2003

Mutual Fund Fact Book

43rd Edition

A guide to *trends*

and *statistics* in the

mutual fund industry

INVESTMENT COMPANY INSTITUTE®

SIGNIFICANT EVENTS IN MUTUAL FUND HISTORY

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 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.

1940 The Investment Company Act of 1940 is signed into law, setting the structure and regulatory framework for the modern mutual fund industry. The forerunner to the National Association of Investment Companies (NAIC) is formed. The NAIC will later become the Investment Company Institute (ICI).

1944 The NAIC begins collecting investment company industry statistics.

1951 The total number of mutual funds surpasses 100, and the number of shareholders exceeds 1 million for the first time.

1954 Households' net purchases of fund shares exceed those of corporate stock for the first time. 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 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 retirement plans.

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About ICI

The Investment Company Institute (ICI) is the national association of the investment company industry. Its mission is to advance the interests of investment companies (mutual funds, closed-end funds, unit investment trusts, and exchange-traded funds) and their shareholders, to promote public understanding of investment companies, and to serve the public interest by encouraging adherence to high ethical standards by all elements of the business. As the only association of U.S. investment companies without regard to distribution method or affiliation, the Institute is dedicated to the interests of the entire investment company industry and all of its shareholders. The Institute represents members and their shareholders before legislative and regulatory bodies at both the federal and state levels, spearheads investor awareness initiatives, disseminates industry information to the public and the media, provides economic policy and other policy research, and seeks to maintain high industry standards.

The association was originally formed by industry leaders who supported the enactment of the Investment Company Act of 1940, legislation that provided the strong regulatory structure that has been responsible for much of the industry's success. Established in New York in 1940 as the National Committee of Investment Companies, the association was renamed the National Association of Investment Companies in 1941 and the Investment Company Institute in 1961. The Institute was relocated to Washington, DC in 1970.

For more information on the Institute, its members, and how mutual funds operate, visit the Institute's public policy website at www.ici.org.

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CHAPTER 1

Organization and Features of Mutual Funds

A mutual fund is a type of investment company that gathers assets from investors and collectively invests those assets in stocks, bonds, or money market instruments. Through the collective investments of the mutual fund, each investor shares in the returns from the fund's portfolio while benefiting from professional investment management, diversification, liquidity, and other benefits and services.

How a Mutual Fund Is Organized

A mutual fund is organized either as a corporation or a business trust. 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 securities.

A mutual fund is typically externally managed: it is not an operating company with employees in the traditional sense. Instead, a fund relies upon third parties, either affiliated organizations or independent contractors, to carry out its business activities, such as investing in securities. The diagram on page 4 shows the principal service providers to a mutual fund and its shareholders.

Shareholders

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. Furthermore, funds seeking to change investment objectives or policies deemed fundamental must obtain the approval of the holders of a majority of the fund's outstanding voting securities.

Shareholders are provided comprehensive information about the fund to help them make informed investment decisions. A mutual fund's prospectus describes the fund's goals, fees and expenses, investment strategies and risks, as well as information on how to buy and sell shares. The U.S. Securities and Exchange Commission (SEC) requires a fund to provide a full prospectus either before an investment or together with the confirmation statement of an initial investment. In addition, periodic shareholder reports, prepared at least every six months by funds, discuss the fund's recent performance and include other important information, such as the fund's financial statements. By examining these reports, an investor can learn if a fund has been effective in meeting the goals and investment strategies described in the fund's prospectus.

For more information on fund shareholders, see Chapter 4 on page 41 or visit the Institute's policy website at www.ici.org/funds/abt/faqs_mf_shareholders.html.

Directors

A board of directors, elected by the fund's shareholders to govern the fund, is responsible for overseeing the management of fund business affairs. Because mutual fund directors are looking out for shareholders' interests, the law holds them to a very high standard.

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, establish procedures, and undertake oversight and review of the performance of the investment adviser and others that perform services for the fund. As part of this fiduciary duty, a director is expected to obtain adequate information about items 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 include independent directors, individuals that cannot have any significant relationship with the fund's adviser or underwriter so that they can provide an independent check on the fund's operations. Furthermore, SEC rule changes from January 2002 require, in most instances, that a majority of most funds' boards of directors be independent.

Independent directors serve as watchdogs for the shareholders' interests and oversee a fund's investment adviser and others closely affiliated with the fund. This system of overseeing the interests of mutual fund shareholders has helped the industry avoid systemic problems and contributed significantly to public confidence in mutual funds.

For more information on fund directors, visit the Institute's policy website at www.ici.org/issues/dir/index.html.

Investment Advisers

An investment adviser manages the money accumulated in a mutual fund. The investment adviser invests the fund's assets on behalf of shareholders in accordance with a fund's objectives as described in a fund's prospectus.

Diversification. Fund managers invest in a variety of securities, providing fund shareholders with investment diversification. A diversified portfolio helps reduce risk by offsetting losses from some securities with gains in others. Mutual funds provide an economical way for the average investor to obtain professional money management and diversification of investments much like large institutions and wealthy investors receive.

Investment advisers who oversee "actively managed" fund portfolios base their investment decisions on extensive knowledge and research of market conditions and the financial performance of individual companies and specific securities in the effort to meet or beat average market returns. As economic conditions change, the fund investment adviser may adjust the mix of its investments to adopt a more aggressive or a more defensive posture in meeting its investment objectives. Investment managers who oversee "passively managed" funds, typically try to track a market index—such as the S&P 500—by buying and holding all, or a large representative sample, of the securities in the index.

A fund investment adviser is subject to numerous standards and legal restrictions, especially regarding transactions between itself and the fund it advises. A written contract between a mutual fund and its investment adviser specifies the services the adviser performs. Most advisory contracts provide that the adviser receive an annual fee based on a percentage of the fund's average net assets (see *Management Fee* on page 15).

The Structure of a Mutual Fund

Shareholders

Board of directors
Oversees the fund's activities, including approval of the contract with the management company and certain other service providers.

Mutual fund

Investment adviser
Manages the fund's portfolio according to the objectives and policies described in the fund's prospectus.

Principal underwriter
Sells fund shares, either directly to the public or through other firms.

Custodian
Holds the fund assets, maintaining them separately to protect shareholder interests.

Independent public accountant
Certifies the fund's financial statements.

Transfer agent
Executes transactions—such as orders to buy and sell fund shares—on behalf of fund shareholders, maintains records of those transactions and other shareholder account activity, and sends account information—such as fund statements and transaction confirmations—to shareholders.

Administrators

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

Principal Underwriters

Most mutual funds continuously offer new shares to the public at a price based on the current value of fund net assets plus any sales charges (see *Liquidity* on page 7). Mutual funds usually distribute their shares through principal underwriters. Principal underwriters are regulated as broker-dealers and are subject to NASD rules governing mutual fund sales practices.

Custodians

Mutual funds are required by law to protect their portfolio securities by placing them with a custodian. Nearly all mutual funds use qualified bank custodians. The SEC requires mutual fund custodians to segregate mutual fund portfolio securities from other bank assets.

Transfer Agents

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

Mutual Funds Versus Other Types of Investment Companies

Mutual funds are considered "open-end" investment companies under federal law for two reasons. First, they are required to redeem (or buy back) outstanding shares at any time upon a shareholder's request, and at a price based on the current value of the fund's net assets. Second, although not required, virtually all mutual funds continuously offer new fund shares to the public.

In addition to mutual funds, there are three other types of investment companies regulated under the Investment Company Act of 1940: closed-end funds, unit investment trusts, and exchange-traded funds.

A **closed-end fund** is an investment company that issues a fixed number of shares, which 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 a combination of both. Like other publicly traded securities, the market price of closed-end fund shares fluctuates and is determined by supply and demand in the marketplace. For statistical information on closed-end funds, see pages 102 – 103 or visit the Institute's policy website at www.ici.org/funds/abt/faqs_closed_end.html.

A **unit investment trust** (UIT) is an investment company that buys and holds a generally fixed portfolio of stocks, bonds, or other securities. "Units" in the trust are sold to investors, or "unit holders," who receive their proportionate share of dividends or interest paid by the UIT investments. Unlike other investment companies, a UIT has a stated date for termination that varies according to the investments held in its portfolio. At termination, investors receive their proportionate share of the UIT net assets. For statistical information on UITs, see page 104 or visit the Institute's policy website at www.ici.org/funds/abt/faqs_uits.html.

An **exchange-traded fund** (ETF) is an investment company whose shares are traded intraday on stock exchanges at market-determined prices. Investors buy or sell ETF shares through a broker just as they would the shares of any publicly traded company. For statistical information on ETFs, see pages 105 – 106 or visit the Institute's policy website at www.ici.org/funds/abt/faqs_etfs.html.

Other Features of Mutual Funds

Variety

There are four basic types of mutual funds: equity (also called stock), bond, hybrid, and money market. Equity funds concentrate their investments in stocks. Similarly, bond funds primarily invest in bonds. Hybrid funds typically invest in a combination of stocks, bonds, and other securities. Equity, bond, and hybrid funds are called long-term funds. Money market funds are referred to as short-term funds because they invest in securities that generally mature in about one year or less. Of the total $6.392 trillion invested in mutual funds at the end of 2002, $2.667 trillion was invested in equity funds, $1.125 trillion in bond funds, $327 billion in hybrid funds, and $2.272 trillion in money market funds.

At the end of 2002, 8,256 mutual funds were available to investors, offering a wide variety of investment objectives and exposure to a wide range of securities. The Investment Company Institute classifies mutual funds in 33 investment objective categories (see pages 8–11).

Liquidity

Since mutual funds are required by law to redeem shares on a daily basis, fund shares are a very liquid investment. Most mutual funds also continually offer new shares to investors, and many fund companies allow shareholders to transfer money—or make "exchanges"—from one fund to another within the same fund family. Mutual funds process sales, redemptions, and exchanges as a normal part of daily business activity.

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, divided by the total number of outstanding shares (see illustration below).

How a Mutual Fund Determines Its Share Price

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

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

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

Mutual Fund Investment Objectives

The Investment Company Institute classifies U.S. mutual funds in 33 investment objective categories.

EQUITY FUNDS

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

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

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

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

World Equity Funds invest primarily in stocks of foreign companies.

- *Emerging market funds* invest primarily in companies based in developing regions of the world.
- *Global equity funds* invest primarily in equity securities traded worldwide, including those of U.S. companies.
- *International equity funds* invest primarily in equity securities of companies located outside the United States.
- *Regional equity funds* invest in companies based in a specific part of the world.

HYBRID FUNDS

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

- *Asset allocation funds* invest in various asset classes including, but not limited to, equities, fixed-income securities, and money market instruments. They seek high total return by maintaining precise weightings in asset classes. Global asset allocation funds invest in a mix of equity and debt securities issued worldwide.
- *Balanced funds* invest in a mix of equity securities and bonds with the three-part objective of conserving principal, providing income, and achieving long-term growth of both principal and income. These funds maintain target percentages in asset classes.

- *Flexible portfolio funds* invest in common stocks, bonds, other debt securities, and money market securities to provide high total return. These funds may invest up to 100 percent in any one type of security and may easily change weightings depending upon market conditions.
- *Income-mixed funds* invest in a variety of income-producing securities, including equities and fixed-income instruments. These funds seek a high level of current income without regard to capital appreciation.

TAXABLE BOND FUNDS

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

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

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

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

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

continued on page 10

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

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

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

TAX-FREE BOND FUNDS

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

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

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

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

MONEY MARKET FUNDS

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

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

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

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

The Mutual Fund Pricing Process

Mutual fund pricing takes place in a short time frame at the end of each business day. Generally, a fund's pricing process begins at the close of the New York Stock Exchange, normally 4:00 pm Eastern time. A mutual fund typically obtains the prices for securities it holds from a pricing service, a company that collects prices on a wide variety of securities. Fund accounting agents internally validate the prices received by subjecting them to various control procedures. In some instances, a fund may use more than one pricing service to ensure accuracy.

The vast majority of mutual funds release their daily share prices through Nasdaq. For a fund's share price to be published in the next day's morning newspapers, it must be delivered by 5:55 pm Eastern time to Nasdaq. As prices are received by Nasdaq, they are instantaneously transmitted to wire services and other subscribers. Wire services transmit the prices to their client newspapers. Besides in newspapers, daily fund prices are available from other sources. Many funds offer toll-free telephone service and Internet access, which provides the fund share prices along with other current information.

For more on mutual fund pricing, visit the Institute's policy website at www.ici.org/funds/abt/faqs_navs.html.

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

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

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

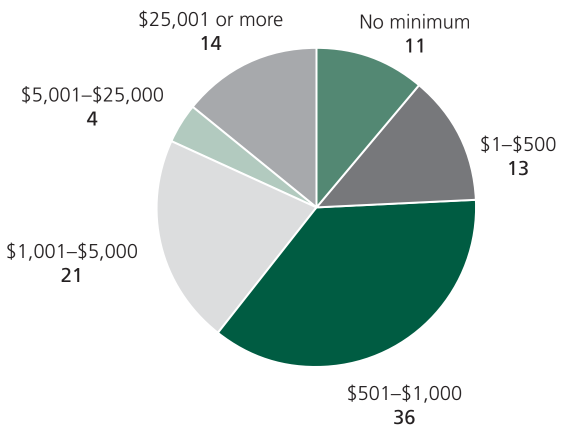
Accessibility

Mutual fund shares are available through a variety of sources. Investors outside retirement plans may purchase fund shares either with the help of an investment professional, such as a broker, financial planner, bank representative, or insurance agent, or directly from the fund itself, based on the investor's own research and knowledge. Investment professionals provide services to investors—analyzing the investors' financial needs and objectives and recommending appropriate funds. Investment professionals are compensated for their services, generally through a sales commission or through 12b-1 fees deducted from the fund's assets.

Many mutual funds can be purchased directly from fund companies without the help of an investment professional. When funds are purchased in this manner, investors are required to do their own research to determine which funds meet their needs.

Mutual Fund Minimum Investment Requirements, 2002

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



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

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

Mutual funds may also be offered as investment selections in 401(k) plans and other employee benefit plans. See Chapter 5 on page 47 for more information on mutual funds and the retirement market or visit the Institute's policy website at www.ici.org/issues/ret/index.html.

Shareholder Services

Mutual funds offer a wide variety of services to shareholders. These services include toll-free telephone service, 24-hour telephone access to account information and transaction processing, consolidated account statements, shareholder cost basis (tax) information, exchanges between funds, automatic investments, checkwriting privileges on money market and some bond funds, automatic reinvestment of fund dividends, and automatic withdrawals. Mutual funds also provide extensive investor education and other shareholder communications, including newsletters, brochures, retirement and other planning guides, and websites.

Affordability

Mutual funds offer their many benefits and services at an affordable price. Furthermore, competition within the fund industry helps keep funds affordable. For more information on the trends in mutual fund costs, visit the Institute's policy website at www.ici.org/issues/fee/index.html.

Mutual Fund Fees and Expenses

Mutual fund shareholders benefit from full disclosure of mutual fund fees and expenses. A fund's fees and expenses are required by law to be clearly disclosed to investors in a standardized fee table at the front of the fund's prospectus. The fee table breaks out the fees and expenses shareholders can expect to pay when purchasing fund shares and allows investors to easily compare the cost of investing in different funds.

SHAREHOLDER FEES

The fees listed below are paid directly by an investor.

- **Sales Charge.** A sales charge may be attached to the purchase or sale of mutual fund shares. This fee compensates a financial professional for his or her services.
- **Redemption Fee.** This fee is paid to a fund to cover the costs, other than sales costs, involved with a redemption.
- **Exchange Fee.** This fee may be charged when an investor transfers money from one fund to another within the same fund family.
- **Annual Account Maintenance Fee.** This fee may be charged by some funds, for example, to cover the costs of providing service to low-balance accounts.

ANNUAL FUND OPERATING EXPENSES

These fees and expenses reflect the normal costs of operating a fund. Unlike shareholder fees, these expenses are not charged directly to an investor but are deducted from fund assets before earnings are distributed to shareholders.

- **Management Fee.** This is a fee charged by a fund's investment adviser for managing the fund's portfolio of securities and providing related services.
- **Distribution (12b-1) Fee.** This fee, if charged, is deducted from fund assets to compensate sales professionals for providing investment advice and ongoing services to mutual fund shareholders and to pay fund marketing and advertising expenses. For more information on 12b-1 fees, see "Use of Rule 12b-1 Fees by Mutual Funds in 1999" (www.ici.org/pdf/fm-v9n1.pdf).
- **Other Expenses.** These expenses include, for example, fees paid to a fund's transfer agent for providing fund shareholder services, such as toll-free phone communications, computerized account services, website services, recordkeeping, printing, and mailing.

For more information on mutual fund fees and expenses, including trends in fund costs and recent fees-related issues, visit the Institute's policy website at www.ici.org/issues/fee/index.html.

CHAPTER 2

Regulation and Taxation of Mutual Funds

Mutual funds and their principal service providers are regulated by the federal government to protect investors and maintain public confidence in the fund industry.

The U.S. Securities and Exchange Commission (SEC) regulates funds according to the provisions of the Investment Company Act of 1940. Funds must also comply with the Securities Act of 1933 when registering their shares publicly, and must provide notice filings to those states in which they intend to offer their shares. In addition, when fund sponsors sell fund shares to the public they are subject to regulation as broker-dealers under the Securities Exchange Act of 1934. Furthermore, fund investment advisers are generally required to register under the Investment Advisers Act of 1940.

The Foundation of Fund Regulation: The Investment Company Act of 1940

The Investment Company Act, enacted on August 23, 1940, set the structure and regulatory framework for the modern mutual fund industry. The 1940 Act has stood the test of time because of its wide-ranging provisions, which impose restrictions not only on mutual funds but also fund investment advisers, principal underwriters, directors, officers, and employees. Perhaps equally important, the 1940 Act grants the SEC broad discretionary powers to keep the Act current with the constantly changing financial service industry environment in which mutual funds and other investment companies operate.

Taxation, Tax Exemption, and Tax Deferral

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

Subchapter M of the Internal Revenue Code of 1986. To qualify for this favorable tax treatment under the Code, mutual funds must meet, among other conditions, various investment diversification standards and pass a test regarding the source of their income. Fund investors are ultimately responsible for paying tax on a fund's earnings, whether or not they receive the distributions in cash or reinvest them in additional fund shares.

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

Four Principal Securities Laws Govern Mutual Funds

The Investment Company Act of 1940 regulates the structure and operations of mutual funds and other investment companies. Among other things, the 1940 Act requires mutual funds 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 mutual fund shares. The 1933 Act also requires that all prospective investors receive a current prospectus describing the fund.

The Securities Exchange Act of 1934 regulates broker-dealers, including mutual fund principal underwriters and others who 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 with the SEC.

The Investment Advisers Act of 1940 requires federal registration of all investment advisers to mutual funds. The Advisers Act contains various antifraud provisions and requires fund advisers to meet recordkeeping, reporting, and other requirements.

For links to these and other major federal securities laws, visit the Institute's policy website at www.ici.org/issues/ref_federal_statutes.html.

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. Capital gain distributions represent a fund's net gains, if any, from the sale of securities held in its portfolio for more than one year. When gains from these sales exceed losses, they are distributed to shareholders. Beginning in 2001, distributions of capital gains on assets held by the fund for more than five years were eligible for treatment as "qualified five-year gains"—taxable at an 8 percent rate—to those investors otherwise taxed on these gains at a 10 percent rate.

To help mutual fund shareholders understand the impact that taxes can have on the returns generated by their investments, the SEC adopted a rule that 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).

Share Sales and Exchanges

An investor who sells mutual fund shares usually incurs a capital gain or loss in the year the shares are sold; an exchange of shares between funds in the same fund family also results in either a capital gain or loss (see *Tax-Deferred Retirement Accounts* on page 20 for exceptions to these rules).

Investors are liable for tax on any capital gain arising from the sale of fund shares, just as they would be if they sold a stock, bond, or any 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 for shares, including those acquired with 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 and also pay exempt-interest dividends.

Even though income from these two types of funds is generally tax-exempt, investors must report it on their income tax returns. Tax-exempt mutual funds provide investors with this information in a year-end statement, and they 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.

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

Tax-Deferred Retirement Accounts

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

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

Taxes on mutual fund earnings are deferred when they remain in 401(k) plans, IRAs, and other similar tax-deferred accounts, such as 403(b) accounts. Thus, no tax is incurred as a result of dividend and capital gain distributions, or from the sale of fund shares, until the investor takes distributions from the tax-deferred account.

Distributions are treated as income, which is subject to the investor's federal income tax rate at the time of distribution. (Nondeductible or after-tax contributions to these retirement accounts are not subject to taxation at distribution, and distributions from Roth IRAs also may not be subject to taxation at distribution.)

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

CHAPTER 3

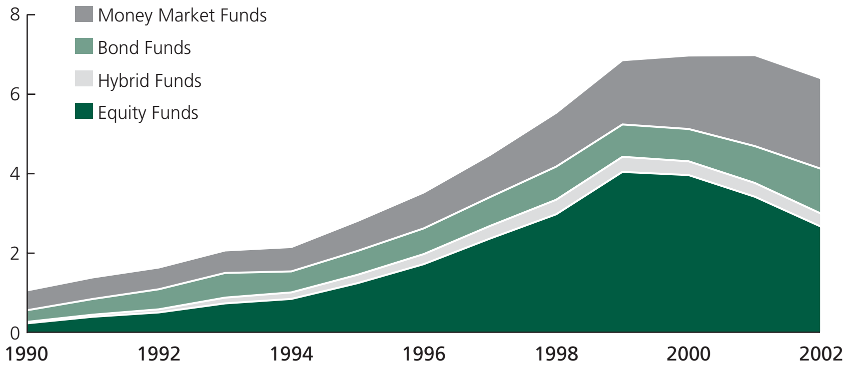
U.S. Mutual Fund Developments in 2002

Mutual fund investors reacted to a harsh financial environment in 2002 much as they have in the past. Shareholders in equity and money market funds responded to the low fund returns by curtailing their net purchases, while bond fund investors increased their net purchases as bond fund returns rose.

The bear market in stocks depressed equity fund assets, which declined to $2.667 trillion at year-end 2002 from $3.418 trillion in 2001. Bond fund assets reached a record $1.125 trillion by year-end 2002, lifted largely by new investments. Money market fund assets—after experiencing record inflows and asset levels in 2001—declined by 0.6 percent to $2.272 trillion by year-end 2002. Hybrid fund assets were little changed in 2002, finishing the year at $327 billion.

Assets of Mutual Funds, 1990–2002

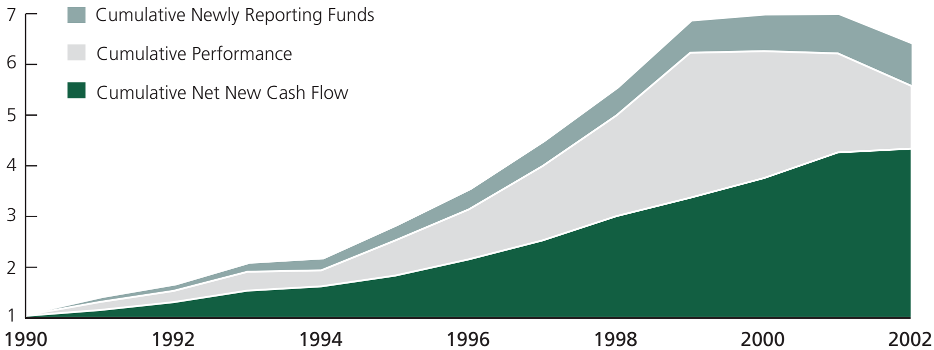
(trillions of dollars)



Note: See page 107 for data points on this chart.

Components of Mutual Fund Asset Growth,* 1990–2002

(trillions of dollars)



**All total asset figures plotted in this chart represent the cumulative contribution of the initial assets of newly reporting funds, net new cash flow, and fund investment performance from year-end 1989 through the end of each year plotted. Asset levels plotted also include year-end 1989 assets of $981 billion.*

Note: See page 108 for data points on this chart.

Household Demand for Mutual Funds

Owing to the decline in household wealth in the past few years, households slowed their pace of consumption and increased their rate of saving. Households used the additional savings to increase their net purchases of financial assets to a record $668 billion in 2002.

Even though households acquired a record amount of financial assets, their net purchases of mutual funds, including reinvested dividends, slipped to $164 billion, the lowest amount since 1994. Some of the decline reflected the slowdown in net purchases of equity fund shares, but households' net acquisition of money market fund shares also turned negative. The slowdown in purchases of mutual funds largely reflected the normal cyclical fluctuation in flows associated with low returns on equity and money market funds. Instead of buying equity and money market funds, individuals increased their purchases of time and savings deposits as well as bond funds and direct holdings of municipal and U.S. government bonds.

The mutual fund portion of household financial assets declined approximately one percentage point in 2002 to just under 18 percent. Households continued to hold the largest portion of their financial assets (23 percent) in direct holdings of securities. These securities are typically held in accounts managed by private money managers, brokerage firms, and bank trust

Net New Cash Flow to Mutual Funds, 1990–2002

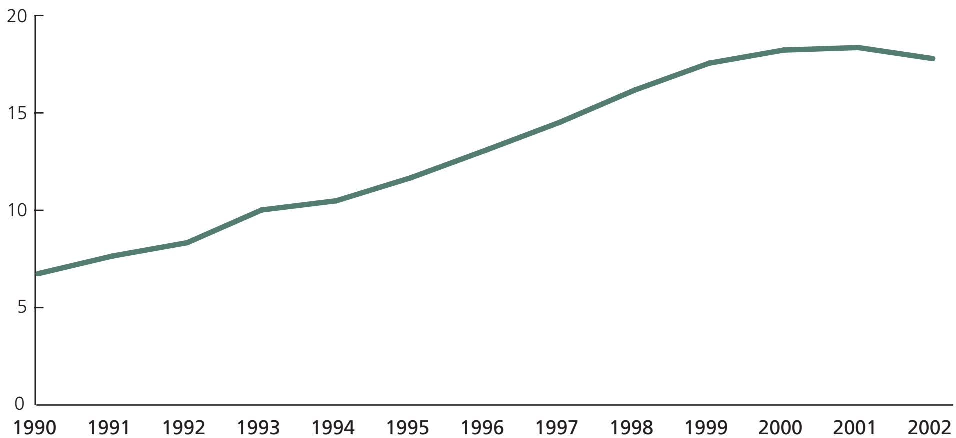
(billions of dollars)

	Equity	Hybrid	Bond	Money Market	Total*	Total Mutual Fund Assets
1990	$12.9	$1.5	$6.8	$23.2	$44.4	$1,065.2
1991	39.9	7.1	59.2	5.5	111.7	1,393.2
1992	79.0	21.8	70.9	(16.3)	155.4	1,642.5
1993	127.3	44.2	70.6	(14.1)	227.9	2,070.0
1994	114.5	23.1	(62.5)	8.8	83.9	2,155.3
1995	124.4	3.9	(6.1)	89.4	211.6	2,811.3
1996	216.9	12.2	2.8	89.4	321.3	3,525.8
1997	227.1	16.5	28.4	102.1	374.1	4,468.2
1998	157.0	10.2	74.6	235.3	477.1	5,525.2
1999	187.7	(13.8)	(4.1)	193.6	363.4	6,846.3
2000	309.4	(30.7)	(49.8)	159.6	388.5	6,964.7
2001	31.9	9.5	87.7	375.6	504.8	6,975.0
2002	(27.7)	8.6	140.4	(46.7)	74.7	6,391.6

**Components may not add to the total because of rounding.*

Household Ownership of Mutual Funds, 1990–2002

(percent of total household financial assets)



Note: Includes mutual funds held through employer-sponsored pension plans, bank personal trusts, and variable annuities. See page 109 for data points on this chart.

Sources: Federal Reserve Board and Investment Company Institute

departments. Pension funds also manage a large portion of household financial assets, totaling 20 percent at year-end 2002. Deposits at banks and savings associations account for another 13 percent, and life insurance companies manage 6 percent.

Equity Funds

Net new cash flow into equity funds turned negative for the first time since 1988, with the outflow for the year totaling $28 billion, or 0.9 percent of equity fund assets. Although the outflow was the first in 14 years, it was a smaller percentage of equity fund assets than the outflows that occurred during the bear markets of the 1970s and 1980s. By comparison in 1988, shareholders on balance sold 8 percent of their equity fund assets. During the 1970s, a decade of low stock returns, annual net outflows from equity funds ranged between 1.2 percent and 11.9 percent of assets.

The combination of declining stock prices and the net outflow left equity fund assets at $2.667 trillion at the end of 2002, the lowest level in five years and down 42 percent from the peak in August 2000. Equity funds' portion of all mutual fund assets declined to 42 percent, the smallest share since 1994.

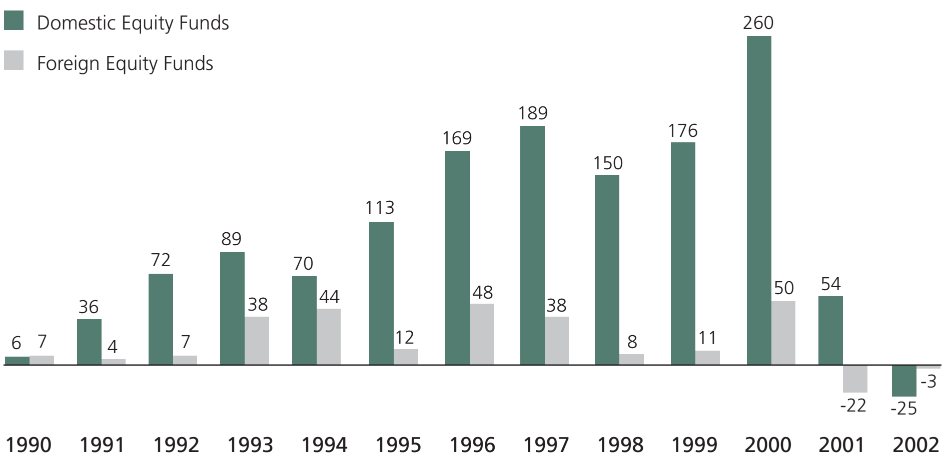
Equity fund investors responded to the slide in the stock market in 2002 much as they did during market downturns in the 1990s when, during periods of weak economic performance, net flow into equity funds tended to slow. Furthermore, as during past bear markets, the outflow was caused by the dollar volume of sales falling more than redemptions. Sales, including exchange sales, of equity funds declined by 8 percent in 2002 whereas redemptions, including exchanges, fell by 4 percent.

Domestic Equity Funds

Shareholders, on balance, sold $25 billion of domestic equity fund shares in 2002, totaling 0.9 percent of average domestic fund assets. The net outflow reflected the weak performance of the stock market. Typically, when stock prices fall, investors reduce their net purchases of equity funds, and when stock prices rise, investors increase their net purchases. The outflow in 2002 was attributable to the dollar volume of sales falling more than redemptions. Sales, including exchange sales, fell by 8 percent while redemptions, including exchanges, fell by 1 percent. As a percent of assets, however, both sales and redemptions rose. The increased rates of sales and redemptions to assets resulted from the 23 percent drop in assets of domestic equity funds in 2002 that offset the dollar decline in sales and redemptions.

Net New Cash Flow to Equity Funds, Domestic vs. Foreign, 1990–2002

(billions of dollars)



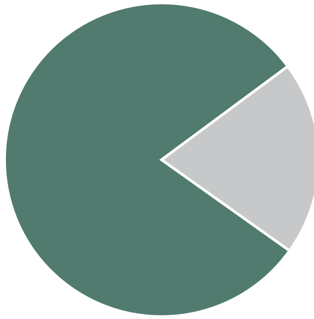
Note: The sum of the net flows to foreign and domestic funds may not equal the total shown on page 25 because of rounding. Data for funds that invest in other mutual funds were excluded from the series.

Domestic equity funds' flows began the year on a strong note as major stock market indexes rebounded from lows reached in September 2001. Investors added $50 billion in new cash to domestic equity funds during the first three months of 2002, the largest three-month inflow since the fall of 2000.

The stock market's ascent ended in mid-March, and stock prices declined modestly until early June. Inflows to domestic equity funds slowed, but remained positive through May, totaling $65 billion for the first five months of 2002. However, new information about corporate accounting scandals and downward revisions to profit forecasts were a drag on the market, and the S&P 500 lost 16 percent of its value during June and July. Share prices continued to decline, and by October major market indexes had fallen to their lowest levels in five years. As stock prices slipped, so did domestic equity fund flows, which turned negative in June and remained so through the end of the year, except for the month of November. Over the last seven months of 2002, the cumulative net outflow was $90 billion.

Mutual Fund Ownership of U.S. Corporate Equity

(percent)



Value of Publicly Held U.S. Equity Outstanding: $11.0 trillion
December 31, 2002

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

Sources: Investment Company Institute, Nasdaq, AMEX, and NYSE

The outflow from domestic equity funds in 2002 was in line with the response of shareholders to previous periods of falling stock prices. Indeed, the evidence continues to indicate that domestic equity fund shareholders reacted to the stock market in 2002 much as they had to market fluctuations during the 1990s.

Mutual fund ownership of U.S. corporate equity was about 20 percent in 2002, less than a percentage point lower than in 2001. Pension funds, insurance companies, households' direct holdings, and foreign investors accounted for most of the remaining holdings.

Foreign Equity Funds

U.S. investors, on balance, sold $3 billion of foreign equity fund shares during 2002, amounting to 0.7 percent of average foreign equity fund assets. Total assets in these funds declined to $358 billion in December 2002 from $429 billion at the end of 2001. Virtually all of the decline was attributable to declining foreign stock prices.

Many foreign equity markets suffered losses in 2002. European stock indexes were down nearly 31 percent on average, and the Japanese stock market posted a decline of more than 19 percent. Other markets in Asia and the Pacific were off less than the Japanese stock market, while emerging markets fared better than most other world stock markets. A decline in the U.S. dollar offset some of these losses because the foreign-currency denominated assets appreciate in value relative to the dollar when the dollar declines.

The small outflow from foreign equity funds was consistent with past transaction activity of investors in foreign equity funds. These shareholders behave much the same as investors in domestic stock funds.

Equity Fund Redemptions and Shareholder Turnover

The redemption rate for all equity funds, measured as redemptions and redemption exchanges divided by average assets, rose to 41 percent in 2002, its highest level since 1988. Despite the increase, there is little evidence to suggest that the transaction activity of the typical shareholder has changed materially during the past decade.

Recent survey evidence continues to show that the majority of investors redeem shares infrequently. For example, a recent survey by ICI and the Securities Industry Association found that 84 percent of all stock mutual fund shareholders made no redemptions during 2001. Furthermore, 7 percent of the equity fund shareholders surveyed made one sale of equity fund shares during 2001, whereas 2 percent made six or more redemptions. Thus, high-frequency trading activity of a small number of shareholders lies behind the high redemption rate.

The upward trend in the redemption rate since 1993 is largely associated with higher redemption rates in foreign equity funds. The redemption rate for foreign equity funds rose 46 percentage points between 1992 and 2002. The redemption rate for domestic equity funds rose only 9 percentage points between 1992 and 2002. The more modest increase in the redemption rate among these funds along with the survey evidence suggest that transaction behavior on the part of most equity fund investors has not changed significantly in the past decade.

Shareholder Reaction to Market Conditions Follows Well-Established Patterns

U.S. stock prices declined for the third consecutive year in 2002, marking the first three-year run of losses since 1941. Stock market indexes for large corporations fell by more than 20 percent, bringing the cumulative drop for the three years ending in 2002 to 40 percent, the largest since 1930–1932. Stock prices of smaller firms fared somewhat better but still were down 24 percent between 1999 and 2002.

Even so, equity fund shareholders' response to the unusual financial conditions and slow economic growth was measured and in line with the well-established pattern of weak net new cash flow during periods of low stock market returns. Equity fund investors sold a small percentage of their equity fund holdings amidst the stock market sell off. The outflow generally conformed to investor behavior during the brief market downturns that occurred during the 1990s bull market and, when measured as a percentage of assets, was much smaller than the outflows that occurred during the bear markets of the 1970s and 1980s.

For more information on shareholder response to market conditions in 2002, see the February 2003 issue of *Perspective* (www.ici.org/pdf/per09-01.pdf). The Institute also devotes a portion of its policy website to research and statistics on fund shareholders and their response to market conditions (www.ici.org/shareholders/us/index.html).

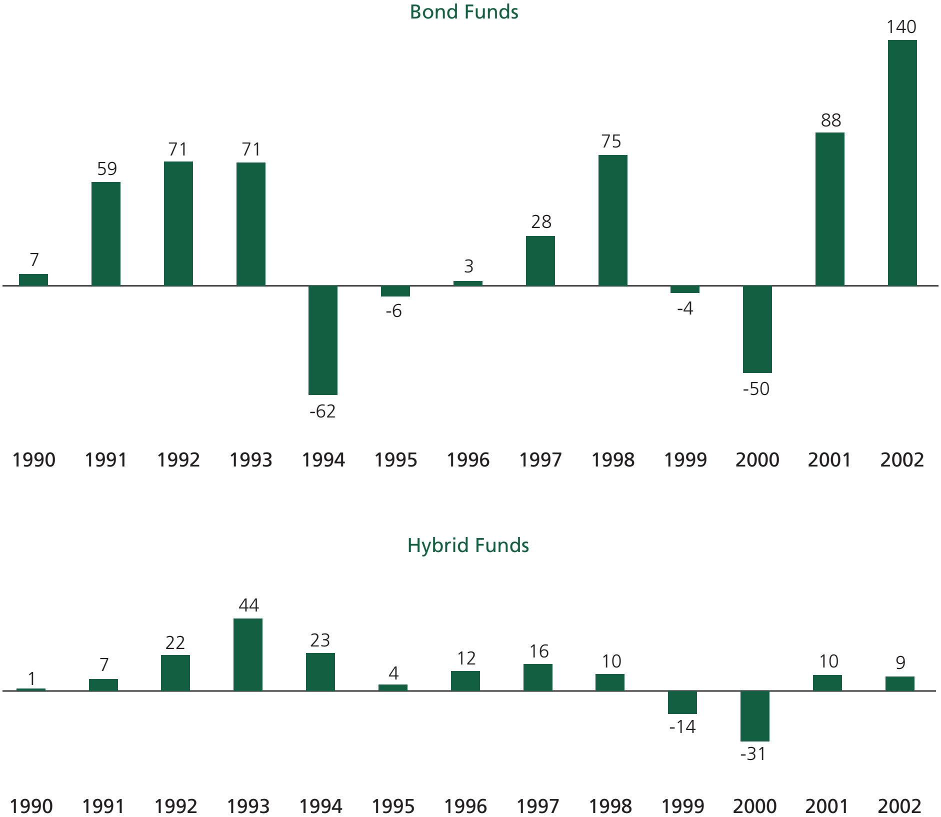
Bond and Hybrid Funds

Investors reacted to a decline in intermediate- and long-term interest rates and the concurrent increase in bond prices by increasing their purchases of bond fund shares in 2002. Indeed, investors contributed a record $140 billion in net new investments to these funds.

The stronger inflows in 2002 were in part associated with the attractive returns of bond funds, as well as households seeking to invest outside of the equity market. U.S. government and agency securities and highly rated corporate bonds, along with the bond funds investing in them, outperformed equity funds for the third year in a row.

Net New Cash Flow to Bond and Hybrid Funds, 1990–2002

(billions of dollars)



Investor demand for hybrid funds—which typically include bonds and stocks in their portfolios—was little changed in 2002, with net new cash flow totaling $9 billion, near the annual average of the past decade. These funds invest in a mixture of bonds and stocks, and their returns are a blend between those on equity and bond funds.

Taxable Bond Funds

Taxable bond funds range from funds that invest in U.S. government and agency debt to high-yield funds that hold lower-rated corporate bonds. Fund flows are highly correlated with performance, which can vary across funds depending on the interest rate movements on the bonds that the funds hold.

In 2002, interest rates fell the most on high-grade debt securities such as those issued by the U.S. government and agencies and highly rated corporate bonds and notes. Yields on intermediate- and long-term U.S. government and agency debt securities declined more than a percentage point, pushing prices higher and lifting the returns on bond funds investing in these securities. The average long-term U.S. government bond fund earned 13.4 percent in 2002, after posting a return of 5.3 percent in the previous year.

Although the securities held in U.S. government bond funds bear minimal default risk, investors can experience considerable fluctuations in the value of their fund shares as interest rate movements can cause substantial price fluctuations of the bonds these funds hold. When interest rates are falling and returns on these funds are high, flows tend to increase. Likewise, when interest rates are rising and the returns on these funds decline, these funds tend to experience outflows. The high returns on U.S. government and mortgage-backed bond funds in 2002 were associated with strong inflows, which rose to $59 billion from $28 billion in 2001.

The downturn in the stock market also helped to boost the flow into government bond funds. The decline in the S&P 500 index in 2002 lifted the inflow to these funds by an estimated $40 billion above what would have occurred had stock prices not changed.

In contrast, the high-yield bond market was weighed down by increasing default rates and rising yields on these bonds. Corporations issuing bonds in this market are the most vulnerable to adverse economic conditions. When the economy softens, as it has in the past few years, yields tend to rise and prices of these bonds fall. In 2002, the average return on high-yield bond funds was -1.9 percent. As with the government bond funds, investors in high-yield funds tend to curtail their purchases when returns are low. In 2002, high-yield funds received $11 billion in net new cash.

Net new cash flow to other taxable bond funds rose to $54 billion in 2002 from $41 billion in 2001. Most of the inflow occurred among strategic income funds, the largest category of bond funds. This category includes funds that invest in a broad range of bonds and have posted strong returns in the past three years.

Tax-Exempt Bond Funds

The inflow to tax-exempt bond funds was much less than that for taxable funds, totaling $16 billion in 2002, up only slightly from $12 billion in 2001. In contrast, households' direct purchases of municipal bonds more than doubled in 2002.

The modest inflows to tax-exempt bond funds in 2002 reflected a pattern of weak demand that has persisted since the mid-1990s. Most of the tax-exempt bond fund asset growth has come from reinvested dividends since 1994, and the slow growth led many fund sponsors to merge or liquidate their tax-exempt bond funds. At year-end 2002, there were 769 tax-exempt bond funds, down from their peak of 1,027 in 1995. Many of the funds that were merged or liquidated were small. At their peak in 1995, 457 tax-exempt bond funds had assets of less than $50 million. By the end of 2002, only 146 funds were that small.

Money Market Funds

Interest rates on short-term investments fell to levels not observed since the 1950s. Likewise, average yields on taxable money market funds fell to 0.88 percent by the end of 2002, their lowest level since they were first offered in the 1970s. The yield advantage of money market funds over bank deposits narrowed, as is typically the case when interest rates decline.

Net new cash flow to money market funds turned negative in 2002—the first time since 1993—as declining interest rates led shareholders to invest in bank deposits and other financial instruments competing with money market funds. Money market funds had an outflow of $47 billion in 2002, compared with a record inflow of $376 billion in 2001. Assets declined to $2.272 trillion by year-end 2002. Outflows would have been somewhat greater had not the stock market downturn boosted individuals' demand for money market funds. The decline in the U.S. stock market in 2002 likely boosted taxable retail money fund inflows by $75 billion above what they otherwise would have been had the stock market remained flat.

Retail Money Market Funds

Retail money market funds had an outflow of $78 billion for the year. In 2002, the spread between taxable retail money market funds and bank savings deposits narrowed to one-quarter of a percentage point, compared with a 4 percentage point advantage for money market funds in 2000. As the yield advantage narrows, retail investors tend to hold a larger share of their short-term investments in bank deposits. Households added about $358 billion to time, savings, and checking accounts at banks and thrifts in 2002.

Another factor contributing to the outflow from money market funds was the yield advantage that bond funds held over money market funds. Some investors use bond funds as a short-term liquid asset, and when returns on these funds rise relative to money market funds, the net flow to retail money market funds slows. The low yields on money market funds and strong returns on many bond funds caused the difference in returns to widen to 7.8 percentage points in 2002. This difference in returns is estimated to have reduced money fund inflows by about $16 billion relative to the inflow that would have occurred had there been no difference in returns.

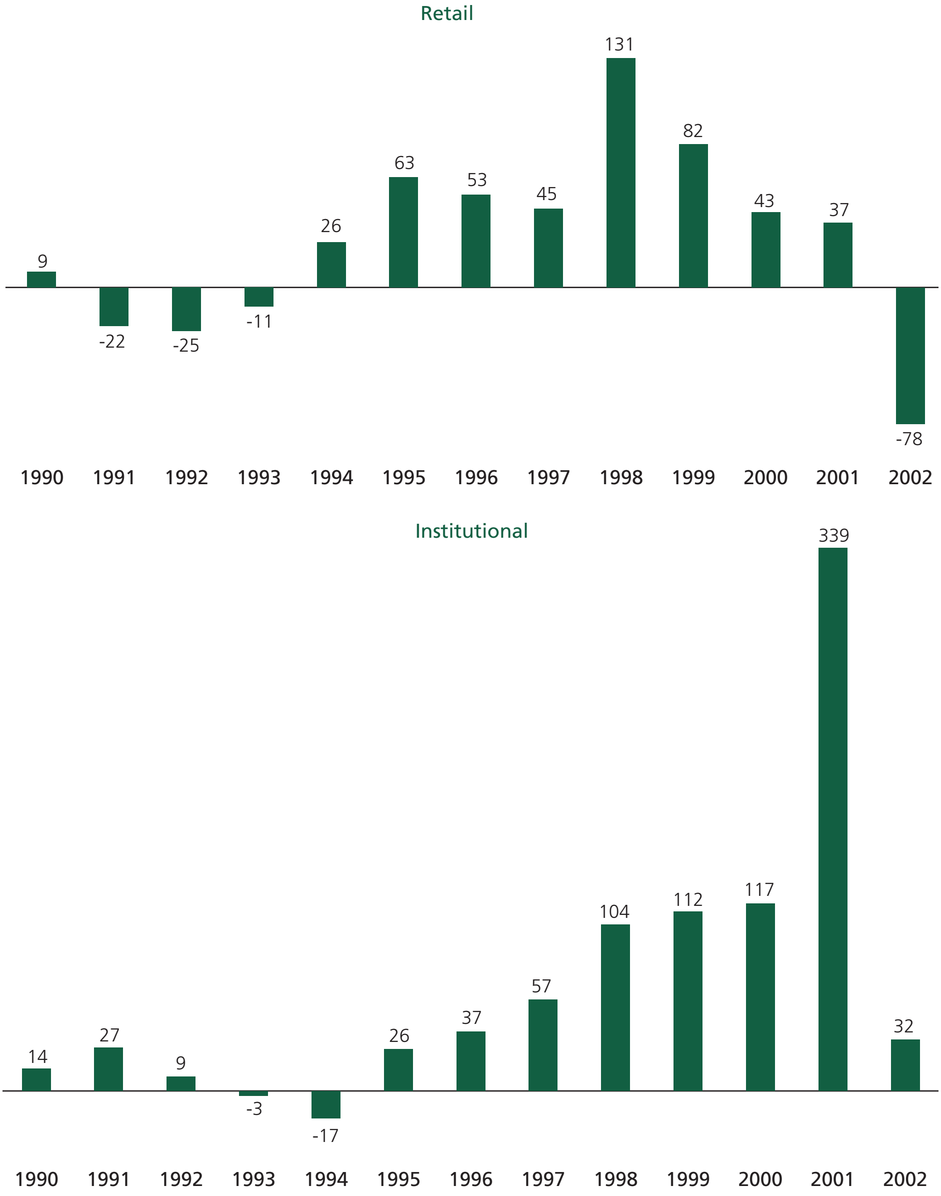
Institutional Money Market Funds

Institutional money market funds, used by businesses, pension funds, state and local governments, and other large investors had an inflow of $32 billion in 2002, down from the record $339 billion inflow in 2001. With short-term interest rates remaining steady for most of the year, institutional money fund yields fell below open-market rates, prompting some institutional investors to move money directly into money market instruments to capture the interest-rate premium. In contrast, the spread favored money market funds in 2001, resulting in the record inflow.

Nevertheless, money funds' share of short-term business assets continued to grow in 2002, to 27 percent by year-end. The growth is partly due to corporations' preference to outsource cash management rather than hold liquid securities directly. Corporations benefit from economies of scale provided by mutual funds that they would be unable to achieve through internal management of their liquid assets.

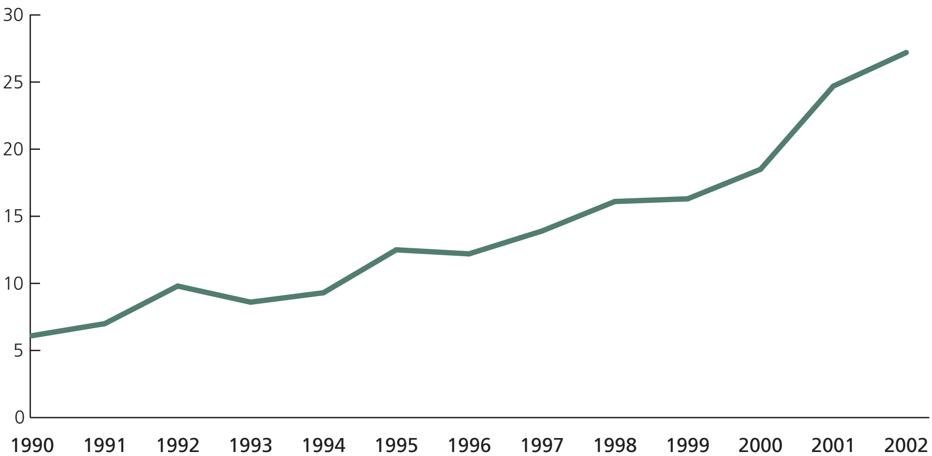
Net New Cash Flow to Money Market Funds, Retail vs. Institutional, 1990–2002

(billions of dollars)



Share of U.S. Nonfinancial Business Short-Term Assets* Held Through Money Market Funds, 1990–2002

(percent of total)



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

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

Sources: Federal Reserve Board and Investment Company Institute

Other Developments in 2002

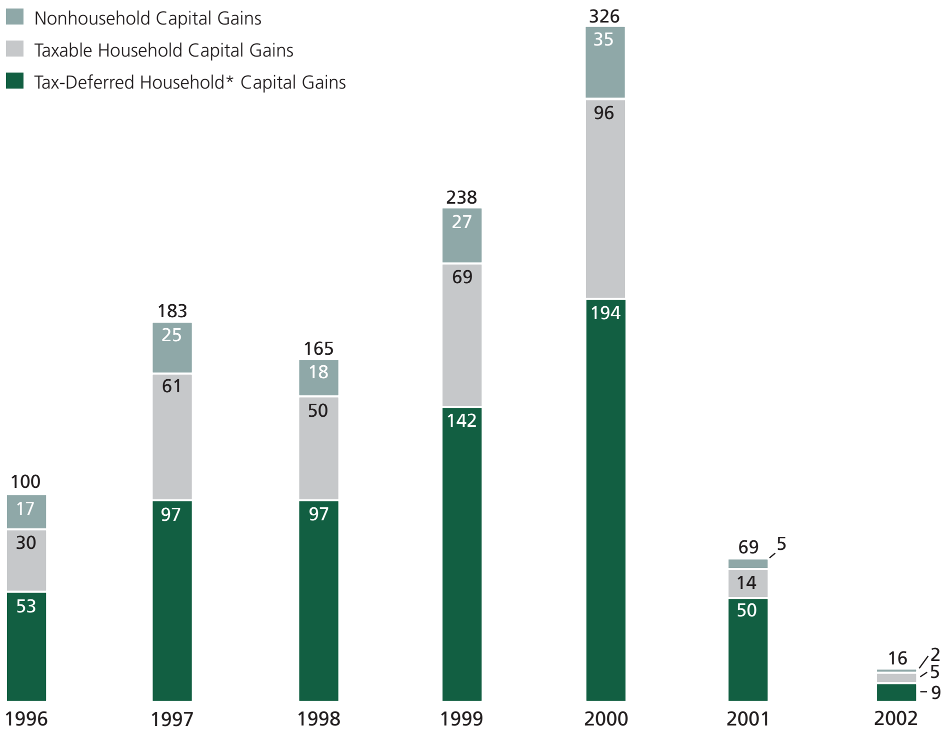
Capital Gain Distributions

Mutual funds distributed $16 billion in capital gains to shareholders in 2002, the lowest level since 1991 and significantly less than the high of $326 billion in 2000.

The smaller capital gain distributions in 2002 occurred because continuing equity price declines reduced the unrealized appreciation that many funds built up in the late 1990s. Most gains are paid from equity funds, and unrealized gains in these funds had grown to an estimated $1.5 trillion at the end of 1999, or nearly 40 percent of equity fund assets.

Capital Gain Distributions Paid by Mutual Funds, 1996–2002

(billions of dollars)



Households are defined to exclude mutual fund assets attributed to business corporations, financial institutions, nonprofit organizations, other institutional investors, and fiduciaries.

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

Equity mutual funds distributed $11 billion in capital gains to shareholders in 2002, the lowest level since 1990. Equity fund distributions were down from $61 billion in 2001 and a record $308 billion in 2000. Only 12 percent of all equity fund share classes made a capital gain distribution in 2002, and these share classes distributed an average of 2.6 percent of their assets as capital gains. In comparison, 57 percent of equity fund share classes distributed a capital gain in 2000, with the average distribution amounting to nearly 10 percent of assets.

Distribution Channel Sources

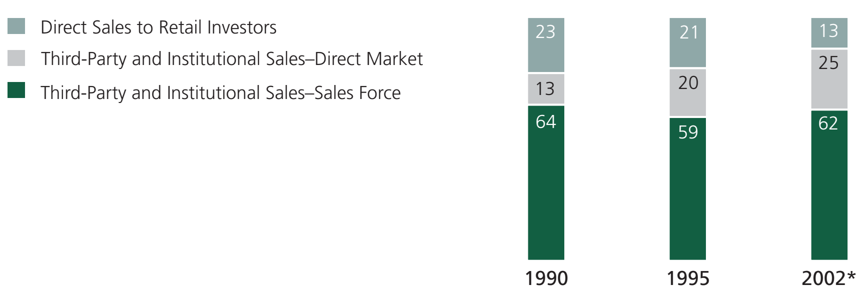
With the rising demand for mutual funds in the 1990s, fund companies and distribution companies developed new outlets for selling mutual funds and expanded traditional sales channels. Overall, the estimated share of new long-term fund sales made directly to retail investors decreased from 23 percent in 1990 to 13 percent in 2002. Meanwhile, the new sales of long-term funds made through third parties to retail investors or to institutional investors rose from 77 percent in 1990 to 87 percent in 2002.

Many fund complexes that primarily market directly to investors have turned increasingly to third parties and intermediaries for distribution. (Third-party distribution channels include employer-sponsored pension plans, mutual fund supermarkets, fee-based advisors, mutual fund wrap account programs, and bank trust departments.) For example, in 1990, an estimated 64 percent of new sales of direct-marketed funds were direct sales to retail investors, such as via mail, by telephone or the Internet, or at office locations; by year-end 2002, this share had fallen to 34 percent. Meanwhile, the share of new sales of direct-marketed funds conducted through third-parties or to institutional investors increased from 36 percent in 1990 to 66 percent in 2002.

Likewise, funds that were traditionally sold through a sales force of brokers shifted increasingly to nontraditional sources of sales such as employer-sponsored pension plans, banks, and life insurance companies in the 1990s. By year-end 2002, the share of new sales of sales-force funds through nontraditional sources rose to 50 percent from 25 percent in 1990.

Share of New Sales of Long-Term Mutual Funds by Distribution Channel, Selected Years

(percent)



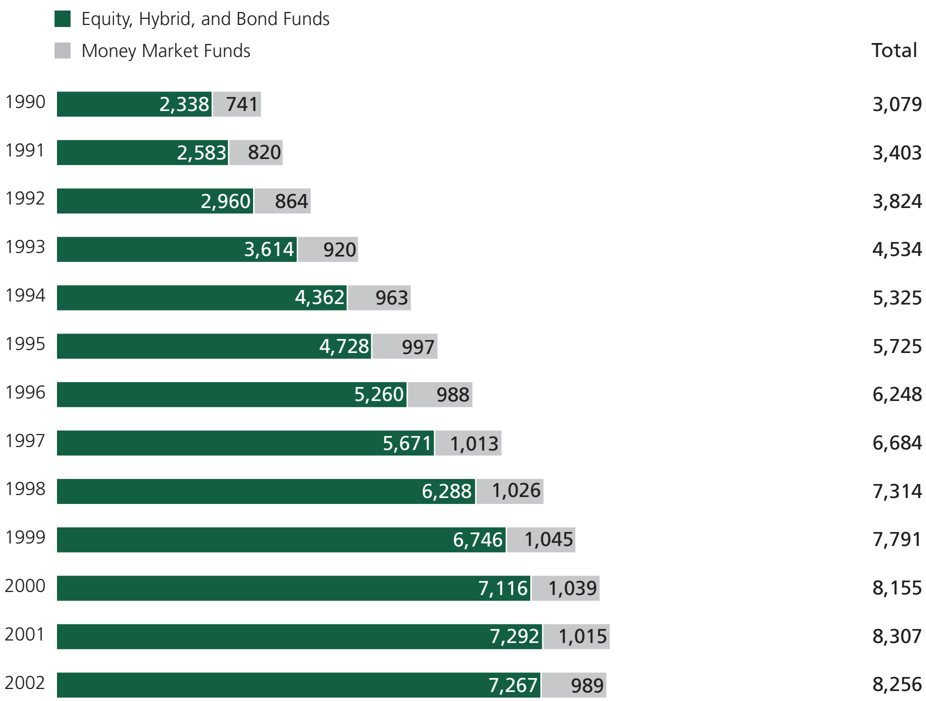
**Preliminary data*

Number of Funds and Industry Concentration

The number of mutual funds dropped by 51 in 2002. The decline in the number of funds reflects several forces. First, the bear market in stocks since 2000 has dampened the formation of new equity funds. In addition, fund complexes have been merging and liquidating municipal bond funds since the mid-1990s when inflows to these funds began to slacken from the pace set earlier in the decade. Furthermore, the number of taxable bond, hybrid, and money market funds has been edging down since 1999.

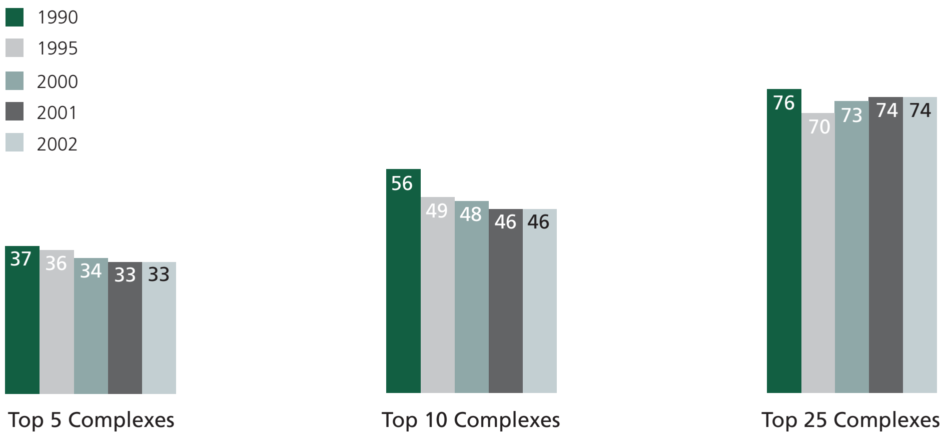
Fund sponsors that were involved in mergers in the past few years have also streamlined their product offerings and combined funds with overlapping investment objectives. In 2002, there were 270 mergers of mutual funds.

Number of Mutual Funds, 1990–2002



Share of Assets at Largest Mutual Fund Complexes,* Selected Years

(percent of industry total)



Variable annuities are excluded from the calculation of concentration ratios.

The mergers and acquisitions of recent years have not increased the concentration of industry assets among the largest mutual fund complexes. Indeed, the concentration of assets among the five and 10 largest complexes has declined slightly in the past few years. The five largest sponsors managed one-third of the industry's assets in 2002, down from 36 percent in 1995. Assets managed by the 10 largest firms fell to 46 percent of the industry's assets at year-end 2002 from 49 percent in 1995. Some of the drop is explained by the relative performance of different asset classes. The largest firms hold a greater portion of the assets that they manage in equity funds, which have generally underperformed bond and money market funds for the past three years. Assets of these fund sponsors have shrunk in size relative to those firms having a larger share of their business in fixed-income funds.

CHAPTER 4

Mutual Fund Ownership and Shareholder Characteristics

An estimated 95 million individuals in 54.2 million U.S. households owned mutual funds in 2002. These individuals held about three-quarters of all mutual fund assets, while fiduciaries—banks and individuals serving as trustees, guardians, or administrators—and other institutional investors held the remaining 26 percent.

Mutual Fund Assets by Type of Owner, 1992 and 2002

(percent of total mutual fund assets)

[1]Household holdings include mutual funds held in retail accounts as well as through employer-sponsored pension plans, Individual Retirement Accounts, and variable annuities. For more information on household ownership, visit the Institute's policy website at www.ici.org/shareholders/index.html.

[2]Preliminary data

Note: Total assets of mutual funds were $1.643 trillion at year-end 1992 and $6.392 trillion at year-end 2002. Components may not add to 100 percent because of rounding.

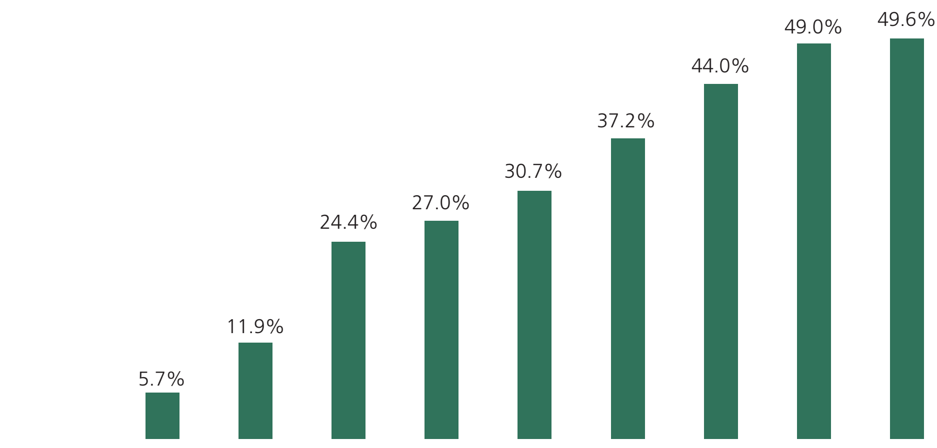
U.S. Household Financial Assets

U.S. households own many financial assets, including mutual funds, stocks, bonds, and bank deposits. In 2002, households made $668 billion of net purchases of financial assets, up from $554 billion in 2001. On balance, households were net sellers of directly held stocks but net buyers of mutual funds, bonds, and bank deposits.

U.S. households invested $164 billion of their total net purchases of financial assets in mutual funds (including reinvested dividends) in 2002. Household net purchases of long-term mutual funds—equity, hybrid, and bond funds—were $196 billion in 2002, while households, on net, redeemed $31 billion in money market funds.

U.S. Household Ownership of Mutual Funds, 1980–2002*

(number and percent of all U.S. households)



	1980	1984	1988	1992	1994	1996	1998	2000	2002
Millions of U.S. Households	4.6	10.2	22.2	25.8	30.2	36.8	44.4	51.7	54.2

**Households owning mutual funds in 1980 and 1984 were estimated from data on the number of accounts held by individual shareholders and the number of funds owned by fund-owning households; data for 1980 through 1992 exclude households owning mutual funds only through employer-sponsored retirement plans; data for 1994 through 2002 include households owning mutual funds only through employer-sponsored retirement plans. The data for 1998, 2000, and 2002 include fund ownership through variable annuities.*

Stock Mutual Funds Provide Many Investors with Equity Exposure

A January 2002 study conducted by ICI and the Securities Industry Association (www.ici.org/pdf/rpt_02_equity_owners.pdf) found that 89 percent of U.S. equity investors owned stock mutual funds while 49 percent owned individual stock directly. Furthermore, 51.5 percent of equity investors held only stock mutual funds, 11 percent held only individual stock, and 37.5 percent held both stock mutual funds and individual stock.

Equity investors' first equity purchases were usually stock mutual funds, according to the research. Sixty-six percent of equity owners initially bought stock mutual funds, 22 percent initially purchased individual stock, and 12 percent initially bought stock mutual funds and individual stock. At the time of the study, 66 percent of equity investors owned stock mutual funds inside employer-sponsored retirement plans, and 56 percent owned stock funds outside these plans.

The study found that more stock mutual fund shareholders bought stock funds than sold stock funds in 2001. Twenty-two percent of stock mutual fund shareholders bought stock mutual funds in 2001, compared with 16 percent who sold stock mutual funds that year.

In contrast to individual stock investors, the research found that stock mutual fund investors generally had more modest household incomes and fewer household financial assets. The median household income of investors owning stock mutual funds in 2002 was $64,000 and median household financial assets were $100,000. Their median age was 47 years, and most were married or living with a partner, employed, and college graduates.

Half of all stock fund investors purchased their first equity—usually a stock mutual fund—inside an employer-sponsored retirement plan. Forty-six percent bought their first equity before 1990, and 27 percent bought their first equity between 1990 and 1995. More than half of stock fund investors also owned hybrid mutual funds, 37 percent owned money market mutual funds, and 27 percent owned bond mutual funds.

Characteristics of Household Owners of Mutual Funds

The median age of financial decisionmakers in households owning mutual funds was 46 years, as of 2001. Two-thirds of these decisionmakers were married or living with a partner, and 52 percent had college or post-graduate degrees. Seventy-eight percent were employed, and 77 percent who were married or living with a partner had a spouse or partner who was employed. The median income of mutual fund-owning households was $62,100 and median household financial assets were $100,000.

More than 80 percent of all mutual fund-owning households participated in employer-sponsored defined contribution retirement plans. Sixty-two percent of fund-owning households owned mutual funds in their defined contribution plans, and nearly half viewed the workplace as their primary purchase channel for mutual funds. Sixty percent had Individual Retirement Accounts (IRAs).

Nearly nine out of 10 fund households held equity funds among their holdings. On average, equity fund investments represented 65 percent of shareholders' mutual fund portfolios. Nearly half of all household fund owners made their first mutual fund purchase before 1990, and 39 percent bought their first fund between 1990 and 1997.

As of 2001, investment decisionmaking was shared in 53 percent of fund-owning households. Males were the sole financial decisionmakers in 24 percent of fund-owning households, females in 23 percent. Members of the Baby Boom Generation (individuals born between 1946 and 1964) made up the greatest percentage of mutual fund shareholders, at 52 percent. Twenty-five percent of fund shareholders were members of the so-called Silent Generation (born before 1946), and 23 percent were members of Generation X (born in 1965 or later). Thirty percent of mutual fund shareholders resided in the South; 26 percent in the Midwest; 25 percent in the West; and 19 percent in the Northeast.

U.S. Mutual Fund Shareholder Characteristics[1]

Median

Age[2]	46 years
Household income	$62,100
Household financial assets[3]	$100,000
Household mutual fund assets	$40,000
Number of mutual funds owned	4

Percent

Household investment decisionmaker:	
Male is sole decisionmaker	24
Female is sole decisionmaker	23
Co-decisionmakers	53
Married or living with a partner[2]	67
Four-year college degree or more[2]	52
Employed[2]	78
Spouse or partner employed[4]	77
Own:[5]	
Equity funds	88
Bond funds	37
Hybrid funds	34
Money market funds	48
Own mutual funds bought:[5]	
Outside defined contribution retirement plan(s) (total)	69
Sales force[6]	55
Direct market[7]	33
Inside defined contribution retirement plan(s) (total)	62
Primary mutual fund purchase channel:	
Outside defined contribution retirement plan(s) (total)	52
Sales force[6]	37
Direct market[7]	15
Inside defined contribution retirement plan(s)	48

[1]As of 2001.

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

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

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

[5]Multiple responses included.

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

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

Note: Number of respondents varies.

For More Information on Fund Shareholders

ICI devotes a portion of its policy website to demographic research and statistics on U.S. fund shareholders (www.ici.org/shareholders/index.html). The site includes sections on:

- **General shareholder demographics.** The site includes extensive research on U.S. household ownership of mutual funds, who hold about three-quarters of mutual fund industry assets. The site also includes statistical information on "institutional investors" in funds, including fiduciaries—banks and individuals serving as trustees, guardians, or administrators—and other institutional investors, who hold the remaining 26 percent of fund industry assets.
- **Shareholder decisionmaking.** ICI offers extensive research on specific aspects of shareholder ownership. ICI research examines shareholder reaction to market disruptions; information sources used when choosing an investment; the types of funds and other securities owned by fund shareholders; and how investors assess risk.
- **IRA and 401(k) plan investors.** Because saving for retirement is a primary investment objective in many U.S. households, ICI conducts research designed to gain a better understanding of IRA and 401(k) plan investors.

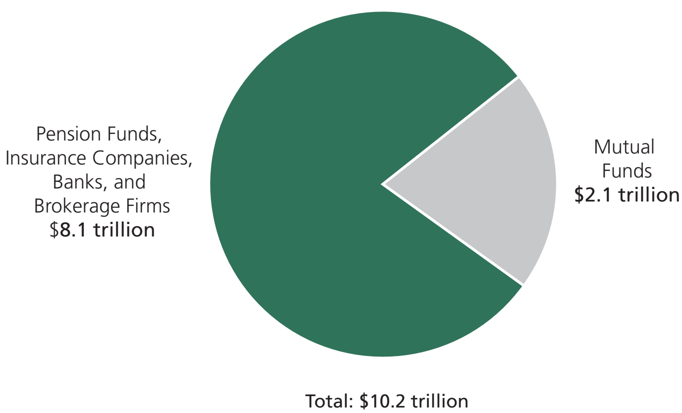
CHAPTER 5

Retirement and Education Savings Markets

Retirement saving and education saving are important investment objectives, and many Americans use mutual funds to reach these goals.

At year-end 2002, mutual funds accounted for $2.1 trillion, or 21 percent, of the $10.2 trillion U.S. retirement market. The remaining $8.1 trillion of 2002 retirement market assets were managed by pension funds, insurance companies, banks, and brokerage firms. In the emerging education savings market, mutual funds accounted for an estimated 98 percent of the $18.5 billion Section 529 savings plan market at year-end 2002. Funds also managed $2 billion in Coverdell Education Savings Account—formerly Education IRA—assets at year-end 2002.

U.S. Retirement Market Assets, 2002*



**Preliminary data*

Sources: Investment Company Institute and Federal Reserve Board

Mutual Fund Retirement Assets, 1991–2002[1]

(billions of dollars)

	Total Retirement	Employer-Sponsored Accounts[2]	IRAs
1991	$335	$147	$188
1992	436	199	237
1993	607	285	322
1994	686	337	349
1995	939	464	475
1996	1,192	596	596
1997	1,554	779	775
1998	1,964	988	976
1999	2,546	1,281	1,264
2000	2,500	1,254	1,247
2001	2,377	1,188	1,189
2002	2,124	1,057	1,067

[1]Preliminary data

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

Note: Components may not add to totals because of rounding.

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

Retirement Accounts Hold About One-Third of Fund Assets

The $2.1 trillion in mutual fund retirement assets represented about one-third of all mutual fund assets at year-end 2002. Mutual fund retirement assets primarily come from two sources: Individual Retirement Accounts (IRAs) and employer-sponsored defined contribution plans, such as 401(k) plans. Funds hold roughly the same amount of assets in IRAs and employer-sponsored defined contribution plans.

Mutual Funds and the IRA Market

IRAs have been one of the fastest growing components of the U.S. retirement market between 1990 and 2002, and the mutual fund industry's share of the IRA market has increased from 22 percent in 1990 to 46 percent at year-end 2002.

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 plans. In addition, various laws enacted since 1996 introduced new types of IRAs in order to stimulate retirement savings. Furthermore, the Economic Growth and Tax Relief Reconciliation Act (EGTRRA), enacted in 2001, increased the amount investors—especially those aged 50 and older—can contribute to IRAs.

Assets in the IRA Market, 1990–2002

(billions of dollars)

	Bank and Thrift Deposits[1]	Life Insurance Companies[2,3]	Mutual Funds[3]	Securities Held Directly Through Brokerage Accounts[3,4]	Total IRA Assets
1990	$266	$40	$140	$190	$637
1991	282	45	188	261	776
1992	275	50	237	311	873
1993	263	61	322	347	993
1994	255	69	349	383	1,056
1995	261	81	475	472	1,288
1996	258	92	596	520	1,467
1997	254	135	775	564	1,728
1998	249	156	976	769	2,150
1999	244	201	1,264	942	2,651
2000	252	202	1,247	929[e]	2,629[3]
2001	255	210	1,189	886[e]	2,540[e]
2002	263	208[e]	1,067	795[e]	2,333[e]

[1]Bank and thrift deposits include Keogh deposits.

[2]Annuities held by IRAs, excluding variable annuity mutual fund IRA assets.

[3]Preliminary data

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

[e]Estimated

Note: Components may not add to totals because of rounding.

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

IRA Investors: Traditional, Roth, and Employer-Sponsored Owners

Approximately four out of 10 U.S. households, or 42.0 million, owned IRAs as of May 2002. IRA households generally are headed by middle-aged individuals with moderate household income who are more likely to hold mutual funds, especially long-term mutual funds, in their IRA portfolios than any other type of investment.

As of May 2002, approximately 34.8 million U.S. households owned "traditional" IRAs—the first type of IRA created (under the Employee Retirement Income Security Act of 1974)—while about 12.9 million U.S. households owned Roth IRAs, first available in 1998. An estimated 8.3 million U.S. households owned employer-sponsored IRAs (SIMPLE IRAs, SEP IRAs, or SAR-SEP IRAs).

Two-thirds of IRA households included mutual funds in their IRAs, with 57 percent investing in equity funds, 25 percent in bond funds, 19 percent in hybrid funds, and 26 percent in money market funds. Thirty-five percent of IRA households held individual stocks, 14 percent held individual bonds, 29 percent held annuities, and 25 percent held bank savings accounts, money market deposit accounts, or certificates of deposits.

Types of IRAs and Their Owners

	Year Created	Number of U.S. Households with Type of IRA, 2002	Percent of U.S. Households with Type of IRA, 2002
Traditional IRA	1974 (The Employee Retirement Income Security Act)	34.8 million	32.7%
Roth IRA	1997 (The Taxpayer Relief Act)	12.9 million	12.1%
SEP or SAR-SEP IRA	1978 (The Revenue Act)	8.3 million	7.8%
SIMPLE IRA	1996 (The Small Business Job Protection Act)		

Types of Assets Held in IRAs, 2002*

(percent of U.S. households owning any type of IRA)

Mutual funds	66
Equity mutual funds	57
Bond mutual funds	25
Hybrid mutual funds	19
Money market mutual funds	26
Individual stocks	35
Annuities (net)	29
Variable annuities	21
Fixed annuities	16
Bank savings accounts, money market deposit accounts, or certificates of deposit	25
Individual bonds	14
Other	1

**Multiple responses included.*

Source: Fundamentals *"IRA Ownership in 2002" (www.ici.org/pdf/fm-v11n3.pdf)*

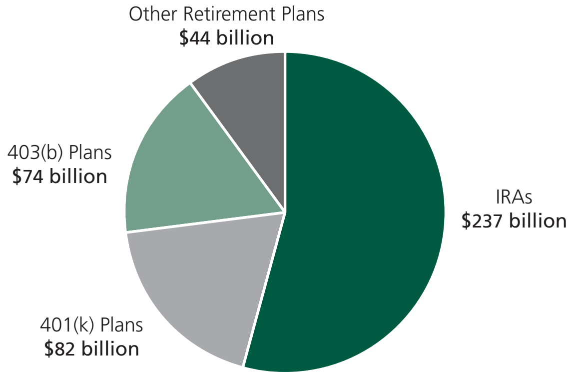
Traditional IRA households held a median of $30,000 in their traditional IRAs in 2002, typically in one account. Forty-eight percent of these households had traditional IRA accounts that included assets "rolled over" from employer-sponsored retirement plans, and 31 percent also owned Roth IRAs. Traditional IRA households tended to have greater financial assets but lesser income than other types of IRA households. Individuals heading traditional IRA households generally were older and more likely to be retired than individuals heading Roth or employer-sponsored IRA households.

The majority of Roth IRA households owned one Roth IRA account with a median balance of $7,000 in 2002. About one-third of Roth IRA households opened a Roth IRA as their first IRA account. Individuals heading Roth IRA households had a median age of 43 years, and 81 percent were employed.

Households with employer-sponsored IRAs had a median of $30,000 invested in all types of IRAs in 2002. Fifty-seven percent of these households also owned traditional IRAs and 24 percent also owned Roth IRAs. More than one-third of individuals heading households with employer-sponsored IRAs were self-employed.

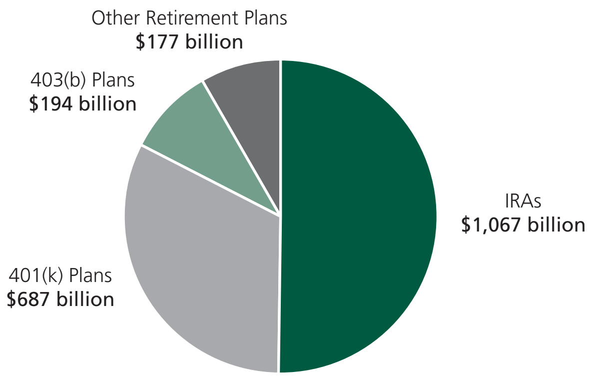
Mutual Fund Assets by Type of Retirement Plan, 1992 and 2002*

1992



Total: $436 billion

2002*



Total: $2,124 billion

**Preliminary data*

Note: Components may not add to totals because of rounding.

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

Assets in 401(k) Plans, 1990–2002*

(billions of dollars)

	Mutual Fund 401(k) Plan Assets	Other 401(k) Plan Assets	Total
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	347	714	1,061
1997	471	793	1,264
1998	605	936	1,541
1999	793	1,005[e]	1,798[e]
2000	799	991[e]	1,790[e]
2001	770	960[e]	1,730[e]
2002	687	853[e]	1,540[e]

**Preliminary data*

[e]*Estimated*

Note: Components may not add to totals because of rounding.

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

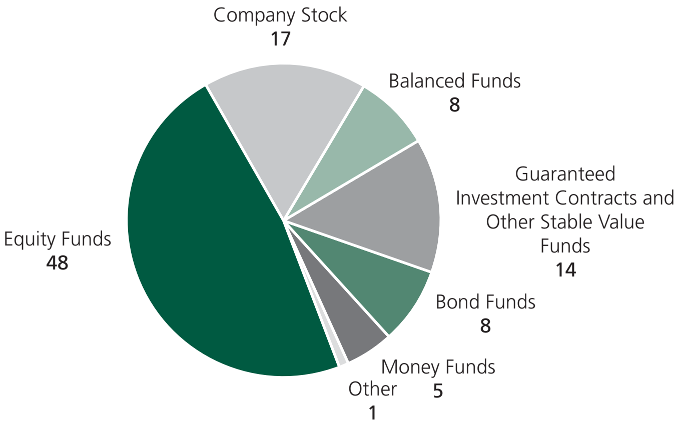
Mutual Funds and the Employer-Sponsored Pension Market

The mutual fund industry's share of the employer-sponsored pension plan market increased from 2 percent in 1990 to 13 percent at year-end 2002. At the end of 2002, mutual funds accounted for $1.1 trillion of the estimated $7.9 trillion employer-sponsored pension market.

As with the IRA market, Congress's passage of EGTRRA in 2001 increased the amount investors—particularly those age 50 and older—can contribute to employer-sponsored plans, allowing many individuals to save more for retirement.

Average Asset Allocation for All 401(k) Plan Balances, 2001

(percent)



Note: Funds include mutual funds and other pooled investments, and components do not add to 100 percent because of rounding.

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

Mutual fund assets held in employer-sponsored retirement accounts totaled $1.1 trillion in 2002, a decrease of $131 billion, or 11 percent, from 2001. Mutual funds accounted for approximately 13 percent of the overall employer-sponsored pension market at year-end 2002. The employer-sponsored pension market is comprised of $1.6 trillion in assets in private defined benefit pension funds, $2.2 trillion in private defined contribution pension funds (and 457 plans), $2.0 trillion in state and local government employee retirement funds, $1.2 trillion in annuity reserves, and $800 billion in federal government defined benefit plans.

Mutual Funds and the Defined Contribution Market

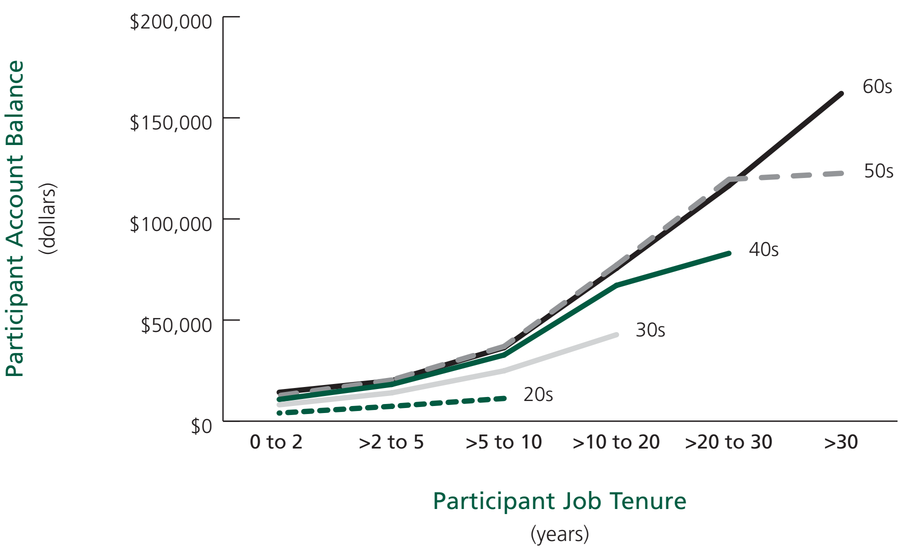
The most important source of mutual fund assets in the employer-sponsored pension plan market is defined contribution plans, especially 401(k) plans. At year-end 2002, 68 percent, or $687 billion, of mutual fund defined contribution plan assets were held in 401(k) plans. Mutual funds' share of the 401(k) market increased from 9 percent in 1990 to an estimated 45 percent at year-end 2002. Mutual fund assets in 403(b) plans were about 19 percent of mutual fund assets in defined contribution plans at year-end 2002, or $194 billion. The remaining mutual fund assets in defined contribution plans were in 457 plans, Keoghs, and other defined contribution plans without 401(k) features.

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

For many American workers, 401(k) plan accounts have become an important part of their retirement planning. The income these accounts are expected to 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), asset allocation behavior among 401(k) plan participants can vary widely, depending on a variety of factors. For example, younger participants tend to allocate a larger portion of their account balances to equity funds (which include equity mutual funds and other pooled equity investments), while older participants are more likely to invest in guaranteed investment contracts (GICs) and bond funds. On average, individuals in their twenties invested 58.6 percent of their assets in equity funds, 8.7 percent in balanced funds, 6.1 percent in GICs and other stable value funds, 6.1 percent in bond funds, 5.6 percent in money funds, and 13.8 percent in company stock. By comparison, individuals in their sixties invested 36.2 percent of their assets in equity funds, 7.8 percent in balanced funds, 24.0 percent in GICs and other stable funds, 10.7 percent in bond funds, 6.3 percent in money funds, and 14.0 percent in company stock.

Average 401(k) Account Balance by Age and Tenure, 2001



Note: See page 111 for data points on this chart.

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

The average 401(k) account balance, excluding plan loans, was $43,215 at year-end 2001. Workers in their sixties with at least 30 years of job tenure at their current employer had an average 401(k) account balance of $162,042.

Most 401(k) participants do not borrow from their plans. At year-end 2001, only 16 percent of those eligible for loans had loans outstanding. The average unpaid loan balance for these participants represented about 14 percent of their remaining account balances (net of the unpaid loan balances).

Types of Funds Used by Retirement Plan Investors

Of the $2.1 trillion in mutual fund retirement assets at year-end 2002, $1.3 trillion, or 63 percent, were invested in domestic or foreign equity funds. Domestic equity funds alone constitute $1.2 trillion, or 56 percent, of mutual fund retirement assets. By comparison, only about 42 percent of overall fund industry assets—including retirement and nonretirement accounts—are invested in domestic and foreign equity funds.

Approximately $571 billion, or 27 percent, of mutual fund retirement assets are invested in fixed-income funds: bond or money market funds. Bond funds hold $288 billion, or 14 percent, of mutual fund retirement assets, and money market funds account for $283 billion, or 13 percent. The remaining $209 billion, or approximately 10 percent, of mutual fund retirement assets are held in hybrid funds, which invest in a mix of equities, fixed-income securities, and derivative instruments.

Mutual Fund Retirement Assets by Type of Fund, 2002[1]

(billions of dollars)

	Equity		Bond	Hybrid	Money Market	Total
	Domestic	Foreign				
IRAs	$552	$82	$154	$99	$179	$1,067
401(k) Plans	407	54	71	84	70	687
403(b) Plans	143	12	13	12	14	194
Other Employer-Sponsored Plans[2]	83	11	49	13	21	177
Total	$1,186	$158	$288	$209	$283	$2,124

[1] *Preliminary data*

[2] *Includes 457 plans, private defined benefit plans, state and local government employee retirement funds, Keoghs, and other defined contribution plans without 401(k) features.*

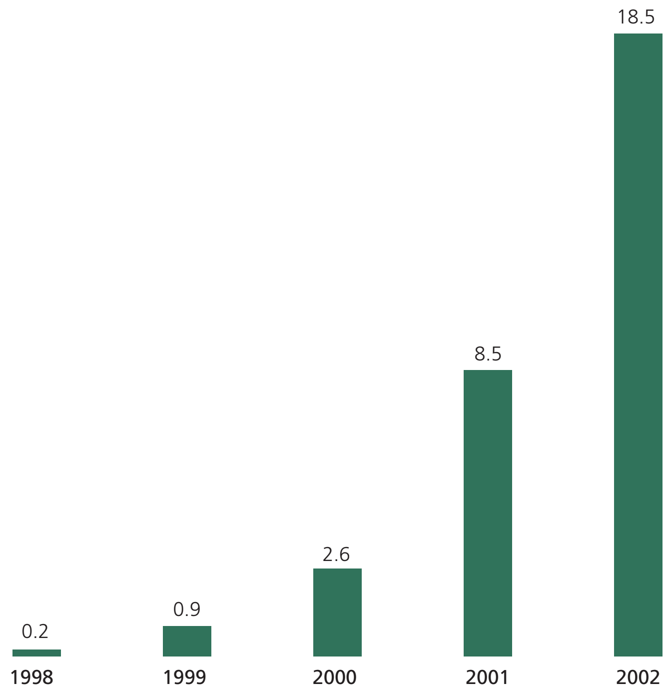
Note: Components may not add to totals because of rounding.

Education Saving: Section 529 Plans and Coverdell Education Savings Accounts

About 11 percent of all U.S. households indicate that education is their most important motivation for saving, and one-third of households owning mutual funds cite education as a financial goal for their mutual fund investments. Nevertheless, the demand for education savings vehicles has been historically modest since their introduction in the 1990s, partly attributable to investors' lack of familiarity with them and because of their limited availability.

Section 529 Savings Plan Assets, 1998–2002

(billions of dollars)



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

The enactment of EGTRRA in 2001 has enhanced the attractiveness of both Section 529 plans and Coverdell Education Savings Accounts—two education savings vehicles—by allowing greater contributions and flexibility in the plans. The maximum annual investment levels for Coverdell accounts increased in 2002 to $2,000 from $500 in 2001, and tax-free withdrawals from these accounts are allowed for qualified higher-education, elementary, and secondary schooling expenses. EGTRRA also allows tax-free distributions from Section 529 savings plans for qualified higher-education expenses. Previously, withdrawals from these accounts were generally taxed at the rate of the beneficiary—usually a child or grandchild. In another change, contributors now will be able to move their 529 plan investments from one state's plan to another once a year without having to change beneficiaries.

Assets in Section 529 savings plans more than doubled in 2002, increasing from $8.5 billion at year-end 2001 to $18.5 billion by year-end 2002. The number of accounts rose to nearly three million, and the average account size was approximately $6,400.

About ICI Data

ICI is a source for information on investment company statistical trends. Institute staff collect, compile, verify for accuracy, and release to government agencies, the media, the public, and ICI members a wide range of statistics. The statistics in this data section cover 8,256 mutual funds, 562 closed-end funds, nine unit investment trust sponsors, and 113 exchange-traded funds in the U.S. investment company industry. The Institute also collects data on foreign investment companies from industry associations around the world. For more industry statistics, visit the Institute's policy website at www.ici.org/stats/index.html.

The impetus for ICI's data collection efforts began in the summer of 1940—following the enactment of the Investment Company Act—when investment company leaders first formed a committee to monitor industry progress and trends. In 1944, the committee began a statistical collection on the fund industry that continues to this day.

On the following pages, you will find historical data on the four types of investment companies. The first five sections of data represent aggregate mutual fund statistics reported to ICI from individual U.S. mutual funds representing 95 percent of the U.S. industry's assets. The sixth section provides data on open-end investment companies from around the world, and the seventh section features data on other types of U.S. investment companies: closed-end funds, unit investment trusts, and exchange-traded funds.

U.S. Mutual Fund Data

The U.S. mutual fund data section begins with a breakdown of U.S. industry totals in Section One, including information on fund assets, accounts, and the number of funds. U.S. industry totals are broken down from short- and long-term categories into five separate ones: equity funds, hybrid funds, bond funds, taxable money market funds, and tax-exempt money market funds.

In Sections Two and Three, U.S. mutual fund data are classified according to two broad categories: long-term funds and short-term, or money market, funds. Long-term fund data are classified according to three broad fund categories—equity, bond, and hybrid—and further categorized into 29 more specific investment objective groupings. Money market funds are categorized into four taxable and tax-exempt investment objective groupings.

U.S. industry data do not provide total sales figures that combine long- and short-term fund sales. Because of the special nature of short-term funds and the huge, continuous inflows and outflows of money they experience, it would be misleading to add their sales figures to those of long-term funds.

Section Four examines exchanges for all mutual funds in the U.S. industry; Section Five looks at institutional investors in the U.S. industry.

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Total Industry Net Assets, Number of Funds, and Shareholder Accounts

Year	Total Net Assets (millions of dollars)	Number of Funds	Number of Shareholder Accounts
1940	$448.0	68	296,056
1945	1,284.2	73	497,875
1950	2,530.6	98	938,651
1955	7,837.5	125	2,085,325
1960	17,025.7	161	4,897,600
1965	35,220.2	170	6,709,343
1970	47,618.1	361	10,690,312
1971	55,045.3	392	10,900,952
1972	59,830.6	410	10,635,287
1973	46,518.5	421	10,330,862
1974	35,776.8	431	10,074,191
1975	45,874.4	426	9,876,082
1976	51,276.6	452	9,060,089
1977	48,936.9	477	8,692,601
1978	55,837.7	505	8,658,324
1979	94,511.3	524	9,790,018
1980	134,760.9	564	12,087,646
1981	241,365.4	665	17,498,938
1982	296,678.1	857	21,448,409
1983	292,985.1	1,026	24,604,659
1984	370,680.0	1,243	27,635,660
1985	495,385.1	1,528	34,098,401
1986	715,667.8	1,835	45,373,627
1987	769,171.9	2,312	53,717,241
1988	809,370.5	2,737	54,056,016
1989	980,671.1	2,935	57,559,770
1990	1,065,190.2	3,079	61,947,955
1991	1,393,185.3	3,403	68,331,800
1992	1,642,536.7	3,824	79,931,440
1993	2,069,963.2	4,534	93,213,698
1994	2,155,324.9	5,325	114,383,364
1995	2,811,292.2	5,725	131,219,221
1996	3,525,800.8	6,248	150,042,149
1997	4,468,200.6	6,684	170,264,389
1998	5,525,209.3	7,314	194,073,595
1999	6,846,339.2	7,791	226,412,794
2000	6,964,667.0	8,155	244,748,546
2001	6,974,975.9	8,307	248,759,332
2002	6,391,570.8	8,256	250,981,045

Note: The data contain a series break beginning in 1984. At that time, data for funds that invest in other mutual funds were excluded from the series.

Total Industry Net Assets

(billions of dollars)

Year	Equity Funds	Bond & Income Funds	Taxable Money Market Funds	Tax-Exempt Money Market Funds	Total
1960	$16.0	$1.0	–	–	$17.0
1965	32.8	2.5	–	–	35.2
1970	45.1	2.5	–	–	47.6
1971	51.6	3.4	–	–	55.0
1972	55.9	3.9	–	–	59.8
1973	43.0	3.5	–	–	46.5
1974	30.9	3.2	$1.7	–	35.8
1975	37.5	4.7	3.7	–	45.9
1976	39.2	8.4	3.7	–	51.3
1977	34.0	11.0	3.9	–	48.9
1978	32.7	12.3	10.9	–	55.9
1979	35.9	13.1	45.2	$0.3	94.5
1980	44.4	14.0	74.5	1.9	134.8
1981	41.2	14.0	181.9	4.3	241.4
1982	53.7	23.2	206.6	13.2	296.7
1983	77.0	36.6	162.5	16.8	292.9

	Equity Funds	Hybrid Funds	Bond Funds	Taxable Money Market Funds	Tax-Exempt Money Market Funds	Total
1984	$79.7	$11.2	$46.2	$209.7	$23.8	$370.7
1985	111.3	17.6	122.6	207.5	36.3	495.4
1986	154.4	25.8	243.3	228.3	63.8	715.7
1987	175.5	29.3	248.4	254.7	61.4	769.2
1988	189.4	26.3	255.7	272.3	65.7	809.4
1989	245.0	35.6	271.9	358.7	69.4	980.7
1990	239.5	36.1	291.3	414.7	83.6	1,065.2
1991	404.7	52.2	393.8	452.6	89.9	1,393.2
1992	514.1	78.0	504.2	451.4	94.8	1,642.5
1993	740.7	144.5	619.5	461.9	103.4	2,070.0
1994	852.8	164.4	527.2	500.6	110.4	2,155.3
1995	1,249.1	210.3	598.9	630.0	123.0	2,811.3
1996	1,726.0	252.6	645.4	762.0	139.8	3,525.8
1997	2,368.0	317.1	724.2	898.1	160.8	4,468.2
1998	2,978.2	364.7	830.6	1,163.2	188.5	5,525.2
1999	4,041.9	378.8	812.5	1,408.7	204.4	6,846.3
2000	3,962.0	346.3	811.1	1,607.2	238.1	6,964.7
2001	3,418.2	346.3	925.1	2,012.9	272.4	6,975.0
2002	2,667.1	327.4	1,125.1	1,997.2	274.8	6,391.6

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. At the same time, data for funds that invest in other mutual funds were excluded from the series.

Components may not add to the total because of rounding.

Total Industry Shareholder Accounts

(millions)

Year	Equity Funds	Bond & Income Funds	Taxable Money Market Funds	Tax-Exempt Money Market Funds	Total
1978	6.8	1.4	0.5	–	8.7
1979	6.1	1.4	2.3	–	9.8
1980	5.8	1.5	4.8	–	12.1
1981	5.7	1.5	10.3	–	17.5
1982	6.2	2.0	13.1	0.1	21.4
1983	9.2	2.8	12.3	0.3	24.6

Year	Equity Funds	Hybrid Funds	Bond Funds	Taxable Money Market Funds	Tax-Exempt Money Market Funds	Total
1984	9.6	1.0	3.2	13.6	0.3	27.6
1985	11.1	1.3	6.8	14.4	0.5	34.1
1986	15.5	2.1	11.5	15.7	0.7	45.4
1987	20.4	2.7	12.9	16.8	0.8	53.7
1988	19.7	2.6	13.3	17.6	0.9	54.1
1989	20.3	2.7	13.2	20.2	1.1	57.6
1990	22.2	3.2	13.6	21.6	1.4	61.9
1991	25.6	3.6	15.5	21.9	1.7	68.3
1992	32.7	4.5	19.0	21.8	1.9	79.9
1993	42.3	6.9	20.5	21.6	2.0	93.2
1994	57.9	10.3	20.8	23.3	2.0	114.4
1995	69.3	10.9	20.8	27.9	2.3	131.2
1996	85.4	12.0	20.4	29.9	2.3	150.0
1997	101.7	12.9	20.0	33.0	2.7	170.3
1998	119.6	14.1	21.5	36.4	2.4	194.1
1999	147.5	14.3	21.0	41.2	2.4	226.4
2000	164.1	13.1	19.5	45.5	2.7	244.7
2001	165.7	14.3	21.5	44.4	2.8	248.8
2002	164.4	15.5	25.6	42.7	2.7	251.0

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. At the same time, data for funds that invest in other mutual funds were excluded from the series.

Components may not add to the total because of rounding.

Total Number of Funds

Year	Equity Funds	Bond & Income Funds	Taxable Money Market Funds	Tax-Exempt Money Market Funds	Total
1970	323	38	–	–	361
1971	350	42	–	–	392
1972	364	46	–	–	410
1973	366	55	–	–	421
1974	343	73	15	–	431
1975	314	76	36	–	426
1976	302	102	48	–	452
1977	296	131	50	–	477
1978	294	150	61	–	505
1979	289	159	76	–	524
1980	288	170	96	10	564
1981	306	180	159	20	665
1982	340	199	281	37	857
1983	396	257	307	66	1,026

	Equity Funds	Hybrid Funds	Bond Funds	Taxable Money Market Funds	Tax-Exempt Money Market Funds	Total
1984	459	89	270	329	96	1,243
1985	562	103	403	348	112	1,528
1986	678	121	549	360	127	1,835
1987	824	164	781	389	154	2,312
1988	1,006	179	942	434	176	2,737
1989	1,069	189	1,004	470	203	2,935
1990	1,099	193	1,046	506	235	3,079
1991	1,191	212	1,180	553	267	3,403
1992	1,325	235	1,400	585	279	3,824
1993	1,586	282	1,746	628	292	4,534
1994	1,886	361	2,115	646	317	5,325
1995	2,139	412	2,177	674	323	5,725
1996	2,570	466	2,224	666	322	6,248
1997	2,951	501	2,219	682	331	6,684
1998	3,513	525	2,250	685	341	7,314
1999	3,952	532	2,262	702	343	7,791
2000	4,385	523	2,208	703	336	8,155
2001	4,717	484	2,091	689	326	8,307
2002	4,756	475	2,036	679	310	8,256

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. At the same time, data for funds that invest in other mutual funds were excluded from the series.

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

Year	Number of Reporting Funds	Number of Accounts (thousands)	Net Assets (billions of dollars)	Liquid Assets (billions of dollars)
1970	361	10,690.3	$47.6	$3.1
1971	392	10,901.0	55.0	2.6
1972	410	10,635.3	59.8	2.6
1973	421	10,330.9	46.5	3.4
1974	416	9,970.4	34.1	3.4
1975	390	9,667.3	42.2	3.2
1976	404	8,879.4	47.6	2.4
1977	427	8,515.1	45.0	3.3
1978	444	8,190.6	45.0	4.5
1979	446	7,482.2	49.0	4.7
1980	458	7,325.5	58.4	5.3
1981	486	7,175.5	55.2	5.3
1982	539	8,190.3	76.9	6.0
1983	653	12,065.0	113.6	8.3
1984	818	13,791.0	137.1	12.2
1985	1,068	19,163.8	251.6	20.6
1986	1,348	29,060.5	423.5	30.6
1987	1,769	36,042.5	453.1	37.9
1988	2,127	35,486.2	471.4	45.0
1989	2,262	36,245.5	552.6	44.6
1990	2,338	38,979.1	566.8	48.4
1991	2,583	44,775.8	850.7	60.4
1992	2,960	56,284.3	1,096.3	74.0
1993	3,614	69,628.4	1,504.6	99.4
1994	4,362	89,004.7	1,544.3	120.4
1995	4,728	101,082.4	2,058.3	141.8
1996	5,260	117,842.2	2,624.0	152.0
1997	5,671	134,640.3	3,409.3	198.8
1998	6,288	155,226.3	4,173.5	191.4
1999	6,746	182,797.2	5,233.2	219.1
2000	7,116	196,610.1	5,119.4	277.2
2001	7,292	201,522.9	4,689.6	219.5
2002	7,267	205,599.1	4,119.6	208.5

Note: Figures for shareholder accounts represent combined totals for member companies; duplications have not been eliminated. The data contain a series break beginning in 1984. All funds were reclassified in 1984 and a separate category was created for hybrid funds. At the same time, data for funds that invest in other mutual funds were excluded from the series.

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

(millions of dollars)

	2000	2001	2002
Total Net Assets	**$5,119,386.2**	**$4,689,628.0**	**$4,119,612.2**
Aggressive Growth	$667,718.9	$576,241.9	$436,153.3
Growth	1,250,869.1	1,047,517.4	784,291.5
Sector	235,127.7	173,602.2	121,448.3
World Equity–Emerging Markets	15,406.8	13,677.3	13,660.1
World Equity–Global	228,025.0	182,983.8	140,886.1
World Equity–International	262,065.9	206,295.0	183,737.7
World Equity–Regional	37,171.2	25,840.2	20,180.7
Growth and Income	1,137,217.4	1,066,633.4	860,494.4
Income Equity	128,320.0	125,382.1	106,255.5
Total Equity Funds	**$3,961,922.0**	**$3,418,173.3**	**$2,667,107.6**
Asset Allocation	$36,808.1	$34,338.3	$21,243.3
Balanced	172,675.5	179,659.3	178,891.7
Flexible Portfolio	89,007.9	80,946.2	67,638.2
Income–Mixed	47,784.3	51,386.8	59,595.8
Total Hybrid Funds	**$346,275.8**	**$346,330.6**	**$327,369.0**
Corporate Bond–General	$29,189.2	$33,023.5	$38,380.6
Corporate Bond–Intermediate-Term	61,098.3	70,401.3	80,751.3
Corporate Bond–Short-Term	50,348.2	57,543.5	59,142.7
High-Yield Bond	90,282.7	94,275.7	100,283.1
World Bond–Global General	12,692.5	12,400.4	13,237.4
World Bond–Global Short-Term	3,257.9	2,672.6	3,188.1
World Bond–Other	3,990.0	3,993.3	4,704.4
Government Bond–General	35,004.0	40,706.0	58,650.7
Government Bond–Intermediate-Term	24,587.5	29,299.3	39,876.7
Government Bond–Short-Term	16,923.5	20,870.1	31,959.5
Government Bond–Mortgage-Backed	56,820.4	73,367.6	107,423.4
Strategic Income	149,149.3	191,552.9	259,018.1
State Municipal Bond–General	123,337.4	130,913.4	142,941.3
State Municipal Bond–Short-Term	9,382.9	10,077.1	11,680.9
National Municipal Bond–General	120,435.4	124,864.1	136,632.7
National Municipal Bond–Short-Term	24,689.2	29,163.3	37,264.7
Total Bond Funds	**$811,188.4**	**$925,124.1**	**$1,125,135.6**

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

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

(millions of dollars)

	2000	2001	2002
Total Liquid Assets	**$277,158.5**	**$219,466.7**	**$208,480.1**
Aggressive Growth	$44,156.4	$28,070.3	$22,718.1
Growth	69,600.4	54,896.0	37,880.5
Sector	15,917.7	10,035.7	5,070.6
World Equity–Emerging Markets	947.2	578.2	716.3
World Equity–Global	21,731.1	13,049.7	9,269.3
World Equity–International	17,514.8	12,640.4	10,243.1
World Equity–Regional	1,372.1	743.3	411.4
Growth and Income	49,884.5	46,347.8	31,578.1
Income Equity	6,836.3	4,283.5	4,939.1
Total Equity Funds	**$227,960.5**	**$170,644.9**	**$122,826.5**
Asset Allocation	$2,315.0	$2,409.6	$2,144.7
Balanced	8,192.6	10,039.6	8,263.3
Flexible Portfolio	9,258.6	7,237.7	7,979.7
Income–Mixed	4,002.5	4,642.8	4,813.1
Total Hybrid Funds	**$23,768.7**	**$24,329.7**	**$23,200.8**
Corporate Bond–General	$539.6	$641.4	$855.9
Corporate Bond–Intermediate-Term	1,299.7	2,552.9	592.5
Corporate Bond–Short-Term	4,754.0	5,947.0	5,837.0
High-Yield Bond	7,606.9	6,477.1	6,825.4
World Bond–Global General	497.3	392.4	330.9
World Bond–Global Short-Term	276.6	130.5	128.2
World Bond–Other	83.0	112.7	308.6
Government Bond–General	383.1	693.2	(38.3)
Government Bond–Intermediate-Term	1,076.3	1,114.0	3,438.1
Government Bond–Short-Term	101.5	1,357.5	1,983.2
Government Bond–Mortgage-Backed	(5,087.9)	(3,711.5)	(4,031.3)
Strategic Income	4,671.5	758.2	34,927.7
State Municipal Bond–General	3,703.5	2,661.7	3,393.6
State Municipal Bond–Short-Term	432.8	535.3	646.9
National Municipal Bond–General	3,309.4	2,893.6	3,630.0
National Municipal Bond–Short-Term	1,782.0	1,936.1	3,624.4
Total Bond Funds	**$25,429.3**	**$24,492.1**	**$62,452.8**

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

Liquid Asset Ratio—Equity Funds

Year	January	February	March	April	May	June	July	August	September	October	November	December
1975	8.8	9.7	8.2	7.8	7.5	6.8	7.1	7.5	7.8	7.4	7.6	7.6
1976	6.0	5.5	5.1	4.8	5.2	4.8	4.6	4.7	4.5	4.5	5.0	4.9
1977	5.3	6.0	6.5	6.1	6.6	6.2	6.8	7.5	7.9	8.2	8.0	7.5
1978	8.5	10.2	10.3	10.1	9.5	9.2	8.0	6.9	6.5	6.7	7.9	8.2
1979	8.1	8.9	8.3	8.5	8.8	8.7	8.7	8.5	8.2	7.9	8.2	7.9
1980	8.5	9.0	9.2	9.5	10.4	10.1	10.4	10.3	9.8	9.7	9.3	9.1
1981	8.1	8.4	8.3	8.5	9.0	9.0	8.7	9.4	10.4	10.8	11.4	10.5
1982	10.5	10.4	10.8	10.5	11.4	12.2	11.0	10.1	9.2	8.9	8.4	8.6
1983	9.7	9.5	9.9	9.9	9.5	9.4	9.0	7.7	8.6	7.9	8.7	7.8
1984	7.9	8.5	9.2	9.5	9.4	9.8	10.2	9.7	9.3	8.8	9.2	9.1
1985	8.7	9.1	8.4	9.2	8.9	8.9	9.4	10.0	10.1	10.9	10.0	9.4
1986	9.8	8.9	9.3	10.1	9.7	9.3	9.9	9.7	10.3	9.9	9.6	9.5
1987	9.7	9.5	9.0	10.2	9.4	9.3	9.3	8.8	9.2	10.5	11.3	9.3
1988	10.3	10.0	10.4	10.9	10.6	10.3	10.6	10.6	10.7	9.9	9.6	9.4
1989	9.3	8.9	8.6	8.8	9.3	9.9	10.0	10.3	10.2	10.7	11.1	10.4
1990	11.5	11.6	11.9	12.5	11.3	10.7	10.7	11.9	12.8	12.9	12.4	11.4
1991	9.7	9.5	8.7	8.4	8.5	8.0	7.7	7.2	7.4	7.8	8.4	7.6
1992	7.1	7.2	7.8	8.3	8.1	8.7	8.8	9.1	8.5	8.6	8.8	8.3
1993	8.2	8.8	9.1	9.5	8.5	8.4	8.5	8.0	7.8	8.1	8.0	7.8
1994	8.2	8.6	7.8	8.0	8.4	8.3	8.6	8.3	8.2	8.3	8.9	8.3
1995	8.4	8.2	7.5	7.4	7.4	7.1	7.1	7.2	7.0	7.5	7.9	7.8
1996	8.1	7.4	7.0	7.0	6.6	6.5	7.0	7.1	6.7	6.4	6.3	6.2
1997	6.6	6.5	6.9	7.1	6.9	6.4	5.9	6.1	6.0	6.2	6.5	6.1
1998	6.4	5.7	5.2	4.8	4.9	5.2	5.2	6.0	6.3	5.9	5.5	4.8
1999	4.9	4.9	4.6	4.8	4.9	4.8	4.8	4.8	4.9	5.0	4.6	4.3
2000	4.4	4.4	4.0	4.9	5.2	4.8	5.0	4.7	5.3	5.9	6.5	5.8
2001	5.6	5.9	5.8	5.5	5.4	5.6	5.6	5.5	5.6	5.6	5.6	5.0
2002	5.4	5.3	5.0	5.3	5.1	4.6	4.6	4.9	5.1	5.1	5.0	4.6

Note: The data contain a series break beginning in 1984. At that time, data for funds that invest in other mutual funds were excluded from the series.

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

(millions of dollars)

Year	Total Net Assets	Net Cash & Equivalent	Corporate Bonds	Preferred Stocks	Common Stocks	Municipal Bonds	Long-Term U.S. Gov't	Other
1980	$58,400	$5,321	$6,582	$531	$41,561	$2,866	$1,433	$106
1981	55,207	5,277	7,489	399	36,649	3,046	2,147	200
1982	76,841	6,040	10,833	1,628	47,720	6,797	3,752	71
1983	113,599	8,343	13,052	1,474	72,942	13,368	3,894	526
1984	137,126	12,181	14,929	1,655	81,485	16,882	9,661	333
1985	251,583	20,593	24,987	3,777	109,774	38,174	53,449	829
1986	423,516	30,611	47,246	7,377	153,449	70,778	111,384	2,671
1987	453,076	37,930	41,592	5,557	176,079	68,464	119,655	3,799
1988	471,417	44,980	54,364	5,670	173,440	86,016	103,605	3,342
1989	552,578	44,603	52,830	4,572	240,780	84,831	117,850	7,112
1990	566,849	48,440	45,365	3,339	213,112	117,084	128,153	11,356
1991	850,744	60,385	87,577	6,522	374,788	149,538	163,098	8,836
1992	1,096,342	73,984	115,441	10,520	474,765	191,779	225,281	4,572
1993	1,504,644	99,436	165,589	16,209	696,045	249,164	272,248	5,953
1994	1,544,320	120,430	155,158	16,463	807,250	211,127	223,070	10,822
1995	2,058,275	141,755	190,879	16,828	1,198,382	245,331	259,076	6,024
1996	2,623,994	151,988	237,988	21,165	1,696,935	245,182	265,110	5,626
1997	3,409,315	198,826	292,903	29,470	2,328,874	266,326	282,061	10,855
1998	4,173,531	191,393	389,135	25,713	2,978,487	292,505	286,537	9,761
1999	5,233,194	219,098	387,681	30,911	4,028,595	267,438	294,270	5,201
2000	5,119,386	277,159	349,100	27,110	3,883,194	269,179	309,648	3,996
2001	4,689,628	219,467	372,468	21,844	3,404,736	289,654	379,684	1,775
2002	4,119,612	208,480	418,186	16,710	2,672,141	320,467	481,710	1,918

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. At the same time, data for funds that invest in other mutual funds were excluded from the series.

Net New Cash Flow* by Investment Objective

(millions of dollars)

	2000	2001	2002
Total Net New Cash Flow	**$228,874.0**	**$129,152.1**	**$121,326.5**
Aggressive Growth	$129,318.5	$19,015.3	($1,079.5)
Growth	119,078.4	6,081.2	(25,066.4)
Sector	62,310.5	(7,917.0)	(10,599.0)
World Equity–Emerging Markets	108.5	(1,249.9)	566.0
World Equity–Global	22,688.8	(10,342.0)	(7,849.9)
World Equity–International	31,461.5	(6,056.6)	5,535.4
World Equity–Regional	(4,465.4)	(4,153.5)	(1,187.6)
Growth and Income	(32,079.8)	31,986.0	8,450.2
Income Equity	(19,056.3)	4,564.7	3,561.4
Total Equity Funds	**$309,364.7**	**$31,928.2**	**($27,669.4)**
Asset Allocation	($3,158.1)	($424.7)	($1,470.4)
Balanced	(12,271.7)	9,711.5	9,212.6
Flexible Portfolio	(7,181.9)	(2,357.2)	(5,768.8)
Income–Mixed	(8,116.0)	2,590.5	6,649.9
Total Hybrid Funds	**($30,727.7)**	**$9,520.1**	**$8,623.3**
Corporate Bond–General	($1,750.2)	$2,284.4	$1,348.7
Corporate Bond–Intermediate-Term	(2,514.3)	5,484.0	5,256.2
Corporate Bond–Short-Term	(3,472.0)	3,380.1	2,348.5
High-Yield Bond	(12,305.9)	7,195.5	10,536.1
World Bond–Global General	(869.8)	(429.0)	(673.6)
World Bond–Global Short-Term	(609.3)	(313.6)	357.6
World Bond–Other	(728.4)	(279.8)	524.1
Government Bond–General	(3,283.4)	5,341.9	12,654.6
Government Bond–Intermediate-Term	(2,297.8)	3,451.2	7,522.9
Government Bond–Short-Term	(3,440.6)	3,610.1	9,966.4
Government Bond–Mortgage-Backed	(7,321.9)	15,468.6	29,311.6
Strategic Income	2,968.0	30,918.5	44,816.0
State Municipal Bond–General	(5,740.5)	5,675.8	3,800.6
State Municipal Bond–Short-Term	227.8	954.8	2,332.3
National Municipal Bond–General	(8,545.4)	2,116.9	2,777.4
National Municipal Bond–Short-Term	(79.3)	2,844.4	7,493.2
Total Bond Funds	**($49,763.0)**	**$87,703.8**	**$140,372.6**

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

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

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

(millions of dollars)

	Net New Cash Flow	Total Net Assets
2000		
January	$44,541.0	$3,956,475.2
February	55,609.6	4,231,187.1
March	40,220.3	4,441,463.1
April	35,505.0	4,246,875.6
May	17,224.2	4,106,403.4
June	21,962.8	4,320,124.0
July	16,760.3	4,246,154.9
August	24,064.6	4,571,681.5
September	17,618.2	4,388,624.3
October	19,286.3	4,283,751.2
November	5,032.8	3,854,652.1
December	11,539.6	3,961,921.9
Total	**$309,364.7**	**$3,961,921.9**
2001		
January	$24,936.9	$4,093,533.7
February	(3,285.0)	3,688,854.0
March	(20,694.3)	3,402,940.5
April	19,103.1	3,715,684.3
May	18,383.2	3,744,556.2
June	10,850.6	3,677,236.7
July	(1,278.3)	3,589,269.6
August	(4,953.3)	3,382,577.2
September	(29,962.0)	3,019,008.8
October	873.1	3,111,176.0
November	15,152.2	3,348,579.5
December	2,802.0	3,418,173.5
Total	**$31,928.2**	**$3,418,173.5**
2002		
January	$19,368.4	$3,370,911.0
February	4,693.6	3,309,307.9
March	29,669.7	3,494,453.2
April	12,867.8	3,366,672.1
May	4,850.4	3,340,372.8
June	(18,244.5)	3,087,609.3
July	(52,626.8)	2,769,149.9
August	(3,118.3)	2,780,146.4
September	(16,081.0)	2,504,417.3
October	(7,616.0)	2,658,591.6
November	6,951.5	2,818,436.2
December	(8,384.2)	2,667,107.5
Total	**($27,669.4)**	**$2,667,107.5**

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

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

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

(millions of dollars)

	Net New Cash Flow	Total Net Assets
2000		
January	($6,268.4)	$350,899.1
February	(5,260.6)	341,864.8
March	(5,345.7)	353,458.8
April	(2,054.2)	346,124.3
May	(2,186.0)	343,583.7
June	(1,911.4)	347,254.6
July	(1,722.5)	348,579.6
August	(1,746.7)	358,560.2
September	(1,740.4)	350,851.0
October	(1,220.9)	349,858.2
November	(304.5)	338,781.7
December	(966.4)	346,275.8
Total	**($30,727.7)**	**$346,275.8**
2001		
January	$2,509.8	$354,882.2
February	1,263.4	344,901.9
March	(403.2)	333,735.3
April	1,229.9	348,036.7
May	867.9	352,649.2
June	1,228.8	349,873.5
July	1,287.8	351,676.5
August	(732.4)	342,565.6
September	(1,274.0)	324,083.3
October	1,550.2	330,329.1
November	955.6	342,952.3
December	1,036.3	346,330.5
Total	**$9,520.1**	**$346,330.5**
2002		
January	$2,204.8	$347,400.0
February	2,334.5	348,554.5
March	3,286.5	359,385.5
April	3,289.6	354,732.8
May	1,463.7	356,574.2
June	432.3	341,538.3
July	(4,662.1)	320,876.9
August	569.8	325,125.1
September	(652.1)	305,532.8
October	(1,013.8)	316,845.4
November	1,204.5	332,341.9
December	165.6	327,369.0
Total	**$8,623.3**	**$327,369.0**

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

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

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

(millions of dollars)

	Net New Cash Flow	Total Net Assets
2000		
January	($12,772.6)	$806,894.8
February	(8,029.6)	809,153.2
March	(8,030.5)	805,857.1
April	(6,596.4)	793,350.5
May	(4,988.1)	781,776.2
June	117.0	796,252.4
July	(186.5)	801,091.8
August	(1,715.0)	806,754.1
September	(3,621.9)	801,663.2
October	(1,971.7)	799,262.2
November	(582.1)	799,036.6
December	(1,385.6)	811,188.5
Total	**($49,763.0)**	**$811,188.5**
2001		
January	$8,971.1	$833,309.2
February	8,854.1	844,512.6
March	7,749.2	852,046.6
April	1,389.8	845,968.1
May	6,305.8	858,351.5
June	2,265.4	860,822.7
July	9,312.3	882,291.3
August	16,713.4	908,315.6
September	7,679.9	909,554.6
October	13,585.1	935,132.9
November	6,917.5	934,084.6
December	(2,039.8)	925,124.0
Total	**$87,703.8**	**$925,124.0**
2002		
January	$10,442.9	$947,832.7
February	10,912.0	963,329.4
March	6,585.9	959,223.1
April	7,698.2	981,516.2
May	10,517.4	994,942.9
June	12,169.5	1,004,532.6
July	28,079.4	1,033,656.8
August	17,405.8	1,064,405.9
September	15,276.3	1,089,503.0
October	6,386.0	1,084,091.8
November	7,626.6	1,098,638.4
December	7,272.6	1,125,135.7
Total	**$140,372.6**	**$1,125,135.7**

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

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

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

(millions of dollars)

Year	Sales	Redemptions	Net Sales
1970	$4,625.8	$2,987.6	$1,638.2
1971	5,147.2	4,750.2	397.0
1972	4,892.5	6,562.9	(1,670.4)
1973	4,359.3	5,651.1	(1,291.8)
1974	3,091.5	3,380.9	(289.4)
1975	3,307.2	3,686.3	(379.1)
1976	4,360.5	6,801.2	(2,440.7)
1977	6,399.6	6,026.0	373.6
1978	6,705.3	7,232.4	(527.1)
1979	6,826.1	8,005.0	(1,178.9)
1980	9,993.7	8,200.0	1,793.7
1981	9,710.4	7,470.4	2,240.0
1982	15,738.3	7,571.8	8,166.5
1983	40,325.1	14,677.6	25,647.5
1984	45,857.6	20,030.2	25,827.4
1985	114,238.0	33,814.2	80,423.8
1986	215,345.6	66,988.5	148,357.1
1987	190,214.0	116,076.1	74,137.9
1988	95,114.0	92,326.2	2,787.8
1989	125,336.5	91,526.0	33,810.5
1990	149,091.0	98,065.2	51,025.8
1991	236,340.6	116,582.4	119,758.2
1992	363,155.9	165,303.0	197,852.9
1993	509,885.9	230,972.4	278,913.5
1994	472,417.5	329,218.2	143,199.3
1995	475,408.2	312,894.8	162,513.4
1996	680,905.7	397,430.2	283,475.5
1997	869,025.9	541,192.5	327,833.4
1998	1,057,822.7	747,680.4	310,142.3
1999	1,273,620.9	1,021,188.8	252,432.1
2000	1,630,482.7	1,330,236.9	300,245.8
2001	1,383,042.6	1,176,891.1	206,151.5
2002	1,434,853.8	1,228,215.4	206,638.4

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. At the same time, data for funds that invest in other mutual funds were excluded from the series.

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

(millions of dollars)

	2000	2001	2002
Total Sales	**$1,630,482.7**	**$1,383,042.6**	**$1,434,853.8**
Aggressive Growth	$290,294.8	$191,069.1	$177,462.3
Growth	365,277.1	249,664.2	226,825.8
Sector	121,515.3	45,867.8	38,800.2
World Equity–Emerging Markets	11,628.1	10,283.9	15,279.2
World Equity–Global	85,533.8	51,528.1	51,856.8
World Equity–International	210,838.6	172,054.9	163,909.4
World Equity–Regional	27,041.3	16,808.9	12,916.4
Growth and Income	213,817.7	210,521.9	205,913.7
Income Equity	20,478.9	25,491.2	25,305.3
Total Equity Funds	**$1,346,425.6**	**$973,290.0**	**$918,269.1**
Asset Allocation	$6,962.8	$7,351.3	$4,559.1
Balanced	39,993.1	44,157.2	52,589.1
Flexible Portfolio	13,714.5	16,296.1	12,427.5
Income–Mixed	6,956.0	11,448.8	17,310.7
Total Hybrid Funds	**$67,626.4**	**$79,253.4**	**$86,886.4**
Corporate Bond–General	$8,825.4	$10,882.0	$11,543.6
Corporate Bond–Intermediate-Term	17,230.8	25,196.4	28,846.5
Corporate Bond–Short-Term	23,556.7	30,609.6	31,827.4
High-Yield Bond	29,395.9	39,873.2	45,896.9
World Bond–Global General	3,724.6	4,306.9	4,359.3
World Bond–Global Short-Term	1,367.5	952.7	1,546.8
World Bond–Other	1,628.1	1,551.1	2,321.7
Government Bond–General	9,043.1	17,000.7	25,274.9
Government Bond–Intermediate-Term	6,382.5	10,457.8	15,978.4
Government Bond–Short-Term	6,685.2	14,123.1	20,160.0
Government Bond–Mortgage-Backed	9,854.4	27,280.6	48,994.4
Strategic Income	50,310.9	84,723.4	118,212.1
State Municipal Bond–General	17,803.2	26,023.9	26,826.7
State Municipal Bond–Short-Term	2,607.9	2,998.1	4,730.8
National Municipal Bond–General	18,337.5	23,132.0	25,698.0
National Municipal Bond–Short-Term	9,677.0	11,387.7	17,480.8
Total Bond Funds	**$216,430.7**	**$330,499.2**	**$429,698.3**

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

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

(millions of dollars)

	2000	2001	2002
Total Reinvested Dividends	**$66,276.3**	**$62,306.3**	**$62,420.1**
Aggressive Growth	$1,448.6	$839.9	$721.9
Growth	4,826.7	2,746.4	2,723.2
Sector	1,379.5	1,139.3	1,224.6
World Equity–Emerging Markets	110.6	118.4	101.0
World Equity–Global	1,785.7	1,303.3	1,105.3
World Equity–International	2,617.0	1,882.7	1,323.0
World Equity–Regional	248.0	242.7	226.5
Growth and Income	10,166.6	9,795.1	10,149.8
Income Equity	2,006.8	2,022.3	1,898.1
Total Equity Funds	**$24,589.5**	**$20,090.1**	**$19,473.4**
Asset Allocation	$800.8	$761.6	$510.6
Balanced	4,262.8	4,181.1	4,145.3
Flexible Portfolio	2,124.5	2,006.9	1,471.2
Income–Mixed	2,088.2	2,010.5	2,260.5
Total Hybrid Funds	**$9,276.3**	**$8,960.1**	**$8,387.6**
Corporate Bond–General	$1,130.7	$1,078.9	$1,249.3
Corporate Bond–Intermediate-Term	2,493.9	2,605.3	2,484.0
Corporate Bond–Short-Term	2,225.5	2,138.2	1,765.9
High-Yield Bond	6,225.3	6,126.2	5,740.7
World Bond–Global General	412.2	384.3	361.7
World Bond–Global Short-Term	104.3	93.7	117.4
World Bond–Other	292.3	205.3	179.2
Government Bond–General	1,292.0	1,427.1	1,624.1
Government Bond–Intermediate-Term	923.9	966.6	1,145.1
Government Bond–Short-Term	743.8	652.2	685.9
Government Bond–Mortgage-Backed	2,556.0	2,636.5	2,985.4
Strategic Income	6,604.7	7,442.6	8,313.0
State Municipal Bond–General	3,107.9	3,164.9	3,391.5
State Municipal Bond–Short-Term	151.0	155.8	161.9
National Municipal Bond–General	3,479.3	3,537.0	3,710.1
National Municipal Bond–Short-Term	667.7	641.5	643.9
Total Bond Funds	**$32,410.5**	**$33,256.1**	**$34,559.1**

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

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

(millions of dollars)

	2000	2001	2002
Total New Sales	**$1,564,206.5**	**$1,320,736.3**	**$1,372,433.7**
Aggressive Growth	$288,846.2	$190,229.2	$176,740.5
Growth	360,450.4	246,917.8	224,102.6
Sector	120,135.8	44,728.5	37,575.6
World Equity–Emerging Markets	11,517.5	10,165.5	15,178.1
World Equity–Global	83,748.1	50,224.8	50,751.5
World Equity–International	208,221.6	170,172.2	162,586.3
World Equity–Regional	26,793.3	16,566.2	12,690.0
Growth and Income	203,651.1	200,726.8	195,763.9
Income Equity	18,472.1	23,468.9	23,407.2
Total Equity Funds	**$1,321,836.1**	**$953,199.9**	**$898,795.7**
Asset Allocation	$6,162.0	$6,589.7	$4,048.4
Balanced	35,730.3	39,976.0	48,443.8
Flexible Portfolio	11,590.0	14,289.2	10,956.3
Income–Mixed	4,867.8	9,438.3	15,050.3
Total Hybrid Funds	**$58,350.1**	**$70,293.2**	**$78,498.8**
Corporate Bond–General	$7,694.8	$9,803.1	$10,294.3
Corporate Bond–Intermediate-Term	14,736.8	22,591.1	26,362.5
Corporate Bond–Short-Term	21,331.3	28,471.4	30,061.5
High-Yield Bond	23,170.6	33,747.0	40,156.2
World Bond–Global General	3,312.4	3,922.6	3,997.6
World Bond–Global Short-Term	1,263.2	859.0	1,429.5
World Bond–Other	1,335.8	1,345.8	2,142.6
Government Bond–General	7,751.0	15,573.6	23,650.7
Government Bond–Intermediate-Term	5,458.6	9,491.2	14,833.3
Government Bond–Short-Term	5,941.5	13,470.9	19,474.1
Government Bond–Mortgage-Backed	7,298.4	24,644.1	46,009.0
Strategic Income	43,706.2	77,280.8	109,899.1
State Municipal Bond–General	14,695.3	22,859.0	23,435.2
State Municipal Bond–Short-Term	2,456.9	2,842.3	4,568.8
National Municipal Bond–General	14,858.2	19,595.0	21,987.9
National Municipal Bond–Short-Term	9,009.3	10,746.3	16,836.9
Total Bond Funds	**$184,020.3**	**$297,243.2**	**$395,139.2**

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

Equity, Hybrid, and Bond Fund Distributions to Shareholders

(millions of dollars)

	Dividend Distributions				Capital Gain Distributions			
Year	Total	Equity Funds	Hybrid Funds	Bond Funds	Total	Equity Funds	Hybrid Funds	Bond Funds
1985	$12,719.3	$3,229.0	$1,098.1	$8,392.2	$4,894.5	$3,699.3	$738.5	$456.7
1986	22,689.3	6,328.3	1,499.3	14,861.7	17,660.9	13,942.4	1,240.1	2,478.4
1987	31,707.9	7,246.4	1,933.6	22,527.9	22,925.6	18,602.8	1,604.5	2,718.3
1988	31,965.9	6,554.1	1,872.5	23,539.3	6,353.5	4,785.3	620.2	948.0
1989	34,102.4	10,235.1	2,164.9	21,702.4	14,765.8	12,664.7	539.5	1,561.6
1990	33,156.0	8,787.4	2,350.3	22,018.3	8,017.2	6,832.6	442.9	741.7
1991	35,145.0	9,007.0	2,337.1	23,800.9	13,917.2	11,961.0	861.0	1,095.2
1992	58,608.3	17,022.8	4,483.4	37,102.1	22,088.6	17,294.4	1,488.3	3,305.9
1993	73,177.6	20,230.0	6,810.2	46,137.4	35,904.6	27,704.8	3,495.8	4,704.0
1994	61,320.5	17,336.9	6,897.6	37,086.0	29,825.4	26,431.7	2,412.6	981.1
1995	67,229.0	22,567.2	9,051.8	35,610.0	54,270.8	50,203.9	3,343.1	723.8
1996	73,282.3	25,060.5	9,844.3	38,377.5	100,488.8	88,211.8	10,826.3	1,450.7
1997	79,895.7	27,970.7	11,606.7	40,318.3	183,385.4	161,364.9	19,079.9	2,940.6
1998	81,011.2	25,494.5	11,456.3	44,060.4	164,989.2	138,680.6	21,571.6	4,737.0
1999	95,442.6	32,543.4	12,821.4	50,077.8	237,623.5	219,483.6	16,840.8	1,299.1
2000	88,213.9	27,987.4	10,681.1	49,545.4	325,840.8	307,586.4	17,807.9	446.5
2001	82,967.8	22,325.0	10,161.9	50,480.9	68,627.6	60,718.4	5,488.2	2,421.0
2002	82,074.4	21,495.0	9,496.9	51,082.5	16,096.8	10,856.0	577.8	4,663.0

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

Annual Redemption Rate for Equity, Hybrid, and Bond Funds

(millions of dollars)

Year	Average Total Net Assets	Redemptions	Redemption Rate
1970	$47,954	$2,988	6.2%
1971	51,332	4,750	9.3
1972	57,438	6,563	11.4
1973	53,175	5,651	10.6
1974	40,290	3,381	8.4
1975	38,120	3,686	9.7
1976	44,880	6,801	15.2
1977	46,316	6,026	13.0
1978	45,014	7,232	16.1
1979	46,980	8,005	17.0
1980	53,690	8,200	15.3
1981	56,803	7,470	13.2
1982	66,024	7,572	11.5
1983	95,220	14,678	15.4
1984	125,363	20,030	16.0
1985	194,355	33,814	17.4
1986	337,550	66,989	19.8
1987	438,296	116,076	26.5
1988	462,246	92,326	20.0
1989	511,997	91,526	17.9
1990	559,713	98,065	17.5
1991	708,796	116,582	16.4
1992	973,543	165,303	17.0
1993	1,300,493	230,972	17.8
1994	1,524,482	329,218	21.6
1995	1,801,297	312,895	17.4
1996	2,341,134	397,430	17.0
1997	3,016,654	541,193	17.9
1998	3,791,423	747,680	19.7
1999	4,703,362	1,021,189	21.7
2000	5,176,290	1,330,237	25.7
2001	4,904,507	1,176,891	24.0
2002	4,404,620	1,228,215	27.9

Note: "Average Total Net Assets" are an average of values at the beginning of the year and at the end of the year. The redemption rate is the dollar redemption volume as a percent of average assets. The data contain a series break beginning in 1984. All funds were reclassified in 1984 and a separate category was created for hybrid funds. At the same time, data for funds that invest in other mutual funds were excluded from the series.

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

(millions of dollars)

	2000	2001	2002
Total Redemptions	**$1,330,236.9**	**$1,176,891.1**	**$1,228,215.4**
Aggressive Growth	$186,842.9	$168,679.9	$172,769.0
Growth	263,494.6	228,247.2	229,822.8
Sector	71,114.5	49,469.2	44,103.4
World Equity–Emerging Markets	11,259.4	11,093.4	14,688.3
World Equity–Global	63,250.2	56,286.4	54,325.6
World Equity–International	179,235.7	173,045.6	156,486.0
World Equity–Regional	28,468.7	18,723.7	13,354.3
Growth and Income	206,563.4	167,234.7	174,244.6
Income Equity	28,343.1	20,139.9	19,728.0
Total Equity Funds	**$1,038,572.5**	**$892,920.0**	**$879,522.0**
Asset Allocation	$7,958.4	$6,757.6	$4,984.5
Balanced	39,401.6	31,577.5	39,053.8
Flexible Portfolio	17,241.7	15,660.3	15,735.3
Income–Mixed	9,908.6	7,042.8	9,413.1
Total Hybrid Funds	**$74,510.3**	**$61,038.2**	**$69,186.7**
Corporate Bond–General	$8,971.3	$8,415.2	$9,787.2
Corporate Bond–Intermediate-Term	16,313.8	19,483.3	22,357.8
Corporate Bond–Short-Term	23,812.4	25,632.2	28,689.7
High-Yield Bond	30,805.3	26,798.9	29,809.8
World Bond–Global General	3,698.2	4,089.6	4,934.4
World Bond–Global Short-Term	1,852.2	1,160.4	1,075.2
World Bond–Other	1,985.7	1,511.8	1,751.0
Government Bond–General	9,857.7	10,606.0	14,596.0
Government Bond–Intermediate-Term	7,176.6	7,179.4	9,634.7
Government Bond–Short-Term	7,196.3	10,332.7	11,862.5
Government Bond–Mortgage-Backed	13,459.6	11,789.5	22,706.7
Strategic Income	38,718.6	50,531.1	70,195.2
State Municipal Bond–General	19,947.7	16,961.4	19,233.4
State Municipal Bond–Short-Term	2,129.4	1,959.4	2,540.5
National Municipal Bond–General	22,395.2	18,153.7	19,770.8
National Municipal Bond–Short-Term	8,834.1	8,328.3	10,561.8
Total Bond Funds	**$217,154.1**	**$222,932.9**	**$279,506.7**

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

Total Purchases, Total Sales, and Net Purchases of Portfolio Securities by Equity, Hybrid, and Bond Funds

(millions of dollars)

Year	Total Purchases	Total Sales	Net Purchases
1970	$20,405.0	$18,588.5	$1,816.5
1971	25,360.2	24,793.8	566.4
1972	24,467.6	25,823.6	(1,356.0)
1973	19,706.6	21,903.0	(2,196.4)
1974	12,299.7	12,213.5	86.2
1975	15,396.9	15,511.4	(114.5)
1976	15,348.2	16,881.2	(1,533.0)
1977	18,168.0	19,420.7	(1,252.7)
1978	20,945.6	23,069.7	(2,124.1)
1979	22,412.1	23,702.5	(1,290.4)
1980	32,987.2	32,080.6	906.6
1981	36,161.7	33,709.2	2,452.5
1982	55,682.0	47,920.7	7,761.3
1983	93,009.5	71,466.5	21,543.0
1984	119,272.6	98,934.5	20,338.1
1985	259,496.1	186,985.2	72,510.9
1986	500,596.6	365,087.4	135,509.2
1987	530,600.7	485,270.9	45,329.8
1988	410,509.2	421,223.7	(10,714.5)
1989	471,744.1	445,453.3	26,290.8
1990	554,719.8	505,779.6	48,940.2
1991	735,674.4	608,111.1	127,563.3
1992	949,366.0	758,475.0	190,891.0
1993	1,335,505.6	1,060,360.3	275,145.3
1994	1,433,738.7	1,329,324.2	104,414.5
1995	1,550,510.3	1,400,701.8	149,808.5
1996	2,018,253.2	1,736,883.7	281,369.5
1997	2,384,639.4	2,108,980.6	275,658.8
1998	2,861,561.9	2,560,074.4	301,487.5
1999	3,437,179.7	3,224,301.2	212,878.5
2000	4,923,152.2	4,698,519.0	224,633.2
2001	4,692,997.7	4,397,643.6	295,354.1
2002	4,023,365.7	3,811,716.2	211,649.5

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. At the same time, data for funds that invest in other mutual funds were excluded from the series.

Total Purchases, Total Sales, and Net Purchases of Common Stocks by Equity, Hybrid, and Bond Funds

(millions of dollars)

Year	Total Purchases	Total Sales	Net Purchases
1970	$17,127.6	$15,900.8	$1,226.8
1971	21,557.7	21,175.1	382.6
1972	20,943.5	22,552.8	(1,609.3)
1973	15,560.7	17,504.4	(1,943.7)
1974	9,085.3	9,372.1	(286.8)
1975	10,948.7	11,902.3	(953.6)
1976	10,729.1	13,278.3	(2,549.2)
1977	8,704.7	12,211.3	(3,506.6)
1978	12,832.9	14,454.7	(1,621.8)
1979	13,089.0	15,923.0	(2,834.0)
1980	19,893.8	21,799.9	(1,906.1)
1981	20,859.7	21,278.3	(418.6)
1982	27,397.2	24,939.6	2,457.6
1983	54,581.7	40,813.9	13,767.8
1984	56,588.1	50,899.9	5,688.2
1985	80,719.0	72,577.4	8,141.6
1986	134,446.4	118,025.7	16,420.7
1987	198,859.3	176,003.9	22,855.4
1988	112,742.3	128,815.2	(16,072.9)
1989	142,770.9	141,694.3	1,076.6
1990	166,397.6	146,580.2	19,817.4
1991	250,288.7	209,275.8	41,012.9
1992	327,517.7	261,857.2	65,660.5
1993	506,712.7	380,855.2	125,857.5
1994	628,667.8	512,346.4	116,321.4
1995	790,016.7	686,756.2	103,260.5
1996	1,151,262.3	927,265.9	223,996.4
1997	1,457,384.4	1,268,983.5	188,400.9
1998	1,762,565.3	1,597,310.7	165,254.6
1999	2,262,505.4	2,088,543.7	173,961.7
2000	3,560,898.8	3,330,713.7	230,185.1
2001	2,740,505.5	2,613,332.7	127,172.8
2002	2,179,568.8	2,145,315.6	34,253.2

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. At the same time, data for funds that invest in other mutual funds were excluded from the series.

Total Purchases, Total Sales, and Net Purchases of Securities Other Than Common Stocks by Equity, Hybrid, and Bond Funds

(millions of dollars)

Year	Total Purchases	Total Sales	Net Purchases
1970	$3,277.4	$2,687.7	$589.7
1971	3,802.5	3,618.7	183.8
1972	3,524.1	3,270.8	253.3
1973	4,145.9	4,398.6	(252.7)
1974	3,214.4	2,841.4	373.0
1975	4,448.2	3,609.1	839.1
1976	4,619.1	3,602.9	1,016.2
1977	9,463.3	7,209.4	2,253.9
1978	8,112.7	8,615.0	(502.3)
1979	9,323.1	7,779.5	1,543.6
1980	13,093.4	10,280.7	2,812.7
1981	15,302.0	12,430.9	2,871.1
1982	28,284.8	22,981.1	5,303.7
1983	38,427.8	30,652.6	7,775.2
1984	62,684.5	48,034.6	14,649.9
1985	178,777.1	114,407.8	64,369.3
1986	366,150.2	247,061.7	119,088.5
1987	331,741.4	309,267.0	22,474.4
1988	297,766.9	292,408.5	5,358.4
1989	328,973.2	303,759.0	25,214.2
1990	388,322.2	359,199.4	29,122.8
1991	485,385.7	398,835.3	86,550.4
1992	621,848.3	496,617.8	125,230.5
1993	828,792.9	679,505.1	149,287.8
1994	805,070.9	816,977.8	(11,906.9)
1995	760,493.6	713,945.6	46,548.0
1996	866,990.9	809,617.8	57,373.1
1997	927,255.0	839,997.1	87,257.9
1998	1,098,996.6	962,763.7	136,232.9
1999	1,174,674.3	1,135,757.5	38,916.8
2000	1,362,253.4	1,367,805.3	(5,551.9)
2001	1,952,492.2	1,784,310.9	168,181.3
2002	1,843,796.9	1,666,400.6	177,396.3

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. At the same time, data for funds that invest in other mutual funds were excluded from the series.

Portfolio Purchases by Investment Objective

(millions of dollars)

	All Securities		Common Stock Only	
	2001	2002	2001	2002
Total	**$4,692,997.7**	**$4,023,365.7**	**$2,740,505.5**	**$2,179,568.8**
Aggressive Growth	$660,591.1	$472,354.0	$641,849.6	$460,265.0
Growth	905,094.5	725,224.3	876,585.8	698,056.6
Sector	179,844.4	124,395.9	172,669.9	119,851.1
World Equity–Emerging Markets	14,534.8	12,007.8	12,865.2	11,271.0
World Equity–Global	149,801.1	100,416.1	137,084.6	92,950.6
World Equity–International	195,132.0	163,124.5	179,034.6	149,731.7
World Equity–Regional	23,725.7	20,977.6	21,678.8	17,292.1
Growth and Income	526,917.8	471,729.8	475,721.8	420,318.9
Income Equity	78,473.0	71,982.7	61,739.5	54,882.8
Total Equity Funds	**$2,734,114.4**	**$2,162,212.7**	**$2,579,229.8**	**$2,024,619.8**
Asset Allocation	$45,434.1	$29,418.9	$25,955.7	$14,711.5
Balanced	197,169.1	200,887.9	81,199.1	84,691.5
Flexible Portfolio	80,378.2	70,400.3	37,165.5	32,208.6
Income–Mixed	39,101.7	53,732.5	8,961.3	11,865.3
Total Hybrid Funds	**$362,083.1**	**$354,439.6**	**$153,281.6**	**$143,476.9**
Corporate Bond–General	$85,120.1	$100,068.3	$514.0	$777.2
Corporate Bond–Intermediate-Term	159,814.4	180,488.3	1,227.8	1,647.1
Corporate Bond–Short-Term	65,319.2	60,403.9	431.6	359.5
High-Yield Bond	84,146.0	88,305.9	2,701.5	2,680.0
World Bond–Global General	25,880.1	20,287.1	507.0	261.3
World Bond–Global Short-Term	3,382.6	5,048.4	130.4	34.5
World Bond–Other	11,729.0	8,689.1	375.4	472.7
Government Bond–General	129,992.5	160,643.1	–	–
Government Bond–Intermediate-Term	48,778.1	91,156.9	–	–
Government Bond–Short-Term	46,329.8	53,993.2	–	–
Government Bond–Mortgage-Backed	145,872.6	253,633.8	–	–
Strategic Income	652,908.0	338,550.2	2,106.4	5,239.8
State Municipal Bond–General	51,516.6	51,359.9	–	–
State Municipal Bond–Short-Term	5,582.2	6,935.1	–	–
National Municipal Bond–General	60,161.3	60,946.4	–	–
National Municipal Bond–Short-Term	20,267.7	26,203.8	–	–
Total Bond Funds	**$1,596,800.2**	**$1,506,713.4**	**$7,994.1**	**$11,472.1**

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

Portfolio Sales by Investment Objective

(millions of dollars)

	All Securities		Common Stock Only	
	2001	2002	2001	2002
Total	**$4,397,643.6**	**$3,811,716.2**	**$2,613,332.7**	**$2,145,315.6**
Aggressive Growth	$620,728.4	$470,185.0	$602,280.0	$457,523.2
Growth	879,763.8	729,187.2	849,158.9	702,293.9
Sector	179,975.5	130,891.1	172,809.3	125,575.4
World Equity–Emerging Markets	14,958.7	11,796.4	13,027.2	10,281.5
World Equity–Global	149,605.0	104,161.5	134,882.5	96,872.3
World Equity–International	191,680.1	153,548.1	175,482.4	139,844.2
World Equity–Regional	26,743.8	21,585.2	24,848.8	18,208.5
Growth and Income	484,478.7	444,540.4	442,922.0	407,027.1
Income Equity	70,960.9	66,531.1	56,447.6	52,849.5
Total Equity Funds	**$2,618,894.9**	**$2,132,426.0**	**$2,471,858.7**	**$2,010,475.6**
Asset Allocation	$44,365.6	$30,126.7	$24,677.5	$14,188.5
Balanced	180,848.2	184,458.8	66,496.0	69,564.0
Flexible Portfolio	79,438.4	75,677.1	33,339.4	31,493.0
Income–Mixed	34,456.8	43,756.1	8,479.3	8,411.7
Total Hybrid Funds	**$339,109.0**	**$334,018.7**	**$132,992.2**	**$123,657.2**
Corporate Bond–General	$80,017.4	$95,602.6	$406.7	$1,203.8
Corporate Bond–Intermediate-Term	152,274.6	171,106.6	1,127.0	1,283.2
Corporate Bond–Short-Term	57,127.4	56,665.6	424.2	928.0
High-Yield Bond	70,210.8	73,313.1	3,167.8	1,991.7
World Bond–Global General	25,722.9	20,528.0	643.3	198.5
World Bond–Global Short-Term	3,573.6	4,787.0	120.5	54.6
World Bond–Other	11,695.1	8,613.4	311.6	389.7
Government Bond–General	121,570.5	144,544.5	–	–
Government Bond–Intermediate-Term	43,363.3	83,630.6	–	–
Government Bond–Short-Term	39,708.4	43,670.6	–	–
Government Bond–Mortgage-Backed	119,263.9	212,107.2	–	–
Strategic Income	598,237.9	305,899.4	2,280.7	5,133.3
State Municipal Bond–General	42,161.3	45,344.6	–	–
State Municipal Bond–Short-Term	4,602.3	4,481.3	–	–
National Municipal Bond–General	53,847.0	55,685.6	–	–
National Municipal Bond–Short-Term	16,263.3	19,291.4	–	–
Total Bond Funds	**$1,439,639.7**	**$1,345,271.5**	**$8,481.8**	**$11,182.8**

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

Total Short-Term Funds

(millions of dollars)

Year	Total Sales	Total Redemptions	Net Sales	Net New Cash Flow*	Dividend Distributions	Number of Funds	Total Accounts Outstanding	Total Net Assets
1980	$237,427.7	$207,877.7	$29,550.0	$24,022.7	$7,765.7	106	4,762,103	$76,361.3
1981	462,422.6	354,972.1	107,450.5	91,143.7	18,573.3	179	10,323,466	186,158.2
1982	611,202.9	580,778.4	30,424.5	9,184.1	21,980.0	318	13,258,143	219,837.5
1983	507,447.0	551,151.3	(43,704.3)	(55,664.9)	13,782.3	373	12,539,688	179,386.5
1984	634,228.0	586,990.5	47,237.5	33,040.5	16,434.9	425	13,844,697	233,553.6
1985	839,498.9	831,065.6	8,433.3	(8,940.9)	15,707.7	460	14,934,631	243,802.4
1986	989,816.0	948,641.4	41,174.7	26,465.1	14,832.1	487	16,313,148	292,151.6
1987	1,060,949.2	1,062,520.2	(1,571.0)	(5,189.0)	15,654.0	543	17,674,790	316,096.1
1988	1,081,695.1	1,074,340.3	7,355.0	(8,961.9)	21,618.1	610	18,569,817	337,953.6
1989	1,319,453.1	1,235,527.0	83,926.1	55,703.4	28,618.8	673	21,314,228	428,093.3
1990	1,415,701.3	1,372,725.3	42,976.1	23,219.6	30,257.9	741	22,968,817	498,341.4
1991	1,800,758.0	1,763,106.3	37,651.8	5,499.0	28,604.3	820	23,556,000	542,441.7
1992	2,386,288.2	2,382,975.9	3,312.4	(16,288.9)	20,279.7	864	23,647,186	546,194.6
1993	2,677,539.6	2,673,464.4	4,075.1	(14,110.2)	18,991.3	920	23,585,329	565,319.1
1994	2,603,333.9	2,598,992.9	4,341.0	8,766.9	23,736.6	963	25,378,671	611,004.5
1995	3,125,209.0	3,001,928.0	123,281.0	89,411.1	37,037.7	997	30,136,777	753,017.7
1996	3,990,530.5	3,868,771.7	121,758.9	89,421.8	42,554.8	988	32,199,937	901,807.0
1997	4,930,584.6	4,782,897.7	147,686.9	102,069.4	48,842.6	1,013	35,624,081	1,058,885.7
1998	6,172,574.9	5,901,591.2	270,983.4	235,335.2	57,375.5	1,026	38,847,345	1,351,678.2
1999	7,769,960.2	7,540,911.9	229,048.6	193,630.4	69,004.0	1,045	43,615,576	1,613,145.5
2000	9,478,951.7	9,255,974.5	222,977.1	159,635.6	98,218.6	1,039	48,138,495	1,845,280.7
2001	11,483,164.5	11,065,103.8	418,060.7	375,647.3	79,308.9	1,015	47,236,474	2,285,347.9
2002	11,761,086.9	11,810,334.9	(49,248.0)	(46,673.8)	32,446.6	989	45,381,958	2,271,958.7

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

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

An Overview: Taxable Money Market Funds

(millions of dollars)

Year	Total Sales	Total Redemptions	Net Sales	Net New Cash Flow*	Dividend Distributions	Number of Funds	Total Accounts Outstanding	Average Maturity (days)	Total Net Assets
1980	$232,172.8	$204,068.5	$28,104.3	$22,527.6	$7,665.7	96	4,745,572	24	$74,447.7
1981	451,889.5	346,701.5	105,188.0	88,939.7	18,473.3	159	10,282,095	34	181,910.4
1982	581,758.9	559,581.1	22,177.8	1,704.2	21,680.0	281	13,101,347	37	206,607.5
1983	462,978.7	508,729.9	(45,751.2)	(57,437.5)	13,182.3	307	12,276,639	37	162,549.5
1984	571,959.3	531,050.9	40,908.4	29,163.5	15,434.9	329	13,556,180	43	209,731.9
1985	730,073.8	732,343.0	(2,269.1)	(15,884.1)	14,107.7	348	14,435,386	42	207,535.3
1986	792,349.1	776,303.2	16,045.9	9,028.8	12,432.1	360	15,653,595	45	228,345.8
1987	869,099.2	865,668.4	3,430.7	13,054.6	12,832.9	389	16,832,666	34	254,676.4
1988	903,425.9	899,397.3	4,028.6	(1,512.4)	17,976.0	434	17,630,528	31	272,293.3
1989	1,134,647.8	1,055,142.4	79,505.4	62,537.5	24,682.9	470	20,173,265	40	358,719.2
1990	1,218,935.9	1,183,085.9	35,850.1	17,433.2	26,447.6	506	21,577,559	47	414,733.3
1991	1,569,852.0	1,536,509.6	33,342.4	4,420.8	25,120.9	553	21,863,352	56	452,559.2
1992	2,099,796.8	2,101,420.8	(1,624.0)	(20,468.2)	17,196.9	585	21,770,693	58	451,353.4
1993	2,335,653.0	2,336,939.6	(1,286.7)	(19,122.8)	15,689.5	628	21,586,862	59	461,903.9
1994	2,234,069.0	2,229,036.6	5,032.4	7,932.4	20,500.2	646	23,339,838	38	500,635.5
1995	2,729,117.5	2,617,221.3	111,896.2	82,127.1	32,822.2	674	27,859,258	57	629,985.8
1996	3,523,786.6	3,415,494.5	108,292.1	79,186.0	38,363.9	666	29,907,471	54	761,989.0
1997	4,394,583.3	4,265,341.8	129,241.5	86,649.7	44,109.6	682	32,960,628	55	898,083.1
1998	5,533,565.3	5,289,265.8	244,299.4	212,408.3	52,072.4	685	36,442,150	56	1,163,166.7
1999	7,083,029.5	6,865,682.3	217,347.3	182,795.8	63,107.4	702	41,177,138	49	1,408,731.0
2000	8,690,835.2	8,499,014.5	191,820.7	133,120.3	89,955.8	703	45,479,697	51	1,607,248.2
2001	10,700,522.6	10,313,681.3	386,841.3	349,426.1	73,117.3	689	44,414,701	58	2,012,949.4
2002	11,011,239.1	11,074,775.3	(63,536.2)	(62,409.2)	29,614.2	679	42,725,526	53	1,997,175.2

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

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

An Overview: Tax-Exempt Money Market Funds

(millions of dollars)

Year		Total Sales	Total Redemptions	Net Sales	Net New Cash Flow*	Dividend Distributions	Number of Funds	Total Accounts Outstanding	Total Net Assets
1989	National	$152,674.0	$151,735.4	$938.6	($7,468.8)	$3,011.1	131	875,626	$52,824.7
	State	32,131.3	28,649.2	3,482.1	634.7	924.8	72	265,337	16,549.4
1990	National	155,956.9	153,363.8	2,593.1	1,162.5	2,688.9	133	984,301	59,200.5
	State	40,808.5	36,275.6	4,532.9	4,623.9	1,121.4	102	406,957	24,407.6
1991	National	181,137.9	178,927.1	2,210.9	474.1	2,463.2	141	1,139,741	62,338.0
	State	49,768.1	47,669.6	2,098.5	604.1	1,020.2	126	552,907	27,544.5
1992	National	223,414.2	220,832.0	2,582.3	2,659.5	2,171.5	139	1,120,735	64,863.3
	State	63,077.2	60,723.1	2,354.1	1,519.8	911.3	140	755,758	29,977.9
1993	National	264,844.1	261,686.2	3,157.9	2,753.6	2,024.1	145	1,237,326	70,451.2
	State	77,042.5	74,838.6	2,203.9	2,259.0	1,277.7	147	761,141	32,964.0
1994	National	281,800.3	283,647.0	(1,846.7)	(932.6)	1,810.3	154	1,267,090	73,120.1
	State	87,464.6	86,309.3	1,155.3	1,767.1	1,426.1	163	771,743	37,248.9
1995	National	291,273.2	286,223.2	5,050.0	2,449.7	2,832.0	154	1,377,008	79,227.4
	State	104,818.3	98,483.5	6,334.8	4,834.3	1,383.5	169	900,511	43,804.5
1996	National	340,669.6	334,148.6	6,521.0	4,359.5	2,795.9	155	1,346,220	88,845.7
	State	126,074.3	119,128.6	6,945.8	5,876.3	1,395.0	167	946,246	50,972.3
1997	National	383,863.2	373,233.5	10,629.7	8,939.7	3,059.7	156	1,557,399	100,911.3
	State	152,138.1	144,322.4	7,815.7	6,480.0	1,673.3	175	1,106,054	59,891.3
1998	National	452,774.4	437,679.8	15,094.5	13,100.6	3,446.3	155	1,284,287	117,373.9
	State	186,235.2	174,645.6	11,589.5	9,826.3	1,856.8	186	1,120,908	71,137.6
1999	National	474,581.0	470,076.8	4,504.3	4,545.9	3,709.0	158	1,310,161	125,397.3
	State	212,349.7	205,152.8	7,197.0	6,288.7	2,187.6	185	1,128,277	79,017.2
2000	National	533,975.1	513,076.6	20,898.5	17,868.3	5,255.9	151	1,411,570	145,280.9
	State	254,141.4	243,883.4	10,257.9	8,647.0	3,006.9	185	1,247,228	92,751.6
2001	National	552,860.2	527,933.3	24,926.9	22,649.6	4,077.5	140	1,521,077	174,376.3
	State	229,781.7	223,489.2	6,292.5	3,571.6	2,114.1	186	1,300,696	98,022.2
2002	National	541,118.1	526,942.5	14,175.6	15,534.7	1,893.8	128	1,428,663	175,381.7
	State	208,729.7	208,617.1	112.6	200.7	938.6	182	1,227,769	99,401.8

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

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

(thousands of dollars)

	Retail	Institutional	Total
2000			
January	$832,568,272	$612,499,921	$1,445,068,193
February	843,223,145	622,341,486	1,465,564,631
March	866,748,438	608,952,364	1,475,700,802
April	843,038,890	597,328,042	1,440,366,932
May	843,437,961	615,927,596	1,459,365,557
June	828,061,712	615,581,881	1,443,643,593
July	838,105,705	638,841,591	1,476,947,296
August	844,091,362	662,344,588	1,506,435,950
September	845,498,188	661,843,727	1,507,341,915
October	849,952,862	684,206,427	1,534,159,289
November	871,577,916	716,635,580	1,588,213,496
December	879,526,309	727,721,910	1,607,248,219
2001			
January	$903,052,211	$811,820,187	$1,714,872,398
February	924,263,455	846,468,599	1,770,732,054
March	956,542,666	829,873,968	1,786,416,634
April	929,332,097	862,848,493	1,792,180,590
May	917,775,910	906,094,208	1,823,870,118
June	908,804,779	895,867,981	1,804,672,760
July	921,796,957	893,279,007	1,815,075,964
August	929,633,516	917,065,554	1,846,699,070
September	950,859,457	951,903,897	1,902,763,354
October	954,755,053	1,019,606,010	1,974,361,063
November	950,797,066	1,081,914,608	2,032,711,674
December	941,486,242	1,071,463,190	2,012,949,432
2002			
January	$937,364,773	$1,103,468,273	$2,040,833,046
February	942,030,367	1,093,204,793	2,035,235,160
March	920,519,030	1,061,232,182	1,981,751,212
April	901,109,856	1,072,437,724	1,973,547,580
May	887,813,125	1,078,880,346	1,966,693,471
June	887,501,921	1,049,780,660	1,937,282,581
July	914,476,550	1,072,972,947	1,987,449,497
August	899,869,875	1,051,409,655	1,951,279,530
September	892,062,267	1,009,398,636	1,901,460,903
October	888,626,261	1,019,663,274	1,908,289,535
November	881,583,146	1,149,178,891	2,030,762,037
December	870,485,186	1,126,689,977	1,997,175,163

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

Taxable Money Market Fund Shareholder Accounts by Type of Fund

	Retail	Institutional	Total
2000			
January	37,229,650	3,866,471	41,096,121
February	37,582,763	3,798,987	41,381,750
March	39,045,555	3,786,889	42,832,444
April	39,523,668	3,465,147	42,988,815
May	39,684,064	3,935,315	43,619,379
June	38,773,943	3,796,364	42,570,307
July	38,806,874	3,728,590	42,535,464
August	38,917,885	3,757,663	42,675,548
September	40,799,576	4,192,271	44,991,847
October	40,651,349	4,240,106	44,891,455
November	41,234,620	4,334,857	45,569,477
December	41,159,614	4,320,083	45,479,697
2001			
January	41,447,999	4,508,329	45,956,328
February	41,882,816	4,650,059	46,532,875
March	42,257,917	4,795,690	47,053,607
April	41,830,688	4,751,895	46,582,583
May	42,021,649	4,849,741	46,871,390
June	41,769,806	4,817,715	46,587,521
July	40,402,682	4,904,139	45,306,821
August	40,464,924	4,995,550	45,460,474
September	38,797,825	5,045,523	43,843,348
October	39,399,975	5,072,282	44,472,257
November	40,136,819	5,082,670	45,219,489
December	39,347,593	5,067,108	44,414,701
2002			
January	39,378,533	5,184,216	44,562,749
February	39,361,415	5,830,526	45,191,941
March	39,286,664	5,877,238	45,163,902
April	38,483,444	5,373,810	43,857,254
May	37,190,968	4,923,237	42,114,205
June	38,102,079	5,149,290	43,251,369
July	38,833,079	5,287,906	44,120,985
August	38,586,024	5,209,444	43,795,468
September	38,312,344	5,269,568	43,581,912
October	38,317,119	5,239,864	43,556,983
November	38,022,276	5,278,694	43,300,970
December	37,559,342	5,166,184	42,725,526

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

Taxable Money Market Fund Asset Composition

(millions of dollars)

	1996	1997	1998	1999	2000	2001	2002
Total Net Assets	**$761,989.0**	**$898,083.1**	**$1,163,166.7**	**$1,408,731.0**	**$1,607,248.2**	**$2,012,949.4**	**$1,997,175.2**
U.S. Treasury Bills	42,195.0	40,955.2	48,115.7	60,054.6	54,515.4	93,450.2	110,370.7
Other Treasury Securities	49,644.1	47,934.1	62,005.4	46,311.1	37,843.0	45,345.7	33,264.7
U.S. Securities	104,189.2	97,804.1	176,043.0	195,734.0	189,095.7	325,656.1	332,074.5
Repurchase Agreements	105,710.6	128,901.5	141,710.8	143,975.3	186,890.2	232,186.8	279,916.7
Certificates of Deposits	69,316.8	95,565.7	111,908.4	138,984.6	122,576.9	195,809.3	182,549.7
Eurodollar CDs	23,569.3	23,951.9	30,713.8	42,095.9	93,026.8	127,034.9	116,949.7
Commercial Paper	276,801.4	339,501.0	420,975.0	535,288.5	619,722.7	649,636.4	607,609.4
Bank Notes	12,398.3	21,017.4	33,668.5	33,828.2	46,120.5	25,342.4	22,417.1
Bankers Acceptances	2,619.9	3,472.6	2,860.5	2,884.3	1,782.5	3,850.5	1,063.2
Corporate Notes*	–	–	50,255.0	94,010.8	119,175.6	141,353.8	152,487.9
Cash Reserves	(1,159.2)	1,479.5	(1,046.9)	(3,392.7)	2,276.1	4,664.8	(1,317.0)
Other Assets	76,703.6	97,500.1	85,957.5	118,956.4	134,222.8	168,618.5	159,788.6
Average Maturity (days)	54	55	56	49	51	58	53
Number of Funds	666	682	685	702	703	689	679

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

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

Sales Due to Exchanges by Investment Objective

(millions of dollars)

	2000	2001	2002
Total	**$1,149,752.3**	**$797,339.3**	**$747,473.3**
Aggressive Growth	$193,321.1	$107,080.7	$87,310.9
Growth	162,318.0	93,336.6	82,792.9
Sector	84,483.7	41,672.4	41,496.7
World Equity–Emerging Markets	5,254.6	1,859.2	2,013.7
World Equity–Global	52,298.9	21,384.8	16,898.3
World Equity–International	75,843.4	41,664.2	31,459.5
World Equity–Regional	15,680.2	10,798.8	7,198.1
Growth and Income	57,929.7	51,260.2	45,596.4
Income Equity	6,914.1	8,431.5	7,672.9
Total Equity Funds	**$654,043.7**	**$377,488.4**	**$322,439.4**
Asset Allocation	$2,935.0	$4,611.5	$900.0
Balanced	6,630.1	8,814.1	10,993.8
Flexible Portfolio	2,340.7	1,983.4	1,247.1
Income–Mixed	1,567.3	2,070.6	3,643.8
Total Hybrid Funds	**$13,473.1**	**$17,479.6**	**$16,784.7**
Corporate Bond–General	$2,023.2	$3,343.7	$2,975.4
Corporate Bond–Intermediate-Term	3,461.9	6,840.0	6,625.2
Corporate Bond–Short-Term	3,708.3	7,501.9	6,885.2
High-Yield Bond	10,268.3	11,093.0	11,265.6
World Bond–Global General	959.6	714.7	1,223.1
World Bond–Global Short-Term	93.2	107.7	104.2
World Bond–Other	280.0	339.9	472.1
Government Bond–General	3,615.2	8,308.4	13,853.7
Government Bond–Intermediate-Term	2,850.9	5,677.7	7,612.1
Government Bond–Short-Term	3,016.3	4,349.1	6,480.0
Government Bond–Mortgage-Backed	7,232.9	8,359.3	12,700.5
Strategic Income	8,161.0	16,216.4	22,610.4
State Municipal Bond–General	5,121.1	5,086.2	5,146.2
State Municipal Bond–Short-Term	187.7	280.4	569.9
National Municipal Bond–General	8,992.3	11,238.1	9,835.1
National Municipal Bond–Short-Term	1,873.0	2,428.1	3,675.9
Total Bond Funds	**$61,844.9**	**$91,884.6**	**$112,034.6**
Taxable Money Market–Government	$45,305.9	$40,665.9	$44,410.0
Taxable Money Market–Non-Government	356,477.7	252,639.9	231,944.3
National Tax-Exempt Money Market	12,403.7	11,030.1	13,708.5
State Tax-Exempt Money Market	6,203.3	6,150.8	6,151.8
Total Money Market Funds	**$420,390.6**	**$310,486.7**	**$296,214.6**

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

Redemptions Due to Exchanges by Investment Objective

(millions of dollars)

	2000	2001	2002
Total	**$1,145,418.6**	**$798,078.4**	**$745,680.4**
Aggressive Growth	$166,005.9	$109,614.8	$92,361.9
Growth	140,195.4	105,925.9	102,139.2
Sector	71,194.5	44,848.8	45,567.9
World Equity–Emerging Markets	5,404.3	2,181.2	1,937.5
World Equity–Global	50,108.0	25,665.2	21,174.1
World Equity–International	73,367.8	44,847.3	32,024.4
World Equity–Regional	18,470.2	12,794.8	7,721.5
Growth and Income	87,097.2	52,766.4	58,665.4
Income Equity	16,099.5	7,195.8	7,790.7
Total Equity Funds	**$627,942.8**	**$405,840.2**	**$369,382.6**
Asset Allocation	$4,296.7	$4,868.3	$1,434.3
Balanced	15,230.5	7,501.0	11,171.2
Flexible Portfolio	3,870.9	2,969.5	2,236.8
Income–Mixed	4,642.6	1,875.7	2,631.0
Total Hybrid Funds	**$28,040.7**	**$17,214.5**	**$17,473.3**
Corporate Bond–General	$2,496.9	$2,447.2	$2,133.8
Corporate Bond–Intermediate-Term	4,399.2	4,463.8	5,373.7
Corporate Bond–Short-Term	4,699.1	6,961.0	5,908.5
High-Yield Bond	14,939.5	10,845.6	11,076.0
World Bond–Global General	1,443.6	976.7	959.9
World Bond–Global Short-Term	113.4	119.8	100.9
World Bond–Other	358.5	453.8	339.6
Government Bond–General	4,791.9	7,934.1	10,253.8
Government Bond–Intermediate-Term	3,430.7	4,538.2	5,287.8
Government Bond–Short-Term	5,202.2	3,877.3	4,125.2
Government Bond–Mortgage-Backed	8,393.5	5,745.2	6,691.2
Strategic Income	10,180.6	12,047.7	17,498.3
State Municipal Bond–General	5,609.2	5,308.0	5,547.4
State Municipal Bond–Short-Term	287.4	208.5	265.9
National Municipal Bond–General	10,000.7	10,562.5	9,274.8
National Municipal Bond–Short-Term	2,127.5	2,001.7	2,457.8
Total Bond Funds	**$78,473.9**	**$78,491.1**	**$87,294.6**
Taxable Money Market–Government	$45,995.7	$36,792.4	$40,875.5
Taxable Money Market–Non-Government	347,708.5	242,099.5	214,320.9
National Tax-Exempt Money Market	11,682.5	10,453.9	11,031.7
State Tax-Exempt Money Market	5,574.5	7,186.8	5,301.8
Total Money Market Funds	**$410,961.2**	**$296,532.6**	**$271,529.9**

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

Net Sales Due to Exchanges by Investment Objective

(millions of dollars)

	2000	2001	2002
Total	**$4,333.7**	**($739.1)**	**$1,792.9**
Aggressive Growth	$27,315.2	($2,534.1)	($5,051.0)
Growth	22,122.6	(12,589.3)	(19,346.3)
Sector	13,289.2	(3,176.4)	(4,071.2)
World Equity–Emerging Markets	(149.7)	(322.0)	76.2
World Equity–Global	2,190.9	(4,280.4)	(4,275.8)
World Equity–International	2,475.6	(3,183.1)	(564.9)
World Equity–Regional	(2,790.0)	(1,996.0)	(523.4)
Growth and Income	(29,167.5)	(1,506.2)	(13,069.0)
Income Equity	(9,185.4)	1,235.7	(117.8)
Total Equity Funds	**$26,100.9**	**($28,351.8)**	**($46,943.2)**
Asset Allocation	($1,361.7)	($256.8)	($534.3)
Balanced	(8,600.4)	1,313.1	(177.4)
Flexible Portfolio	(1,530.2)	(986.1)	(989.7)
Income–Mixed	(3,075.3)	194.9	1,012.8
Total Hybrid Funds	**($14,567.6)**	**$265.1**	**($688.6)**
Corporate Bond–General	($473.7)	$896.5	$841.6
Corporate Bond–Intermediate-Term	(937.3)	2,376.2	1,251.5
Corporate Bond–Short-Term	(990.8)	540.9	976.7
High-Yield Bond	(4,671.2)	247.4	189.6
World Bond–Global General	(484.0)	(262.0)	263.2
World Bond–Global Short-Term	(20.2)	(12.1)	3.3
World Bond–Other	(78.5)	(113.9)	132.5
Government Bond–General	(1,176.7)	374.3	3,599.9
Government Bond–Intermediate-Term	(579.8)	1,139.5	2,324.3
Government Bond–Short-Term	(2,185.9)	471.8	2,354.8
Government Bond–Mortgage-Backed	(1,160.6)	2,614.1	6,009.3
Strategic Income	(2,019.6)	4,168.7	5,112.1
State Municipal Bond–General	(488.1)	(221.8)	(401.2)
State Municipal Bond–Short-Term	(99.7)	71.9	304.0
National Municipal Bond–General	(1,008.4)	675.6	560.3
National Municipal Bond–Short-Term	(254.5)	426.4	1,218.1
Total Bond Funds	**($16,629.0)**	**$13,393.5**	**$24,740.0**
Taxable Money Market–Government	($689.8)	$3,873.5	$3,534.5
Taxable Money Market–Non-Government	8,769.2	10,540.4	17,623.4
National Tax-Exempt Money Market	721.2	576.2	2,676.8
State Tax-Exempt Money Market	628.8	(1,036.0)	850.0
Total Money Market Funds	**$9,429.4**	**$13,954.1**	**$24,684.7**

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

Assets of Major Institutions and Financial Intermediaries

(millions of dollars)

	1996	1997	1998	1999	2000	2001	2002
Depository Institutions	**$6,072,189**	**$6,557,007**	**$7,108,638**	**$7,547,502**	**$8,127,399**	**$8,635,302**	**$9,277,826**
Commercial Banks[1]	4,710,397	5,174,550	5,628,599	5,982,499	6,468,674	6,830,725	7,356,976
Credit Unions[2]	330,114	353,831	391,483	414,527	441,066	505,501	563,323
Savings Institutions[3]	1,031,678	1,028,626	1,088,556	1,150,476	1,217,659	1,299,076	1,357,527
Life Insurance Companies	**2,246,289**	**2,514,802**	**2,769,522**	**3,067,922**	**3,135,664**	**3,224,567**	**3,365,952**
Investment Institutions	**6,357,184**	**7,988,239**	**9,693,060**	**11,403,817**	**11,603,045**	**10,973,368**	**10,228,825**
Bank-Administered Trusts[4]	2,684,453	3,364,447	3,999,321	4,380,798	4,435,911	3,775,697	3,578,717
Closed-End Investment Companies	144,519	148,885	152,962	142,807	136,882	139,702	156,394
Exchange-Traded Funds	2,411	6,707	15,568	33,873	65,585	82,993	102,143
Mutual Funds[5]	3,525,801	4,468,201	5,525,209	6,846,339	6,964,667	6,974,976	6,391,571

[1]*Includes U.S.-chartered commercial banks, foreign banking offices in the U.S., bank holding companies, and banks in affiliated areas.*

[2]*Includes only federal or federally insured state credit unions serving natural persons.*

[3]*Includes mutual savings banks, federal savings banks, and savings & loan associations.*

[4]*Reflects only discretionary trusts and agencies. Beginning in 2001, data include only U.S.-chartered commercial banks and savings institutions insured by the FDIC.*

[5]*Includes short-term funds; excludes funds of funds.*

Sources: Federal Reserve Board, Federal Financial Institutions Examination Council, Strategic Insight, and Investment Company Institute

Assets of Fiduciary, Business, and Other Institutional Investors[1]

(millions of dollars)

Equity, Hybrid, and Bond Funds

	2000	2001	2002p
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians, and Administrators)	**$397,301.1**	**$361,993.0**	**$339,087.0**
Business Organizations	**1,781,652.4**	**1,578,278.7**	**1,350,848.3**
Business Corporations	122,821.8	105,855.5	90,498.8
Retirement Plans	1,090,922.2	964,830.5	826,931.3
Insurance Companies and Other Financial Institutions	567,908.4	507,592.7	433,418.2
Nonprofit Organizations	**59,365.2**	**67,695.6**	**66,527.9**
Other Institutional Investors Not Classified[2]	**26,999.5**	**22,015.5**	**17,695.6**
Total	**$2,265,318.2**	**$2,029,982.8**	**$1,774,158.8**

Note: Reporters of institutional data represented 84.4% of total assets in 2000, 88.9% in 2001, and 86.2% in 2002.

Taxable Money Market Funds

	2000	2001	2002p
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians, and Administrators)	**$305,324.7**	**$397,676.1**	**$427,333.8**
Business Organizations	**444,619.9**	**623,056.5**	**623,238.9**
Business Corporations	199,498.2	305,889.9	308,252.5
Retirement Plans	84,479.6	88,835.0	92,369.3
Insurance Companies and Other Financial Institutions	160,642.1	228,331.6	222,617.1
Nonprofit Organizations	**21,634.5**	**35,941.9**	**40,117.7**
Other Institutional Investors Not Classified[2]	**32,578.2**	**36,803.3**	**30,649.0**
Total	**$804,157.3**	**$1,093,477.8**	**$1,121,339.4**

Note: Reporters of institutional data represented 64.3% of total assets in 2000, 77.3% in 2001, and 81.9% in 2002.

Tax-Exempt Money Market Funds

	2000	2001	2002p
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians, and Administrators)	**$51,372.5**	**$57,297.1**	**$57,990.0**
Business Organizations	**20,728.3**	**26,568.8**	**23,563.2**
Business Corporations	12,021.5	16,018.0	15,149.8
Retirement Plans	282.6	637.1	804.7
Insurance Companies and Other Financial Institutions	8,424.2	9,913.7	7,608.7
Nonprofit Organizations	**1,548.4**	**8,632.0**	**7,369.7**
Other Institutional Investors Not Classified[2]	**1,299.5**	**1,418.8**	**1,045.8**
Total	**$74,948.7**	**$93,916.7**	**$89,968.7**

Note: Reporters of institutional data represented 66.2% of total assets in 2000, 77.9% in 2001, and 83.2% in 2002.

[1]Data for funds that invest in other mutual funds were excluded from the series.

[2]Includes institutional assets for which no determination of classification can be made.

[p]Preliminary data

Note: Components in all tables above may not add to the total because of rounding.

Assets of Fiduciary, Business, and Other Institutional Investors in Taxable Money Market Funds by Type of Fund[1]

(millions of dollars)

	Retail			Institutional		
	2000	2001	2002[p]	2000	2001	2002[p]
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians, and Administrators)	**$106,789.7**	**$113,110.0**	**$104,776.8**	**$198,534.9**	**$284,566.1**	**$322,557.0**
Business Organizations	**141,512.1**	**161,905.3**	**150,227.7**	**303,107.9**	**461,151.2**	**473,011.2**
Business Corporations	56,617.8	63,778.7	52,008.8	142,880.4	242,111.2	256,243.8
Retirement Plans	48,216.5	51,688.0	51,795.2	36,263.2	37,147.0	40,574.1
Insurance Companies and Other Financial Institutions	36,677.8	46,438.6	46,423.7	123,964.3	181,893.0	176,193.3
Nonprofit Organizations	**7,526.0**	**9,635.7**	**7,808.2**	**14,108.6**	**26,306.3**	**32,309.6**
Other Institutional Investors Not Classified[2]	**11,110.3**	**12,714.2**	**10,834.9**	**21,467.8**	**24,089.1**	**19,814.1**
Total	**$266,938.1**	**$297,365.2**	**$273,647.6**	**$537,219.2**	**$796,112.7**	**$847,691.9**

[1]Data for funds that invest in other mutual funds were excluded from the series.

[2]Includes institutional assets for which no determination of classification can be made.

[p]Preliminary data

Worldwide Assets of Open-End Funds

(millions of U.S. dollars)

	1997	1998	1999	2000	2001	2002
NON-USA COUNTRIES						
Argentina	$5,247	$6,930	$6,990	$7,425	$3,751	$1,021
Australia	42,909	44,124[a]	N/A	341,955	334,016	356,304
Austria[b]	44,930	57,447	56,254	56,549	55,211	66,877
Belgium	33,658	56,339	65,461	70,313	68,661	74,983
Brazil	108,606	118,687	117,758	148,538	148,189	96,729
Canada[b]	197,985	213,451	269,825	279,511	267,863	248,979
Chile	4,549	2,910	4,091	4,431[c]	5,090	6,705
Costa Rica	N/A	N/A	N/A	919	1,428[d]	1,738
Czech Republic	361	556	1,473	1,990	1,778	3,297
Denmark	13,037	19,521	27,558	32,485	33,831	40,153
Finland	3,534	5,695	10,318	12,698	12,933	16,516
France	495,774	626,154	656,132	721,973	713,378	845,147
Germany	146,888	190,520	237,312	238,029	213,662	209,168
Greece	25,759	32,122	36,397	29,154	23,888	26,621
Hong Kong	58,456	98,767	182,265	195,924	170,073	164,322
Hungary	713	1,476	1,725	1,953	2,260	3,383[e]
India	9,353	8,685	13,065	13,831	13,490[d]	N/A
Ireland[f]	22,729	50,337	95,175	137,024	191,840	250,116
Italy	209,410	439,701	475,661	424,014	359,879	378,259
Japan	311,335	376,533	502,752	431,996	343,907	303,191
Korea, Rep. of	53,112	165,028	167,177	110,613	119,439	149,544
Liechtenstein	N/A	N/A	N/A	N/A	N/A	3,847
Luxembourg	390,623	508,441	661,084	747,117	758,720	803,869
Mexico	N/A	N/A	19,468	18,488	31,723	30,759
Netherlands[b]	70,373	80,120	94,539	93,580	79,165	N/A
New Zealand[b]	7,519	7,250	8,502	7,802	6,564	7,505
Norway	13,058	11,148	15,107	16,228	14,752	15,471
Philippines	N/A	N/A	117	108	211	474
Poland	541	506	762	1,546	1,317[d]	5,468
Portugal	15,472	22,574	19,704	16,588	16,618	19,969
Romania	N/A	N/A	N/A	8	10	27
Russia	41	29	177	177	297	372
South Africa	12,688	12,160	18,235	16,921	14,561	20,983
Spain	177,192	238,917	207,603	172,438	159,899	179,133
Sweden	45,452	54,923	83,250	78,085	65,538	57,992
Switzerland	53,444	69,151	82,512	83,059	75,973	82,622
Taiwan	12,365	20,310	31,153	32,074	49,742	62,153
Turkey	N/A	N/A	N/A	N/A	N/A	6,002
United Kingdom[g]	235,683	277,551	375,199	361,008	316,702	288,887
TOTAL NON-USA	**$2,822,796**	**$3,818,063**	**$4,544,801**	**$4,906,552**	**$4,676,359**	**$4,828,586**
USA[g] (long-term)	3,409,315	4,173,531	5,233,194	5,119,386	4,689,628	4,119,612
(short-term)	1,058,886	1,351,678	1,613,146	1,845,281	2,285,348	2,271,959
TOTAL USA	**$4,468,201**	**$5,525,209**	**$6,846,340**	**$6,964,667**	**$6,974,976**	**$6,391,571**
TOTAL WORLD	**$7,290,997**	**$9,343,272**	**$11,391,141**	**$11,871,219**	**$11,651,335**	**$11,220,157**

[a] *As of September 30, 1998.*

[b] *Includes real estate funds.*

[c] *As of June 30, 2000.*

[d] *As of September 30, 2001*

[e] *As of June 30, 2002.*

[f] *Approximately 95 percent relates to life assurance-linked funds; the other 5 percent are unit investment trusts. International Financial Service Center funds are not included.*

[g] *Funds of funds not included.*

N/A=Not available

Note: Comparison of data across countries is not recommended because reporting coverage, dates, and definitions are not consistent. For more worldwide open-end fund statistics, visit the Institute's policy website at www.ici.org/stats/mf/arcglo/index.html.

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

Worldwide Number of Open-End Funds

	1997	1998	1999	2000	2001	2002
NON-USA COUNTRIES						
Argentina	195	229	224	226	219	211
Australia	488	569[a]	N/A	N/A	N/A	N/A
Austria[b]	625	778	693	760	769	808
Belgium	458	631	784	918	1,041	1,141
Brazil	1,502	1,601	1,760	2,097	2,452	2,755
Canada[b]	1,023	1,130	1,328	1,627	1,831	1,956
Chile	92	102	116	126[c]	177	226
Costa Rica	N/A	N/A	N/A	122	136[d]	128
Czech Republic	47	56	62	70	76	76
Denmark	222	251	319	394	451	485
Finland	81	114	176	241	275	312
France	5,797	6,274	6,511	7,144	7,603	7,773
Germany	717	793	895	987	1,077	1,092
Greece	62	179	208	265	269	260
Hong Kong	772	712	832	976	952	942
Hungary	37	66	87	86	89	86[e]
India	64	97	155	243	292[d]	N/A
Ireland[f]	260	851	1,060	1,344	1,640	1,905
Italy	626	703	816	967	1,059	1,073
Japan	5,203	4,534	3,444	2,793	2,867	2,718
Korea, Rep. of[g]	5,436	13,442	13,606	8,242	7,117	5,873
Liechtenstein	N/A	N/A	N/A	N/A	N/A	111
Luxembourg	4,064	4,524	5,023	6,084	6,619	6,874
Mexico	N/A	N/A	280	305	350	364
Netherlands[b]	289	334	348	494	N/A	N/A
New Zealand[b]	629	633	622	607	588	577
Norway	233	264	309	380	400	419
Philippines	N/A	N/A	15	18	20	21
Poland	20	38	56	77	92[d]	107
Portugal	163	189	214	195	202	170
Romania	N/A	N/A	N/A	16	24	20
Russia	18	28	27	37	51	57
South Africa	149	191	260	334	426	460
Spain	1,456	1,866	2,150	2,422	2,524	2,466
Sweden	344	366	412	509	507	512
Switzerland	296	325	348	368	313	512
Taiwan	127	174	218	288	312	351
Turkey	N/A	N/A	N/A	N/A	N/A	242
United Kingdom[h]	1,455	1,576	1,618	1,766	1,982	1,787
TOTAL NON-USA	**33,050**	**43,620**	**44,976**	**43,528**	**44,802**	**44,870**
USA[h] (long-term)	5,671	6,288	6,746	7,116	7,292	7,267
(short-term)	1,013	1,026	1,045	1,039	1,015	989
TOTAL USA	**6,684**	**7,314**	**7,791**	**8,155**	**8,307**	**8,256**
TOTAL WORLD	**39,734**	**50,934**	**52,767**	**51,683**	**53,109**	**53,126**

[a]As of September 30, 1998.

[b]Includes real estate funds.

[c]As of June 30, 2000.

[d]As of September 30, 2001.

[e]As of June 30, 2002.

[f]Approximately 95 percent relates to life assurance-linked funds; the other 5 percent are unit investment trusts. International Financial Service Center funds are not included.

[g]Number of funds does not include bank trust funds.

[h]Funds of funds not included.

N/A=Not available

Note: Comparison of data across countries is not recommended because reporting coverage, dates, and definitions are not consistent. For more worldwide open-end fund statistics, visit the Institute's policy website at www.ici.org/stats/mf/arcglo/index.html.

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

Annual Outstanding Assets and Number of Closed-End Funds by Type of Fund

(millions of dollars)

	Equity Funds			Bond Funds				
	Total Equity	Domestic	Global/ International	Total Bond	Domestic Taxable	Domestic Municipal	Global/ International	Total
Outstanding Assets								
1996	$45,762	$19,696	$26,066	$98,757	$28,035	$58,676	$12,046	$144,519
1997	49,808	20,443	29,365	99,077	27,458	59,867	11,752	148,885
1998	47,373	22,323	25,050	105,589	33,868	62,025	9,696	152,962
1999	40,646	24,075	16,571	102,161	29,906	62,665	9,590	142,807
2000	35,027	22,973	12,054	101,855	27,638	65,171	9,046	136,882
2001	30,710	21,918	8,792	108,992	25,235	75,255	8,502	139,702
2002	33,540	26,453	7,087	122,854	25,278	88,162	9,414	156,394
Number of Funds								
1996	133	47	86	342	111	199	32	475
1997	138	47	91	344	112	201	31	482
1998	129	46	83	361	120	212	29	490
1999	120	46	74	383	113	241	29	503
2000	119	49	70	364	107	227	30	483
2001	122	56	66	406	108	271	27	528
2002	125	66	59	437	104	308	25	562

Quarterly Assets, Issuance, Shareholders, and Number of Closed-End Funds by Type of Fund

(millions of dollars)

	Equity Funds			Bond Funds				
	Total Equity	Domestic	Global/ International	Total Bond	Domestic Taxable	Domestic Municipal	Global/ International	Total
Outstanding Assets								
2002 Q1	$30,834	$21,334	$9,500	$112,978	$26,750	$77,151	$9,077	$143,812
2002 Q2	30,698	22,363	8,335	115,610	26,491	80,032	9,087	146,308
2002 Q3	30,463	23,305	7,158	120,556	25,778	85,766	9,012	151,019
2002 Q4	33,540	26,453	7,087	122,854	25,278	88,162	9,414	156,394
Share Issuance*								
2002 Q1	$593	$591	$2	$1,640	$259	$1,381	–	$2,233
2002 Q2	2,958	2,942	16	2,065	423	1,642	–	5,023
2002 Q3	3,038	3,038	–	2,803	217	2,586	–	5,841
2002 Q4	1,342	1,342	–	3,780	818	2,962	–	5,122
Number of Shareholders								
2002 Q1	957,734	724,753	232,981	2,474,726	925,301	1,336,204	213,221	3,432,460
2002 Q2	1,037,249	818,719	218,530	2,519,524	931,415	1,370,163	217,946	3,556,773
2002 Q3	1,105,628	886,740	218,888	2,564,600	923,370	1,427,338	213,892	3,670,228
2002 Q4	1,116,961	900,095	216,866	2,556,156	880,412	1,465,255	210,489	3,673,117
Number of Funds								
2002 Q1	113	50	63	386	109	251	26	499
2002 Q2	114	53	61	397	111	260	26	511
2002 Q3	119	59	60	407	111	271	25	526
2002 Q4	125	66	59	437	104	308	25	562

**Share issuance is the net proceeds from underwritings, additional offerings, and other issuance.*

New Deposits of Unit Investment Trusts by Type of Trust

(thousands of dollars)

	Total Trusts	Equity Trusts	Tax-Free Debt Trusts	Taxable Debt Trusts
2000				
January	$6,291,814	$6,157,018	$116,732	$18,064
February	6,301,246	6,202,928	82,882	15,436
March	5,692,058	5,595,817	83,217	13,024
April	2,856,170	2,800,958	46,150	9,062
May	2,983,278	2,908,751	60,467	14,060
June	3,217,314	3,096,056	106,565	14,693
July	3,881,230	3,801,850	70,421	8,959
August	2,775,633	2,652,393	100,308	22,932
September	3,099,987	3,023,715	56,801	19,471
October	2,568,276	2,476,164	66,392	25,720
November	1,817,454	1,742,841	56,461	18,152
December	2,164,930	2,111,854	36,313	16,763
Total	**$43,649,390**	**$42,570,345**	**$882,709**	**$196,336**
2001				
January	$3,541,406	$3,369,012	$126,342	$46,052
February	2,772,263	2,615,131	116,193	40,939
March	1,727,175	1,515,251	131,550	80,374
April	1,194,417	1,053,969	112,524	27,924
May	1,515,211	1,327,890	160,109	27,212
June	1,294,269	1,131,442	125,894	36,933
July	2,382,014	2,206,361	145,041	30,612
August	998,582	787,601	161,484	49,497
September	741,680	579,952	112,244	49,484
October	1,004,705	817,882	113,679	73,144
November	965,114	764,169	141,487	59,458
December	912,410	758,085	103,794	50,531
Total	**$19,049,246**	**$16,926,745**	**$1,550,341**	**$572,160**
2002				
January	$1,276,116	$1,073,977	$141,412	$60,727
February	1,165,092	1,004,519	87,209	73,364
March	1,349,088	1,252,150	44,041	52,897
April	872,053	732,002	99,806	40,245
May	957,914	789,539	109,341	59,034
June	923,773	722,829	140,312	60,632
July	1,306,674	1,069,504	159,960	77,210
August	706,559	478,254	140,711	87,594
September	679,625	383,119	194,640	101,866
October	798,660	526,532	155,986	116,142
November	604,011	433,215	109,678	61,118
December	847,573	665,639	110,493	71,441
Total	**$11,487,138**	**$9,131,279**	**$1,493,589**	**$862,270**

Assets and Number of Exchange-Traded Index Funds by Type of Fund

(millions of dollars)

	Domestic Equity		Global/ International Equity		Bond		Total	
	Assets	Number of Funds	Assets	Number of Funds	Assets	Number of Funds	Assets	Number of Funds
Annual								
1993	$464	1	–	–	–	–	$464	1
1994	424	1	–	–	–	–	424	1
1995	1,052	2	–	–	–	–	1,052	2
1996	2,159	2	$252	17	–	–	2,411	19
1997	6,200	2	506	17	–	–	6,707	19
1998	14,542	12	1,026	17	–	–	15,568	29
1999	31,881	13	1,992	17	–	–	33,873	30
2000	63,544	55	2,041	25	–	–	65,585	80
2001	79,977	68	3,016	34	–	–	82,993	102
2002	92,904	66	5,324	39	$3,915	8	102,143	113
2001								
January	$70,100	56	$2,034	25	–	–	$72,134	81
February	62,428	57	1,915	25	–	–	64,343	82
March	64,205	58	1,800	25	–	–	66,006	83
April	71,413	59	1,917	25	–	–	73,330	84
May	70,854	60	1,919	25	–	–	72,773	85
June	73,643	60	1,917	25	–	–	75,559	85
July	73,678	66	1,842	25	–	–	75,520	91
August	69,995	66	2,090	26	–	–	72,085	92
September	62,401	66	1,944	26	–	–	64,345	92
October	67,173	67	2,247	29	–	–	69,421	96
November	76,265	67	2,581	34	–	–	78,846	101
December	79,977	68	3,016	34	–	–	82,993	102
2002								
January	$79,053	68	$2,955	34	–	–	$82,009	102
February	77,791	68	3,100	34	–	–	80,891	102
March	84,344	68	3,859	34	–	–	88,203	102
April	81,737	68	4,123	34	–	–	85,859	102
May	85,641	68	7,163	34	–	–	92,804	102
June	81,694	68	7,257	34	–	–	88,951	102
July	78,595	68	6,661	34	$3,015	4	88,271	106
August	80,773	68	6,897	34	3,613	4	91,283	106
September	74,016	68	4,310	34	3,934	4	82,259	106
October	92,010	68	4,707	36	4,039	4	100,756	108
November	100,536	68	5,279	40	3,896	8	109,711	116
December	92,904	66	5,324	39	3,915	8	102,143	113

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

Sources: Strategic Insight and Investment Company Institute

Net Issuance of Exchange-Traded Index Funds by Type of Fund

(millions of dollars)

	Domestic Equity	Global/ International Equity	Bond	Total
Annual				
1993	$442	–	–	$442
1994	(28)	–	–	(28)
1995	443	–	–	443
1996	842	$266	–	1,108
1997	3,160	306	–	3,466
1998	5,642	553	–	6,195
1999	11,816	112	–	11,929
2000	41,752	720	–	42,472
2001	29,646	1,366	–	31,012
2002	37,781	3,792	$3,729	45,302
2001				
January	$2,395	($53)	–	$2,342
February	3,204	10	–	3,214
March	8,898	16	–	8,914
April	(365)	12	–	(353)
May	(289)	42	–	(248)
June	3,350	78	–	3,428
July	2,593	(14)	–	2,579
August	2,376	304	–	2,679
September	1,628	97	–	1,725
October	615	246	–	861
November	2,031	231	–	2,262
December	3,211	397	–	3,608
2002				
January	$213	$48	–	$262
February	2,373	128	–	2,501
March	2,691	556	–	3,247
April	3,147	271	–	3,417
May	5,869	3,039	–	8,908
June	3,546	434	–	3,981
July	4,030	114	$3,006	7,149
August	2,447	247	503	3,196
September	2,106	(1,892)	238	453
October	10,377	190	164	10,731
November	1,673	355	(123)	1,905
December	(693)	302	(59)	(449)

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

Sources: Strategic Insight and Investment Company Institute

Data Points

Page 23—Assets of Mutual Funds, 1990–2002

(trillions of dollars)

	Equity Funds	Hybrid Funds	Bond Funds	Money Market Funds	Total
1990	$0.239	$0.036	$0.291	$0.498	$1.065
1991	0.405	0.052	0.394	0.542	1.393
1992	0.514	0.078	0.504	0.546	1.643
1993	0.741	0.145	0.619	0.565	2.070
1994	0.853	0.164	0.527	0.611	2.155
1995	1.249	0.210	0.599	0.753	2.811
1996	1.726	0.253	0.645	0.902	3.526
1997	2.368	0.317	0.724	1.059	4.468
1998	2.978	0.365	0.831	1.352	5.525
1999	4.042	0.379	0.812	1.613	6.846
2000	3.962	0.346	0.811	1.845	6.965
2001	3.418	0.346	0.925	2.285	6.975
2002	2.667	0.327	1.125	2.272	6.392

Page 24—Components of Mutual Fund Asset Growth,* 1990–2002

(trillions of dollars)

	Year-End 1989 Mutual Fund Assets	Cumulative Net New Cash Flow	Cumulative Performance	Cumulative Newly Reporting Funds	Total Mutual Fund Assets
1990	$0.981	$0.044	$0.012	$0.028	$1.065
1991	0.981	0.156	0.159	0.098	1.393
1992	0.981	0.312	0.222	0.129	1.643
1993	0.981	0.539	0.372	0.178	2.070
1994	0.981	0.623	0.316	0.236	2.155
1995	0.981	0.835	0.692	0.303	2.811
1996	0.981	1.156	0.985	0.403	3.526
1997	0.981	1.530	1.466	0.491	4.468
1998	0.981	2.008	1.985	0.552	5.525
1999	0.981	2.371	2.858	0.637	6.846
2000	0.981	2.759	2.502	0.723	6.965
2001	0.981	3.264	1.952	0.778	6.975
2002	0.981	3.339	1.234	0.838	6.392

**All total asset figures plotted in the chart represent the cumulative contribution of the initial assets of newly reporting funds, net new cash flow, and fund investment performance from year-end 1989 through the end of each year plotted. Asset levels plotted also include year-end 1989 assets of $981 billion.*

Note: Components may not add to total mutual fund assets because of rounding.

Page 25—Household Ownership of Mutual Funds, 1990–2002

(percent of total household financial assets)

1990	6.7
1991	7.7
1992	8.3
1993	10.0
1994	10.5
1995	11.7
1996	13.1
1997	14.5
1998	16.2
1999	17.6
2000	18.2
2001	18.4
2002	17.8

Note: Includes mutual funds held through employer-sponsored pension plans, bank personal trusts, and variable annuities.

Sources: Federal Reserve Board and Investment Company Institute

Page 36—Share of U.S. Nonfinancial Business Short-Term Assets* Held Through Money Market Funds, 1990–2002

(percent of total)

1990	6.1
1991	7.0
1992	9.8
1993	8.6
1994	9.3
1995	12.5
1996	12.2
1997	13.9
1998	16.1
1999	16.3
2000	18.5
2001	24.7
2002	27.2

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

Sources: Federal Reserve Board and Investment Company Institute

Page 55—Average 401(k) Account Balance by Age and Tenure, 2001

(dollars)

Age Cohort	Participant Job Tenure (years)					
	0 to 2	**>2 to 5**	**>5 to 10**	**>10 to 20**	**>20 to 30**	**>30**
20s	$4,008	$7,344	$11,238			
30s	8,102	13,997	24,899	$42,759		
40s	10,756	18,154	32,712	67,149	$82,996	
50s	12,667	20,350	36,959	77,176	119,589	$122,560
60s	14,275	20,004	36,352	75,597	116,422	162,042

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

Glossary of Mutual Fund Terms

For an explanation of fund types, see pages 8–11.

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–(As seen in some mutual fund newspaper listings.) The price at which a mutual fund's shares can be purchased. The asked or offering price includes the current net asset value (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 bonds in a bond fund's portfolio.

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

Bid or Sell Price–The price at which a mutual fund's shares are redeemed, or bought back, by the fund. The price is usually the current net asset value per share. See Net Asset Value (NAV) and Redeem.

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

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 investment amounts at which investors qualify for the discounts are called breakpoints. The higher the level of investment, the greater 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 Distribution–Profits distributed to shareholders resulting from the sale of securities held in the fund's portfolio for more than one year.

Closed-End Fund–A type of investment company that has a fixed number of shares which are publicly traded. The price of a closed-end fund's shares 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 Charge (CDSC)–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 federally sponsored, tax-advantaged trust or custodial account set up to pay for qualified education expenses.

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.

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 with shares that trade 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.

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 a contributor 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.

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.

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

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

Hybrid Fund–A mutual fund that invests in a combination of stocks, bonds, and other 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.

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

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

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

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

Investment Company–A corporation, trust, or partnership that invests pooled shareholder dollars in securities appropriate to the organization's objective. Mutual funds, closed-end funds, unit investment trusts, and exchange-traded funds are the four main types of 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 a security, such as stocks, bonds, or money market instruments.

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

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

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

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

Mutual Fund–An investment company that 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, 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.

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

Net Asset Value (NAV)–The per-share value of a mutual fund, found by subtracting the fund's liabilities from its assets and dividing by the number of shares outstanding. Mutual funds calculate their NAVs at least once daily.

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

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

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

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

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

Portfolio–A collection of securities owned by an individual or an institution (such as a mutual fund) that may include stocks, bonds, 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 SEC, such as investment objectives and policies, risks, services, and fees.

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

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

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

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

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

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

Sales Charge or Load–An amount charged for the sale of some fund shares, usually those sold by brokers or other sales professionals. By regulation, a mutual fund sales charge may not exceed 8.5 percent of an investment purchase. The charge may vary depending on the amount invested and the fund chosen. A sales charge or load is reflected in the asked or offering price. See Asked or Offering Price.

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

Share Classes (e.g., Class A, Class B, etc.)–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.

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

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

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

Transfer Agent–The organization employed by a mutual fund to prepare and maintain records relating to shareholder accounts.

12b-1 Fee–A mutual fund fee, named for the SEC rule that permits it, used to pay 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 permits the creation of 401(k) retirement plans and simplified employee pensions (SEPs).

1979 Tax-exempt money market funds are introduced. The SEC permits mutual funds to advertise performance. Mutual fund shareholder accounts total 9.8 million in 524 funds.

1981 The Economic Recovery Tax Act establishes "universal" IRAs for all workers.

1986 The Tax Reform Act of 1986 reduces IRA deductibility.

1987 ICI welcomes closed-end funds as members.

1988 The SEC adopts a mutual fund fee table rule standardizing presentation of fund fees in prospectuses.

1990 Mutual fund assets top $1 trillion.

1993 The first exchange-traded fund shares are issued.

1994 ICI publishes *Report on Personal Investing* by fund personnel, including recommendations to address potential conflicts of interest.

1996 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. ICI publishes *Best Practices for Fund Directors.*

2001 The enactment of the Economic Growth and Tax Relief Reconciliation Act of 2001 significantly expands retirement savings opportunities for millions of working Americans.

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