403.2
World Bond–Other	1,607.3	1,870.2	1,714.1
Government Bond–General	5,020.1	9,649.2	9,079.3
Government Bond–Intermediate-term	4,320.8	7,258.0	7,988.1
Government Bond–Short-term	7,539.8	9,515.8	8,637.5
Government Bond–Mortgage-backed	7,225.7	12,183.4	12,867.4
Strategic Income	24,103.9	33,809.2	39,843.8
State Municipal–General	16,029.7	22,470.9	20,042.5
State Municipal–Short-term	2,999.6	2,935.2	2,888.8
National Municipal Bond–General	15,089.6	19,509.8	17,089.5
National Municipal Bond–Short-term	8,796.3	9,546.0	10,469.1
Total Bond Funds	**$174,682.0**	**$229,374.9**	**$214,486.4**

Note: Data for funds that invest in other mutual funds were excluded from the series.

Equity, Hybrid, and Bond Funds Distributions to Shareholders

(millions of dollars)

Year	Dividend Distributions	Capital Gain Distributions
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	12,719.3	4,984.6
1986	22,689.3	17,660.9
1987	31,767.9	22,925.6
1988	31,966.0	6,353.4
1989	34,102.4	14,765.7
1990	33,156.0	8,017.2
1991	35,145.0	13,917.1
1992	58,608.3	22,088.6
1993	73,178.4	35,904.8
1994	61,320.5	29,825.4
1995	67,230.6	54,274.5
1996	73,291.6	100,508.3
1997	79,896.2	183,385.8
1998	81,013.8	164,991.1
1999	95,610.4	237,451.3

Note: The data contain a series break beginning in 1990. Data for funds that invest in other mutual funds were excluded from the series. Data prior to 1990 have been restated to create a consistent series back to 1984.

Annual Redemption Rate for Equity, Hybrid, and Bond Funds

(millions of dollars)

Year	Average Total Net Assets	Redemptions	Redemption Rate
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	125,363	20,030	16.0
1985	194,355	33,762	17.4
1986	337,551	66,970	19.8
1987	438,300	116,061	26.5
1988	462,252	92,327	20.0
1989	512,004	91,527	17.9
1990	559,719	98,071	17.5
1991	708,800	116,584	16.4
1992	973,548	165,308	17.0
1993	1,300,527	230,984	17.8
1994	1,524,548	329,232	21.6
1995	1,801,429	312,937	17.4
1996	2,341,465	397,550	17.0
1997	3,016,889	541,193	17.9
1998	3,791,423	747,680	19.7
1999	4,703,362	1,021,189	21.7

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. The data contain a series break beginning in 1990. Data for funds that invest in other mutual funds were excluded from the series. Data prior to 1990 have been restated to create a consistent series back to 1984.

Redemptions of Equity, Hybrid, and Bond Funds by Investment Objective

(millions of dollars)

	1997	1998	1999
Total Redemptions	**$541,192.6**	**$747,680.4**	**$1,021,188.8**
Aggressive Growth	$68,278.8	$95,539.8	$125,184.3
Growth	95,159.8	141,496.6	206,029.4
Sector	19,718.2	24,466.4	36,468.6
World Equity–Emerging Markets	4,859.0	6,915.1	6,816.1
World Equity–Global	19,560.6	31,822.0	42,334.2
World Equity–International	39,588.3	65,217.3	100,680.6
World Equity–Regional	15,093.8	15,887.4	21,406.7
Growth and Income	86,681.0	133,343.7	178,907.2
Income Equity	13,082.2	19,580.4	26,325.6
Total Equity Funds	**$362,021.7**	**$534,268.7**	**$744,152.7**
Asset Allocation	$5,966.8	$8,507.4	$8,506.2
Balanced	18,958.0	24,817.5	33,914.3
Flexible Portfolio	7,734.2	11,425.3	16,322.7
Income–Mixed	6,267.1	9,886.3	12,774.6
Total Hybrid Funds	**$38,926.1**	**$54,636.5**	**$71,517.8**
Corporate Bond–General	$6,289.6	$7,884.6	$8,910.7
Corporate Bond–Intermediate-term	10,497.9	13,951.8	17,192.6
Corporate Bond–Short-term	13,957.1	13,531.6	16,216.0
High-yield Bond	18,012.7	27,246.6	32,125.5
World Bond–Global General	5,425.0	4,756.1	3,947.8
World Bond–Global Short-term	1,778.4	1,861.6	1,873.2
World Bond–Other	1,017.0	1,418.2	1,952.4
Government Bond–General	9,227.5	9,326.2	10,324.8
Government Bond–Intermediate-term	4,660.6	6,181.2	6,669.8
Government Bond–Short-term	5,963.1	6,097.6	7,547.3
Government Bond–Mortgage-backed	10,436.4	9,947.3	12,305.0
Strategic Income	13,747.1	17,419.3	28,949.9
State Municipal–General	15,345.6	15,392.5	22,381.3
State Municipal–Short-term	1,619.4	1,811.3	2,795.0
National Municipal Bond–General	16,462.9	15,293.4	21,314.2
National Municipal Bond–Short-term	5,804.5	6,655.9	11,012.8
Total Bond Funds	**$140,244.8**	**$158,775.2**	**$205,518.3**

Note: Data for funds that invest in other mutual funds were excluded from the series.

Total Purchases, Total Sales, and Net Purchases of Portfolio Securities by Long-term Mutual Funds

(millions of dollars)

Year	Total Purchases	Total Sales	Net Purchases
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	120,378.4	99,742.2	20,636.2
1985	262,472.3	188,539.3	73,933.0
1986	502,935.9	365,929.7	137,006.2
1987	538,095.8	491,428.1	46,667.6
1988	410,831.0	421,515.0	(10,684.0)
1989	471,760.2	445,459.5	26,300.7
1990	554,724.4	505,786.6	48,937.8
1991	735,682.4	608,119.7	127,562.7
1992	949,374.4	758,480.8	190,893.6
1993	1,335,567.3	1,060,396.3	275,171.0
1994	1,433,875.9	1,329,451.3	104,424.6
1995	1,550,745.0	1,400,837.4	149,907.6
1996	2,018,899.4	1,737,337.4	281,562.0
1997	2,384,639.4	2,108,980.6	275,658.8
1998	2,861,561.9	2,560,074.4	301,487.5
1999	3,437,179.7	3,224,301.2	212,878.5

Note: The data contain a series break beginning in 1990. Data for funds that invest in other mutual funds were excluded from the series. Data prior to 1990 have been restated to create a consistent series back to 1984.

Total Purchases, Total Sales, and Net Purchases of Common Stocks by Long-term Mutual Funds

(millions of dollars)

Year	Total Purchases	Total Sales	Net Purchases
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	56,584.5	50,892.1	5,692.4
1985	80,721.0	72,574.2	8,146.8
1986	134,459.8	118,033.4	16,426.4
1987	198,875.9	176,011.6	22,864.3
1988	112,742.3	128,821.7	(16,079.4)
1989	142,770.9	141,694.3	1,076.5
1990	166,401.9	146,586.3	19,815.6
1991	250,288.7	209,279.0	41,009.7
1992	327,517.7	261,857.2	65,660.6
1993	506,735.6	380,868.3	125,867.3
1994	628,715.4	512,380.6	116,334.8
1995	790,118.3	686,813.5	103,304.8
1996	1,151,439.8	927,441.0	223,998.8
1997	1,457,384.4	1,268,983.5	188,400.9
1998	1,762,565.3	1,597,310.7	165,254.6
1999	2,262,505.4	2,088,543.7	173,961.7

Note: The data contain a series break beginning in 1990. Data for funds that invest in other mutual funds were excluded from the series. Data prior to 1990 have been restated to create a consistent series back to 1984.

Total Purchases, Total Sales, and Net Purchases of Securities Other Than Common Stocks by Long-term Mutual Funds

(millions of dollars)

Year	Total Purchases	Total Sales	Net Purchases
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	63,793.9	48,850.1	14,943.8
1985	181,751.3	115,965.1	657,886.2
1986	368,476.1	247,896.3	120,579.8
1987	339,219.9	315,416.6	23,803.3
1988	298,088.7	292,693.3	5,395.4
1989	328,989.4	303,765.2	25,224.2
1990	388,322.5	359,200.3	29,122.2
1991	485,393.7	398,840.8	86,552.9
1992	621,856.7	496,623.6	125,233.1
1993	828,831.7	679,528.0	149,303.7
1994	805,160.5	817,070.7	(11,910.2)
1995	760,626.7	714,023.9	46,602.8
1996	867,459.7	809,896.5	57,563.2
1997	927,255.0	839,997.1	87,257.9
1998	1,098,996.6	962,763.7	136,232.9
1999	1,174,674.3	1,135,757.5	38,916.8

Note: The data contain a series break beginning in 1990. Data for funds that invest in other mutual funds were excluded from the series. Data prior to 1990 have been restated to create a consistent series back to 1984.

Portfolio Purchases by Investment Objective

(millions of dollars)

	All Securities		Common Stock Only	
	1998	1999	1998	1999
Total	**$2,861,561.9**	**$3,437,179.7**	**$1,762,565.3**	**$2,262,505.4**
Aggressive Growth	$350,334.9	$454,083.1	$339,872.7	$444,630.2
Growth	563,423.2	784,094.6	547,049.6	756,742.0
Sector	77,704.0	132,992.1	75,016.2	130,218.3
World Equity–Emerging Markets	10,574.7	13,355.9	9,344.0	11,869.8
World Equity–Global	96,493.5	128,176.9	85,906.5	120,855.3
World Equity–International	98,247.6	130,952.8	92,639.8	123,208.4
World Equity–Regional	32,471.0	39,452.7	31,258.8	29,839.2
Growth and Income	434,433.0	484,069.6	403,573.2	453,656.6
Income Equity	60,292.1	65,643.3	51,403.9	55,833.5
Total Equity Funds	**$1,723,974.0**	**$2,232,821.0**	**$1,636,064.7**	**$2,126,853.3**
Asset Allocation	$32,610.5	$38,167.4	$16,916.9	$22,407.2
Balanced	130,364.9	146,021.4	63,945.1	69,254.4
Flexible Portfolio	68,245.1	64,243.2	27,906.0	28,719.3
Income–Mixed	59,238.8	57,397.4	6,724.1	7,824.0
Total Hybrid Funds	**$290,459.3**	**$305,829.4**	**$115,492.1**	**$128,204.9**
Corporate Bond–General	$56,430.6	$41,981.9	$1,644.2	$191.5
Corporate Bond–Intermediate-term	102,199.4	109,137.4	2,823.0	657.6
Corporate Bond–Short-term	35,800.3	32,277.4	125.4	304.4
High-yield Bond	121,433.1	83,377.2	2,371.4	3,214.8
World Bond–Global General	25,947.6	21,378.6	1,187.6	772.8
World Bond–Global Short-term	6,678.1	6,601.7	852.1	723.1
World Bond–Other	6,564.7	9,982.9	406.2	503.0
Government Bond–General	68,920.5	61,161.7	0.0	0.0
Government Bond–Intermediate-term	30,285.2	33,062.5	0.0	0.0
Government Bond–Short-term	37,275.7	42,136.2	1.5	0.0
Government Bond–Mortgage-backed	98,452.4	139,162.0	0.0	0.0
Strategic Income	132,145.9	187,963.6	1,597.1	1,080.0
State Municipal–General	48,277.2	48,354.2	0.0	0.0
State Municipal–Short-term	3,973.6	4,173.1	0.0	0.0
National Municipal Bond–General	57,337.8	57,026.8	0.0	0.0
National Municipal Bond–Short-term	15,406.5	20,752.1	0.0	0.0
Total Bond Funds	**$847,128.6**	**$898,529.3**	**$11,008.5**	**$7,447.2**

Note: Data for funds that invest in other mutual funds were excluded from the series.

Portfolio Sales by Investment Objective

(millions of dollars)

	All Securities		Common Stock Only	
	1998	1999	1998	1999
Total	**$2,560,074.4**	**$3,224,301.2**	**$1,597,310.7**	**$2,088,543.7**
Aggressive Growth	$337,857.1	$418,860.5	$327,374.4	$409,657.9
Growth	500,228.5	698,143.8	485,690.0	672,908.2
Sector	71,327.7	108,348.2	68,550.0	106,263.4
World Equity–Emerging Markets	10,370.6	12,011.3	9,052.9	10,810.2
World Equity–Global	84,576.1	122,808.9	78,078.0	114,978.3
World Equity–International	95,177.7	128,837.2	89,239.4	120,470.4
World Equity–Regional	29,444.8	38,295.2	28,418.7	27,885.7
Growth and Income	372,534.3	447,177.8	341,983.4	414,151.4
Income Equity	55,733.3	75,055.7	47,036.0	64,378.2
Total Equity Funds	**$1,557,250.1**	**$2,049,538.6**	**$1,475,422.8**	**$1,941,503.7**
Asset Allocation	$33,363.5	$42,624.9	$18,717.9	$24,237.7
Balanced	114,363.1	142,725.8	57,629.5	71,936.8
Flexible Portfolio	64,616.1	63,433.9	27,165.9	34,352.7
Income–Mixed	53,953.1	55,902.1	7,862.3	8,197.1
Total Hybrid Funds	**$266,295.8**	**$304,686.7**	**$111,375.6**	**$138,724.3**
Corporate Bond–General	$50,288.2	$41,287.8	$1,604.9	$190.1
Corporate Bond–Intermediate-term	87,257.9	102,477.4	2,544.4	746.1
Corporate Bond–Short-term	27,287.5	28,847.6	99.6	276.7
High-yield Bond	101,685.7	79,052.6	2,706.1	3,584.4
World Bond–Global General	26,620.4	22,196.8	1,329.4	967.0
World Bond–Global Short-term	5,939.0	6,846.8	898.4	786.3
World Bond–Other	6,250.5	10,406.8	281.5	554.4
Government Bond–General	65,180.9	61,347.5	0.0	0.0
Government Bond–Intermediate-term	26,847.2	31,580.7	0.0	0.0
Government Bond–Short-term	33,604.2	40,796.2	3.4	0.0
Government Bond–Mortgage-backed	89,630.8	134,777.1	0.0	0.0
Strategic Income	111,757.1	177,209.5	1,044.6	1,210.7
State Municipal–General	39,523.4	50,258.4	0.0	0.0
State Municipal–Short-term	2,690.4	3,705.7	0.0	0.0
National Municipal Bond–General	50,834.4	60,310.5	0.0	0.0
National Municipal Bond–Short-term	11,130.9	18,974.5	0.0	0.0
Total Bond Funds	**$736,528.5**	**$870,075.9**	**$10,512.3**	**$8,315.7**

Note: Data for funds that invest in other mutual funds were excluded from the series.

Total Short-term Funds

(millions of dollars)

Year	Total Sales	Total Redemptions	Net Sales	Net New Cash Flow*	Number of Funds	Total Accounts Outstanding	Total Net Assets
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	233,553.6
1985	839,498.8	831,121.0	8,377.8	(5,381.8)	457	14,934,631	243,802.4
1986	989,816.0	948,641.4	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	337,953.6
1989	1,319,492.6	1,235,643.0	83,849.6	64,053.4	664	21,314,228	428,093.2
1990	1,415,701.4	1,372,725.2	42,976.2	23,219.6	741	22,968,817	498,341.3
1991	1,800,758.0	1,763,106.3	37,651.7	5,499.0	820	23,556,000	542,441.6
1992	2,386,288.1	2,382,986.3	3,301.7	(16,299.6)	864	23,647,186	546,194.5
1993	2,677,539.5	2,673,464.4	4,075.1	(14,110.2)	920	23,585,346	565,319.1
1994	2,603,333.8	2,598,992.9	4,341.0	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	30,144,344	753,017.7
1996	3,990,530.5	3,868,771.7	121,758.9	89,421.8	988	32,199,937	901,807.0
1997	4,930,584.6	4,782,897.7	147,686.9	102,069.4	1,013	35,624,081	1,058,885.7
1998	6,172,574.8	5,901,591.3	270,983.5	235,335.2	1,026	38,847,345	1,351,678.3
1999	7,769,960.3	7,540,911.8	229,048.5	193,630.4	1,045	43,652,275	1,613,145.5

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

An Overview: Taxable Money Market Funds

(millions of dollars)

Year	Total Sales	Total Redemptions	Net Sales	Net New Cash Flow	Number of Funds	Total Accounts Outstanding	Average Maturity (days)	Total Net Assets
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	326	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	45	228,345.8
1987	869,099.1	865,668.4	3,430.7	13,054.6	388	16,832,666	34	254,676.4
1988	903,425.9	899,397.3	4,028.6	(1,512.4)	431	17,630,528	31	272,293.3
1989	1,134,647.8	1,055,142.4	79,505.4	62,537.5	463	20,173,265	40	358,719.2
1990	1,218,935.9	1,183,085.9	35,850.1	17,433.2	506	21,577,559	47	414,733.3
1991	1,569,852.0	1,536,509.6	33,342.4	4,420.8	553	21,863,352	56	452,559.2
1992	2,099,796.8	2,101,420.8	(1,624.0)	(20,468.2)	585	21,770,693	58	451,353.4
1993	2,335,653.0	2,336,939.6	(1,286.7)	(19,122.8)	628	21,586,862	59	461,903.9
1994	2,234,069.0	2,229,036.6	5,032.4	7,932.4	646	23,339,838	38	500,635.5
1995	2,729,117.5	2,617,221.3	111,896.2	82,127.1	674	27,859,258	57	629,985.8
1996	3,523,786.6	3,415,494.5	108,292.1	79,186.0	666	29,907,471	54	761,989.0
1997	4,394,583.3	4,265,341.8	129,241.5	86,649.7	682	32,960,628	55	898,083.1
1998	5,533,565.3	5,289,265.8	244,299.4	212,408.3	685	36,442,150	56	1,163,166.7
1999	7,083,029.5	6,865,682.3	217,347.2	182,795.8	702	41,213,837	49	1,408,731.0

An Overview: Tax-exempt Money Market Funds

(millions of dollars)

Year		Total Sales	Total Redemptions	Net Sales	Net New Cash Flow*	Number of Funds	Total Accounts Outstanding	Total Net Assets
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	54,541.8
	State	20,190.3	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	133	984,301	59,200.5
	State	40,808.5	36,275.6	4,532.9	4,623.9	102	406,957	24,407.6
1991	National	181,137.9	178,927.1	2,210.9	474.1	141	1,139,741	62,338.0
	State	49,768.1	47,669.6	2,098.5	604.1	126	552,907	27,544.5
1992	National	223,414.2	220,832.0	2,582.3	2,659.5	139	1,120,735	64,863.3
	State	63,077.0	60,733.5	2,343.5	1,509.1	140	755,758	29,977.9
1993	National	264,844.1	261,686.2	3,157.9	2,753.6	145	1,237,326	70,451.2
	State	77,042.5	74,838.6	2,203.9	2,259.0	147	761,141	32,964.0
1994	National	281,800.3	283,647.0	(1,846.7)	(932.6)	154	1,267,090	73,120.1
	State	87,464.6	86,309.3	1,155.3	1,767.1	163	771,743	37,248.9
1995	National	291,273.2	286,223.2	5,050.0	2,449.7	154	1,377,008	79,227.4
	State	104,818.3	98,483.5	6,334.8	4,834.3	169	900,511	43,804.5
1996	National	340,669.6	334,148.6	6,521.0	4,359.5	155	1,346,220	88,845.7
	State	126,074.3	119,128.6	6,945.8	5,876.3	167	946,246	50,972.3
1997	National	383,863.2	373,233.5	10,629.7	8,939.7	156	1,557,399	100,911.3
	State	152,138.1	144,322.4	7,815.7	6,480.0	175	1,106,054	59,891.3
1998	National	452,774.4	437,679.8	15,094.5	13,100.6	155	1,284,287	117,374.0
	State	186,235.2	174,645.6	11,589.5	9,826.3	186	1,120,908	71,137.6
1999	National	474,581.0	470,076.8	4,504.2	4,545.9	158	1,310,161	125,397.3
	State	212,349.7	205,152.8	7,197.0	6,288.7	185	1,128,277	79,017.2

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

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

(thousands of dollars)

	Individual	Institutional	Total
1997			
January	$475,576,870	$313,177,712	$788,754,582
February	486,086,677	325,938,593	812,025,270
March	494,461,348	320,444,166	814,905,514
April	486,338,949	318,384,981	804,723,930
May	488,314,395	325,757,877	814,072,272
June	486,668,931	330,785,622	817,454,553
July	497,454,579	336,017,784	833,472,363
August	514,192,177	350,496,938	864,689,115
September	510,896,659	351,381,139	862,277,798
October	521,372,282	362,217,018	883,589,300
November	527,427,504	368,848,674	896,276,178
December	523,905,239	374,177,882	898,083,121
1998			
January	$541,736,108	$386,851,460	$928,587,568
February	558,096,614	395,267,596	953,364,210
March	571,446,356	395,975,981	967,422,337
April	566,224,539	404,786,101	971,010,640
May	580,637,625	414,139,292	994,776,917
June	582,274,631	412,897,380	995,172,011
July	594,941,847	420,653,673	1,015,595,520
August	626,401,648	441,589,555	1,067,991,203
September	632,259,350	453,794,810	1,086,054,160
October	654,352,422	477,132,799	1,131,485,221
November	663,366,187	501,843,017	1,165,209,204
December	668,870,385	494,296,330	1,163,166,715
1999			
January	$687,392,158	$531,173,129	$1,218,565,287
February	707,230,347	535,929,425	1,243,159,772
March	715,778,080	522,722,065	1,238,550,145
April	708,031,292	521,485,758	1,229,517,050
May	706,870,696	530,347,234	1,237,217,930
June	705,927,639	523,446,737	1,229,374,376
July	716,513,479	534,149,652	1,250,663,131
August	731,851,214	552,689,185	1,284,540,399
September	737,625,947	545,939,984	1,283,565,931
October	742,125,744	581,169,056	1,323,294,800
November	765,459,578	608,202,442	1,373,662,020
December	774,645,319	634,085,681	1,408,731,000

Taxable Money Market Fund
Shareholder Accounts by Type of Fund

	Individual	Institutional	Total
1997			
January	27,407,500	2,558,275	29,965,775
February	27,746,877	2,571,239	30,318,116
March	28,039,880	2,637,784	30,677,664
April	28,261,398	2,704,431	30,965,829
May	28,469,399	2,715,019	31,184,418
June	28,553,949	2,679,994	31,233,943
July	28,893,844	2,728,794	31,622,638
August	29,225,424	2,796,508	32,021,932
September	29,461,689	2,782,030	32,243,719
October	29,691,688	2,770,795	32,462,483
November	30,087,986	2,828,165	32,916,151
December	30,048,083	2,912,545	32,960,628
1998			
January	29,835,970	2,942,434	32,778,404
February	30,228,820	2,942,808	33,171,628
March	30,389,255	3,010,853	33,400,108
April	30,715,289	3,062,307	33,777,596
May	31,353,479	3,044,806	34,398,285
June	32,765,377	3,071,555	35,836,932
July	31,830,339	3,206,041	35,036,380
August	32,722,981	3,268,267	35,991,248
September	32,638,562	3,316,897	35,955,459
October	33,014,433	3,248,164	36,262,597
November	33,385,847	3,229,880	36,615,727
December	33,144,698	3,297,452	36,442,150
1999			
January	33,852,847	3,339,405	37,192,252
February	34,379,288	3,340,902	37,720,190
March	34,451,659	3,353,784	37,805,443
April	34,826,946	3,426,882	38,253,828
May	35,037,081	3,434,689	38,471,770
June	35,103,726	3,531,522	38,635,248
July	35,480,979	3,957,345	39,438,324
August	35,793,499	4,070,097	39,863,596
September	35,707,599	4,145,864	39,853,463
October	36,051,145	4,284,438	40,335,583
November	37,167,345	4,271,042	41,438,387
December	37,016,397	4,197,440	41,213,837

Taxable Money Market Fund Asset Composition

(millions of dollars)

	1997	1998	1999
Total Net Assets	**$898,083.1**	**$1,163,166.7**	**$1,408,731.0**
U.S. Treasury Bills	40,955.2	48,115.7	60,054.7
Other Treasury Securities	47,934.1	62,005.4	46,311.1
U.S. Securities	97,804.1	176,043.0	195,734.0
Repurchase Agreements	128,901.5	141,710.8	143,975.3
Certificates of Deposits	95,565.7	111,908.4	138,984.6
Eurodollar CDs	23,951.8	30,713.8	42,095.9
Commercial Paper	339,501.0	420,975.0	535,288.5
Bank Notes	21,017.4	33,668.5	33,828.2
Bankers Acceptances	3,472.6	2,860.5	2,884.3
Corporate Notes	0.0	50,255.0	94,010.8
Cash Reserves	1,479.5	(1,046.9)	(3,392.7)
Other Assets	97,500.2	85,957.5	118,956.3
Average Maturity	55	56	49
Number of Funds	682	685	702

Note: Prior to 1998, corporate notes are included in the "Other Assets" category.

Sales Due to Exchanges by Investment Objective

(millions of dollars)

	1997	1998	1999
Total	**$613,424.3**	**$742,855.5**	**$949,939.3**
Aggressive Growth	$71,669.2	$84,596.3	$122,117.6
Growth	61,093.9	91,807.7	128,962.1
Sector	39,376.9	41,172.7	53,726.9
World Equity–Emerging Markets	2,571.6	1,510.1	3,213.9
World Equity–Global	18,275.7	24,477.1	38,729.1
World Equity–International	27,330.1	31,455.4	53,143.1
World Equity–Regional	17,416.7	19,937.9	16,355.9
Growth and Income	53,066.3	60,457.5	68,447.5
Income Equity	10,421.6	10,370.8	7,636.4
Total Equity Funds	**$301,222.0**	**$365,785.5**	**$492,332.5**
Asset Allocation	$2,912.0	$2,554.2	$2,467.2
Balanced	6,520.7	7,558.1	8,078.0
Flexible Portfolio	2,029.5	2,635.3	2,274.4
Income–Mixed	1,960.7	2,739.5	1,515.4
Total Hybrid Funds	**$13,422.9**	**$15,487.1**	**$14,335.0**
Corporate Bond–General	$1,703.5	$3,067.0	$2,476.0
Corporate Bond–Intermediate-term	3,562.2	6,188.7	5,330.5
Corporate Bond–Short-term	2,711.1	3,849.9	5,687.0
High-yield Bond	12,588.2	13,919.6	13,000.2
World Bond–Global General	1,793.0	1,799.2	972.7
World Bond–Global Short-term	765.1	649.6	104.6
World Bond–Other	765.0	491.6	316.0
Government Bond–General	2,097.0	6,078.5	5,785.6
Government Bond–Intermediate-term	1,813.6	4,670.3	4,262.3
Government Bond–Short-term	2,456.4	3,882.3	5,243.4
Government Bond–Mortgage-backed	3,390.1	6,160.7	7,849.2
Strategic Income	3,770.1	8,162.0	6,575.4
State Municipal–General	7,957.7	6,971.7	6,383.5
State Municipal–Short-term	351.1	513.3	601.0
National Municipal Bond–General	17,999.8	14,828.1	14,004.5
National Municipal Bond–Short-term	1,970.9	2,030.1	3,051.1
Total Bond Funds	**$65,694.8**	**$83,262.6**	**$81,643.0**
Taxable Money Market–Government	$27,994.5	$29,338.1	$50,027.5
Taxable Money Market–Non-government	190,475.9	232,955.9	289,513.4
National Tax-exempt Money Market	10,008.6	11,541.2	16,250.6
State Tax-exempt Money Market	4,605.6	4,485.1	5,837.3
Total Money Market Funds	**$233,084.6**	**$278,320.3**	**$361,628.8**

Note: Data for funds that invest in other mutual funds were excluded from the series.

Redemptions Due to Exchanges by Investment Objective

(millions of dollars)

	1997	1998	1999
Total	**$618,487.2**	**$743,366.6**	**$947,387.8**
Aggressive Growth	$71,510.0	$89,914.6	$113,995.3
Growth	60,161.1	86,971.0	114,311.8
Sector	37,830.5	41,535.0	49,545.6
World Equity–Emerging Markets	2,704.2	1,851.2	2,855.9
World Equity–Global	18,059.2	26,795.6	39,378.7
World Equity–International	28,323.3	34,621.3	52,360.5
World Equity–Regional	19,625.5	19,490.7	16,054.5
Growth and Income	43,664.3	61,117.0	75,772.2
Income Equity	9,280.2	11,857.3	14,920.0
Total Equity Funds	**$291,158.3**	**$374,153.7**	**$479,194.5**
Asset Allocation	$2,920.6	$4,483.2	$4,617.0
Balanced	6,531.5	8,458.5	12,257.1
Flexible Portfolio	2,407.6	3,031.3	3,952.9
Income–Mixed	2,994.0	3,461.3	4,823.8
Total Hybrid Funds	**$14,853.7**	**$19,434.3**	**$25,650.8**
Corporate Bond–General	$2,070.7	$2,594.2	$3,073.6
Corporate Bond–Intermediate-term	3,505.0	4,415.2	5,968.4
Corporate Bond–Short-term	3,051.7	3,646.3	4,999.8
High-yield Bond	11,036.4	14,943.5	15,780.5
World Bond–Global General	2,623.2	2,328.6	1,463.9
World Bond–Global Short-term	744.6	695.8	193.8
World Bond–Other	794.9	621.8	466.2
Government Bond–General	3,088.2	5,249.2	7,160.0
Government Bond–Intermediate-term	2,054.5	3,394.9	4,734.4
Government Bond–Short-term	3,611.4	4,459.4	6,726.5
Government Bond–Mortgage-backed	4,316.1	5,843.8	8,221.1
Strategic Income	3,721.7	6,607.3	8,174.3
State Municipal–General	9,655.0	7,285.1	8,647.1
State Municipal–Short-term	365.6	403.1	675.3
National Municipal Bond–General	18,977.6	14,867.0	16,789.5
National Municipal Bond–Short-term	2,091.7	1,897.4	3,071.6
Total Bond Funds	**$71,708.3**	**$79,252.6**	**$96,146.0**
Taxable Money Market–Government	$27,256.2	$26,875.9	$46,285.4
Taxable Money Market–Non-government	199,484.4	227,799.1	281,290.9
National Tax-exempt Money Market	9,426.9	11,037.6	13,640.3
State Tax-exempt Money Market	4,599.4	4,813.4	5,179.9
Total Money Market Funds	**$240,766.9**	**$270,526.0**	**$346,396.5**

Note: Data for funds that invest in other mutual funds were excluded from the series.

Net Sales Due to Exchanges by Investment Objective

(millions of dollars)

	1997	1998	1999
Total	**($5,062.9)**	**($511.1)**	**$2,551.5**
Aggressive Growth	$159.2	($5,318.3)	$8,122.3
Growth	932.8	4,836.7	14,650.3
Sector	1,546.4	(362.3)	4,181.2
World Equity–Emerging Markets	(132.6)	(341.1)	358.0
World Equity–Global	216.5	(2,318.5)	(649.6)
World Equity–International	(993.2)	(3,165.9)	782.6
World Equity–Regional	(2,208.8)	447.2	301.5
Growth and Income	9,402.0	(659.5)	(7,324.7)
Income Equity	1,141.4	(1,486.5)	(7,283.6)
Total Equity Funds	**$10,063.7**	**($8,368.2)**	**$13,138.0**
Asset Allocation	($8.6)	($1,929.0)	($2,149.8)
Balanced	(10.8)	(900.4)	(4,179.0)
Flexible Portfolio	(378.1)	(396.0)	(1,678.5)
Income–Mixed	(1,033.3)	(721.8)	(3,308.4)
Total Hybrid Funds	**($1,430.8)**	**($3,947.2)**	**($11,315.7)**
Corporate Bond–General	($367.2)	$472.8	($597.5)
Corporate Bond–Intermediate-term	57.2	1,773.5	(637.9)
Corporate Bond–Short-term	(340.6)	203.6	687.2
High-yield Bond	1,551.8	(1,023.9)	(2,780.3)
World Bond–Global General	(830.2)	(529.4)	(491.3)
World Bond–Global Short-term	20.5	(46.2)	(89.2)
World Bond–Other	(29.9)	(130.2)	(150.2)
Government Bond–General	(991.2)	829.3	(1,374.4)
Government Bond–Intermediate-term	(240.9)	1,275.4	(472.1)
Government Bond–Short-term	(1,155.0)	(577.1)	(1,483.1)
Government Bond–Mortgage-backed	(926.0)	316.9	(371.9)
Strategic Income	48.4	1,554.7	(1,598.9)
State Municipal–General	(1,697.3)	(313.4)	(2,263.6)
State Municipal–Short-term	(14.5)	110.2	(74.3)
National Municipal Bond–General	(977.8)	(38.9)	(2,785.0)
National Municipal Bond–Short-term	(120.8)	132.7	(20.5)
Total Bond Funds	**($6,013.5)**	**$4,010.0**	**($14,503.0)**
Taxable Money Market–Government	$738.3	$2,462.2	$3,742.1
Taxable Money Market–Non-government	(9,008.5)	5,156.8	8,222.5
National Tax-exempt Money Market	581.7	503.6	2,610.2
State Tax-exempt Money Market	6.2	(328.3)	657.4
Total Money Market Funds	**($7,682.3)**	**$7,794.3**	**$15,232.2**

Note: Data for funds that invest in other mutual funds were excluded from the series.

Assets of Major Institutions and Financial Intermediaries

(millions of dollars)

	1993	1994	1995	1996	1997	1998	1999
Depository Institutions	**$5,193,690.0**	**$5,461,960.0**	**$5,817,220.0**	**$6,072,190.0**	**$6,557,010.0**	**$7,122,040.0**	**$7,560,620.0**
Commercial Banks[a]	3,891,810.0	4,159,710.0	4,493,800.0	4,710,400.0	5,174,550.0	5,642,130.0	5,994,080.0
Credit Unions[b]	281,710.0	293,600.0	310,660.0	330,110.0	353,830.0	391,480.0	415,130.0
Savings Institutions[c]	1,020,170.0	1,008,650.0	1,012,760.0	1,031,680.0	1,028,630.0	1,088,430.0	1,151,410.0
Life Insurance	**1,754,880.0**	**1,862,890.0**	**2,063,610.0**	**2,246,290.0**	**2,514,800.0**	**2,769,520.0**	**3,104,510.0**
Investment Institutions	**4,238,938.9**	**4,311,878.1**	**5,391,975.6**	**6,353,023.0**	**7,982,754.7**	**9,676,184.8**	**7,004,778.6**
Bank-administered Trusts[d]	2,050,122.0	2,043,197.0	2,444,822.9	2,684,453.4	3,364,446.6	3,999,320.7	N/A
Closed-end Investment Companies	118,793.4	113,285.1	135,668.7	142,299.6	150,107.5	151,654.8	158,225.4
Mutual Funds[e]	2,070,023.5	2,155,396.0	2,811,484.0	3,526,270.0	4,468,200.6	5,525,209.3	6,846,339.2

[a]Includes U.S.-chartered commercial banks, foreign banking offices in the U.S., bank holding companies, and banks in affiliated areas.
[b]Includes only federal or federally insured state credit unions serving natural persons.
[c]Includes mutual savings banks, federal savings banks, and savings & loan associations.
[d]Reflects only discretionary trusts and agencies.
[e]Includes short-term funds; excludes funds of funds.
N/A=Not available

Source: Federal Reserve Board, Federal Financial Institutions Examination Council, and Investment Company Institute

Assets of Fiduciary, Business, and Other Institutional Investors*

(millions of dollars)

Equity, Hybrid, and Bond Funds

	1997	1998	1999
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians, and Administrators)	**$326,898.0**	**$378,129.9**	**$420,850.0**
Business Organizations	**1,112,830.6**	**1,426,639.1**	**1,895,936.2**
Business Corporations	68,943.3	91,857.2	113,932.1
Retirement Plans	658,835.0	866,186.0	1,130,607.7
Insurance Companies and Other Financial Institutions	385,052.3	468,595.9	651,396.4
Non-profit Organizations	**33,664.2**	**41,642.5**	**51,515.6**
Other Institutional Investors Not Classified**	**22,562.0**	**17,929.5**	**25,429.9**
Total	**$1,495,954.8**	**$1,864,341.0**	**$2,393,731.7**

Note: Reporters of institutional data represented 86.0% of total assets in 1997, 82.4% in 1998, and 81.4 % in 1999.

Taxable Money Market Funds

	1997	1998	1999
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians, and Administrators)	**$137,282.0**	**$177,662.4**	**$196,540.0**
Business Organizations	**267,123.3**	**339,186.6**	**435,871.3**
Business Corporations	100,160.4	145,682.6	180,321.3
Retirement Plans	70,786.1	75,428.3	94,793.3
Insurance Companies and Other Financial Institutions	96,176.8	118,075.7	160,756.7
Non-profit Organizations	**10,519.8**	**16,621.3**	**16,478.3**
Other Institutional Investors Not Classified**	**11,123.9**	**12,680.1**	**23,090.9**
Total	**$426,049.0**	**$546,150.4**	**$671,980.5**

Note: Reporters of institutional data represented 58.1% of total assets in 1997, 56.5% in 1998, and 57.9% in 1999.

Tax-exempt Money Market Funds

	1997	1998	1999
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians, and Administrators)	**$24,002.9**	**$33,894.1**	**$32,270.8**
Business Organizations	**20,561.8**	**21,315.2**	**21,525.9**
Business Corporations	10,635.8	10,361.0	11,357.8
Retirement Plans	996.3	798.9	667.2
Insurance Companies and Other Financial Institutions	8,929.7	10,155.3	9,500.9
Non-profit Organizations	**533.1**	**1,503.1**	**598.1**
Other Institutional Investors Not Classified**	**1,034.3**	**774.0**	**1,308.4**
Total	**$46,132.1**	**$57,486.4**	**$55,703.2**

Note: Tax-exempt money market fund reporters represented 55.6% of total net assets in 1997, 58.6% in 1998, and 61.7% in 1999.

**Data for funds that invest in other mutual funds were excluded from the series.*

***Includes institutional assets for which no determination can be made.*

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

	Individual			Institutional		
	1997	**1998**	**1999**	**1997**	**1998**	**1999**
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians, and Administrators)	**$51,508.5**	**$77,851.1**	**$87,031.8**	**$85,773.5**	**$99,811.3**	**$109,508.2**
Business Organizations	**104,525.2**	**108,442.4**	**115,785.0**	**162,598.1**	**230,744.3**	**320,086.4**
Business Corporations	44,032.9	49,871.1	50,525.6	56,127.5	95,811.6	129,795.8
Retirement Plans	37,304.7	40,849.3	47,115.7	33,481.5	34,578.9	47,677.6
Insurance Companies and Other Financial Institutions	23,187.6	17,722.0	18,143.7	72,989.1	100,353.8	142,613.0
Non-profit Organizations	**3,613.2**	**6,137.4**	**7,543.9**	**6,906.6**	**10,483.9**	**8,934.4**
Other Institutional Investors Not Classified*	**6,719.1**	**6,665.9**	**9,554.0**	**4,404.7**	**6,014.2**	**13,536.8**
Total	**$166,366.0**	**$199,096.8**	**$219,914.7**	**$259,682.9**	**$347,053.7**	**$452,065.8**

**Includes institutional accounts for which no determination of classification can be made.*

Worldwide Assets of Open-end Investment Companies

(millions of U.S. dollars)

NON-USA COUNTRIES		1994	1995	1996	1997	1998	1999[a]
Argentina		$389	$631	$1,869	$5,247	$6,930	$7,023
Australia		44,036	36,505	47,761	42,909	44,124[b]	N/A
Austria[c]		23,492	33,452	39,543	44,930	63,772	74,557
Belgium		18,877	25,553	29,247	33,658	56,339	59,917
Brazil		54,426	63,637	103,786	108,606	118,687	99,700
Canada[c]		90,349	107,812	154,529	197,985	213,451	242,361
Chile		2,503	2,843	2,934	4,549	2,910	3,987
Czech Republic		N/A	N/A	N/A	361	556	1,268
Denmark		5,448	6,455	9,338	13,037	19,450	23,031
Finland		1,089	1,211	2,510	3,534	5,695	7,447[d]
France		496,743	519,376	534,145	495,774	626,154	700,836
Germany	Public	112,697	134,543	137,860	146,888	195,701	209,949
	Special	160,335	213,047	241,642[e]	N/A	N/A	N/A
Greece		6,111	10,303	15,788	25,759	32,194	37,771
Hong Kong		29,522	33,695	41,017	58,456	98,767	138,136
Hungary		N/A	N/A	N/A	713	1,476	1,632
India		11,669	10,107	9,717[f]	9,353	8,685	N/A
Ireland[g]		7,806	8,461	7,735	22,729	22,520[h]	N/A
Italy		79,402	79,878	129,992	209,410	439,701	485,850
Japan		435,603	469,980	420,103	311,335	376,533	472,233
Korea		81,304	92,405	N/A	N/A	N/A	185,159
Luxembourg		283,020	285,448	338,236	390,623	N/A	N/A
Mexico		N/A	9,025	N/A	N/A	N/A	N/A
Netherlands[c]		62,100	62,128	67,147	70,373	87,996	N/A
New Zealand[c]		2,471	6,868	7,686	7,519	7,250	7,927
Norway		5,119	6,834	9,930	13,058	11,148	13,471
Philippines		N/A	N/A	N/A	N/A	N/A	96
Poland		N/A	N/A	N/A	N/A	506	N/A
Portugal		12,854	14,233	17,079	15,472	23,299	21,884
Russia		N/A	N/A	6	41	29	94
South Africa		7,421	9,226	9,354	12,688	12,160	15,635
Spain		84,877	99,923	144,134	177,192	238,917	219,392
Sweden		20,208	27,388	34,981	45,452	54,923	67,234
Switzerland		38,864	44,638	48,166	53,444	69,151	72,927[d]
Taiwan		3,616	4,388	8,351[i]	12,365	20,310	28,142
United Kingdom[j]		133,092	154,452	201,304	235,683	283,711	326,571
TOTAL NON-USA		**2,315,443**	**2,574,445**	**2,815,890**	**2,769,143**	**3,143,045**	**3,524,230**
USA[j]	(long-term)	1,544,392	2,058,466	2,624,463[j]	3,409,315	4,173,531	5,233,194*
	(short-term)	611,005	753,018	901,807	1,058,886	1,351,678	1,613,146*
TOTAL USA		**2,155,396**	**2,811,484**	**3,526,270**	**4,468,201**	**5,525,209**	**6,846,339***
TOTAL WORLD		**$4,470,839**	**$5,385,929**	**$6,342,160**	**$7,237,344**	**$8,668,254**	**$10,370,569**

[a] *As of September 30, 1999.*
[b] *As of September 30, 1998.*
[c] *Includes real estate funds.*
[d] *As of June 30, 1999.*
[e] As of September 30, 1996.
[f] *As of March 31, 1996.*
[g] *Approximately 95 percent relates to life assurance-linked funds; the other 5 percent are unit investment trusts. International Financial Service Center funds are not included.*
[h] *As of March 31, 1998.*
[i] *As of June 30, 1996.*
[j] *Funds of funds not included.*
**Data for USA as of December 31, 1999.*

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

Source: European Federation of Investment Funds and Companies, Investment Company Institute

Worldwide Number of Open-end Investment Companies

NON-USA COUNTRIES		1994	1995	1996	1997	1998	1999[a]
Argentina		86	109	149	195	229	227
Australia		698	752	1,047	488	569b	N/A
Austria[c]		387	452	517	625	821	1,218
Belgium		211	277	330	458	631	738
Brazil		830	1,172	1,143	1,502	1,601	1,685
Canada[c]		813	916	954	1,023	1,130	1,244
Chile		55	64	77	92	102	112
Czech Republic		N/A	N/A	N/A	47	56	60
Denmark		158	168	189	222	240	285
Finland		39	44	62	81	114	149[d]
France		4,826	4,878	5,379	5,797	6,274	6,439
Germany	Public	528	583	641	717	848	864
	Special	N/A	2,609	2,839[e]	N/A	N/A	N/A
Greece		93	119	148	162	179	192
Hong Kong		630	670	708	772	712	810
Hungary		N/A	N/A	N/A	37	66	80
India		33	42	42[f]	64	97	N/A
Ireland[g]		293	285	260	260	260[h]	N/A
Italy		354	459	531	626	703	791
Japan		6,306	6,408	5,879	5,203	4,534	3,686
Korea		1,404	1,943	N/A	N/A	N/A	11,326
Luxembourg		1,007	3,081	3,234	4,064	N/A	N/A
Mexico		N/A	252	N/A	N/A	N/A	N/A
Netherlands[c]		136	159	179	289	334	N/A
New Zealand[c]		162	475	551	629	633	630
Norway		159	185	188	233	264	286
Philippines		N/A	N/A	N/A	N/A	N/A	15
Poland		N/A	N/A	N/A	N/A	38	N/A
Portugal		129	150	151	163	197	221
Russia		N/A	N/A	4	18	28	28
South Africa		69	91	107	149	191	240
Spain		656	743	958	1,456	1,866	2,096
Sweden		314	298	316	344	366	397
Switzerland		216	218	251	296	325	332[d]
Taiwan		43	67	82[i]	127	174	208
United Kingdom[j]		1,452	1,490	1,452	1,455	1,541	1,620
TOTAL NON-USA		**22,087**	**29,159**	**28,368**	**27,594**	**25,123**	**35,979**
USA[j]	(long-term)	4,367	4,731	5,266	5,671	6,288	6,746*
	(short-term)	963	997	988	1,013	1,026	1,045*
TOTAL USA		**5,330**	**5,728**	**6,254**	**6,684**	**7,314**	**7,791***
TOTAL WORLD		**27,417**	**34,887**	**34,622**	**34,278**	**32,437**	**43,770**

[a]As of September 30, 1999.
[b]As of September 30, 1998.
[c]Includes real estate funds.
[d]As of June 30, 1999.
[e]As of September 30, 1996.
[f]As of March 31, 1996.
[g]Approximately 95 percent relates to life assurance-linked funds; the other 5 percent are unit investment trusts. International Financial Service Center funds are not included.
[h]As of March 31, 1998.
[i]As of June 30, 1996.
[j]Funds of funds not included.
**Data for USA as of December 31, 1999.*

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

Source: European Federation of Investment Funds and Companies, Investment Company Institute

Data Points

Page 13—Assets of Mutual Funds

(billions of dollars)

	Equity, Hybrid, and Bond Funds	Money Market Funds	Total
'40	0.4		0.4
'50	2.5		2.5
'60	17.0		17.0
'70	47.6		47.6
'71	55.0		55.0
'73	46.5		46.5
'75	42.2	3.7	45.9
'77	45.0	3.9	48.9
'79	49.0	45.5	94.5
'81	55.2	186.2	241.4
'83	113.6	179.3	292.9
'85	251.5	243.8	495.3
'87	453.1	316.1	769.2
'89	552.5	428.1	980.6
'91	850.7	542.4	1,393.1
'93	1,504.7	565.3	2,070.0
'95	2,058.5	753.0	2,811.5
'97	3,409.3	1,058.9	4,468.2
'99	5,233.2	1,613.1	6,846.3

Page 39—Mutual Fund Shareholder Accounts

(millions)

	Equity, Hybrid, and Bond Funds	Money Market Funds
'40	0.3	
'50	0.9	
'60	4.9	
'70	10.7	
'71	10.9	
'73	10.3	
'75	9.7	0.2
'77	8.5	0.2
'79	7.5	2.3
'81	7.2	10.3
'83	12.1	12.5
'85	19.9	14.9
'87	36.8	17.6
'89	36.9	21.3
'91	44.7	23.6
'93	69.7	23.6
'95	101.0	30.0
'97	134.9	35.7
'99	184.1	43.6

Page 42—Purchases of Equities by Households

(billions of dollars)

	Purchases Made Through Mutual Funds	Purchases Made Outside Mutual Funds
1984	5	(73)
1985	10	(129)
1986	20	(129)
1987	33	(141)
1988	(40)	(132)
1989	2	(108)
1990	14	(35)
1991	50	(61)
1992	61	(31)
1993	125	(120)
1994	122	(185)
1995	87	(223)
1996	218	(362)
1997	214	(509)
1998	183	(512)
1999	159	(416)

Page 43—Total Holdings of Equities by Households

(percent of total financial assets of households and the real value of the S&P 500 Index, deflated by the Consumer Price Index)

	U.S. Households' Equity Holdings	S&P 500 Index
1957	23.0	100.0
1958	27.3	135.6
1959	28.6	144.0
1960	27.8	138.2
1961	31.0	168.0
1962	29.2	146.4
1963	30.1	171.4
1964	31.8	191.0
1965	33.1	205.6
1966	29.1	172.7
1967	32.3	200.4
1968	34.5	205.1
1969	29.1	171.7
1970	27.4	161.5
1971	28.2	173.0
1972	30.3	194.3
1973	22.6	153.5
1974	14.6	97.2
1975	17.6	119.6
1976	19.5	134.0
1977	15.9	111.7
1978	14.5	104.1
1979	15.2	105.6
1980	17.0	118.4
1981	14.4	96.9
1982	14.5	105.7
1983	15.1	119.0
1984	13.5	115.0
1985	15.0	139.3
1986	16.2	153.7
1987	15.5	150.3
1988	16.5	161.6
1989	18.7	197.0
1990	16.7	174.8
1991	20.9	211.4
1992	22.2	213.4
1993	24.0	221.6
1994	22.9	212.3
1995	27.2	276.3
1996	29.3	323.9
1997	32.5	415.2
1998	33.9	513.9
1999	37.4	601.8

Glossary of Mutual Fund Terms

For an explanation of fund types, see pages 14-16.

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 that discuss the fund's performance over a certain time period and identify the securities in the fund's portfolio on a specific date.

Appreciation–An increase in an investment's value.

Asked or Offering Price–(As seen in some mutual fund newspaper listings, see page 18.) 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 current dollar value of the pool of money shareholders have invested in a fund.

Automatic Reinvestment–A fund service giving shareholders the option to purchase additional shares using dividend and capital gain distributions.

Average Portfolio Maturity–The average maturity of all the bonds in a bond fund's portfolio.

Bear Market–A period during which securities prices in a particular market (such as the stock market) are generally falling.

Bid or Sell Price–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, or IOU, 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 usually pays the bondholder periodic 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 securities prices in a particular market (such as the stock market) are generally rising.

Capital Gain Distribution–Profits distributed to shareholders resulting from the sale of securities held in the fund's portfolio for more than one year.

Closed-end Fund–A type of investment company that has a fixed number of shares which are publicly traded. The price of a closed-end fund's shares fluctuate based on investor supply and demand. Closed-end funds are not required to redeem shares and have managed portfolios.

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. 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 ownership.

Credit Risk–The possibility that a bond issuer may not be able to pay interest and repay its debt.

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

Depreciation–A decline in an investment's value.

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.

Dollar-cost Averaging–The practice of investing a fixed amount of money at regular intervals, regardless of whether the securities markets are declining or rising.

Exchange Privilege–A fund option enabling shareholders to transfer their investments from one fund to another within the same fund family as their needs or objectives change. Typically, fund companies allow exchanges several times a year for a low or no fee.

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 it 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—expressed as a percentage of its assets.

Face Value–The amount that a bond's issuer must repay at the maturity date.

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 make tax-deferred contributions from their salaries to the plan.

403(b) Plan–An employer-sponsored retirement plan that enables employees of universities, public schools, and non-profit organizations to make tax-deferred contributions from their salaries to the plan.

457 Plan–An employer-sponsored retirement plan that enables employees of state and local governments and other tax-exempt employers to make tax-deferred contributions from their salaries to the plan.

Hedge Fund–A private investment pool for wealthy investors that, unlike a mutual fund, is exempt from SEC regulation.

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 and invest funds until retirement.

Inflation Risk–The risk that a portion of an investment's return may be eliminated by inflation.

Interest Rate Risk–The possibility that a bond's or bond mutual fund's value will decrease due to rising interest rates.

Investment Adviser–An organization employed by a mutual fund to give professional advice on the fund's investments and asset management practices.

Investment Company–A corporation, trust, or partnership that invests pooled shareholder dollars in securities appropriate to the organization's objective. Mutual funds, closed-end funds, and unit investment trusts are the three main types of investment companies.

Investment Objective–The goal that an investor and mutual fund pursue together (e.g., current income, long-term capital growth, etc.).

Issuer–The company, municipality, or government agency that issues a security, such as a stocks, bonds, or money market instruments.

Large-cap Stocks–Stocks of large-capitalization companies, which are generally considered to be companies whose total outstanding shares are valued at $2 billion or more.

Liquidity–The ability to gain ready access to invested money. Mutual funds are liquid because their shares can be redeemed for current value (which may be more or less than the original cost) on any business day.

Long-term Funds–A mutual fund industry designation for all funds other than money market funds. Long-term funds are broadly divided into equity (stock), bond, and hybrid funds.

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

Maturity–The date by which an issuer promises to repay a bond's face value.

Mutual Fund–An investment company that stands ready to buy back its shares at their current net asset value, which is the total market value of the fund's investment portfolio divided by the number of shares outstanding. Most mutual funds continuously offer 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 (NAV)–The per-share value of a mutual fund, found by subtracting the fund's liabilities from its assets and dividing by the number of shares outstanding. Mutual funds calculate their NAVs at least once daily.

No-load Fund–A mutual fund whose shares are sold without a sales commission and without a 12b-1 fee of more than .25 percent per year.

Open-end Investment Company–The legal name for a mutual fund, indicating that it stands ready to redeem (buy back) its shares from investors.

Operating Expenses–Business costs paid from a fund's assets before earnings are distributed to shareholders. These include management fees, 12b-1 fees, and other expenses.

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 the fund.

Pooling–The 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 Manager–A specialist employed by a mutual fund's adviser to invest the fund's assets in accordance with predetermined investment objectives.

Portfolio Turnover–A measure of the trading activity in a fund's investment portfolio—how often securities are bought and sold by a fund.

Prepayment Risk–The possibility that a bond owner will receive his or her principal investment back from the issuer prior to the bond's maturity date.

Principal–See Face Value.

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 prospective investors. The prospectus contains information required by the SEC, such as investment objectives and policies, risks, services, and fees.

Quality–The creditworthiness of a bond issuer, which indicates the likelihood that it will be able to repay its debt.

Redeem–To cash in mutual fund shares by selling them back to the fund. Mutual fund shares may be redeemed on any business day. An investor receives the current share price, called net asset value, minus any deferred sales charge or redemption fee.

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 current market value of its underlying investment portfolio at that time.

Reinvestment Privilege–An option whereby mutual fund dividend and capital gain distributions automatically buy new fund shares.

Risk/Reward Tradeoff–The principle that an investment must offer higher potential returns as compensation for the likelihood of increased volatility.

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–An amount charged for the sale of some fund shares, usually those sold by brokers or other sales professionals. By regulation, a mutual fund sales charge may not exceed 8.5 percent of an investment purchase. 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).

Series Fund–A group of different mutual funds, each with its own investment objective and policies, that is structured as a single corporation or business trust.

Share Classes (e.g., Class A, Class B, etc.)–Represent ownership in the same fund, but with different fee charges. This enables shareholders to choose the type of fee structure that best suits their particular needs.

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

Short-term Funds–Another term for money market funds.

Small-cap Stocks–Stock of small-capitalization companies, which are generally considered to be companies whose total outstanding shares are valued at less than $1 billion.

Statement of Additional Information (SAI)–The supplementary document to a prospectus that contains more detailed information about a mutual fund; also known as "Part B" of the prospectus.

Stock–A share of ownership or equity in a corporation.

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.

12b-1 Fee–A mutual fund fee, named for the SEC rule that permits it, used to pay for distribution costs, such as advertising and commissions paid to dealers. If a fund has a 12b-1 fee, it will be disclosed in the fee table of a fund's prospectus.

Underwriter–The organization that sells a mutual fund's shares to broker/dealers and investors.

Unit Investment Trust (UIT)–An investment company that buys and holds a fixed number of shares until the trust's termination date. When the trust is dissolved, proceeds are paid to shareholders. A UIT has an unmanaged portfolio. Like a mutual fund, shares of a UIT can be redeemed on any business day.

U.S. Securities and Exchange Commission (SEC)–The primary U.S. government agency responsible for the regulation of the day-to-day operations and disclosure obligations of mutual funds.

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 fund service allowing shareholders to receive income or principal payments from their fund account at regular intervals.

Yield–A measure of net income (dividends and interest) earned by the securities in a fund's portfolio less the fund's expenses during a specified period. A fund's yield is expressed as a percentage of the maximum offering price per share on a specified date.