2008 INVESTMENT COMPANY FACT BOOK

48th Edition

A Review of Trends and Activity in the Investment Company Industry

www.icifactbook.org

ICI INVESTMENT COMPANY INSTITUTE®

Significant Events in

FUND HISTORY

1774 Dutch merchant and broker Adriaan van Ketwich invited subscriptions from investors to form a trust, the *Eendragt Maakt Magt*, with the aim of providing investment diversification opportunities to investors of limited means.

1868 The Foreign and Colonial Government Trust, the precursor to the U.S. investment fund model, is formed in London. This trust provides "the investor of moderate means the same advantages as large capitalists …"

1924 The first mutual funds are established in Boston.

1933 The Securities Act of 1933 regulates the registration and offering of new securities, including mutual fund and closed-end fund shares, to the public.

1934 The Securities Exchange Act of 1934 authorizes the U.S. Securities and Exchange Commission (SEC) to provide for fair and equitable securities markets.

1936 The Revenue Act of 1936 establishes the tax treatment of mutual funds and their shareholders. Closed-end funds were covered by the Act in 1942.

1940 The Investment Company Act of 1940 is signed into law, setting the structure and regulatory framework for registered investment companies. The forerunner to the National Association of Investment Companies (NAIC) is formed. The NAIC will become the Investment Company Institute.

1944 The NAIC begins collecting investment company industry statistics.

1951 The total number of mutual funds surpasses 100, and the number of shareholder accounts exceeds one million for the first time.

1954 Households' net purchases of fund shares exceed those of corporate stock. NAIC initiates a nationwide public information program emphasizing the role of investors in the U.S. economy and explaining the concept of investment companies.

1955 The first U.S.-based international mutual fund is introduced.

1961 The first tax-free unit investment trust is offered. The NAIC changes its name to the Investment Company Institute (ICI) and welcomes fund advisers and underwriters as members.

1962 The Self-Employed Individuals Tax Retirement Act creates savings opportunities (Keogh plans) for self-employed individuals.

1971 Money market mutual funds are introduced.

1974 The Employee Retirement Income Security Act (ERISA) creates the Individual Retirement Account (IRA) for workers not covered by employer-sponsored retirement plans.

(continued inside back cover)

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INVESTMENT COMPANY INSTITUTE®

The Investment Company Institute (ICI) is the national association of U.S. investment companies. ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers.

Forty-Eighth Edition

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2008 Investment Company Fact Book

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A Letter From
ICI'S CHIEF ECONOMIST

The English language can be unkind to those who focus on details. Figures of speech such as "can't see the forest for the trees" are not intended as high praise, nor is the label "policy wonk" usually bestowed as a badge of respect, except within certain professional circles of Washington, DC. Conversely, to be called a Renaissance man is thought to be a high compliment, especially in our increasingly complex world.

The value that we place on the intricacies of life, though, depends on where we stand. Specialists in all fields make their livings focusing on details that others may dismiss as unnecessary distractions. Nevertheless, when we turn to them for their expertise we benefit from their depth of knowledge—we want our taxi drivers to have a command of the city's streets as much as our doctors to have mastered the latest medical research.

Public policy has its own set of details, and practitioners focus on the nuances of words, ideas, and data when weighing the effects of public policy initiatives. Laws and regulations create the institutional environment in which people make decisions, and studying these rules helps us understand how and why people make the choices they do. Ignoring the institutional setting can produce incorrect conclusions, and cause voters to push for public policy changes that are at best unhelpful and at worst harmful.

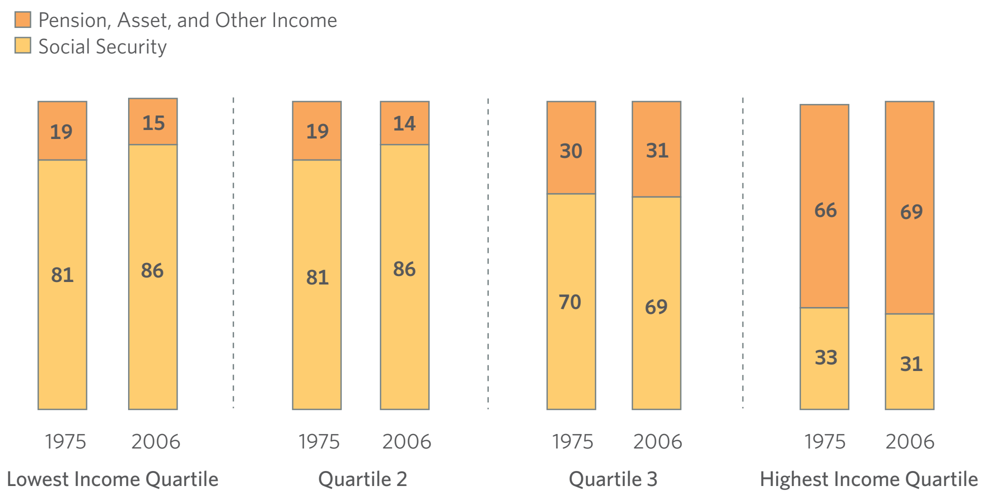
As Baby Boomers march toward retirement over the next two decades, public attention is focused on whether they are prepared. The prospect of 78 million Americans with insufficient retirement assets is a legitimate cause for concern, leading some to pine for the halcyon days of the traditional pension, ignoring the fact that most American workers received little or no benefits from these types of pensions. In this environment, a myth—that the private defined contribution pension system is failing workers—has arisen to meet our fears. To support this claim, commentators point to statistics showing that workers often have modest sums in retirement accounts at their current employers.

These statistics generate headlines, but reflect an incomplete measure of retirement savings. For example, they disregard the age and job tenure of workers, critical pieces of information when forecasting the potential of the private retirement system. Young and short-tenured workers do not have an opportunity to accumulate significant balances in their 401(k) and other defined contribution plans, not unlike the small benefits these same workers would accrue with traditional pensions. These statistics also overlook savings that workers may have accumulated in accounts with previous employers or in other types of retirement accounts, such as IRAs.

Another important institutional detail is the role of Social Security in financing retirement for many low- and moderate-income households. In truth, Social Security alone can allow many of these retirees to maintain a standard of living that is very close to what they had in their pre-retirement years. For the past three decades, Social Security has constituted a significant portion of Americans' retirement income, which they have supplemented with pensions and personal savings.

SOCIAL SECURITY IS THE PRIMARY SOURCE OF INCOME FOR MANY RETIREES

(percent of aggregate income of individuals age 65 or older who did not work, 1975 and 2006)



Note: Components may not add to 100 percent because of rounding.

Source: ICI tabulations of March 1976 and March 2007 Current Population Survey

These details are crucial to the public dialogue about retirement. They identify stress points in the current system, and help to form policy solutions to those problems. The research staff at ICI factors in these institutional details when applying statistical and analytical tools to address public policy questions. Our research, when combined with the legal, regulatory, and operational information and analysis produced by other ICI staff, is critical to informing ICI positions on public policy proposals.

The *2008 Investment Company Fact Book* provides an entry point to our extensive body of research and statistics on retirement savings, as well as statistics on, and analysis of, all types of registered investment companies and their investors, collectively referred to as funds and fund investors. The goals of ICI's research efforts are to understand and explain the institutional environment in which we live, to inform public policy discussions and decisions, and, ultimately, to help funds better serve their investors.

Brian Reid
Investment Company Institute
May 2008

As Chief Economist, Brian Reid leads the Institute's Research Department and is a member of the Institute's senior management team.

ICI Research:

STAFF AND PUBLICATIONS

ICI Senior Research Staff


Brian Reid


Sean Collins


Sarah Holden


Judy Steenstra

CHIEF ECONOMIST

Brian Reid leads the Institute's Research Department. The department serves as a source for statistical data on the investment company industry and conducts public policy research on fund industry trends, shareholder demographics, the industry's role in U.S. and foreign financial markets, and the retirement market. Prior to joining ICI in 1996, Reid served as an economist at the Federal Reserve Board of Governors. He has a PhD in economics from the University of Michigan and a BS in economics from the University of Wisconsin–Madison.

INDUSTRY AND FINANCIAL ANALYSIS

Sean Collins, *Senior Director of Industry and Financial Analysis*, heads ICI's research on the structure of the mutual fund industry, industry trends, and the broader financial markets. Collins, who joined ICI in 2000, is responsible for conducting and overseeing research on the flows, assets, and fees of mutual funds, as well as a major recent research initiative to better understand the costs and benefits of laws and regulations governing mutual funds. Prior to joining ICI, Collins was a staff economist at the Federal Reserve Board of Governors and at the Reserve Bank of New Zealand. He has a PhD in economics from the University of California, Santa Barbara and a BA in economics from Claremont McKenna College.

RETIREMENT AND INVESTOR RESEARCH

Sarah Holden, *Senior Director of Retirement and Investor Research*, leads the Institute's research efforts on investor demographics and behavior, retirement and tax policy, and international issues. Holden, who joined ICI in 1999, conducts and oversees research on the U.S. retirement market, retirement and tax policy, and the worldwide mutual fund industry, and leads ICI efforts to track trends in households' retirement saving activity and ownership of funds and other investments inside and outside retirement accounts. Prior to joining ICI, Holden served as an economist at the Federal Reserve Board of Governors. She has a PhD in economics from the University of Michigan and a BA in mathematics and economics from Smith College.

STATISTICAL RESEARCH

Judy Steenstra, *Senior Director of Statistical Research*, oversees the collection and publication of weekly, monthly, quarterly, and annual data on mutual funds, as well as data on closed-end funds, exchange-traded funds, unit investment trusts, and the worldwide mutual fund industry. Steenstra joined ICI in 1987, and was appointed Director of Statistical Research in 2000. She has a BS in marketing from the Pennsylvania State University.

ICI Research Department Staff

The ICI research department consists of 42 staff members, including economists, research assistants, policy analysts, and data assistants. This staff collected and disseminated data for all types of registered investment companies, and published nine public policy reports in 2007 offering detailed analyses of fund shareholders, the economics of investment companies, and the retirement and education savings markets.

2007 ICI Research Publications

INDUSTRY AND FINANCIAL ANALYSIS

» "Fees and Expenses of Mutual Funds, 2006," *Fundamentals*, June 2007

» *A Review of the SEC Office of Economic Analysis Board Independence Studies*, March 2007

INVESTOR RESEARCH

» "Shareholder Sentiment About the Mutual Fund Industry," *Fundamentals*, December 2007

» "Trends in Ownership of Mutual Funds in the United States, 2007," *Fundamentals*, November 2007

» "Why Do Mutual Fund Investors Use Professional Financial Advisers?" *Fundamentals*, May 2007

RETIREMENT AND TAX RESEARCH

» "The U.S. Retirement Market, Second Quarter 2007," *Fundamentals*, December 2007

» "The Economics of Providing 401(k) Plans: Services, Fees, and Expenses, 2006," *Fundamentals*, September 2007

» "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2006," *Perspective*, August 2007

» "The U.S. Retirement Market, 2006," *Fundamentals*, July 2007

A complete, updated list of ICI research publications is available on the Institute's public policy website at www.ici.org/stats/res/index.html.

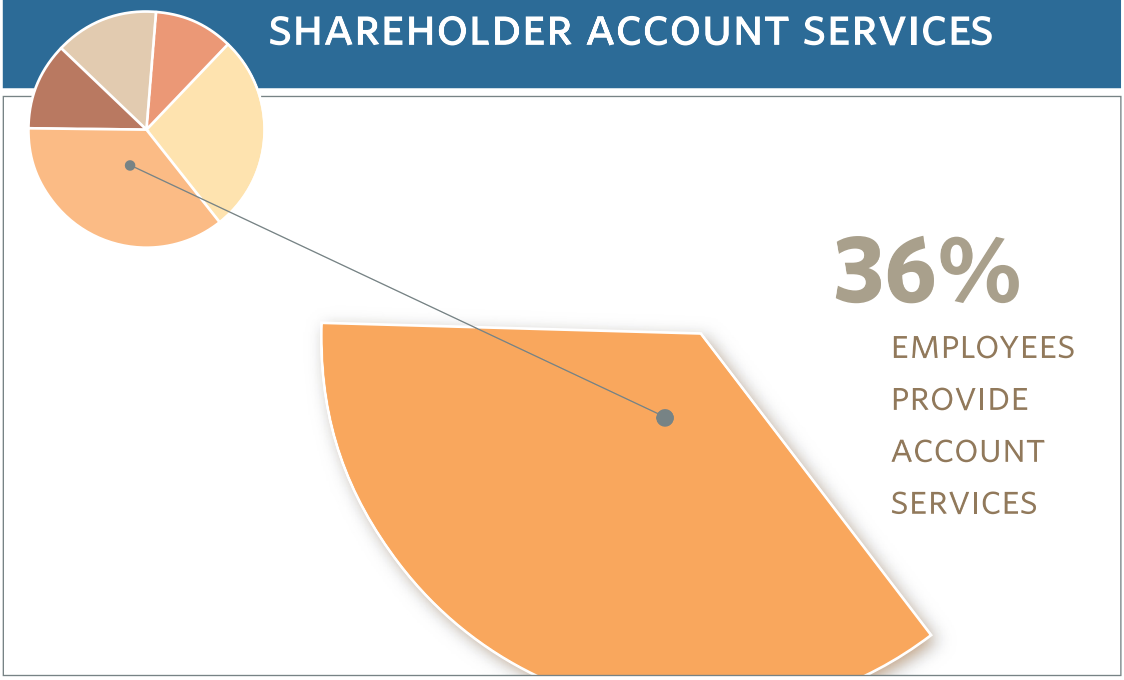
2007 Statistical Research

In 2007, the Institute's Research Department released more than 100 statistical reports examining the broader investment company industry as well as specific segments of the industry: money market funds, closed-end funds, exchange-traded funds, and unit investment trusts. ICI also regularly compiles and releases specialized statistical reports that measure mutual funds in the retirement, institutional, and worldwide markets. See Appendix B on page 172 for a more detailed description of ICI's regular statistical releases.

For more information about how to obtain copies of ICI's statistical releases and research publications, see Appendix B on page 172–173.

MORE THAN ONE-THIRD OF FUND INDUSTRY EMPLOYEES PROVIDE

SHAREHOLDER ACCOUNT SERVICES



1. OVERVIEW OF U.S.-REGISTERED INVESTMENT COMPANIES

U.S.-registered investment companies play a significant role in the U.S. economy and world financial markets. These funds managed $13 trillion in assets at the end of 2007 for 90 million U.S. investors. Funds supplied investment capital in securities markets around the world, and were among the largest group of investors in the U.S. stock, commercial paper, and municipal securities markets. Employment among fund service providers reached 168,000 U.S. workers. Worldwide, mutual fund assets reached $26 trillion.

This section provides a broad overview of U.S.-registered investment companies—mutual funds, closed-end funds, exchange-traded funds, unit investment trusts—and their sponsors.

Sources of Investment Company Growth in 2007

Registered investment companies managed a record $13 trillion at year-end 2007 (Figure 1.1), a $1.8 trillion increase from 2006. About 40 percent of this growth is due to fund performance. Major U.S. stock price indexes rose about 4 percent during the year, lifting assets of funds invested in domestic equity markets. Similarly, rising stock prices abroad boosted the returns on funds invested in foreign stocks. International stock and bond funds benefited further from a decline in the U.S. dollar and the resulting increase in the dollar value of foreign securities. In addition to these price gains, investors reinvested $234 billion in income dividends that mutual funds distributed during the year.

Fund assets also increased because of new investments. Shareholders added a record $883 billion to mutual funds in 2007. Continued demand for mutual funds in retirement accounts and strong stock market returns supported flows into stock, bond, and hybrid mutual funds. Relatively high yields on money market mutual funds and investor concerns about credit markets boosted flows into money market mutual funds. Other types of registered investment companies also experienced significant increases in investor demand. Flows into ETFs expanded considerably, with net share issuance (including reinvested dividends) reaching a record $151 billion. Excluding share buybacks, closed-end funds issued $31 billion in new shares during 2007, and UITs had gross issuance of $36 billion.

Americans' Reliance on Investment Companies Continues to Grow

Households are the largest group of investors in funds, and registered investment companies now manage 23 percent of households' financial assets, up from 8 percent in 1990 and less than 3 percent in 1980 (Figure 1.2). As households have increased their reliance on funds, their demand for directly held stocks and bonds has grown more slowly. For example, between 2003 through 2007, households purchased, on net, a total of $2.2 trillion in mutual funds (including through variable annuities), ETFs, and closed-end funds, while they sold nearly $3 trillion of directly held stock (Figure 1.3).

The growth of 401(k) and other defined contribution plans and the important role that mutual funds play in these plans explain some of households' heavier reliance on investment companies during the past two decades. Ten percent of household financial assets are invested in 401(k) and other defined contribution retirement plans, up from 6 percent in 1990. Mutual funds manage about half of the

FIGURE 1.1

INVESTMENT COMPANY ASSETS

(billions of dollars, 1995–2007)

	Mutual Funds[1]	Closed-End Funds	ETFs[2]	UITs	Total[3]
1995	$2,811	$143	$1	$73	$3,028
1996	3,526	147	2	72	3,747
1997	4,468	152	7	85	4,712
1998	5,525	156	16	94	5,791
1999	6,846	147	34	92	7,119
2000	6,965	143	66	74	7,248
2001	6,975	141	83	49	7,248
2002	6,390	159	102	36	6,687
2003	7,414	214	151	36	7,815
2004	8,107	254	228	37	8,626
2005	8,905	276	301	41	9,523
2006	10,412	298	423	50	11,183
2007	12,021	315	608	53	12,997

[1]Mutual fund data exclude mutual funds that primarily invest in other mutual funds.

[2]ETF data prior to 2001 were provided by Strategic Insight Simfund; ETF data include investment companies not registered under the Investment Company Act of 1940.

[3]Total investment company assets include mutual fund holdings of closed-end funds and ETFs.

Sources: Investment Company Institute and Strategic Insight Simfund

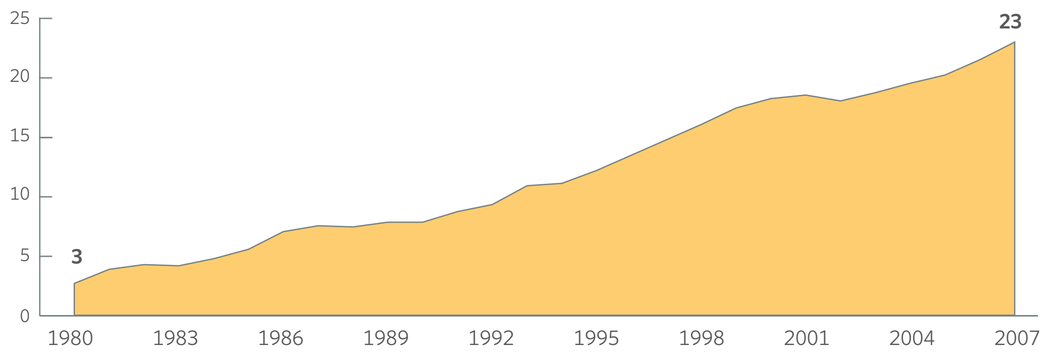
assets in these plans. Households also have invested in mutual funds outside of defined contribution plans. Individual Retirement Accounts (IRAs) make up 10 percent of household financial assets, and mutual funds manage 47 percent of IRA assets. Mutual funds also manage $4.4 trillion of assets that households hold in taxable accounts.

As individuals have increased their reliance on funds, so have businesses and other institutional investors such as pension and hedge funds. Institutions rely on mutual funds to manage a portion of their cash and other short-term assets. Money market funds targeting institutional investors attracted $488 billion in new cash during 2007. Some of this demand was attributable to the relative attractiveness of yields on money market mutual funds, which began the year at their highest level since 2001, prompting investors to direct a larger share of their cash holdings into money market funds. Then

FIGURE 1.2

SHARE OF HOUSEHOLD FINANCIAL ASSETS HELD IN INVESTMENT COMPANIES HAS GROWN STEADILY SINCE 1980

(share of household financial assets, percent, 1980–2007)

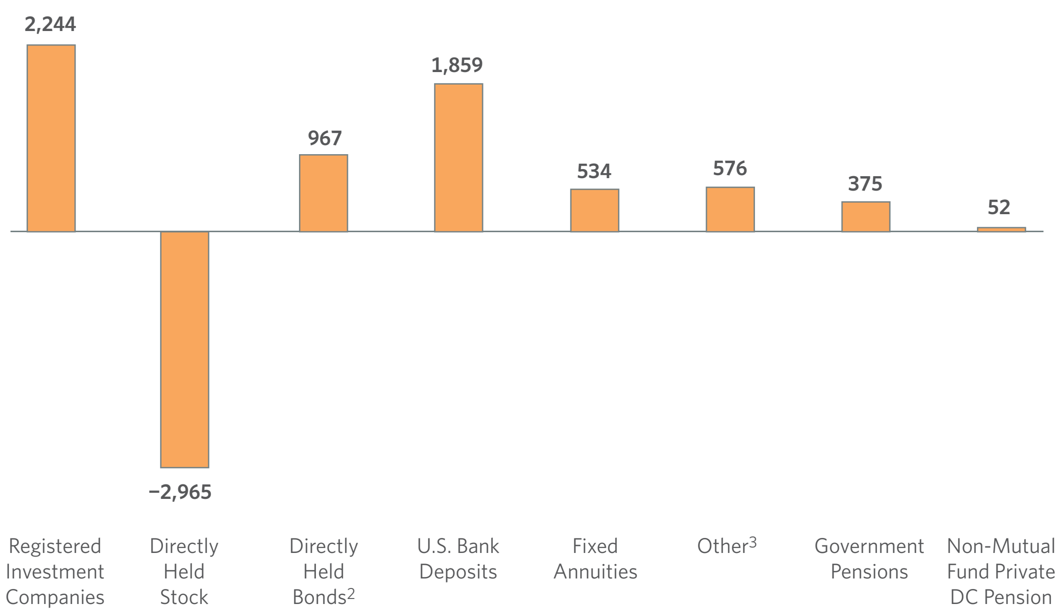


Sources: Investment Company Institute and Federal Reserve Board

FIGURE 1.3

HOUSEHOLD NET PURCHASES OF FINANCIAL ASSETS[1]

(billions of dollars, 2003–2007)



[1]New cash and reinvested dividends are included.

[2]Commercial paper and self-financed mortgages are included.

[3]Equity in non-corporate business, defined benefit plans, foreign deposits, security credit, reserves for certain life insurance policies, and other miscellaneous assets are included.

Sources: Investment Company Institute and Federal Reserve Board.

in mid-summer, credit markets began to experience a series of stresses emanating from rising default rates on securities backed by home mortgages. Institutional investors shifted a larger share of their cash holdings into money market mutual funds and out of direct investments in money market instruments. By the end of the year, for example, businesses held a record 31 percent of their cash in money market mutual funds.

Institutional investors have also contributed to the growing demand for ETFs. For example, investment managers, including mutual funds and pension funds, use ETFs to manage liquidity, a strategy that allows them to keep fully invested in the market while holding a highly liquid asset to manage their investor flows. And because ETFs can be shorted, asset managers can use them as part of their investment strategies, hedging their exposure to equity markets.

For more statistics on investment companies, see the Data Tables in this book starting on page 106.

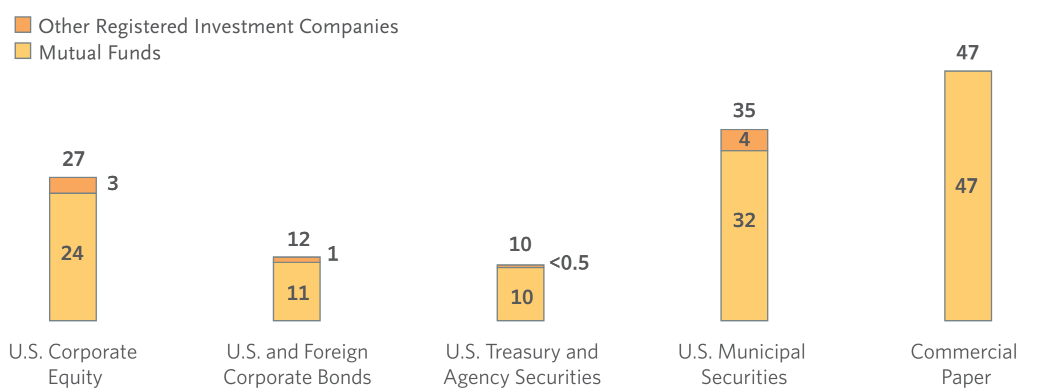
Role of Investment Companies in Financial Markets

Investment companies have been among the largest investors in the domestic financial markets for much of the past 15 years, and now hold a significant portion of the outstanding shares of U.S.-issued stocks, bonds, and money market securities. Investment companies as a whole are the largest group of investors in U.S. companies, holding 27 percent of their outstanding stock (Figure 1.4).

FIGURE 1.4

INVESTMENT COMPANIES CHANNEL INVESTMENT TO STOCK, BOND, AND MONEY MARKETS

(percent of total market securities held by investment companies, 2007)



Note: Components may not add to the total because of rounding.

Sources: Investment Company Institute, Federal Reserve Board, and World Federation of Exchanges

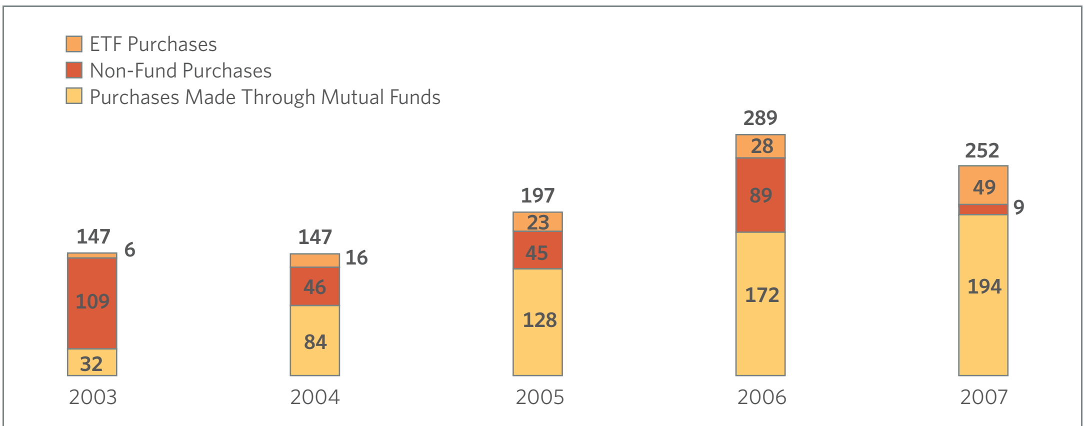
Investment companies also hold the largest share of U.S. commercial paper—an important source of short-term funding for major U.S. and foreign corporations. Money market mutual funds account for a large portion of funds' commercial paper holdings, and the share of outstanding commercial paper these funds hold fluctuates with investor demand for money market funds and the overall supply of commercial paper. During periods of strong cash inflows, such as the second half of 2007, money market funds boost their holdings of commercial paper, along with their holdings of Treasury and agency securities, certificates of deposit, and other money market instruments. As money market mutual fund demand for high-grade commercial paper rose in 2007, issuers of certain types of asset-backed commercial paper were facing a decline in investor demand, especially for commercial paper financing investment pools holding mortgage-related debt. Consequently, outstanding commercial paper contracted by 15 percent during the second half of the year. The combination of increased money market mutual fund demand for high-grade commercial paper and a decline in the overall supply of commercial paper resulted in mutual funds' share of the market rising to 47 percent by the end of 2007, just shy of the record share of 50 percent reached in 2002.

Investment companies hold just over one-third of tax-exempt debt issued by U.S. municipalities, on par with direct household ownership (Figure 1.4). Funds' share of the tax-exempt market has risen only slightly in the past several years despite the strong flows into these funds, as the overall supply of tax-exempt debt has grown nearly as fast. Funds play a more modest role in the corporate and government bond markets, but still hold approximately 10 percent of the outstanding debt securities in these markets.

FIGURE 1.5

NET U.S. PURCHASES OF FOREIGN SECURITIES

(billions of dollars, 2003–2007)



Note: Components may not add to the total because of rounding.

Sources: Investment Company Institute and Federal Reserve Board

U.S. investor demand for foreign stocks and bonds has increased during the past several years, and investment companies have been one of the primary means for investing abroad because they provide an economical means of accessing these markets. In 2007, U.S. residents purchased $252 billion in foreign stocks and bonds, and mutual funds and ETFs accounted for most of these purchases (Figure 1.5).

Number of Investment Companies and Types of Intermediaries

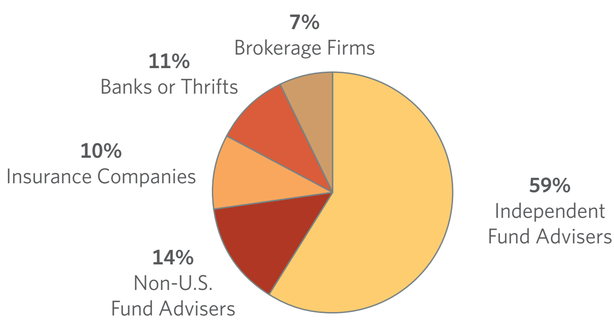
There are nearly 700 financial firms from around the world that compete in the U.S. market to provide investment management services to fund investors. Nearly 60 percent of U.S. fund and trust sponsors are independent fund advisers, and these sponsors manage more than half of investment company assets (Figure 1.6). Banks, insurance companies, securities broker-dealers, and non-U.S. fund advisers are other types of sponsors in the U.S. marketplace.

Historically, low barriers to entry have attracted a large number of investment company sponsors to the fund marketplace in the United States, and active competition among these sponsors has helped to keep asset concentration low.

FIGURE 1.6

NEARLY 60 PERCENT OF FUND SPONSORS ARE INDEPENDENT FUND ADVISERS

(percent of investment company complexes by type of intermediary, December 2007)



Note: Components do not add to 100 percent because of rounding.

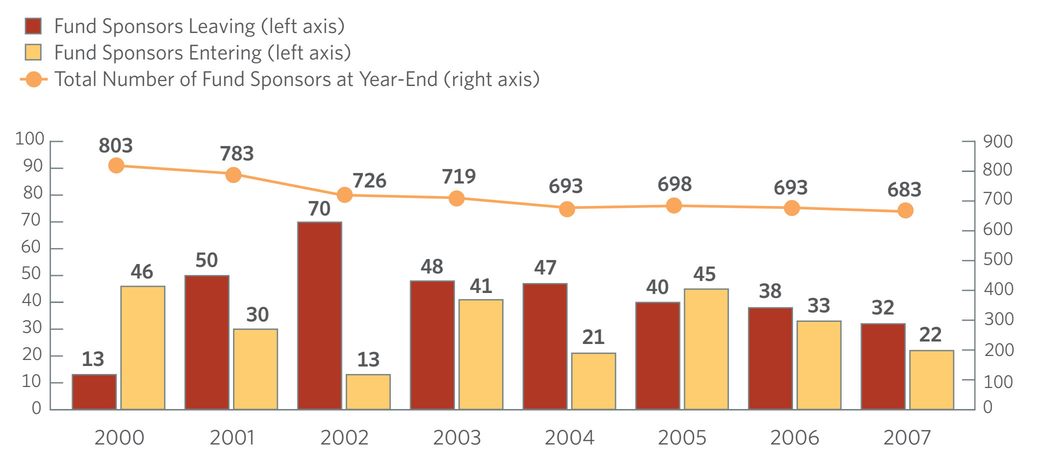
These low barriers to entry led to a rapid increase in the number of fund sponsors in the 1980s and 1990s. However, this trend has reversed itself since 2000. About 338 fund advisers left the fund business from 2000 through 2007; at the same time, about 251 new firms entered (Figure 1.7). The overall effect has been a net reduction of 15 percent in the number of industry firms serving investors. The decrease in the number of advisers has occurred with larger fund sponsors acquiring some smaller fund families and with some fund advisers liquidating funds and leaving the fund business. In addition, several other large sponsors of funds have recently sold their fund advisory businesses. Investor demand and other competitive pressures affect the profitability of fund sponsors. These market forces, along with increased costs associated with new regulations, likely have contributed to the decline in the number of fund sponsors.

The decline in the number of fund sponsors has been concentrated primarily among those advising mutual funds, and their exit from the industry has caused the growth in the number of mutual funds to slow in recent years. Competitive dynamics also affect the number of funds offered in any given year by the fund advisers that remain. In particular, fund sponsors create new funds to meet investor demand, and merge or liquidate funds that do not attract sufficient investor interest. Fund sponsors opened about the same number of funds as they merged or liquidated in 2007 (Figure 1.8).

FIGURE 1.7

NUMBER OF FUND SPONSORS

(2000–2007)



The total number of other investment companies has fallen considerably since 2000, as sponsors of UITs have been creating fewer new trusts. These investment companies often have preset termination dates and, in conjunction with a slowdown in the creation of new UITs, the total number of UITs has declined substantially. Since 2000, sponsors of ETFs on net created 549 new funds, and closed-end fund sponsors on net added 186 new funds.

FIGURE 1.8

NUMBER OF INVESTMENT COMPANIES

(number of each type of investment company, 1995–2007)

	Mutual Funds[1]	Closed-End Funds	ETFs[2]	UITs	Total
1995	5,761	500	2	12,979	19,242
1996	6,293	498	19	11,764	18,574
1997	6,778	488	19	11,593	18,878
1998	7,489	493	29	10,966	18,977
1999	8,003	512	30	10,414	18,959
2000	8,370	482	80	10,072	19,004
2001	8,518	493	102	9,295	18,408
2002	8,512	545	113	8,303	17,473
2003	8,427	586	119	7,233	16,365
2004	8,416	619	152	6,499	15,686
2005	8,450	633	204	6,019	15,306
2006	8,722	647	359	5,907	15,635
2007	8,752	668	629	6,030	16,079

[1]Mutual fund data include mutual funds that invest primarily in other mutual funds.

[2]ETF data prior to 2001 were provided by Strategic Insight Simfund; ETF data include investment companies not registered under the Investment Company Act of 1940.

Sources: Investment Company Institute and Strategic Insight Simfund

Investment Company Employment

Fund sponsors added more than 21,000 workers to their payrolls between 2005 and 2007, reaching a record 168,000 employees. Fund sponsors provide advisory, recordkeeping, administrative, custody, and other services to a growing number of funds and their investors.

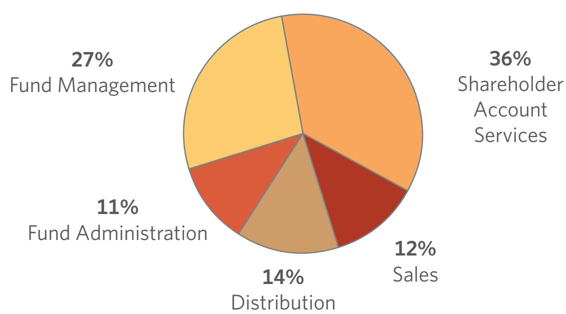
The largest group of workers provides services to fund investors and their accounts, with more than one-third of fund employees involved in these activities (Figure 1.9). Investor servicing encompasses a wide range of activities to help investors monitor and update their accounts. Employees in these functions work in call centers and help shareholders and their financial advisers with questions about investors' accounts and processing applications for account openings and closings. They also work in retirement plan transaction processing, retirement plan participant education, participant enrollment, and plan compliance.

Just over one-quarter of the industry's workforce is employed by a fund's investment adviser or a third-party service provider in support of portfolio management functions such as investment research, trading and security settlement, information systems and technology, and other corporate management functions. Jobs related to fund administration, including financial and portfolio accounting and regulatory compliance duties, account for 11 percent of industry employment. Personnel involved with distribution services, such as marketing, product development and design, and investor communications, account

FIGURE 1.9

INVESTMENT COMPANY INDUSTRY EMPLOYMENT BY JOB FUNCTION

(percent of jobs in registered investment company operations areas, 2007)



Total Employment: 168,000

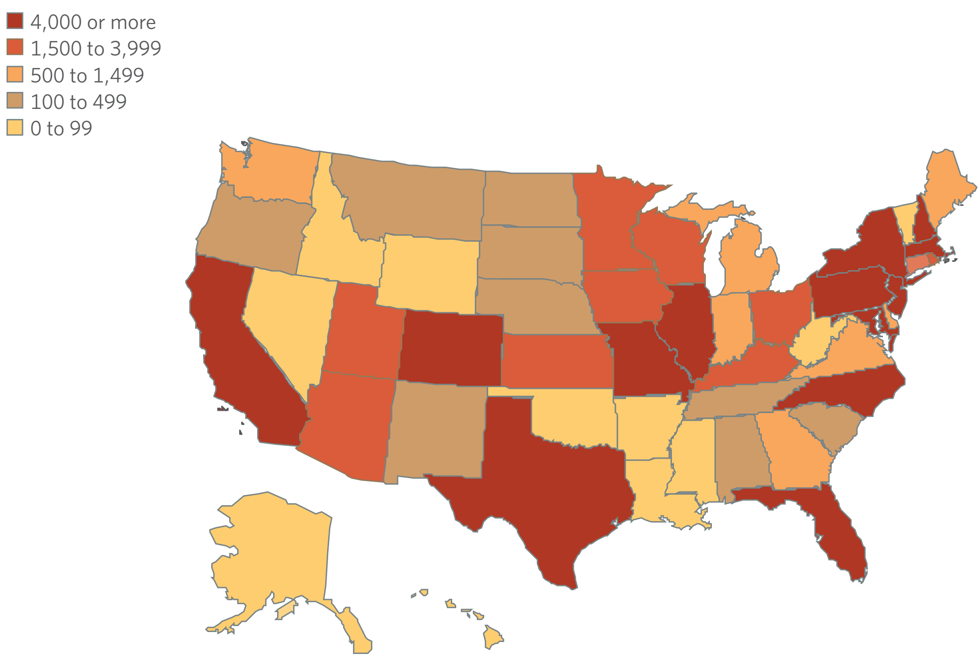
for 14 percent of the workforce. Sales-force employees, including registered representatives and sales support staff where at least 50 percent of the employee's revenue is derived from mutual fund sales, and mutual fund supermarket representatives, represent 12 percent of fund industry jobs.

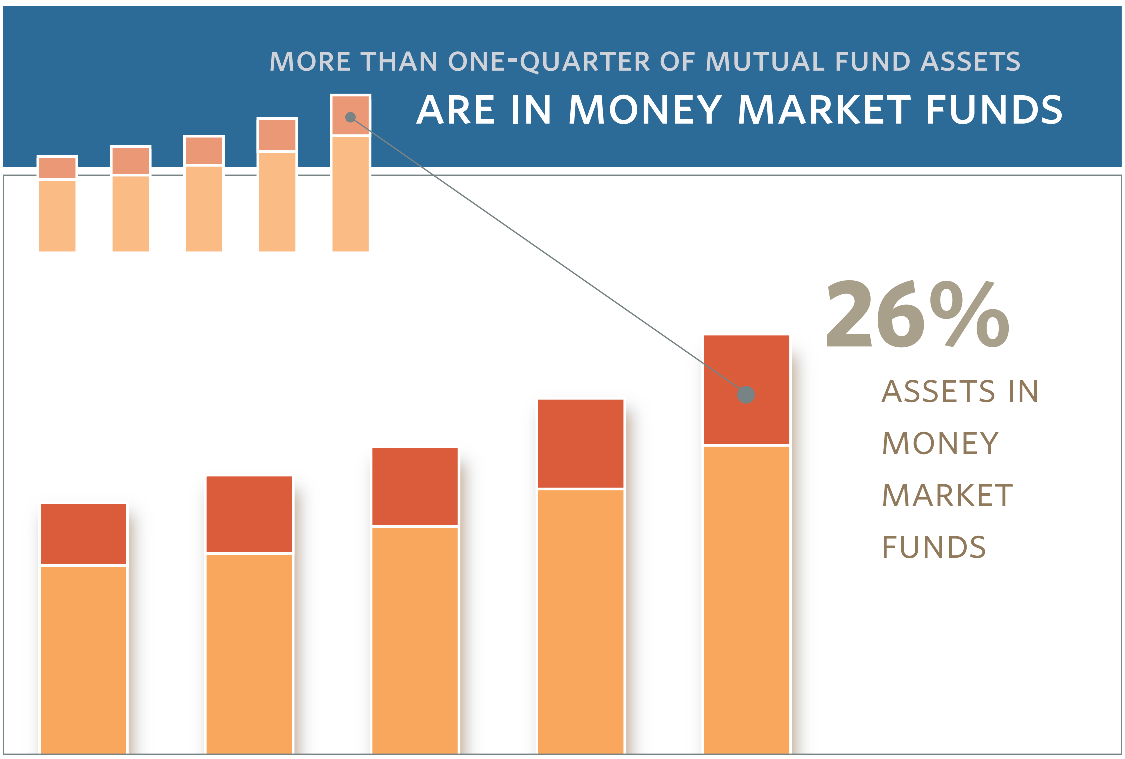
For many industries, employment tends to be concentrated in locations of the industry's origins, and investment companies are no exception. Massachusetts and New York served as early hubs of investment company operations, and remained so in 2007, employing nearly one-third of the workers in the fund industry (Figure 1.10). As the industry has grown from its early roots, other states have become significant centers of fund employment. Today, California, Pennsylvania, and Texas also have significant concentrations of fund employees. Fund companies in these states employ about one-quarter of all fund industry employees.

FIGURE 1.10

INDUSTRY EMPLOYMENT BY STATE

(estimated number of employees of registered investment companies by state, 2007)




MORE THAN ONE-QUARTER OF MUTUAL FUND ASSETS
ARE IN MONEY MARKET FUNDS
26%
ASSETS IN
MONEY
MARKET
FUNDS

2.

RECENT MUTUAL FUND TRENDS

With $12 trillion in assets, the U.S. mutual fund industry remains the largest in the world. In 2007, investor demand for mutual funds increased significantly, with net new cash flow to all types of mutual funds reaching $883 billion, a record high. Demand for money market funds grew over the year, especially following the disruptions in the credit markets that began in August. Investors also increasingly gravitated toward taxable bond funds and international stock funds in 2007.

This section describes recent U.S. mutual fund developments and examines the market factors that affect the demand for stock, bond, hybrid, and money market funds.

U.S. Mutual Fund Assets

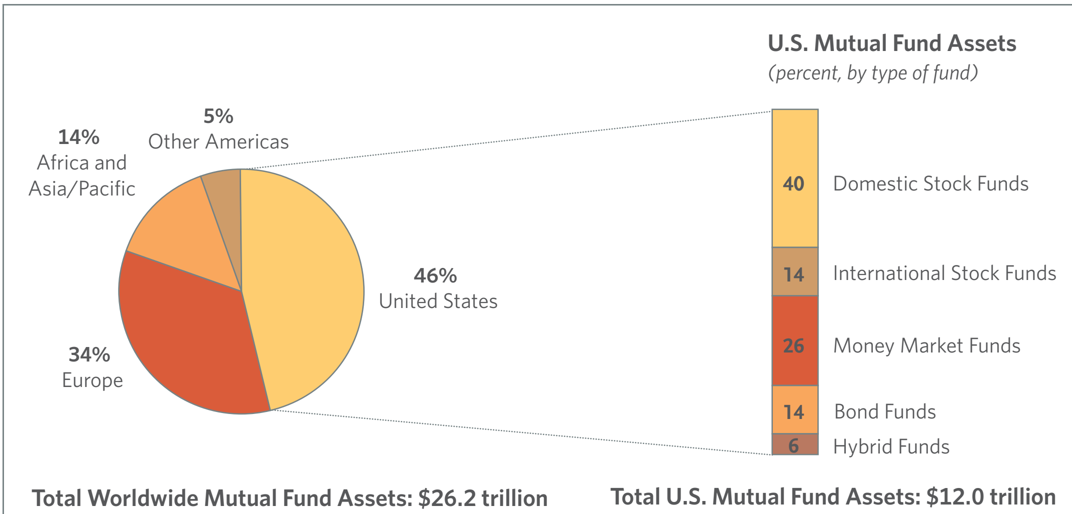
The U.S. mutual fund market, with $12 trillion in assets under management as of year-end 2007, remains the largest in the world, accounting for 46 percent of the $26.2 trillion in mutual fund assets worldwide (Figure 2.1).

Investor demand for mutual funds is influenced by a variety of factors, not least of which is funds' ability to assist investors in achieving a wide variety of investment objectives. In particular, U.S. households' growing reliance on stock, bond, and hybrid mutual funds reflects investor desire to meet long-term

FIGURE 2.1

U.S. HAS THE WORLD'S LARGEST MUTUAL FUND MARKET

(percent of total assets, 2007)



Note: Components may not add to 100 percent because of rounding.

Sources: Investment Company Institute, European Fund and Asset Management Association, and other national mutual fund associations

personal financial objectives such as preparing for retirement. Furthermore, U.S. households, businesses, and other institutional investors use money market mutual funds as cash management tools because they provide a high degree of liquidity and competitive, short-term yields.

Investors' reactions to U.S. and worldwide economic and financial conditions also play an important role in determining demand for specific types of mutual funds and for mutual funds in general—from year to year and over longer periods.

Stock mutual funds accounted for 54 percent of U.S. mutual fund assets at year-end 2007 (Figure 2.1). This share has ranged from 50 to 60 percent since 1997, with the exception of 2002 when the share dropped to 42 percent largely owing to the sharp decline in the U.S. stock markets that year. In 2007, domestic stock funds—those that invest primarily in shares of U.S. corporations—held 40 percent of total industry assets; international stock funds—those that invest primarily in foreign corporations—accounted for another 14 percent. Money market funds (26 percent), bond funds (14 percent), and hybrid funds (6 percent) also held sizable portions of total U.S. mutual fund assets.

Approximately 600 sponsors managed mutual fund assets in the United States in 2007. Competitive dynamics have prevented any single firm or group of firms from dominating the market. For example, of the largest 25 fund complexes in 1985, only 13 remained in this top group in 2007. The share of assets managed by the largest 25 firms has dropped to 71 percent in 2007 from 78 percent in 1985 (Figure 2.2). In addition, the share of assets managed by the largest five firms in 2007 is comparable to the share managed by the largest five firms in 1985.

Other measures also indicate that no one firm or group of firms dominates the mutual fund market. One such measure is the Herfindahl-Hirschman index, which weighs both the number and relative size of firms in the industry to measure competition. Index numbers below 1,000 indicate that an industry is unconcentrated. The mutual fund industry has a Herfindahl-Hirschman index number of about 440.

FIGURE 2.2

SHARE OF ASSETS AT LARGEST MUTUAL FUND COMPLEXES

(percent of total industry assets, year-end, selected years)

	1985	1990	1995	2000	2005	2006	2007
Top 5 complexes	37	34	34	32	37	38	38
Top 10 complexes	54	53	47	46	48	49	50
Top 25 complexes	78	75	70	74	71	71	71

Developments in Mutual Fund Flows

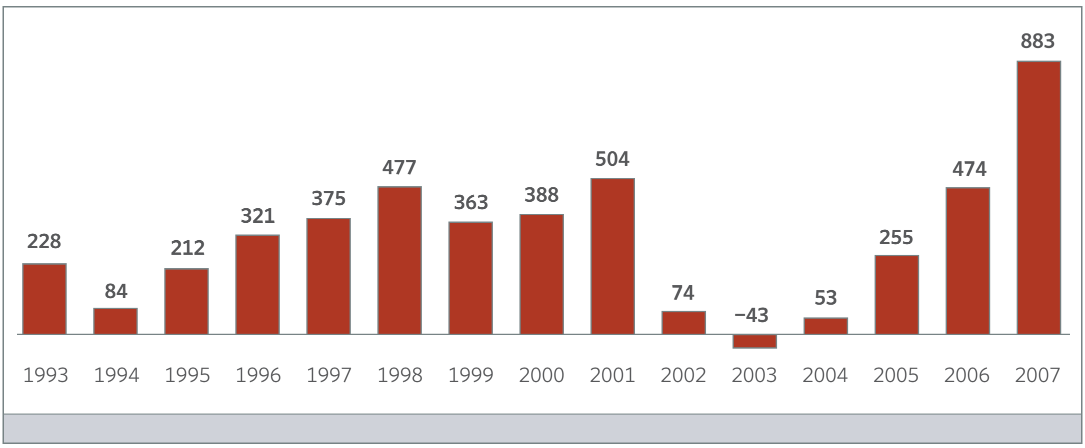
Investor demand for mutual funds increased substantially in 2007. Net new cash flow to all mutual funds—the dollar value of new fund sales minus redemptions, combined with net exchanges—was $883 billion, up significantly from the pace of the previous two years and well above the previous record pace set in 2001 (Figure 2.3). Higher inflows to money market mutual funds and taxable bond funds accounted for much of the increase. In the first part of the year, U.S. short-term interest rates moved within a fairly tight range around 5 percent, as the Federal Reserve maintained the federal funds target rate at 5.25 percent in response to heightened concerns about inflationary pressures. Disruptions in financial markets that began in August and continued to further strain financial markets for the remainder of the year prompted the Federal Reserve to lower the target federal funds rate by 100 basis points by year-end. These actions were intended to forestall adverse effects on the broader economy from tighter credit market conditions, an intensification of the correction in the housing market, and a softening in business and consumer spending.

Abroad, many countries continued to experience economic growth exceeding that in the United States. In addition, some foreign stock markets, especially those in emerging markets, continued to outperform U.S. stocks by a wide margin.

FIGURE 2.3

NET FLOWS TO MUTUAL FUNDS

(billions of dollars, 1993–2007)



MUTUAL FUND ASSETS BY TAX STATUS

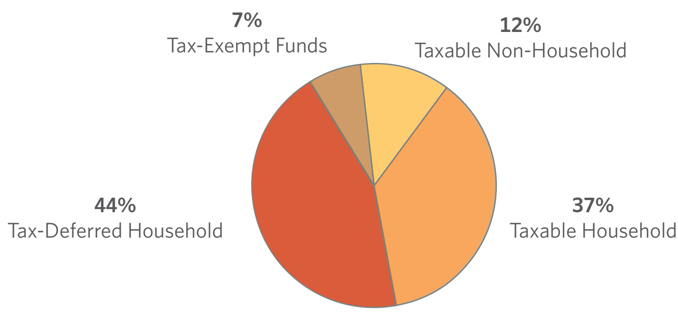
Mutual funds generally distribute all earnings—capital gains and ordinary dividends—each year to shareholders, and are taxed only on amounts retained. Fund investors are ultimately responsible for paying tax on a fund's earnings, whether they receive the distributions in cash or reinvest them in additional fund shares. Investors often attempt to lessen the impact of taxes on their investments by investing in tax-exempt funds and tax-deferred retirement accounts. As of year-end 2007, 7 percent of all mutual fund assets were held in tax-exempt funds and 44 percent were invested in tax-deferred accounts held by households (Figure 2.4).

For more information on tax issues affecting mutual fund shareholders, visit the Institute's website at www.ici.org/issues/tax/index.html.

FIGURE 2.4

HALF OF MUTUAL FUND ASSETS ARE HELD IN TAX-DEFERRED ACCOUNTS AND TAX-EXEMPT FUNDS

(percent, 2007)



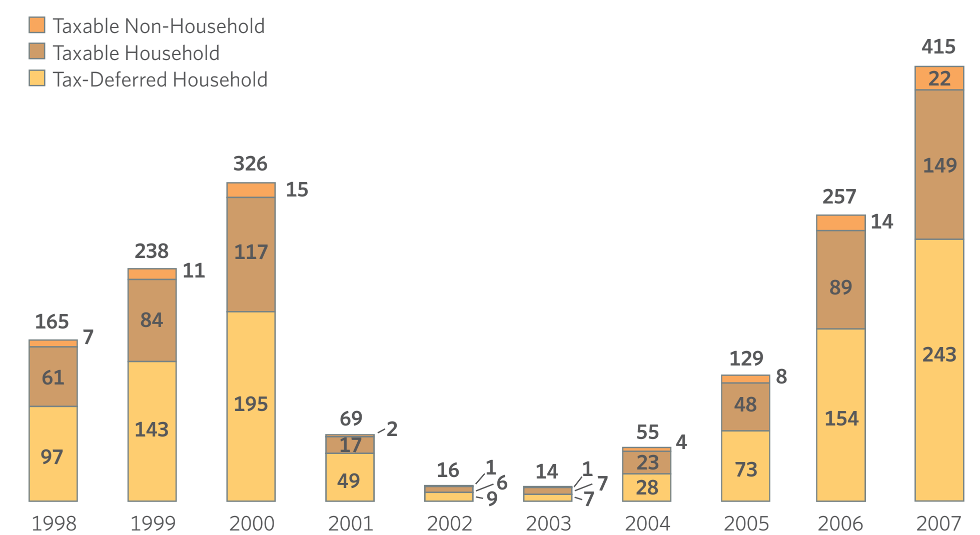
MUTUAL FUND CAPITAL GAIN DISTRIBUTIONS

Capital gain distributions represent a fund's net gains, if any, from the sale of securities held in its portfolio. When gains from these sales exceed losses, they are distributed to fund shareholders. Mutual funds distributed $415 billion in capital gains to shareholders in 2007 (Figure 2.5). About 60 percent of these distributions were paid to tax-deferred household accounts, and another 36 percent were paid to taxable household accounts. Stock, bond, and hybrid funds can distribute capital gains, but stock funds typically account for the bulk of the distributions. In 2007, 51 percent of stock fund share classes made a capital gain distribution, and half of these share classes distributed at least 7 percent of their assets as capital gains.

FIGURE 2.5

CAPITAL GAIN DISTRIBUTIONS

(billions of dollars, 1998–2007)



Note: Components may not add to the total because of rounding.

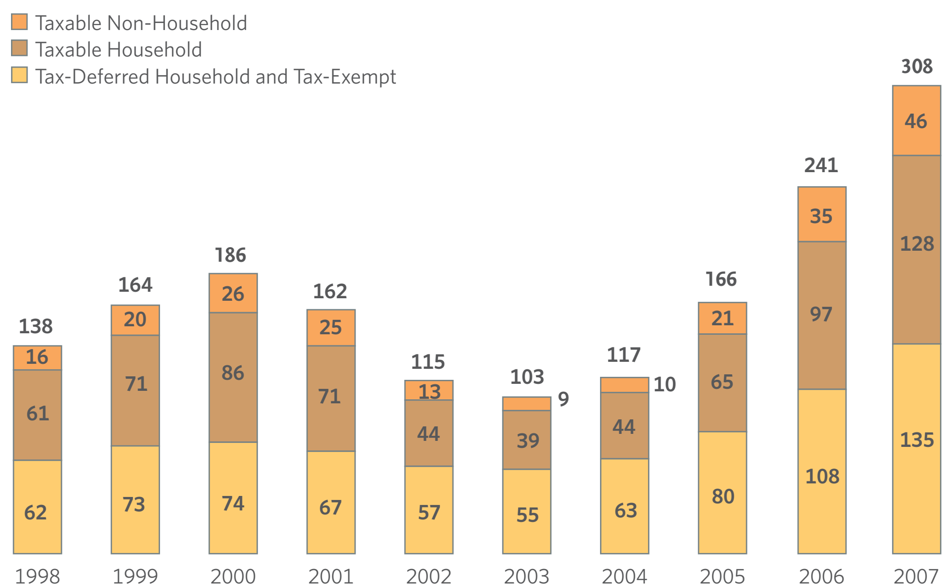
MUTUAL FUND DIVIDEND DISTRIBUTIONS

Dividend distributions represent income—primarily from the interest and dividends earned by the securities in a fund's portfolio—after expenses are paid by the fund. Mutual funds distributed $308 billion in dividends to fund shareholders in 2007 (Figure 2.6). Mutual fund dividends were boosted by the relatively high level of short-term interest rates and an increase in dividend payments by corporations. Bond and money market funds accounted for 67 percent of all dividend distributions in 2007. About 45 percent of all dividend distributions were paid to tax-exempt and tax-deferred household accounts. Another 42 percent were paid to taxable household accounts.

FIGURE 2.6

DIVIDEND DISTRIBUTIONS

(billions of dollars, 1998–2007)



Note: Components may not add to the total because of rounding.

Demand for Long-Term Mutual Funds

Investors added $223 billion in net new cash to stock, bond, and hybrid funds in 2007, maintaining the recent robust pace of inflows to these long-term mutual funds (Figure 2.7). Investor demand for long-term funds strengthened in early 2003 and has been fairly steady since then at an average $214 billion annual rate. Over the period 2003 to 2007, net new cash to long-term funds totaled $1.1 trillion. Moreover, during this same period, investors reinvested $509 billion in dividends.

No-load share classes of stock, bond, and hybrid mutual funds continued to receive the bulk of net new cash, attracting $177 billion of the total $223 billion in inflows in 2007 (Figure 2.7). Mutual fund sales to investors in employer-sponsored retirement plans account for a large portion of no-load fund sales. Also, no-load inflows likely were boosted by sales of funds of funds, which often invest in underlying no-load funds. Net new cash to load funds amounted to $21 billion. Front-load and level-load shares received more than the net total of $21 billion, while back-end load shares had net outflows for the seventh consecutive year.

FIGURE 2.7

NET NEW CASH FLOW TO LONG-TERM FUNDS BY LOAD STRUCTURE

(billions of dollars, 2001–2007)

	2001	2002	2003	2004	2005	2006	2007
All Long-Term Funds	**$129**	**$121**	**$216**	**$210**	**$192**	**$227**	**$223**
Load	**45**	**20**	**48**	**44**	**29**	**33**	**21**
Front Load[1]	24	13	33	49	47	48	28
Back-End Load[2]	−2	−18	−19	−38	−48	−48	−45
Level Load[3]	22	23	27	21	19	21	25
Other Load[4]	1	2	8	13	11	12	12
No-Load[5]	**71**	**102**	**126**	**130**	**145**	**170**	**177**
Retail	37	53	83	94	79	77	66
Institutional	34	50	43	36	67	93	112
Variable Annuities	**13**	**−2**	**42**	**36**	**18**	**24**	**25**

[1]Front load > 1 percent. Primarily includes A shares; includes sales where front loads are waived.

[2]Front load = 0 percent and CDSL > 2 percent. Primarily includes B shares.

[3]Front load ≤ 1 percent, CDSL ≤ 2 percent, and 12b-1 > 0.25 percent. Primarily includes C shares; excludes institutional share classes.

[4]All other load share classes not classified as front load, back-end load, or level load. Primarily includes retirement share classes known as R shares.

[5]Front Load = 0 percent, CDSL = 0 percent, and 12b-1 ≤ 0.25 percent.

Note: Components may not add to the total because of rounding.

Sources: Investment Company Institute; Lipper; ValueLine Publishing, Inc.; CDA/Wiesenberger Investment Companies Service; © CRSP University of Chicago, used with permission, all rights reserved (312.263.6400/www.crsp.com); and Strategic Insight Simfund

MUTUAL FUND SHARE CLASSES

Mutual funds are often classified according to the class of shares that fund sponsors offer to investors, primarily load or no-load classes. Load classes generally serve investors who own fund shares purchased through financial advisers; no-load fund classes usually serve investors who purchase shares without the assistance of a financial adviser or who choose to compensate the financial adviser separately. About two-thirds of all mutual funds offer two or more share classes. Funds that typically sell through financial advisers offer more than one share class to provide investors with several ways to pay for the services of financial advisers.

Load Share Classes

Load share classes—front-load, back-end-load, and level-load shares—usually include a sales load and/or a 12b-1 fee. The sales load and 12b-1 fees are used to compensate financial advisers for their services.

Front-load shares, which are predominantly Class A shares, represent the traditional means of paying for investment advice and assistance. Front-load shares generally charge a sales load at the time of the purchase, which is a percentage of the sales price or offering price. Front-load shares also often have a 12b-1 fee of about 0.25 percent. Front-load shares are sometimes used in employer-sponsored retirement plans, but fund sponsors typically waive the sales load for purchases made through such retirement plans.

Back-end-load shares, which are primarily Class B shares, typically do not have a front load. Investors using back-end-load shares pay for services provided by financial advisers through a combination of an annual 12b-1 fee and a contingent deferred sales load (CDSL). The CDSL is triggered if fund shares are redeemed before a given number of years of ownership. The CDSL decreases the longer the investor owns the shares and reaches zero typically after shares have been held six or seven years. After six to eight years, back-end-load shares usually convert to a share class with a lower 12b-1 fee. For example, Class B shares typically convert to Class A shares after a specified number of years.

Level-load shares, which include Class C shares, generally do not have a front load. Investors in this kind of share class compensate financial advisers with a combination of an annual 12b-1 fee (typically 1 percent) and a CDSL (also, often 1 percent) that shareholders pay if they sell their shares within the first year after purchase.

No-Load Share Classes

No-load share classes have no front load or CDSL, and have a 12b-1 fee of 0.25 percent or less. Originally, no-load share classes were offered by mutual fund sponsors that sold directly to investors. Now, however, investors can purchase no-load funds through employer-sponsored retirement plans, mutual fund supermarkets, discount brokerage firms, and bank trust departments. Some financial advisers who charge investors separately for their services rather than through a load or 12b-1 fee also use no-load share classes.

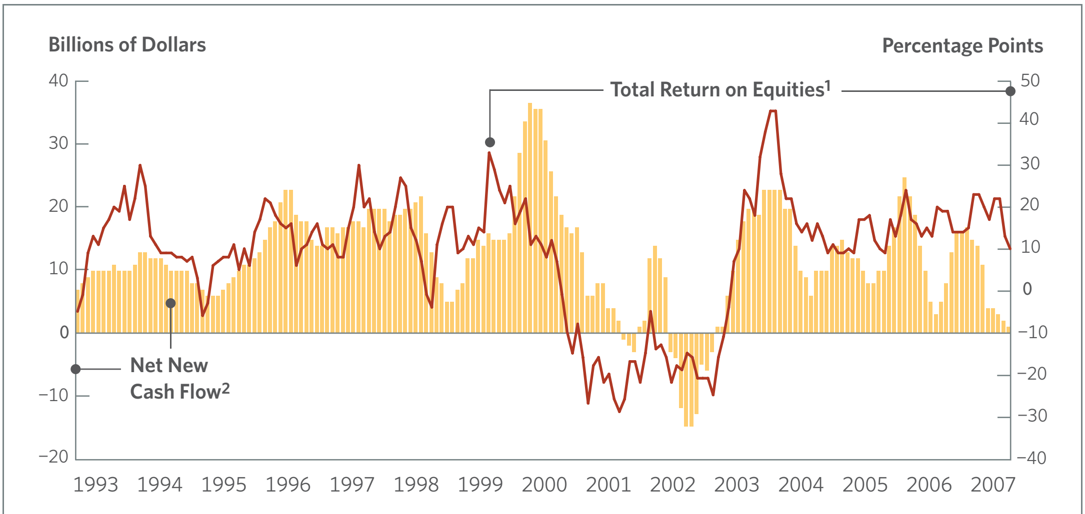
Stock Funds

Investors added $93 billion of net new money to stock funds in 2007, down from the $159 billion pace of the previous year (Figure 2.8). Domestic stock funds, nevertheless, experienced a net outflow of $46 billion in 2007, the first such annual outflow since 2002. Funds investing in foreign companies garnered $139 billion in new cash in 2007.

Since 2004, investors have significantly reduced their net purchases of domestic stock funds. Over the period 2005 to 2007, investors withdrew $5 billion, on net, from domestic stock funds and added a total of $392 billion in net new cash to international stock funds. This robust demand for international stock funds reflected, in part, the strong performance from year to year of many foreign stock markets, especially when compared with returns in the U.S. stock markets. From year-end 2004 to year-end 2007, total cumulative returns on U.S. equity indexes were about 30 percent, while those on world stock indexes (excluding U.S. stocks) were about 74 percent. Cumulative total returns on stocks traded on emerging markets were close to 150 percent over the same period.

FIGURE 2.8

FLOWS TO EQUITY FUNDS RELATED TO GLOBAL STOCK PRICE PERFORMANCE
(1993–2007)



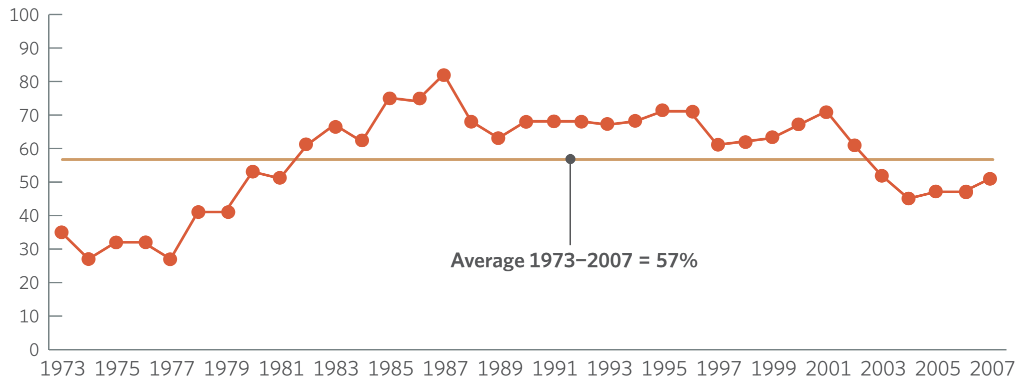
[1]The return on equities is measured as the year-over-year change in the MSCI All Country World Index.
[2]Net new cash flow to equity funds is plotted as a six-month moving average.
Sources: Investment Company Institute and Morgan Stanley Capital International

Investors tend to own stock mutual funds with relatively low fees, expenses, and turnover rates. Mutual fund assets are heavily concentrated in funds with below-median expenses and below-average turnover. The turnover rate—the lesser of purchases or sales (excluding those of short-term assets) in a fund's portfolio scaled by average net assets—is a measure of a fund's trading activity. In 2007, the asset-weighted annual turnover rate experienced by stock fund investors edged up to 51 percent, still below the average experience of the past 35 years (Figure 2.9).

FIGURE 2.9

TURNOVER RATE[1] EXPERIENCED BY STOCK FUND INVESTORS[2]

(percent, 1973–2007)



[1] *asset-weighted average*

[2] *Variable annuities are excluded.*

Sources: Investment Company Institute; © CRSP University of Chicago, used with permission, all rights reserved (312.263.6400/www.crsp.com); and Strategic Insight Simfund

Sixty-four percent of stock fund assets were in funds with asset-weighted portfolio turnover rates under 50 percent. This reflects shareholders' tendency to own stock funds with below-average turnover and the propensity for funds with below-average turnover to attract more shareholder dollars.

ASSET-WEIGHTED TURNOVER RATE

To analyze the turnover rate that shareholders actually experience in their funds, it is important to identify those stock funds in which shareholders are most heavily invested. Neither a simple average nor a median takes into account where stock fund assets are concentrated. An asset-weighted average gives more weight to funds with large amounts of assets and, accordingly, indicates the average portfolio turnover actually experienced by fund shareholders.

Bond and Hybrid Funds

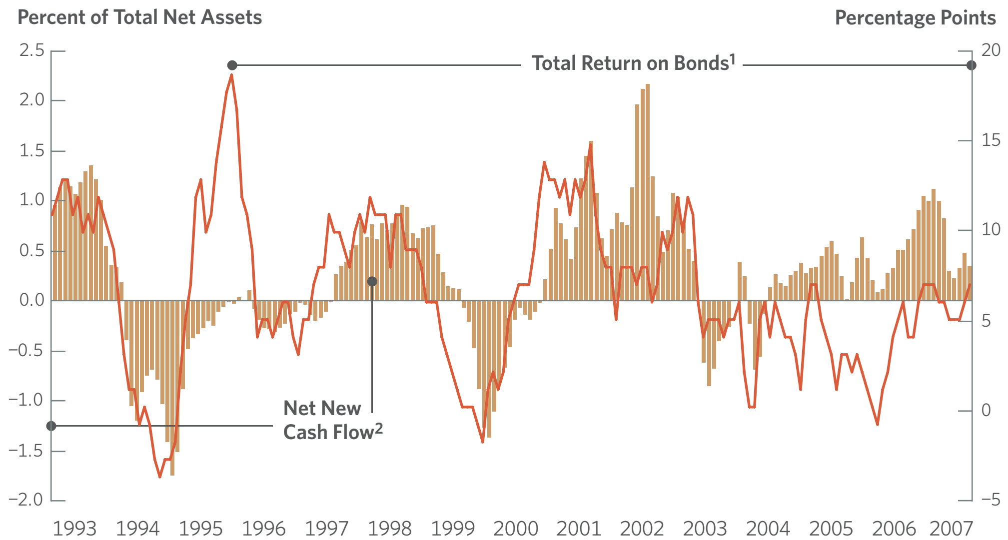
In 2007, investors added $109 billion to their bond fund holdings, up substantially from the $61 billion pace of net investment in the previous year. Almost all of the net new cash in 2007 was invested in bond funds prior to the disruptions in credit markets that began in August. For the remainder of the year, bond funds continued to receive net new cash, but at a substantially diminished rate.

Traditionally, cash flow into bond funds is highly correlated with the performance of bonds (Figure 2.10). The U.S. interest rate environment typically has played a prominent role in the demand for bond funds. Movements in short- and long-term interest rates can significantly alter the returns offered by these types of funds and, in turn, influence retail and institutional investor demand for bond funds. This relationship, however, appears to have weakened somewhat over the past few years.

FIGURE 2.10

FLOWS TO BOND FUNDS RELATED TO BOND RETURNS

(1993–2007)



[1]*The total return on bonds is measured as the year-over-year change in the Citigroup Broad Investment Grade Bond Index.*

[2]*Net new cash flow to bond funds is plotted as a three-month moving average of net new cash flow as a percentage of previous month-end assets. The data exclude flows to high-yield bond funds.*

Sources: Investment Company Institute and Citigroup

Over the period 2004 to 2006, returns on intermediate- to long-term bonds were modest, ranging between 3 percent and 5 percent per year. Based on the historical relationship between bond returns and demand for bond funds, outflows from bond funds would have been expected to continue. However, in 2005, inflows to bond funds resumed and continued to grow rapidly in 2006.

In the first half of 2007, the pace of inflows into bond funds rose further. While some of this increase likely was the result of a decline in interest rates that pushed up returns on high-grade bond funds to around 7 percent, the amount of net investment in bond funds was as high as that last seen in 2003 when returns on bonds exceeded 10 percent.

One factor that may have contributed to bond fund inflows over the past three years is the growing popularity of funds of funds. Net inflows to funds of funds totaled $307 billion from year-end 2004 to year-end 2007 and, likely, some portion of these flows was directed to the underlying bond mutual funds (Figure 2.11).

Investor demand for hybrid funds, which invest in a combination of stocks and bonds, picked up in 2007, with investors adding $22 billion in new cash to these funds, up from only $7 billion the previous year. Over the three-year period 2005 to 2007, hybrid funds attracted a total of $54 billion in net new cash.

FUNDS OF FUNDS

Funds of funds are mutual funds that hold and invest in shares of other mutual funds. The most popular type of these funds is hybrid funds—about 80 percent of fund-of-fund assets are in hybrid funds of funds. Hybrid funds of funds invest their net new cash in underlying stock, bond, and hybrid mutual funds.

Assets of funds of funds have grown rapidly over the past decade. By the end of 2007, the number of funds of funds had grown to 723, and total assets reached $640 billion (Figure 2.11). About two-thirds of the increase in assets of funds of funds in the past 10 years is attributable to increasing investor interest in lifestyle and lifecycle funds. The growing popularity of these funds, especially for retirement investing, likely reflects the automatic rebalancing features of these products. Lifestyle funds, also known as risk-based funds, maintain a predetermined risk level, and lifecycle funds, also known as target date funds, allow a predetermined reallocation of risk over time. Since year-end 1997, funds of funds received a total of $432 billion in net new cash, of which nearly 70 percent was from lifestyle and lifecycle funds.

FIGURE 2.11

NET ASSETS AND NET NEW CASH FLOW TO FUNDS OF FUNDS

(1997–2007)

	Number of Funds[1]	Assets[1] *(billions of dollars)*	Net New Cash Flow[2] *(billions of dollars)*
1997	94	$21	$3
1998	175	35	6
1999	212	48	7
2000	215	57	10
2001	213	63	9
2002	268	69	12
2003	301	123	30
2004	375	200	51
2005	475	306	79
2006	604	471	101
2007	723	640	127

[1]*year-end*
[2]*annual*

Demand for Money Market Mutual Funds

Net new cash to money market funds surged in 2007, likely reflecting the attractive yields on retail money market funds and the influence of the financial markets' turmoil and associated declines in short-term interest rates in the latter part of the year.

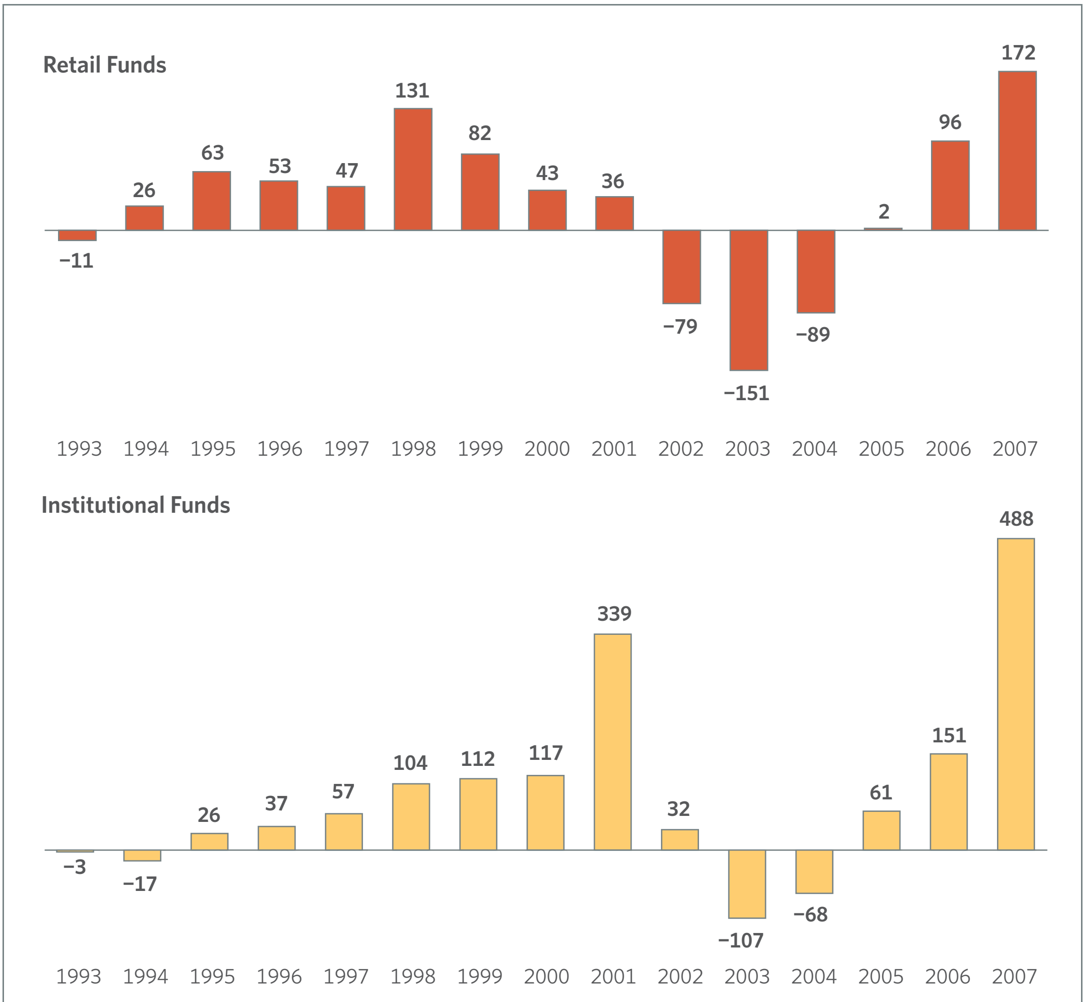
Retail Money Market Funds

Retail money market funds, which are principally sold to individual investors, received net new cash of $172 billion in 2007, following an inflow of $96 billion the previous year (Figure 2.12). Money fund yields followed the pattern of short-term interest rates, remaining steady in the first part of 2007 then falling off somewhat in the latter part of the year. The difference between yields on money market funds and those on bank deposits remained at just under 4 percentage points for much of the year before

FIGURE 2.12

FLOWS TO MONEY MARKET FUNDS REACHED RECORD LEVELS IN 2007

(billions of dollars, 1993–2007)



narrowing about 80 basis points by year-end (Figure 2.13). Nevertheless, the yield on retail money market funds by year-end 2007 remained quite favorable when compared to the historical experience of the past 15 years.

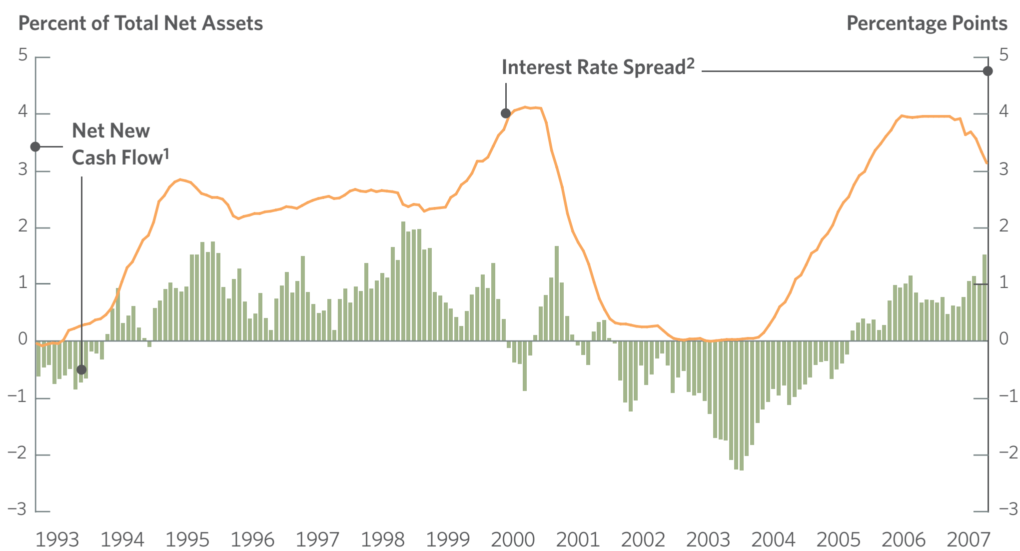
Institutional Money Market Funds

Institutional money market funds, used by businesses, pension funds, state and local governments, and other large investors, had inflows of $488 billion in 2007, following inflows of $151 billion the previous year (Figure 2.12). Inflows to institutional money market funds likely were boosted by two factors. First, short-term interest rates fell considerably in the last three months of 2007 as the Federal Reserve eased monetary policy. Institutional money market funds tend to receive inflows when short-term interest rates decline because the yields on these funds lag behind those available on competing products such as direct investments in commercial paper and short-term U.S. Treasury instruments.

Second, the turmoil and illiquidity in credit markets that began in August 2007 may have prompted corporate treasurers to make greater use of institutional money market funds. Some corporate treasurers—cognizant of the lack of liquidity in short-term credit markets and concerned about their ability to adequately monitor and assess credit quality—may have taken the opportunity to redirect some portion of their companies' liquid assets away from direct purchases of short-term instruments and toward institutional money market funds. At year-end 2007, U.S. nonfinancial businesses held a record 31 percent of their short-term assets in money market funds (Figure 2.14).

FIGURE 2.13

FLOWS TO TAXABLE RETAIL MONEY MARKET FUNDS RELATED TO INTEREST RATE SPREAD
(1993–2007)



[1]*Net new cash flow is a percent of previous month-end taxable retail money market fund assets and is shown as a six-month moving average.*

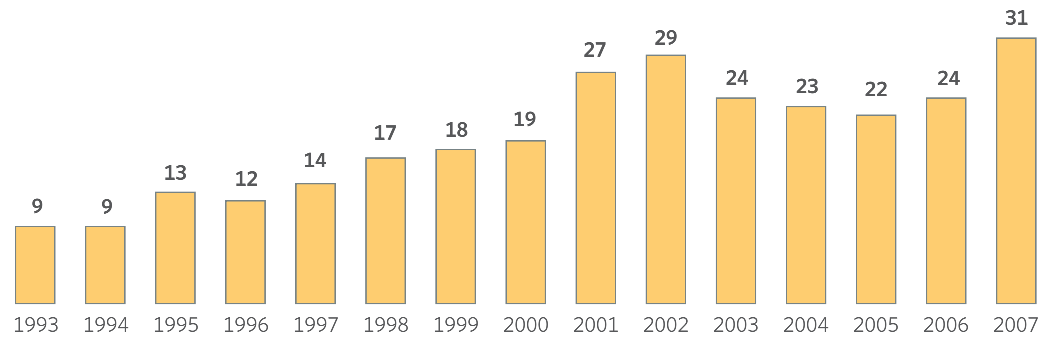
[2]*The interest rate spread is the difference between the taxable retail money market fund yield and the average interest rate on money market deposit accounts.*

Sources: Investment Company Institute, iMoneyNet, and Bank Rate Monitor

FIGURE 2.14

MONEY MARKET MUTUAL FUNDS MANAGED 31 PERCENT OF U.S. BUSINESSES' SHORT-TERM ASSETS* IN 2007

(percent, 1993–2007)



**U.S. nonfinancial business short-term assets consist of foreign deposits, checkable deposits, time and savings deposits, money market funds, repurchase agreements, and commercial paper.*

Sources: Investment Company Institute and Federal Reserve Board

Difficulties in the credit markets also influenced the type of money market fund institutional investors gravitated toward. Investors faced with uncertainty about the extent of exposure to certain securities, such as extendible notes or those issued by structured investment vehicles (SIVs) backed by sub-prime mortgages with deteriorating credit quality, appeared to seek out the liquidity and safety of money market funds that invest primarily in U.S. government securities. These funds, which can invest in U.S. Treasury debt solely or a combination of U.S. Treasury debt and obligations of U.S. government agencies, received a record $271 billion in net new cash flow in 2007. Over 90 percent of the new cash was invested in the second half of the year, around the time when problems in the credit markets arose (Figure 2.15). As of year-end 2007, U.S. government money market funds accounted for 34 percent of total assets of taxable institutional money market funds, up from 25 percent at year-end 2006.

For more complete data on money market funds, see Section 4 in the Data Tables on pages 143–147.

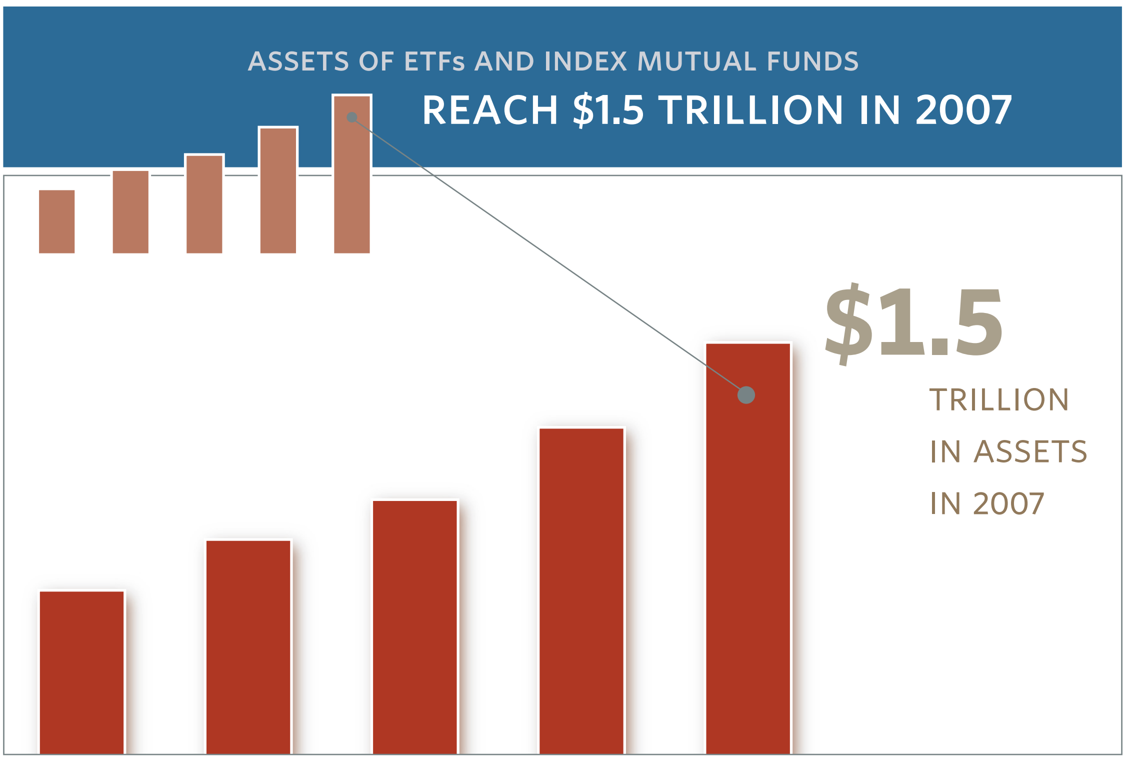
FIGURE 2.15

NET ASSETS AND NET NEW CASH FLOW TO U.S. GOVERNMENT AND GENERAL PURPOSE INSTITUTIONAL MONEY MARKET FUNDS

(billions of dollars, 1996–2007)

	U.S. Government		General Purpose	
	Assets[1]	Net New Cash Flow[2]	Assets[1]	Net New Cash Flow[2]
1996	$125	$14	$155	$19
1997	148	14	210	38
1998	184	27	286	69
1999	195	9	405	101
2000	215	16	513	92
2001	282	69	789	254
2002	304	5	822	13
2003	275	−32	743	−90
2004	257	−22	687	−62
2005	276	15	761	36
2006	303	24	904	118
2007:H1	329	22	983	53
2007:H2	583	249	1,123	131

[1]*year-end*
[2]*annual*



ASSETS OF ETFs AND INDEX MUTUAL FUNDS
REACH $1.5 TRILLION IN 2007
$1.5
TRILLION
IN ASSETS
IN 2007

3.

EXCHANGE-TRADED FUNDS AND INDEX MUTUAL FUNDS

Index mutual funds and most ETFs are similar in that they both hold investment portfolios that track designated indexes and seek to achieve the same investment return as those indexes. Investors—both retail and institutional—continue to turn to ETFs and index mutual funds as investment options in their portfolios. Although ETFs and index mutual funds have marked similarities, there remain key differences between the two types of investment products.

This section provides an overview of exchange-traded funds (ETFs), how they differ from mutual funds, and the demand by investors for ETFs and index mutual funds.

FIGURE 3.1

NUMBER OF ETFs

(1993–2007)

		INVESTMENT OBJECTIVE					LEGAL STRUCTURE	
Year	Total	Broad-Based Domestic Equity	Sector/ Industry Domestic Equity	Global/ International Equity	Hybrid	Bond	Registered	Non-Registered*
1993	1	1	–	–	–	–	1	–
1994	1	1	–	–	–	–	1	–
1995	2	2	–	–	–	–	2	–
1996	19	2	–	17	–	–	19	–
1997	19	2	–	17	–	–	19	–
1998	29	3	9	17	–	–	29	–
1999	30	4	9	17	–	–	30	–
2000	80	29	26	25	–	–	80	–
2001	102	34	34	34	–	–	102	–
2002	113	34	32	39	–	8	113	–
2003	119	39	33	41	–	6	119	–
2004	152	60	43	43	–	6	151	1
2005	204	81	68	49	–	6	201	3
2006	359	133	135	85	–	6	343	16
2007	629	197	219	159	5	49	601	28

**ETFs not registered under the Investment Company Act of 1940*

Sources: Investment Company Institute and Strategic Insight Simfund

What Is an ETF?

ETFs are a relatively recent innovation to the investment company concept. The first ETF—a broad-based domestic equity fund tracking the S&P 500—was introduced in 1993 after a fund sponsor received U.S. Securities and Exchange Commission (SEC) exemptive relief from various provisions of the Investment Company Act of 1940. By the end of 2007, the total number of ETFs had grown to 629 (Figure 3.1), and total assets reached $608 billion (Figure 3.2).

FIGURE 3.2

NET ASSETS OF ETFs

(millions of dollars, 1993–2007)

		INVESTMENT OBJECTIVE					LEGAL STRUCTURE	
Year	Total	Broad-Based Domestic Equity	Sector/ Industry Domestic Equity	Global/ International Equity	Hybrid	Bond	Registered	Non-Registered*
1993	$464	$464	–	–	–	–	$464	–
1994	424	424	–	–	–	–	424	–
1995	1,052	1,052	–	–	–	–	1,052	–
1996	2,411	2,159	–	$252	–	–	2,411	–
1997	6,707	6,200	–	506	–	–	6,707	–
1998	15,568	14,058	$484	1,026	–	–	15,568	–
1999	33,873	29,374	2,507	1,992	–	–	33,837	–
2000	65,585	60,529	3,015	2,041	–	–	65,585	–
2001	82,993	74,752	5,224	3,016	–	–	82,993	–
2002	102,143	86,985	5,919	5,324	–	$3,915	102,143	–
2003	150,983	120,430	11,901	13,984	–	4,667	150,983	–
2004	227,540	163,730	21,650	33,644	–	8,516	226,205	$1,335
2005	300,820	186,832	33,774	65,210	–	15,004	296,022	4,798
2006	422,550	232,487	58,355	111,194	–	20,514	407,850	14,699
2007	608,422	300,930	93,023	179,702	$119	34,648	579,517	28,906

**ETFs not registered under the Investment Company Act of 1940*

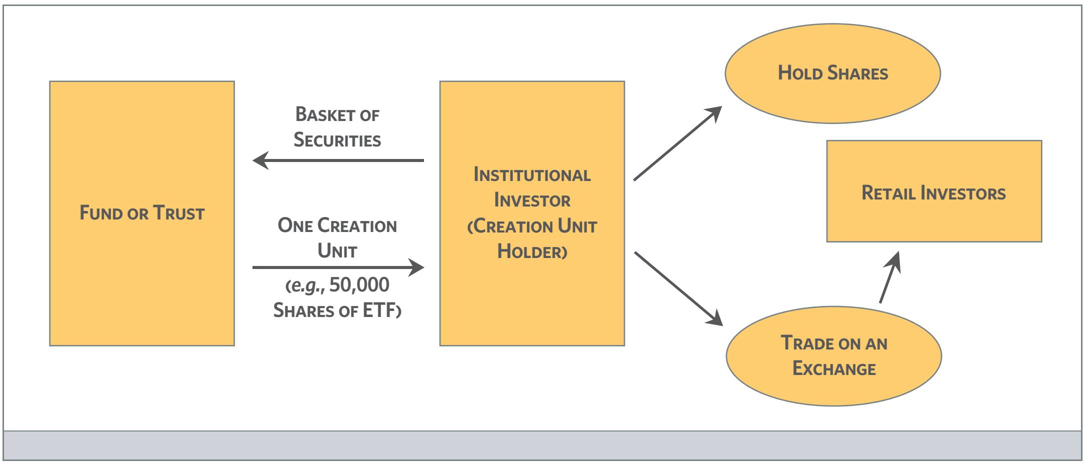
Note: Components may not add to the total because of rounding.

Sources: Investment Company Institute and Strategic Insight Simfund

An ETF originates with a sponsor, which chooses the ETF's target index, determines which securities will be included in the "basket" of securities, and decides how many ETF shares will be offered to investors. ETF shares are created when an institutional investor deposits with the ETF fund or trust a pre-specified basket of securities, identical or nearly identical in composition to the securities in the ETF's target index (Figure 3.3). In return for this basket of securities, the ETF issues to the institutional investor a "creation unit" that consists of a specified number of ETF shares. The institutional investor ("creation unit holder") can either keep the ETF shares that make up the creation unit or sell all or part of them on a stock exchange. ETF shares are listed on a number of stock exchanges, where investors can purchase them as they would stock of a publicly traded company. A creation unit is liquidated when an institutional investor returns to the ETF the specified number of shares in the creation unit; in return, the institutional investor receives a basket of securities reflecting the current composition of the ETF.

FIGURE 3.3

CREATION OF AN EXCHANGE-TRADED FUND



The vast majority of ETFs are registered investment companies. In 2007, 95 percent of total ETF assets were registered with the SEC under the Investment Company Act of 1940 (Figure 3.2). The remaining 5 percent of ETF assets, which are commodity-based, are not registered with or regulated by the SEC under the Investment Company Act of 1940. Those commodity-based ETFs that invest in commodity futures are regulated by the Commodity Futures Trading Commission (CFTC), while those that invest solely in physical commodities are not regulated by the CFTC.

Key Differences Between ETFs and Mutual Funds

Index mutual funds and index-based ETFs are investment vehicles composed of the securities in their underlying indexes. As a result, the return of each type of fund tends to follow closely the return of its specific market index. Despite this similarity, key features differentiate index-based ETFs and index mutual funds.

One difference is in how retail investors buy and sell shares. Retail investors can buy and sell mutual fund shares through a variety of distribution channels, including through a broker-dealer or directly from a fund company. Also, mutual fund shares are not listed on stock exchanges. In contrast, retail investors can only buy or sell ETF shares on a stock exchange through a broker-dealer.

Pricing also differs between mutual funds and ETFs. For a mutual fund, the price at which investors buy and sell shares is equal to the fund's net asset value (NAV), less any commissions. The NAVs of both mutual funds and ETFs are calculated daily at the close of the markets. While investors can buy and sell mutual fund shares at any time throughout the day, all investors will receive the same transaction price (the NAV). In contrast, the price of an ETF share is continuously determined on a stock exchange. Consequently, the price at which investors buy and sell ETF shares may not necessarily equal the NAV of the portfolio of securities in the ETF. For example, two investors selling the same ETF shares at different times on the same day may receive different prices for their shares, both of which may differ from the ETF's net asset value.

The price of an ETF share on a stock exchange is influenced by the forces of supply and demand. For example, when investor demand for an ETF increases, the ETF's share price will rise, perhaps exceeding the ETF's net asset value. ETFs are structured, however, so that large differences between their share prices and their NAVs are unlikely to persist. Third parties calculate and disseminate every 15 seconds a measure often called the Interday Indicative Value (IIV), which is a real-time estimate of a fund's NAV. When an ETF's share price is substantially above this indicative value, institutional investors may find it profitable to deliver the appropriate basket of securities to the ETF in exchange for ETF shares. In addition, both retail and institutional investors may find it profitable to take a short position in the ETF's shares or sell their holdings. When an ETF's share price is substantially below its indicative value, institutional investors may find it profitable to return ETF shares to the fund in exchange for the ETF's basket of securities. Retail and institutional investors may find it profitable to take a long position by purchasing the ETF's shares. These actions by investors help keep the market-determined price of an ETF's shares close to the NAV of its underlying portfolio.

For more complete data on exchange-traded funds, see Section 2 in the Data Tables on page 121.

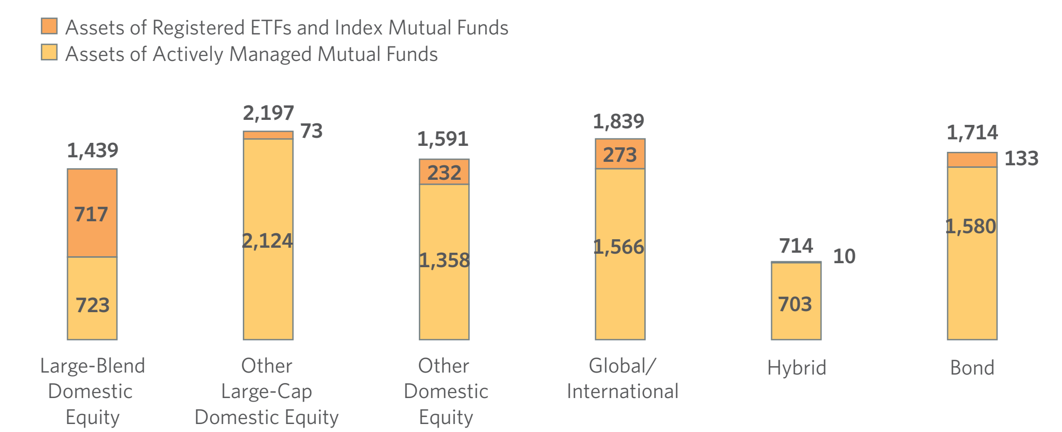
Demand for ETFs and Index Mutual Funds

By year-end 2007, assets in registered ETFs and index mutual funds reached more than $1.4 trillion, and accounted for 11 percent of the total assets managed by all registered investment companies. Over the past decade, assets in these indexed products have increased more than eightfold—with much of the growth occurring in funds that track broad market indexes. ETFs and index mutual funds that track large-blend domestic equity indexes, such as the S&P 500, now manage about half of all assets invested in mutual funds and ETFs that focus on large-blend domestic stocks (Figure 3.4). ETFs and index funds are available in most other broad asset classes but, to date, have attracted less investor interest than those tied to indexes of large-blend domestic equity.

FIGURE 3.4

ASSETS OF REGISTERED ETFs AND INDEX MUTUAL FUNDS ARE CONCENTRATED IN LARGE-BLEND DOMESTIC EQUITY

(billions of dollars, 2007)



Note: Components may not add to the total because of rounding.

Sources: Investment Company Institute and Morningstar

Exchange-Traded Funds

Demand for ETFs has accelerated as institutional investors have found ETFs to be a convenient vehicle for participating in, or hedging against, broad movements in the stock market. Retail investors and their financial advisers have also become aware of these investment vehicles. An estimated 2 percent of households, or 2.3 million, own ETFs. Of households that own mutual funds, an estimated 4 percent also own ETFs. In 2007, net issuance of ETF shares totaled $151 billion (Figure 3.5).

As demand for ETFs has grown, ETF sponsors have offered more funds with a greater variety of investment objectives. In the mid-1990s, ETF sponsors introduced funds that invested in foreign stock markets. More recently, sponsors have introduced ETFs that invest in particular market sectors or industries. Fund companies introduced 84 sector/industry ETFs, on net, in 2007 (Figure 3.1), and total net assets of these ETFs amounted to $93 billion at year-end (Figure 3.2). Approximately 40 percent of the increase in assets of sector/industry ETFs during the past few years is attributable to ETFs that track commodities. Assets of these non-registered ETFs have grown briskly, from slightly more than $1 billion in 2004 to nearly $29 billion in 2007. In 2007, approximately 65 percent of non-registered ETF assets tracked the price of gold through the spot and futures markets.

FIGURE 3.5

NET ISSUANCE OF ETF SHARES

(millions of dollars, 1993–2007)

		INVESTMENT OBJECTIVE					LEGAL STRUCTURE	
Year	Total	Broad-Based Domestic Equity	Sector/Industry Domestic Equity	Global/International Equity	Hybrid	Bond	Registered	Non-Registered*
1993	$442	$442	–	–	–	–	$442	–
1994	−28	−28	–	–	–	–	−28	–
1995	443	443	–	–	–	–	443	–
1996	1,108	842	–	$266	–	–	1,108	–
1997	3,466	3,160	–	306	–	–	3,466	–
1998	6,195	5,158	$484	553	–	–	6,195	–
1999	11,929	10,221	1,596	112	–	–	11,929	–
2000	42,508	40,591	1,033	884	–	–	42,508	–
2001	31,012	26,911	2,735	1,366	–	–	31,012	–
2002	45,302	35,477	2,304	3,792	–	$3,729	45,302	–
2003	15,810	5,737	3,587	5,764	–	721	15,810	–
2004	56,375	29,084	7,867	15,645	–	3,778	55,021	$1,353
2005	56,729	16,941	9,577	23,455	–	6,756	53,871	2,859
2006	73,995	21,589	18,255	28,423	–	5,729	65,520	8,475
2007	150,617	61,152	27,184	48,842	$122	13,318	141,555	9,062

**ETFs not registered under the Investment Company Act of 1940*

Note: Components may not add to the total because of rounding.

Sources: Investment Company Institute and Strategic Insight Simfund

ETFs that follow highly specialized indexes also are a recent innovation. These ETFs accounted for roughly 5 percent of total net issuance of ETFs in 2007 and 3 percent of total assets at year-end. And product innovation continues: the SEC has granted exemptive orders to several fund complexes allowing them to sponsor actively managed ETFs under certain conditions.

Assets of ETFs have grown rapidly since the late 1990s, with net issuance of new ETF shares contributing to much of this increase. From year-end 1998 through 2007, ETFs issued $484 billion in net new shares, and investor demand for broad-based domestic equity funds accounted for about half of the total net issuance (Figure 3.5). These equity ETFs issued $248 billion in net new shares during this nine-year period, and their assets reached $301 billion by year-end 2007 (Figure 3.2).

Demand for global and international ETFs has also risen sharply in recent years, mirroring an increase in investor interest in mutual funds investing in foreign markets. International and global ETFs issued $116 billion in net new shares over the period 2004 to 2007 (Figure 3.5), and assets of these funds stood at $180 billion at the end of 2007 (Figure 3.2).

Index Mutual Funds

Index mutual funds are also popular with investors. Almost 14 percent of U.S. households own at least one index mutual fund. Of households that own mutual funds, 31 percent own at least one index mutual fund. As of year-end 2007, 373 index funds (Figure 3.6) managed total assets of nearly $860 billion (Figure 3.7). Demand for index mutual funds picked up in 2007 with investors adding $63 billion in net new cash flow to these funds—surpassing the record flow of $61 billion in 1999 (Figure 3.8).

FIGURE 3.6

NUMBER OF INDEX MUTUAL FUNDS

(1993–2007)

		INVESTMENT OBJECTIVE				
Year	Total	S&P 500	Other Domestic Equity	Global/ International Equity	Hybrid	Bond
1993	68	39	14	5	2	8
1994	79	43	16	5	2	13
1995	88	48	17	6	2	15
1996	107	60	21	7	2	17
1997	134	72	26	12	2	22
1998	158	87	36	14	2	19
1999	204	98	62	19	4	21
2000	281	121	105	25	4	26
2001	297	126	115	25	5	26
2002	322	129	131	28	5	29
2003	333	126	142	30	7	28
2004	340	126	153	28	6	27
2005	335	120	154	28	6	27
2006	362	125	173	32	6	26
2007	373	124	176	36	5	32

Despite the stronger inflow overall, mutual funds indexed to the S&P 500 continued to experience outflows. Almost half of the new money flowing to index mutual funds was invested in funds indexed to domestic equity indexes other than the S&P 500. As with ETFs, demand for global and international index mutual funds also was strong, with investors allocating about $17 billion in net new cash in these funds.

FIGURE 3.7

NET ASSETS OF INDEX MUTUAL FUNDS

(millions of dollars, 1993–2007)

		INVESTMENT OBJECTIVE				
Year	Total	S&P 500	Other Domestic Equity	Global/ International Equity	Hybrid	Bond
1993	$28,332	$19,639	$4,071	$1,227	$856	$2,540
1994	32,852	22,495	4,609	1,885	1,008	2,855
1995	57,388	41,303	7,242	2,651	1,561	4,630
1996	97,760	72,913	12,267	3,864	2,540	6,176
1997	169,653	128,167	22,321	4,950	4,050	10,166
1998	262,930	199,308	35,439	7,362	5,036	15,785
1999	384,408	281,010	64,272	11,992	7,152	19,982
2000	381,373	267,848	74,257	11,276	4,096	23,895
2001	368,478	245,129	75,594	9,930	4,229	33,596
2002	326,364	197,883	70,725	10,072	4,314	43,371
2003	454,300	269,737	114,814	16,981	5,829	46,940
2004	553,964	312,817	152,114	26,861	7,357	54,815
2005	620,310	328,875	177,815	40,926	8,047	64,646
2006	750,285	371,529	229,375	64,557	9,359	75,466
2007	859,508	385,984	271,348	93,298	9,904	98,973

Note: Components may not add to the total because of rounding.

FIGURE 3.8

NET NEW CASH FLOW TO INDEX MUTUAL FUNDS

(millions of dollars, 1993–2007)

		Investment Objective				
Year	**Total**	**S&P 500**	**Other Domestic Equity**	**Global/ International Equity**	**Hybrid**	**Bond**
1993	$6,253	$3,847	$926	$500	$403	$577
1994	3,185	1,760	496	403	168	357
1995	11,447	8,736	866	424	248	1,174
1996	24,382	18,078	3,215	989	687	1,413
1997	34,511	24,788	5,265	730	852	2,875
1998	45,423	30,441	8,091	1,506	797	4,588
1999	60,825	37,179	16,311	1,967	1,114	4,254
2000	25,453	10,042	11,634	1,169	969	1,639
2001	26,546	8,729	8,926	993	265	7,632
2002	25,608	5,172	11,938	1,708	537	6,253
2003	35,873	14,324	16,927	2,277	653	1,692
2004	41,260	11,193	17,572	5,735	907	5,852
2005	29,400	−466	13,326	8,402	341	7,797
2006	34,444	−7,320	23,132	10,884	117	7,631
2007	62,832	−1,939	31,086	16,901	−23	16,806

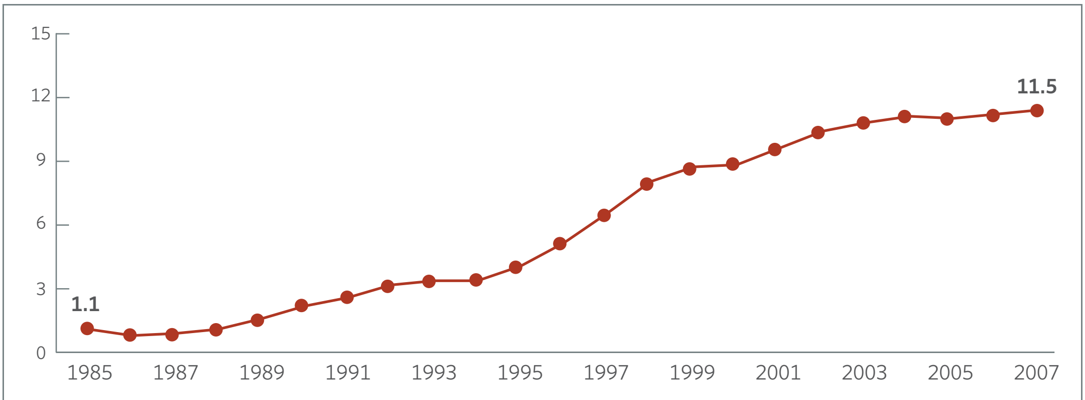
Note: Components may not add to the total because of rounding.

Equity index funds account for the bulk of all index fund assets. About 87 percent of index mutual fund assets are invested in index funds that track either the S&P 500 index or other domestic and international equity indexes (Figure 3.7). Funds indexed to the S&P 500 manage 45 percent of all assets invested in index mutual funds. After ramping up fairly quickly in the latter half of the 1990s, the percentage of assets invested in equity index funds relative to all equity mutual fund assets has hovered around 11 percent for the past five years (Figure 3.9).

FIGURE 3.9

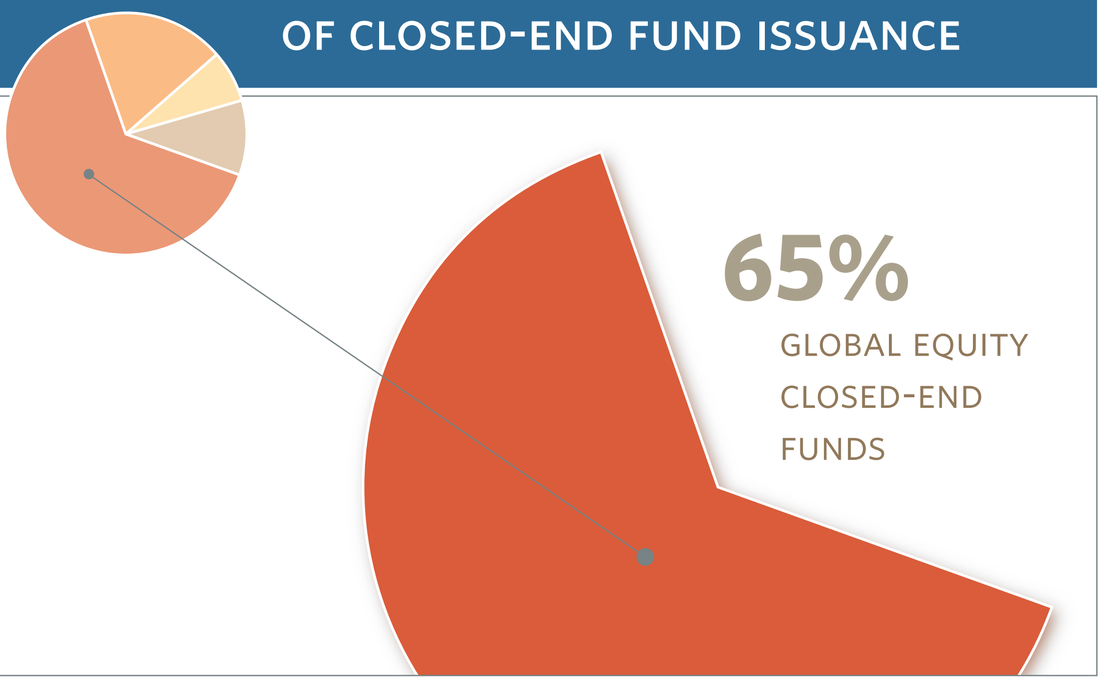
EQUITY INDEX MUTUAL FUND ASSETS AS A PERCENTAGE OF EQUITY MUTUAL FUND ASSETS

(percent, 1985–2007)



GLOBAL EQUITY FUNDS ACCOUNTED FOR NEARLY TWO-THIRDS

OF CLOSED-END FUND ISSUANCE



4.

CLOSED-END FUNDS

Closed-end funds are one of four types of investment companies, along with mutual (or open-end) funds, exchange-traded funds, and unit investment trusts. Closed-end funds generally issue a fixed amount of shares that are listed on a stock exchange or traded in the over-the-counter market. The assets of a closed-end fund are professionally managed in accordance with the fund's investment objectives and policies, and may be invested in stocks, bonds, and other securities.

This section focuses on closed-end funds, providing statistical data and a profile of the U.S. households that own them.

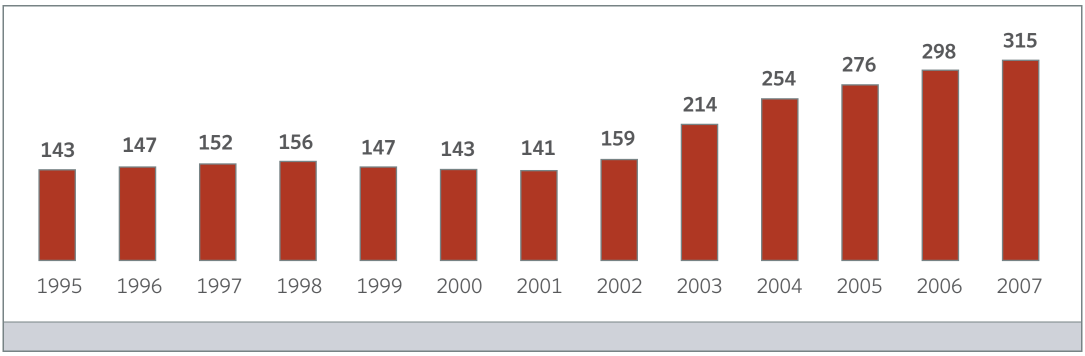
Assets in Closed-End Funds

Assets in closed-end funds grew by 6 percent in 2007, marking the sixth consecutive year of increasing assets. At year-end 2007, assets in closed-end funds reached $315 billion (Figure 4.1). Since year-end 2000, closed-end fund assets have increased by $172 billion.

FIGURE 4.1

CLOSED-END FUND ASSETS INCREASE FOR SIXTH CONSECUTIVE YEAR

(billions of dollars, year-end, 1995–2007)



Historically, bond funds have accounted for a large majority of assets in closed-end funds. At year-end 1998, nearly 70 percent of all closed-end fund assets were held in bond funds, but by 2007, bond fund assets made up only 53 percent of total closed-end fund assets (Figure 4.2). At the end of 2007, bond funds held $168 billion, down slightly from year-end 2006. In contrast, equity funds have fueled more than half of the recent growth in closed-end fund assets. At year-end 2007, equity funds totaled $147 billion, or 47 percent of closed-end fund assets.

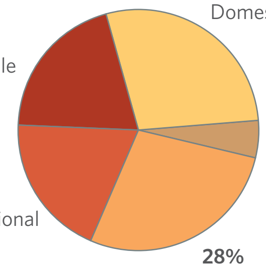
From year-end 2000 through 2007, assets in closed-end equity funds increased by $110 billion. Over the same time period, assets invested in domestic equity closed-end funds have increased by $64 billion to $88 billion while assets in global and international equity closed-end funds have increased by $47 billion to $59 billion. Assets in international and global equity funds now represent 19 percent of all closed-end fund assets compared to 8 percent in 2000.

The role of equity funds in the recent growth of closed-end fund assets is also evident when proceeds from initial and additional public offerings of closed-end equity and bond funds are compared. Between 2004 and 2007, proceeds from issuance of closed-end equity funds exceeded those of closed-end

FIGURE 4.2

BOND FUNDS ARE LARGEST SEGMENT OF CLOSED-END FUND MARKET

(percent of closed-end fund assets, 2007)



Total Closed-End Fund Assets: $315 billion

bond funds; the reverse was true in 2002 and 2003 (Figure 4.3). In 2007, proceeds from issuance of closed-end funds totaled $31 billion, of which $5 billion went to closed-end bond funds. The remaining $26 billion in proceeds was from issuance of closed-end equity funds, primarily issuance of global and international equity closed-end funds, which accounted for more than three-quarters of equity

FIGURE 4.3

CLOSED-END EQUITY FUND SHARE ISSUANCE INCREASES IN 2007

(proceeds from the issuance of initial and additional public offerings of closed-end fund shares, billions of dollars, 2002–2007)[1]

	2002	2003	2004	2005	2006	2007
Total Proceeds from Closed-End Fund Share Issuance	**$25**	**$41**	**$28**	**$21**	**$12**	**$31**
Equity Closed-End Funds	**9**	**11**	**21**	**19**	**10**	**26**
Domestic	9	11	15	13	8	6
Global/International	(*)	(*)	6	7	3	20
Bond Closed-End Funds	**16**	**30**	**7**	**2**	**2**	**5**
Domestic	16	29	6	2	2	2
Taxable	2	26	6	2	2	2
Municipal	13	3	(*)	(*)	(*)	(*)
Global/International	0	1	1	(*)	(*)	3

(*) less than $500 million

[1]Data are not available for years prior to 2002.

Note: Components may not add to the total because of rounding.

closed-end fund proceeds. Overall, the issuance of global and international closed-end funds (equity and bond) represented 74 percent of the $31 billion in total net proceeds, vastly exceeding those of domestic closed-end funds.

For more complete data on closed-end funds, see Data Table Section 2 on page 120.

Number of Closed-End Funds

The number of closed-end funds available to investors has increased during the past several years. At the end of 2007, there were 668 closed-end funds, up from 482 at the end of 2000 (Figure 4.4). As with closed-end fund assets, equity funds accounted for almost 60 percent of the increase in the number of closed-end funds during this seven-year period. Equity funds now make up 35 percent of the total number of closed-end funds compared with 26 percent at year-end 2000. Bond funds, however, are still the most common type of closed-end fund, with municipal bond funds representing over 40 percent of all closed-end funds.

FIGURE 4.4

NUMBER OF CLOSED-END FUNDS

(year-end, 2000–2007)

	2000	2001	2002	2003	2004	2005	2006	2007
All Closed-End Funds	**482**	**493**	**545**	**586**	**619**	**633**	**647**	**668**
Equity Closed-End Funds	**123**	**116**	**123**	**131**	**158**	**192**	**203**	**232**
Domestic	53	51	63	75	96	120	128	138
Global/International	70	65	60	56	62	72	75	94
Bond Closed-End Funds	**359**	**377**	**422**	**455**	**461**	**441**	**444**	**436**
Domestic	329	349	397	428	431	410	411	402
Taxable	109	109	105	130	136	130	135	131
Municipal	220	240	292	298	295	280	276	271
Global/International	30	28	25	27	30	31	33	34

Characteristics of Closed-End Fund Investors

An estimated 2.3 million U.S. households held closed-end funds in 2007. These households tend to include affluent, experienced investors who own a range of equity and fixed-income investments. In 2007, 91 percent of closed-end fund investors also own stocks, either directly or through stock mutual funds, or variable annuities (Figure 4.5).

Seventy-six percent of households that own closed-end funds also hold bonds, bond mutual funds, or fixed annuities. In addition, 41 percent of these households own investment real estate. Because a large number of households that own closed-end funds also own stocks and mutual funds, the characteristics of closed-end fund owners are similar in many respects to those of stock and fund owners. For instance, households that own closed-end funds, like stock and mutual fund-owning households, tend to be headed by college-educated individuals and have household incomes above the national average (Figure 4.6).

FIGURE 4.5

CLOSED-END FUND INVESTORS OWN A BROAD RANGE OF INVESTMENTS

*(percent of closed-end fund investors owning each type of investment, 2007)**

Stock Mutual Funds, Stocks, or Variable Annuities (total)	**91**
Bond Mutual Funds, Bonds, or Fixed Annuities (total)	**76**
Mutual Funds (total)	**84**
Stock mutual funds	72
Bond mutual funds	52
Hybrid mutual funds	52
Money market mutual funds	67
Stocks	**74**
Bonds	**51**
Fixed or Variable Annuities	**53**
Investment Real Estate	**41**

Multiple responses are included.

Nonetheless, households that own closed-end funds exhibit certain characteristics that distinguish them from stock and mutual fund-owning households. For example, households with closed-end funds tend to have much greater household financial assets than either stock or mutual fund investors. Closed-end fund investors are also more likely to be retired from their lifetime occupations than either stock or mutual fund investors.

Ownership of bond investments traditionally has been greatest among older individuals and households in the highest income and wealth groups. Because bond funds account for a large portion of closed-end fund assets, households that own closed-end funds tend to have demographic characteristics similar to those of bond investors in general.

FIGURE 4.6

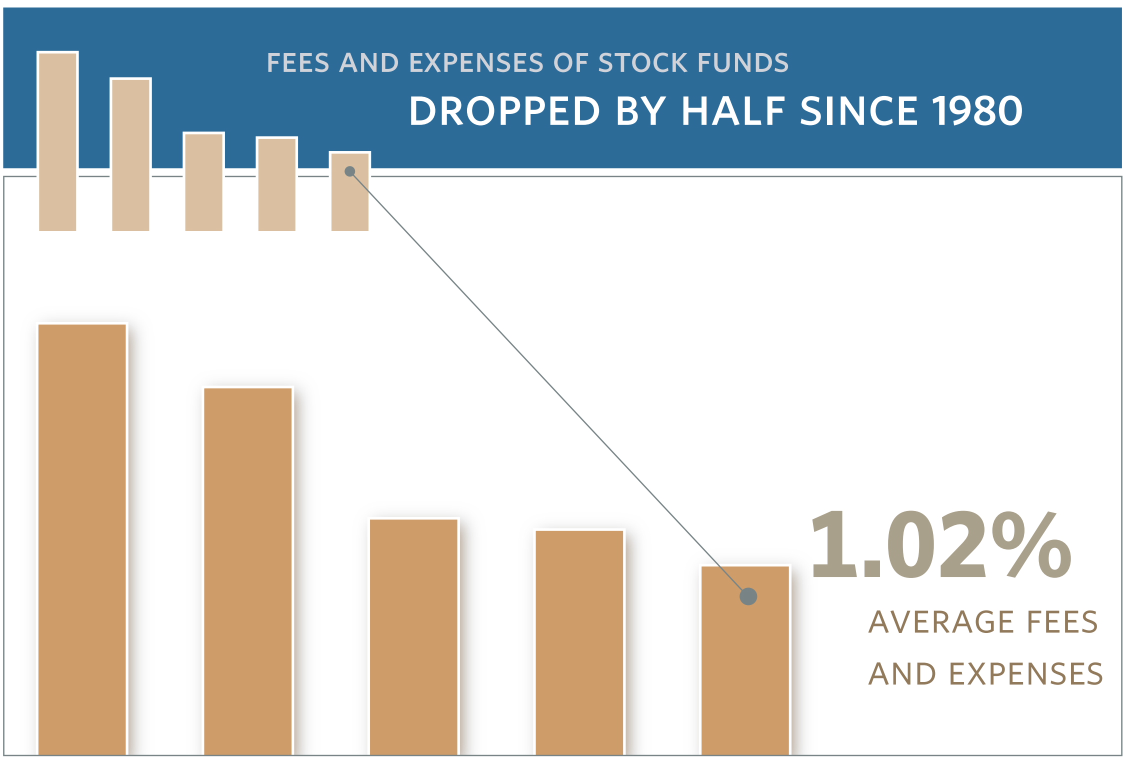
CLOSED-END FUND INVESTORS HAVE ABOVE-AVERAGE HOUSEHOLD INCOMES, FINANCIAL ASSETS

(2007)

	All U.S. Households	Households Owning Closed-End Funds	Households Owning Mutual Funds	Households Owning Stocks
Median				
Age of head of household	48	55	49	50
Household income[1]	$47,100	$75,000	$74,000	$79,700
Household financial assets[2]	$85,000	$500,000	$175,000	$250,000
Percent				
Household primary or co-decisionmaker for investing:				
Married or living with a partner	62	70	75	74
Widowed	11	13	6	6
Four-year college degree or more	29	55	46	45
Employed (full- or part-time)	62	55	73	71
Retired from lifetime occupation	28	42	25	29
Household owns:				
IRA(s)	40	78	68	68
Defined contribution retirement plan account(s)	51	55	76	71

[1]*Total reported is household income before taxes in 2006.*

[2]*Household financial assets include assets in employer-sponsored retirement plans but exclude the household's primary residence.*


FEES AND EXPENSES OF STOCK FUNDS
DROPPED BY HALF SINCE 1980
1.02%
AVERAGE FEES
AND EXPENSES

5.

MUTUAL FUND FEES AND EXPENSES

Mutual fund investing involves two primary kinds of fees and expenses: sales loads and ongoing expenses. Sales loads are one-time fees—paid directly by investors either at the time of share purchase (front loads) or, in some cases, when shares are redeemed (back-end loads). Ongoing fund expenses cover portfolio management, fund administration, daily fund accounting and pricing, shareholder services such as call centers and websites, distribution charges known as 12b-1 fees, and other miscellaneous costs of operating the fund. Unlike sales loads, ongoing expenses are paid from fund assets and thus investors pay them indirectly. A fund's expense ratio is its annual ongoing expenses expressed as a percentage of fund assets.

Mutual fund investors, like investors in all financial products, pay for services they receive. This section provides an overview of mutual fund fees and expenses.

Trends in Mutual Fund Fees and Expenses

To understand trends in mutual fund fees and expenses, it is helpful to combine major fund fees and expenses in a single measure. ICI created such a measure by adding a fund's annual expense ratio to an estimate of the annualized cost that investors pay for one-time sales loads. This measure gives more weight to those funds that have the most assets.

Mutual fund fees and expenses that investors pay have trended downward since 1980. In 1980, investors in stock funds, on average, paid fees and expenses of 2.32 percent of fund assets. By 2007, that figure had fallen by more than half to 1.02 percent (Figure 5.1). Fees and expenses paid on bond funds have declined by a similar amount.

There are several reasons for the dramatic drop in the fees and expenses incurred by mutual fund investors. First, investors generally pay much less in sales loads than they did in 1980. For example, the maximum front load that an investor might pay for investing in an equity fund has fallen from an average of 8.0 percent of the investment in 1980 to 5.3 percent in 2007. The front loads that equity fund shareholders actually paid have fallen even more, from 5.6 percent in 1980 to only 1.2 percent in 2007. A key factor in the steep decline in loads paid has been the growth of mutual fund sales through employer-sponsored retirement plans. Load funds often do not charge loads for purchases of fund shares through such retirement plans.

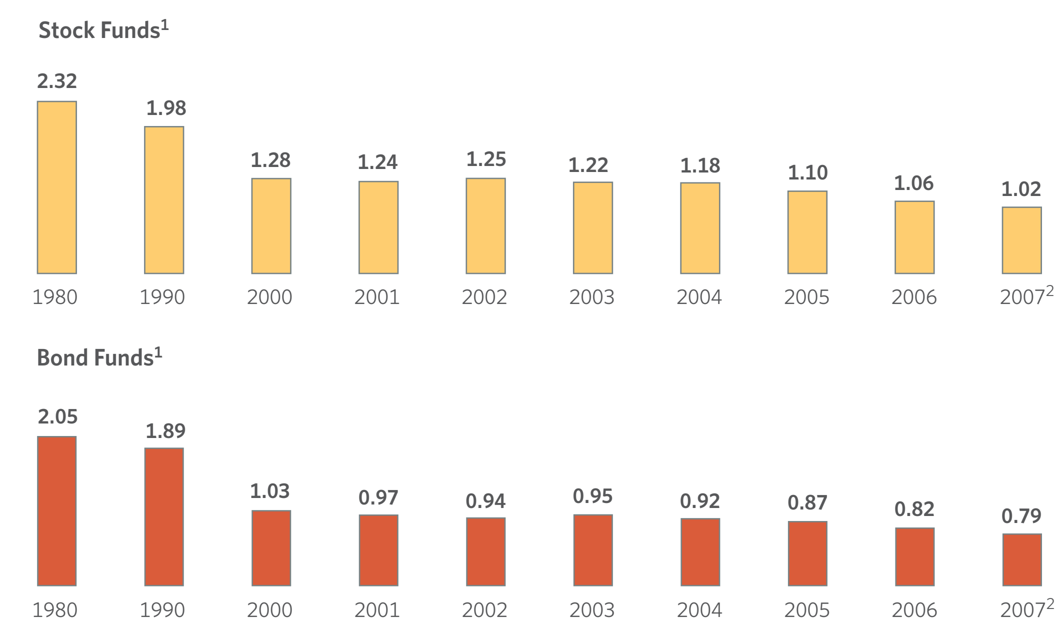
Another reason for the decline in the fees and expenses of investing in mutual funds has been the growth in sales of no-load funds. Much of the increase in sales of no-load funds has occurred through the employer-sponsored retirement plan market. Sales of no-load funds have also expanded through mutual fund supermarkets and discount brokers.

Finally, mutual fund fees have been pushed down by economies of scale and intense competition within the mutual fund industry. The demand for mutual fund services has increased dramatically since 1980. From 1980 to 2007, the number of households owning mutual funds rose from 4.6 million to 50.6 million and the number of shareholder accounts rose from just 12 million to about 300 million. Ordinarily, such a sharp increase in the demand for fund services would have tended to limit decreases in fund expense ratios. This effect, however, was more than offset by the downward pressure on fund expense ratios from competition among existing fund sponsors, the entry of new fund sponsors into the industry, and economies of scale resulting from the growth in fund assets.

FIGURE 5.1

FEES AND EXPENSES INCURRED BY STOCK AND BOND MUTUAL FUND INVESTORS HAVE DECLINED SINCE 1980

(percent, selected years)



[1]*asset-weighted average of annual expense ratios and annualized loads for individual funds*

[2]*Data are preliminary.*

Sources: Investment Company Institute; Lipper; ValueLine Publishing, Inc.; CDA/Wiesenberger Investment Companies Service; © CRSP University of Chicago, used with permission, all rights reserved (312.263.6400/www.crsp.com); and Strategic Insight Simfund

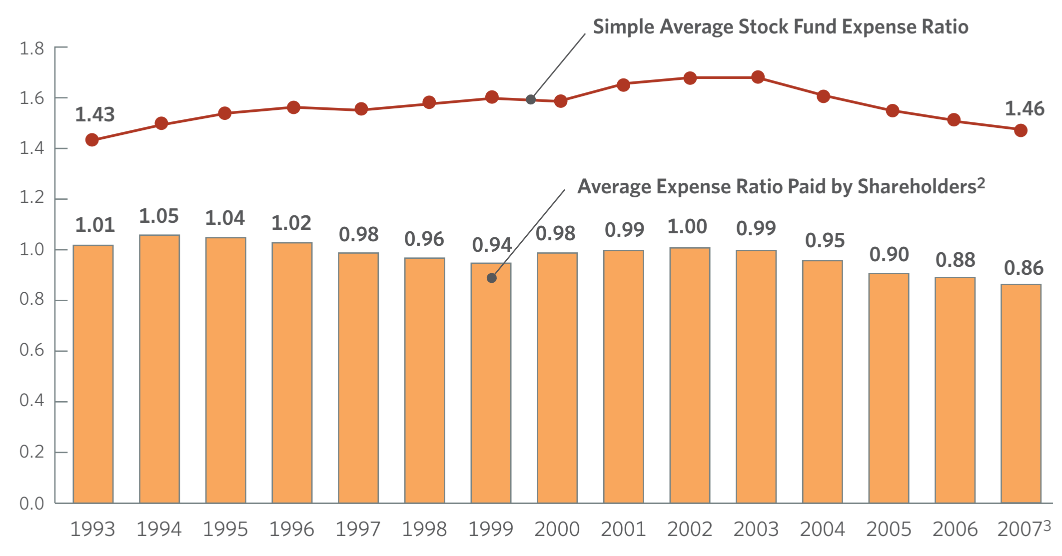
Shareholder Demand for Lower-Cost Funds

ICI research indicates that mutual fund shareholders invest predominantly in funds with low expense ratios. This can be seen by comparing the average expense ratio on mutual funds offered in the marketplace with the average expense ratio mutual fund shareholders actually paid (Figure 5.2). The simple-average expense ratio of stock funds (which measures the average expense ratio of all stock funds offered in the market) was 1.46 percent in 2007. The average expense ratio that stock fund shareholders actually paid (the asset-weighted average expense ratio across all stock funds) was considerably lower, just 0.86 percent of fund assets. Thus, investors actually paid expense ratios at the lower end of the range of funds available in the market.

FIGURE 5.2

FUND SHAREHOLDERS PAY LOWER-THAN-AVERAGE EXPENSES IN STOCK FUNDS

(percent, 1993–2007)[1]



[1]Variable annuities are excluded.

[2]asset-weighted average of annual expense ratios for individual funds

[3]Data are preliminary.

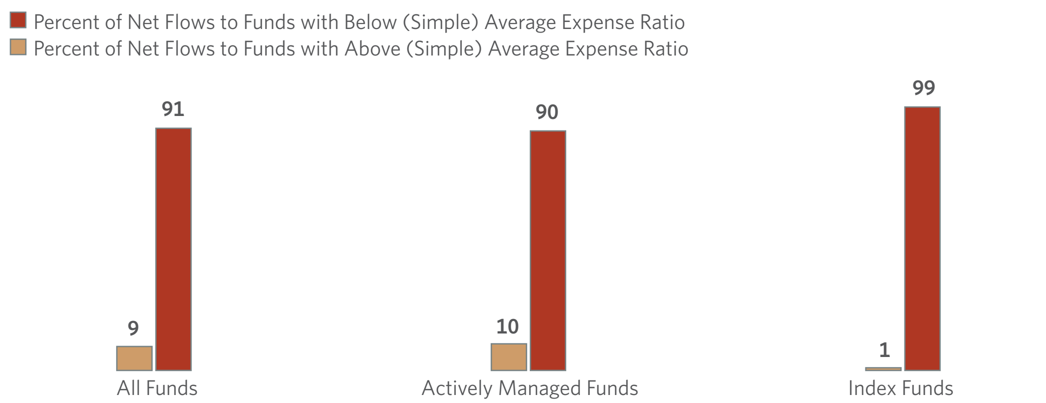
Sources: Investment Company Institute; Lipper; ValueLine Publishing, Inc.; CDA/Wiesenberger Investment Companies Service; © CRSP University of Chicago, used with permission, all rights reserved (312.263.6400/www.crsp.com); and Strategic Insight Simfund

Another way to illustrate that investors demand mutual funds with low expense ratios is to identify how investors allocate their new purchases of mutual fund shares. During the 10-year period from 1998 to 2007, the vast majority of net new cash flowing to stock funds went to those funds whose expense ratios were below the market average (Figure 5.3). This was true for both actively managed funds and index mutual funds.

FIGURE 5.3

STOCK FUNDS WITH BELOW-AVERAGE EXPENSE RATIOS RECEIVE 91 PERCENT OF NET NEW CASH*

(percent, 1998–2007)



**Variable annuities are excluded; based on preliminary data for 2007.*

Sources: Investment Company Institute; Lipper; ValueLine Publishing, Inc.; CDA/Wiesenberger Investment Companies Service; © CRSP University of Chicago, used with permission, all rights reserved (312.263.6400/www.crsp.com); and Strategic Insight Simfund

Factors Influencing Mutual Fund Fees and Expenses

As is true of the prices of most goods and services, fees differ considerably across the range of mutual funds (Figure 5.4). The level of fund fees depends on the fund investment objective, fund assets, balances in shareholders accounts, the number and kinds of services that a fund offers, and other factors.

Fund Investment Objective. Expenses vary by type of fund: for example, bond and money market funds tend to have lower expense ratios than equity funds. Among equity funds, expense ratios tend to be higher among funds that specialize in particular sectors ("Sector" funds) such as health care or real estate, or those that invest in international stocks, which tend to be more costly to manage than, for instance, stocks in the S&P 500 index.

Even within a particular type of fund, there can be considerable variation in fund expense ratios. For example, expense ratios for aggressive growth equity funds range from less than 0.90 percent to more than 2.24 percent. Such variation in part reflects the fact that such funds are not all identical. Some aggressive growth funds may choose to focus more on small- or mid-cap stocks while others may focus more on large-cap stocks. This can be significant because small- and mid-cap stocks tend to be more costly to manage.

FIGURE 5.4

EXPENSE RATIOS FOR SELECTED INVESTMENT OBJECTIVES*

(percent, 2007)

Investment Objective	10th Percentile	Median	90th Percentile	Average *(asset-weighted)*	Average *(simple)*
Equity Funds	**0.79**	**1.40**	**2.22**	**0.86**	**1.47**
Aggressive Growth	0.90	1.45	2.24	1.03	1.53
Growth	0.77	1.30	2.13	0.91	1.30
Sector	0.91	1.55	2.36	0.95	1.61
Growth & Income	0.50	1.18	1.97	0.58	1.23
Income Equity	0.75	1.21	1.94	0.81	1.30
International Equity	0.94	1.56	2.37	1.01	1.62
Hybrid Funds	**0.69**	**1.27**	**2.06**	**0.78**	**1.36**
Bond Funds	**0.50**	**0.96**	**1.73**	**0.65**	**1.07**
Taxable Bond	0.49	0.98	1.79	0.66	1.08
Municipal Bond	0.54	0.93	1.63	0.64	1.06
Money Market Funds	**0.20**	**0.55**	**1.05**	**0.39**	**0.61**

**Data are preliminary; variable annuities are excluded.*

Sources: Investment Company Institute; Lipper; © CRSP University of Chicago, used with permission, all rights reserved (312.263.6400/www.crsp.com); and Strategic Insight Simfund

Fund and Average Fund Account Size. Other factors—such as fund size and fund account size—also help explain differences in fund expense ratios.

All else equal, large mutual funds tend to have lower-than-average expense ratios because of economies of scale. Fund sizes vary widely across the industry. In 2007, the median long-term mutual fund had assets of $246 million (Figure 5.5). Twenty-five percent of all long-term funds had assets of $71 million or less, while another 25 percent of long-term funds had assets greater than $856 million.

Funds with higher account balances also tend to have lower expense ratios than other funds. This reflects the fact that each account, regardless of how large or small it is, requires a given, relatively fixed level of service. For example, account statements must be mailed periodically to account holders. Funds that cater primarily to institutional investors—who typically invest large amounts of money in fewer accounts—tend to have high average account balances. Many funds primarily serve retail investors, who typically have lower average account balances. In part because of this, account balances, like fund sizes, range considerably across the industry. In 2007, 50 percent of long-term funds had average account balances of less than $47,029. Twenty-five percent of long-term funds had average account balances of less than about $20,000. At the other extreme, 25 percent of funds had average account balances of more than $160,000.

Payments to Intermediaries. Another factor that helps explain variation in fund fees is whether funds are sold through intermediaries such as brokers or registered financial advisers. These professionals help investors define their investment goals, select appropriate funds, and provide ongoing advice and service. Financial advisers are compensated for these services, in part, through a particular kind of fund fee, known as a 12b-1 fee, which is included in a fund's expense ratio. Funds sold through intermediaries tend to have higher expense ratios than other funds (no-load funds). No-load funds are sold directly to investors or are sold to investors through financial advisers who charge investors directly for investment advice. Thus, no-load funds tend to have lower expense ratios than other funds with similar investment objectives.

FIGURE 5.5

FUND SIZES AND AVERAGE ACCOUNT BALANCES VARY WIDELY

(long-term funds, excluding variable annuities, year-end 2007)

	Fund Assets *(millions of dollars)*	**Average Account Balances** *(dollars)*
10th percentile	$25	$11,076
25th percentile	71	19,079
Median	246	47,029
75th percentile	856	161,626
90th percentile	2,535	1,343,915

Note: Number of shareholder accounts includes a mix of individual and omnibus accounts.

A LOOK AT THE FEES AND EXPENSES OF S&P 500 INDEX MUTUAL FUNDS

There are more than 8,000 mutual funds available to investors, and no two are identical. Mutual funds vary in terms of size, investment objective, and the services they provide to shareholders and, consequently, in the fees and expenses that they charge.

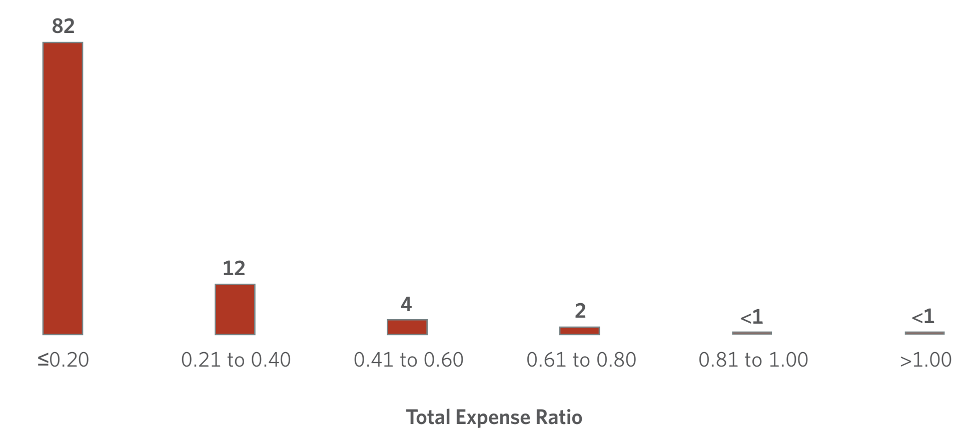
For example, all S&P 500 funds share the goal of mirroring the return on the S&P 500 index, a well-known index of 500 large-cap stocks. As a result, S&P 500 index mutual funds all hold essentially identical portfolios.

Nevertheless, S&P 500 funds differ from one another in important ways. Some S&P 500 funds are very large—among the largest of any mutual funds—while other S&P 500 funds are quite small. Required minimum investments range widely for S&P 500 index funds, from $100 for some retail funds to more than $25 million among S&P 500 funds that cater to institutions. S&P 500 funds also differ in terms of certain fees that investors may pay out-of-pocket, such as account maintenance fees. Finally, some S&P 500 funds are sold through intermediaries (load funds), while others are not (no-load funds).

FIGURE 5.6

INVESTOR ASSETS ARE CONCENTRATED IN S&P 500 INDEX MUTUAL FUNDS WITH THE LOWEST EXPENSE RATIOS*

(percent of total assets of S&P 500 index mutual funds, 2007)



*Data are preliminary.

Note: Percentages do not add to 100 percent because of rounding.

Sources: Investment Company Institute and Lipper

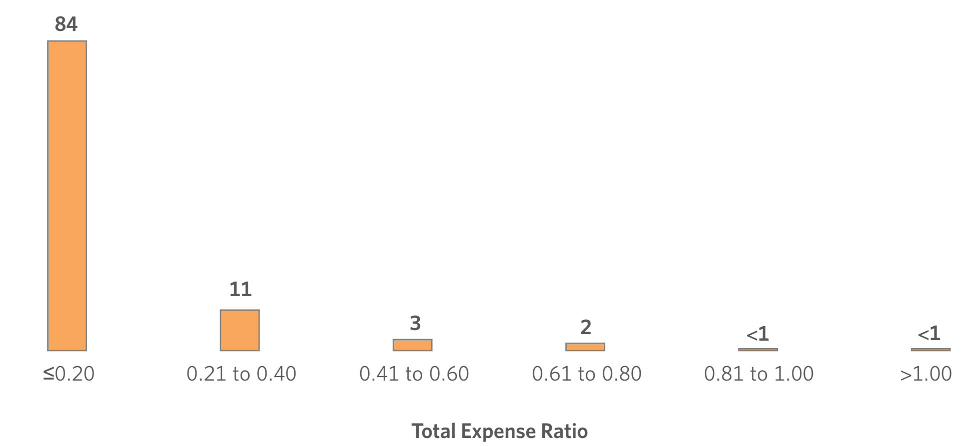
Because S&P 500 index funds are not all identical, their expense ratios differ. Large funds and funds with high average account balances tend to have lower-than-average expense ratios because of economies of scale. Funds sold through intermediaries tend to have higher expense ratios than comparable no-load funds in order to compensate financial advisers for the planning, advice, and ongoing service that they provide to clients. Retail investors who purchase no-load funds either do not use a financial adviser or use a financial adviser but pay the adviser directly.

Investors favor the least costly S&P 500 funds. For example, in 2007, the great majority of assets that investors held in S&P 500 index funds were held in low-cost funds, those with expense ratios of 20 basis points or less (Figure 5.6). Similarly, low-cost funds have garnered the bulk of investors' net new purchases of shares of S&P 500 index mutual funds. From 1998 to 2007, more than 80 percent of the total net new cash flow to S&P 500 funds went to those funds with expense ratios of 20 basis points or less (Figure 5.7).

FIGURE 5.7

INVESTORS' NET PURCHASES OF S&P 500 INDEX MUTUAL FUNDS ARE CONCENTRATED IN LEAST COSTLY FUNDS*

(percent of net new cash flow of S&P 500 index mutual funds, 1998–2007)



*Data are preliminary.

Note: Percentages do not add to 100 percent because of rounding.

Sources: Investment Company Institute and Lipper

Rule 12b-1 Fees

Many mutual fund investors use and pay for the services of a professional financial adviser. ICI research finds that among investors owning mutual fund shares outside of retirement plans at work, 80 percent own fund shares through professional financial advisers. Financial advisers typically devote time and attention to prospective investors before they make an initial purchase of funds and other securities. The adviser generally meets with the investor, identifies financial goals, analyzes existing financial portfolios, determines an appropriate asset allocation, and recommends funds to help achieve the investor's goals. Advisers also provide ongoing services, such as periodically reviewing investors' portfolios, adjusting asset allocations, and responding to customer inquiries.

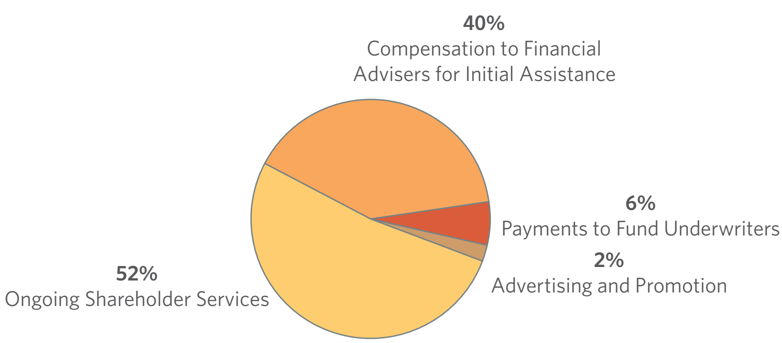
Until about 25 years ago, fund shareholders could only compensate financial advisers for their assistance through a front load—a one-time, upfront payment made to financial advisers for both current and future services. After 1980, when the U.S. Securities and Exchange Commission (SEC) adopted Rule 12b-1 under the Investment Company Act of 1940, funds and their shareholders had greater flexibility in compensating financial advisers. The adoption of this rule, and subsequent regulatory action, established a framework under which mutual funds pay for some or all of the services that financial advisers provide to shareholders through so-called 12b-1 fees. This framework also allows mutual funds to use 12b-1 fees to compensate other financial intermediaries, such as retirement plan recordkeepers and discount brokerage firms, for services provided to fund shareholders, and to pay for advertising, marketing, and other sales promotion activities.

Nevertheless, most of the 12b-1 fees collected by funds are used to compensate financial advisers and other financial intermediaries for assisting fund investors before and after purchases of fund shares (Figure 5.8). Furthermore, only a small fraction (2 percent) of the 12b-1 fees that mutual funds collect is used for advertising and promotion.

FIGURE 5.8

MOST 12b-1 FEES USED TO PAY FOR SHAREHOLDER SERVICES

(percent of 12b-1 fees collected, 2004)



Source: Fundamentals, *"How Mutual Funds Use 12b-1 Fees" (www.ici.org/pdf/fm-v14n2.pdf)*

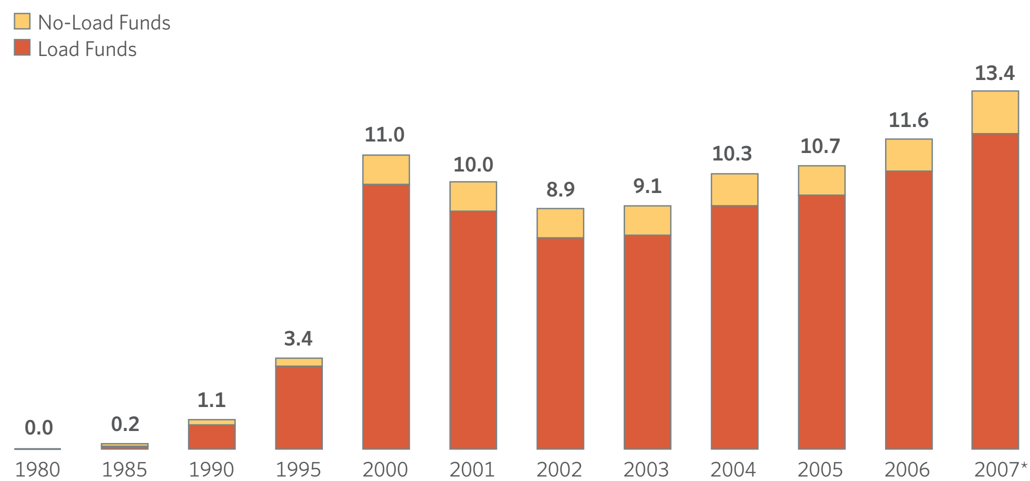
The amount of 12b-1 fees that shareholders pay through mutual funds rose from a few million dollars in the early 1980s to about $13 billion in 2007 (Figure 5.9). This increase reflects, in part, the nearly 90-fold increase in mutual fund assets and the 11-fold increase in the number of households owning funds since 1980. The increase in total 12b-1 fees also reflects a shift by mutual funds and their investors from front loads to 12b-1 fees as a mechanism to compensate financial advisers. As funds have added 12b-1 fees, the typical maximum front load on all long-term funds declined from 8.0 percent in 1980 to about 4.9 percent in 2007. Most load funds now also offer classes of shares that have 12b-1 fees but no front loads.

For more information on fund operations and the fees and expenses that funds charge, see *Appendix A: How Mutual Funds and Investment Companies Operate* beginning on page 160. ICI also offers an investor education brochure explaining mutual fund fees and expenses at www.ici.org/pdf/bro_mf_fees_faq_p.pdf.

FIGURE 5.9

RISE IN 12b-1 FEES PAID REFLECTS ASSET GROWTH AND SHIFT IN SOURCE OF FINANCIAL ADVISERS' COMPENSATION

(billions of dollars, selected years)



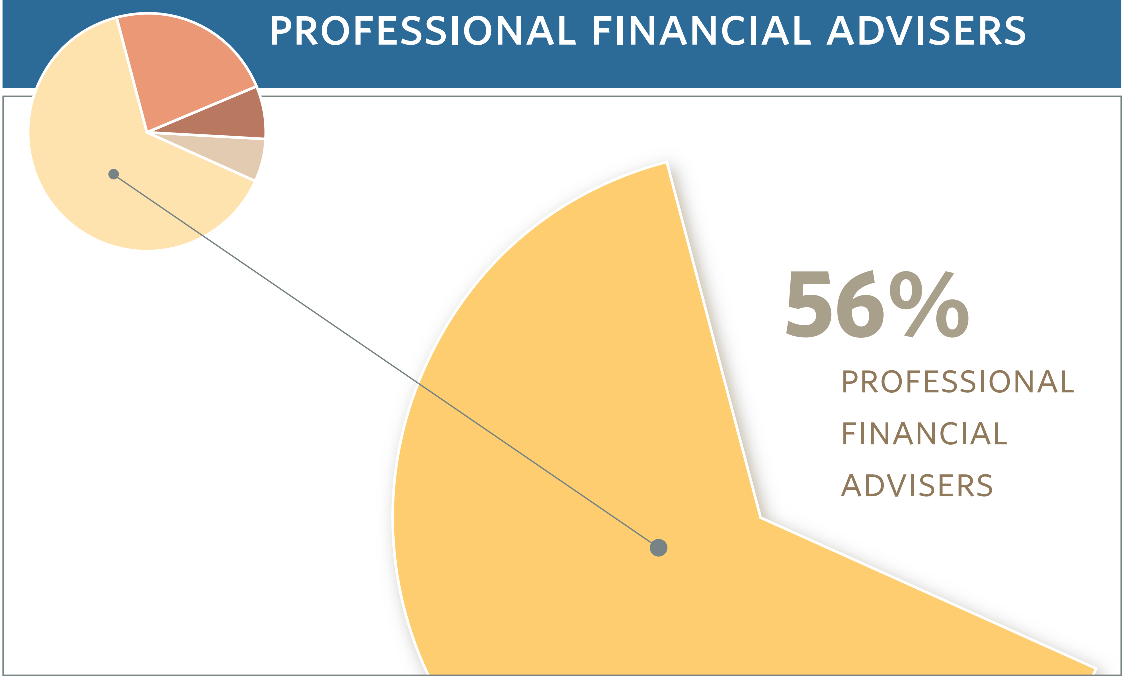
**Data are preliminary.*

Note: Variable annuites are excluded.

Sources: Investment Company Institute; Lipper; © CRSP University of Chicago, used with permission, all rights reserved (312.263.6400/ www.crsp.com); and Strategic Insight Simfund

MORE THAN HALF OF ALL HOUSEHOLD FUND ASSETS ARE HELD THROUGH

PROFESSIONAL FINANCIAL ADVISERS



6.

CHARACTERISTICS OF MUTUAL FUND OWNERS

Ownership of mutual funds has grown significantly over the past quarter century. Forty-four percent of all U.S. households own mutual funds in 2007, compared with less than 6 percent in 1980. The estimated 88 million individuals who own mutual funds include many different types of people with a variety of financial goals. Fund investors purchase and sell mutual funds through four principal sources: professional financial advisers, such as full-service brokers and independent financial planners; directly from fund companies; employer-sponsored retirement plans; and fund supermarkets.

This section looks at individual and institutional owners of U.S. mutual funds and examines how these investors purchase fund shares.

Individual and Household Ownership

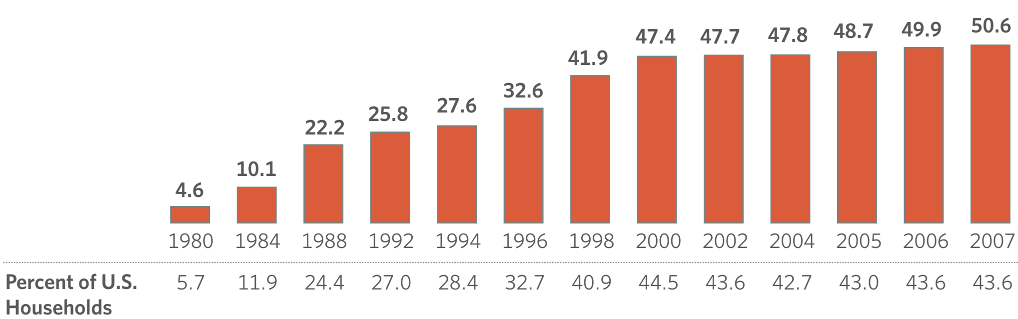
An estimated 88 million individual investors own funds, and hold 86 percent of total mutual fund assets. Altogether, 51 million households, or 44 percent of all U.S. households, own funds (Figure 6.1).

Mutual funds represent a significant component of many U.S. households' financial holdings. Among households that own mutual funds, the median amount invested in mutual funds is $100,000 (Figure 6.2). The majority of individuals heading households that own mutual funds are married or living with a partner, and almost half are college graduates. About three-quarters of these individuals work full- or part-time.

FIGURE 6.1

MORE THAN FOUR IN TEN U.S. HOUSEHOLDS OWN MUTUAL FUNDS

(millions of U.S. households owning mutual funds, selected years)



Sources: Investment Company Institute and U.S. Census Bureau (Fundamentals, *"Trends in Ownership of Mutual Funds in the United States, 2007" (www.ici.org/pdf/fm-v16n5.pdf)*)

FIGURE 6.2

CHARACTERISTICS OF MUTUAL FUND INVESTORS

(2007)

HOW MANY PEOPLE OWN MUTUAL FUNDS?

88 million individuals
51 million U.S. households

WHO ARE THEY?

49 years of age (median)
75 percent are married or living with a partner
46 percent are college graduates
73 percent are employed (full- or part-time)
45 percent are Baby Boomers
24 percent are Generation X

WHAT DO THEY OWN?

$175,000, median household financial assets
64 percent hold more than half of their financial assets in mutual funds
68 percent own IRAs
76 percent own defined contribution retirement plan accounts

WHAT IS IN THEIR FUND PORTFOLIOS?

56 percent bought first fund more than 10 years ago
4 mutual funds, median number owned
$100,000, median mutual fund assets
57 percent purchased first mutual fund through defined contribution retirement plan
80 percent own equity funds

WHY DO THEY INVEST?

91 percent are saving for retirement
52 percent hold mutual funds to reduce taxable income
45 percent are saving for emergencies

Sources: Investment Company Institute and U.S. Census Bureau (Fundamentals, *"Trends in Ownership of Mutual Funds in the United States, 2007" (www.ici.org/pdf/fm-v16n5.pdf),* Profile of Mutual Fund Shareholders, *2007 (www.ici.org/pdf/rpt_profile08.pdf), and* Fundamentals, *"Characteristics of Mutual Fund Investors, 2007" (www.ici.org/pdf/fm-v17n2.pdf))*

Mutual Fund Ownership by Age and Income

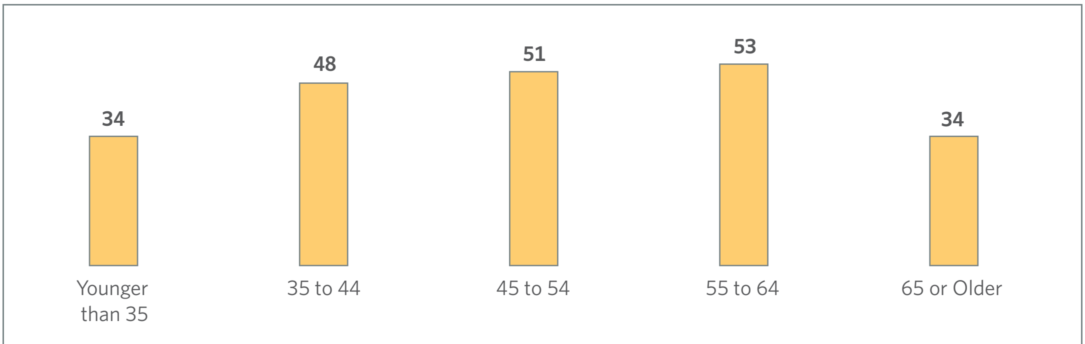
The incidence of ownership of mutual funds is greatest among households headed by individuals age 35 to 64 years—the group considered to be in their peak earning and saving years (Figure 6.3). The median age of individuals heading households that own mutual funds is 49. Forty-five percent of all individuals heading households that own mutual funds are members of the Baby Boom Generation (born between 1946 and 1964), and nearly one-quarter are members of Generation X (born between 1965 and 1976).

The incidence of mutual fund ownership increases with household income (Figure 6.4). About three in five households that own funds have incomes between $25,000 and $100,000. The median household income of mutual fund-owning households is $74,000.

FIGURE 6.3

INCIDENCE OF MUTUAL FUND OWNERSHIP GREATEST AMONG 35- TO 64-YEAR-OLDS

(percent of all U.S. households within each age group owning mutual funds, 2007)*



*Age is based on individual heading the household.

Sources: Investment Company Institute and U.S. Census Bureau (Fundamentals, "Trends in Ownership of Mutual Funds in the United States, 2007" (www.ici.org/pdf/fm-v16n5.pdf))

FIGURE 6.4

INCIDENCE OF OWNERSHIP OF MUTUAL FUNDS INCREASES WITH HOUSEHOLD INCOME

(percent of U.S. households within each income group owning mutual funds, 2007)*

*Income ranges are based upon previous year's pretax household income.

Sources: Investment Company Institute and U.S. Census Bureau (Fundamentals, "Trends in Ownership of Mutual Funds in the United States, 2007" (www.ici.org/pdf/fm-v16n5.pdf))

Where Individuals Own Mutual Funds

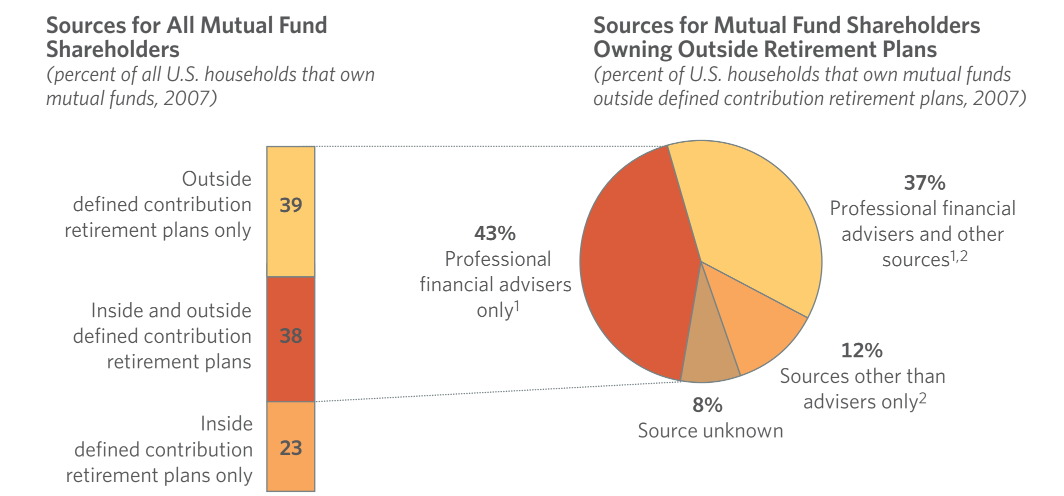
Although mutual funds play a key role in both the long- and short-term savings strategies of many U.S. households, nearly three-quarters of mutual fund-owning households indicate their primary financial goal for their fund investments is saving for retirement. Thus, many households hold funds in workplace retirement plans, IRAs, and other tax-deferred and taxable accounts.

Inside Defined Contribution Retirement Plans

Since 1990, retirement plans at work have become one of the most common sources through which individuals invest in mutual funds. Indeed, many of today's mutual fund owners were introduced to mutual fund investing through 401(k) and other retirement plans at work. In 2007, 57 percent of households that own mutual funds indicate they purchased their first fund through an employer-sponsored retirement plan, up from 47 percent in 1998. In total, 24 percent of households' mutual fund holdings are held in employer-sponsored retirement plan accounts. About half of households that own mutual funds view these plans as their main fund purchase source.

FIGURE 6.5

WHERE DO SHAREHOLDERS OWN MUTUAL FUNDS?



[1]*Professional financial advisers include full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, and accountants.*

[2]*Other sources include fund companies directly, fund supermarkets, and discount brokers.*

Outside Defined Contribution Retirement Plans

Many mutual fund-owning households also own funds outside defined contribution retirement plans (Figure 6.5). Those who own funds outside defined contribution retirement plans typically hold mutual funds in their investment portfolios for several years. On average, mutual fund accounts held outside retirement plans at work have been open for five years (Figure 6.6), and shareholders on average have had a relationship with the fund company offering the fund(s) for seven years (Figure 6.7).

Mutual fund investors often use funds to save for retirement outside workplace retirement plans. Indeed, 56 percent of mutual fund-owning households hold funds in their IRAs. In many cases, these IRAs hold assets rolled over from 401(k) and other employer-sponsored retirement plans.

FIGURE 6.6

THE AVERAGE MUTUAL FUND ACCOUNT HAS BEEN OPEN FOR FIVE YEARS

(percent of mutual fund accounts held outside defined contribution retirement plans, by age of account, year-end 2005)

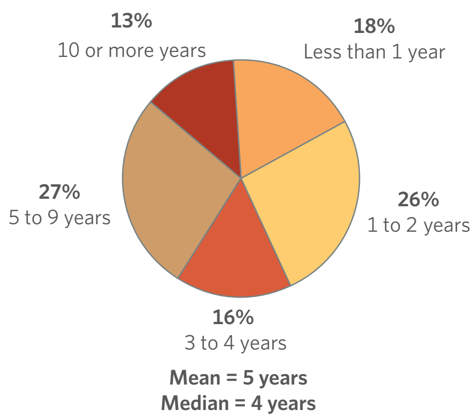
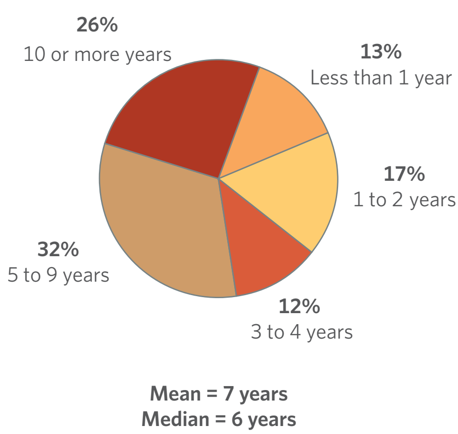


FIGURE 6.7

THE AVERAGE SHAREHOLDER TENURE WITH A FUND COMPANY IS SEVEN YEARS

(percent of mutual fund shareholders, by tenure of shareholder with the fund company, year-end 2005)



Purchasing Funds Through Professional Financial Advisers

Among households that own fund shares outside defined contribution retirement plans, 80 percent currently own fund shares through professional financial advisers, including full-service brokers, independent financial planners, insurance agents, bank or savings institution representatives, and accountants (Figure 6.5). Forty-three percent own funds solely through advisers, while another 37 percent own funds purchased from advisers as well as directly from fund companies, fund supermarkets, or discount brokers. Twelve percent solely own funds purchased directly from fund companies, fund supermarkets, or discount brokers.

Professional financial advisers offer investors a wide array of services in addition to helping them select and purchase mutual fund shares. Altogether, nearly two-thirds of shareholders with ongoing advisory relationships indicate that they receive at least five distinct services from their primary advisers. The services that advisers provide may be grouped into two broad categories—investment services and planning services (Figure 6.8).

FIGURE 6.8

SHAREHOLDERS RECEIVE NUMEROUS INVESTMENT SERVICES FROM PROFESSIONAL FINANCIAL ADVISERS

(percent of respondents with ongoing advisory relationships, 2006)

Types of Services Currently Received from Primary Adviser*	
Investment Services	
Regular portfolio review and investment recommendations	85
Review of allocation of investor's employer-sponsored retirement plan assets	61
Planning Services	
Periodic discussion of financial goals	83
Planning to achieve specific goals, such as saving for retirement or paying for college	75
Comprehensive financial planning	75
Managing assets in retirement	60
Access to specialists in areas such as tax planning	51
Number of Services Received	
Five or more services	63
Three or four services	23
One or two services	14

**Multiple responses are included.*

Source: Fundamentals, *"Why Do Mutual Fund Investors Use Professional Financial Advisers?" (www.ici.org/pdf/fm-v16n1.pdf)*

Use of Investment Services. Investment services provided by advisers include, among other things, portfolio review, investment recommendations, and asset allocation review. Among the fund investors surveyed who have ongoing advisory relationships, more than eight in 10 say their advisers regularly assess their portfolios and give them investment recommendations. About six in 10 indicate their advisers help them allocate assets held in workplace retirement accounts.

While fund investors generally receive investment recommendations from their advisers, many also conduct independent research to confirm these recommendations. One-quarter of shareholders with ongoing advisory relationships "always" undertake their own research and more than four in 10 "sometimes" conduct their own research. Shareholders who take the lead in making investment decisions with their advisers are the group most likely to undertake their own research before accepting advisers' recommendations.

Use of Planning Services. Planning services provided by advisers include, among other things, periodic discussion of financial goals, suggesting strategies to help meet specific goals, and the development of a more comprehensive financial plan.

About 80 percent of investors who use financial advisers have periodic discussions of their general financial goals with their advisers, and three-quarters receive planning services for specific goals, such as retirement security and education saving. Three-quarters of fund investors with ongoing advisory relationships say they receive comprehensive financial planning assistance from their primary advisers, and six in 10 receive advice on how to manage their money in retirement. About half also indicate that they have access to tax planners and other specialists through their advisers. Shareholders with access to investment specialists tend to have high levels of assets; these investors want specialized services in areas such as charitable giving or wealth management.

Views on the Benefits of the Investor/Adviser Relationship. Generally, fund investors who chose to work with advisers indicate the relationship improves their chances of growing their money and gives them peace of mind about their investments. They cited several tangible benefits of the investor/adviser relationship, expressing the common theme among survey respondents that using professional financial advisers provides a level of expertise that enhances their investment decisionmaking.

Most shareholders with ongoing advisory relationships cite the need for guidance in understanding their total financial picture and allocating their assets across a range of investments (Figure 6.9). Many also require explanations of the wide variety of investment options as well as assessments of whether they are saving enough for retirement. For others, making sure their estate is in order is a major reason for the advisory relationship.

The extent to which investors delegate investment decisionmaking to their advisers appears to shape their perception of the value of the advisory relationship. ICI survey findings indicate that the more shareholders rely on their advisers for investment decisionmaking, the greater the value they place on the advisory relationship. For example, roughly three-quarters of shareholders who delegate or make investment decisions together with their advisers indicate they use advisers for their financial expertise. Among those shareholders who take the lead in investment decisionmaking, these reasons are less important in their motivation for working with professional financial advisers.

FIGURE 6.9

SHAREHOLDERS LOOK TO ADVISERS FOR THE EXPERTISE THEY PROVIDE

(percent of respondents with ongoing advisory relationships indicating each is a "major" reason for using advisers, 2006)*

		INVESTMENT DECISIONMAKING RELATIONSHIP		
	All Respondents with Ongoing Advisory Relationships	Investor Delegates All Decisions to Adviser or Adviser Takes the Lead in Decisionmaking	Adviser and Investor Make Decisions Together	Investor Takes the Lead in Decisionmaking
Want help with asset allocation	74	80	76	66
Want a financial professional to explain various investment options	73	77	78	65
Want help making sense of total financial picture	71	79	72	61
Want to make sure I am saving enough to meet my financial goals	71	74	75	65
Want my estate in order in case something happens to me	65	67	70	58
Don't want to make my own investment decisions	38	51	40	20
Don't have time to make my own investment decisions	44	58	45	27
Want advice on how to invest assets in retirement plan at work	43	41	48	39

*Multiple responses are included.

Source: Fundamentals, *"Why Do Mutual Fund Investors Use Professional Financial Advisers?" (www.ici.org/pdf/fm-v16n1.pdf)*

Shareholder Preferences for Fund Information

Over the years, ICI has surveyed investors about the mutual fund information they want before purchasing fund shares. In 2006, ICI conducted in-home interviews with more than 700 shareholders owning funds outside workplace retirement plans about their mutual fund information needs. The study found that investors usually review a wide range of information before purchasing fund shares outside these plans. Most often, investors want to know about a fund's fees and expenses, its historical performance, and its associated risks prior to purchasing shares (Figure 6.10). In contrast, investors rarely review or ask questions about a fund's portfolio manager, board of directors, or proxy voting policies.

FIGURE 6.10

SHAREHOLDERS REVIEW A WIDE RANGE OF INFORMATION BEFORE PURCHASING MUTUAL FUND SHARES

(percent of recent fund investors who reviewed or asked questions about each item before most recent fund purchase,[1] 2006)

More than two-thirds of recent fund investors considered:	
The fund's fees and expenses[2]	74
The historical performance of the fund[2]	69
More than half of recent fund investors considered:	
The risks associated with investing in the fund[2]	61
The fund's price per share [or net asset value]	58
The types of securities in which the fund invests[2]	57
The minimum investment required to invest in the fund	57
The fund's performance compared with the performance of an index[2]	55
About half of recent fund investors considered:	
The fund's sales charge, if any[2]	52
The tax consequences of investing in the fund[2]	47
Information about the fund's dividends and distributions	47
Less than half of recent fund investors considered:	
Information about the company offering the fund	45
The fund's investment objective[2]	40
How to buy and sell fund shares	39
The services offered by the fund	37
The fund's rating from a mutual fund rating service	35
The fund's portfolio turnover rate	34
Information about the fund's portfolio manager	25
Information about the fund's board of directors	15
The fund's proxy voting policies	15

[1] *Multiple responses are included.*

[2] *These items must be included in the front of the prospectus in the Risk/Return Summary.*

Note: The confidence interval for these estimates is ± 3.6 percentage points at the 95 percent confidence level.

Source: Understanding Investor Preferences for Mutual Fund Information, *August 2006 (www.ici.org/pdf/rpt_06_inv_prefs_full.pdf)*

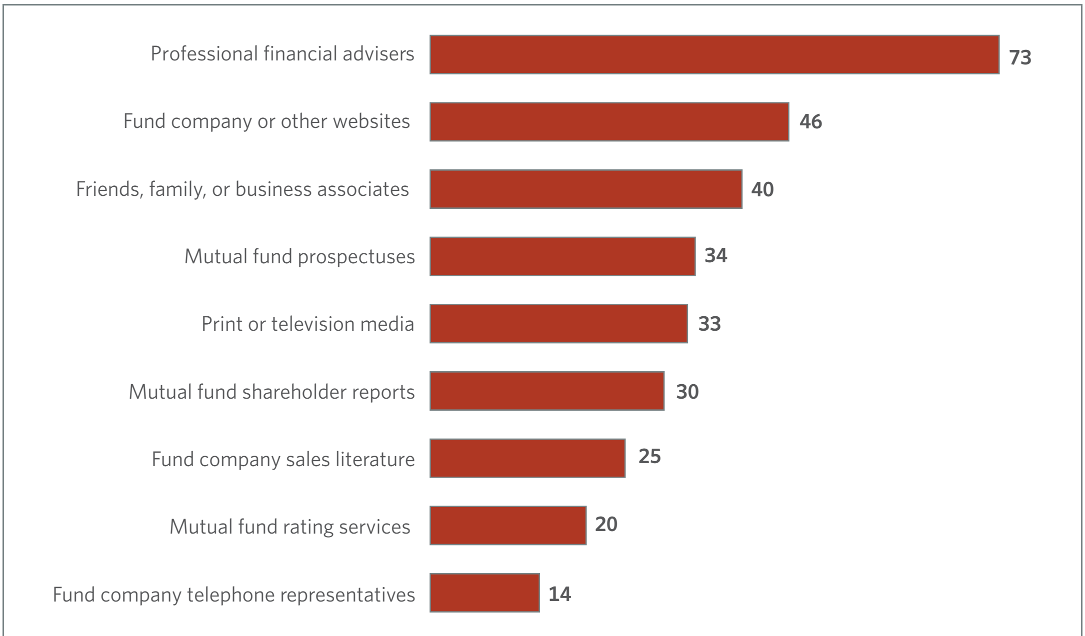
Most recently, ICI surveyed more than 500 shareholders about the U.S. Securities and Exchange Commission's proposed Summary Prospectus. The survey confirmed results from other ICI research in this area, showing that investors are very much in favor of streamlining the information that investment companies provide annually. Approval ratings for the proposal as a whole exceed 90 percent. To read the results of ICI's survey, visit the Institute's website at www.ici.org/pdf/ppr_08_summary_prospectus.pdf.

Shareholders rely heavily on professional financial advisers for fund information before purchasing fund shares. Nearly three-quarters of investors turned to professional financial advisers for fund information before their most recent share purchases outside workplace retirement plans (Figure 6.11). Professional financial advisers are a predominant source of fund information because most shareholders own funds through advisers and want their advisers to review and discuss the information with them.

FIGURE 6.11

SHAREHOLDERS MOST OFTEN CONSULT ADVISERS FOR MUTUAL FUND INFORMATION BEFORE PURCHASING SHARES

(percent of recent fund investors who consulted each source before most recent purchase, 2006)*



*Multiple responses are included.

Source: Understanding Investor Preferences for Mutual Fund Information*, August 2006 (www.ici.org/pdf/rpt_06_inv_prefs_full.pdf)*

The Internet is another way that some shareholders access fund and other investment information. Today, more than nine in 10 U.S. households that own mutual funds have Internet access, up from two-thirds in 2000, the first year in which ICI measured shareholders' access to the Internet. Paralleling the national pattern, the incidence of Internet access traditionally has been greatest among younger mutual fund shareholders (Figure 6.12). Increases in Internet access among older shareholder segments, however, have narrowed the generational gap considerably.

FIGURE 6.12

INTERNET ACCESS HAS INCREASED SIGNIFICANTLY AMONG MUTUAL FUND SHAREHOLDERS

(percent of U.S. households owning mutual funds with Internet access, selected years)

	Had Internet Access in 2000	Had Internet Access in 2005*	Had Internet Access in 2006*
Respondent Age			
Less than 35 years	83	95	95
35 to 49 years	75	91	95
50 to 64 years	60	90	89
65 years or older	30	59	69
Respondent Education			
High school graduate or less	39	75	75
Some college or associate's degree	68	87	91
College or postgraduate degree	81	94	96
Household Income			
Less than $50,000	47	74	78
$50,000 to $99,999	77	90	92
$100,000 to $149,999	92	97	97
$150,000 or more	94	96	95

**Revised from* Fundamentals, *"Ownership of Mutual Funds and Use of the Internet, 2006" (www.ici.org/pdf/fm-v15n6.pdf)*

Almost eight in 10 shareholders who access the Internet go online for financial purposes, most often to obtain investment information or check their bank or investment accounts (Figure 6.13). In addition, mutual fund-owning households are much more likely than non-fund-owning households to engage in common online activities, such as accessing email, obtaining information about products and services other than investments, or purchasing products and services other than investments online.

FIGURE 6.13

MOST MUTUAL FUND SHAREHOLDERS USE THE INTERNET FOR FINANCIAL-RELATED PURPOSES

(percent of fund-owning and non-fund-owning households with Internet access,[1] by online activities,[2] 2006)[3]

	Own Funds	Do Not Own Funds
Accessed email	88	73
Used Internet for a financial purpose (total)	78	50
Accessed any type of financial account, such as bank or investment accounts	73	45
Obtained investment information	55	22
Bought or sold investments online	23	9
Used Internet for a nonfinancial purpose (total)	89	74
Obtained information about products and services other than investments	82	67
Purchased something other than investments online	76	53

[1]*Online activities are based on responding primary or co-decisionmaker for household saving and investing.*

[2]*Tabulations are based on online activity between June 2005 and May 2006.*

[3]*Revised from* Fundamentals, *"Ownership of Mutual Funds and Use of the Internet, 2006" (www.ici.org/pdf/fm-v15n6.pdf)*

MUTUAL FUND PURCHASE CHANNELS REFLECT GROWTH IN DEFINED CONTRIBUTION PLANS

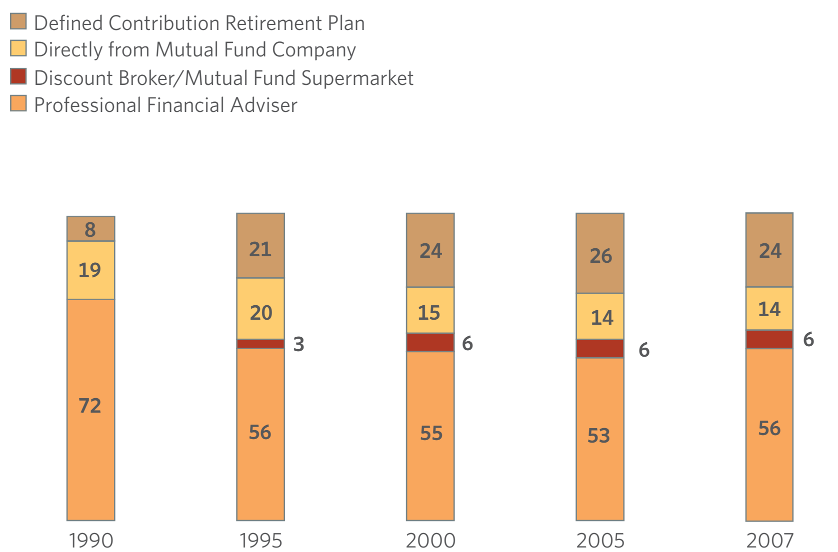
Fund shares sold through professional financial advisers have traditionally accounted for a large majority of mutual fund holdings, but the increasing role of defined contribution (DC) plans has changed that somewhat in the last two decades. In 1990, for example, 72 percent of households' long-term mutual fund holdings were invested through professional financial advisers. By 2007 that share has fallen to 56 percent, largely because of the rapid growth in DC plans, which increased from 8 percent of households' long-term mutual fund holdings in 1990 to 24 percent by 2007.

There were also offsetting changes in the distribution of assets across other channels. For example, holdings directly with mutual fund companies fell from 19 percent to 14 percent in the period 1990 to 2007, but holdings through discount brokers and mutual fund supermarkets increased (Figure 6.14).

FIGURE 6.14

HOUSEHOLDS' MUTUAL FUND ASSETS BY PURCHASE SOURCE

(percent of long-term mutual fund assets held by households, selected years)



Note: Components may not add to 100 percent because of rounding.

Sources: Investment Company Institute and Cerulli Associates, Inc.

Institutional Ownership

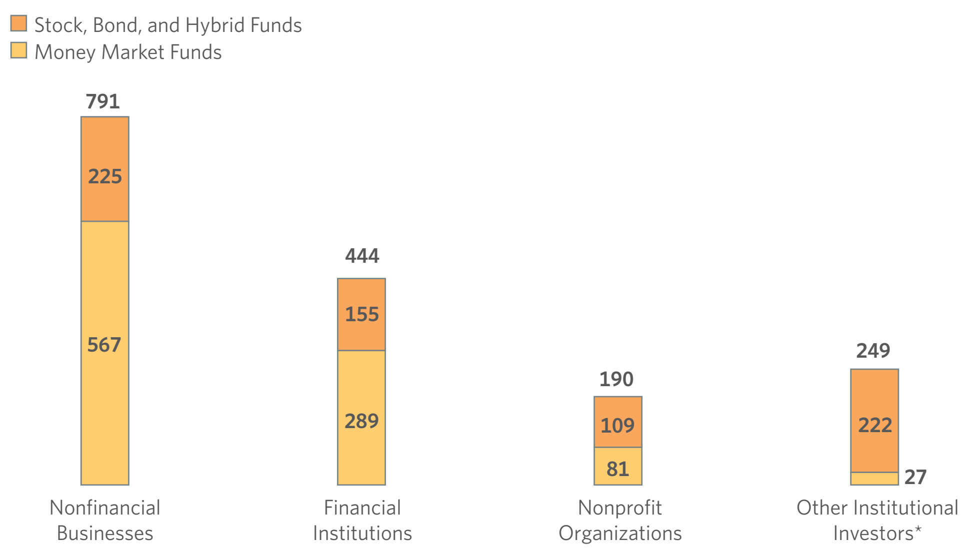
Nonfinancial businesses, financial institutions, nonprofit organizations, and other institutional investors hold about 14 percent of mutual fund assets in 2007. Nonfinancial businesses are the largest segment of institutional investors in mutual funds. These firms primarily use mutual funds as a tool to manage their cash. At year-end 2007, nonfinancial businesses' mutual fund assets totaled $791 billion, the majority of which was invested in money market funds (Figure 6.15). Financial institutions are the second-largest component of institutional investors in mutual funds. Their mutual fund assets at year-end 2007 were $444 billion, of which 65 percent was invested in money market funds. Nonprofit organizations held $190 billion in mutual fund accounts at year-end 2007. Unlike businesses and financial institutions, nonprofit organizations allocated the majority of their mutual fund assets to stock, bond, or hybrid funds. In 2007, other institutional investors, including state and local governments and funds holding mutual fund shares, held $249 billion in mutual funds, most of which was invested in stock, bond, or hybrid funds.

Fund sponsors often create special share classes or funds expressly for institutional investors. Institutional investors often purchase fund shares directly from fund companies. In addition, brokers, banks, and other third parties create "platforms" through which many institutional investors can buy mutual fund shares. These arrangements enable institutional investors, which are often restricted as to the portion of their assets that can be held in any particular mutual fund, to easily diversify their holdings across funds.

FIGURE 6.15

NONFINANCIAL BUSINESSES ARE THE LARGEST TYPE OF INSTITUTIONAL INVESTOR IN MUTUAL FUNDS

(assets in long-term and money market funds, by type of institution, billions of dollars, 2007)

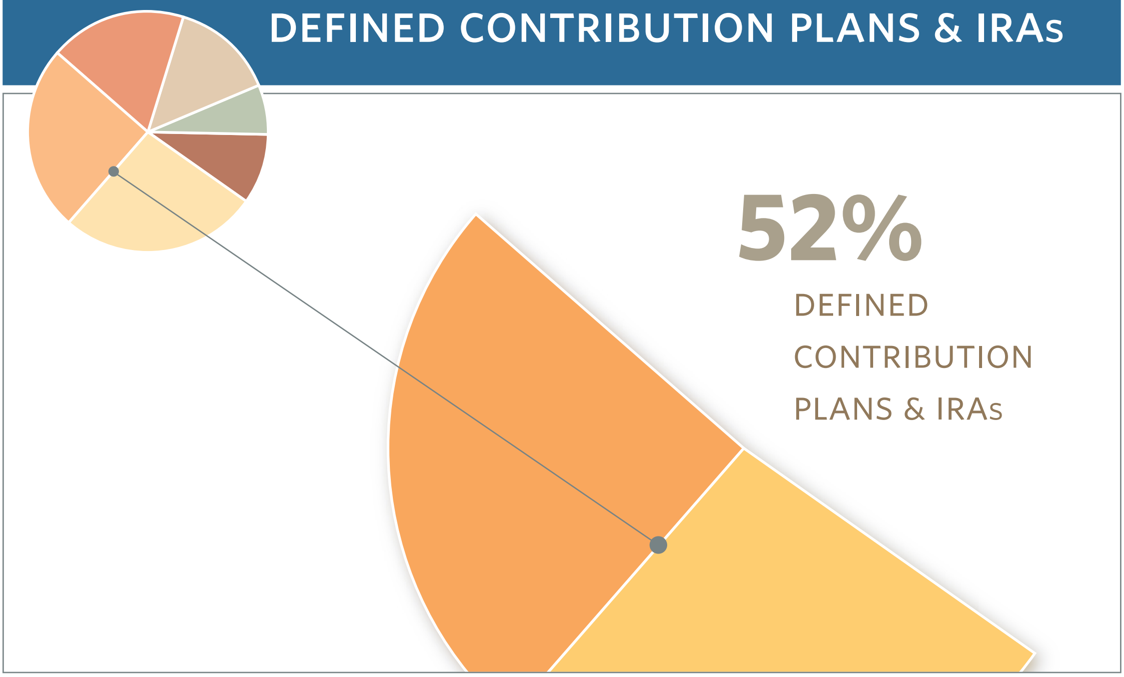


**Other institutional investors include assets of state and local governments, funds holding mutual fund shares, and other institutional accounts not classified.*

Note: Components may not add to the total because of rounding.

MORE THAN HALF OF U.S. RETIREMENT ASSETS ARE HELD IN

DEFINED CONTRIBUTION PLANS & IRAs



7.

THE ROLE OF MUTUAL FUNDS IN RETIREMENT AND EDUCATION SAVINGS

National policies that have created or enhanced tax-advantaged savings accounts have proven integral to helping Americans prepare for retirement and other long-term savings goals. Because many Americans use mutual funds in tax-advantaged accounts to reach these long-term goals, ICI studies funds' role in the retirement and education savings markets, and the investors who use IRAs, 401(k) and 529 plans, and other long-term savings vehicles.

This section analyzes mutual funds' role in U.S. households' efforts to save for retirement and education, and profiles the investors who use IRAs, 401(k) plans, 529 plans, and other long-term savings vehicles.

The U.S. Retirement Market

U.S. retirement assets topped $17.6 trillion in 2007, up 7 percent from 2006 (Figure 7.1). Retirement market assets are held in a variety of tax-advantaged plan types. The largest components are Individual Retirement Accounts (IRAs) and employer-sponsored defined contribution plans, holding $4.7 trillion and $4.5 trillion, respectively, at year-end 2007.

Other employer-sponsored pensions include private defined benefit pension funds (with $2.4 trillion in assets), state and local government employee retirement plans (with $3.2 trillion in assets), and federal government defined benefit plans and the federal employees' Thrift Savings Plan (with $1.2 trillion in assets). In addition, there were $1.7 trillion in annuity reserves outside of retirement plans at year-end 2007.

Eighty-two million, or 71 percent of, U.S. households report they had employer-sponsored retirement plans, IRAs, or both in May 2007 (Figure 7.2). Sixty-one percent of U.S. households report that they had assets in defined contribution plan accounts, were receiving or expecting to receive benefits from defined benefit plans, or both. Forty percent of households report having assets in IRAs. Thirty percent of households had both IRAs and employer-sponsored retirement plans.

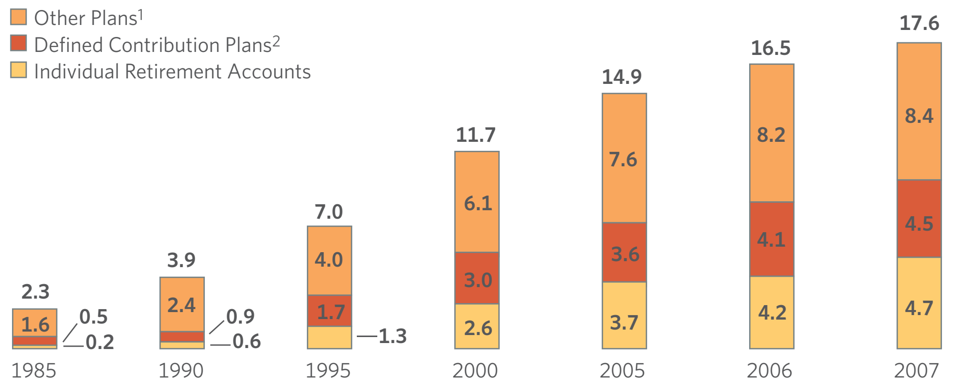
Individual Retirement Accounts

At year-end 2007, IRA assets totaled $4.7 trillion, up 12 percent from year-end 2006 (Figure 7.3). Mutual fund assets held in IRAs were $2.2 trillion at year-end 2007, an increase of $266 billion, or 13 percent, from 2006. Assets managed by mutual funds are the largest component of IRA assets, followed by securities held directly through brokerage accounts ($1.8 trillion at year-end 2007). The mutual fund industry's share of the IRA market has increased from 22 percent in 1990 to 47 percent at year-end 2007.

FIGURE 7.1

U.S. RETIREMENT ASSETS TOP $17 TRILLION

(trillions of dollars, year-end, selected years)



[1]Other plans include: all fixed and variable annuity reserves at life insurance companies less annuities held by IRAs, 403(b) plans, 457 plans, and private pension funds; private-sector defined benefit plans; and federal, state, and local pension plans. Federal pension plans include U.S. Treasury security holdings of the civil service retirement and disability fund, the military retirement fund, the judicial retirement funds, the Railroad Retirement Board, and the foreign service retirement and disability fund. These plans also include securities held in the National Railroad Retirement Investment Trust and Federal Employees Retirement System (FERS) Thrift Savings Plan (TSP).

[2]Defined contribution plans include private employer-sponsored defined contribution plans (including 401(k) plans), 403(b) plans, and 457 plans.

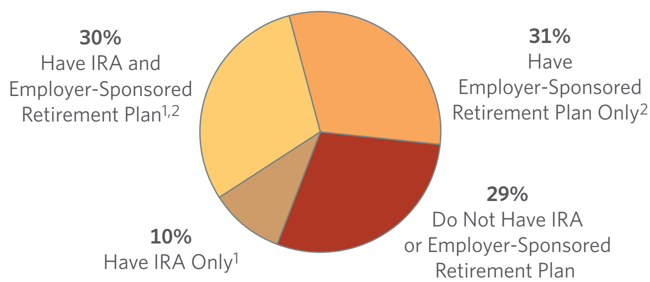
Note: Components may not add to the total because of rounding.

Sources: Investment Company Institute, Federal Reserve Board, National Association of Government Defined Contribution Administrators, American Council of Life Insurers, and Internal Revenue Service Statistics of Income Division

FIGURE 7.2

MANY U.S. HOUSEHOLDS HAVE TAX-ADVANTAGED RETIREMENT SAVINGS

(percent of U.S. households, 2007)



Total U.S. Households = 116 million

[1]IRAs include traditional IRAs, Roth IRAs, and employer-sponsored IRAs (SIMPLE IRAs, SEP IRAs, and SAR-SEP IRAs).

[2]Employer-sponsored retirement plans include defined contribution and defined benefit retirement plans.

Sources: Investment Company Institute and U.S. Census Bureau (Fundamentals, "The Role of IRAs in U.S. Households' Saving for Retirement" (www.ici.org/pdf/fm-v17n1.pdf))

FIGURE 7.3

IRA ASSETS

(billions of dollars, year-end, 1990–2007)

	Mutual Funds[1]	Bank and Thrift Deposits[2]	Life Insurance Companies[1,3]	Securities Held Directly Through Brokerage Accounts[1,4]	Total IRA Assets
1990	$138	$266	$40	$192	$637
1991	185	283	45	263	776
1992	233	275	50	316	874
1993	315	263	62	353	993
1994	342	255	70	390	1,056
1995	464	261	81	482	1,288
1996	582	259	92	534	1,467
1997	763	254	136	575	1,728
1998	961	249	157	784	2,150
1999	1,256	243	203	949	2,651
2000	1,231	250	203	945	2,629
2001	1,166	255	211	987	2,619
2002	1,043	263	268	959	2,533
2003	1,309	268	285	1,131[e]	2,993[e]
2004	1,491	269	282	1,257[1]	3,299[1]
2005	1,663	278	308	1,403[e]	3,652[e]
2006	1,975	313	318	1,614[e]	4,220[e]
2007	2,241	340	336[e]	1,831[e]	4,747[e]

[1] *Data are preliminary.*

[2] *Bank and thrift deposits include Keogh deposits.*

[3] *Life insurance company IRA assets are annuities held by IRAs, excluding variable annuity mutual fund IRA assets, which are included in mutual funds.*

[4] *Category excludes mutual fund assets held through brokerage accounts, which are included in mutual funds.*

[e] *Data are estimated.*

Note: Components may not add to the total because of rounding.

Sources: Investment Company Institute, Federal Reserve Board, American Council of Life Insurers, and Internal Revenue Service Statistics of Income Division

Since 1990, assets in IRAs have grown primarily due to the investment performance of the securities held in IRA portfolios and rollovers into IRAs from employer-sponsored retirement plans. Various laws enacted since 1996 introduced new types of IRAs. Furthermore, the Economic Growth and Tax Relief Reconciliation Act (EGTRRA), enacted in 2001, increased the amount investors—especially those age 50 or older—can contribute to IRAs. The Pension Protection Act (PPA), enacted in 2006, made these EGTRRA enhancements permanent. ICI household survey data and Internal Revenue Service Statistics of Income Division tabulations of IRA contributions indicate households responded to these increased opportunities to save.

IRA Investors: Traditional and Roth IRAs

Judging by the incidence of IRA ownership in U.S. households, IRAs are an important component in America's retirement savings strategy. Created in 1974 under the Employee Retirement Income Security Act (ERISA), IRAs were designed with two goals. First, they provide individuals not covered by workplace retirement plans with an opportunity to save for retirement on their own. They also allow workers changing jobs a means to preserve the tax benefits and growth opportunities that employer-sponsored retirement plans provide.

Nearly four out of 10 U.S. households, or 46.2 million, owned IRAs as of mid-2007 (Figure 7.4). An ICI survey finds that these IRA households generally are headed by middle-aged individuals with moderate household incomes. IRA owners are more likely to hold mutual funds, especially long-term mutual funds, in their IRA portfolios than any other type of investment.

FIGURE 7.4

MILLIONS OF HOUSEHOLDS OWN IRAs

	Year Created	Number of U.S. Households with Type of IRA, 2007	Percent of U.S. Households with Type of IRA, 2007
Traditional IRA	1974 (Employee Retirement Income Security Act)	37.7 million	32.5%
SEP IRA	1978 (Revenue Act)	9.2 million	7.9%
SAR-SEP IRA	1986 (Tax Reform Act)		
SIMPLE IRA	1996 (Small Business Job Protection Act)		
Roth IRA	1997 (Taxpayer Relief Act)	17.3 million	14.9%
Any IRA		46.2 million	39.8%

Note: Multiple responses are included.

Sources: Investment Company Institute and U.S. Census Bureau (Fundamentals, "The Role of IRAs in U.S. Households' Saving for Retirement" (www.ici.org/pdf/fm-v17n1.pdf))

As of mid-2007, 37.7 million U.S. households owned "traditional" IRAs—defined as those IRAs first allowed under ERISA—while 17.3 million U.S. households owned Roth IRAs, first made available in 1998 under the Taxpayer Relief Act of 1997. An estimated 9.2 million U.S. households owned employer-sponsored IRAs (SIMPLE IRAs, SEP IRAs, or SAR-SEP IRAs).

Traditional IRAs. Households owning traditional IRAs held a median of $42,500 in these accounts in 2007, and had median household income of $78,000. Fifty-nine percent of these households had traditional IRAs that included assets "rolled over" from employer-sponsored retirement plans. Traditional IRA households with rollovers typically had two accounts; traditional IRA households without rollovers typically had one account. Thirty-one percent of traditional IRA-owning households also owned Roth IRAs and 15 percent also owned employer-sponsored IRAs. Individuals heading households with traditional IRAs had a median age of 56 years, and 67 percent were employed.

Roth IRAs. The majority of households with Roth IRAs owned one Roth IRA account with a median balance of $14,500 in 2007, and these households had median income of $87,500. About 26 percent of Roth IRA-owning households opened a Roth IRA as their first IRA. Sixty-eight percent of households with Roth IRAs also owned traditional IRAs, and 16 percent also owned employer-sponsored IRAs. Individuals heading households with Roth IRAs had a median age of 50 years, and 82 percent were employed.

FIGURE 7.5

HOUSEHOLDS INVEST THEIR IRAs IN MANY TYPES OF ASSETS

(percent of U.S. households owning a traditional or Roth IRA, 2007)

Mutual Funds (total)	**73**
Stock mutual funds	60
Bond mutual funds	30
Hybrid mutual funds	29
Money market mutual funds	29
Stocks	**40**
Annuities (total)	**33**
Variable annuities	22
Fixed annuities	20
Bank Savings Accounts or Certificates of Deposit	**29**
Bonds (not including U.S. Savings Bonds)	**11**
Other	**3**

Note: Multiple responses are included.

Source: Fundamentals, *"Appendix: Additional Data on IRA Ownership in 2007" (www.ici.org/pdf/fm-v17n1_appendix.pdf)*

Nearly three-quarters of all households owning traditional or Roth IRAs have IRA assets invested in mutual funds, usually stock mutual funds (Figure 7.5). Far fewer households own other types of investments in their IRAs: two-fifths hold stocks, one-third hold annuities, and about 30 percent hold bank deposits.

Defined Contribution Plans

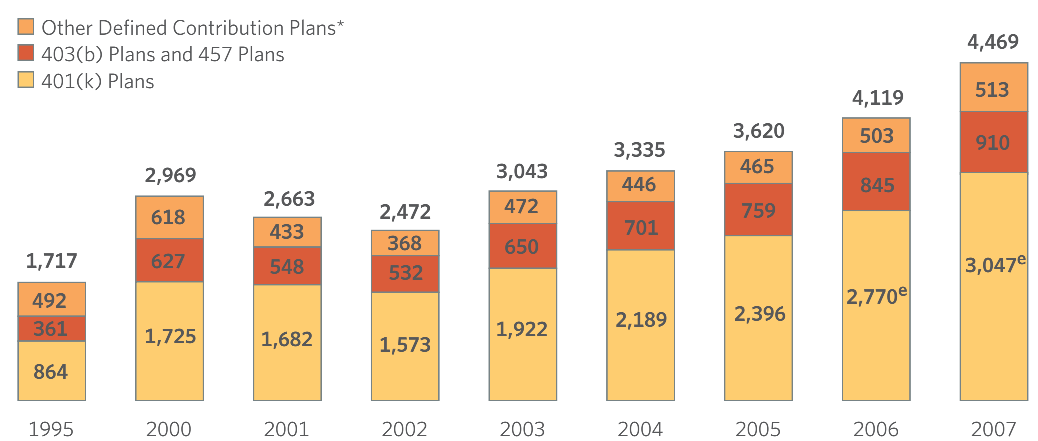
At the end of 2007, employer-sponsored defined contribution plans, which include 401(k) plans, 403(b) plans, 457 plans, Keoghs, and other defined contribution plans, held an estimated $4.5 trillion in assets (Figure 7.6). With $3.0 trillion in assets at year-end 2007, 401(k) plans held the largest share of employer-sponsored defined contribution plan assets. Two types of plans similar to 401(k) plans—403(b) plans, which allow employees of educational institutions and certain nonprofit organizations to receive deferred compensation, and 457 plans, which allow employees of state and local governments and certain tax-exempt organizations to receive deferred compensation—held another $910 billion in assets. The remaining $513 billion in defined contribution plan assets were held by other defined contribution plans without 401(k) features.

At the end of 2007, $1.7 trillion of 401(k) plan assets were invested in mutual funds (Figure 7.7). Mutual funds' share of the 401(k) market increased from 9 percent in 1990 to an estimated 55 percent at year-end 2007.

FIGURE 7.6

DEFINED CONTRIBUTION PLAN ASSETS BY TYPE OF PLAN

(billions of dollars, year-end, selected years)



[e]Data are estimated.

**Other defined contribution plans include Keoghs and profit sharing, thrift savings, stock bonus, and money purchase plans without 401(k) features.*

Note: Components may not add to the total because of rounding.

Sources: Investment Company Institute, Federal Reserve Board, National Association of Government Defined Contribution Administrators, and American Council of Life Insurers

FIGURE 7.7

401(k) PLAN ASSETS TOP $3 TRILLION

(billions of dollars, year-end, 1990–2007)

	Mutual Fund 401(k) Plan Assets*	Other 401(k) Plan Assets	Total 401(k) Plan Assets
1990	$35	$350	$385
1991	46	394	440
1992	82	471	553
1993	140	476	616
1994	184	491	675
1995	266	598	864
1996	351	710	1,061
1997	480	784	1,264
1998	618	923	1,541
1999	812	978	1,790
2000	823	901	1,725
2001	799	883	1,682
2002	709	864	1,573
2003	923	999	1,922
2004	1,093	1,095	2,189
2005	1,242	1,154	2,396
2006	1,482	1,288[e]	2,770[e]
2007	1,674	1,372[e]	3,047[e]

**Data are preliminary.*

[e]Data are estimated.

Note: Components may not add to the total because of rounding.

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

401(k) Participants: Asset Allocations, Account Balances, and Loans

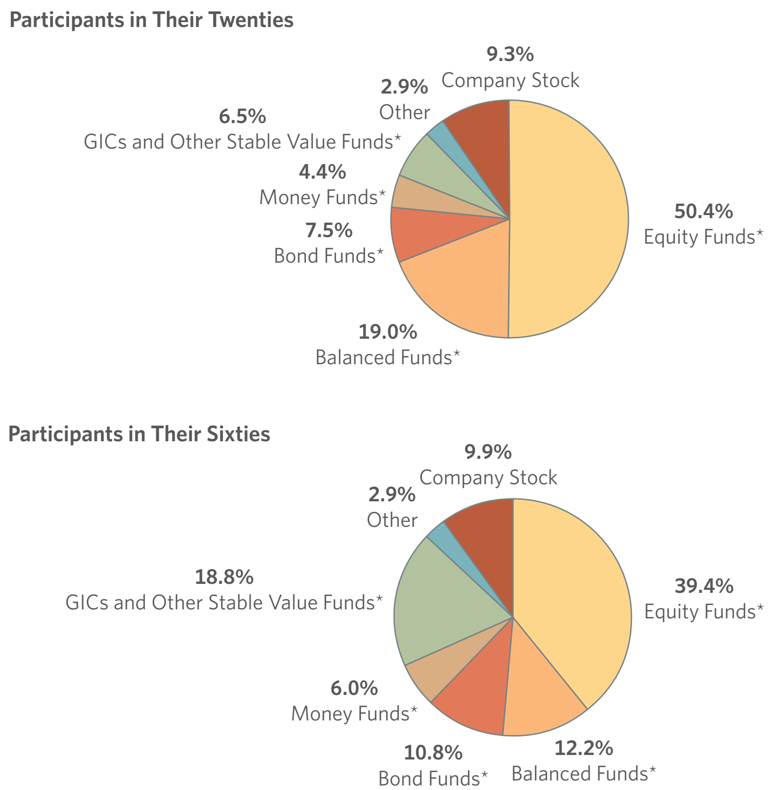
For many American workers, 401(k) plan accounts have become an important part of retirement planning. The income these accounts provide in retirement depends, in part, on the asset allocation decisions of plan participants.

According to research conducted by ICI and the Employee Benefit Research Institute (EBRI), the asset allocations of 401(k) plan participants vary depending on a variety of demographic and other factors. For example, younger participants tend to allocate a larger portion of their account balances to equity securities (which include equity mutual funds and other pooled equity investments and the company stock of the employer), while older participants are more likely to invest in fixed-income securities such as money funds, bond funds, and guaranteed investment contracts (GICs) and other stable value funds. On average, at year-end 2006, individuals in their twenties invested 60 percent of their assets in equity securities, 18 percent in fixed-income securities, and 19 percent in balanced funds (Figure 7.8). By comparison, individuals in their sixties invested 49 percent of their assets in equity securities, 36 percent in fixed-income securities, and 12 percent in balanced funds.

FIGURE 7.8

401(k) ASSET ALLOCATION VARIES WITH PARTICIPANT AGE

(average asset allocation of 401(k) account balances, percent, year-end 2006)



*Funds include mutual funds and other pooled investments.

Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project (Perspective, *"401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2006" (www.ici.org/pdf/per13-01.pdf))*

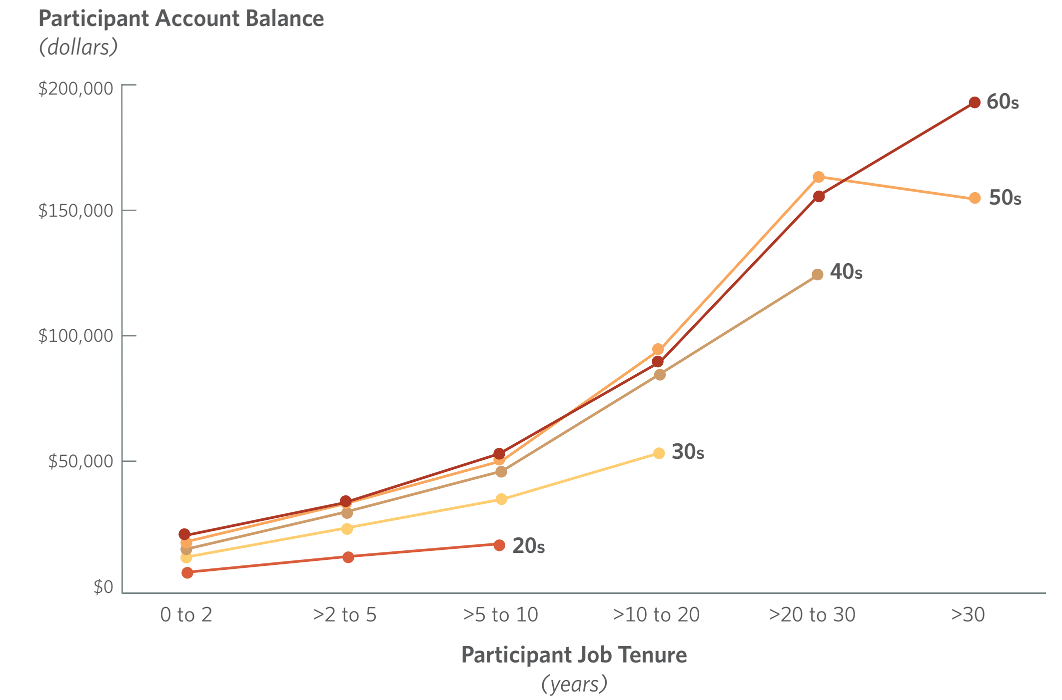
The median age of 401(k) plan participants was 44 years old at year-end 2006, and the average account balance, excluding plan loans, was $61,346. Account balances tend to be higher the longer 401(k) plan participants have been working for their current employers and the older the participant. Workers in their sixties with at least 30 years of tenure at their current employers had an average 401(k) account balance of $190,593 (Figure 7.9).

Most 401(k) participants do not borrow from their plans. At year-end 2006, only 18 percent of those eligible for loans had loans outstanding. The average unpaid loan balance for these participants represented about 12 percent of their remaining account balances (net of the unpaid loan balances).

FIGURE 7.9

401(k) BALANCES TEND TO INCREASE WITH AGE AND JOB TENURE

(average 401(k) account balance, year-end 2006)



Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project (Perspective, "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2006" (www.ici.org/pdf/per13-01.pdf))

Services and Expenses in 401(k) Plans

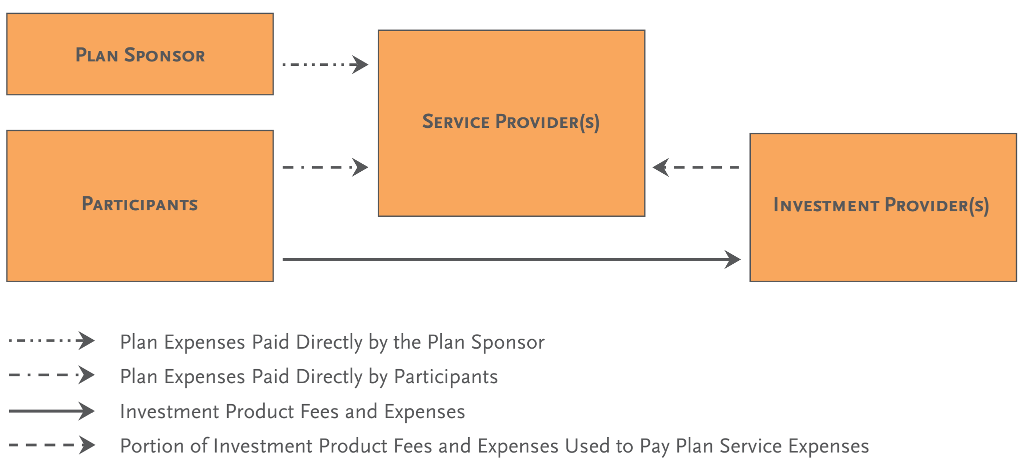
In deciding whether or not to offer 401(k) plans to their workers, employers must decide if the benefits of offering a plan (in attracting and retaining quality workers) outweigh the costs of providing the plan and plan services (both the compensation paid to the worker and any other costs associated with maintaining the plan and each individual plan participant account).

401(k) plans are complex to maintain and administer, and are subject to an array of rules and regulations that govern their operation. Employers offering 401(k) plans typically hire service providers to operate these plans, and these providers charge fees for their services.

As with any employee benefit, the employer generally determines how the costs will be shared between the employer and employee. Fees can be paid directly by the plan sponsor (i.e., the employer), paid directly by the plan participant (i.e., the employee), paid indirectly by the participant through fees or other reductions in returns paid to the investment provider, or by some combination of these methods (Figure 7.10).

FIGURE 7.10

A VARIETY OF ARRANGEMENTS MAY BE USED TO COMPENSATE 401(k) SERVICE PROVIDERS



Note: In selecting the service provider(s) and deciding the cost-sharing for the 401(k) plan, the employer/plan sponsor will determine which combinations of these fee arrangements will be used to pay plan expenses.

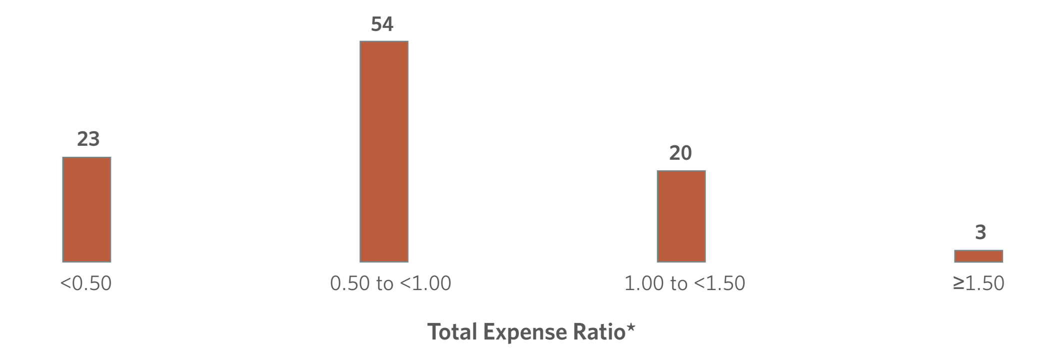
Source: Fundamentals, *"The Economics of Providing 401(k) Plans: Services, Fees, and Expenses, 2006" (www.ici.org/pdf/fm-v16n4.pdf)*

As noted, 55 percent of 401(k) assets at year-end 2007 were invested in mutual funds. 401(k) plan participants holding mutual funds tend to invest in low-cost funds with below-average portfolio turnover. Both characteristics help to keep down the costs of investing in mutual funds through 401(k) plans. For example, at year-end 2006, 23 percent of 401(k) stock mutual fund assets were in funds that had total annual expense ratios below 0.50 percent of fund assets, and another 54 percent had expense ratios between 0.50 percent and 1.00 percent (Figure 7.11). On an asset-weighted basis, the average total expense ratio incurred on 401(k) participants' holdings of stock mutual funds through their 401(k) plans was 0.74 percent, compared with an average total expense ratio of 0.88 percent for stock mutual funds industrywide.

FIGURE 7.11

401(k) STOCK MUTUAL FUND ASSETS ARE CONCENTRATED IN LOW-COST FUNDS

(percent of 401(k) stock mutual fund assets, year-end 2006)



The total expense ratio, which is reported as a percentage of fund assets, includes fund operating expenses and 12b-1 fees.

Note: Figures exclude mutual funds available as investment choices in variable annuities.

Sources: Investment Company Institute and Lipper (Fundamentals, *"The Economics of Providing 401(k) Plans: Services, Fees, and Expenses, 2006" (www.ici.org/pdf/fm-v16n4.pdf))*

Distributions from Defined Contribution Plans and IRAs

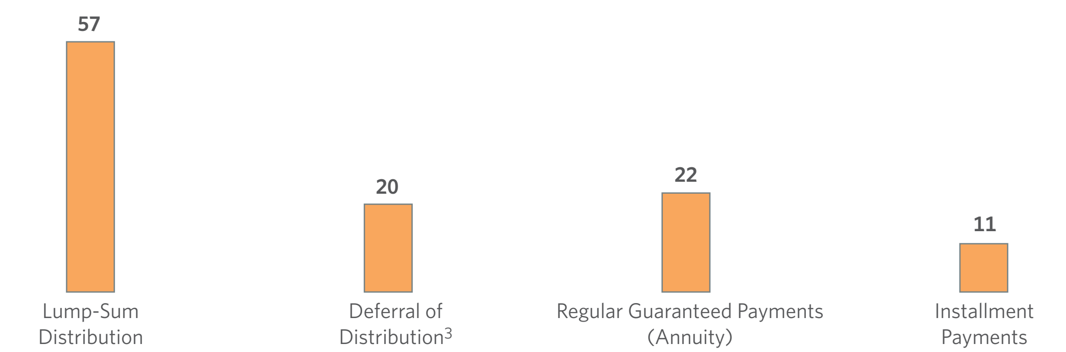
With participant-directed defined contribution plans and IRAs representing an increasing share of household retirement assets, the decisions participants make about distributing those assets in retirement has become an issue of increasing interest to plan sponsors, financial institutions, and policy makers.

In late 2007, ICI surveyed recent retirees who had actively participated in defined contribution plans about how they used plan proceeds at retirement. Seventy-one percent of respondents report having more than one option for how their plan assets are distributed at retirement, including the options to take out the entire balance as a lump sum, to take installment payments from the plan, to purchase an annuity, or to leave the assets in the plan and delay taking any distribution. One-fifth of participants who reported having more than one distribution option chose to delay taking some or all of their balance; about one-fifth annuitized some or all of their balance; 11 percent chose to take installment payments from the plan; and 57 percent took some or all of their balance as a lump-sum distribution (Figure 7.12). Of those that chose a lump-sum distribution, only 14 percent spent all the proceeds of the distribution. The remaining participants rolled over some or all of the balance to an IRA or otherwise reinvested the assets.

FIGURE 7.12

GIVEN THE OPTION, MORE THAN HALF OF RETIREES CHOOSE LUMP-SUM DISTRIBUTION[1,2]

(percent of respondents who had multiple distribution options from their defined contribution plans)



[1]Based upon respondents' recall. Seventy-one percent of respondents indicated they had multiple distribution options at retirement. Responses are from a survey of employees retiring between 2002 and 2007 who were interviewed in the fall of 2007.

[2]Multiple responses are included.

[3]Distributions must begin no later than April 1 of the year following a retired person's attainment of age 70½.

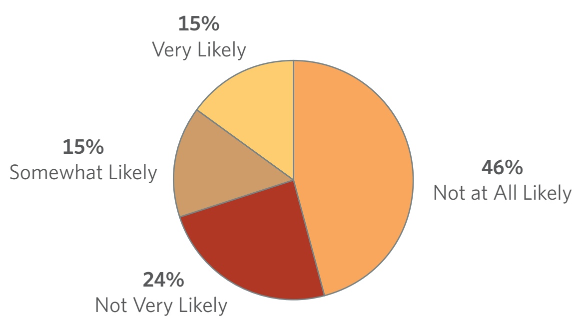
Households that own IRAs tend to preserve their IRA assets as long as possible. In May 2007, ICI surveyed households that owned IRAs and asked a series of questions about withdrawals. Of households with a traditional IRA in 2007, 19 percent reported taking a withdrawal in 2006. Withdrawals were typically modest: the median withdrawal is $7,500 and nearly 20 percent of withdrawals totaled less than $2,500. The median ratio of withdrawals to account balance was 6 percent. The most common reason for taking a withdrawal, cited by over 60 percent of individuals who took withdrawals, was to meet minimum distribution requirements. Traditional IRA owners age 70½ or older must withdraw a minimum amount each year or pay a penalty for failing to do so. The required minimum distribution (RMD) is a percentage of the IRA account balance, with the percentage based on life expectancy.

Because current withdrawal activity may not be a good indicator of future withdrawal activity, ICI also asked about future plans. Among traditional IRA-owning households in 2007 that did not take a withdrawal in tax-year 2006, 70 percent said that they were unlikely to take a withdrawal before age 70½ (Figure 7.13). Among all traditional IRA-owning households, 80 percent said they had a strategy for managing income and assets in retirement, and 71 percent of these households said the plan involved preserving traditional IRA assets as long as possible.

FIGURE 7.13

LIKELIHOOD OF WITHDRAWING FROM TRADITIONAL IRA BEFORE AGE 70½

(percent of traditional IRA households that did not take a withdrawal in tax-year 2006)



Source: Fundamentals, *"The Role of IRAs in U.S. Households' Saving for Retirement" (www.ici.org/pdf/fm-v17n1.pdf)*

Mutual Funds' Role in Households' Retirement Savings

At year-end 2007, mutual funds accounted for $4.6 trillion, or 26 percent, of the $17.6 trillion U.S. retirement market (Figure 7.14). The remaining $13.0 trillion of year-end 2007 retirement market assets were managed by pension funds, insurance companies, banks, and brokerage firms.

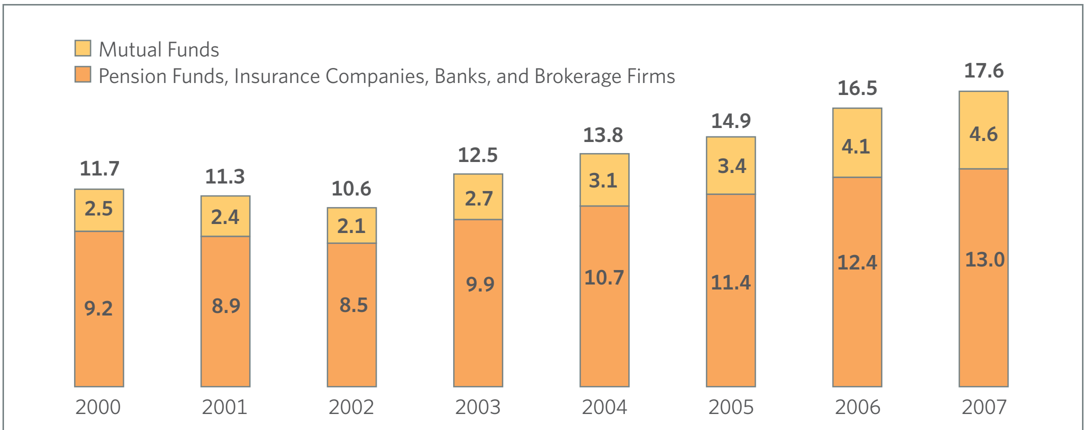
The $4.6 trillion in mutual fund retirement assets represented 38 percent of all mutual fund assets at year-end 2007. Retirement savings accounts are a significant portion of long-term mutual fund assets (47 percent), but are a relatively minor share of money market mutual fund assets (12 percent).

Mutual fund retirement assets primarily come from two sources: IRAs and employer-sponsored defined contribution plans, such as 401(k) plans. Investors hold roughly the same amount of mutual fund assets in IRAs as they do in employer-sponsored defined contribution plans. At year-end 2007, IRAs held

FIGURE 7.14

MUTUAL FUNDS ACCOUNT FOR 26 PERCENT OF RETIREMENT MARKET ASSETS

*(trillions of dollars, year-end, 2000–2007)**



*Data are preliminary.

Note: Components may not add to the total because of rounding.

Sources: Investment Company Institute, Federal Reserve Board, National Association of Government Defined Contribution Administrators, American Council of Life Insurers, and Internal Revenue Service Statistics of Income Division

$2.2 trillion in mutual fund assets and employer-sponsored defined contribution plans had $2.4 trillion (Figure 7.15). Among defined contribution plans, 401(k) plans are the largest holder of mutual funds, with $1.7 trillion in assets (Figure 7.16). At year-end 2007, 403(b) plans held $392 billion in mutual fund assets, 457 plans held $78 billion, and other defined contribution plans held $206 billion.

FIGURE 7.15

MUTUAL FUND RETIREMENT ACCOUNT ASSETS

(billions of dollars, year-end, 1991–2007)[1]

	Total Mutual Fund Retirement Assets	Employer-Sponsored Defined Contribution Plan Mutual Fund Assets[2]	IRA Mutual Fund Assets
1991	$320	$135	$185
1992	416	184	233
1993	578	263	315
1994	661	320	342
1995	909	445	464
1996	1,163	582	582
1997	1,536	773	763
1998	1,944	984	961
1999	2,536	1,280	1,256
2000	2,488	1,257	1,231
2001	2,354	1,188	1,166
2002	2,091	1,048	1,043
2003	2,667	1,358	1,309
2004	3,075	1,584	1,491
2005	3,443	1,780	1,663
2006	4,085	2,110	1,975
2007	4,591	2,350	2,241

[1]Data are preliminary.

[2]Defined contribution plans include 401(k) plans, 403(b) plans, 457 plans, Keoghs, and other defined contribution plans without 401(k) features.

Note: Components may not add to the total because of rounding.

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

Types of Mutual Funds Used by Retirement Plan Investors

Of the $4.6 trillion in mutual fund retirement assets held in IRAs, 401(k) plans, and other retirement accounts at year-end 2007, $3.1 trillion, or 68 percent, were invested in domestic or foreign equity funds (Figure 7.16). Domestic equity funds alone constituted about $2.4 trillion, or 52 percent, of mutual fund retirement assets. By comparison, about 54 percent of overall fund industry assets—including retirement and nonretirement accounts—were invested in domestic and foreign equity funds at year-end 2007.

FIGURE 7.16

BULK OF MUTUAL FUND RETIREMENT ACCOUNT ASSETS INVESTED IN EQUITIES

(billions of dollars, year-end 2007)[1]

	EQUITY					
	Domestic	Foreign	Hybrid[2]	Bond	Money Market	Total
IRAs	**$1,100**	**$348**	**$323**	**$228**	**$241**	**$2,241**
Defined Contribution Plans	**1,282**	**383**	**373**	**179**	**132**	**2,350**
401(k) plans	864	298	298	128	87	1,674
403(b) plans	270	41	37	24	20	392
Other defined contribution plans[3]	149	44	39	27	25	284
Total	**2,383**	**731**	**696**	**407**	**373**	**4,591**

[1]Data are preliminary.

[2]Hybrid funds invest in a mix of equities and fixed-income securities. The bulk of lifecycle and lifestyle funds is counted in this category.

[3]Other defined contribution plans include 457 plans, Keoghs, and other defined contribution plans without 401(k) features.

Note: Components may not add to the total because of rounding.

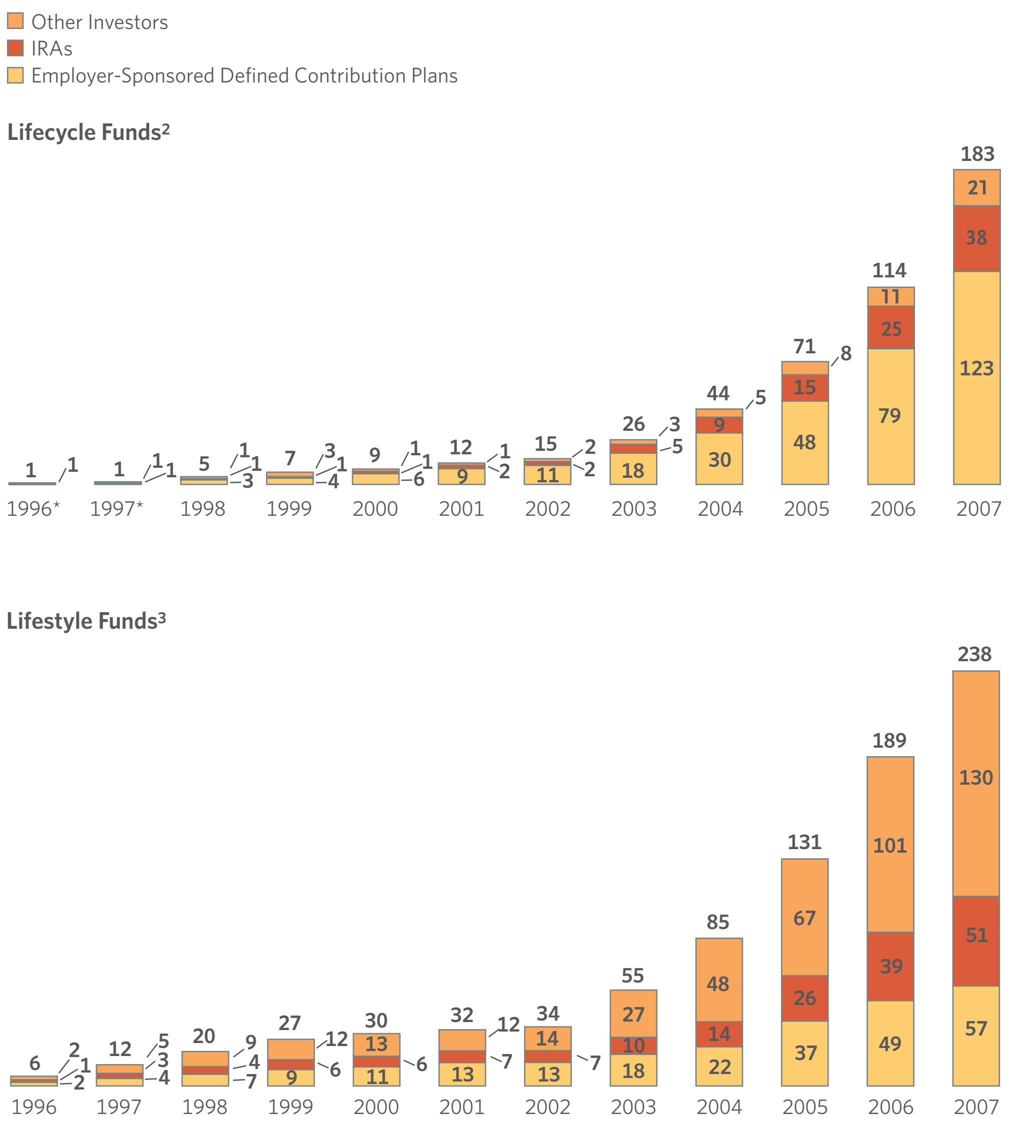
At year-end 2007, $780 billion, or 17 percent, of mutual fund retirement assets were invested in fixed-income funds (bond or money market funds). Bond funds held $407 billion, or 9 percent, of mutual fund retirement assets, and money market funds accounted for $373 billion, or 8 percent. The remaining $696 billion, or 15 percent, of mutual fund retirement assets were held in hybrid funds, which invest in a mix of equity and fixed-income securities.

Lifestyle and Lifecycle Funds. Lifestyle and lifecycle funds, generally included in the hybrid fund category, have grown in popularity among investors and retirement plan sponsors in recent years. Lifestyle funds maintain a predetermined risk level and generally use words such as “conservative,” “moderate,” or “aggressive” in their names to indicate the fund’s risk level. Lifecycle funds follow a predetermined reallocation of risk over time to a specified target date, and typically rebalance their portfolios to become more conservative and income-producing by the target date, which is usually indicated in the fund’s name.

FIGURE 7.17

LIFECYCLE AND LIFESTYLE FUND ASSETS BY ACCOUNT TYPE

(billions of dollars, year-end, 1996–2007)[1]



[1]*Data are preliminary.*

[2]*A lifecycle mutual fund is a hybrid fund that typically rebalances to an increasingly conservative portfolio as the target date of the fund, which is usually included in the fund's name, approaches.*

[3]*A lifestyle mutual fund maintains a predetermined risk level and generally uses words such as "conservative," "aggressive," or "moderate" in the fund's name.*

**Components not labeled are less than $1 billion.*

Note: Components may not add to the total because of rounding.

Assets in lifestyle and lifecycle funds totaled $421 billion at the end of 2007 (Figure 7.17), up from $303 billion at year-end 2006. Lifestyle funds' assets were up 26 percent in 2007, increasing from $189 billion to $238 billion. Assets of lifecycle funds were up 61 percent in 2007, increasing from $114 billion to $183 billion. The bulk (88 percent) of lifecycle fund assets is held in retirement accounts, compared with 45 percent of lifestyle fund assets.

Mutual Funds' Role in Households' Education Savings

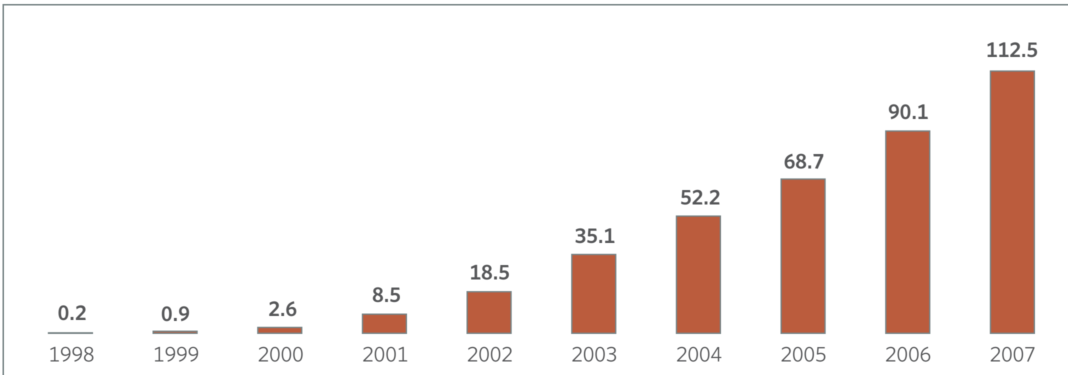
According to the Federal Reserve Board's 2004 *Survey of Consumer Finances*, about 12 percent of all U.S. households consider future education expenses their most important motivation for saving, compared with 11 percent of households in 2001. In addition, ICI research finds that 26 percent of households owning mutual funds in 2007 cite education as a financial goal for their fund investments. Nevertheless, the demand for education savings vehicles has been historically modest since their introduction in the 1990s, partly because of their limited availability and investors' lack of familiarity with them. The enactment of EGTRRA in 2001 enhanced the attractiveness of both Section 529 plans and Coverdell Education Savings Accounts (ESAs)—two education savings vehicles—by allowing greater contributions and flexibility in the plans. The enactment of the PPA in 2006 made permanent the EGTRRA enhancements to Section 529 plans.

Assets in Section 529 savings plans grew 25 percent in 2007, increasing from $90.1 billion at year-end 2006 to $112.5 billion by year-end 2007 (Figure 7.18). The number of accounts rose to 8.3 million, and the average account size was approximately $13,500 at year-end 2007.

FIGURE 7.18

SECTION 529 SAVINGS PLAN ASSETS CONTINUE TO GROW

(billions of dollars, year-end, 1998–2007)



Note: Data were estimated for a few individual state observations in order to construct a continuous time series.

Sources: Investment Company Institute and College Savings Plans Network

Mutual funds accounted for almost all of the $112.5 billion Section 529 savings plan market at year-end 2007. Funds also managed $6 billion in Coverdell ESA—formerly Education IRA—assets at year-end 2007.

A 2003 ICI survey of households with children age 18 or younger found that households use a variety of investments to save for college. Indeed, 93 percent of households saving for college used taxable investments to achieve this financial goal (Figure 7.19). Forty-two percent of parents saving for college used U.S. Savings Bonds. Twenty percent of parents saving for college used education-targeted savings programs, such as state-sponsored 529 prepaid tuition plans, state-sponsored 529 college savings plans, and Coverdell ESAs. Most of the parents using education-targeted savings programs were also saving for college with taxable investments.

FIGURE 7.19

HOUSEHOLDS USE MULTIPLE INVESTMENTS TO SAVE FOR COLLEGE

(percent of respondents saving for college, 2003)[1]

Taxable investments	93
U.S. Savings Bonds	42
Education-targeted savings programs[2]	20
UGMA or UTMA accounts	15

[1]*Multiple responses are included.*

[2]*Education-targeted savings programs include state-sponsored 529 prepaid tuition plans, state-sponsored 529 college savings plans, and Coverdell ESAs.*

Source: Profile of Households Saving for College *(www.ici.org/pdf/rpt_03_college_saving.pdf)*

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DATA TABLES

ICI's investment company data collection efforts began in 1944, when investment company leaders first formed a committee to monitor industry progress and trends. At that time, the collection included data from 68 mutual funds managing nearly $900 million in assets. Today, ICI's collection draws data from approximately 16,000 mutual funds, closed-end funds, exchange-traded funds, and unit investment trusts managing $13.0 trillion in assets.

SECTION 1: U.S. MUTUAL FUND TOTALS

SECTION 2: CLOSED-END FUNDS, EXCHANGE-TRADED FUNDS, AND UNIT INVESTMENT TRUSTS

SECTION 3: U.S. LONG-TERM MUTUAL FUNDS

SECTION 4: U.S. MONEY MARKET MUTUAL FUNDS

SECTION 5: ADDITIONAL CATEGORIES OF U.S. MUTUAL FUNDS

SECTION 6: INSTITUTIONAL INVESTORS IN THE U.S. MUTUAL FUND INDUSTRY

SECTION 7: WORLDWIDE MUTUAL FUND TOTALS

1

TABLE 1

U.S. MUTUAL FUND INDUSTRY TOTAL NET ASSETS, NUMBER OF FUNDS, NUMBER OF SHARE CLASSES, AND NUMBER OF SHAREHOLDER ACCOUNTS

(end of year)

Year	Total Net Assets *(billions of dollars)*	Number of Funds	Number of Share Classes	Number of Shareholder Accounts* *(thousands)*
1940	$0.45	68	–	296
1945	1.28	73	–	498
1950	2.53	98	–	939
1955	7.84	125	–	2,085
1960	17.03	161	–	4,898
1965	35.22	170	–	6,709
1970	47.62	361	–	10,690
1971	55.05	392	–	10,901
1972	59.83	410	–	10,635
1973	46.52	421	–	10,331
1974	35.78	431	–	10,074
1975	45.87	426	–	9,876
1976	51.28	452	–	9,060
1977	48.94	477	–	8,693
1978	55.84	505	–	8,658
1979	94.51	526	–	9,790
1980	134.76	564	–	12,088
1981	241.37	665	–	17,499
1982	296.68	857	–	21,448
1983	292.99	1,026	–	24,605
1984	370.68	1,243	1,243	27,636
1985	495.39	1,528	1,528	34,098
1986	715.67	1,835	1,835	45,374
1987	769.17	2,312	2,312	53,717
1988	809.37	2,737	2,737	54,056
1989	980.67	2,935	2,935	57,560
1990	1,065.19	3,079	3,177	61,948
1991	1,393.19	3,403	3,587	68,332
1992	1,642.54	3,824	4,208	79,931
1993	2,069.96	4,534	5,562	94,015
1994	2,155.32	5,325	7,697	114,383
1995	2,811.29	5,725	9,007	131,219
1996	3,525.80	6,248	10,352	149,933
1997	4,468.20	6,684	12,002	170,299
1998	5,525.21	7,314	13,720	194,029
1999	6,846.34	7,791	15,262	226,212
2000	6,964.63	8,155	16,738	244,705
2001	6,974.91	8,305	18,023	248,701
2002	6,390.36	8,244	18,985	251,124
2003	7,414.40	8,126	19,319	260,698
2004	8,106.94	8,041	20,030	269,468
2005	8,904.82	7,975	20,550	275,479
2006	10,412.46	8,118	21,257	288,596
2007	12,021.03	8,029	21,631	298,966

**Number of shareholder accounts includes a mix of individual and omnibus accounts.*

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

1

TABLE 2

U.S. MUTUAL FUND INDUSTRY TOTAL SALES, NEW SALES, EXCHANGE SALES, REDEMPTIONS, AND EXCHANGE REDEMPTIONS

(billions of dollars, annual)

Year	Total Sales[1]	New Sales	Exchange Sales[2]	Redemptions	Exchange Redemptions[3]
1945	$0.29	–	–	$0.11	–
1950	0.52	–	–	0.28	–
1955	1.21	–	–	0.44	–
1960	2.10	–	–	0.84	–
1965	4.36	$3.93	–	1.96	–
1970	4.63	3.84	–	2.99	–
1971	5.15	4.40	–	4.75	–
1972	4.89	4.20	–	6.56	–
1973	4.36	3.65	–	5.65	–
1974	5.32	4.43	–	3.94	–
1975	10.06	8.94	–	9.57	–
1976	13.72	11.92	$1.52	16.41	$1.44
1977	17.07	14.75	2.24	16.69	2.31
1978	37.16	35.40	3.97	31.53	3.94
1979	119.32	115.66	5.83	86.74	5.89
1980	247.42	238.96	10.10	216.08	9.94
1981	472.13	452.42	14.44	362.44	14.59
1982	626.94	604.09	28.25	588.35	27.86
1983	547.77	532.04	35.67	565.83	36.03
1984	680.12	661.74	36.66	607.02	37.11
1985	953.85	933.37	46.55	864.88	46.84
1986	1,204.90	1,179.40	107.75	1,015.64	107.96
1987	1,251.19	1,220.27	205.68	1,178.75	207.35
1988	1,176.81	1,143.62	134.28	1,166.67	134.24
1989	1,444.84	1,401.21	130.66	1,327.05	131.95
1990	1,564.81	1,517.41	138.79	1,470.83	140.98
1991	2,037.64	1,990.53	155.75	1,879.69	154.31
1992	2,749.68	2,704.69	197.43	2,548.28	198.15
1993	3,187.49	3,137.76	248.79	2,904.44	253.95
1994	3,075.63	3,019.76	317.55	2,928.62	325.00
1995	3,600.62	3,526.00	351.53	3,314.86	351.08
1996	4,671.44	4,586.71	504.73	4,266.20	503.94
1997	5,801.23	5,704.83	613.44	5,324.29	618.49
1998	7,230.40	7,126.92	742.97	6,649.27	743.37
1999	9,043.58	8,922.96	949.96	8,562.10	947.36
2000	11,109.54	10,970.50	1,149.75	10,586.59	1,145.42
2001	12,866.21	12,747.53	797.34	12,242.32	798.08
2002	13,195.81	13,111.29	747.34	13,038.85	745.65
2003	12,452.59	12,374.31	572.50	12,415.60	573.76
2004	12,270.04	12,179.74	408.99	12,117.54	417.95
2005	14,042.47	13,915.31	420.83	13,648.47	432.43
2006	17,531.48	17,350.39	487.71	16,871.90	492.19
2007	23,626.43	23,392.73	606.45	22,503.76	611.96

[1]*Total sales are the dollar value of new sales plus sales made through reinvestment of income dividends from existing accounts, but excluding reinvestment of capital gain distributions.*

[2]*Exchange sales are the dollar value of mutual fund shares switched into funds within the same fund group.*

[3]*Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into another fund in the same fund group.*

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

TABLE 3

U.S. MUTUAL FUND INDUSTRY TOTAL NET ASSETS

(billions of dollars, end of year)

Year	Total	LONG-TERM FUNDS: Equity Funds	LONG-TERM FUNDS: Bond & Income Funds	Money Market Funds
1960	$17.03	$16.00	$1.02	–
1965	35.22	32.76	2.46	–
1970	47.62	45.13	2.49	–
1971	55.05	51.58	3.47	–
1972	59.83	55.92	3.91	–
1973	46.52	42.99	3.52	–
1974	35.78	30.87	3.19	$1.72
1975	45.87	37.49	4.68	3.70
1976	51.28	39.19	8.39	3.69
1977	48.94	34.07	10.98	3.89
1978	55.84	32.67	12.31	10.86
1979	94.51	35.88	13.10	45.53
1980	134.76	44.42	13.98	76.36
1981	241.37	41.19	14.01	186.16
1982	296.68	53.63	23.21	219.84
1983	292.99	76.97	36.63	179.39

Year	Total	LONG-TERM FUNDS: Equity Funds	LONG-TERM FUNDS: Hybrid Funds	LONG-TERM FUNDS: Bond Funds	Money Market Funds
1984	$370.68	$79.73	$11.15	$46.24	$233.55
1985	495.39	111.33	17.61	122.65	243.80
1986	715.67	154.45	25.76	243.31	292.15
1987	769.17	175.45	29.25	248.37	316.10
1988	809.37	189.38	26.35	255.69	337.95
1989	980.67	245.04	35.64	271.90	428.09
1990	1,065.19	239.48	36.12	291.25	498.34
1991	1,393.19	404.73	52.23	393.78	542.44
1992	1,642.54	514.09	78.04	504.21	546.19
1993	2,069.96	740.67	144.50	619.48	565.32
1994	2,155.32	852.76	164.40	527.15	611.00
1995	2,811.29	1,249.08	210.33	598.87	753.02
1996	3,525.80	1,726.01	252.58	645.41	901.81
1997	4,468.20	2,368.02	317.11	724.18	1,058.89
1998	5,525.21	2,977.94	365.00	830.59	1,351.68
1999	6,846.34	4,041.89	378.81	812.49	1,613.15
2000	6,964.63	3,961.92	346.28	811.19	1,845.25
2001	6,974.91	3,418.16	346.32	925.12	2,285.31
2002	6,390.36	2,662.46	325.49	1,130.45	2,271.96
2003	7,414.40	3,684.16	430.47	1,247.77	2,052.00
2004	8,106.94	4,384.05	519.29	1,290.41	1,913.19
2005	8,904.82	4,939.75	567.30	1,357.23	2,040.54
2006	10,412.46	5,910.54	653.15	1,494.37	2,354.40
2007	12,021.03	6,521.43	713.39	1,679.04	3,107.17

Note: The data contain a series break beginning in 1984. All funds were reclassified in 1984 and a separate category was created for hybrid funds. Data for funds that invest primarily in other mutual funds were excluded from the series.
Components may not add to the total because of rounding.

TABLE 4

U.S. MUTUAL FUND INDUSTRY TOTAL NET ASSETS BY INVESTMENT CLASSIFICATION

(billions of dollars, end of year)

	EQUITY FUNDS				BOND FUNDS							MONEY MARKET FUNDS	
Year	Capital Appreciation	World	Total Return	HYBRID FUNDS	Corporate	High Yield	World	Government	Strategic Income	State Muni	National Muni	Taxable	Tax-Exempt
1984	$41.68	$5.19	$32.86	$11.15	$3.30	$7.40	$0.03	$10.63	$4.09	$4.78	$16.01	$209.73	$23.82
1985	56.85	7.94	46.55	17.61	4.98	13.48	0.06	58.32	6.36	11.52	27.92	207.54	36.27
1986	70.53	15.47	68.45	25.76	9.08	24.59	0.52	122.06	11.37	25.81	49.86	228.35	63.81
1987	79.31	17.43	78.71	29.25	9.47	24.16	2.14	123.11	12.53	27.79	49.17	254.68	61.42
1988	83.09	17.98	88.31	26.35	10.46	33.43	3.02	111.40	10.65	32.41	54.32	272.29	65.66
1989	107.23	23.59	114.22	35.64	11.68	28.49	3.06	109.60	13.41	41.21	64.45	358.72	69.37
1990	113.37	28.30	97.81	36.12	25.80	19.15	13.02	104.43	8.61	49.55	70.70	414.73	83.61
1991	178.73	39.52	186.48	52.23	36.60	26.33	27.71	134.24	14.70	65.81	88.39	452.56	89.88
1992	235.06	45.68	233.34	78.04	48.16	34.47	31.02	172.68	21.63	85.48	110.78	451.35	94.84
1993	321.18	114.13	305.36	144.50	68.29	48.97	32.91	188.67	26.05	113.59	141.01	461.90	103.42
1994	361.62	161.19	329.95	164.40	64.78	45.08	23.60	140.44	25.95	104.82	122.49	500.64	110.37
1995	572.34	196.51	480.23	210.33	84.75	59.70	24.83	143.00	33.30	117.30	135.99	629.99	123.03
1996	781.72	285.20	659.10	252.58	100.61	78.90	25.74	130.63	56.47	116.96	136.10	761.99	139.82
1997	1,075.27	346.37	946.39	317.11	119.35	104.91	25.99	128.89	73.15	126.54	145.35	898.08	160.80
1998	1,404.71	391.64	1,181.59	365.00	143.51	117.44	24.64	144.35	102.05	139.96	158.63	1,163.17	188.51
1999	2,115.06	585.25	1,341.58	378.81	157.68	116.90	22.94	138.58	104.90	127.89	143.59	1,408.73	204.41
2000	2,153.72	542.67	1,265.54	346.28	140.64	90.28	19.94	133.34	149.15	132.72	145.12	1,607.22	238.03
2001	1,797.35	428.80	1,192.02	346.32	160.97	94.28	19.07	164.24	191.55	140.99	154.03	2,012.91	272.40
2002	1,340.75	358.00	963.71	325.49	179.42	100.40	21.08	237.91	263.12	154.14	174.38	1,997.17	274.78
2003	1,858.21	516.10	1,309.86	430.47	201.12	153.70	27.56	224.71	306.57	150.94	183.16	1,763.63	288.37
2004	2,158.31	689.67	1,536.07	519.29	224.63	155.62	36.85	210.83	334.76	145.10	182.62	1,602.85	310.35
2005	2,376.38	919.58	1,643.80	567.30	239.79	143.91	45.36	207.16	382.25	148.14	190.61	1,706.54	334.00
2006	2,699.94	1,314.14	1,896.46	653.15	272.17	156.23	59.42	193.04	448.61	154.87	210.03	1,988.00	366.40
2007	2,911.79	1,659.45	1,950.19	713.39	301.10	156.72	83.95	203.18	560.25	155.83	218.01	2,642.09	465.08

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

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TABLE 5

U.S. MUTUAL FUND INDUSTRY NUMBER OF FUNDS

(end of year)

		LONG-TERM FUNDS		
Year	Total	Equity Funds	Bond & Income Funds	Money Market Funds
1970	361	323	38	–
1971	392	350	42	–
1972	410	364	46	–
1973	421	366	55	–
1974	431	343	73	15
1975	426	314	76	36
1976	452	302	102	48
1977	477	296	131	50
1978	505	294	150	61
1979	526	289	159	78
1980	564	288	170	106
1981	665	306	180	179
1982	857	340	199	318
1983	1,026	396	257	373

		LONG-TERM FUNDS			
Year	Total	Equity Funds	Hybrid Funds	Bond Funds	Money Market Funds
1984	1,243	459	89	270	425
1985	1,528	562	103	403	460
1986	1,835	678	121	549	487
1987	2,312	824	164	781	543
1988	2,737	1,006	179	942	610
1989	2,935	1,069	189	1,004	673
1990	3,079	1,099	193	1,046	741
1991	3,403	1,191	212	1,180	820
1992	3,824	1,325	235	1,400	864
1993	4,534	1,586	282	1,746	920
1994	5,325	1,886	361	2,115	963
1995	5,725	2,139	412	2,177	997
1996	6,248	2,570	466	2,224	988
1997	6,684	2,951	501	2,219	1,013
1998	7,314	3,512	526	2,250	1,026
1999	7,791	3,952	532	2,262	1,045
2000	8,155	4,385	523	2,208	1,039
2001	8,305	4,716	483	2,091	1,015
2002	8,244	4,747	473	2,035	989
2003	8,126	4,599	508	2,045	974
2004	8,041	4,547	510	2,041	943
2005	7,975	4,586	505	2,013	871
2006	8,118	4,769	508	1,993	848
2007	8,029	4,767	488	1,967	807

Note: The data contain a series break beginning in 1984. All funds were reclassified in 1984 and a separate category was created for hybrid funds. Data for funds that invest primarily in other mutual funds were excluded from the series.

TABLE 6

U.S. MUTUAL FUND INDUSTRY NUMBER OF FUNDS BY INVESTMENT CLASSIFICATION

(end of year)

	EQUITY FUNDS				BOND FUNDS							MONEY MARKET FUNDS	
Year	Capital Appreciation	World	Total Return	HYBRID FUNDS	Corporate	High Yield	World	Government	Strategic Income	State Muni	National Muni	Taxable	Tax-Exempt
1984	306	29	124	89	30	36	1	45	47	37	74	329	96
1985	365	43	154	103	33	43	1	93	59	75	99	348	112
1986	439	57	182	121	35	57	4	139	67	122	125	360	127
1987	514	81	229	164	42	70	16	201	86	217	149	389	154
1988	578	109	319	179	58	103	28	248	85	245	175	434	176
1989	597	128	344	189	59	105	30	266	101	260	183	470	203
1990	621	155	323	193	120	106	41	252	64	272	191	506	235
1991	645	206	340	212	144	95	61	281	76	331	192	553	267
1992	717	239	369	235	183	89	89	335	76	414	214	585	279
1993	850	306	430	282	251	90	115	405	89	531	265	628	292
1994	994	423	469	361	304	95	138	457	109	707	305	646	317
1995	1,110	528	501	412	358	104	159	429	116	710	301	674	323
1996	1,325	668	577	466	386	119	173	422	143	686	295	666	322
1997	1,538	768	645	501	372	134	186	407	187	649	284	682	331
1998	1,894	890	728	526	350	183	188	395	234	615	285	685	341
1999	2,208	950	794	532	336	208	175	374	282	605	282	702	343
2000	2,542	1,005	838	523	305	214	144	351	326	594	274	703	336
2001	2,853	1,014	849	483	293	211	131	320	323	556	257	689	326
2002	2,956	946	845	473	298	200	116	315	337	519	250	679	310
2003	2,931	862	806	508	291	198	106	316	356	527	251	662	312
2004	2,936	819	792	510	301	198	107	313	356	516	250	639	304
2005	2,969	838	779	505	294	207	106	307	360	501	238	595	276
2006	3,069	915	785	508	289	207	113	309	364	481	230	575	273
2007	3,037	968	762	488	293	206	122	301	370	451	224	548	259

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

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TABLE 7

U.S. MUTUAL FUND INDUSTRY NUMBER OF SHARE CLASSES

(end of year)

Year	Total	Equity Funds	Hybrid Funds	Bond Funds	Money Market Funds
1984	1,243	459	89	270	425
1985	1,528	562	103	403	460
1986	1,835	678	121	549	487
1987	2,312	824	164	781	543
1988	2,737	1,006	179	942	610
1989	2,935	1,069	189	1,004	673
1990	3,177	1,128	200	1,087	762
1991	3,587	1,248	224	1,244	871
1992	4,208	1,452	258	1,584	914
1993	5,562	1,945	349	2,259	1,009
1994	7,697	2,656	517	3,263	1,261
1995	9,007	3,287	637	3,703	1,380
1996	10,352	4,211	753	3,935	1,453
1997	12,002	5,309	877	4,267	1,549
1998	13,720	6,642	968	4,483	1,627
1999	15,262	7,785	1,031	4,716	1,730
2000	16,738	9,079	1,024	4,780	1,855
2001	18,023	10,324	998	4,753	1,948
2002	18,985	11,002	1,046	4,930	2,007
2003	19,319	10,953	1,175	5,159	2,032
2004	20,030	11,398	1,274	5,311	2,047
2005	20,550	11,824	1,374	5,320	2,032
2006	21,257	12,509	1,358	5,377	2,013
2007	21,631	12,833	1,340	5,435	2,023

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

TABLE 8

U.S. MUTUAL FUND INDUSTRY NUMBER OF SHARE CLASSES BY INVESTMENT CLASSIFICATION

(end of year)

	EQUITY FUNDS				BOND FUNDS							MONEY MARKET FUNDS	
Year	Capital Appreciation	World	Total Return	HYBRID FUNDS	Corporate	High Yield	World	Government	Strategic Income	State Muni	National Muni	Taxable	Tax-Exempt
1984	306	29	124	89	30	36	1	45	47	37	74	329	96
1985	365	43	154	103	33	43	1	93	59	75	99	348	112
1986	439	57	182	121	35	57	4	139	67	122	125	360	127
1987	514	81	229	164	42	70	16	201	86	217	149	389	154
1988	578	109	319	179	58	103	28	248	85	245	175	434	176
1989	597	128	344	189	59	105	30	266	101	260	183	470	203
1990	632	166	330	200	121	109	45	258	64	291	199	523	239
1991	666	227	355	224	146	100	70	293	77	352	206	592	279
1992	785	263	404	258	201	100	111	382	82	466	242	616	298
1993	1,033	385	527	349	307	115	152	522	109	708	346	673	336
1994	1,362	630	664	517	434	135	205	679	150	1,187	473	853	408
1995	1,660	845	782	637	557	172	248	697	167	1,341	521	949	431
1996	2,099	1,155	957	753	637	202	289	711	207	1,352	537	1,000	453
1997	2,704	1,449	1,156	877	647	264	335	743	300	1,415	563	1,070	479
1998	3,464	1,770	1,408	968	648	378	348	762	392	1,365	590	1,133	494
1999	4,231	1,969	1,585	1,031	669	452	334	760	503	1,380	618	1,226	504
2000	5,167	2,203	1,709	1,024	655	479	287	731	601	1,407	620	1,324	531
2001	6,159	2,371	1,794	998	682	491	271	698	655	1,342	614	1,397	551
2002	6,761	2,338	1,903	1,046	729	498	270	733	762	1,297	641	1,465	542
2003	6,827	2,195	1,931	1,175	753	502	257	767	843	1,344	693	1,464	568
2004	7,228	2,172	1,998	1,274	801	523	263	795	882	1,340	707	1,472	575
2005	7,512	2,280	2,032	1,374	809	552	271	792	907	1,314	675	1,466	566
2006	7,910	2,549	2,050	1,358	837	562	296	794	953	1,268	667	1,456	557
2007	8,016	2,762	2,062	1,340	873	592	334	782	969	1,228	662	1,455	568

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

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TABLE 9

U.S. MUTUAL FUND INDUSTRY NUMBER OF SHAREHOLDER ACCOUNTS*

(thousands, end of year)

		LONG-TERM FUNDS			
Year	Total	Equity Funds	Hybrid Funds	Bond Funds	Money Market Funds
1984	27,636	9,623	983	3,186	13,845
1985	34,098	11,061	1,323	6,780	14,935
1986	45,374	15,509	2,101	11,450	16,313
1987	53,717	20,371	2,732	12,939	17,675
1988	54,056	19,658	2,575	13,253	18,570
1989	57,560	20,348	2,727	13,170	21,314
1990	61,948	22,157	3,203	13,619	22,969
1991	68,332	25,648	3,620	15,509	23,556
1992	79,931	32,730	4,532	19,023	23,647
1993	94,015	42,554	6,741	21,135	23,585
1994	114,383	57,948	10,251	20,806	25,379
1995	131,219	69,340	10,926	20,816	30,137
1996	149,933	85,301	12,026	20,406	32,200
1997	170,299	101,679	12,856	20,140	35,624
1998	194,029	119,557	14,138	21,486	38,847
1999	226,212	147,391	14,252	20,953	43,616
2000	244,705	163,948	13,066	19,553	48,138
2001	248,701	165,649	14,257	21,560	47,236
2002	251,124	164,295	15,579	25,869	45,380
2003	260,698	174,060	17,672	27,752	41,214
2004	269,468	183,243	20,004	28,585	37,636
2005	275,479	187,992	21,206	29,444	36,838
2006	288,596	200,021	21,967	29,540	37,067
2007	298,966	207,581	22,327	30,234	38,823

*Number of shareholder accounts includes a mix of individual and omnibus accounts.
Note: Data for funds that invest primarily in other mutual funds were excluded from the series.
Components may not add to the total because of rounding.

TABLE 10

U.S. MUTUAL FUND INDUSTRY NUMBER OF SHAREHOLDER ACCOUNTS* BY INVESTMENT CLASSIFICATION

(thousands, end of year)

	EQUITY FUNDS				BOND FUNDS							MONEY MARKET FUNDS	
Year	Capital Appreciation	World	Total Return	HYBRID FUNDS	Corporate	High Yield	World	Government	Strategic Income	State Muni	National Muni	Taxable	Tax-Exempt
1984	5,976	713	2,934	983	414	698	4	788	337	198	745	13,556	288
1985	6,736	806	3,519	1,323	485	1,073	6	3,279	418	381	1,139	14,435	499
1986	8,240	1,631	5,638	2,101	659	1,744	47	5,985	603	722	1,691	15,654	660
1987	10,557	2,171	7,644	2,732	708	1,974	156	6,666	694	874	1,866	16,833	842
1988	10,312	2,034	7,312	2,575	772	2,488	255	6,293	508	1,000	1,938	17,631	939
1989	10,172	2,062	8,114	2,727	810	2,409	237	5,847	584	1,147	2,138	20,173	1,141
1990	11,427	3,077	7,653	3,203	1,389	2,204	680	5,394	310	1,323	2,318	21,578	1,391
1991	13,628	3,478	8,542	3,620	1,678	1,992	1,306	5,846	432	1,631	2,624	21,863	1,693
1992	17,842	4,203	10,685	4,532	2,073	2,041	1,725	7,181	799	2,163	3,041	21,771	1,876
1993	22,003	7,122	13,430	6,741	2,463	2,373	1,878	7,226	977	2,579	3,639	21,587	1,998
1994	28,407	12,162	17,379	10,251	2,849	2,440	1,435	6,359	1,010	3,232	3,482	23,340	2,039
1995	35,758	13,195	20,387	10,926	3,160	2,816	1,283	6,395	1,132	2,621	3,409	27,859	2,278
1996	44,731	15,651	24,919	12,026	3,632	3,189	1,214	5,559	1,152	2,473	3,187	29,907	2,292
1997	53,101	17,912	30,666	12,856	3,722	3,756	1,116	4,918	1,344	2,289	2,995	32,961	2,663
1998	63,288	18,515	37,754	14,138	4,333	4,168	844	4,984	1,651	2,487	3,020	36,442	2,405
1999	83,170	21,833	42,388	14,252	4,760	4,110	783	4,871	1,448	2,228	2,754	41,177	2,438
2000	100,065	22,758	41,124	13,066	3,892	3,532	657	4,539	2,240	2,120	2,573	45,480	2,659
2001	99,973	22,036	43,639	14,257	4,813	3,605	632	5,120	2,822	2,044	2,524	44,415	2,821
2002	98,426	21,879	43,991	15,579	5,523	3,818	713	7,050	4,069	2,060	2,636	42,726	2,655
2003	102,534	23,941	47,585	17,672	5,529	4,780	907	7,025	5,111	1,841	2,559	38,412	2,802
2004	104,192	29,227	49,824	20,004	5,966	4,781	1,051	6,785	5,772	1,744	2,487	34,794	2,842
2005	101,886	35,318	50,788	21,206	6,369	4,623	1,371	6,404	6,487	1,713	2,476	34,033	2,805
2006	104,063	44,229	51,729	21,967	6,184	4,696	1,734	5,570	7,189	1,647	2,519	34,006	3,061
2007	103,269	52,720	51,592	22,327	6,217	4,698	2,152	5,199	7,879	1,580	2,508	35,359	3,465

**Number of shareholder accounts includes a mix of individual and omnibus accounts.*

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

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TABLE 11

CLOSED-END FUNDS; ASSETS AND NUMBER OF FUNDS BY TYPE OF FUND

(end of year)

		EQUITY FUNDS			BOND FUNDS			
Year	Total	Total Equity	Domestic	Global/ International	Total Bond	Domestic Taxable	Domestic Municipal	Global/ International
Assets *(millions of dollars)*								
1995	$142,620	$41,926	$18,078	$23,848	$100,694	$28,678	$60,318	$11,698
1996	146,991	46,987	19,830	27,157	100,004	28,418	59,540	12,046
1997	151,845	49,625	20,536	29,089	102,220	28,315	61,992	11,912
1998	155,815	47,606	22,529	25,077	108,209	34,127	63,628	10,454
1999	147,016	41,267	24,696	16,571	105,749	30,888	64,513	10,348
2000	143,134	36,611	24,557	12,054	106,523	28,581	68,266	9,676
2001	141,250	31,075	22,261	8,814	110,175	26,606	74,467	9,102
2002	158,805	33,724	26,596	7,128	125,081	25,643	90,024	9,414
2003	214,088	53,019	42,987	10,032	161,069	55,428	94,102	11,539
2004	254,295	82,326	63,761	18,565	171,969	64,230	94,884	12,855
2005	276,330	105,563	77,099	28,464	170,767	63,456	94,606	12,705
2006	298,303	122,452	87,747	34,705	175,851	68,051	94,569	13,231
2007	314,935	146,890	88,304	58,586	168,045	62,999	89,264	15,782
Number of Funds								
1995	500	141	49	92	359	119	207	33
1996	498	142	50	92	356	118	205	33
1997	488	135	45	90	353	115	205	33
1998	493	128	44	84	365	123	211	31
1999	512	124	49	75	388	117	241	30
2000	482	123	53	70	359	109	220	30
2001	493	116	51	65	377	109	240	28
2002	545	123	63	60	422	105	292	25
2003	586	131	75	56	455	130	298	27
2004	619	158	96	62	461	136	295	30
2005	633	192	120	72	441	130	280	31
2006	647	203	128	75	444	135	276	33
2007	668	232	138	94	436	131	271	34

Note: Components may not add to the total because of rounding.

TABLE 12

EXCHANGE-TRADED FUNDS; ASSETS, NET ISSUANCE, AND NUMBER OF FUNDS BY TYPE OF FUND

Year	Total	Domestic Equity	Global/ International Equity	Commodities[1]	Hybrid	Bond
Assets (millions of dollars, end of year)						
1995	$1,052	$1,052	–	–	–	–
1996	2,411	2,159	$252	–	–	–
1997	6,707	6,200	506	–	–	–
1998	15,568	14,542	1,026	–	–	–
1999	33,873	31,881	1,992	–	–	–
2000	65,585	63,544	2,041	–	–	–
2001	82,993	79,977	3,016	–	–	–
2002	102,143	92,904	5,324	–	–	$3,915
2003	150,983	132,332	13,984	–	–	4,667
2004	227,540	184,045	33,644	$1,335	–	8,516
2005	300,820	215,807	65,210	4,798	–	15,004
2006	422,550	276,142	111,194	14,699	–	20,514
2007	608,422	365,047	179,702	28,906	$119	34,648
Net Issuance (millions of dollars, annual)						
1995	$443	$443	–	–	–	–
1996	1,108	842	$266	–	–	–
1997	3,466	3,160	306	–	–	–
1998	6,195	5,642	553	–	–	–
1999	11,929	11,816	112	–	–	–
2000	42,508	41,624	884	–	–	–
2001	31,012	29,646	1,366	–	–	–
2002	45,302	37,781	3,792	–	–	$3,729
2003	15,810	9,325	5,764	–	–	721
2004	56,375	35,598	15,645	$1,353	–	3,778
2005	56,729	23,660	23,455	2,859	–	6,756
2006	73,995	31,369	28,423	8,475	–	5,729
2007	150,617	79,274	48,842	9,062	$122	13,318
Number of Funds (end of year)						
1995	2	2	–	–	–	–
1996	19	2	17	–	–	–
1997	19	2	17	–	–	–
1998	29	12	17	–	–	–
1999	30	13	17	–	–	–
2000	80	55	25	–	–	–
2001	102	68	34	–	–	–
2002	113	66	39	–	–	8
2003	119	72	41	–	–	6
2004	152	102	43	1	–	6
2005	204	146	49	3	–	6
2006	359	252	85	16	–	6
2007	629	388	159	28	5	49

[1]ETFs not registered under the Investment Company Act of 1940
Note: Components may not add to the total because of rounding.
Sources: Investment Company Institute and Strategic Insight Simfund

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TABLE 13

UNIT INVESTMENT TRUSTS; ASSETS AND NEW DEPOSITS BY TYPE OF TRUST

(millions of dollars)

Year	Total Trusts	Equity Trusts	Taxable Debt Trusts	Tax-Free Debt Trusts
Assets *(end of year)*				
1990	$105,390	$4,192	$9,456	$91,742
1991	102,828	4,940	9,721	88,167
1992	97,925	6,484	9,976	81,465
1993	87,574	8,494	8,567	70,513
1994	73,682	9,285	7,252	57,144
1995	73,125	14,019	8,094	51,013
1996	72,204	22,922	8,485	40,796
1997	84,761	40,747	6,480	37,533
1998	93,943	56,413	5,380	32,151
1999	91,970	62,128	4,283	25,559
2000	74,161	48,060	3,502	22,599
2001	49,249	26,467	3,784	18,999
2002	36,016	14,651	4,020	17,345
2003	35,826	19,024	3,311	13,491
2004	37,267	23,201	2,635	11,432
2005	40,894	28,634	2,280	9,980
2006	49,662	38,809	2,142	8,711
2007	53,040	43,295	2,066	7,680
New Deposits *(annual)*				
1990	$7,489	$495	$1,349	$5,644
1991	8,195	900	1,687	5,609
1992	8,909	1,771	2,385	4,752
1993	9,359	3,206	1,598	4,555
1994	8,915	3,265	1,709	3,941
1995	11,264	6,743	1,154	3,367
1996	21,662	18,316	800	2,546
1997	38,546	35,855	771	1,919
1998	47,675	45,947	562	1,166
1999	52,046	50,629	343	1,074
2000	43,649	42,570	196	883
2001	19,049	16,927	572	1,550
2002	11,600	9,131	862	1,607
2003	12,731	10,071	931	1,729
2004	17,125	14,559	981	1,585
2005	22,598	21,526	289	782
2006	29,057	28,185	294	578
2007	35,836	35,101	298	438

Note: Components may not add to the total because of rounding.

TABLE 14

LIQUID ASSETS AND LIQUIDITY RATIO* OF LONG-TERM MUTUAL FUNDS

(end of year)

	LIQUID ASSETS (millions of dollars)				LIQUIDITY RATIO (percent)			
Year	Total	Equity Funds	Hybrid Funds	Bond Funds	Total	Equity Funds	Hybrid Funds	Bond Funds
1984	$12,181	$7,295	$878	$4,007	8.9%	9.1%	7.9%	8.7%
1985	20,593	10,452	1,413	8,728	8.2	9.4	8.0	7.1
1986	30,611	14,612	2,514	13,485	7.2	9.5	9.8	5.5
1987	37,930	16,319	2,730	18,881	8.4	9.3	9.3	7.6
1988	44,980	17,742	2,986	24,253	9.5	9.4	11.3	9.5
1989	44,603	25,602	5,747	13,253	8.1	10.4	16.1	4.9
1990	48,440	27,344	4,225	16,872	8.5	11.4	11.7	5.8
1991	60,385	30,657	3,318	26,410	7.1	7.6	6.4	6.7
1992	73,984	42,417	6,595	24,972	6.7	8.3	8.5	5.0
1993	99,436	57,539	16,774	25,123	6.6	7.8	11.6	4.1
1994	120,430	70,885	20,093	29,453	7.8	8.3	12.2	5.6
1995	141,755	97,743	19,494	24,518	6.9	7.8	9.3	4.1
1996	151,988	107,667	18,067	26,254	5.8	6.2	7.2	4.1
1997	198,826	145,565	24,761	28,500	5.8	6.1	7.8	3.9
1998	191,393	143,516	25,570	22,307	4.6	4.8	7.0	2.7
1999	219,098	174,692	20,656	23,750	4.2	4.3	5.5	2.9
2000	277,164	227,961	23,774	25,429	5.4	5.8	6.9	3.1
2001	222,475	172,056	25,927	24,492	4.7	5.0	7.5	2.6
2002	208,939	122,747	23,696	62,495	5.1	4.6	7.3	5.5
2003	259,580	156,953	29,483	73,144	4.8	4.3	6.8	5.9
2004	306,756	186,283	35,072	85,400	5.0	4.2	6.8	6.6
2005	302,923	194,199	40,227	68,496	4.4	3.9	7.1	5.0
2006	345,064	227,642	53,146	64,276	4.3	3.9	8.1	4.3
2007	377,218	275,470	52,640	49,108	4.2	4.2	7.4	2.9

**Liquidity ratio is the ratio of liquid assets divided by total net assets at year-end.*
Note: Data for funds that invest primarily in other mutual funds were excluded from the series.
Components may not add to the total because of rounding.

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TABLE 15

LIQUIDITY RATIO* OF LONG-TERM MUTUAL FUNDS BY INVESTMENT CLASSIFICATION

(percent, end of year)

	EQUITY FUNDS				BOND FUNDS						
Year	Capital Appreciation	World	Total Return	HYBRID FUNDS	Corporate	High Yield	World	Government	Strategic Income	State Muni	National Muni
1984	9.9%	10.7%	8.0%	7.9%	5.7%	5.8%	10.5%	14.2%	10.1%	3.4%	8.1%
1985	8.2	11.5	10.5	8.0	4.8	5.7	−4.5	10.5	6.7	1.8	3.5
1986	8.7	9.4	10.2	9.8	6.3	5.0	21.1	6.7	10.8	2.5	3.0
1987	10.2	11.5	7.9	9.3	7.9	7.3	22.2	8.2	11.2	4.3	6.5
1988	10.5	7.1	8.8	11.3	13.1	7.0	17.3	11.5	17.8	4.4	7.2
1989	11.0	7.2	10.7	16.1	8.6	6.9	14.8	4.3	13.5	2.4	3.5
1990	12.0	11.7	10.6	11.7	8.6	11.4	43.7	1.3	8.0	2.7	4.7
1991	8.6	8.7	6.3	6.4	7.9	5.4	30.5	5.5	7.0	2.8	3.8
1992	10.3	9.6	5.9	8.5	8.4	5.7	22.8	2.3	6.5	2.8	3.8
1993	8.5	10.6	6.0	11.6	8.8	4.6	17.9	0.9	7.5	2.1	3.5
1994	9.1	10.8	6.2	12.2	10.2	7.9	20.0	2.8	8.6	2.8	4.5
1995	8.5	8.6	6.7	9.3	6.3	7.0	12.3	1.5	7.3	2.1	3.5
1996	6.6	7.0	5.4	7.2	5.3	6.7	9.0	−0.6	11.2	2.4	3.6
1997	6.4	8.0	5.1	7.8	4.8	5.3	8.7	0.8	9.8	2.1	2.8
1998	5.0	5.8	4.3	7.0	3.2	4.6	6.1	−3.0	8.7	1.7	2.4
1999	4.5	5.3	3.6	5.5	5.5	4.3	6.9	−4.6	8.2	2.1	2.5
2000	6.0	7.7	4.5	6.9	4.7	8.4	4.3	−2.6	3.1	3.1	3.5
2001	5.3	6.3	4.3	7.5	5.7	6.9	3.3	−0.3	0.4	2.3	3.1
2002	4.9	5.8	3.8	7.3	4.1	6.8	3.6	0.6	13.3	2.6	4.1
2003	4.1	5.7	3.9	6.8	6.2	5.3	6.0	1.1	12.4	2.2	3.7
2004	4.2	5.4	3.8	6.8	4.7	5.9	10.0	2.5	12.2	2.9	6.5
2005	3.8	5.1	3.5	7.1	3.8	5.1	6.2	0.2	9.0	2.6	5.7
2006	3.7	4.3	3.8	8.1	0.4	5.5	9.5	−4.9	10.3	2.1	4.4
2007	4.1	5.1	3.6	7.4	0.3	4.9	11.6	−4.7	4.8	1.9	4.6

**Liquidity ratio is the ratio of liquid assets divided by total net assets at year-end.*

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

TABLE 16

NET NEW CASH FLOW* OF LONG-TERM MUTUAL FUNDS

(millions of dollars, annual)

Year	Total	Equity Funds	Hybrid Funds	Bond Funds
1984	$19,194	$4,336	$1,801	$13,058
1985	73,490	6,643	3,720	63,127
1986	129,991	20,386	6,988	102,618
1987	29,776	19,231	3,748	6,797
1988	−23,119	−14,948	−3,684	−4,488
1989	8,731	6,774	3,183	−1,226
1990	21,211	12,915	1,483	6,813
1991	106,213	39,888	7,089	59,236
1992	171,696	78,983	21,832	70,881
1993	242,049	127,260	44,229	70,559
1994	75,160	114,525	23,105	−62,470
1995	122,208	124,392	3,899	−6,082
1996	231,874	216,937	12,177	2,760
1997	272,030	227,106	16,499	28,424
1998	241,796	156,875	10,311	74,610
1999	169,780	187,565	−13,705	−4,081
2000	228,874	309,367	−30,728	−49,765
2001	129,188	31,966	9,518	87,704
2002	120,583	−27,550	7,520	140,612
2003	215,843	152,316	31,897	31,629
2004	209,826	177,841	42,745	−10,760
2005	192,086	135,633	25,203	31,251
2006	227,092	159,441	7,069	60,581
2007	223,317	92,632	22,097	108,588

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

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

Components may not add to the total because of rounding.

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TABLE 17

NET NEW CASH FLOW[1] AND COMPONENTS OF NET NEW CASH FLOW OF EQUITY MUTUAL FUNDS

(millions of dollars, annual)

Year	NET NEW CASH FLOW	SALES			REDEMPTIONS		
		New + Exchange	New[2]	Exchange[3]	Regular + Exchange	Regular[4]	Exchange[5]
1984	$4,336	$28,705	$16,586	$12,119	$24,369	$10,669	$13,700
1985	6,643	40,608	25,046	15,562	33,965	17,558	16,406
1986	20,386	87,997	50,774	37,224	67,612	26,051	41,561
1987	19,231	139,596	65,093	74,502	120,365	38,601	81,764
1988	−14,948	68,827	25,641	43,186	83,774	33,247	50,528
1989	6,774	89,345	46,817	42,527	82,571	37,229	45,342
1990	12,915	104,334	62,872	41,462	91,419	44,487	46,931
1991	39,888	146,618	90,192	56,427	106,730	53,394	53,336
1992	78,983	201,720	134,309	67,411	122,738	61,465	61,272
1993	127,260	307,356	213,639	93,717	180,095	91,944	88,151
1994	114,525	366,659	252,887	113,772	252,134	141,097	111,037
1995	124,392	433,853	282,937	150,915	309,461	170,402	139,059
1996	216,937	674,323	442,372	231,951	457,385	240,531	216,854
1997	227,106	880,286	579,064	301,222	653,180	362,022	291,158
1998	156,875	1,065,197	699,554	365,643	908,322	534,256	374,065
1999	187,565	1,410,845	918,600	492,245	1,223,280	744,144	479,136
2000	309,367	1,975,882	1,321,838	654,044	1,666,515	1,038,572	627,943
2001	31,966	1,330,685	953,197	377,488	1,298,720	892,879	405,841
2002	−27,550	1,220,185	898,417	321,768	1,247,734	878,823	368,911
2003	152,316	1,086,351	847,602	238,749	934,035	710,535	223,500
2004	177,841	1,106,604	935,116	171,488	928,762	762,199	166,563
2005	135,633	1,210,005	1,031,828	178,177	1,074,372	882,510	191,862
2006	159,441	1,437,298	1,231,622	205,676	1,277,857	1,054,207	223,650
2007	92,632	1,760,385	1,533,572	226,814	1,667,754	1,398,470	269,284

[1]Net new cash flow is the dollar value of new sales minus redemptions, combined with net exchanges.
[2]New sales are the dollar value of new purchases of mutual fund shares. This does not include shares purchased through reinvestment of dividends in existing accounts.
[3]Exchange sales are the dollar value of mutual fund shares switched into funds within the same fund group.
[4]Regular redemptions are the dollar value of shareholder liquidation of mutual fund shares.
[5]Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into another fund in the same fund group.
Note: Data for funds that invest primarily in other mutual funds were excluded from the series.
Components may not add to the total because of rounding.

TABLE 18

NET NEW CASH FLOW[1] AND COMPONENTS OF NET NEW CASH FLOW OF HYBRID MUTUAL FUNDS

(millions of dollars, annual)

Year	NET NEW CASH FLOW	SALES			REDEMPTIONS		
		New + Exchange	New[2]	Exchange[3]	Regular + Exchange	Regular[4]	Exchange[5]
1984	$1,801	$4,118	$3,842	$276	$2,318	$2,017	$301
1985	3,720	7,502	6,976	526	3,782	3,161	621
1986	6,988	13,535	12,342	1,194	6,548	5,162	1,386
1987	3,748	14,948	12,419	2,528	11,200	7,848	3,353
1988	−3,684	6,259	4,601	1,658	9,943	7,521	2,422
1989	3,183	11,139	9,334	1,805	7,956	5,780	2,176
1990	1,483	9,721	8,021	1,700	8,238	5,619	2,619
1991	7,089	16,912	13,789	3,122	9,823	7,030	2,792
1992	21,832	32,955	26,586	6,369	11,122	7,265	3,858
1993	44,229	62,391	50,866	11,525	18,162	11,828	6,334
1994	23,105	60,434	50,436	9,998	37,329	25,761	11,568
1995	3,899	43,851	36,038	7,813	39,952	28,241	11,711
1996	12,177	58,089	48,494	9,595	45,912	31,915	13,997
1997	16,499	70,279	56,856	13,423	53,780	38,926	14,854
1998	10,311	84,483	68,853	15,630	74,171	54,649	19,523
1999	−13,705	82,993	68,582	14,411	96,698	71,076	25,622
2000	−30,728	71,823	58,350	13,473	102,551	74,510	28,041
2001	9,518	87,770	70,290	17,480	78,252	61,037	17,215
2002	7,520	94,208	77,089	17,119	86,688	68,977	17,711
2003	31,897	109,363	91,353	18,010	77,466	64,073	13,393
2004	42,745	132,499	116,163	16,336	89,754	77,223	12,531
2005	25,203	122,483	107,409	15,074	97,280	82,631	14,650
2006	7,069	123,437	107,232	16,205	116,367	97,437	18,930
2007	22,097	181,640	161,401	20,239	159,543	138,672	20,871

[1]Net new cash flow is the dollar value of new sales minus redemptions, combined with net exchanges.
[2]New sales are the dollar value of new purchases of mutual fund shares. This does not include shares purchased through reinvestment of dividends in existing accounts.
[3]Exchange sales are the dollar value of mutual fund shares switched into funds within the same fund group.
[4]Regular redemptions are the dollar value of shareholder liquidation of mutual fund shares.
[5]Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into another fund in the same fund group.
Note: Data for funds that invest primarily in other mutual funds were excluded from the series.
Components may not add to the total because of rounding.

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TABLE 19

NET NEW CASH FLOW[1] AND COMPONENTS OF NET NEW CASH FLOW OF BOND MUTUAL FUNDS

(millions of dollars, annual)

Year	NET NEW CASH FLOW	SALES			REDEMPTIONS		
		New + Exchange	New[2]	Exchange[3]	Regular + Exchange	Regular[4]	Exchange[5]
1984	$13,058	$25,554	$20,774	$4,780	$12,497	$7,344	$5,152
1985	63,127	83,359	74,485	8,874	20,232	13,094	7,137
1986	102,618	158,874	138,240	20,634	56,256	35,776	20,480
1987	6,797	123,528	93,725	29,803	116,731	69,627	47,104
1988	−4,488	72,174	47,378	24,796	76,662	51,558	25,103
1989	−1,226	71,770	48,602	23,168	72,996	48,517	24,480
1990	6,813	80,608	57,074	23,534	73,795	47,959	25,836
1991	59,236	141,622	108,059	33,563	82,387	56,158	26,228
1992	70,881	217,680	171,868	45,812	146,799	96,573	50,226
1993	70,559	260,519	207,265	53,254	189,960	127,200	62,759
1994	−62,470	185,015	129,958	55,057	247,485	162,360	85,125
1995	−6,082	165,610	109,797	55,814	171,693	114,252	57,441
1996	2,760	202,037	136,827	65,210	199,277	124,984	74,293
1997	28,424	240,377	174,682	65,695	211,953	140,245	71,708
1998	74,610	312,637	229,375	83,263	238,028	158,775	79,253
1999	−4,081	298,122	216,467	81,655	302,202	205,968	96,234
2000	−49,765	245,866	184,021	61,845	295,631	217,157	78,474
2001	87,704	389,128	297,243	91,885	301,424	222,933	78,491
2002	140,612	508,466	396,225	112,241	367,854	280,355	87,499
2003	31,629	515,201	424,037	91,164	483,572	373,295	110,276
2004	−10,760	396,215	341,545	54,670	406,976	338,396	68,579
2005	31,251	407,099	355,667	51,432	375,849	320,714	55,135
2006	60,581	448,738	394,164	54,574	388,156	331,187	56,969
2007	108,588	587,268	502,960	84,308	478,680	408,181	70,498

[1]Net new cash flow is the dollar value of new sales minus redemptions, combined with net exchanges.
[2]New sales are the dollar value of new purchases of mutual fund shares. This does not include shares purchased through reinvestment of dividends in existing accounts.
[3]Exchange sales are the dollar value of mutual fund shares switched into funds within the same fund group.
[4]Regular redemptions are the dollar value of shareholder liquidation of mutual fund shares.
[5]Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into another fund in the same fund group.
Note: Data for funds that invest primarily in other mutual funds were excluded from the series.
Components may not add to the total because of rounding.

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TABLE 20

NET NEW CASH FLOW* OF LONG-TERM MUTUAL FUNDS BY INVESTMENT CLASSIFICATION

(millions of dollars, annual)

	EQUITY FUNDS				BOND FUNDS						
Year	Capital Appreciation	World	Total Return	HYBRID FUNDS	Corporate	High Yield	World	Government	Strategic Income	State Muni	National Muni
1984	$1,694	$949	$1,694	$1,801	$175	$1,215	−$3	$7,367	−$37	$1,882	$2,460
1985	1,575	770	4,298	3,720	935	4,366	19	42,762	1,200	5,652	8,194
1986	3,071	4,200	13,115	6,988	3,468	9,618	429	57,450	3,416	12,105	16,132
1987	7,432	−568	12,368	3,748	608	610	673	2,892	1,114	1,864	−964
1988	−7,210	−2,402	−5,336	−3,684	−200	3,209	609	−13,655	464	2,878	2,209
1989	−64	1,210	5,628	3,183	774	−2,875	−84	−12,812	1,738	6,484	5,550
1990	4,610	6,812	1,493	1,483	1,269	−5,229	7,615	−7,574	791	6,192	3,749
1991	23,509	3,959	12,421	7,089	6,016	1,682	10,282	17,337	2,685	11,112	10,121
1992	43,171	7,044	28,768	21,832	6,881	4,604	−3,003	29,643	4,389	13,205	15,162
1993	48,247	38,441	40,573	44,229	11,958	8,467	750	6,186	4,867	18,998	19,333
1994	42,854	44,248	27,424	23,105	715	−972	−6,800	−39,862	−102	−6,242	−9,208
1995	72,452	11,512	40,428	3,899	6,366	8,258	−4,248	−13,670	4,101	−2,221	−4,670
1996	99,511	47,516	69,910	12,177	6,368	12,486	−2,202	−13,771	5,772	−1,953	−3,940
1997	94,495	37,846	94,766	16,499	11,077	16,851	−1,287	−9,494	10,405	353	520
1998	82,591	7,527	66,757	10,311	20,121	13,602	−1,166	8,899	17,955	7,999	7,200
1999	160,190	11,224	16,151	−13,705	6,195	−2,546	−2,179	−2,201	8,802	−4,583	−7,568
2000	310,710	49,793	−51,136	−30,728	−7,736	−12,306	−2,208	−16,346	2,968	−5,513	−8,625
2001	17,179	−21,764	36,551	9,518	11,149	7,195	−1,022	27,872	30,919	6,631	4,961
2002	−36,783	−2,819	12,052	7,520	8,808	10,580	167	59,456	45,198	5,720	10,684
2003	66,854	22,573	62,889	31,897	7,902	26,324	3,142	−18,585	19,925	−8,056	977
2004	46,414	66,689	64,738	42,745	11,534	−9,336	5,922	−19,091	13,898	−8,239	−5,448
2005	14,003	104,845	16,785	25,203	6,229	−15,566	7,876	−9,343	37,015	881	4,159
2006	8,215	148,493	2,733	7,069	14,060	−2,816	7,859	−20,283	46,643	3,647	11,472
2007	−29,965	139,004	−16,407	22,097	11,616	−2,675	18,246	−1,832	72,360	3,288	7,585

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

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

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TABLE 21

NEW SALES* OF LONG-TERM MUTUAL FUNDS BY INVESTMENT CLASSIFICATION

(millions of dollars, annual)

	EQUITY FUNDS				BOND FUNDS						
Year	Capital Appreciation	World	Total Return	HYBRID FUNDS	Corporate	High Yield	World	Government	Strategic Income	State Muni	National Muni
1984	$9,024	$1,480	$6,083	$3,842	$658	$1,939	$4	$8,571	$759	$2,346	$6,496
1985	13,736	1,698	9,613	6,976	1,357	5,162	24	48,267	1,809	6,433	11,433
1986	21,395	7,076	22,303	12,342	4,066	12,645	432	78,991	4,873	14,505	22,728
1987	30,529	6,829	27,736	12,419	3,224	8,285	1,073	51,019	4,574	9,909	15,642
1988	12,417	2,206	11,018	4,601	1,738	7,856	1,348	15,940	2,923	7,104	10,469
1989	19,943	4,245	22,629	9,334	2,514	7,607	740	10,966	3,679	10,046	13,049
1990	27,234	11,273	24,364	8,021	5,545	3,372	8,639	13,206	2,093	11,430	12,789
1991	44,081	9,860	36,251	13,789	13,242	4,546	14,556	37,187	4,028	16,571	17,931
1992	68,960	13,225	52,124	26,586	24,014	9,362	12,664	70,148	7,167	21,554	26,957
1993	99,309	40,651	73,679	50,866	37,045	14,375	14,193	65,850	9,058	29,828	36,917
1994	112,063	68,396	72,428	50,436	37,167	11,852	8,324	27,386	6,581	16,677	21,971
1995	142,591	53,555	86,792	36,038	28,686	15,415	4,889	21,993	9,477	13,355	15,983
1996	221,530	88,669	132,173	48,494	36,433	22,989	6,441	20,757	15,936	15,588	18,684
1997	275,013	120,065	183,986	56,856	42,472	33,312	7,773	24,106	24,104	19,029	23,886
1998	344,980	132,747	221,827	68,853	53,039	41,872	7,533	38,607	33,863	25,406	29,056
1999	500,938	181,670	235,992	68,582	51,509	32,360	5,620	38,138	38,372	22,931	27,536
2000	769,435	330,280	222,123	58,350	43,763	23,171	5,911	26,450	43,706	17,152	23,868
2001	481,878	247,123	224,196	70,290	60,866	33,747	6,127	63,180	77,281	25,701	30,341
2002	438,471	241,195	218,751	77,089	66,736	40,269	7,566	103,967	110,858	27,578	39,250
2003	423,289	199,315	224,997	91,353	79,333	66,308	13,522	84,028	118,973	21,967	39,906
2004	497,301	174,546	263,269	116,163	76,513	39,564	15,047	53,286	106,623	17,631	32,881
2005	535,202	230,860	265,767	107,409	72,424	33,869	20,498	47,128	121,513	22,259	37,975
2006	610,031	343,719	277,872	107,232	85,305	32,620	23,386	42,304	138,064	25,615	46,871
2007	743,621	462,633	327,317	161,401	98,600	42,395	36,520	49,770	191,780	29,558	54,337

**New sales are the dollar value of new purchases of mutual fund shares. This does not include shares purchased through reinvestment of dividends in existing accounts.*

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

TABLE 22

EXCHANGE SALES* OF LONG-TERM MUTUAL FUNDS BY INVESTMENT CLASSIFICATION

(millions of dollars, annual)

	EQUITY FUNDS				BOND FUNDS						
Year	Capital Appreciation	World	Total Return	HYBRID FUNDS	Corporate	High Yield	World	Government	Strategic Income	State Muni	National Muni
1984	$6,878	$245	$4,996	$276	$234	$750	$1	$299	$255	$353	$2,888
1985	8,039	434	7,089	526	435	1,411	4	1,718	588	742	3,975
1986	20,019	3,619	13,585	1,194	1,192	2,792	37	4,096	1,197	2,242	9,079
1987	47,382	4,434	22,686	2,528	1,595	3,398	438	6,001	1,898	3,903	12,569
1988	31,041	1,451	10,693	1,658	1,650	4,364	605	4,979	1,451	3,077	8,670
1989	30,650	1,676	10,201	1,805	1,748	3,396	367	4,575	1,463	3,360	8,259
1990	29,022	3,804	8,635	1,700	2,108	2,279	816	5,370	535	3,429	8,998
1991	39,712	4,357	12,357	3,122	3,874	3,392	1,280	10,356	935	3,814	9,913
1992	45,976	6,327	15,108	6,369	6,008	6,228	2,475	11,784	1,184	5,021	13,113
1993	57,080	18,074	18,563	11,525	6,690	6,694	4,179	9,795	1,435	6,121	18,340
1994	62,488	33,316	17,968	9,998	5,465	7,875	3,355	7,807	2,066	9,424	19,063
1995	95,586	30,313	25,017	7,813	6,776	6,995	2,016	7,279	1,868	10,808	20,071
1996	138,835	52,450	40,666	9,595	6,920	9,773	2,996	7,666	2,507	10,599	24,748
1997	172,140	65,594	63,488	13,423	7,977	12,588	3,323	9,757	3,770	8,309	19,971
1998	217,434	77,380	70,828	15,630	13,106	13,920	2,924	20,792	8,178	7,485	16,858
1999	304,719	111,442	76,084	14,411	13,505	13,000	1,367	23,142	6,602	6,984	17,056
2000	440,123	149,077	64,844	13,473	9,193	10,268	1,333	16,715	8,161	5,309	10,865
2001	242,090	75,707	59,692	17,480	17,686	11,093	1,162	26,694	16,216	5,367	13,666
2002	211,506	57,568	52,693	17,119	16,486	11,262	1,799	40,646	22,820	5,654	13,573
2003	144,106	38,134	56,509	18,010	15,622	16,948	2,856	22,684	18,548	4,312	10,194
2004	101,407	26,993	43,087	16,336	11,227	7,694	1,578	13,185	12,101	2,788	6,096
2005	98,570	37,693	41,914	15,074	8,796	6,463	2,230	12,160	12,384	3,012	6,386
2006	106,450	55,916	43,310	16,205	9,028	6,310	2,172	12,493	14,293	3,456	6,821
2007	102,930	67,516	56,367	20,239	14,921	6,940	3,699	15,278	27,097	5,704	10,669

**Exchange sales are the dollar value of mutual fund shares switched into funds within the same fund group.*

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

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TABLE 23

REDEMPTIONS* OF LONG-TERM MUTUAL FUNDS BY INVESTMENT CLASSIFICATION

(millions of dollars, annual)

	EQUITY FUNDS				BOND FUNDS						
Year	Capital Appreciation	World	Total Return	HYBRID FUNDS	Corporate	High Yield	World	Government	Strategic Income	State Muni	National Muni
1984	$6,804	$589	$3,277	$2,017	$356	$848	$5	$1,243	$635	$517	$3,741
1985	11,396	1,122	5,040	3,161	436	1,179	7	6,479	690	985	3,318
1986	14,004	2,958	9,089	5,162	872	3,128	28	21,045	1,645	2,677	6,381
1987	19,892	5,044	13,665	7,848	2,233	5,900	489	40,407	3,176	5,733	11,689
1988	16,268	3,663	13,316	7,521	1,891	5,527	731	28,056	2,687	4,290	8,377
1989	17,859	2,895	16,476	5,780	2,000	8,133	768	22,889	2,398	4,248	8,080
1990	19,810	4,198	20,480	5,619	4,366	6,798	1,326	20,314	1,288	5,143	8,724
1991	23,982	5,645	23,766	7,030	8,387	3,856	4,476	22,883	1,446	6,030	9,081
1992	29,209	6,730	25,526	7,265	17,633	5,652	12,462	37,589	2,343	8,310	12,583
1993	47,885	10,183	33,876	11,828	24,966	7,255	11,190	52,251	3,487	10,647	17,404
1994	68,498	28,854	43,745	25,761	32,827	10,506	13,016	56,835	5,512	18,399	25,265
1995	81,950	37,830	50,622	28,241	23,342	9,390	7,912	33,731	5,198	15,209	19,470
1996	126,349	44,950	69,233	31,915	29,487	12,096	8,194	29,956	9,326	16,145	19,782
1997	183,157	79,102	99,763	38,926	30,745	18,013	8,220	30,288	13,747	16,965	22,267
1998	261,491	119,842	152,924	54,649	35,368	27,247	8,010	31,552	17,445	17,204	21,949
1999	367,674	171,238	205,233	71,076	44,569	32,125	7,091	36,639	28,068	25,176	32,299
2000	521,452	282,214	234,907	74,510	49,098	30,805	7,536	37,693	38,719	22,077	31,229
2001	446,398	259,106	187,375	61,037	53,531	26,799	6,762	39,908	50,531	18,921	26,482
2002	446,713	238,726	193,384	68,977	60,998	29,877	7,798	58,800	70,775	21,733	30,374
2003	361,946	179,596	168,993	64,073	71,926	43,665	10,781	87,667	95,233	26,861	37,163
2004	444,292	117,321	200,586	77,223	65,891	45,579	9,271	67,291	90,441	23,938	35,986
2005	502,882	141,522	238,106	82,631	66,142	46,009	13,407	54,644	85,970	21,099	33,442
2006	577,915	214,487	261,805	97,437	70,899	35,101	15,832	58,166	93,409	21,957	35,823
2007	740,436	333,774	324,261	138,672	88,186	43,275	19,664	54,667	129,770	25,876	46,743

**Redemptions are the dollar value of shareholder liquidation of mutual fund shares.*

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

TABLE 24

EXCHANGE REDEMPTIONS* OF LONG-TERM MUTUAL FUNDS BY INVESTMENT CLASSIFICATION

(millions of dollars, annual)

	EQUITY FUNDS				BOND FUNDS						
Year	Capital Appreciation	World	Total Return	HYBRID FUNDS	Corporate	High Yield	World	Government	Strategic Income	State Muni	National Muni
1984	$7,404	$187	$6,109	$301	$362	$626	$4	$260	$417	$301	$3,184
1985	8,804	240	7,363	621	422	1,027	3	744	507	538	3,896
1986	24,340	3,537	13,684	1,386	918	2,691	13	4,592	1,009	1,964	9,294
1987	50,587	6,787	24,389	3,353	1,979	5,173	349	13,721	2,182	6,215	17,486
1988	34,400	2,396	13,731	2,422	1,697	3,484	614	6,519	1,223	3,013	8,553
1989	32,799	1,817	10,726	2,176	1,488	5,745	424	5,465	1,006	2,673	7,679
1990	31,837	4,068	11,027	2,619	2,018	4,082	515	5,836	549	3,524	9,313
1991	36,301	4,613	12,422	2,792	2,712	2,399	1,078	7,323	831	3,243	8,642
1992	42,556	5,778	12,938	3,858	5,508	5,334	5,680	14,700	1,619	5,060	12,326
1993	60,257	10,101	17,793	6,334	6,810	5,347	6,432	17,208	2,138	6,305	18,520
1994	63,200	28,610	19,227	11,568	9,091	10,193	5,463	18,220	3,238	13,944	24,977
1995	83,775	34,525	20,759	11,711	5,754	4,762	3,241	9,211	2,045	11,174	21,254
1996	134,505	48,653	33,696	13,997	7,498	8,180	3,446	12,238	3,345	11,995	27,590
1997	169,502	68,712	52,944	14,854	8,627	11,036	4,163	13,070	3,722	10,021	21,069
1998	218,332	82,759	72,974	19,523	10,656	14,943	3,613	18,947	6,641	7,688	16,764
1999	277,794	110,650	90,692	25,622	14,250	15,780	2,074	26,842	8,104	9,322	19,861
2000	377,396	147,350	103,197	28,041	11,595	14,939	1,916	21,818	10,181	5,897	12,128
2001	260,390	85,488	59,962	17,215	13,872	10,846	1,550	22,095	12,048	5,517	12,564
2002	240,047	62,856	66,008	17,711	13,416	11,075	1,400	26,358	17,705	5,780	11,766
2003	138,596	35,280	49,624	13,393	15,127	13,267	2,455	37,630	22,363	7,475	11,960
2004	108,002	17,529	41,032	12,531	10,316	11,016	1,433	18,272	14,385	4,720	8,438
2005	116,887	22,185	52,790	14,650	8,849	9,889	1,446	13,987	10,913	3,291	6,761
2006	130,350	36,656	56,644	18,930	9,374	6,644	1,867	16,915	12,304	3,467	6,398
2007	136,080	57,372	75,831	20,871	13,720	8,735	2,308	12,213	16,746	6,098	10,678

**Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into another fund in the same group.*

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

TABLE 25

ANNUAL REDEMPTION RATES OF LONG-TERM MUTUAL FUNDS

(percent)

	NARROW REDEMPTION RATE[1]				BROAD REDEMPTION RATE[2]			
Year	Total	Equity Funds	Hybrid Funds	Bond Funds	Total	Equity Funds	Hybrid Funds	Bond Funds
1985	17.4%	18.4%	22.0%	15.5%	29.8%	35.6%	26.3%	24.0%
1986	19.8	19.6	23.8	19.6	38.6	50.9	30.2	30.7
1987	26.5	23.4	28.5	28.3	56.7	73.0	40.7	47.5
1988	20.0	18.2	27.1	20.5	36.9	45.9	35.8	30.4
1989	17.9	17.1	18.7	18.4	31.9	38.0	25.7	27.7
1990	17.5	18.4	15.7	17.0	31.0	37.7	23.0	26.2
1991	16.4	16.6	15.9	16.4	28.1	33.1	22.2	24.1
1992	17.0	13.4	11.2	21.5	28.8	26.7	17.1	32.7
1993	17.8	14.7	10.6	22.6	29.9	28.7	16.3	33.8
1994	21.6	17.7	16.7	28.3	35.2	31.6	24.2	43.2
1995	17.4	16.2	15.1	20.3	28.9	29.4	21.3	30.5
1996	17.0	16.2	13.8	20.1	30.0	30.7	19.8	32.0
1997	17.9	17.7	13.7	20.5	30.5	31.9	18.9	31.0
1998	19.7	20.0	16.0	20.4	32.2	34.0	21.7	30.6
1999	21.7	21.2	19.1	25.1	34.5	34.9	26.0	36.8
2000	25.7	26.0	20.6	26.7	39.9	41.6	28.3	36.4
2001	24.0	24.2	17.6	25.7	34.2	35.2	22.6	34.7
2002	27.9	28.9	20.5	27.3	38.7	41.0	25.8	35.8
2003	24.2	22.4	17.0	31.4	31.5	29.4	20.5	40.7
2004	20.4	18.9	16.3	26.7	24.7	23.0	18.9	32.1
2005	19.7	18.9	15.2	24.2	23.7	23.0	17.9	28.4
2006	19.9	19.4	16.0	23.2	23.9	23.6	19.1	27.2
2007	22.9	22.5	20.3	25.7	27.2	26.8	23.3	30.2

[1]Narrow redemption rate is calculated by taking the sum of regular redemptions for the year as a percent of average net assets at the beginning and end of the period.
[2]Broad redemption rate is calculated by taking the sum of regular redemptions and redemption exchanges for the year as a percent of average net assets at the beginning and end of the period.
Note: Data for funds that invest primarily in other mutual funds were excluded from the series.

TABLE 26

PORTFOLIO HOLDINGS OF LONG-TERM MUTUAL FUNDS AND SHARE OF TOTAL NET ASSETS

(millions of dollars, end of year)

Year	Total Net Assets	Common & Preferred Stocks	Long-Term U.S. Government Bonds	Corporate Bonds	Municipal Bonds	Liquid Assets	Other
1985	$251,583	$113,551	$53,449	$24,987	$38,174	$20,593	$829
1986	423,516	160,826	111,384	47,246	70,778	30,611	2,671
1987	453,076	181,636	119,655	41,592	68,464	37,930	3,799
1988	471,417	179,110	103,605	54,364	86,016	44,980	3,342
1989	552,578	245,352	117,850	52,830	84,831	44,603	7,112
1990	566,849	216,451	128,153	45,365	117,084	48,440	11,356
1991	850,744	381,289	163,093	87,571	149,439	60,385	8,967
1992	1,096,342	485,188	225,358	115,389	191,779	73,984	4,645
1993	1,504,644	712,137	272,293	165,387	249,203	99,436	6,187
1994	1,544,320	823,714	223,070	155,157	211,127	120,430	10,822
1995	2,058,275	1,215,210	259,076	190,880	245,330	141,755	6,024
1996	2,623,994	1,718,192	264,965	238,022	245,184	151,988	5,644
1997	3,409,315	2,358,280	282,199	292,804	266,328	198,826	10,878
1998	4,173,531	3,004,275	286,608	389,106	292,395	191,393	9,754
1999	5,233,194	4,059,500	293,565	388,403	267,429	219,098	5,200
2000	5,119,386	3,910,274	309,697	349,074	269,179	277,164	3,998
2001	4,689,603	3,424,386	379,397	371,929	289,656	222,475	1,760
2002	4,118,402	2,687,871	481,281	417,882	320,511	208,939	1,918
2003	5,362,398	3,760,441	506,349	500,867	332,125	259,580	3,037
2004	6,193,746	4,490,161	537,346	532,661	318,337	306,756	8,486
2005	6,864,287	5,055,388	612,825	549,697	330,884	302,922	12,571
2006	8,058,057	6,024,711	645,394	667,707	359,161	345,064	16,019
2007	8,913,860	6,614,376	746,322	787,533	368,749	377,218	19,661

SHARE OF TOTAL NET ASSETS

(percent, end of year)

Year	Total Net Assets	Common & Preferred Stocks	Long-Term U.S. Government Bonds	Corporate Bonds	Municipal Bonds	Liquid Assets	Other
1985	100.0%	45.1%	21.2%	9.9%	15.2%	8.2%	0.3%
1986	100.0	38.0	26.3	11.2	16.7	7.2	0.6
1987	100.0	40.1	26.4	9.2	15.1	8.4	0.8
1988	100.0	38.0	22.0	11.5	18.2	9.5	0.7
1989	100.0	44.4	21.3	9.6	15.4	8.1	1.3
1990	100.0	38.2	22.6	8.0	20.7	8.5	2.0
1991	100.0	44.8	19.2	10.3	17.6	7.1	1.1
1992	100.0	44.3	20.6	10.5	17.5	6.7	0.4
1993	100.0	47.3	18.1	11.0	16.6	6.6	0.4
1994	100.0	53.3	14.4	10.0	13.7	7.8	0.7
1995	100.0	59.0	12.6	9.3	11.9	6.9	0.3
1996	100.0	65.5	10.1	9.1	9.3	5.8	0.2
1997	100.0	69.2	8.3	8.6	7.8	5.8	0.3
1998	100.0	72.0	6.9	9.3	7.0	4.6	0.2
1999	100.0	77.6	5.6	7.4	5.1	4.2	0.1
2000	100.0	76.4	6.0	6.8	5.3	5.4	0.1
2001	100.0	73.0	8.1	7.9	6.2	4.7	0.0
2002	100.0	65.3	11.7	10.1	7.8	5.1	0.0
2003	100.0	70.1	9.4	9.3	6.2	4.8	0.1
2004	100.0	72.5	8.7	8.6	5.1	5.0	0.1
2005	100.0	73.6	8.9	8.0	4.8	4.4	0.2
2006	100.0	74.8	8.0	8.3	4.5	4.3	0.2
2007	100.0	74.2	8.4	8.8	4.1	4.2	0.2

Note: Data for funds that invest primarily in other mutual funds were excluded from the series.
Components may not add to the total because of rounding.

TABLE 27

PORTFOLIO HOLDINGS OF LONG-TERM MUTUAL FUNDS AS A SHARE OF TOTAL NET ASSETS BY TYPE OF FUND

(end of year)

Year	Total Net Assets	Common & Preferred Stocks	Long-Term U.S. Government Bonds	Corporate Bonds	Municipal Bonds	Liquid Assets	Other	Total Net Assets *(millions of dollars)*
Equity Funds								
1994	100.0%	87.1%	2.3%	2.0%	0.0%	8.3%	0.3%	$852,765
1995	100.0	88.4	2.1	1.5	0.0	7.8	0.2	1,249,077
1996	100.0	91.3	1.1	1.2	0.0	6.2	0.2	1,726,010
1997	100.0	91.8	0.9	0.9	0.0	6.1	0.2	2,368,024
1998	100.0	93.6	0.5	1.0	0.0	4.8	0.1	2,977,944
1999	100.0	94.7	0.2	0.7	0.0	4.3	0.0	4,041,890
2000	100.0	93.4	0.2	0.6	0.0	5.8	0.0	3,961,922
2001	100.0	94.0	0.2	0.7	0.0	5.0	0.0	3,418,163
2002	100.0	93.8	0.5	1.0	0.0	4.6	0.0	2,662,461
2003	100.0	94.7	0.2	0.7	0.0	4.3	0.0	3,684,162
2004	100.0	94.8	0.2	0.7	0.0	4.2	0.1	4,384,049
2005	100.0	95.1	0.2	0.7	0.0	3.9	0.1	4,939,754
2006	100.0	95.1	0.3	0.6	0.0	3.9	0.1	5,910,542
2007	100.0	94.8	0.3	0.6	0.0	4.2	0.1	6,521,431
Hybrid Funds								
1994	100.0%	46.8%	19.9%	20.9%	0.2%	12.2%	0.1%	$164,404
1995	100.0	50.2	19.8	19.7	0.3	9.3	0.7	210,332
1996	100.0	53.0	18.3	21.1	0.2	7.2	0.3	252,576
1997	100.0	54.2	16.1	20.6	0.4	7.8	0.9	317,111
1998	100.0	55.6	12.8	23.8	0.4	7.0	0.5	364,997
1999	100.0	57.8	13.6	22.6	0.4	5.5	0.1	378,809
2000	100.0	57.7	13.9	21.2	0.3	6.9	0.1	346,276
2001	100.0	58.2	12.4	21.5	0.2	7.5	0.2	346,315
2002	100.0	57.1	12.3	23.0	0.2	7.3	0.1	325,493
2003	100.0	61.1	10.8	20.8	0.3	6.8	0.1	430,467
2004	100.0	62.3	11.5	18.9	0.4	6.8	0.1	519,292
2005	100.0	61.6	10.7	20.0	0.5	7.1	0.1	567,304
2006	100.0	60.2	10.6	20.6	0.4	8.1	0.1	653,146
2007	100.0	58.9	10.8	22.4	0.4	7.4	0.2	713,393
Bond Funds								
1994	100.0%	0.9%	32.3%	19.7%	40.0%	5.6%	1.5%	$527,152
1995	100.0	0.8	32.0	21.9	40.9	4.1	0.3	598,865
1996	100.0	1.3	30.9	25.5	37.9	4.1	0.3	645,407
1997	100.0	1.7	28.9	28.4	36.6	3.9	0.4	724,179
1998	100.0	1.7	27.2	32.8	35.0	2.7	0.6	830,590
1999	100.0	1.7	28.6	33.6	32.7	2.9	0.4	812,494
2000	100.0	1.3	31.3	30.9	33.0	3.1	0.3	811,188
2001	100.0	0.9	35.8	29.4	31.2	2.6	0.0	925,124
2002	100.0	0.5	37.8	27.9	28.3	5.5	0.0	1,130,448
2003	100.0	0.6	36.1	30.8	26.5	5.9	0.1	1,247,770
2004	100.0	0.7	36.4	31.4	24.5	6.6	0.4	1,290,405
2005	100.0	0.7	39.8	29.7	24.2	5.0	0.5	1,357,229
2006	100.0	0.7	37.5	33.1	23.9	4.3	0.5	1,494,369
2007	100.0	0.9	38.8	35.0	21.7	3.4	0.3	1,679,037

Note: Data for funds that invest primarily in other mutual funds were excluded from the series.
Components may not add to the total because of rounding.

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TABLE 28

PAID AND REINVESTED DIVIDENDS OF LONG-TERM MUTUAL FUNDS BY TYPE OF FUND

(millions of dollars, annual)

	PAID DIVIDENDS				REINVESTED DIVIDENDS			
Year	Total	Equity Funds	Hybrid Funds	Bond Funds	Total	Equity Funds	Hybrid Funds	Bond Funds
1984	$7,238	$2,613[e]	$583[e]	$4,042[e]	$4,656	$1,882	$432	$2,342
1985	12,719	3,229	1,098	8,392	7,731	2,321	768	4,642
1986	22,689	6,328	1,499	14,862	13,991	3,706	1,087	9,197
1987	31,708	7,246	1,934	22,528	18,976	4,841	1,476	12,659
1988	31,966	6,554	1,873	23,539	17,494	4,476	1,217	11,801
1989	34,102	10,235	2,165	21,702	20,584	7,119	1,383	12,082
1990	33,156	8,787	2,350	22,018	21,124	6,721	1,725	12,678
1991	35,145	9,007	2,337	23,801	24,300	7,255	1,907	15,139
1992	58,608	17,023	4,483	37,102	30,393	8,845	2,937	18,611
1993	73,178	20,230	6,810	46,137	38,116	12,174	4,270	21,672
1994	61,261	17,279	6,896	37,086	39,136	12,971	5,043	21,122
1995	67,229	22,567	9,052	35,610	46,636	18,286	6,929	21,421
1996	73,282	25,061	9,844	38,378	53,213	21,345	8,196	23,672
1997	79,522	27,597	11,607	40,318	58,423	23,101	9,602	25,721
1998	81,011	25,495	11,456	44,060	60,041	22,377	9,528	28,136
1999	95,443	32,543	12,821	50,078	69,973	27,332	10,746	31,894
2000	88,215	27,987	10,681	49,546	66,277	24,590	9,276	32,411
2001	82,968	22,325	10,162	50,481	62,306	20,090	8,960	33,256
2002	82,065	21,381	9,228	51,455	62,413	19,362	8,305	34,746
2003	85,926	25,369	9,254	51,304	66,870	22,995	8,242	35,634
2004	98,132	36,133	10,924	51,075	78,253	32,644	9,575	36,035
2005	115,500	44,408	13,216	57,877	94,023	40,202	11,601	42,221
2006	143,497	62,548	16,708	64,240	119,073	56,418	14,778	47,877
2007	179,270	80,392	20,579	78,299	150,604	72,415	18,197	59,992

[e]A portion of the breakdown of 1984 data was estimated.
Note: Data for funds that invest primarily in other mutual funds were excluded from the series.
Components may not add to the total because of rounding.

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TABLE 29

PAID AND REINVESTED CAPITAL GAINS OF LONG-TERM MUTUAL FUNDS BY TYPE OF FUND

(millions of dollars, annual)

	PAID CAPITAL GAINS				REINVESTED CAPITAL GAINS			
Year	Total	Equity Funds	Hybrid Funds	Bond Funds	Total	Equity Funds	Hybrid Funds	Bond Funds
1984	$6,019	$5,247[e]	$553[e]	$219[e]	$5,122	$4,655	$338	$129
1985	4,895	3,699	739	457	3,751	3,091	398	261
1986	17,661	13,942	1,240	2,478	14,275	11,851	778	1,646
1987	22,926	18,603	1,605	2,718	17,816	15,449	1,056	1,312
1988	6,354	4,785	620	948	4,769	3,883	364	522
1989	14,766	12,665	540	1,562	9,710	8,744	348	617
1990	8,017	6,833	443	742	5,515	4,975	255	285
1991	13,917	11,961	861	1,095	9,303	8,242	485	576
1992	22,089	17,294	1,488	3,306	14,906	12,234	1,134	1,539
1993	35,905	27,705	3,496	4,704	25,514	19,954	2,697	2,862
1994	29,744	26,351	2,411	981	24,864	22,038	2,093	733
1995	54,271	50,204	3,343	724	46,866	43,550	2,845	471
1996	100,489	88,212	10,826	1,451	87,416	76,638	9,769	1,009
1997	182,764	160,744	19,080	2,941	164,916	145,358	17,360	2,198
1998	164,989	138,681	21,572	4,737	151,105	127,473	19,698	3,935
1999	237,624	219,484	16,841	1,299	206,508	190,300	15,229	979
2000	325,841	307,586	17,808	447	298,429	281,339	16,719	371
2001	68,626	60,717	5,488	2,421	64,820	57,564	5,198	2,059
2002	16,097	10,795	639	4,663	14,749	10,102	614	4,034
2003	14,397	7,728	813	5,856	12,956	7,142	748	5,065
2004	54,741	42,268	5,999	6,473	49,896	38,722	5,565	5,609
2005	129,042	113,568	11,584	3,890	117,556	103,540	10,686	3,330
2006	256,915	236,333	18,507	2,076	236,466	217,329	17,359	1,778
2007	414,807	382,302	29,153	3,352	381,393	351,083	27,389	2,921

[e]A portion of the breakdown of 1984 data was estimated.
Note: Data for funds that invest primarily in other mutual funds were excluded from the series.
Components may not add to the total because of rounding.

TABLE 30

TOTAL PORTFOLIO, COMMON STOCK, AND OTHER SECURITIES PURCHASES, SALES, AND NET PURCHASES BY LONG-TERM MUTUAL FUNDS

(millions of dollars, annual)

	TOTAL PORTFOLIO			COMMON STOCK			OTHER SECURITIES		
Year	Purchases	Sales	Net Purchases	Purchases	Sales	Net Purchases	Purchases	Sales	Net Purchases
1984	$119,273	$98,934	$20,338	$56,588	$50,900	$5,688	$62,685	$48,035	$14,650
1985	259,496	186,985	72,511	80,719	72,577	8,142	178,777	114,408	64,369
1986	500,597	365,087	135,509	134,446	118,026	16,421	366,150	247,062	119,089
1987	530,601	485,271	45,330	198,859	176,004	22,855	331,741	309,267	22,474
1988	410,509	421,224	−10,715	112,742	128,815	−16,073	297,767	292,408	5,358
1989	471,744	445,453	26,291	142,771	141,694	1,077	328,973	303,759	25,214
1990	554,720	505,780	48,940	166,398	146,580	19,817	388,322	359,199	29,123
1991	735,674	608,111	127,563	250,289	209,276	41,013	485,386	398,835	86,551
1992	949,366	758,475	190,891	327,518	261,857	65,661	621,848	496,618	125,230
1993	1,335,506	1,060,360	275,145	506,713	380,855	125,858	828,793	679,505	149,288
1994	1,433,739	1,329,324	104,414	628,668	512,346	116,321	805,071	816,978	−11,907
1995	1,550,510	1,400,702	149,809	790,017	686,756	103,260	760,494	713,946	46,548
1996	2,018,253	1,736,884	281,370	1,151,262	927,266	223,996	866,991	809,618	57,373
1997	2,384,639	2,108,981	275,659	1,457,384	1,268,983	188,401	927,255	839,997	87,258
1998	2,861,562	2,560,074	301,487	1,762,565	1,597,311	165,255	1,098,997	962,764	136,233
1999	3,437,180	3,224,301	212,878	2,262,505	2,088,544	173,962	1,174,674	1,135,757	38,917
2000	4,922,927	4,698,192	224,734	3,560,671	3,330,417	230,254	1,362,255	1,367,775	−5,519
2001	4,688,530	4,393,114	295,416	2,736,933	2,609,657	127,275	1,951,597	1,783,456	168,141
2002	4,018,969	3,807,392	211,578	2,176,363	2,141,754	34,609	1,842,606	1,665,638	176,968
2003	4,281,605	3,998,766	282,840	2,054,379	1,884,711	169,667	2,227,227	2,114,054	113,173
2004	4,310,180	4,019,273	290,907	2,390,924	2,198,578	192,346	1,919,256	1,820,695	98,561
2005	4,834,374	4,532,166	302,208	2,765,100	2,610,805	154,296	2,069,274	1,921,362	147,912
2006	5,737,379	5,398,123	339,257	3,330,068	3,172,237	157,832	2,407,311	2,225,886	181,425
2007	7,101,681	6,722,296	379,385	3,838,347	3,735,233	103,114	3,263,333	2,987,062	276,271

Note: Data for funds that invest primarily in other mutual funds were excluded from the series. Components may not add to the total because of rounding.

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TABLE 31

TOTAL PORTFOLIO, COMMON STOCK, AND OTHER SECURITIES PURCHASES, SALES, AND NET PURCHASES BY EQUITY MUTUAL FUNDS

(millions of dollars, annual)

	TOTAL PORTFOLIO			COMMON STOCK			OTHER SECURITIES		
Year	Purchases	Sales	Net Purchases	Purchases	Sales	Net Purchases	Purchases	Sales	Net Purchases
1984	$54,933	$49,853	$5,080	$49,098	$44,213	$4,885	$5,835	$5,640	$195
1985	77,327	70,685	6,642	66,762	61,599	5,163	10,565	9,086	1,479
1986	129,723	111,233	18,491	110,016	96,512	13,504	19,708	14,721	4,987
1987	196,902	175,292	21,611	170,715	150,705	20,009	26,188	24,586	1,601
1988	119,861	130,822	-10,961	100,888	113,635	-12,747	18,973	17,187	1,787
1989	148,346	144,753	3,593	128,998	127,026	1,973	19,348	17,728	1,621
1990	187,592	169,373	18,218	151,907	133,630	18,277	35,684	35,743	-59
1991	251,775	207,946	43,829	224,117	186,785	37,333	27,658	21,162	6,496
1992	339,002	268,868	70,134	300,712	242,319	58,393	38,290	26,549	11,741
1993	500,197	382,432	117,765	451,485	345,357	106,128	48,712	37,075	11,637
1994	618,004	508,389	109,615	564,380	456,708	107,672	53,623	51,681	1,942
1995	785,867	678,060	107,807	718,298	621,699	96,599	67,569	56,361	11,208
1996	1,116,906	896,644	220,262	1,050,884	832,486	218,397	66,022	64,157	1,865
1997	1,421,211	1,223,463	197,748	1,352,085	1,166,649	185,436	69,126	56,814	12,312
1998	1,723,752	1,557,212	166,540	1,635,842	1,475,384	160,458	87,909	81,827	6,082
1999	2,232,821	2,049,539	183,282	2,126,853	1,941,504	185,349	105,968	108,035	-2,067
2000	3,537,394	3,286,115	251,279	3,396,792	3,152,518	244,274	140,601	133,597	7,005
2001	2,730,970	2,615,592	115,377	2,576,109	2,468,568	107,541	154,861	147,025	7,837
2002	2,155,044	2,124,816	30,228	2,020,835	2,004,534	16,301	134,210	120,282	13,927
2003	1,988,427	1,836,437	151,989	1,909,039	1,758,296	150,743	79,388	78,142	1,246
2004	2,301,400	2,124,299	177,101	2,220,854	2,053,022	167,832	80,547	71,277	9,269
2005	2,700,562	2,542,118	158,445	2,597,754	2,452,843	144,911	102,808	89,275	13,533
2006	3,266,650	3,090,415	176,235	3,142,625	2,973,088	169,538	124,024	117,327	6,697
2007	3,803,158	3,680,925	122,233	3,601,819	3,493,254	108,565	201,339	187,672	13,668

Note: Data for funds that invest primarily in other mutual funds were excluded from the series. Components may not add to the total because of rounding.

TABLE 32

TOTAL PORTFOLIO, COMMON STOCK, AND OTHER SECURITIES PURCHASES, SALES, AND NET PURCHASES BY HYBRID MUTUAL FUNDS

(millions of dollars, annual)

	TOTAL PORTFOLIO			COMMON STOCK			OTHER SECURITIES		
Year	Purchases	Sales	Net Purchases	Purchases	Sales	Net Purchases	Purchases	Sales	Net Purchases
1984	$11,589	$9,258	$2,331	$7,129	$5,822	$1,308	$4,459	$3,436	$1,023
1985	19,647	14,915	4,732	13,378	10,513	2,865	6,269	4,402	1,867
1986	34,746	28,007	6,739	21,894	19,451	2,443	12,853	8,556	4,297
1987	48,335	44,168	4,168	26,282	23,989	2,293	22,053	20,179	1,874
1988	28,070	31,455	−3,384	10,628	13,833	−3,205	17,442	17,622	−179
1989	26,747	24,864	1,883	12,459	13,598	−1,139	14,288	11,266	3,022
1990	31,003	27,042	3,961	13,329	11,849	1,480	17,674	15,192	2,481
1991	42,937	34,656	8,281	18,658	15,435	3,223	24,279	19,221	5,058
1992	64,429	43,855	20,574	23,966	17,200	6,766	40,463	26,655	13,809
1993	116,821	74,135	42,686	49,689	30,490	19,200	67,131	43,645	23,486
1994	141,268	114,962	26,306	54,812	46,429	8,383	86,456	68,533	17,923
1995	189,989	180,066	9,923	67,628	60,612	7,016	122,360	119,454	2,907
1996	233,471	211,094	22,377	92,495	88,487	4,008	140,976	122,607	18,370
1997	266,438	245,278	21,160	98,115	94,990	3,125	168,323	150,288	18,036
1998	290,682	266,334	24,347	115,714	111,414	4,300	174,967	154,920	20,047
1999	303,946	304,642	−696	128,313	138,952	−10,639	175,633	165,690	9,943
2000	317,617	339,135	−21,517	156,082	168,520	−12,438	161,536	170,615	−9,079
2001	360,760	337,882	22,878	152,830	132,608	20,222	207,930	205,274	2,656
2002	342,381	322,890	19,491	144,079	126,045	18,034	198,302	196,844	1,457
2003	363,949	321,989	41,959	132,618	114,947	17,671	231,330	207,042	24,288
2004	417,363	357,969	59,393	160,912	135,119	25,793	256,450	222,850	33,600
2005	393,679	354,063	39,616	160,949	151,106	9,843	232,730	202,957	29,773
2006	394,594	376,305	18,289	180,083	191,767	−11,684	214,511	184,537	29,973
2007	514,056	468,931	45,126	224,850	229,459	−4,609	289,206	239,472	49,735

Note: Data for funds that invest primarily in other mutual funds were excluded from the series. Components may not add to the total because of rounding.

TABLE 33

TOTAL PORTFOLIO, COMMON STOCK, AND OTHER SECURITIES PURCHASES, SALES, AND NET PURCHASES BY BOND MUTUAL FUNDS

(millions of dollars, annual)

	TOTAL PORTFOLIO			COMMON STOCK			OTHER SECURITIES		
Year	**Purchases**	**Sales**	**Net Purchases**	**Purchases**	**Sales**	**Net Purchases**	**Purchases**	**Sales**	**Net Purchases**
1984	$52,751	$39,823	$12,928	$361	$865	−$504	$52,390	$38,958	$13,432
1985	162,522	101,385	61,137	579	465	114	161,943	100,919	61,024
1986	336,127	225,848	110,279	2,537	2,062	475	333,590	223,785	109,805
1987	285,363	265,812	19,551	1,862	1,310	553	283,501	264,502	18,999
1988	262,577	258,947	3,630	1,226	1,347	−121	261,351	257,600	3,751
1989	296,651	275,836	20,815	1,314	1,071	243	295,337	274,765	20,572
1990	336,125	309,364	26,761	1,161	1,101	60	334,964	308,264	26,700
1991	440,962	365,509	75,453	7,514	7,056	457	433,449	358,453	74,996
1992	545,934	445,752	100,182	2,840	2,338	502	543,095	443,414	99,680
1993	718,488	603,793	114,694	5,538	5,009	529	712,950	598,785	114,165
1994	674,467	705,973	−31,506	9,475	9,209	266	664,991	696,764	−31,773
1995	574,655	542,576	32,079	4,091	4,445	−354	570,564	538,131	32,433
1996	667,876	629,146	38,730	7,884	6,292	1,591	659,992	622,854	37,139
1997	696,990	640,240	56,750	7,184	7,344	−160	689,806	632,896	56,910
1998	847,129	736,529	110,600	11,009	10,512	496	836,120	726,016	110,104
1999	900,413	870,121	30,292	7,339	8,088	−749	893,074	862,033	31,041
2000	1,067,916	1,072,943	−5,027	7,797	9,380	−1,582	1,060,118	1,063,563	−3,445
2001	1,596,800	1,439,640	157,160	7,994	8,482	−488	1,588,806	1,431,158	157,648
2002	1,521,544	1,359,686	161,858	11,449	11,175	274	1,510,095	1,348,512	161,584
2003	1,929,230	1,840,339	88,892	12,722	11,469	1,254	1,916,508	1,828,870	87,638
2004	1,591,417	1,537,005	54,413	9,158	10,437	−1,279	1,582,259	1,526,568	55,692
2005	1,740,132	1,635,985	104,147	6,397	6,856	−459	1,733,736	1,629,130	104,606
2006	2,076,136	1,931,403	144,733	7,360	7,382	−22	2,068,776	1,924,022	144,755
2007	2,784,466	2,572,440	212,026	11,679	12,520	−842	2,772,787	2,559,919	212,868

Note: Data for funds that invest primarily in other mutual funds were excluded from the series. Components may not add to the total because of rounding.

TABLE 34

TOTAL NET ASSETS, NUMBER OF FUNDS, NUMBER OF SHARE CLASSES, AND NUMBER OF SHAREHOLDER ACCOUNTS OF MONEY MARKET MUTUAL FUNDS

(end of year)

	TOTAL NET ASSETS (millions of dollars)			NUMBER OF FUNDS			NUMBER OF SHARE CLASSES			NUMBER OF SHAREHOLDER ACCOUNTS* (thousands)		
Year	Total	Taxable	Tax-Exempt	Total	Taxable	Tax-Exempt	Total	Taxable	Tax-Exempt	Total	Taxable	Tax-Exempt
1984	$233,554	$209,732	$23,822	425	329	96	425	329	96	13,845	13,556	288
1985	243,802	207,535	36,267	460	348	112	460	348	112	14,935	14,435	499
1986	292,152	228,346	63,806	487	360	127	487	360	127	16,313	15,654	660
1987	316,096	254,676	61,420	543	389	154	543	389	154	17,675	16,833	842
1988	337,954	272,293	65,660	610	434	176	610	434	176	18,570	17,631	939
1989	428,093	358,719	69,374	673	470	203	673	470	203	21,314	20,173	1,141
1990	498,341	414,733	83,608	741	506	235	762	523	239	22,969	21,578	1,391
1991	542,442	452,559	89,882	820	553	267	871	592	279	23,556	21,863	1,693
1992	546,194	451,353	94,841	864	585	279	914	616	298	23,647	21,771	1,876
1993	565,319	461,904	103,415	920	628	292	1,009	673	336	23,585	21,587	1,998
1994	611,005	500,636	110,369	963	646	317	1,261	853	408	25,383	23,344	2,039
1995	753,018	629,986	123,032	997	674	323	1,380	949	431	30,144	27,859	2,285
1996	901,807	761,989	139,818	988	666	322	1,453	1,000	453	32,200	29,907	2,292
1997	1,058,886	898,083	160,803	1,013	682	331	1,549	1,070	479	35,624	32,961	2,663
1998	1,351,678	1,163,167	188,512	1,026	685	341	1,627	1,133	494	38,847	36,442	2,405
1999	1,613,146	1,408,731	204,415	1,045	702	343	1,730	1,226	504	43,616	41,177	2,438
2000	1,845,248	1,607,216	238,033	1,039	703	336	1,855	1,324	531	48,138	45,480	2,659
2001	2,285,310	2,012,912	272,399	1,015	689	326	1,948	1,397	551	47,236	44,415	2,821
2002	2,271,956	1,997,173	274,784	989	679	310	2,007	1,465	542	45,380	42,726	2,655
2003	2,052,003	1,763,630	288,373	974	662	312	2,032	1,464	568	41,214	38,412	2,802
2004	1,913,193	1,602,847	310,346	943	639	304	2,047	1,472	575	37,636	34,794	2,842
2005	2,040,537	1,706,539	333,998	871	595	276	2,032	1,466	566	36,838	34,033	2,805
2006	2,354,401	1,987,996	366,404	848	575	273	2,013	1,456	557	37,067	34,006	3,061
2007	3,107,167	2,642,092	465,075	807	548	259	2,023	1,455	568	38,823	35,359	3,465

**Number of shareholder accounts includes a mix of individual and omnibus accounts.*

Note: Data for funds that invest primarily in other mutual funds were excluded from the series. Components may not add to the total because of rounding.

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TABLE 35

TOTAL NET ASSETS, NET NEW CASH FLOW, AND NUMBER OF SHAREHOLDER ACCOUNTS OF MONEY MARKET MUTUAL FUNDS BY TYPE OF FUND

	ALL MONEY MARKET FUNDS			RETAIL MONEY MARKET FUNDS			INSTITUTIONAL MONEY MARKET FUNDS		
Year	Total	Taxable	Tax-Exempt	Total	Taxable	Tax-Exempt	Total	Taxable	Tax-Exempt
Total Net Assets *(millions of dollars, end of year)*									
1998	$1,351,678	$1,163,167	$188,512	$835,255	$692,724	$142,531	$516,423	$470,443	$45,981
1999	1,613,146	1,408,731	204,415	964,686	808,377	156,308	648,460	600,354	48,106
2000	1,845,248	1,607,216	238,033	1,059,187	879,526	179,661	786,061	727,689	58,372
2001	2,285,310	2,012,912	272,399	1,131,804	941,486	190,318	1,153,506	1,071,425	82,081
2002	2,271,956	1,997,173	274,784	1,062,833	870,809	192,025	1,209,123	1,126,364	82,759
2003	2,052,003	1,763,630	288,373	936,899	746,287	190,612	1,115,104	1,017,343	97,761
2004	1,913,193	1,602,847	310,346	850,733	658,939	191,794	1,062,460	943,909	118,552
2005	2,040,537	1,706,540	333,998	873,650	670,245	203,406	1,166,887	1,036,295	130,592
2006	2,354,401	1,987,997	366,404	1,004,978	780,934	224,043	1,349,423	1,207,062	142,361
2007	3,107,167	2,642,092	465,075	1,221,501	935,912	285,590	1,885,666	1,706,180	179,486
Net New Cash Flow *(millions of dollars, annual)*									
1998	$235,457	$212,501	$22,956	$130,992	$116,128	$14,864	$104,465	$96,373	$8,092
1999	193,681	182,826	10,855	82,006	72,119	9,887	111,675	110,707	969
2000	159,365	132,850	26,515	42,779	24,079	18,700	116,586	108,771	7,815
2001	375,291	349,069	26,221	36,240	26,030	10,210	339,050	323,039	16,011
2002	−46,451	−62,186	15,735	−78,803	−80,132	1,329	32,352	17,946	14,407
2003	−258,401	−267,719	9,318	−151,043	−146,135	−4,908	−107,359	−121,584	14,226
2004	−156,593	−174,910	18,318	−88,918	−91,352	2,434	−67,675	−83,558	15,883
2005	63,147	42,912	20,235	2,011	−8,777	10,788	61,136	51,689	9,446
2006	246,922	221,932	24,990	95,941	79,917	16,024	150,981	142,016	8,966
2007	660,144	576,323	83,821	171,709	121,016	50,693	488,436	455,307	33,129
Number of Shareholder Accounts* *(end of year)*									
1998	38,847,345	36,442,150	2,405,195	35,527,735	33,172,632	2,355,103	3,319,610	3,269,518	50,092
1999	43,615,576	41,177,138	2,438,438	39,402,434	37,008,204	2,394,230	4,213,142	4,168,934	44,208
2000	48,138,269	45,479,697	2,658,572	43,772,500	41,159,614	2,612,886	4,365,769	4,320,083	45,686
2001	47,235,816	44,414,701	2,821,115	42,129,007	39,347,593	2,781,414	5,106,809	5,067,108	39,701
2002	45,380,383	42,725,526	2,654,857	40,178,687	37,571,851	2,606,836	5,201,696	5,153,675	48,021
2003	41,214,090	38,411,825	2,802,265	35,368,482	32,625,304	2,743,178	5,845,608	5,786,521	59,087
2004	37,636,072	34,794,327	2,841,745	31,678,949	28,903,445	2,775,504	5,957,123	5,890,882	66,241
2005	36,837,646	34,032,644	2,805,002	31,258,905	28,516,339	2,742,566	5,578,741	5,516,305	62,436
2006	37,067,419	34,006,067	3,061,352	31,312,078	28,321,489	2,990,589	5,755,341	5,684,578	70,763
2007	38,823,393	35,358,586	3,464,807	32,728,922	29,343,452	3,385,470	6,094,471	6,015,134	79,337

*Number of shareholder accounts includes a mix of individual and omnibus accounts.
Note: Data for funds that invest primarily in other mutual funds were excluded from the series.
Components may not add to the total because of rounding.

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TABLE 36

NET NEW CASH FLOW[1] AND COMPONENTS OF NET NEW CASH FLOW OF MONEY MARKET MUTUAL FUNDS

(millions of dollars, annual)

Year	NET NEW CASH FLOW	SALES			REDEMPTIONS		
		New + Exchange	New[2]	Exchange[3]	Regular + Exchange	Regular[4]	Exchange[5]
1984	$35,077	$640,021	$620,536	$19,485	$604,944	$586,991	$17,953
1985	−5,293	848,451	826,858	21,592	853,743	831,067	22,676
1986	33,552	1,026,745	978,041	48,704	993,193	948,656	44,537
1987	10,072	1,147,877	1,049,034	98,843	1,137,805	1,062,671	75,133
1988	106	1,130,639	1,066,003	64,636	1,130,534	1,074,346	56,188
1989	64,132	1,359,616	1,296,458	63,158	1,295,484	1,235,527	59,957
1990	23,179	1,461,537	1,389,440	72,098	1,438,358	1,372,764	65,594
1991	6,068	1,841,131	1,778,491	62,640	1,835,063	1,763,106	71,957
1992	−16,006	2,449,766	2,371,925	77,841	2,465,772	2,382,976	82,796
1993	−13,890	2,756,282	2,665,987	90,296	2,770,172	2,673,464	96,708
1994	8,525	2,725,201	2,586,478	138,722	2,716,675	2,599,400	117,275
1995	89,381	3,234,216	3,097,225	136,990	3,144,835	3,001,968	142,867
1996	89,422	4,156,985	3,959,014	197,971	4,067,563	3,868,772	198,791
1997	103,466	5,127,328	4,894,226	233,102	5,023,863	4,783,096	240,767
1998	235,457	6,407,574	6,129,140	278,434	6,172,116	5,901,590	270,526
1999	193,681	8,080,959	7,719,310	361,649	7,887,278	7,540,912	346,367
2000	159,365	9,826,677	9,406,287	420,391	9,667,312	9,256,351	410,962
2001	375,291	11,737,291	11,426,804	310,487	11,362,000	11,065,468	296,533
2002	−46,451	12,035,774	11,739,560	296,215	12,082,225	11,810,695	271,530
2003	−258,401	11,235,890	11,011,317	224,574	11,494,292	11,267,700	226,592
2004	−156,593	10,953,410	10,786,918	166,492	11,110,003	10,939,726	170,277
2005	63,147	12,596,546	12,420,401	176,145	12,533,399	12,362,620	170,779
2006	246,922	15,828,632	15,617,376	211,256	15,581,710	15,389,067	192,643
2007	660,144	21,469,889	21,194,803	275,087	20,809,745	20,558,438	251,307

[1]Net new cash flow is the dollar value of new sales minus redemptions, combined with net exchanges.
[2]New sales are the dollar value of new purchases of mutual fund shares. This does not include shares purchased through reinvestment of dividends in existing accounts.
[3]Exchange sales are the dollar value of mutual fund shares switched into funds within the same fund group.
[4]Regular redemptions are the dollar value of shareholder liquidation of mutual fund shares.
[5]Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into another fund in the same fund group.
Note: Data for funds that invest primarily in other mutual funds were excluded from the series.
Components may not add to the total because of rounding.

TABLE 37

PAID AND REINVESTED DIVIDENDS OF MONEY MARKET MUTUAL FUNDS BY TYPE OF FUND

(millions of dollars, annual)

	PAID DIVIDENDS			REINVESTED DIVIDENDS		
Year	Total	Taxable Money Market Funds	Tax-Exempt Money Market Funds	Total	Taxable Money Market Funds	Tax-Exempt Money Market Funds
1984	$16,435	$15,435	$1,000	$13,730	$13,059	$671
1985	15,708	14,108	1,600	12,758	11,758	1,000
1986	14,832	12,432	2,400	11,514	9,981	1,533
1987	15,654	12,833	2,821	11,946	10,136	1,810
1988	21,618	17,976	3,642	15,692	13,355	2,337
1989	28,619	24,683	3,936	23,050	20,302	2,749
1990	30,258	26,448	3,810	26,282	23,237	3,045
1991	28,604	25,121	3,483	22,809	20,006	2,803
1992	20,280	17,197	3,083	14,596	12,569	2,027
1993	18,991	15,690	3,302	11,615	10,007	1,607
1994	23,737	20,500	3,236	16,739	14,624	2,116
1995	37,038	32,822	4,216	27,985	24,855	3,130
1996	42,555	38,364	4,191	31,517	28,404	3,112
1997	48,843	44,110	4,733	37,979	34,366	3,614
1998	57,375	52,072	5,303	43,443	39,510	3,932
1999	69,004	63,107	5,897	50,648	46,516	4,132
2000	98,219	89,956	8,263	72,771	66,780	5,991
2001	79,307	73,117	6,190	56,367	51,829	4,538
2002	32,447	29,614	2,832	22,111	20,031	2,080
2003	17,148	15,247	1,901	11,412	10,023	1,390
2004	18,552	16,093	2,459	12,043	10,257	1,786
2005	50,559	43,984	6,576	33,144	28,344	4,800
2006	97,194	85,841	11,353	62,016	53,843	8,174
2007	128,918	114,326	14,592	83,092	72,675	10,417

Note: Data for funds that invest primarily in other mutual funds were excluded from the series. Components may not add to the total because of rounding.

TABLE 38

ASSET COMPOSITION OF TAXABLE MONEY MARKET MUTUAL FUNDS AS A PERCENT OF TOTAL NET ASSETS

(end of year)

Year	Total Net Assets (millions of dollars)	U.S. Treasury Bills	Other Treasury Securities	U.S. Government Agency Issues	Repurchase Agreements	Certificates of Deposit	Eurodollar CDs	Commercial Paper	Bank Notes[1]	Corporate Notes[2]	Other Assets[3]	Average Maturity (days)
1984	$209,732	9.6%	2.5%	8.1%	10.9%	11.3%	10.1%	37.4%	–	–	10.2%	43
1985	207,535	9.8	2.1	8.7	12.6	8.1	9.2	42.2	–	–	7.4	42
1986	228,346	8.9	3.3	6.6	14.1	8.4	9.7	41.6	–	–	7.4	40
1987	254,676	1.9	3.7	10.6	15.4	13.2	8.5	39.5	–	–	7.2	31
1988	272,293	1.9	2.4	6.7	15.3	12.0	10.9	43.0	–	–	7.8	28
1989	358,719	2.1	2.1	5.9	15.3	11.5	7.4	49.9	–	–	5.9	38
1990	414,733	6.1	4.8	8.9	14.2	5.1	6.5	48.3	–	–	6.1	41
1991	452,559	10.5	7.1	9.1	15.1	7.4	4.8	41.9	–	–	4.1	50
1992	451,353	10.5	7.2	12.2	14.9	6.9	4.6	38.5	–	–	5.2	51
1993	461,904	11.5	6.2	14.7	14.6	5.4	2.2	35.7	–	–	9.6	49
1994	500,636	8.9	4.7	15.8	14.0	4.5	3.2	37.7	1.7%	–	9.5	34
1995	629,986	6.7	4.7	14.7	14.2	6.3	3.2	37.6	2.7	–	9.9	52
1996	761,989	5.5	6.5	13.7	13.9	9.1	3.1	36.3	1.6	–	10.3	54
1997	898,083	4.6	5.3	10.9	14.4	10.6	2.7	37.8	2.3	–	11.4	55
1998	1,163,167	4.1	5.3	15.1	12.2	9.6	2.6	36.2	2.9	4.3%	7.5	56
1999	1,408,731	4.3	3.3	13.9	10.2	9.9	3.0	38.0	2.4	6.7	8.4	49
2000	1,607,216	3.5	2.4	11.8	11.5	8.0	6.1	39.8	2.8	8.4	5.8	51
2001	2,012,912	4.7	2.3	16.7	11.2	10.4	6.9	32.5	1.2	9.4	4.6	58
2002	1,997,173	5.6	1.7	16.7	14.3	9.8	6.3	31.1	1.1	9.6	3.8	53
2003	1,763,630	5.7	1.9	19.0	14.5	8.3	4.6	27.4	1.5	12.8	4.1	57
2004	1,602,847	5.0	1.2	17.2	14.9	9.9	5.2	26.0	2.0	14.0	4.4	40
2005	1,706,539	4.2	1.1	9.6	20.7	10.4	5.7	29.4	1.9	13.9	3.3	36
2006	1,987,996	3.3	1.0	6.8	20.3	10.0	4.3	31.2	1.9	17.0	4.3	45
2007	2,642,092	5.3	1.6	8.2	22.0	9.2	5.2	27.5	2.9	11.6	6.5	40

[1]Prior to 1994, bank notes are included in the "Other Assets" category.
[2]Prior to 1998, corporate notes are included in the "Other Assets" category.
[3]Category includes Banker's Acceptances and Cash Reserves.
Note: Data for funds that invest primarily in other mutual funds were excluded from the series.

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TABLE 39

FUNDS OF FUNDS; TOTAL NET ASSETS, NET NEW CASH FLOW, NUMBER OF FUNDS, AND NUMBER OF SHARE CLASSES

	TOTAL NET ASSETS (millions of dollars, end of year)			NET NEW CASH FLOW* (millions of dollars, annual)			NUMBER OF FUNDS (end of year)			NUMBER OF SHARE CLASSES (end of year)		
Year	Total	Equity	Hybrid and Bond	Total	Equity	Hybrid and Bond	Total	Equity	Hybrid and Bond	Total	Equity	Hybrid and Bond
1989	$1,284	$204	$1,080	$169	$4	$165	18	11	7	18	11	7
1990	1,426	211	1,215	131	−21	152	20	11	9	20	11	9
1991	2,313	403	1,910	475	97	378	20	10	10	20	10	10
1992	3,722	651	3,072	1,134	205	929	21	10	11	21	10	11
1993	5,403	900	4,503	1,160	154	1,006	24	12	12	24	12	12
1994	6,170	1,367	4,803	567	343	225	32	15	17	32	15	17
1995	9,063	2,288	6,774	1,135	633	503	36	19	17	37	19	18
1996	13,404	4,596	8,808	2,457	1,572	885	45	24	21	56	28	28
1997	21,480	7,580	13,900	3,380	1,617	1,763	94	41	53	148	58	90
1998	35,368	12,212	23,156	6,376	2,006	4,370	175	75	100	305	112	193
1999	48,310	18,676	29,634	6,572	3,392	3,180	212	83	129	394	137	257
2000	56,911	16,206	40,704	10,401	5,101	5,300	215	86	129	414	143	271
2001	63,385	15,756	47,629	8,929	1,858	7,072	213	85	128	450	154	296
2002	68,960	14,458	54,502	11,593	2,152	9,441	268	104	164	625	197	428
2003	123,091	28,646	94,445	29,900	4,864	25,036	301	112	189	720	217	503
2004	199,552	41,784	157,768	50,520	7,980	42,539	375	111	264	963	223	740
2005	306,016	58,569	247,447	79,480	8,708	70,773	475	129	346	1,298	273	1,025
2006	471,024	96,366	374,658	101,336	18,474	82,862	604	161	443	1,860	338	1,522
2007	639,785	122,907	516,878	126,946	19,426	107,520	723	178	545	2,361	410	1,951

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

Note: Components may not add to the total because of rounding.

TABLE 40

FUNDS OF FUNDS; COMPONENTS OF NET NEW CASH FLOW[1]

(millions of dollars, annual)

	SALES									REDEMPTIONS								
	New + Exchange			New[2]			Exchange[3]			Regular + Exchange			Regular[4]			Exchange[5]		
Year	Total	Equity	Hybrid and Bond	Total	Equity	Hybrid and Bond	Total	Equity	Hybrid and Bond	Total	Equity	Hybrid and Bond	Total	Equity	Hybrid and Bond	Total	Equity	Hybrid and Bond
1989	$368	$75	$293	$314	$74	$241	$54	$2	$52	$199	$72	$128	$130	$71	$59	$69	$1	$68
1990	416	68	348	351	59	293	65	10	55	285	89	196	186	87	99	100	3	97
1991	773	192	580	579	142	437	194	50	143	298	95	203	185	79	105	113	16	97
1992	1,617	371	1,246	1,255	294	961	362	76	286	484	166	318	303	130	174	180	36	144
1993	1,953	358	1,594	1,533	293	1,241	419	66	354	793	205	588	453	156	297	340	49	291
1994	1,781	583	1,197	1,341	389	952	439	194	245	1,213	241	973	683	166	517	531	75	456
1995	2,362	987	1,376	1,750	692	1,059	612	295	317	1,227	354	873	768	233	535	459	121	338
1996	4,522	2,321	2,202	3,621	1,847	1,774	901	474	428	2,066	749	1,317	1,290	519	771	776	230	546
1997	6,317	2,858	3,459	4,753	2,017	2,736	1,565	842	723	2,937	1,241	1,696	1,749	774	975	1,189	468	721
1998	12,931	4,398	8,532	9,938	3,578	6,360	2,993	821	2,172	6,554	2,392	4,162	3,766	1,542	2,225	2,788	851	1,938
1999	16,749	6,862	9,888	12,759	5,575	7,184	3,990	1,287	2,703	10,178	3,470	6,708	6,638	2,553	4,085	3,540	916	2,624
2000	24,092	9,346	14,746	18,607	7,539	11,068	5,485	1,807	3,678	13,690	4,245	9,445	9,250	3,199	6,052	4,440	1,046	3,394
2001	22,577	5,735	16,842	17,606	4,893	12,712	4,971	842	4,129	13,647	3,877	9,770	9,546	3,111	6,435	4,101	766	3,335
2002	28,193	6,838	21,356	23,063	5,827	17,235	5,131	1,010	4,121	16,600	4,685	11,915	12,209	3,867	8,343	4,391	819	3,572
2003	46,962	8,908	38,054	38,444	7,415	31,029	8,518	1,493	7,025	17,062	4,044	13,019	12,785	3,338	9,447	4,277	706	3,571
2004	76,821	13,730	63,091	63,136	11,463	51,673	13,685	2,266	11,419	26,301	5,749	20,552	19,845	4,848	14,997	6,456	901	5,555
2005	122,861	16,760	106,102	106,077	13,986	92,091	16,784	2,774	14,011	43,382	8,052	35,329	35,351	7,034	28,317	8,030	1,018	7,012
2006	163,102	30,217	132,886	138,868	24,870	113,998	24,235	5,347	18,888	61,766	11,743	50,023	49,050	10,060	38,990	12,717	1,683	11,033
2007	227,691	39,791	187,901	194,355	31,988	162,367	33,336	7,803	25,533	100,745	20,365	80,380	82,068	16,951	65,117	18,676	3,414	15,263

[1]Net new cash flow is the dollar value of new sales minus redemptions, combined with net exchanges.
[2]New sales are the dollar value of new purchases of mutual fund shares. This does not include shares purchased through reinvestment of dividends in existing accounts.
[3]Exchange sales are the dollar value of mutual fund shares switched into funds within the same fund family.
[4]Regular redemptions are the dollar value of shareholder liquidation of mutual fund shares.
[5]Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into another fund in the same group.
Note: Components may not add to the total because of rounding.

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TABLE 41

LIFESTYLE AND LIFECYCLE FUNDS;* TOTAL NET ASSETS, NET NEW CASH FLOW, NUMBER OF FUNDS, AND NUMBER OF SHARE CLASSES

	TOTAL NET ASSETS (millions of dollars, end of year)			NET NEW CASH FLOW[1] (millions of dollars, annual)			NUMBER OF FUNDS (end of year)			NUMBER OF SHARE CLASSES (end of year)		
Year	**Total**	**Lifestyle**	**Lifecycle**	**Total**	**Lifestyle**	**Lifecycle**	**Total**	**Lifestyle**	**Lifecycle**	**Total**	**Lifestyle**	**Lifecycle**
1995	$2,684	$2,166	$519	$1,219	$1,012	$207	28	21	7	49	38	11
1996	6,469	5,603	866	2,626	2,385	241	48	38	10	71	61	10
1997	13,658	12,178	1,480	3,809	3,616	193	77	64	13	138	120	18
1998	24,497	19,916	4,581	5,921	4,777	1,144	110	92	18	197	173	24
1999	33,917	26,836	7,081	4,976	3,676	1,300	130	110	20	237	206	31
2000	38,973	30,125	8,848	7,635	4,046	3,588	146	121	25	276	233	43
2001	44,820	32,396	12,425	7,773	3,985	3,789	147	121	26	348	265	83
2002	48,943	33,995	14,947	8,210	4,508	3,702	171	145	26	428	345	83
2003	80,963	55,060	25,903	18,784	11,606	7,179	193	148	45	496	378	118
2004	128,491	84,841	43,649	28,443	15,639	12,804	243	159	84	734	476	258
2005	201,680	130,532	71,148	57,271	35,080	22,191	331	202	129	1,132	666	466
2006	303,467	189,165	114,302	66,931	34,052	32,879	428	243	185	1,559	778	781
2007	421,008	238,473	182,535	92,045	35,956	56,089	502	254	248	1,849	808	1,041

*Categories include data for funds that invest exclusively in other funds.

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

Note: Components may not add to the total because of rounding.

TABLE 42

LIFESTYLE AND LIFECYCLE FUNDS;* COMPONENTS OF NET NEW CASH FLOW[1]

(millions of dollars, annual)

	SALES						REDEMPTIONS					
	New[2]			Exchange[3]			Regular[4]			Exchange[5]		
Year	Total	Lifestyle	Lifecycle	Total	Lifestyle	Lifecycle	Total	Lifestyle	Lifecycle	Total	Lifestyle	Lifecycle
1995	$1,280	$978	$302	$360	$350	$10	$270	$169	$101	$152	$147	$5
1996	3,417	2,767	650	541	526	15	965	554	411	367	355	13
1997	5,133	4,612	521	1,022	987	35	1,626	1,287	339	720	696	24
1998	8,418	7,111	1,307	2,687	1,332	1,355	3,185	2,536	649	1,999	1,131	868
1999	10,345	8,514	1,831	3,102	1,395	1,707	5,735	4,725	1,010	2,736	1,507	1,229
2000	14,721	10,454	4,267	4,579	1,735	2,845	7,939	6,277	1,662	3,727	1,865	1,862
2001	15,130	10,343	4,787	3,991	1,415	2,576	8,052	6,203	1,850	3,296	1,571	1,725
2002	18,059	12,777	5,282	3,596	1,288	2,307	10,551	8,206	2,346	2,893	1,351	1,542
2003	27,131	19,082	8,049	5,261	1,875	3,386	10,815	8,290	2,525	2,792	1,062	1,731
2004	41,659	25,313	16,346	8,679	3,212	5,467	17,440	11,167	6,274	4,455	1,720	2,736
2005	77,110	50,419	26,691	11,652	3,972	7,681	25,820	17,194	8,626	5,671	2,116	3,555
2006	89,630	49,824	39,807	17,112	5,975	11,137	31,225	18,540	12,686	8,587	3,208	5,379
2007	137,782	61,753	76,029	23,451	6,434	17,016	56,620	28,138	28,482	12,568	4,094	8,473

**Categories include data for funds that invest exclusively in other funds.*

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

[2]New sales are the dollar value of new purchases of mutual fund shares. This does not include shares purchased through reinvestment of dividends in existing accounts.

[3]Exchange sales are the dollar value of mutual fund shares switched into funds within the same fund group.

[4]Regular redemptions are the dollar value of shareholder liquidation of mutual fund shares.

[5]Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into another fund in the same fund group.

Note: Components may not add to the total because of rounding.

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TABLE 43

VARIABLE ANNUITY MUTUAL FUNDS; TOTAL NET ASSETS, NET NEW CASH FLOW, AND NUMBER OF FUNDS

	TOTAL NET ASSETS (millions of dollars, end of year)				NET NEW CASH FLOW* (millions of dollars, annual)				NUMBER OF FUNDS (end of year)			
Year	Total	Equity	Hybrid and Bond	Money Market	Total	Equity	Hybrid and Bond	Money Market	Total	Equity	Hybrid and Bond	Money Market
1986	$11,127	$5,782	$3,493	$1,853	$3,126	$1,892	$1,109	$126	143	55	50	38
1987	15,445	8,705	4,026	2,715	2,623	1,744	194	685	196	80	76	40
1988	16,948	9,270	4,323	3,355	−932	−1,144	−204	415	279	120	108	51
1989	25,009	14,432	6,535	4,043	202	243	−107	66	323	141	128	54
1990	28,749	14,974	8,355	5,420	3,083	1,866	323	895	331	145	134	52
1991	91,056	69,138	13,734	8,184	6,174	5,097	1,498	−420	354	150	147	57
1992	109,868	80,934	21,046	7,888	12,884	8,708	4,363	−188	366	157	151	58
1993	152,403	104,823	39,740	7,841	26,088	16,423	9,834	−169	428	192	176	60
1994	176,370	121,153	44,339	10,878	22,066	15,998	3,763	2,305	507	245	202	60
1995	259,813	187,702	60,042	12,069	20,824	18,604	2,214	5	665	344	250	71
1996	349,341	260,959	73,189	15,193	40,133	32,699	5,063	2,371	800	435	290	75
1997	473,331	364,286	92,571	16,474	40,470	33,743	6,316	411	937	535	323	79
1998	615,152	474,961	116,337	23,854	44,259	27,857	10,362	6,040	1,162	703	377	82
1999	818,958	656,874	128,352	33,732	38,543	30,736	−461	8,267	1,353	867	405	81
2000	816,800	658,176	125,587	33,037	48,461	56,420	−5,896	−2,063	1,562	1054	428	80
2001	742,259	563,179	134,324	44,756	21,583	3,280	9,616	8,687	1,750	1254	407	89
2002	638,949	438,987	151,892	48,070	−1,286	−14,077	12,465	327	1,903	1392	419	92
2003	837,443	618,521	183,270	35,652	29,827	34,293	7,606	−12,071	1,889	1368	433	88
2004	973,910	737,294	203,256	33,361	33,505	32,714	3,474	−2,683	1,881	1353	441	87
2005	1,072,894	820,095	219,100	33,699	16,404	12,557	5,146	−1,299	1,882	1359	440	83
2006	1,265,507	971,926	251,389	42,192	29,700	17,598	6,601	5,501	1,925	1394	450	81
2007	1,397,275	1,053,107	291,445	52,723	31,791	3,349	21,191	7,250	1,893	1375	440	78

**Net new cash flow is the dollar value of new sales minus redemptions, combined with net exchanges.*
Note: Data for funds that invest primarily in other mutual funds were excluded from the series.
Components may not add to the total because of rounding.

TABLE 44

VARIABLE ANNUITY MUTUAL FUNDS; COMPONENTS OF NET NEW CASH FLOW[1]

(millions of dollars, annual)

	SALES								REDEMPTIONS							
	New[2]				Exchange[3]				Regular[4]				Exchange[5]			
Year	Total	Equity	Hybrid and Bond	Money Market	Total	Equity	Hybrid and Bond	Money Market	Total	Equity	Hybrid and Bond	Money Market	Total	Equity	Hybrid and Bond	Money Market
1986	$5,002	$2,537	$1,545	$920	$597	$212	$163	$221	$1,898	$622	$488	$788	$575	$236	$112	$227
1987	6,764	3,542	1,403	1,819	1,215	406	303	506	4,014	1,699	1,084	1,232	1,343	505	429	408
1988	4,305	1,625	988	1,691	1,193	437	212	543	5,260	2,749	1,157	1,353	1,171	457	247	467
1989	6,692	3,024	1,366	2,302	1,214	493	155	566	6,564	2,782	1,436	2,346	1,139	491	192	456
1990	9,994	4,714	1,808	3,473	1,082	450	183	449	6,993	2,941	1,465	2,587	1,000	357	203	440
1991	16,408	9,034	3,368	4,006	838	331	174	333	10,294	3,967	1,920	4,407	778	301	124	352
1992	24,779	13,294	6,634	4,851	1,568	740	350	478	12,014	4,745	2,348	4,921	1,450	581	273	596
1993	42,392	22,738	13,146	6,508	1,131	576	325	230	16,352	6,425	3,410	6,517	1,084	467	227	390
1994	48,010	25,661	10,907	11,443	7,017	4,064	429	2,525	25,933	9,941	6,830	9,161	7,029	3,786	742	2,501
1995	53,101	31,661	9,326	12,114	8,674	4,984	727	2,963	32,283	13,201	7,234	11,849	8,668	4,840	606	3,223
1996	84,933	53,188	13,056	18,689	12,656	7,190	864	4,602	44,729	20,497	8,041	16,191	12,727	7,182	815	4,729
1997	105,222	67,006	15,290	22,926	24,210	13,017	2,348	8,846	65,377	33,408	9,905	22,063	23,586	12,871	1,417	9,298
1998	141,464	83,457	23,227	34,780	37,136	18,967	5,502	12,668	99,141	54,024	14,964	30,153	35,200	20,542	3,403	11,254
1999	212,025	130,900	22,005	59,120	40,818	22,080	2,985	15,753	174,418	100,392	22,276	51,750	39,883	21,853	3,174	14,856
2000	334,936	221,862	21,211	91,863	36,326	22,853	1,821	11,652	287,230	166,996	26,673	93,561	35,571	21,299	2,255	12,017
2001	346,166	196,420	35,118	114,628	31,716	16,184	4,928	10,604	325,676	191,212	27,275	107,189	30,623	18,112	3,155	9,356
2002	342,193	182,572	49,365	110,256	34,170	16,465	7,123	10,583	344,224	194,507	38,775	110,942	33,425	18,607	5,249	9,570
2003	283,007	168,340	55,095	59,572	28,791	15,457	5,794	7,541	253,526	136,083	46,611	70,832	28,445	13,421	6,673	8,351
2004	261,716	169,312	47,362	45,042	26,407	14,451	5,656	6,300	228,278	136,466	44,260	47,552	26,340	14,583	5,285	6,472
2005	246,396	161,730	48,877	35,789	19,598	10,601	3,402	5,595	230,118	148,108	44,431	37,579	19,472	11,666	2,702	5,105
2006	280,231	192,669	50,717	36,846	22,318	10,826	3,422	8,070	250,506	173,519	44,128	32,859	22,344	12,378	3,411	6,555
2007	343,419	219,740	72,345	51,335	37,045	19,701	8,247	9,097	317,123	215,649	55,986	45,488	31,550	20,442	3,414	7,694

[1]Net new cash flow is the dollar value of new sales minus redemptions, combined with net exchanges.
[2]New sales are the dollar value of new purchases of mutual fund shares. This does not include shares purchased through reinvestment of dividends in existing accounts.
[3]Exchange sales are the dollar value of mutual fund shares switched into funds within the same fund group.
[4]Regular redemptions are the dollar value of shareholder liquidation of mutual fund shares.
[5]Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into another fund in the same group.
Note: Data for funds that invest primarily in other mutual funds were excluded from the series.
Components may not add to the total because of rounding.

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TABLE 45

ASSETS OF MUTUAL FUNDS HELD IN INDIVIDUAL AND INSTITUTIONAL ACCOUNTS

(millions of dollars, end of year)

Year	Total	Equity Funds	Hybrid Funds	Bond Funds	Money Market Funds
Total					
2000	$6,964,634	$3,961,922	$346,276	$811,189	$1,845,248
2001	6,974,913	3,418,164	346,315	925,124	2,285,310
2002	6,390,358	2,662,461	325,493	1,130,448	2,271,956
2003	7,414,401	3,684,162	430,467	1,247,770	2,052,003
2004	8,106,939	4,384,049	519,292	1,290,405	1,913,193
2005	8,904,822	4,939,752	567,304	1,357,229	2,040,537
2006	10,412,458	5,910,542	653,146	1,494,369	2,354,401
2007[p]	12,021,027	6,521,431	713,393	1,679,037	3,107,167
Individual Accounts					
2000	$6,236,008	$3,749,630	$333,154	$741,293	$1,411,931
2001	6,082,407	3,236,293	332,088	842,034	1,671,992
2002	5,506,500	2,506,326	312,663	1,035,380	1,652,131
2003	6,518,872	3,465,511	412,582	1,146,681	1,494,098
2004	7,186,476	4,112,509	496,550	1,189,749	1,387,668
2005	7,780,364	4,597,458	542,642	1,225,273	1,414,991
2006	9,070,088	5,470,561	621,170	1,337,276	1,641,081
2007[p]	10,346,890	6,031,398	679,092	1,492,847	2,143,554
Institutional Accounts*					
2000	$728,626	$212,292	$13,121	$69,896	$433,317
2001	892,506	181,870	14,227	83,090	613,318
2002	883,858	156,134	12,831	95,068	619,825
2003	895,529	218,650	17,885	101,088	557,905
2004	920,463	271,540	22,742	100,656	525,526
2005	1,124,458	342,294	24,662	131,956	625,546
2006	1,342,370	439,981	31,976	157,093	713,320
2007[p]	1,674,137	490,033	34,301	186,190	963,614

[p]preliminary data

**Institutional accounts include accounts purchased by an institution, such as a business, financial, or nonprofit organization. Institutional accounts do not include primary accounts of individuals issued by a broker-dealer.*

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

Components may not add to the total because of rounding.

TABLE 46

ASSETS OF INSTITUTIONAL INVESTORS IN MUTUAL FUNDS BY TYPE OF INSTITUTION

(millions of dollars, end of year)

Year		Total	Business Corporations	Financial Institutions[1]	Nonprofit Organizations	Other[2]
2000	All Funds	$728,626	$336,917	$250,764	$79,499	$61,446
	Equity	212,292	89,117	66,852	32,559	23,764
	Hybrid	13,121	5,937	3,777	1,406	2,001
	Bond	69,896	27,938	12,110	21,325	8,523
	Money Market	433,317	213,925	168,024	24,210	27,158
2001	All Funds	892,506	427,616	301,401	102,523	60,966
	Equity	181,870	76,244	55,060	30,515	20,052
	Hybrid	14,227	7,118	3,630	1,452	2,028
	Bond	83,090	30,170	13,081	29,596	10,243
	Money Market	613,318	314,084	229,631	40,960	28,643
2002	All Funds	883,858	415,482	314,798	100,277	53,301
	Equity	156,134	57,208	56,755	23,958	18,213
	Hybrid	12,831	5,417	4,373	1,089	1,952
	Bond	95,068	33,126	16,519	33,874	11,549
	Money Market	619,825	319,731	237,152	41,356	21,587
2003	All Funds	895,529	415,908	304,365	107,013	68,244
	Equity	218,650	83,807	70,561	34,179	30,104
	Hybrid	17,885	8,473	4,625	2,185	2,602
	Bond	101,088	33,620	18,416	33,607	15,445
	Money Market	557,905	290,008	210,763	37,042	20,093
2004	All Funds	920,463	452,547	280,814	106,820	80,281
	Equity	271,540	98,808	88,017	39,596	45,118
	Hybrid	22,742	10,756	6,047	2,656	3,283
	Bond	100,656	30,634	19,381	30,011	20,629
	Money Market	525,526	312,349	167,369	34,558	11,250
2005	All Funds	1,124,458	522,235	336,583	116,703	148,936
	Equity	342,294	115,851	102,403	47,451	76,590
	Hybrid	24,662	9,808	7,593	2,621	4,639
	Bond	131,956	30,115	24,061	27,470	50,310
	Money Market	625,546	366,461	202,526	39,162	17,398
2006	All Funds	1,342,370	637,464	369,347	145,949	189,609
	Equity	439,981	153,670	117,115	62,840	106,355
	Hybrid	31,976	14,056	9,987	2,735	5,198
	Bond	157,093	36,308	26,348	34,349	60,089
	Money Market	713,320	433,431	215,897	46,026	17,967
2007[p]	All Funds	1,674,137	791,392	443,755	189,952	249,039
	Equity	490,033	167,278	114,918	70,341	137,496
	Hybrid	34,301	13,575	12,445	2,591	5,690
	Bond	186,190	43,990	27,288	35,791	79,121
	Money Market	963,614	566,549	289,104	81,229	26,732

[1]Financial institutions include credit unions, investment clubs, accounts of banks not held as fiduciaries, insurance companies, and other financial organizations.

[2]Other institutional investors include assets of state and local governments, funds holding mutual fund shares, and other institutional accounts not classified.

[p]preliminary data

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

Components may not add to the total because of rounding.

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TABLE 47

ASSETS OF INSTITUTIONAL INVESTORS IN TAXABLE MONEY MARKET MUTUAL FUNDS BY TYPE OF INSTITUTION AND TYPE OF FUND[1]

(millions of dollars, end of year)

Year		Total	Business Corporations	Financial Institutions[2]	Nonprofit Organizations	Other[3]
2000	**All Funds**	$407,217	$201,255	$157,090	$22,718	$26,154
	Institutional Funds	303,327	136,652	133,519	14,701	18,455
	Retail Funds	103,890	64,603	23,571	8,017	7,699
2001	**All Funds**	578,305	297,717	217,472	35,521	27,596
	Institutional Funds	472,873	233,087	194,352	25,750	19,684
	Retail Funds	105,432	64,630	23,119	9,771	7,912
2002	**All Funds**	589,426	303,438	226,650	38,690	20,649
	Institutional Funds	496,981	248,059	202,487	31,212	15,222
	Retail Funds	92,446	55,379	24,163	7,478	5,427
2003	**All Funds**	520,771	267,965	198,164	35,115	19,527
	Institutional Funds	437,284	218,103	176,777	28,763	13,641
	Retail Funds	83,487	49,862	21,387	6,352	5,886
2004	**All Funds**	478,738	283,489	152,903	31,984	10,362
	Institutional Funds	405,198	237,276	137,102	25,734	5,087
	Retail Funds	73,540	46,213	15,801	6,250	5,275
2005	**All Funds**	568,519	331,023	185,283	35,923	16,291
	Institutional Funds	480,923	281,225	160,225	30,552	8,921
	Retail Funds	87,596	49,798	25,058	5,371	7,370
2006	**All Funds**	653,173	395,034	197,418	43,743	16,978
	Institutional Funds	556,703	335,921	173,928	37,750	9,104
	Retail Funds	96,470	59,113	23,490	5,994	7,874
2007[p]	**All Funds**	886,785	518,111	267,342	76,418	24,914
	Institutional Funds	774,718	453,319	235,817	68,152	17,430
	Retail Funds	112,067	64,793	31,525	8,266	7,484

[1] *Institutional funds include funds sold primarily to institutional investors or institutional accounts. This includes accounts that are purchased by an institution, such as a business, financial, or nonprofit organization. The institutional categories include holdings of mutual funds through variable annuities.*

[2] *Financial institutions include credit unions, investment clubs, accounts of banks not held as fiduciaries, insurance companies, and other financial organizations.*

[3] *Other institutional investors include assets of state and local governments, funds holding mutual fund shares, and other institutional accounts not classified.*

[p] *preliminary data*

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

Components may not add to the total because of rounding.

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TABLE 48

WORLDWIDE TOTAL NET ASSETS OF MUTUAL FUNDS[1]

(millions of U.S. dollars, end of year)

	2000	2001	2002	2003	2004	2005	2006	2007
World	**$11,871,028**	**$11,654,868**	**$11,324,128**	**$14,048,311**	**$16,164,795**	**$17,771,027**	**$21,823,455**	**$26,199,448**
Americas	**7,424,112**	**7,433,106**	**6,776,289**	**7,969,541**	**8,792,450**	**9,763,921**	**11,485,012**	**13,442,653**
Argentina	7,425	3,751	1,021	1,916	2,355	3,626	6,153	6,789
Brazil	148,538	148,189	96,729	171,596	220,586	302,927	418,771	615,365
Canada	279,511	267,863	248,979	338,369	413,772	490,518	566,298	698,397
Chile	4,597	5,090	6,705	8,552	12,588	13,969	17,700	24,444
Costa Rica	919	1,577	1,738	2,754	1,053	804	1,018	1,203
Mexico	18,488	31,723	30,759	31,953	35,157	47,253	62,614	75,428
United States	6,964,634	6,974,913	6,390,358	7,414,401	8,106,939	8,904,824	10,412,458	12,021,027
Europe	**3,296,016**	**3,167,965**	**3,462,999**	**4,682,836**	**5,640,452**	**6,002,261**	**7,803,906**	**8,983,244**
Austria	56,549	55,211	66,877	87,982	103,709	109,002	128,236	138,709
Belgium	70,313	68,661	74,983	98,724	118,373	115,314	137,291	149,842
Czech Republic	1,990	1,778	3,297	4,083	4,860	5,331	6,490	7,595
Denmark[2]	32,485	33,831	40,153	49,533	64,799	75,199	95,620	105,225
Finland	12,698	12,933	16,516	25,601	37,658	45,415	67,804	81,136
France	721,973	713,378	845,147	1,148,446	1,370,954	1,362,671	1,769,258	1,989,690
Germany	238,029	213,662	209,168	276,319	295,997	296,787	340,325	372,072
Greece	29,154	23,888	26,621	38,394	43,106	32,011	27,604	29,807
Hungary	1,953	2,260	3,992	3,936	4,966	6,068	8,523	12,577
Ireland	137,024	191,840	250,116	360,425	467,620	546,242	855,011	951,371
Italy	424,014	359,879	378,259	478,734	511,733	450,514	452,798	419,687
Liechtenstein	N/A	N/A	3,847	8,936	12,543	13,970	17,315	25,103
Luxembourg	747,117	758,720	803,869	1,104,112	1,396,131	1,635,785	2,188,278	2,685,065
Netherlands	93,580	79,165	84,211	93,573	102,134	94,357	108,560	113,921
Norway	16,228	14,752	15,471	21,994	29,907	40,122	54,065	74,709
Poland	1,546	2,970	5,468	8,576	12,014	17,652	28,957	45,542
Portugal	16,588	16,618	19,969	26,985	30,514	28,801	31,214	29,732
Romania	8	10	27	29	72	109	247	390
Russia	177	297	372	851	1,347	2,417	5,659	7,175
Slovakia	N/A	N/A	N/A	1,061	2,168	3,035	3,171	4,762
Slovenia	N/A	N/A	N/A	N/A	N/A	N/A	2,484	4,219
Spain	172,438	159,899	179,133	255,344	317,538	316,864	367,918	396,534
Sweden	78,085	65,538	57,992	87,746	107,064	119,059	176,943	194,955
Switzerland	83,059	75,973	82,622	90,772	94,407	116,669	159,515	176,282
Turkey	N/A	N/A	6,002	14,157	18,112	21,761	15,463	22,609
United Kingdom	361,008	316,702	288,887	396,523	492,726	547,103	755,156	944,536
Asia and Pacific	**1,133,979**	**1,039,236**	**1,063,857**	**1,361,473**	**1,677,887**	**1,939,251**	**2,456,511**	**3,678,330**
Australia	341,955	334,016	356,304	518,411	635,073	700,068	864,254	1,192,992
China	N/A	N/A	N/A	N/A	N/A	N/A	N/A	434,063
Hong Kong	195,924	170,073	164,322	255,811	343,638	460,517	631,055	818,421
India	13,507	15,284	20,364	29,800	32,846	40,546	58,219	108,582
Japan	431,996	343,907	303,191	349,148	399,462	470,044	578,883	713,998
Korea, Rep. of	110,613	119,439	149,544	121,663	177,417	198,994	251,930	329,979
New Zealand	7,802	6,564	7,505	9,641	11,171	10,332	12,892	14,924
Pakistan	N/A	N/A	N/A	N/A	N/A	N/A	2,164	4,956
Philippines	108	211	474	792	952	1,449	1,544	2,090
Taiwan	32,074	49,742	62,153	76,205	77,328	57,301	55,571	58,323
Africa	**16,921**	**14,561**	**20,983**	**34,460**	**54,006**	**65,594**	**78,026**	**95,221**
South Africa	16,921	14,561	20,983	34,460	54,006	65,594	78,026	95,221

[1]Funds of funds are not included except for France, Italy, and Luxembourg after 2003. Data include home-domiciled funds, except for Hong Kong, Korea, and New Zealand, which include home- and foreign-domiciled funds.

[2]Before 2003, data include special funds reserved for institutional investors.

N/A=not available

Note: Components may not add to total because of rounding. For more worldwide mutual fund statistics, visit ICI's website at www.ici.org/stats/mf/arcglo/index.html.

Sources: Investment Company Institute, European Fund and Asset Management Association, and other national mutual fund associations

TABLE 49

WORLDWIDE NUMBER OF MUTUAL FUNDS[1]

(end of year)

	2000	2001	2002	2003	2004	2005	2006	2007
World	**51,671**	**53,371**	**53,996**	**54,569**	**55,524**	**56,868**	**61,855**	**66,350**
Americas	**12,676**	**13,449**	**13,884**	**13,921**	**14,064**	**13,764**	**14,475**	**15,462**
Argentina	226	219	211	186	186	200	223	241
Brazil	2,097	2,452	2,755	2,805	2,859	2,685	2,907	3,381
Canada	1,627	1,831	1,956	1,887	1,915	1,695	1,764	2,038
Chile	144	177	226	414	537	683	926	1,260
Costa Rica	122	115	128	129	115	110	100	93
Mexico	305	350	364	374	411	416	437	420
United States	8,155	8,305	8,244	8,126	8,041	7,975	8,118	8,029
Europe	**25,503**	**27,343**	**28,858**	**28,541**	**29,306**	**30,060**	**33,151**	**35,210**
Austria	760	769	808	833	840	881	948	1,070
Belgium	918	1,041	1,141	1,224	1,281	1,391	1,549	1,655
Czech Republic	70	65	76	58	53	51	52	66
Denmark[2]	394	451	485	400	423	471	494	500
Finland	241	275	312	249	280	333	376	379
France	7,144	7,603	7,773	7,902	7,908	7,758	8,092	8,243
Germany	987	1,077	1,092	1,050	1,041	1,076	1,199	1,462
Greece	265	269	260	265	262	247	247	230
Hungary	86	89	90	96	97	91	161	212
Ireland	1,344	1,640	1,905	1,978	2,088	2,127	2,531	2,898
Italy	967	1,059	1,073	1,012	1,142	1,035	989	924
Liechtenstein	N/A	N/A	111	137	171	200	233	391
Luxembourg	6,084	6,619	6,874	6,578	6,855	7,222	7,919	8,782
Netherlands	473	522	566	593	542[a]	515	473	450
Norway	380	400	419	375	406	419	524	511
Poland	77	94	107	112	130	150	157	188
Portugal	195	202	170	160	163	169	175	180
Romania	16	24	20	20	19	23	32	41
Russia	37	51	57	132	210	257	358	533
Slovakia	N/A	N/A	N/A	37	40	43	43	54
Slovenia	N/A	N/A	N/A	N/A	N/A	N/A	96	106
Spain	2,422	2,524	2,466	2,471	2,559	2,672	3,235	2,940
Sweden	509	507	512	485	461	464	474	477
Switzerland	368	313	512	441	385	510	609	567
Turkey	N/A	N/A	242	241	240	275	282	294
United Kingdom	1,766	1,749	1,787	1,692	1,710	1,680	1,903	2,057
Asia and Pacific	**13,158**	**12,153**	**10,794**	**11,641**	**11,617**	**12,427**	**13,479**	**14,847**
Australia	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
China	N/A	N/A	N/A	N/A	N/A	N/A	N/A	341
Hong Kong	976	952	942	963	1,013	1,009	1,099	1,162
India	234	297	312	350	394	445	468	555
Japan	2,793	2,867	2,718	2,617	2,552	2,640	2753	2,997
Korea, Rep. of	8,242	7,117	5,873	6,726	6,636	7,279	8030	8,609
New Zealand	607	588	577	563	553	563	613	623
Pakistan	N/A	N/A	N/A	N/A	N/A	N/A	31	64
Philippines	18	20	21	21	24	32	38	40
Taiwan	288	312	351	401	445	459	447	456
Africa	**334**	**426**	**460**	**466**	**537**	**617**	**750**	**831**
South Africa	334	426	460	466	537	617	750	831

[1]Funds of funds are not included except for France, Italy, and Luxembourg after 2003. Data include home-domiciled funds, except for Hong Kong, Korea, and New Zealand, which include home- and foreign-domiciled funds.

[2]Before 2003, data include special funds reserved for institutional investors.

[a]data as of 09/30/2004

N/A=not available

Note: For more worldwide mutual fund statistics, visit ICI's website at www.ici.org/stats/mf/arcglo/index.html.

Sources: Investment Company Institute, European Fund and Asset Management Association, and other national mutual fund associations

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TABLE 50

WORLDWIDE NET SALES[1] OF MUTUAL FUNDS

(millions of U.S. dollars, annual)

	2000	2001	2002	2003	2004	2005	2006	2007
World	**$759,583**	**$904,012**	**$278,443**	**$317,455**	**$457,294**	**$970,736**	**$1,299,192**	**$1,539,079**
Americas	**555,168**	**646,404**	**140,785**	**65,686**	**167,596**	**425,837**	**727,257**	**1,208,760**
Argentina	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Brazil	N/A	N/A	−23,697	19,507	1,611	5,293	21,083	16,880
Canada	27,881	23,252	5,129	3,793	18,453	31,295	36,579	61,288
Chile	N/A	N/A	N/A	1,329	3,235	N/A	3,113	3,282
Costa Rica	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mexico	N/A	N/A	697	5,333	767	6,850	11,378	10,153
United States	527,287	623,152	158,655	35,724	143,530	382,400	655,103	1,117,157
Europe	**208,457**	**245,666**	**166,083**	**258,500**	**235,145**	**459,786**	**427,524**	**102,780**
Austria	−108	6,568	4,215	4,010	6,874	16,240	3,402	−4,864
Belgium	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Czech Republic	−147	−314	591	73	−77	641	59	198
Denmark[2]	N/A	7,576	5,605	7,655	9,259	12,950	5,647	2,950
Finland	4,032	2,180	3,048	5,038	6,512	6,371	13,230	3,534
France	N/A	91,737	85,212	73,314	66,216	76,441	133,843	−49,354
Germany	34,968	19,144	9,383	6,045	−8,688	10,557	−10,473	−18,531
Greece	1,437	1,444	14	3,940	51	−7,810	−9,598	−2,644
Hungary	N/A	N/A	N/A	N/A	N/A	1,760	−39	2,436
Ireland	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Italy	−6,280	−18,555	−11,804	6,725	−37,142	−19,215	−59,828	−81,538
Liechtenstein	N/A	N/A	2	3,844	2,444	1,363	781	3,636
Luxembourg	156,393	108,506	52,190	94,260	142,199	293,331	299,906	255,689
Netherlands	N/A	N/A	N/A	N/A	802	−9,312	10	−5,775
Norway	2,483	593	144	2,548	2,967	8,231	4,676	6,871
Poland	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Portugal	−1,400	629	712	1,930	534	1,644	−1,843	−5,708
Romania	−1	5	16	−10	28	26	97	94
Russia	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Slovakia	N/A	N/A	N/A	N/A	593	1,095	−512	688
Slovenia	N/A	N/A	N/A	N/A	N/A	N/A	18	638
Spain	−29,331	−719	2,207	28,282	30,611	26,961	−3,852	−23,273
Sweden	9,889	3,896	4,732	6,011	5,400	7,517	7,733	2,228
Switzerland	8,431	4,793	−501	−1,348	−2,185	9,218	11,682	15,074
Turkey	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
United Kingdom	28,091	18,183	10,318	16,183	8,746	21,778	32,588	430
Asia and Pacific	**−5,589**	**10,060**	**−30,231**	**−12,036**	**48,005**	**76,016**	**135,467**	**217,847**
Australia	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
China	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Hong Kong	1,395	4,136	4,603	3,239	2,639	1,195	3,613	6,834
India	3,978	3,114	4,246	7,917	338	4,914	11,765	27,358
Japan	30,027	−9,627	−52,806	−7,141	22,430	77,458	99,625	120,307
Korea, Rep. of	−41,012	12,312	14,780	−24,617	31,541	14,180	25,292	61,080
New Zealand	N/A	N/A	−258	−2	−132	−554	−196	254
Pakistan	N/A	N/A	N/A	N/A	N/A	N/A	426	2,921
Philippines	23	125	262	232	119	301	−241	−16
Taiwan	N/A	N/A	−1,058	8,336	−8,929	−21,477	−4,817	−892
Africa	**1,547**	**1,882**	**1,805**	**5,304**	**6,549**	**9,097**	**8,944**	**9,692**
South Africa	1,547	1,882	1,805	5,304	6,549	9,097	8,944	9,692

[1]Net sales is a calculation of total sales minus total redemptions plus net exchanges.

[2]Funds of funds are not included except for France, Italy, and Luxembourg after 2003. Data include home-domiciled funds, except for Hong Kong, Korea, and New Zealand, which include home- and foreign-domiciled funds.

N/A=not available

Note: Components may not add to total because of rounding. For more worldwide mutual fund statistics, visit ICI's website at www.ici.org/stats/mf/arcglo/index.html.

Sources: Investment Company Institute, European Fund and Asset Management Association, and other national mutual fund associations

Appendix A:

HOW MUTUAL FUNDS AND INVESTMENT COMPANIES OPERATE

This section provides an overview of how investment company operations and features serve investors; examines the tax treatment of funds; and discusses how investors use funds for personal tax purposes.

THE ORIGINS OF POOLED INVESTING

The investment company concept dates to Europe in the late 1700s, according to K. Geert Rouwenhorst in *The Origins of Mutual Funds*, when "a Dutch merchant and broker … invited subscriptions from investors to form a trust … to provide an opportunity to diversify for small investors with limited means."

The emergence of "investment pooling" in England in the 1800s brought the concept closer to U.S. shores. The enactment of two British laws, the Joint Stock Companies Acts of 1862 and 1867, permitted investors to share in the profits of an investment enterprise and limited investor liability to the amount of investment capital devoted to the enterprise. Shortly thereafter, in 1868, the Foreign and Colonial Government Trust formed in London. This trust resembled the U.S. fund model in basic structure, providing "the investor of moderate means the same advantages as the large capitalists … by spreading the investment over a number of different stocks."

Perhaps more importantly, the British fund model established a direct link with U.S. securities markets, helping finance the development of the post-Civil War U.S. economy. The Scottish American Investment Trust, formed on February 1, 1873 by fund pioneer Robert Fleming, invested in the economic potential of the United States, chiefly through American railroad bonds. Many other trusts followed that targeted not only investment in America, but led to the introduction of the fund investing concept on U.S. shores in the late 1800s and early 1900s.

The first mutual, or "open-end," fund was introduced in Boston in March of 1924. The Massachusetts Investors Trust, formed as a common law trust, introduced important innovations to the investment company concept by establishing a simplified capital structure, continuous offering of shares, the ability to redeem shares rather than hold them until dissolution of the fund, and a set of clear investment restrictions and policies.

The Stock Market Crash of 1929 and the Great Depression that followed greatly hampered the growth of pooled investments until a succession of landmark securities laws, beginning with the Securities Act of 1933 and concluding with the Investment Company Act of 1940, reinvigorated investor confidence. Renewed investor confidence and many innovations led to relatively steady growth in industry assets and number of accounts.

FOUR PRINCIPAL SECURITIES LAWS GOVERN INVESTMENT COMPANIES

The Investment Company Act of 1940	Regulates the structure and operations of investment companies by imposing restrictions on investments and requiring investment companies, among other things, to maintain detailed books and records, safeguard their portfolio securities, and file semiannual reports with the U.S. Securities and Exchange Commission (SEC).
The Securities Act of 1933	Requires federal registration of all public offerings of securities, including investment company shares or units. The 1933 Act also requires that all investors receive a current prospectus describing the fund.
The Securities Exchange Act of 1934	Regulates broker-dealers, including investment company principal underwriters and other entities and persons that sell mutual fund shares, and requires them to register with the SEC. Among other things, the 1934 Act requires registered broker-dealers to maintain extensive books and records, segregate customer securities in adequate custodial accounts, and file detailed, annual financial reports.
The Investment Advisers Act of 1940	Requires federal registration of all investment advisers, including those to mutual funds and other investment companies. The Advisers Act contains provisions requiring fund advisers to meet recordkeeping, custodial, reporting, and other regulatory responsibilities.

The Different Types of U.S. Investment Companies

An investment company is a corporation, trust, or partnership organized under state law that invests pooled shareholder dollars in securities appropriate to the entity's—and its shareholders'—investment objective. The main types of investment companies are: mutual, or "open-end," funds, closed-end funds, unit investment trusts, and exchange-traded funds, a relatively recent adaptation of the investment company concept.

A **mutual fund** is an investment company that buys a portfolio of securities selected by a professional investment adviser to meet a specified financial goal. Investors buy fund shares, which represent proportionate ownership in all the fund's securities. There is no limit on the number of shares issued by a mutual fund. A mutual fund is referred to as an "open-end" fund for two main reasons: 1) it is required to redeem (or buy back) outstanding shares at any time, at their current net asset value, which is the total market value of the fund's investment portfolio, minus its liabilities and divided by the number of shares outstanding; and 2) virtually all mutual funds continuously offer their shares to the public.

A **closed-end fund** is an investment company that issues a fixed number of shares that trade on a stock exchange or in the over-the-counter market. Assets of a closed-end fund are professionally managed in accordance with the fund's investment objectives and policies and may be invested in stocks, bonds, or other securities. The vast majority of closed-end funds are externally managed, like mutual funds (see *The Organization of a Mutual Fund* on page 164). As with other publicly traded securities, the market price of closed-end fund shares fluctuates and is determined by supply and demand in the marketplace. For more information on closed-end funds, see page 50.

A **unit investment trust** (UIT) is an investment company that buys and holds a generally fixed portfolio of stocks, bonds, or other securities, and issues a fixed number of units for sale. Unit investment trusts are also externally managed. "Units" in the trust are sold to investors, or "unit holders," who, during the life of the trust, receive their proportionate share of dividends or interest paid by the trust. Unlike other investment companies, a UIT has a stated date for termination, which varies according to the investments held in its portfolio. At termination, investors receive their proportionate share of the UIT's net assets.

Another fund available to investors is an **exchange-traded fund** (ETF). Although an ETF is an investment company (either an open-end fund or UIT), its structure and the trading of its shares differ significantly from traditional mutual funds or UITs. Indeed, unlike with other mutual funds or UITs, ETF shares are traded intraday on stock exchanges at market-determined prices. As such, an ETF has the features of an investment company (diversified portfolio, professional management), but its shares trade in the retail market like an equity security. Unlike mutual funds, investors must buy or sell ETF shares through a broker just as they would the shares of any publicly traded company. For more information on ETFs, see page 38.

MORE INFORMATION ABOUT OTHER TYPES OF INVESTMENT COMPANIES

With 92 percent of industry assets, mutual funds are the most common type of investment company. The other types of investment companies—closed-end funds, unit investment trusts, and exchange-traded funds—can differ from mutual funds in terms of structure, service providers, the roles and responsibilities of the investment company's entities, earnings, pricing and listing procedures, and taxation. Visit the Institute's website for more detailed information about each type of investment company.

Closed-End Funds

Frequently Asked Questions About Closed-End Funds
www.ici.org/funds/abt/faqs_closed_end.html

A Guide to Closed-End Funds
(an overview of the different types of closed-end funds and how they operate)
www.ici.org/funds/inv/bro_g2_ce.html

Unit Investment Trusts

Frequently Asked Questions About Unit Investment Trusts
www.ici.org/funds/abt/faqs_uits.html

A Guide to Unit Investment Trusts
(a discussion of how UITs operate and a general overview of the different types of UITs)
www.ici.org/funds/inv/bro_g2_uits.html

Exchange-Traded Funds

Frequently Asked Questions About Exchange-Traded Funds
www.ici.org/funds/abt/faqs_etfs.html

A Guide to Exchange-Traded Funds
(a discussion of how ETFs operate and a general overview of the different types of ETFs)
www.ici.org/funds/inv/bro_etf.html

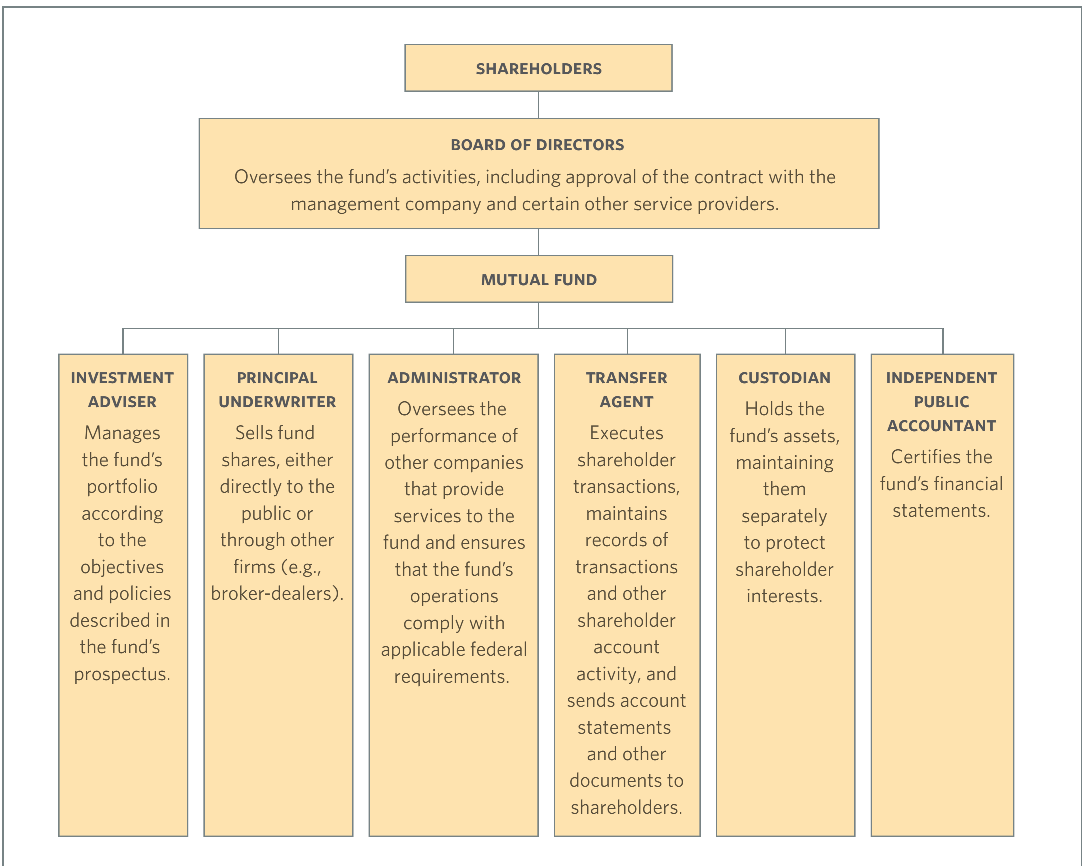
The Organization of a Mutual Fund

Individuals and institutions invest in a mutual fund by purchasing shares issued by the fund. It is through these sales of shares that a mutual fund raises the cash used to invest in its portfolio of stocks, bonds, and other investments. Each investor owns a pro-rata share of the fund's investments and shares in the returns from the fund's portfolio while benefiting from professional investment management, diversification, and liquidity. Mutual funds may offer other benefits and services, such as asset allocation programs or money market sweep accounts.

A mutual fund is organized under state law either as a corporation or a business trust. Mutual funds have officers and directors or trustees. In this way, mutual funds are like any other type of operating company, such as IBM or General Motors.

Unlike other companies, however, a mutual fund is typically externally managed: it is not an operating company and it has no employees in the traditional sense. Instead, a fund relies upon third parties or service providers, either affiliated organizations or independent contractors, to invest fund assets and carry out other business activities. The diagram below shows the types of service providers usually relied upon by a fund.

STRUCTURE OF A MUTUAL FUND



Note: Closed-end funds, UITs, and ETFs can differ from mutual funds and from each other with respect to structure.

How a Fund Is Created

Setting up a mutual fund is a complicated process performed by the fund's sponsor, typically the fund's investment adviser, administrator, or principal underwriter (also known as its distributor).

The fund sponsor has a variety of responsibilities. For example, it must assemble the group of third parties needed to launch the fund, including the persons or entities charged with managing and operating the fund. The sponsor provides officers and affiliated directors to oversee the fund, and recruits unaffiliated persons to serve as independent directors. It must also register the fund under state law as either a business trust or corporation. In addition, to sell its shares to the public, the fund must first register those shares with the SEC by filing a federal registration statement pursuant to the Securities Act of 1933 and, unless otherwise exempt from doing so, make filings and pay fees to each state (except Florida) in which the fund's shares will be offered to the public.

Broker-dealers and their representatives who sell fund shares to the public are subject to registration and regulation under the Securities Exchange Act of 1934. The investment adviser to the fund must register under the Investment Advisers Act of 1940 and comply with the Act's provisions.

Preparing the federal registration statement, contracts, filings for individual states, and corporate documents typically costs the fund sponsor several hundred thousand dollars. In addition, the Investment Company Act of 1940, a federal statute expressly governing mutual fund operations, requires that a mutual fund register with the SEC as an investment company. It also requires that each new fund have at least $100,000 of seed capital before distributing its shares to the public; this capital is usually contributed by the adviser or other sponsor in the form of an initial investment.

Mutual funds incur fees and expenses in their ongoing operations, including the servicing of shareholder accounts. In addition to management fees (i.e., the fees paid to the fund's investment adviser to manage the fund's portfolio and perform other services), funds regularly incur transfer agent, custodian, accounting, and other business and brokerage expenses.

Status as a registered investment company allows the fund to be treated as a "pass-through" investment vehicle for tax purposes. In other words, the fund's income flows through to shareholders without being taxed at the fund level. (See *Tax Features of Funds* on page 169 for more information.)

Although a mutual fund is created from the seed money of a fund sponsor, it is managed for the benefit of all those investors who decide to buy shares once the fund is created and its shares offered to the public.

Shareholders

Investors are given comprehensive information about the fund to help them make informed decisions. A mutual fund's prospectus describes the fund's investment goals and objectives, fees and expenses, investment strategies and risks, and informs investors how to buy and sell shares. The SEC requires a fund to provide a prospectus either before an investor makes his or her initial investment or together with the confirmation statement of an initial investment. In addition, periodic shareholder reports, which are provided to investors at least every six months, discuss the fund's recent performance and include other important information, such as the fund's financial statements. By examining these reports and other publicly available information, an investor can learn if a fund has been effective in meeting the goals and investment strategies described in the fund's prospectus.

Like shareholders of other companies, mutual fund shareholders have specific voting rights. These include the right to elect directors at meetings called for that purpose (subject to a limited exception for filling vacancies). Shareholders must also approve material changes in the terms of a fund's contract with its investment adviser, the entity that manages the fund's assets. For example, a fund's management fee can be increased only when a majority of shareholders vote to approve the increase. Furthermore, funds seeking to change investment objectives or fundamental policies must first obtain the approval of the holders of a majority of the fund's outstanding voting securities.

See Section 6 on page 70 for more information on shareholders.

Fund Entities and Service Providers

Boards of Directors

A fund's board of directors is elected by the fund's shareholders to govern the fund, and its role is primarily one of oversight. The board of directors typically is not involved in the day-to-day management of the fund company. Instead, day-to-day management of the fund is handled by the fund's investment adviser or administrator pursuant to a contract with the fund.

Investment company directors 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, approve policies and procedures to ensure the fund's compliance with the federal securities laws, and undertake oversight and review of the performance of the fund's operations, as well as of the operations of the fund's service providers with respect to the services they provide to the fund.

As part of this duty, a director is expected to obtain adequate information about issues that come before the board in order to exercise his or her "business judgment," a legal concept that involves a good-faith effort by the director.

Independent Directors. Mutual funds are required by law to have independent directors on their boards in order to better enable the board to provide an independent check on the fund's operations. Independent directors cannot have any significant relationship with the fund's adviser or underwriter.

Investment Advisers

As noted above, a fund's investment adviser is often the fund's initial sponsor and its initial shareholder through the "seed money" it invests to create the fund. The investment adviser invests the fund's assets in accordance with the fund's investment objectives and policies as stated in the registration statement it files with the SEC.

As a professional money manager, the investment adviser also provides a level of money management expertise usually beyond the scope of the average individual investor. The investment adviser has its own employees—typically, a team of experienced investment professionals—who work on behalf of the fund's shareholders and determine which securities to buy and sell in the fund's portfolio.

An adviser's investment decisions are based on a variety of factors, including the fund's investment objectives, its risk parameters, and extensive research of the market and financial performance of specific securities (e.g., the performance and risks associated with a particular company's securities). To protect investors from the adviser's self-dealings, a fund's investment adviser and the adviser's employees are subject to numerous standards and legal restrictions, including restrictions on transactions between the adviser and the fund it advises.

A primary function of the investment adviser is to ensure that the fund's investments are appropriately diversified as required by federal laws and/or as disclosed in the fund's prospectus. Diversification of the fund's investment portfolio reduces the risk that the poor performance of any one security will dramatically reduce the value of the fund's entire portfolio. The allocation of a fund's assets among investments is constantly monitored and adjusted by the fund's investment adviser to protect the interests of shareholders in the fund as dictated by its investment objectives.

Administrators

A fund's administrator can be either an affiliate of the fund, typically the investment adviser, or an unaffiliated third party. The services it provides to the fund include overseeing other companies that provide services to the fund, as well as ensuring that the fund's operations comply with applicable federal requirements. Fund administrators typically pay for office space, equipment, personnel, and facilities; provide general accounting services; and help establish and maintain compliance procedures and internal controls. Often, they also assume responsibility for preparing and filing SEC, tax, shareholder, and other reports. For these services, they are compensated by the fund.

Principal Underwriters

Investors buy and redeem fund shares either directly or indirectly through the principal underwriter, also known as the fund's distributor. Principal underwriters are registered under the Securities Exchange Act of 1934 as broker-dealers, and, as such, are subject to strict rules governing how they offer and sell securities to investors.

The principal underwriter contracts with the fund to purchase and then resell fund shares to the public. A majority of both the fund's independent directors and the entire fund board must approve the initial contract with the underwriter.

The role of the principal underwriter is crucial to a fund's success and viability, in large part, because the principal underwriter is charged with attracting investors to the fund. Although many investors are long-term investors, an industry that competes on service and performance—combined with a shareholder's ability to redeem on demand—makes attracting new shareholders crucial. See page 82 for more information on how investors buy and sell fund shares today.

Custodians

Mutual funds are required by law to protect their portfolio securities by placing them with a custodian. Nearly all mutual funds use banks as their custodians. The SEC requires any bank acting as a mutual fund custodian to comply with various regulatory requirements designed to protect the fund's assets, including provisions requiring the bank to segregate mutual fund portfolio securities from other bank assets.

Transfer Agents

Mutual funds and their shareholders also rely on the services of transfer agents to maintain records of shareholder accounts, calculate and distribute dividends and capital gains, and prepare and mail shareholder account statements, federal income tax information, and other shareholder notices. Some transfer agents also prepare and mail statements confirming shareholder transactions and account balances, and maintain customer service departments, including call centers, to respond to shareholder inquiries.

Fund Pricing: Net Asset Value and the Pricing Process

By law, investors are able to redeem mutual fund shares each business day. As a result, fund shares are very liquid investments. Most mutual funds also continually offer new shares to investors. Many fund companies also allow shareholders to transfer money—or make "exchanges"—from one fund to another within the same fund family. Mutual funds process investors' sales, redemptions, and exchanges as a normal part of daily business activity and must ensure that all transactions receive the appropriate price.

The price per share at which shares are redeemed is known as the net asset value (NAV). NAV is the current market value of all the fund's assets, minus liabilities (e.g., fund expenses), divided by the total number of outstanding shares (see illustration below). This calculation ensures that the value of each share in the fund is identical. An investor may determine the value of his or her pro rata share of the mutual fund by multiplying the number of shares held by the fund's NAV. Federal law requires that a fund's NAV be calculated each trading day.

The price at which a fund's shares may be purchased 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). The 1940 Act requires "forward pricing," meaning that shareholders who purchase or redeem shares must receive the next computed share price (NAV) following the fund's receipt of the transaction order. Under forward pricing, orders received prior to 4 pm receive the price determined that same day at 4 pm; orders received after 4 pm receive the price determined at 4 pm on the next business day.

DETERMINING SHARE PRICE

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

$$\begin{array}{c}\text{Share Price}\\ \text{or}\\ \text{Net Asset Value (NAV)}\\ \$11.88\end{array} = \frac{\text{Market Value in Dollars of Securities Minus Liabilities (\$6,000,000 – \$60,000)}}{\text{Number of Investor Shares Outstanding (500,000)}}$$

Share prices appear in the financial pages of most major newspapers.
A share price can also be found in semiannual and annual reports.

The NAV must reflect the current value of the fund's securities. The value of these securities is determined either by a market quotation for those securities in which a market quotation is readily available, or if a market quotation is not readily available, at fair value as determined in good faith by the fund.

Most funds price their securities at 4 pm Eastern time, when the New York Stock Exchange closes. A mutual fund typically obtains the prices for securities it holds from a market data vendor, which is a company that collects prices on a wide variety of securities. Fund accounting agents internally validate the prices received from a vendor by subjecting them to various control procedures. In many instances, funds may use more than one pricing service either to ensure accuracy or to receive prices for a wide variety of securities held in its portfolio (e.g., stocks or bonds).

The vast majority of mutual funds submit their daily NAVs to NASDAQ by 6 pm Eastern time so they may be published in the next day's morning newspapers. As NASDAQ receives prices, they are instantaneously transmitted to newswire services and other subscribers. Daily fund prices are available in newspapers and other sources, such as through a fund's toll-free telephone service or website.

Tax Features of Funds

Unlike most corporations, a mutual fund generally distributes all of its earnings to shareholders each year and is taxed only on amounts it retains. This specialized "pass-through" tax treatment was established under the Revenue Act of 1936 and endures today under Subchapter M of the Internal Revenue Code of 1986.

To qualify for specialized 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.

The Code's asset tests require that at least 50 percent of the fund's assets must be invested in cash, cash items, government securities, securities of other funds, and investments in other securities which, with respect to any one issuer, do not represent more than 5 percent of the assets of the fund nor more than 10 percent of the voting securities of the issuer. Furthermore, not more than 25 percent of the fund's assets may be invested in the securities of any one issuer (other than government securities or the securities of other funds) or of one or more qualified publicly traded partnerships.

Types of Distributions

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

Dividend distributions come primarily from the interest and dividends earned by the securities in a fund's portfolio and net short-term gains, if any, after expenses are paid by the fund. These distributions must be reported as dividends on an investor's tax return. Legislation enacted in 2003 lowered the top tax rate on qualified dividend income to 15 percent, and legislation enacted in 2006 extended these lower rates through 2010.

Long-term 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. The 2003 legislation also lowered the long-term capital gains tax paid by fund shareholders; in general, these gains are taxed at a 15 percent rate, although a lower rate applies to some taxpayers.

Fund investors are ultimately responsible for paying tax on a fund's earnings, whether they receive the distributions in cash or reinvest them in additional fund shares. To help mutual fund shareholders understand the impact of taxes on the returns generated by their investments, the SEC requires mutual funds to disclose standardized after-tax returns for one-, five-, and 10-year periods. After-tax returns, which accompany before-tax returns in fund prospectuses, are presented in two ways:

» after taxes on fund distributions only (pre-liquidation); and

» after taxes on fund distributions and an assumed redemption of fund shares (post-liquidation).

Types of Taxable Shareholder Transactions

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.

Investors are liable for tax on any capital gain arising from the sale of fund shares, just as they would be if they sold a stock, bond, or other security. 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—including sales loads—for shares, whether acquired with cash or reinvested dividends) and the sale price. Many funds provide cost basis information to shareholders or compute gains and losses for shares sold.

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 or equivalent instruments and also pay exempt-interest dividends. Even though income from these funds is generally tax-exempt, investors must report it on their income tax returns. Tax-exempt funds provide investors with this information in a year-end 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.

Appendix B:

ICI STATISTICAL RELEASES AND RESEARCH PUBLICATIONS

ICI Statistical Releases

The Institute's Research Department releases regular statistical reports that examine the broader investment company industry as well as specific segments of the market and the worldwide fund market.

For the most recent ICI statistics and an archive of statistical releases, visit the Institute's website at www.ici.org/stats/latest/index.html.

TRENDS IN MUTUAL FUND INVESTING

A monthly news release describing mutual fund sales, redemptions, assets, cash positions, exchange activity, and portfolio transactions for the period.
www.ici.org/stats/mf/arctrends/index.html

MONEY MARKET MUTUAL FUND ASSETS

A weekly report on retail and institutional money market fund assets.
www.ici.org/stats/mf/index.html

CLOSED-END FUND STATISTICS

A quarterly report on closed-end fund assets and proceeds.
www.ici.org/stats/ce/index.html

EXCHANGE-TRADED FUNDS

A monthly report that includes assets, number of funds, issuance, and redemptions of ETFs.
www.ici.org/stats/etf/index.html

UNIT INVESTMENT TRUSTS

A monthly report that includes value and number of deposits of new trusts by type and maturity.
www.ici.org/stats/uit/index.html

WORLDWIDE MUTUAL FUND MARKET

A quarterly report that includes assets, number of funds, and net sales of mutual funds in countries worldwide.
www.ici.org/stats/mf/arcglo/index.html

ICI Research

ICI is the primary source of analysis and statistical information on the investment company industry. In addition to the annual *Investment Company Fact Book*, ICI publishes two regular research newsletters, and a variety of research and policy reports that examine the industry, its shareholders, and industry issues. To obtain printed copies of ICI research, or to subscribe to receive ICI's regular statistical releases, contact the Institute's Research Department at 202/326-5913.

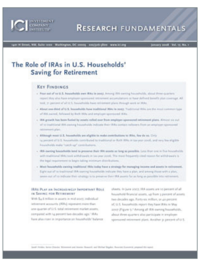

Research Perspective

401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2006

PERSPECTIVE

A series of occasional papers written by Institute staff, leading scholars, and other contributors on public policy issues of importance to investment companies and their shareholders. Includes analyses by Institute staff on a range of topics (e.g., factors influencing accumulations in retirement savings, a history of the Individual Retirement Account, and a study of 401(k) plan asset allocations, account balances, and loan activity). Published several times a year.

Issues of *Perspective* may be accessed through the Institute's website at www.ici.org/perspective/index.html.

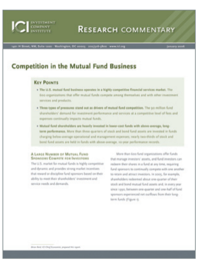

Research Fundamentals

The Role of IRAs in U.S. Households' Saving for Retirement

FUNDAMENTALS

A newsletter summarizing the findings of major Institute research projects. Topics include: sources of fund ownership, funds' use of 12b-1 fees, fund shareholders' use of the Internet, mutual fund fees and expenses, and shareholder sentiment about the fund industry. This periodical is written by ICI research staff, often based on surveys conducted by the Institute.

Issues of *Fundamentals* may be accessed through the Institute's website at www.ici.org/fundamentals/index.html.

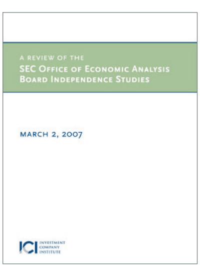

Research Commentary

Competition in the Mutual Fund Business

RESEARCH COMMENTARY

ICI senior economists author this series of occasional papers that focus on current topics of interest involving mutual funds, often topics receiving media attention. Recent issues of *Research Commentary* have focused on competition in the fund industry and portfolio turnover.

Issues of *Research Commentary* may be accessed through the Institute's website at www.ici.org/statements/res/index.html#Research Commentary.


A Review of the SEC Office of Economic Analysis Board Independence Studies

March 2, 2007

RESEARCH REPORTS

Institute research reports provide a detailed examination of shareholder demographics and other aspects of fund ownership.

A full index of research and policy papers may be accessed through the Institute's website at www.ici.org/statements/res/arc-rpt/index.html.

GLOSSARY

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).

AFTER-TAX RETURN – The total return of a fund after the effects of taxes on distributions and/or redemptions have been assessed. Funds are required by federal securities law to calculate after-tax returns using standardized formulas based upon the highest tax rates. (Consequently, they are not representative of the after-tax returns of most mutual fund shareholders.) These standardized after-tax returns are not relevant for shareholders in tax-deferred retirement accounts.

ANNUAL AND SEMIANNUAL REPORTS – Summaries that a mutual fund sends to its shareholders that discuss the fund's performance over a certain 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 – The price at which a mutual fund's shares can be purchased. The asked or offering price includes the current net asset value (NAV) 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 securities in a bond or money market 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 selling price is usually the current net asset value (NAV) per share. See *Net Asset Value* (NAV) and *Redeem*.

BOND – A debt security issued by a company, municipality, or government agency. A bond investor lends money to the issuer and, in exchange, the issuer promises to repay the loan amount on a specified maturity date; the issuer usually pays the bondholder periodic interest payments over the life of the loan.

BREAKPOINTS – The dollar amount at which many mutual funds offer reduced sales charges (or "loads") to investors. The amount of a discount varies, depending upon the amount of the investment. The higher the level of investment, the greater the likelihood of a breakpoint discount and the greater the discount.

BROKER-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 DISTRIBUTIONS – Profits distributed to shareholders resulting from the sale of securities held in the fund's portfolio.

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 fluctuates 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 LOAD (CDSL) – A fee imposed when shares are redeemed (sold back to the fund) during the first few years of ownership.

COVERDELL EDUCATION SAVINGS ACCOUNT (ESA) – This type of account, formerly known as an Education IRA, is a tax-advantaged trust or custodial account set up to pay the qualified education expenses of a designated beneficiary.

CREATION UNIT – A specified number of shares issued by an exchange-traded fund (ETF) in place of an underlying "basket" of securities. ETF investors either keep the ETF shares that make up the creation unit or sell all or part of them on a stock exchange.

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, and a key benefit of investing in mutual funds and other investment companies.

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.

EDUCATION IRA – See *Coverdell Education Savings Account (ESA)*.

EQUITY FUND – See *Stock Fund*.

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.

EXCHANGE-TRADED FUND (ETF) – An investment company, typically a mutual fund or unit investment trust, whose shares are traded intraday on stock exchanges at market-determined prices. Investors may buy or sell ETF shares through a broker just as they would the shares of any publicly traded company.

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 bond's maturity date.

FAMILY OF FUNDS – A group of mutual funds, each typically with its own investment objective, managed and distributed by the same company.

FINRA – A self-regulatory organization for securities firms doing business in the United States.

529 PLAN – An investment program, offered by state governments, designed to help pay future qualified education expenses. States offer two types of 529 plans: prepaid tuition programs allow contributors to establish an account in the name of a student to cover the cost of a specified number of academic periods or course units in the future at current prices; college savings plans allow individuals to contribute to an investment account to pay for a student's qualified higher education expenses.

FORWARD PRICING – The concept describing the price at which mutual fund shareholders buy or redeem fund shares. Shareholders buying or redeeming shares after 4 pm must receive the next computed share price following the fund's receipt of a shareholder transaction order.

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.

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

FUND OF FUNDS – Mutual funds that hold and invest in shares of other mutual funds.

FUND SUPERMARKETS – A one-stop location where investors can choose funds from a wide range of fund families.

HEALTH SAVINGS ACCOUNT (HSA) – A plan that allows workers with high-deductible health insurance coverage to set aside money each year for routine or future health care costs.

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

HYBRID FUND – A mutual fund that invests in a mix of equity and fixed-income securities.

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.

INDEPENDENT DIRECTOR – An individual who cannot have any significant relationship with a mutual fund's adviser or underwriter, in order to better enable the fund board to provide an independent check on the fund's operations.

INDEX MUTUAL FUND – A fund designed to track the performance of a market index. The fund's portfolio of securities mirrors that of the designated market index.

INDIVIDUAL RETIREMENT ACCOUNT (IRA) – An investor-established, tax-deferred account set up to hold and invest funds for retirement.

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

INITIAL PUBLIC OFFERING (IPO) – A corporation's or investment company's first offering of stock or fund shares to the public.

INSTITUTIONAL INVESTOR – The businesses, nonprofit organizations, and other similar investors who own funds and other securities on behalf of their organizations. This classification of investors differs from individual or household investors who own the majority of investment company assets.

INTERDAY INDICATIVE VALUE (IIV) – A real-time estimate of an exchange-traded fund's net asset value. Third-party providers calculate and disseminate this measure every 15 seconds during securities market trading hours.

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, unit investment trusts, and exchange-traded funds are the main types of registered investment companies.

INVESTMENT OBJECTIVE – The goal (e.g., current income, long-term capital growth, etc.) that a mutual fund pursues on behalf of its investors.

ISSUER – The company, municipality, or government agency that issues securities, such as stocks, bonds, or money market instruments.

KEOGH PLAN – A tax-favored retirement plan covering self-employed individuals, partners, and owners of unincorporated businesses, also called an H.R. 10 plan. These plans were first made available by Congress in 1962, but today operate under rules very similar to those for retirement plans for a corporation's employees.

LIFECYCLE FUND – Mutual funds that follow a predetermined reallocation of risk over time to a specified target date, and typically rebalance their portfolios to become more conservative and income-producing by the target date.

LIFESTYLE FUND – Hybrid funds that maintain a predetermined risk level and generally use words such as "conservative," "moderate," or "aggressive" in their names to indicate the fund's risk level.

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.

LOAD – See *Sales Charge*.

LOAD FUND – A fund that imposes a one-time fee—either when fund shares are purchased (front load) or redeemed (back-end load)—or a fund that charges a 12b-1 fee greater than 0.25 percent.

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.

MONEY MARKET FUND – A mutual fund that invests in short-term, high-grade fixed-income securities, and seeks the highest level of income consistent with preservation of capital (i.e., maintaining a stable share price).

MUTUAL FUND – An investment company that buys a portfolio of securities selected by a professional investment adviser to meet a specified financial goal (investment objective). Investors buy shares in a fund, which represent ownership in all the fund's securities. A mutual fund stands ready to buy back its shares at their current net asset value (NAV), which is the total market value of the fund's investment portfolio, minus its liabilities, divided by the number of shares outstanding. Most mutual funds continuously offer new shares to investors.

NET ASSET VALUE (NAV) – The per-share value of an investment company, 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.

NET NEW CASH FLOW – The dollar value of new sales minus redemptions, plus net exchanges. A positive number indicates new sales plus exchanges into funds exceeded redemptions plus exchanges out of funds. A negative number indicates redemptions plus exchanges out of funds exceeded new sales plus exchanges into funds.

NO-LOAD FUND – A mutual fund whose shares are sold without a sales commission and without a Rule 12b-1 fee of more than 0.25 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, money market instruments, and other 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 U.S. Securities and Exchange Commission (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 (NAV), minus any deferred sales charge or redemption fee.

REDEMPTION PRICE – The amount per share 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.

ROTH IRA – A Roth IRA is an individual retirement plan, first available in 1998, that permits only after-tax contributions; earnings are not taxed, and qualified distributions of earnings and principal are generally tax-free.

SALES CHARGE – 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 or Offering Price*.

SAR-SEP IRA – A SEP IRA with a salary reduction feature (see *SEP IRA*). The Small Business Job Protection Act of 1996, which created SIMPLE IRAs, prohibited the formation of new SAR-SEP IRAs, which were created in 1986.

SECONDARY MARKET – Markets where certain investment company shares (closed-end, UIT, and ETF) are bought and sold subsequent to their initial issuance.

SECURITIZATION – The process of aggregating similar instruments, such as loans or mortgages, into a negotiable security, such as the creation of mortgage-backed securities.

SEP IRA – A retirement program created in 1978 that consists of individual retirement accounts for all eligible employees, to which an employer can contribute according to certain rules.

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) – Distinct groups of fund share offerings representing ownership in the same fund while offering different fee charges. This feature of fund ownership 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.

SIMPLIFIED EMPLOYEE PENSION PLAN (SEP) – A retirement program consisting of individual retirement accounts for all eligible employees, to which the employer can contribute according to certain rules. A fairly simple, inexpensive plan to establish and administer, a SEP can be attractive to small businesses and self-employed individuals.

SIMPLE IRA (THE SAVINGS INCENTIVE MATCH PLAN FOR EMPLOYEES) – A tax-favored retirement plan created in 1996 that small employers can set up for the benefit of their employees.

STANDARD & POOR'S 500 INDEX (S&P 500) – A daily measure of stock market performance, based on the performance of 500 major companies.

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.

STOCK FUND – A mutual fund that concentrates its investments in stocks.

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.

TRADITIONAL IRA – The first type of IRA, created in 1974. Individuals may make both deductible and non-deductible contributions to these IRAs.

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 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.

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1976 The Tax Reform Act of 1976 permits the creation of municipal bond funds. The first retail index fund is offered.

1978 The Revenue Act of 1978 creates new Section 401(k) retirement plans and simplified employee pensions (SEPs).

1981 The Economic Recovery Tax Act establishes "universal" IRAs for all workers. IRS proposes regulations for Section 401(k).

1986 The Tax Reform Act of 1986 reduces IRA deductibility.

1987 ICI welcomes closed-end funds as members.

1989 Mutual fund assets top $1 trillion.

1993 The first exchange-traded fund (ETF) shares are issued.

1996 Enactment of the National Securities Markets Improvement Act of 1996 (NSMIA) provides a more rational system of state and federal regulation, giving the SEC exclusive jurisdiction for registering and regulating mutual funds, exchange listed securities, and larger advisers. States retain their anti-fraud authority and responsibility for regulating non-exchange listed offerings and smaller advisers. The Small Business Job Protection Act creates SIMPLE plans for employees of small businesses.

1997 The Taxpayer Relief Act of 1997 creates the Roth IRA and eliminates restrictions on portfolio management that disadvantage fund shareholders.

1998 The SEC approves the most significant disclosure reforms in the history of U.S. mutual funds, encompassing "plain English," fund profiles, and improved risk disclosure.

1999 The Gramm-Leach-Bliley Act modernizes financial services regulation and enhances financial privacy.

2001 Enactment of the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001 significantly expands retirement savings opportunities for millions of working Americans.

2003 The Jobs and Growth Tax Relief Reconciliation Act (JGTRRA) provides mutual fund shareholders with the full benefits of lower tax rates on dividends and capital gains.

2006 Enactment of the Pension Protection Act (PPA) and the Tax Increase Prevention and Reconciliation Act provides incentive for investors young and old to save more in tax-deferred and taxable investment accounts.

2007 Investment company assets reach $13 trillion.

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