SUMMARY
In the year 2000, U.S. equity markets saw substantial volatility and overall weak performance. Nonetheless, mutual funds posted solid inflows, as investors responded with equanimity to the downturn. Indeed, equity funds posted record inflows in 2000, as they accumulated substantial inflows early in the year and sustained, albeit somewhat slower, inflows later in the year.

In the first few months of the year, the NASDAQ composite equity index surged, and other equity indexes made gains as well. However, as the year progressed a number of factors began to weigh on the equity markets. Short-term interest rates rose in the first half of the year as the Federal Reserve continued a gradual tightening of monetary policy that began in 1999. In addition, the exchange value of the U.S. dollar appreciated to its highest level in many years. Those factors combined to slow the U.S. economy. In the second half of the year, many corporations filed unfavorable earnings reports, and the equity markets, both anticipating and responding to such reports, declined. For the year as a whole, the NASDAQ composite index posted its biggest decline ever, and other equity market indexes fell too, though more moderately.

These broad financial market trends were mirrored in mutual fund assets and flows. The rise in the NASDAQ in the early part of the year helped equity funds—especially the more aggressive equity funds, such as capital appreciation funds—attract strong levels of net investment from shareholders. As the year proceeded and the NASDAQ declined, inflows to equity funds slowed but nonetheless remained substantial. Overall, investors in equity mutual funds reacted calmly to the significant stock market correction in 2000.

Owing to interest rate developments and volatility in equity markets, the pace of flows to money, bond, and hybrid funds was uneven over the course of the year. For the year as a whole, however, inflows to money funds were lower than in 1999, while outflows from bond and hybrid funds accelerated.

In total, net new investment by shareholders amounted to $388 billion in 2000. However, net assets of mutual funds rose just $121 billion to $7 trillion, as negative investment performance due to the decline in the equity markets offset the net new cash flow.

1 Sean Collins is Senior Economist at the Investment Company Institute. Amanda Kimball, Adam Russell, and Janet Thompson-Conley provided research support.
This issue of *Perspective* reviews these and other mutual fund developments in 2000. Highlights of the review include the following:

**Equity Funds**

- Assets of equity mutual funds fell $80 billion to $3.961 trillion. A record $309 billion in net new cash inflow was offset by the weak performance of U.S. equity markets.
- Domestic equity markets experienced their sharpest correction in many years. The NASDAQ declined 40 percent in 2000, the S&P index dropped 10 percent, and the Dow Jones industrial index fell 6 percent.
- Despite the size of the equity market correction, mutual fund investors did not withdraw from the market. Flows to equity funds slowed as the year progressed, but investors did not redeem equity fund shares, on net, in any month. Moreover, throughout the year investors continued to favor equity funds weighted toward technology stocks.
- Foreign equity funds attracted renewed shareholder interest in 2000. Foreign funds benefited from, among other things, a worldwide rise in the price of technology stocks in the early part of 2000.
- Sales and redemptions of shares rose on average in 2000, *continuing a trend since the mid-1990s*. This trend does not necessarily imply that the typical shareholder has shortened his or her holding period. Indeed, a range of empirical evidence suggests that the trend more likely results from high redemption activity of a small percentage of mutual fund investors.

**Money Market Funds**

- Assets of money market funds rose 14 percent to $1.8 trillion. Net new cash inflow to these funds totaled $160 billion. That was down from the pace of the previous two years but was the third-best year on record.
- Returns on retail money funds remained very favorable, indicating that other factors were responsible for the deceleration in inflows. Among these factors were the strength of equity markets early in the year and brokerages’ increased use of bank deposit accounts for retail sweep accounts in place of money funds.

**Bond Funds**

- Assets in bond funds were about unchanged at $809 billion. Longer term interest rates

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**FIGURE 1**


<table>
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<th></th>
<th>Equity</th>
<th>Bond</th>
<th>Hybrid</th>
<th>Money Market</th>
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<th>Total Mutual Fund Assets</th>
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<td>83</td>
<td>2</td>
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<td>68</td>
<td>495</td>
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<td>22</td>
<td>103</td>
<td>6</td>
<td>34</td>
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<td>7</td>
<td>4</td>
<td>10</td>
<td>40</td>
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<tr>
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<td>−4</td>
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<td>−23</td>
<td>810</td>
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<td>1996</td>
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<td>89</td>
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<td>102</td>
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<td>1999</td>
<td>188</td>
<td>−6</td>
<td>−12</td>
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<td>2000*</td>
<td>309</td>
<td>−48</td>
<td>−32</td>
<td>160</td>
<td>388</td>
<td>6,967</td>
</tr>
</tbody>
</table>

*Note: Components may not sum to total due to rounding.*

*Source: Investment Company Institute*
fell in 2000, so that returns on bond funds rebounded. However, a positive investment result was offset by net withdrawals from both taxable and tax-exempt funds.

- Last year’s outflows in part reflected a flattening in investors’ demand for bond funds in recent years. In this environment, fund companies have merged or liquidated, on net, a modest number of bond funds. This trend continued in 2000, although as in the past the typical size of the merged or liquidated funds was small.

**Hybrid Funds**

- Assets in hybrid funds—those investing in a mix of stocks and bonds—fell 8 percent to $351 billion, due to net redemptions and a negative investment result.

**Other Developments**

- Capital gains distributions are estimated to have totaled $345 billion in 2000. However, the bulk of these distributions were not subject to taxation. An estimated 65 percent of households’ long-term mutual fund assets are in tax-deferred accounts.

- Assets in exchange-traded funds (ETFs)—funds registered with the U.S. Securities and Exchange Commission (SEC) that are continuously traded on stock exchanges—rose to $66 billion. A significant number of new ETFs began operation in 2000. Overall, ETFs attracted estimated inflows of net new investment totaling $42 billion.

**MUTUAL FUND ASSETS AND FLOWS**

Total assets of mutual funds stood at $6.967 trillion at year-end 2000, up slightly from 1999 (Figure 1). Inflow of net new cash totaled $388 billion, an increase of 7 percent over that in 1999. Net new cash inflow offset the effect of investment performance, which was dragged down by negative returns in equity markets.

Net new cash flow to equity funds rose in 2000, reflecting strong net flows to capital appreciation and international funds early in the year and the relatively steady, though reduced, net flows to capital appreciation funds later in the year. Bond and hybrid funds posted net outflows; these funds typically experience outflows during periods of rising interest rates, as was the case during the first half of the year. In addition, the outflows may have reflected the shift in the portfolios of some investors toward equity funds. Finally, net new cash flow to money funds slowed from its levels in 1998 and 1999 but was still substantial.

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**FIGURE 2**

**Equity Fund Net New Cash Flow, 1990 – 2000**

(billions of dollars)

- International/Global
- Domestic

<table>
<thead>
<tr>
<th>Year</th>
<th>International/Global</th>
<th>Domestic</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>1991</td>
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<td>1994</td>
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<td>1999</td>
<td>11</td>
<td>176</td>
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<tr>
<td>2000</td>
<td>50</td>
<td>259</td>
</tr>
</tbody>
</table>

*Source: Investment Company Institute*
EQUITY FUNDS

Despite the downturn in equity markets in 2000, net new cash flow to equity mutual funds reached a record $309 billion, 64 percent more than in 1999. Both domestic and foreign equity funds posted record inflows (Figure 2). The general decline in stock prices held down equity fund performance; the return on domestic equity funds averaged –4 percent, while the average return on foreign funds was –12 percent.² The performance of equity funds more than offset the net new cash inflow, leaving equity fund assets at $3.961 trillion, down 2 percent from 1999.

Domestic Equity Funds

The U.S. equity markets, led by technology and other growth stocks, carried the momentum of fall 1999 into the first quarter of 2000. In this environment, mutual fund shareholders shifted toward the technology sector. Net new cash flow to capital appreciation funds, which tend to be more heavily weighted toward technology stocks, averaged $48 billion per month in the first quarter of 2000, up from $9.8 billion during the same period in 1999 (Figure 3). Total return funds, which typically have a smaller share of their portfolios invested in growth stocks, had monthly outflows averaging $14 billion in the first quarter of 2000. On balance, however, flows to domestic equity funds in the first quarter totaled $101 billion, the largest quarterly inflow on record.

As the year progressed, less favorable economic news weighed heavily on U.S. equity markets, pushing stock prices downward. Stock price declines were especially sizable between mid-March and late-May, with the NASDAQ composite index declining by more than 3 percent on about one-quarter of all trading days. By year-end, the NASDAQ index had fallen well off its high-water mark of mid-March, and closed down 40 percent for the year — its biggest annual loss. Other equity market indexes were also down for the year, although more modestly.³

² Returns are weighted averages of figures reported by Morningstar. The last year either domestic or foreign funds delivered negative returns was in 1994.
³ The S&P 500 index declined 10.1 percent in 2000, and the Dow Jones industrial average fell 6.2 percent. Net since 1977, when it declined 11.5 percent, has the S&P index suffered such a sizable drop on an annual basis. Similarly, not since 1981, when it declined by 9.2 percent, has the Dow Jones index seen such a sizable annual decline.
Mutual fund investors have in the past responded to significant equity market corrections with equanimity. During such events, investors have not redeemed shares en masse but have tended to reduce their net purchases of equity funds. In 2000, mutual fund investors remained true to this pattern. Flows to capital appreciation funds remained sizable in March and April despite the many significant one-day losses and despite a cumulative decline in the NASDAQ of nearly 30 percent from mid-March to late May. Moreover, mutual fund investors did not, on net, redeem shares in domestic equity funds in ensuing months of the year.

To be sure, investors did reduce their net new purchases of domestic equity funds in the second half of the year. The monthly pace of inflows to domestic equity funds, which had averaged $28 billion over the first half of the year, slowed to an average rate of $16 billion over the second half of the year. However, to put the lower figure in perspective, total inflows to domestic funds would still have reached a record high in 2000 had they averaged $16 billion per month for the entire year.

There are several reasons why mutual fund investors tend to stay the course during equity market downturns, as they did in 2000. First, surveys indicate that mutual fund investors are well-educated and knowledgeable about investing. Most investors indicate that they are willing to accept average or above-average risk in return for a commensurate gain. The vast majority of fund investors indicate that they invest for the long-term, in part because their primary financial goal is to save for retirement. Consequently, most fund investors also indicate that they are not concerned about short-term fluctuations in their mutual funds.

### FIGURE 4
Net New Cash Flow to International and Global Equity Funds, 1995 – 2000
(billions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>Emerging Markets</th>
<th>Global Equity</th>
<th>International Equity</th>
<th>Regional Equity</th>
<th>Total</th>
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</thead>
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<td>4.4</td>
<td>6.4</td>
<td>−0.1</td>
<td>11.5</td>
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<tr>
<td>1996</td>
<td>3.3</td>
<td>16.3</td>
<td>25.0</td>
<td>2.9</td>
<td>47.5</td>
</tr>
<tr>
<td>1997</td>
<td>3.8</td>
<td>16.1</td>
<td>20.1</td>
<td>−2.2</td>
<td>37.8</td>
</tr>
<tr>
<td>1998</td>
<td>0.1</td>
<td>4.3</td>
<td>0.8</td>
<td>2.3</td>
<td>7.5</td>
</tr>
<tr>
<td>1999</td>
<td>0.8</td>
<td>3.1</td>
<td>6.0</td>
<td>1.4</td>
<td>11.2</td>
</tr>
<tr>
<td>2000</td>
<td>0.1</td>
<td>22.8</td>
<td>31.5</td>
<td>−4.5</td>
<td>50.0</td>
</tr>
</tbody>
</table>

**Monthly, 2000**

<table>
<thead>
<tr>
<th></th>
<th>Emerging Markets</th>
<th>Global Equity</th>
<th>International Equity</th>
<th>Regional Equity</th>
<th>Total</th>
</tr>
</thead>
<tbody>
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<td>5.8</td>
<td>7.2</td>
<td>−0.1</td>
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<td>0.5</td>
<td>7.3</td>
<td>11.0</td>
<td>0.3</td>
<td>19.1</td>
</tr>
<tr>
<td>March</td>
<td>0.1</td>
<td>4.9</td>
<td>3.0</td>
<td>−1.2</td>
<td>6.8</td>
</tr>
<tr>
<td>April</td>
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<td>2.0</td>
<td>3.1</td>
<td>−0.5</td>
<td>4.7</td>
</tr>
<tr>
<td>May</td>
<td>0.1</td>
<td>1.4</td>
<td>2.7</td>
<td>−0.3</td>
<td>3.9</td>
</tr>
<tr>
<td>June</td>
<td>0.1</td>
<td>1.5</td>
<td>0.1</td>
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<tr>
<td>July</td>
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<td>−0.2</td>
<td>1.1</td>
<td>−0.3</td>
<td>0.3</td>
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</tbody>
</table>

Note: Components may not sum to total due to rounding.  
Source: Investment Company Institute

### International/Global Equity Funds

Assets of international/global equity funds fell $43 billion — or 7 percent — to $542 billion in 2000. Investment performance was responsible for the drop in assets, as investors placed $50 billion of net new cash in these funds (Figure 4), which was up sharply from 1999. As was the case with domestic equity funds, the bulk of the inflow was posted in the first three months of the year, and flows slowed markedly as the year progressed. On balance in 2000, however, flows to international/global funds exceeded the previous record set in 1996.

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6 International/global equity funds comprise emerging markets, global, international, and regional equity funds.
The renewed shareholder interest in international/global funds in 2000 reflected in part the improved performance of Asian and Latin American equity markets in 1999. Asian equity markets were bolstered in 1999 by a turnaround in economic growth, especially in Japan. Latin American stock markets benefited from generally reduced concerns about emerging markets. Consequently, for 1999 as a whole, the average equity fund targeted toward the Asia-Pacific region returned 93 percent, while funds targeted toward Latin American equities returned 60 percent. The potential for further gains in 2000 no doubt contributed to flows to international/global funds in the early part of the year.7

In addition, international/global funds benefited from the rise in the prices of technology stocks in early 2000. From January to March, prices of technology stocks in Europe and Asia advanced in parallel with those in the U.S. As a result, funds that were heavily weighted toward technology stocks generated strong shareholder interest, accounting for nearly one-third of the net new cash flowing to international/global funds.8

As 2000 unfolded, concerns about some Latin American and Asian economies re-emerged, and economic growth in Japan softened. In addition, as the NASDAQ declined, so too did the prices of technology stocks on foreign stock exchanges. As a result, the average return on international/global funds in 2000 was negative. Consequently, cash flows to international/global funds, which had averaged $8.2 billion per month in the first half of 2000, slowed markedly in the second half of the year, and there were moderate outflows during the last quarter.

Sales and Redemptions of Equity Fund Shares

Sales of equity fund shares, including exchange sales from other funds within fund families, rose to $1.98 trillion, from $1.41 trillion in 1999 (Figure 5). Measured as a percentage of average equity fund assets, sales rose to 49 percent, from 40 percent in 1999. Although the rise in equity fund sales boosted net new flows to mutual funds in 2000, redemptions rose also, to $1.67 trillion from $1.22 trillion the year before. Gross redemptions amounted to 42 percent of average equity fund assets.

The increase in the industry’s aggregate redemption rate in 2000 continued an upward trend that began in the mid-1990s. This trend is frequently misunderstood. It does not necessarily imply that the typical mutual fund shareholder has shortened his or her holding period. Indeed, a range of empirical evidence suggests that the rise is more likely attributable to high redemption activity by a small percentage of mutual fund investors (Figure 6).9 Household surveys conducted by the ICI during the past decade consistently indicate that during any given year the great majority of mutual fund investors do not redeem shares. Shareholders are even less likely to redeem shares from their equity mutual funds. For instance, in a 1999 study conducted by the ICI and the Securities

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7 Return on the Asia-Pacific region is a simple average of returns on Pacific-Asia (ex-Japan) Stock funds and Japan Stock funds categories, as reported by Morningstar. Return on Latin American funds is return on Latin American Stock funds category, as reported by Morningstar.

8 In this calculation, a fund is assumed to be heavily weighted toward technology stocks if more than 30 percent of its portfolio holdings are devoted to such stocks. In 2000, such funds accounted for 15 percent of the net assets of international/global funds.

Some of the rise in the redemption rate among equity funds since the mid-1990s reflects broad equity market developments. Volatility in equity markets has risen perceptibly over the past several years. That rise has been correlated with greater variability of returns across mutual funds, which has in turn been associated with redemptions as a percentage of fund assets (Figure 7).

**MONEY MARKET FUNDS**

Asset growth of money market funds in 2000 slowed to 14 percent, down from 19 percent in 1999, leaving assets at $1.85 trillion by year-end. Net new cash flow to money funds slowed last year, owing to a fall in net flow to retail money funds (Figure 8). In contrast, net new cash flow to institutional funds rose slightly in 2000.

**Retail Funds**

Assets in retail money market funds—those offered primarily to individuals—rose 10 percent to $1.06 trillion in 2000. Investment performance accounted for more than half of the increase, with the remainder due to $43 billion of net new cash flow. Inflows to tax-exempt retail funds increased to $19 billion, relative to the $10 billion inflow in 1999.
Consequently, the slower inflows to retail funds reflected a deceleration in inflows to taxable funds, which had inflows of $24 billion in 2000, down from $72 billion in 1999.

Historically, inflows to taxable retail money funds (as a percent of assets) have tended to track the spread between yields on such funds and those available on competing bank products (Figure 9). Since 1994, the spread has increased in favor of retail money funds, helping to boost inflows to record levels. However, in 2000, net flows dropped even though the yield spread widened further, thus suggesting that other factors were responsible for the decrease in net flow to retail money funds.

One factor contributing to the slowdown was brokerages’ increased use of bank deposit accounts for retail sweep accounts in place of money funds. This increased reliance on bank deposit accounts accounted for roughly half of the decline in net new cash flow to retail money funds.

Another factor contributing to the slower flows into taxable retail money funds may have been the strength of flows to equity funds last year. Generally, annual flows to retail money funds have decreased when flows into equity funds have increased, as was the case in 2000 (Figure 10).

### Institutional Funds

Assets of institutional funds rose 21 percent to $786 billion in 2000. The bulk of the growth was attributable to inflows of net new cash, which totaled $116 billion, a slight increase over 1999.

Annual inflows to institutional funds have risen since the mid-1990s, in part reflecting greater reliance by corporate cash managers on money funds as cash management instruments. In keeping with that trend, the share of total short-term business liquid assets held in money funds rose marginally from 29.3 percent in 1999 to 29.8 percent in 2000.

The increase in net new cash flow to institutional funds was likely dampened by interest rate developments. During periods of rising interest rates, institutional money funds typically experience slower inflows because their yields—which are based on earlier-acquired securities—tend to

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lag market interest rates. Short-term market interest rates rose in the first half of 2000, putting institutional money funds at a disadvantage relative to directly held money market instruments such as repurchase agreements and commercial paper.

**BOND FUNDS**

Assets in bond funds were practically unchanged in 2000, at $809 billion. Although bond funds yielded a positive investment result last year, the effect on asset growth was offset by a net outflow. Net outflow picked up in 2000 to $48 billion, compared with $6 billion in 1999. The increase in outflows was primarily due to weaker demand for taxable bond funds; these funds, which had accumulated modest inflows of net new cash in 1999, saw outflows totaling $34 billion in 2000.

Bond funds, like bonds themselves, are less appealing when their returns are expected to be reduced by rising interest rates. Short-term interest rates rose by 100 basis points in the first
half of 2000, as the Federal Reserve continued to tighten monetary policy. Some of that rise passed through to other interest rates. That had the effect of holding down bond returns in the early part of 2000 (Figure 11, top panel). As a result, bond funds had net outflows that averaged nearly $7 billion per month in the first half of 2000. In the second half of the year, short-term interest rates stabilized as monetary policy moved to a holding pattern, and longer-term rates declined. Consequently, as the year proceeded it became increasingly clear that bonds were offering healthy investment returns. That realization substantially dampened outflows over the second half of the year (Figure 11, bottom panel).

Developments in the equity markets probably also affected bond fund flows. Gains in equity prices in the first quarter of the year, combined with the influence of rising interest rates on bond fund returns, probably led some investors to shift their portfolios away from bond funds and into equity funds. Net exchanges out of bond funds totaled $16 billion in 2000, accounting for one-third of the total outflow. Roughly two-thirds of the outflow due to net exchanges took place in the first three months of the year. Later, as equity markets declined, net exchanges out of bond funds slowed.

Developments in the high-yield bond sector also affected bond fund flows. Returns on high-yield bonds averaged about 15 percent from 1995 to 1997, and investors placed an average of $12.5 billion annually in net new cash into high-yield bond funds during those years. Since then, returns on high-yield bonds have slipped, and high-yield funds have seen net outflows. In 2000, the return on high-yield funds averaged –9 percent — the weakest investment result since 1990. Consequently, in 2000 investors withdrew a net $12.2 billion from high-yield funds.

The slowdown in demand for bond funds since the mid-1990s has led fund companies to reduce their offerings of bond funds, either through liquidation of funds or by merging them into other bond funds. In 2000, the total number of bond funds — both taxable and tax-exempt — fell on net to 2,222 from 2,261 the previous year. Although the number of tax-exempt funds has been declining since 1994, this year for the first time the total number of taxable bond funds fell, albeit only by

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**FIGURE 11**


- **Percentage Points**
  - Changes in Interest Rates
  - Total Return on Bonds

- **Billions of Dollars**
  - Total Return on Bonds

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1 Year-over-year change in yield on 3-year constant maturity Treasury note.
2 Year-over-year percentage change in JP Morgan government bond index.
Sources: Investment Company Institute, Federal Reserve Board, and Bloomberg
FIGURE 12

Capital Gain Distributions of Mutual Funds, 1990 – 2000
(billions of dollars)

*Capital gain distributions in 2000 are estimates based on preliminary data.
Source: Investment Company Institute

25 funds on net. The majority of bond funds that were closed or merged were small. Of the total (gross) number of bond funds that were liquidated or merged, the majority had assets of less than $10 million.

HYBRID FUNDS
Assets in hybrid funds — funds investing in both stocks and bonds — fell 8 percent in 2000 to $351 billion. The decline in assets was due to net outflows, which totaled $32 billion.

As with bond funds, outflows from hybrid funds accelerated in 2000. Hybrid fund flows, like those of bond funds, are heavily influenced by the course of interest rates. Outflows from hybrid funds were heaviest in the first half of the year, reflecting the tendency of interest rate increases to depress the returns of the bonds in hybrid fund portfolios. As interest rates stabilized in the second half of the year, outflows from hybrid funds slowed considerably.

OTHER DEVELOPMENTS

Capital Gain Distributions
Mutual funds distributed an estimated $345 billion in capital gains to shareholders in 2000 (Figure 12), which exceeded the previous high of $238 billion in 1999. About 60 percent of the capital gains were paid to shareholders of capital appreciation equity funds, with most of the remainder spread evenly between shareholders of total return and international/global equity funds.

The elevated level of capital gain distributions in 2000 did not necessarily translate into taxable events for many fund shareholders. An estimated 65 percent of the long-term mutual fund assets of households are in tax-deferred accounts such as IRAs, defined contribution plans, and variable annuities. For some kinds of funds, the ratio is even higher; for example, the ratio is an estimated 68 percent for aggressive growth funds.

11 Capital gains distributions represent net gains realized from the sale of securities, which includes both short-term and long-term gains. For a fund to avoid being taxed on the gains realized from the sale of securities, it must distribute by the end of the calendar year virtually all those gains realized in the twelve months ending in October.

12 Households are defined to exclude mutual fund assets attributed to business corporations, financial institutions, non-profit organizations, other institutional investors, and fiduciaries, as reported in ICI’s annual Institutional Shareholders Questionnaire.
An exchange-traded fund (ETF) is either an open-end mutual fund or unit investment trust whose shares have been authorized by the SEC to trade intra-day on stock exchanges at a market-determined price.\textsuperscript{13} ETFs differ from traditional mutual funds in the sale and redemption of shares. New ETF shares are issued when an institutional investor deposits a specified block of securities with the ETF. In return, the institutional investor receives a fixed number of shares in the ETF, which can then be sold on a stock exchange. Similarly, the institutional investor can redeem shares with the ETF by delivering a fixed number of ETF shares, receiving in return a specified block of securities held by the ETF.\textsuperscript{14}

Once the ETF’s shares are listed on a stock exchange, retail investors can buy and sell them through a broker, just as they would the shares of any publicly traded company.

Assets of ETFs grew rapidly in 2000, almost doubling to $66 billion (Figure 13). Net new cash flow to ETFs is estimated to have totaled $42 billion, more than accounting for the growth in assets. The number of new funds increased significantly as well, rising from 30 funds in 1999 to 80 in 2000. At year-end, all ETFs were index equity funds. Most of those ETFs, holding 97 percent of ETF assets, targeted domestic indexes.

\begin{table}
\centering
\begin{tabular}{|c|c|c|c|c|}
\hline
\textbf{Assets} & \textbf{Estimated Cash Flow} & \textbf{Number of Funds} & \textbf{Number of Funds} \\
\textbf{(billions of dollars)} & \textbf{(billions of dollars)} & & \\
\hline
1993 & 0.46 & 0.45 & 1 & 0 & 1 \\
1994 & 0.42 & –0.02 & 1 & 0 & 1 \\
1995 & 1.05 & 0.44 & 2 & 0 & 2 \\
1996 & 2.40 & 1.09 & 19 & 17 & 2 \\
1997 & 6.70 & 3.43 & 19 & 17 & 2 \\
1998 & 15.56 & 6.02 & 29 & 17 & 12 \\
1999 & 33.66 & 12.16 & 30 & 17 & 13 \\
2000 & 65.58 & 42.37 & 80 & 25 & 55 \\
\hline
\end{tabular}
\caption{Assets and Estimated Flows of Exchange-traded Funds, 1993–2000}
\end{table}

Sources: Investment Company Institute and Strategic Insight Mutual Fund Research and Consulting, LLC

\textbf{Exchange-traded Funds}

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\textsuperscript{14} The ability of the institutional investor to deposit or obtain shares of the securities underlying the ETF tends to keep the price of an ETF share close to its net asset value.