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2021 Investment Company **FACT BOOK**

A Review of Trends and Activities in the
Investment Company Industry

2020 Facts at a Glance

Total worldwide assets invested in regulated open-end funds:* \$63.1 trillion

United States \$29.3 trillion	Europe \$21.8 trillion	Asia-Pacific \$8.8 trillion	Rest of the world \$3.2 trillion
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US-registered investment company total net assets: \$29.7 trillion

Mutual funds \$23.9 trillion	Exchange-traded funds \$5.4 trillion	Closed-end funds \$279 billion	Unit investment trusts \$78 billion
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US-registered investment companies' share of:

US corporate equity 30%	US and foreign corporate bonds 23%	US Treasury and government agency securities 15%	US municipal securities 29%	Commercial paper 22%
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US household ownership of US-registered funds

Number of households owning funds 60.9 million	Number of individuals owning funds 106.3 million	Percentage of households owning funds 47.4%	Median mutual fund assets of mutual fund-owning households \$126,700	Median number of mutual funds owned 4
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US retirement market

Total retirement market assets \$34.9 trillion	Percentage of households with tax-advantaged retirement savings 64%	DC plan and IRA assets invested in mutual funds \$11.1 trillion
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* Regulated open-end funds include mutual funds, exchange-traded funds (ETFs), and institutional funds.

2021

Investment Company

FACT BOOK

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A Review of Trends and Activities in the
Investment Company Industry

The Investment Company Institute (ICI) is the leading association representing regulated funds globally, including mutual funds, exchange-traded funds (ETFs), closed-end funds, and unit investment trusts (UITs) in the United States, and similar funds offered to investors in jurisdictions worldwide. ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. ICI carries out its international work through ICI Global, with offices in London, Brussels, Hong Kong, and Washington, DC.

Sixty-first edition

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Letter from the Chief Economist

2020. What a year. I'm writing this letter sitting in my basement, which has served as my office this past year. It's March 15, 2021, almost one year to the day from March 13, 2020, when vast swathes of the US economy began shutting down because of the COVID-19 pandemic. How things have changed from that fateful Friday the 13th!

Delivering in Extraordinary Circumstances

Some things, of course, remain much the same. Throughout this challenging period, ICI's Research Department—as with all ICI departments—maintained its intense focus on supporting registered investment companies and the more than 105 million shareholders they serve. As the crisis unfolded, market participants rightly became deeply concerned—and highly uncertain—about the effects of the economywide shutdown on businesses, households, and governments. In this environment, all types of investors around the world scrambled to raise cash, a development that quickly morphed into a liquidity crisis. During this time, ICI Research worked tirelessly to provide critical perspective and data to policymakers to help them navigate and respond to the rapidly moving events.

Providing Important Analysis to the Discourse of Funds' Experiences During the Crisis

As the financial markets began to settle, we turned to providing more in-depth analyses of funds' experiences during March 2020, in no small part to help ensure that emerging narratives were based on facts, not supposition. For example, in late May, I was invited to present a [detailed analysis](#) to the Securities and Exchange Commission's Asset Management Advisory Committee on funds' experiences in March. In addition, under the guidance and assistance of senior leaders from throughout the fund industry, ICI published the [Report of the COVID-19 Market Impact Working Group](#)—a series of papers discussing developments in the spring of 2020 in the financial markets broadly, as well as in ETFs, money market funds, and UCITS. We also produced a series of blog posts discussing the experiences of bond mutual funds in March 2020. The preface in this year's *Fact Book* summarizes some of that work and provides a link to the full suite of [COVID-19 papers and blog posts](#).

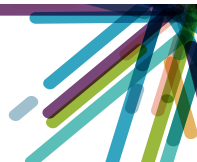
The key theme of this work is that the March 2020 turmoil was driven not by the actions of individual market participants or market sectors, but by uncertainty about how the virus and the shuttering of world economies would play out.

In light of the COVID-19 turmoil, regulators are now pondering reforms for many sectors of the financial markets, including ours. As they do so, they must keep the true drivers of the March 2020 turmoil at the forefront of their minds, and must remain cognizant of the benefits regulated funds provide to the world's economies. Funds are an important source of financing—to businesses, consumers, and governments at all levels—and a chief way that tens of millions of investors save for long-term goals.

ICI Research's Solid Foundation

All of this extraordinary work over the past year is built on the solid foundation ICI Research has built over decades, which is also reflected in the data and analysis we offer throughout the entire *Fact Book*.

For example, *Fact Book* chapters 1 to 6 provide detail on the remarkable range of products our industry has created to help investors save for their goals, on how our industry is evolving (both in the United States and in other jurisdictions) to meet investors' changing demands, and on the substantial declines in fund fees Main Street investors incur to gain exposure to stocks and bonds through pooled, professionally managed funds. The many figures, tables, and analyses you will find here reflect the efforts of Shelly Antoniewicz and her staff.



Fact Book chapters 7 and 8 provide considerable detail, derived from ICI surveys and data collections, about the tens of millions of US households that use funds to save for their goals and how funds support them as they save for retirement and education. These data are collected by Sarah Holden and her staff, and are a key feature of ICI's efforts to foster and reinforce the reputation of funds before policymakers, the media, and other stakeholders. As just one example, in the past year, a range of commentators voiced concerns that retirement savers were pulling back from 401(k) plans because of challenges related to COVID-19. Evidence provided by ICI Research, however, consistently demonstrated throughout the year that retirement savers were staying the course.

The *Fact Book* also contains a wealth of information in the data tables, which immediately follow chapter 8. These summary tables, and the more detailed data underlying them, provide the backbone of ICI Research's ability to accurately depict trends in the fund industry and to use facts to correct misimpressions or misinterpretations about the role and importance of funds to the US economy. The updated data tables are the culmination of a year's worth of work by Judy Steenstra and her staff.

In sum, on behalf of the entire Research Department, I hope you will find our 61st *Fact Book* as helpful and enlightening as ever. And for those of you who want the printed version of the book, it will be available later this summer.

Thank you, best wishes, and I hope that we in ICI Research will be able to see many of you—in person—in the coming year.

A handwritten signature in black ink, appearing to read 'S Collins', with a long horizontal flourish extending to the right.

Sean Collins

ICI Chief Economist

ICI Research Staff and Publications

ICI Senior Research Staff

Chief Economist

Sean Collins leads the Institute's Research Department. He oversees statistical collections and research on US and global funds, financial markets, the US retirement market, financial stability, and investor demographics. Before joining ICI in 2000, Collins worked at the US Federal Reserve Board of Governors and the Reserve Bank of New Zealand. He is a member of the Group of Economic Advisers (GEA) to the European Securities and Markets Authority (ESMA). He has a PhD in economics from the University of California, Santa Barbara, and a BA in economics from Claremont McKenna College.



Senior Director of Industry and Financial Analysis

Rochelle (Shelly) Antoniewicz leads the Institute's research efforts on the structure and trends of the exchange-traded fund and mutual fund industries and on the financial markets in the United States and globally. Before joining ICI, Antoniewicz spent 13 years at the Federal Reserve Board of Governors. She earned a BA in management science from the University of California, San Diego, and an MS and PhD in economics from the University of Wisconsin–Madison.



Senior Director of Retirement and Investor Research

Sarah Holden leads the Institute's research efforts on retirement and tax policy and investor demographics and behavior. Holden, who joined ICI in 1999, heads efforts to track trends in household retirement saving activity and ownership of funds as well as other investments inside and outside retirement accounts. Before joining ICI, Holden served as an economist at the Federal Reserve Board of Governors. She has a PhD in economics from the University of Michigan and a BA in mathematics and economics from Smith College.



Senior Director of Statistical Research

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



ICI Research Department

The ICI Research Department consists of 42 members, including economists and research analysts. This staff collects and disseminates data for all types of registered investment companies, offering detailed analyses of fund shareholders, the economics of investment companies, and the retirement and education savings markets.

2020 ICI Research and Statistical Publications

ICI is the primary source of analysis and statistical information on the investment company industry. In addition to the annual *Investment Company Fact Book*, the Institute's Research Department released 20 research and policy publications and more than 300 statistical reports in 2020.

The *Investment Company Fact Book* remains one of ICI Research's most visible products. In its 61st edition, this ICI publication continues to provide the public and policymakers with a comprehensive summary of ICI's data and analysis. The *Fact Book* is available at www.icifactbook.org in both PDF and HTML versions. The HTML version contains downloadable data for all charts and tables.

Papers

Industry and Financial Analysis

- » "Trends in the Expenses and Fees of Funds, 2019," *ICI Research Perspective*, March 2020
- » "The Closed-End Fund Market, 2019," *ICI Research Perspective*, May 2020
- » "Ongoing Charges for UCITS in the European Union, 2019," *ICI Research Perspective*, October 2020

Retirement and Investor Research

- » "American Views on Defined Contribution Plan Saving, 2019," *ICI Research Report*, January 2020
- » "Defined Contribution Plan Participants' Activities, First Three Quarters of 2019," *ICI Research Report*, February 2020
- » "Ten Important Facts About 401(k) Plans," March 2020
- » "What US Households Consider When They Select Mutual Funds, 2019," *ICI Research Perspective*, April 2020
- » *The BrightScope/ICI Defined Contribution Plan Profile: A Close Look at ERISA 403(b) Plans, 2016*, April 2020
- » "Defined Contribution Plan Participants' Activities, 2019," *ICI Research Report*, April 2020
- » *The Myth of Under-Annuitization: Managing Income and Assets in Retirement*, April 2020
- » "Who Participates in Retirement Plans, 2017," *ICI Research Perspective*, May 2020
- » "Defined Contribution Plan Participants' Activities, First Quarter 2020," *ICI Research Report*, May 2020
- » "Ten Important Facts About IRAs," May 2020
- » "The Economics of Providing 401(k) Plans: Services, Fees, and Expenses, 2019," *ICI Research Perspective*, July 2020

- » “Defined Contribution Plan Participants’ Activities, First Half 2020,” *ICI Research Report*, August 2020
- » *The BrightScope/ICI Defined Contribution Plan Profile: A Close Look at 401(k) Plans, 2017*, August 2020
- » “What Does Consistent Participation in 401(k) Plans Generate? Changes in 401(k) Plan Account Balances, 2010–2018,” *ICI Research Perspective*, October 2020
- » “Characteristics of Mutual Fund Investors, 2020,” *ICI Research Perspective*, November 2020
- » “Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2020,” *ICI Research Perspective*, November 2020
- » “Defined Contribution Plan Participants’ Activities, First Three Quarters of 2020,” *ICI Research Report*, November 2020

ICI’s papers and more are available at www.ici.org/research.

Analysis and Commentary: *ICI Viewpoints*

In addition to research papers, ICI staff produce analysis and commentary for the Institute’s blog, *ICI Viewpoints*. Below are some examples of recent analysis by ICI staff, including a series of posts detailing the experiences of bond funds during the COVID-19 pandemic. Please visit www.ici.org/viewpoints to find these and more.

- » Proxy Proposals Worth Supporting
- » Mutual Fund Flows in the COVID-19 Crisis
- » ETFs Are Passing the COVID-19 Crisis Test
- » IRA Investors Are Concentrated in Lower-Cost Mutual Funds
- » Market Turmoil and Liquidity Crunch Rooted in the COVID-19 Pandemic
- » Value Is in the Eye of the UCITS Holder
- » Bond Mutual Fund Outflows: A Measured Investor Response to a Massive Shock
- » What’s in a Name, Redux: For Bond Mutual Funds, “Corporate” Matters
- » Growth in Bond Mutual Funds: See the Whole Picture
- » Growth in Bond Mutual Funds: A Question of Balance

Statistical Releases

Trends in Mutual Fund Investing

Monthly report that includes mutual fund sales, redemptions, assets, cash positions, exchange activity, and portfolio transactions for the period by 42 investment objectives.

Estimated Long-Term Mutual Fund Flows

Weekly report that provides aggregate estimates of net new cash flows to 16 categories of equity, hybrid, and bond mutual funds.

Estimated Exchange-Traded Fund (ETF) Net Issuance

Weekly report that provides aggregate estimates of net issuance to six categories of ETFs.

Combined Estimated Long-Term Mutual Fund Flows and ETF Net Issuance

Weekly news release and report that provides aggregate estimates of net new cash flows and net issuance to six categories of long-term mutual funds and ETFs.

Money Market Fund Assets

Weekly report on money market fund assets by type of fund.

Monthly Taxable Money Market Fund Portfolio Data

Monthly report based on data contained in SEC Form N-MFP that provides insights into the aggregated holdings of prime and government money market funds and the nature and maturity of security holdings and repurchase agreements.

Retirement Market Data

Quarterly report that includes individual retirement account (IRA) and defined contribution (DC) plan assets, mutual fund assets inside retirement accounts, and estimates of mutual fund net new cash flows to retirement accounts by type of fund.

Mutual Fund Distributions

Quarterly report that includes paid and reinvested capital gains and paid and reinvested income dividends of mutual funds by broad investment classification.

Institutional Mutual Fund Shareholder Data

Annual report that includes mutual fund asset information for various types of institutional shareholders, broken out by broad investment classification.

Closed-End Fund Data

Quarterly report that includes closed-end fund assets, number of funds, issuance, redemptions, distributions, use of leverage, and number of shareholders by investment objective.

Exchange-Traded Fund Data

Monthly report that includes assets, number of funds, issuance, and redemptions of ETFs by investment objective.

Unit Investment Trust Data

Monthly report that includes the value and number of new trust deposits by type and maturity.

Worldwide Regulated Open-End Fund Data

Quarterly report that includes assets, number of funds, and net sales by broad investment classification of funds in 46 jurisdictions worldwide.

These and other ICI statistics are available at www.ici.org/research/stats. To subscribe to ICI's statistical releases, visit www.ici.org/pdf/stats_subs_order.pdf.

Acknowledgments

Publication of the *2021 Investment Company Fact Book* was directed by James Duvall, economist, and Judy Steenstra, senior director of statistical research, working with Candice Gullett, editor, Miriam Bridges, editorial director, and Janet Zavistovich, senior director of design. Contributors from ICI's research team who developed and edited analysis, text, and data are Irina Atamanchuk, Steven Bass, Mike Bogdan, Alex Johnson, Sheila McDonald, Hammad Qureshi, Doug Richardson, Casey Rybak, Dan Schrass, and Christof Stahel.

Part One

Analysis and Statistics





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Methods and Assumptions

The following methods, unless otherwise specified, apply to all data in this book:

- » Data for US-registered investment companies only include those that report statistical information to the Investment Company Institute. Assets of these companies are at least 98 percent of industry assets.
- » Funds of funds are excluded from the data to avoid double counting.
- » Dollars and percentages may not add to the totals presented because of rounding.
- » Data for US-registered investment companies include exchange-traded funds that are not registered under the Investment Company Act of 1940.
- » Long-term funds include equity funds, hybrid funds, and bond funds.

Data are subject to revision. Although information or data provided by independent sources is believed to be reliable, the Investment Company Institute is not responsible for its accuracy, completeness, or timeliness. Opinions expressed by independent sources are not necessarily those of the Institute. If you have questions or comments about this material, please contact the source directly.



Preface

The Spread and Impact of COVID-19

The annual *Investment Company Fact Book* provides a snapshot of the regulated fund industry over the past year. *Fact Book* specifically addresses major developments in the financial markets and accompanying macroeconomic events to shed light on how they affected the regulated fund industry—and the COVID-19 pandemic is an important backdrop to this analysis for 2020.

The public health crisis created by the swift spread of COVID-19 in 2020 caused countries around the world to impose social distancing and containment measures that effectively shut down large parts of the global economy. Because this disruption to the financial markets originated from a health crisis, not a financial one, it is helpful to discuss how it unfolded.

Spread of COVID-19

SARS-CoV-2 is a highly transmittable and pathogenic virus that emerged in Wuhan, China, in late 2019. From early 2020 onward, the virus spread from China to other countries. Cumulative confirmed cases of the virus increased in the second half of February in countries in the Asia-Pacific region, including Japan and the Republic of Korea. In Korea, cumulative confirmed cases accelerated rapidly in the second half of February, but flattened out fairly early in March, as its government imposed quarantines and social distancing measures.

From late February to mid-March, the virus spread rapidly in Europe; first in Italy, then to other countries such as France, Spain, Germany, and the United Kingdom. Beginning in late February, Italy imposed an array of social distancing and containment measures, including closing schools, restricting mass gatherings, requiring businesses to close, issuing stay-at-home orders, recommending telecommuting, and restricting cross-border travel. Other European countries adopted similar measures, generally by mid-March.

In the United States, cumulative cases were initially small—only 66 by the end of February—and remained low in the first half of March. By March 22, however, the cumulative number of cases had surged and the United States was leading the world in terms of new daily reported cases.

Measures Taken by US Authorities to Contain COVID-19

A review of how US authorities attempted to contain the virus is critical to understanding the depth of financial market stresses in March 2020.

Like governments elsewhere in the world, US authorities reacted to the outbreak with health mandates and social distancing measures. Such measures included imposing restrictions on travelers arriving in the United States from certain Asia-Pacific and European countries; ordering the closure of schools, universities, restaurants, bars, and recreational and entertainment facilities; imposing stay-at-home orders for employees who could work from home or whose work was not deemed essential; and prohibiting large social gatherings.

In addition, US businesses and institutions voluntarily undertook such additional measures as prohibiting employees from engaging in foreign or domestic travel and cancelling or postponing significant numbers of large conferences. Universities—public and private—sent students home. Households sharply curtailed dining out and, recognizing that travel would be difficult if not impossible, cancelled vacation plans and sought refunds from airlines and hotels.



Economic Effects of COVID-19, Health Mandates, and Social Distancing

The effects of social distancing and mandated closures were readily apparent. The mobility of US residents dropped precipitously in March relative to normal levels, especially in populous coastal states. This was particularly significant because New York City, the nation's financial hub, closed down swiftly, bringing with it the challenge of keeping the financial system running under new and untried work-from-home arrangements.

Health mandates imposed by governments, and the social distancing approaches voluntarily adopted by others such as businesses and schools, effectively shut down large portions of the US economy.

Markets anticipated—and subsequent data confirmed—that gross domestic product (GDP) and business revenues would plummet, unemployment would skyrocket, the finances of municipalities and households would deteriorate, and all sectors would face challenges paying their bills. But there was vast uncertainty about what the extent of the damage would be, causing businesses, households, and financial market participants to become extremely risk averse.

COVID-19 Crisis vs. the 2007–2009 Global Financial Crisis

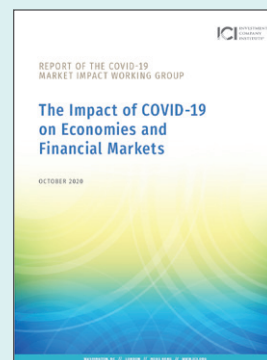
The COVID-19 crisis differs in many respects from the global financial crisis of 2007–2009. The global financial crisis was, at its root, a financial crisis that spilled over into the real economy. The COVID-19 crisis, in contrast, was a shock to the real economy that rebounded into financial markets. This is key to understanding financial market developments and the experience of funds.

Effect on the Financial Markets

In response to these swift and sudden changes, financial markets, which had generally not been affected by the earliest COVID-19 developments, began to slide. In February and March 2020, world stock markets contracted sharply, while bond and short-term funding markets dealt with increased demand for liquidity as investors sought to move to cash in the face of uncertainty.

The Investment Company Institute's analysis of the impact of COVID-19 on economies, financial markets, and regulated funds was published in the *Report of the COVID-19 Market Impact Working Group*, which includes:

- » The Impact of COVID-19 on Economies and Financial Markets (October 2020)
- » Experiences of US Exchange-Traded Funds During the COVID-19 Crisis (October 2020)
- » Experiences of US Money Market Funds During the COVID-19 Crisis (November 2020)
- » Experiences of European Markets, UCITS, and European ETFs During the COVID-19 Crisis (December 2020)



In addition, the Institute published this series of blog posts on the experiences of US bond mutual funds during the COVID-19 crisis.

- » Bond Mutual Fund Outflows: A Measured Investor Response to a Massive Shock (March 2021)
- » What's in a Name, Redux: For Bond Mutual Funds, "Corporate" Matters (March 2021)
- » Growth in Bond Mutual Funds: See the Whole Picture (March 2021)
- » Growth in Bond Mutual Funds: A Question of Balance (April 2021)

All of these publications can be found on the ICI COVID-19 Resource Center.

www.ici.org/covid19



Chapter 1

Worldwide Regulated Open-End Funds

Investors around the world have demonstrated strong demand for regulated open-end funds (referred to in this chapter as *regulated funds*). In the past decade, worldwide net sales of regulated funds have totaled \$16.5 trillion. This demand has been influenced by several long-term factors as well as cyclical and macroeconomic factors. Fund providers have responded to the increasing interest in funds by offering more than 125,000 regulated funds, which provide a vast array of choices for investors. In many countries, markets for regulated funds are well-developed and highly competitive. At year-end 2020, regulated funds had \$63.1 trillion in total net assets.

Total net assets of worldwide regulated open-end funds have grown substantially in the past decade



IN THIS CHAPTER

- 18** What Are Regulated Funds?
- 18** Worldwide Total Net Assets of Regulated Funds
- 31** Factors Influencing Demand for Worldwide Regulated Funds
- 36** Size of Worldwide Regulated Funds in Global Capital Markets



What Are Regulated Funds?

The International Investment Funds Association (IIFA) defines regulated funds as collective investment pools that are substantively regulated, open-end investment funds.* Open-end funds generally are defined as those that issue new fund shares (or units) and redeem existing shares (or units) on demand. Such funds are typically regulated with respect to disclosure, the form of organization (for example, as either corporations or trusts), custody of fund assets, minimum capital, valuation of fund assets, and restrictions on fund investments, such as limits on leverage, types of eligible investments, and diversification of portfolio investments.

In the United States, regulated funds include open-end funds—mutual funds and exchange-traded funds (ETFs)—as well as unit investment trusts and closed-end funds.† In Europe, regulated funds include Undertakings for Collective Investment in Transferable Securities (UCITS)—ETFs, money market funds, and other categories of similarly regulated funds—and alternative investment funds, commonly known as AIFs.

In many countries, regulated funds may also include institutional funds (funds that can only be sold to a limited number of non-retail investors), funds that offer guarantees or protection of principal (those that offer a formal, legally binding guarantee of income or capital), and open-end real estate funds (funds that invest directly in real estate to a substantive degree).

Worldwide Total Net Assets of Regulated Funds

Worldwide total net assets of regulated funds have seen robust growth over the past decade across the world. The increase in worldwide total net assets largely reflects an increase in the value of the underlying securities held by the funds. However, over the same period, worldwide demand for regulated funds as measured by net sales—total sales minus total redemptions plus net exchanges—has also been significant. Demand for regulated funds has been driven by, among other factors, investors' demand for professionally managed and well-diversified products offering access to capital markets and by the increasing depth and liquidity of global capital markets.

* The primary data source for worldwide regulated funds is the IIFA. In 2020, the IIFA collected data on worldwide regulated funds from 46 jurisdictions. For data on individual jurisdictions, see the data tables on pages 274–279. For more details about the IIFA data collection, see Worldwide Definitions of Terms and Classifications at www.ici.org/info/ww_q3_18_definitions.xls.

† Data for unit investment trusts and closed-end funds are not included in this chapter; these funds are discussed in chapter 2 and chapter 5, respectively.

In 2020, the COVID-19 public health crisis played a considerable role in shaping global financial markets. Beginning in late February, governments around the world made efforts to control the crisis by imposing public health mandates and social distancing guidelines, which effectively shut down large portions of the global economy. Confidence in financial markets plummeted, and investors around the world sought to preserve and build liquidity. The total return on global stocks sharply declined in the first quarter of 2020, which contributed to a substantial decrease in total net assets of worldwide regulated funds by the end of March 2020. In addition, the surge in demand for highly liquid assets during this period contributed to outflows from regulated funds investing in long-term assets and inflows into funds investing primarily in short-term government securities. As monetary and fiscal policies set by governments stabilized markets in the second quarter of 2020, values in the underlying securities held by worldwide regulated funds steadily recovered through the end of the year, and overall net sales for the year were positive.

Total Net Assets of Worldwide Regulated Funds by Type and Region

Despite the impact that the COVID-19 pandemic had on financial markets during the first quarter of 2020, net assets in worldwide regulated funds increased 14.9 percent for the year, from \$54.9 trillion at year-end 2019 to \$63.1 trillion at year-end 2020 (Figure 1.1).*

Worldwide total net assets of equity funds—which invest primarily in publicly traded stocks—increased by 15.7 percent, from \$24.5 trillion at year-end 2019 to \$28.3 trillion at year-end 2020. Bond funds—which invest primarily in fixed-income securities—saw their total net assets increase from \$11.8 trillion to \$13.1 trillion (10.7 percent) over the same period, and total net assets of mixed/other funds† rose 14.6 percent, from \$11.6 trillion at year-end 2019 to \$13.3 trillion at year-end 2020. Finally, money market funds—which are generally defined throughout the world as regulated funds that are restricted to holding only short-term, high-quality debt instruments—saw their total net assets increase from \$6.9 trillion at year-end 2019 to \$8.3 trillion at year-end 2020 (20.0 percent). At year-end 2020, equity funds remained the largest category of regulated funds, accounting for 45 percent of net assets. Bond funds and mixed/other funds each accounted for 21 percent of net assets, and money market funds accounted for the remaining 13 percent of net assets.

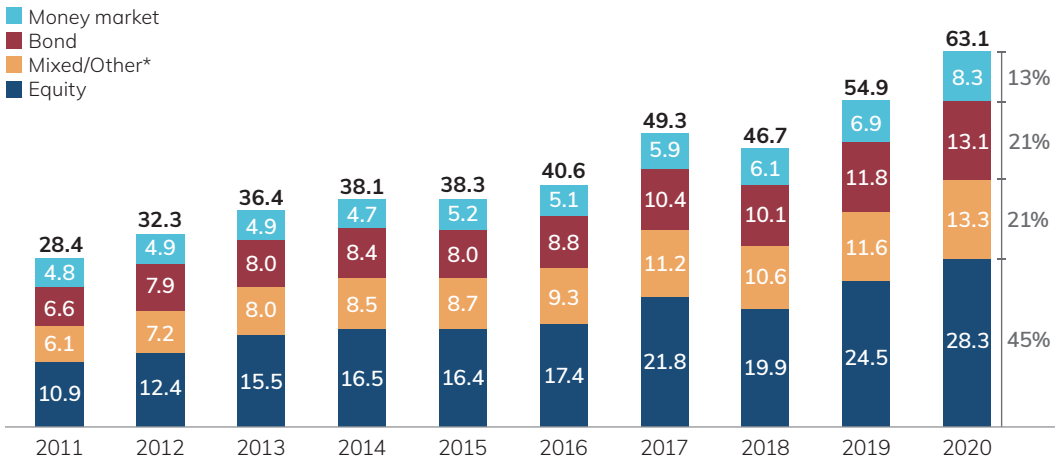
* In this chapter, unless otherwise noted, data for total net assets and net sales are denominated in US dollars.

† Mixed/other funds include balanced/mixed funds, guaranteed/protected funds, real estate funds, and other funds.

FIGURE 1.1

Total Net Assets of Worldwide Regulated Open-End Funds Rose to \$63.1 Trillion in 2020

Trillions of US dollars by type of fund, year-end



Total number of worldwide regulated open-end funds

91,572 93,833 97,377 101,100 106,066 110,127 112,950 118,278 122,558 126,457

* Mixed/other funds include balanced/mixed funds, guaranteed/protected funds, real estate funds, and other funds.
 Note: Regulated open-end funds include mutual funds, ETFs, and institutional funds.
 Source: International Investment Funds Association

Worldwide total net assets of regulated funds also vary widely by geographic region. At year-end 2020, total net assets in regulated funds continued to be predominantly held in the United States and Europe, with 47 percent and 35 percent of the worldwide total, respectively (Figure 1.2). Regulated funds in the Asia-Pacific region held another 14 percent of worldwide total net assets, and funds in the rest of the world held the remaining 5 percent.



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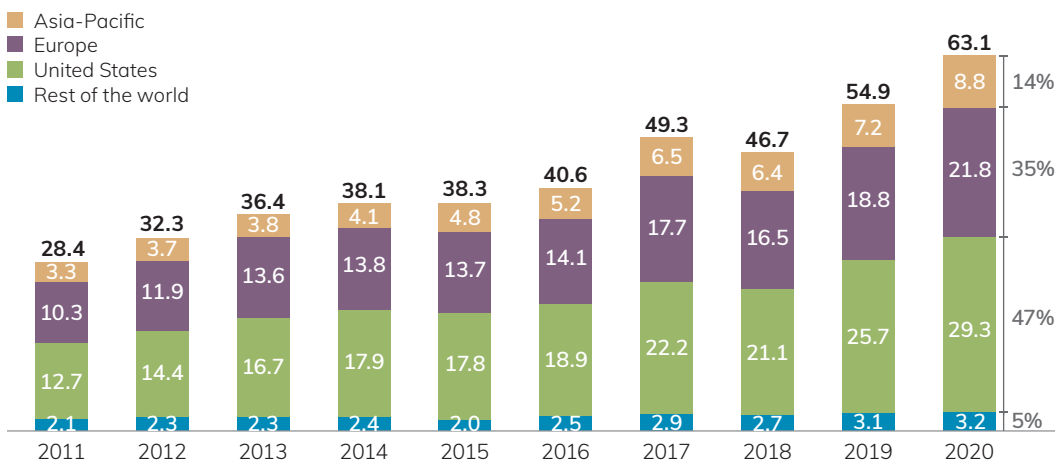
IIFA Presents Expanded Worldwide Regulated Open-End Fund Assets and Flows Report
www.ici.org/research/stats/worldwide/ww_q1_15_explanation

Total net assets of worldwide regulated funds in the United States increased by 14.2 percent from \$25.7 trillion at year-end 2019 to \$29.3 trillion at year-end 2020. Over the same period, total net assets in Europe increased by 15.7 percent to \$21.8 trillion, total net assets in the Asia-Pacific region increased by 21.3 percent to \$8.8 trillion, and total net assets in the rest of the world increased by 1.1 percent to \$3.2 trillion.

FIGURE 1.2

The United States Has the Largest Share of Total Net Assets of Worldwide Regulated Open-End Funds

Trillions of US dollars by region, year-end



Note: Regulated open-end funds include mutual funds, ETFs, and institutional funds.

Source: International Investment Funds Association

The growth in worldwide total net assets of regulated long-term funds in 2020 largely reflected an increase in the value of the underlying assets in which these funds invest. Despite a sharp downturn in the first quarter of 2020, stock market returns around the world were generally positive for the year. In 2020, US stock markets returned 20.8 percent, Asia-Pacific stock markets returned 20.1 percent, and European stock markets returned 5.9 percent (Figure 1.3). Similarly, global bond markets increased in value in 2020. US bond markets returned 7.7 percent, European bond markets returned 3.6 percent, and bond markets in the Asia-Pacific region returned 1.2 percent.*

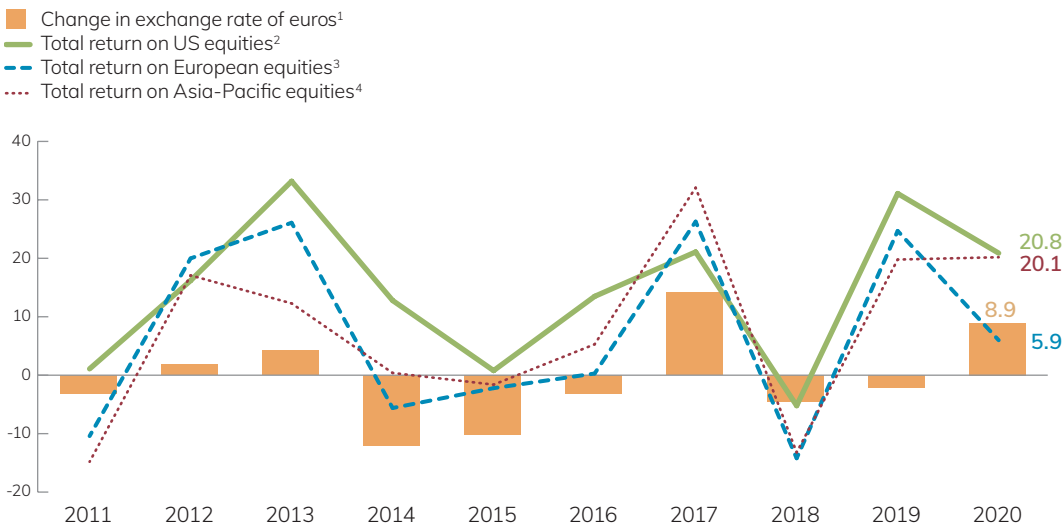
* As measured by the FTSE US Broad Investment Grade Bond Index, the Bloomberg Barclays Pan-European Aggregate Index (expressed in euros), and the Bloomberg Barclays Asian-Pacific Aggregate Index (expressed in Japanese yen), which all cover investment grade securities.

Exchange rates also played a role in the growth of worldwide regulated fund total net assets in 2020. In particular, the US dollar depreciated against all major currencies in 2020, which increased the value of total net assets in other regions when measured in US dollars. For example, the euro appreciated against the US dollar by 8.9 percent, which would have boosted the value of total net assets in Europe measured in US dollars by about \$1.8 trillion when compared with a scenario in which year-over-year exchange rates remained unchanged in 2020. Elsewhere around the world, the Australian dollar appreciated against the US dollar by 9.6 percent, the Chinese renminbi by 6.7 percent, and the Japanese yen by 5.1 percent (see the opposite page for more information on how exchange rates can influence measurement of total net assets).

FIGURE 1.3

Stock Market Returns Around the World Were Generally Positive in 2020

Percent



¹ The change in the exchange rate of euros is measured as the year-over-year percent change in the exchange rate of US dollars per euro.

² The total return on US equities is measured as the year-over-year percent change in the Wilshire 5000 Total Market Index.

³ The total return on European equities is measured as the year-over-year percent change in the MSCI Daily Total Return Gross Europe Index (expressed in US dollars).

⁴ The total return on Asia-Pacific equities is measured as the year-over-year percent change in the MSCI Daily Total Return Gross AC Asia-Pacific Index (expressed in US dollars).

Sources: Bloomberg and MSCI



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Worldwide Regulated Open-End Fund Assets and Flows

www.ici.org/research/stats/worldwide

How Exchange Rates Can Influence Measurement of Total Net Assets Held by Worldwide Regulated Funds

For worldwide regulated funds holding assets denominated in currencies other than US dollars, fluctuations in US dollar exchange rates can significantly affect the value of these assets when they are expressed or measured in US dollars. For example, when foreign currencies appreciate against the dollar (or, equivalently, the US dollar depreciates against foreign currencies), the value of assets not denominated in US dollars will rise when those assets are measured in US dollars. Figure 1.4 illustrates this effect using two hypothetical scenarios.

FIGURE 1.4

Impact of Changes in the Exchange Rate on the US Dollar Value of a European Stock

Scenario 1: No change in exchange rate between euros and US dollars

	Year 1	Year 2	Percent change
1. Market value of European stock expressed in euros	€100	€110	10%
2. Exchange rate of euros (US dollars per euro)	1.00	1.00	0%
3. Market value of European stock expressed in US dollars	\$100	\$110	10%

Scenario 2: Market value if euro appreciates (US dollar depreciates)

	Year 1	Year 2	Percent change
4. Market value of European stock expressed in euros	€100	€110	10%
5. Exchange rate of euros (US dollars per euro)	1.00	1.20	20%
6. Market value of European stock expressed in US dollars	\$100	\$132	32%

In the first scenario, the market value of a European stock, measured in euros, rises from €100 in year 1 to €110 in year 2, an increase of 10 percent. The exchange rate between US dollars and euros, in this scenario, remains unchanged at 1.00 in both years. In other words, one euro is worth one US dollar in both years. To convert the euro-denominated value of the European stock into US dollars, multiply by the exchange value of the euro (US dollars per euro). Because this value is 1.00 in both years, the value of the European stock expressed in US dollars is the same as when expressed in euros: \$100 in year 1 and \$110 in year 2. When the US dollar exchange rate with another country is unchanged between two years, any gain or loss in assets denominated in that country's currency translates into an identical percent gain or loss when the value of those assets is expressed in US dollars.

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Exchange rates, however, rarely remain unchanged. In the second scenario, a European stock experiences the same 10 percent gain as in the first scenario (€100 in year 1 to €110 in year 2); at the same time, the euro appreciates 20 percent against the US dollar. As in the first scenario, in year 1 the market value of a European stock expressed in US dollars is \$100. In year 2, however, one euro is now worth 1.20 US dollars. To find the US dollar value of the European stock in year 2, multiply €110 by 1.20 (US dollars per euro) to get \$132. The US dollar return on the European stock is now 32 percent—higher than in the first scenario because it accounts for the appreciation of the euro relative to the US dollar.

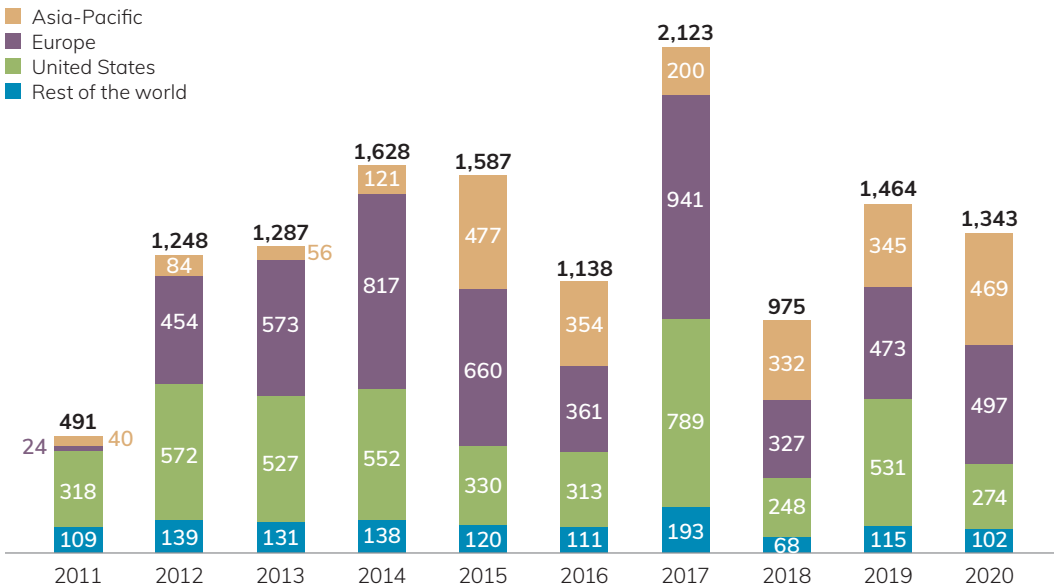
Worldwide Net Sales of Regulated Long-Term Funds

Worldwide demand for regulated long-term funds (equity, bond, and mixed/other) decreased slightly in 2020, from \$1.5 trillion in 2019 to \$1.3 trillion in 2020, primarily because of decreased demand for regulated funds in the United States (Figure 1.5). Net sales of long-term funds in the United States decreased from \$531 billion in 2019 to \$274 billion in 2020, but increased in Europe, from \$473 billion to \$497 billion, and in the Asia-Pacific region, from \$345 billion to \$469 billion. Worldwide net sales for the rest of the world decreased slightly, from \$115 billion in 2019 to \$102 billion in 2020.

FIGURE 1.5

Net Sales of Regulated Open-End Long-Term Funds Decreased in 2020

Billions of US dollars by region, annual



Note: Regulated open-end funds include mutual funds, ETFs, and institutional funds. Long-term funds include equity funds, mixed/other funds (balanced/mixed, guaranteed/protected, real estate, and other funds), and bond funds, but exclude money market funds.

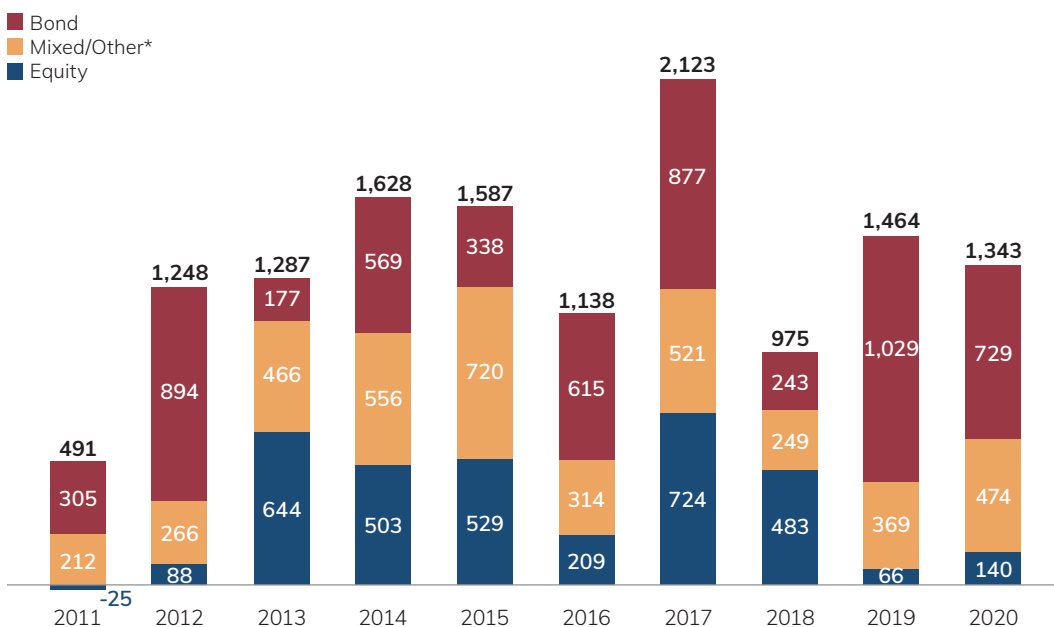
Source: International Investment Funds Association

Worldwide net sales of equity funds increased from \$66 billion in 2019 to \$140 billion in 2020 (Figure 1.6); net sales were concentrated in the fourth quarter of 2020. In November, news surrounding positive vaccine results appeared to sharply boost returns of stock markets around the world, which may have contributed to the large inflows that equity funds received during the quarter. Aside from the United States, the other regions contributed to the increase in equity fund investment in 2020, with combined inflows increasing from \$115 billion in 2019 to \$412 billion in 2020. This was partially offset by outflows of \$272 billion from regulated equity funds in the United States in 2020—likely affected by portfolio rebalancing to maintain target allocations among equity and bond funds.

FIGURE 1.6

Worldwide Net Sales of Regulated Open-End Bond Funds Fell in 2020

Billions of US dollars by type of fund, annual



* Mixed/other funds include balanced/mixed funds, guaranteed/protected funds, real estate funds, and other funds.

Note: Regulated open-end funds include mutual funds, ETFs, and institutional funds.

Source: International Investment Funds Association

While equity funds globally saw an increase in net sales in 2020 compared with 2019, net sales of bond funds slowed from \$1.0 trillion in 2019 to \$729 billion in 2020 (Figure 1.6). The COVID-19 pandemic partly contributed to this decline, as investors and other market participants, especially during the first quarter of 2020, sought safe, liquid, short-term assets, such as money market funds. However, demand for bond funds was still relatively strong in 2020, which likely reflected a continuing global demographic shift of aging populations (see below), positive returns on bonds, and portfolio rebalancing, as returns on global stocks outpaced returns on bonds. The United States, Europe, and the Asia-Pacific region all experienced positive demand for bond funds in 2020. In the United States, net sales of bond funds were \$552 billion in 2020, down from \$581 billion in 2019; in Europe, net sales were \$122 billion in 2020, down from \$311 billion in 2019; and in the Asia-Pacific region, net sales were \$58 billion in 2020, down from \$124 billion in 2019. The rest of the world experienced outflows from bond funds of \$4 billion in 2020 compared with inflows of \$13 billion in 2019.

Combined net sales of bond funds and mixed/other funds have generally been strong over the past decade, usually outpacing net sales of equity funds. This trend continued in 2020 (Figure 1.6), which can partially be explained by the aging of the global population. In 2020, individuals aged 50 or older were estimated to represent 24 percent of the world's population, up from 21 percent in 2010.* As investors near retirement reassess their tolerance for investment risk, they might elect to weight their purchases more toward regulated funds with less-variable returns. Because returns on bonds tend to be less variable than those on stocks, returns on bond funds and some mixed/other funds that hold substantial proportions of their total net assets in bonds also tend to be less variable than those of equity funds.

* United Nations, Department of Economic and Social Affairs, Population Division (2019). *World Population Prospects* (2019 Revision). Available at <https://population.un.org/wpp/>.



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Experiences of European Markets, UCITS, and European ETFs During the COVID-19 Crisis
www.ici.org/pdf/20_rpt_covid4.pdf

Ongoing Charges for UCITS in the European Union

The UCITS Directive has become a global success story since its adoption in 1985. Net assets in UCITS increased from €10.4 trillion at year-end 2019 to €11.0 trillion by year-end 2020. Investments in these funds are held by investors in Europe and other jurisdictions worldwide.

UCITS provide many important advantages to European investors, including professional management services, access to global markets, the benefit of regulation and supervisory oversight, and access to a wide array of investment options via “passporting”—meaning that a UCITS established in one country can be sold cross-border into one or more other countries.

UCITS investors incur ongoing charges that cover a host of services, including portfolio management, administration, compliance costs, accounting services, legal costs, and payments to distributors. The total cost of these charges is disclosed to investors through either the total expense ratio (TER), often found in a UCITS’ annual report and other marketing documents, or the ongoing charges figure (OCF), found in the Key Investor Information Document (KIID). Ongoing charges among UCITS vary, and these differences depend on a variety of factors. Because ongoing charges are paid from fund assets, investors pay for these investment-related services indirectly.

On an asset-weighted basis, average ongoing charges paid by investors in equity and fixed-income UCITS have decreased since 2013, while ongoing charges for mixed funds have remained relatively stable (Figure 1.7). In 2013, asset-weighted average ongoing charges for equity funds were 1.49 percent, or €1.49 for every €100 in assets. By 2019, the asset-weighted average had fallen to 1.24 percent. Asset-weighted average ongoing charges also declined for fixed-income funds, from 0.98 percent in 2013 to 0.78 percent in 2019. Asset-weighted average ongoing charges for mixed funds, which invest in a combination of equity and fixed-income securities, were 1.45 percent in 2013 compared with 1.41 percent in 2019.

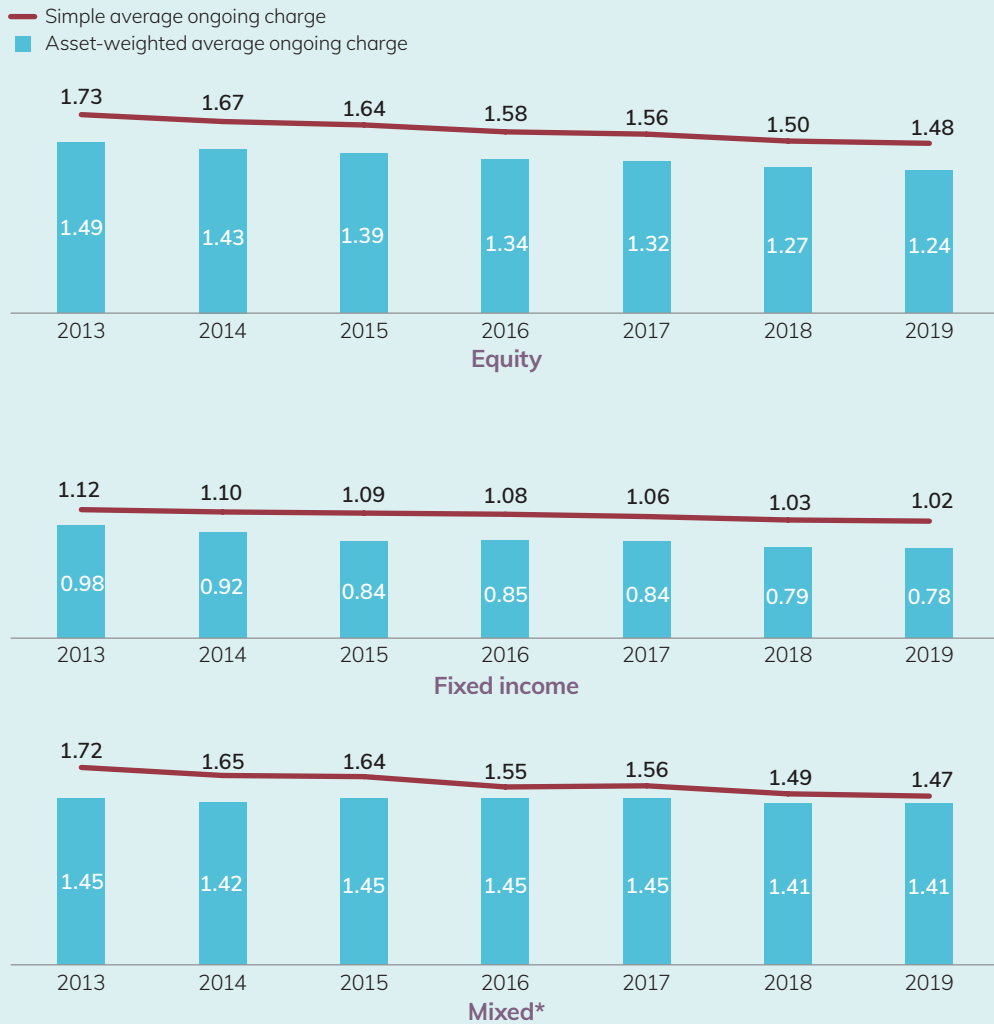
In each year from 2013 to 2019, the asset-weighted average ongoing charges for equity, fixed-income, and mixed funds were below their respective simple averages, illustrating that investors tend to concentrate their assets in lower-cost funds. For example, the simple average ongoing charge for equity funds was 1.48 percent in 2019 compared with an asset-weighted average of 1.24 percent. For fixed-income funds, the simple average was 1.02 percent compared with an asset-weighted average of 0.78 percent; and for mixed funds, the simple average was 1.47 percent compared with an asset-weighted average of 1.41 percent.

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FIGURE 1.7

Investors in UCITS Pay Below-Average Ongoing Charges

Percent



* Mixed funds invest in a combination of equity and fixed-income securities.

Note: Data exclude ETFs.

Source: Investment Company Institute tabulations of Morningstar Direct data. See *ICI Research Perspective*, "Ongoing Charges for UCITS in the European Union, 2019."



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Ongoing Charges for UCITS in the European Union, 2019

www.ici.org/pdf/per26-07.pdf

Worldwide Net Sales of Money Market Funds

Worldwide net sales of money market funds in 2020 totaled \$1.3 trillion, compared with net sales of \$706 billion in 2019 (Figure 1.8). The majority of inflows into money market funds in 2020 occurred in the United States, where money market funds saw inflows of \$700 billion. However, the majority of the growth in net sales of money market funds came from Europe and the Asia-Pacific region. In Europe, money market funds experienced inflows of \$250 billion in 2020, up sharply from \$70 billion in 2019, and Asia-Pacific money market funds received \$302 billion in inflows in 2020, a significant increase from \$30 billion in 2019. The rest of the world received \$43 billion in net sales in 2020, more than double the \$20 billion in 2019.

Investors use money market funds because they are professionally managed, tightly regulated vehicles with holdings limited to high-quality, short-term debt instruments. As such, they are highly liquid, attractive, cash-like alternatives to bank deposits. Generally, the demand for money market funds depends on their performance and interest rate risk exposure. As the difference between yields on short-term fixed-income securities and yields on long-term fixed-income securities narrows, money market funds tend to experience inflows because investors can reduce interest rate risk without sacrificing much yield by using a fund with a short duration.

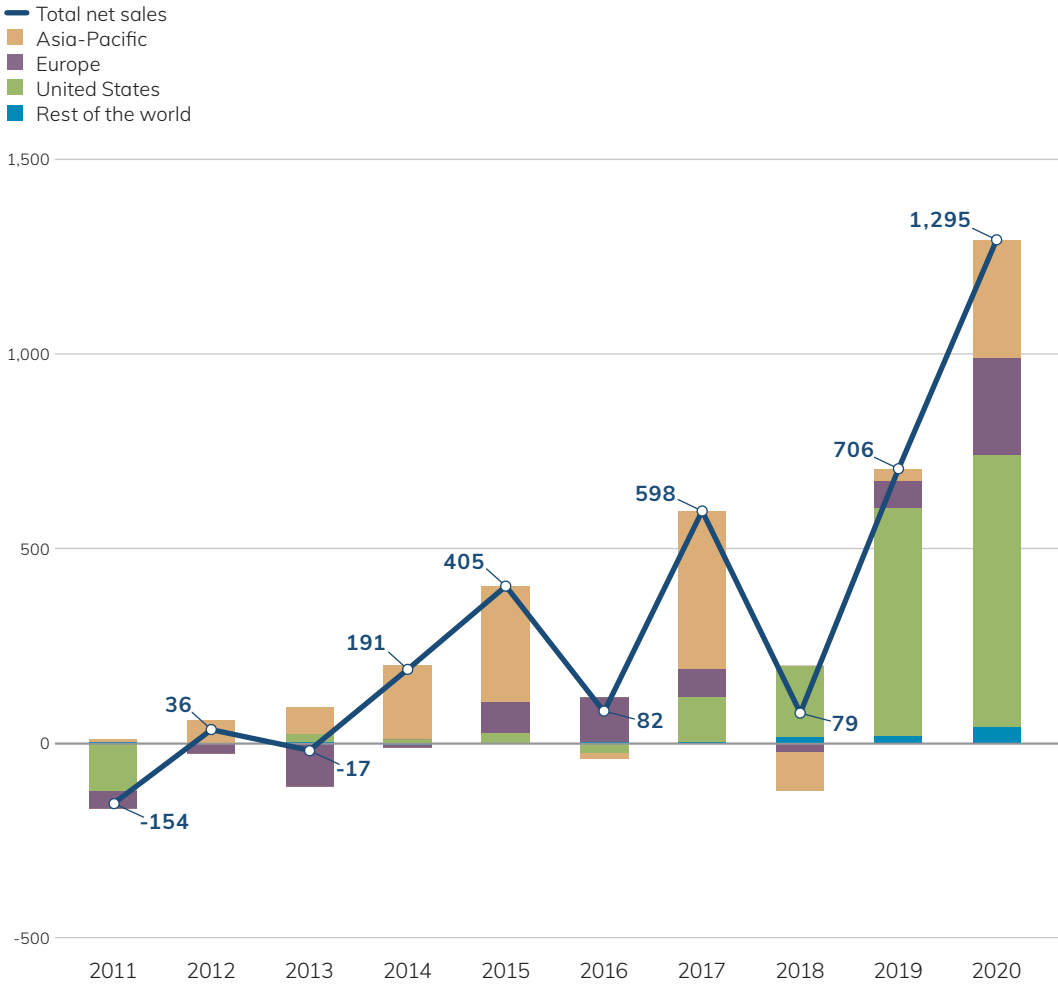
As yield curves globally flattened or further inverted during the first quarter of 2020, investors typically would have exhibited a strong demand for short-term assets in general, such as short-term bond funds and money market funds. However, the increasing expectation of significant economic fallout brought on by the COVID-19 pandemic during the first quarter of 2020 led many investors to seek high-quality, short-term investments to preserve and build liquidity. As a result, government money market funds, especially those that invested in US government securities, were a popular investment.

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Experiences of US Money Market Funds During the COVID-19 Crisis
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FIGURE 1.8

Worldwide Net Sales of Money Market Funds Increased in 2020

Billions of US dollars by region, annual



Source: International Investment Funds Association



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Trends in the European Investment Fund Industry

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Factors Influencing Demand for Worldwide Regulated Funds

Research indicates that the size of the regulated fund market in a country or region is a reflection of a broad range of factors, including access to well-developed capital markets, household demand for well-diversified investments, strong and appropriate regulation of funds and financial markets, availability of distribution structures that facilitate access to regulated funds, returns and costs of regulated funds relative to other available investment products, demographics (see page 26), and high or improving levels of economic development.

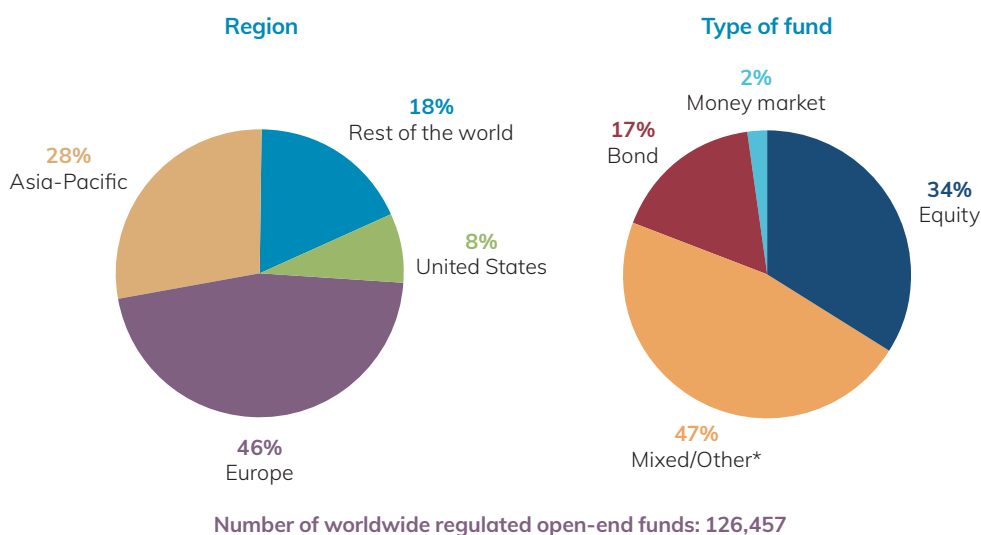
Number of Worldwide Regulated Funds

At year-end 2020, fund providers globally offered 126,457 regulated funds, up 3.2 percent from year-end 2019 and a 38.1 percent increase since year-end 2011 (Figure 1.1). In 2020, 46 percent of these funds were domiciled in Europe (Figure 1.9). The Asia-Pacific region accounted for 28 percent of regulated funds, the United States for 8 percent, and the rest of the world for 18 percent. In 2020, 47 percent of regulated funds were mixed/other funds, 34 percent were equity funds, 17 percent were bond funds, and 2 percent were money market funds.

FIGURE 1.9

Number of Worldwide Regulated Open-End Funds

Percentage of funds by region or type of fund, year-end 2020



* Mixed/other funds include balanced/mixed funds, guaranteed/protected funds, real estate funds, and other funds.

Note: Regulated open-end funds include mutual funds, ETFs, and institutional funds.

Source: International Investment Funds Association

Strong Regulatory Framework

The United States and Europe are home to the world's largest regulated fund industries (Figure 1.2). The relatively large size of the US market is the result of several factors. One is that US-regulated funds have been available in the United States for around 100 years—for example, mutual funds have been available to US investors since the 1920s. Another factor is the strong regulatory framework for securities markets and regulated funds in the United States that was established in the wake of the stock market crash of 1929 and the Great Depression—most notably, the Securities Act of 1933 and the Investment Company Act of 1940. Grounded in this sound framework, investor confidence in securities markets and regulated funds led to steady growth in US-regulated funds' assets.

In recent decades, US demand has also been fueled by the availability of regulated funds as investment options in tax-advantaged accounts (for example, 401(k) plans), and by a broad and growing availability of fund types that help investors meet their investment goals (for example, ETFs and target date funds). Also, assets of regulated funds in the past decade have been boosted by stock and bond market appreciations and by reinvestment of dividends into funds.

Europe's regulated fund market has also grown rapidly over the past few decades. One important factor helping to drive this growth is the UCITS regulatory framework, which includes passporting—the ability for funds domiciled in one EU country to be offered for sale and purchased by investors in another EU country. Additionally, many countries outside of Europe, such as in the Asia-Pacific region, allow UCITS to be offered for sale to their citizens. The pooling of assets from investors in a range of countries allows for economies of scale that help to lower the costs of funds to individual investors. The UCITS framework further promotes asset pooling across countries by allowing an individual fund to offer share classes that are denominated in a range of different currencies (for example, euros, US dollars, British pounds sterling) and that are adapted to different tax structures across jurisdictions.

Finally, while the Asia-Pacific region had only 14 percent of the worldwide total net assets of regulated funds at year-end 2020 (Figure 1.2), the market has been growing. And given the size of the population and the rapidly increasing economic development and wealth in many countries there, the region's regulated fund market has potential for continued growth.



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Focus on Funds: When Fund Investment Is Strong, Capital Markets Get Stronger

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Well-Developed Capital Markets

Demand for regulated funds in a country is positively associated with its level of equity capital market development—that is, its stock market capitalization relative to its gross domestic product (GDP). Residents of countries with more highly developed equity capital markets (higher ratios of stock market capitalization to GDP), such as the United States and members of the European Union, tend to hold a larger share of their household financial wealth in regulated funds.

Figure 1.10 illustrates the relationship between equity capital market development and the size of the regulated fund market (total net assets in regulated long-term funds in a country relative to its GDP) across countries. The horizontal axis measures a country's equity capital market development; the vertical axis plots the size of the regulated fund market in a given country.

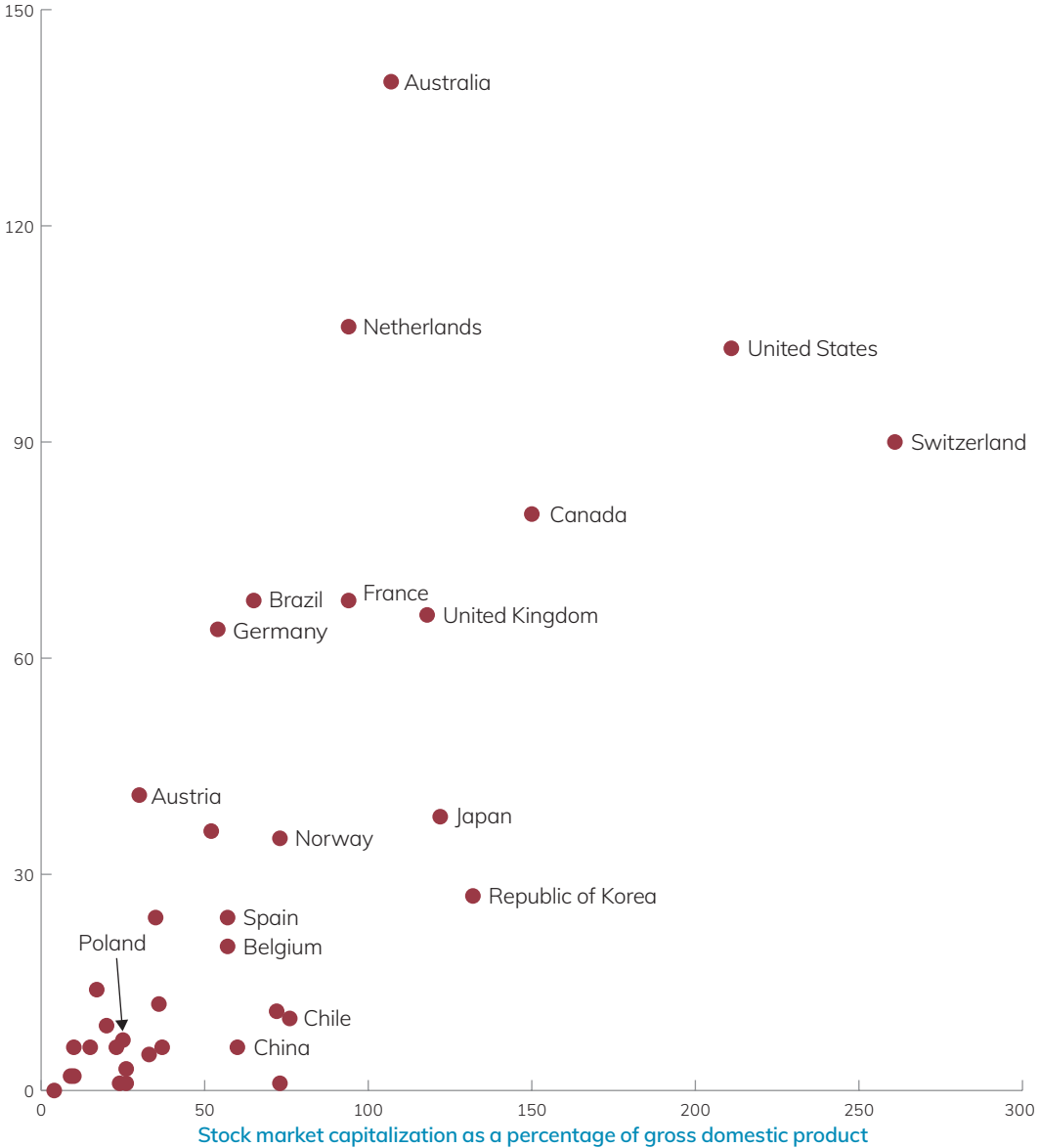
Generally, as stock market capitalization rises relative to GDP, so do total net assets in regulated funds (Figure 1.10). Countries with more-developed equity capital markets—such as the United States, the United Kingdom, the Netherlands, or Switzerland—also tend to have a higher ratio of regulated long-term fund assets to GDP. For example, the Netherlands' stock market capitalization is close to its GDP (94 percent on the horizontal axis), indicating a highly developed equity capital market, while total net assets in regulated long-term funds are also close to its GDP (106 percent on the vertical axis), indicating a well-developed fund industry. In contrast, countries with less-developed equity capital markets, such as Poland or China, tend to also have lower total net assets in regulated long-term funds relative to GDP.

FIGURE 1.10

Countries with More-Developed Equity Capital Markets Tend to Have More-Developed Fund Industries

Percent, 2019

Regulated open-end long-term fund total net assets* as a percentage of gross domestic product



* Regulated open-end funds include mutual funds, ETFs, and institutional funds. Long-term funds include equity funds, mixed/other funds (balanced/mixed, guaranteed/protected, real estate, and other funds), and bond funds, but exclude money market funds.

Source: Investment Company Institute tabulations of data from the International Investment Funds Association, Bloomberg, World Bank, World Federation of Exchanges, and Euronext

Other Factors Influencing Demand

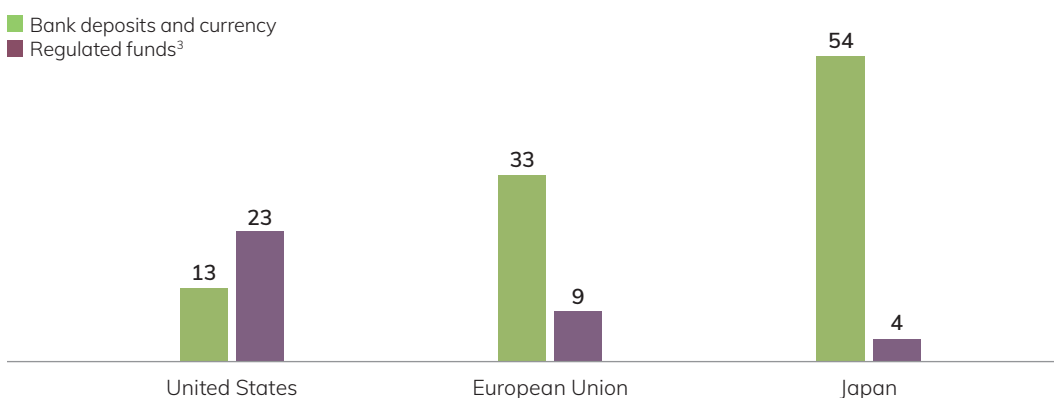
Other factors also influence the demand for regulated funds, and therefore, the size of the regulated fund market. For example, in countries where banks have historically dominated the financial landscape, households tend to hold more of their financial assets in bank products and less in regulated funds (Figure 1.11). For example, although Japan's stock market capitalization is 122 percent of GDP, comparable to that of the United Kingdom, it has substantially less net assets in regulated long-term funds as a proportion of its GDP (38 percent) (Figure 1.10).

Households in Japan hold more than half (54 percent) of their financial assets in bank deposits and currency but very little in regulated funds (4 percent) (Figure 1.11). By contrast, in the United States, banks compete with capital market instruments for households' financial assets; as a result, households hold a relatively small fraction (13 percent) of their assets in bank deposits compared with 23 percent in regulated funds. European countries are intermediate cases among industrialized nations, with 33 percent of households' financial wealth in bank deposits and 9 percent in regulated funds. Differences in public policy and tax regimes across countries also likely have contributed to the dispersion of deposits and regulated funds held by households.

FIGURE 1.11

US Households Hold More of Their Wealth in Regulated Funds; Bank-Centric Countries Have a Lower Share

Percentage of household¹ financial wealth, selected dates²



¹ Households include households and nonprofit institutions serving households.

² Data for the United States and Japan are as of 2020:Q4; data for the European Union are as of 2020:Q3.

³ For the United States and Japan, regulated funds include mutual funds and ETFs. For the European Union, regulated funds include investment fund shares as defined by their respective systems of national accounts.

Source: Investment Company Institute tabulations of data from the International Investment Funds Association, Federal Reserve Board, Eurostat, and Bank of Japan

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Regulated Funds, Emerging Markets, and Financial Stability

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Size of Worldwide Regulated Funds in Global Capital Markets

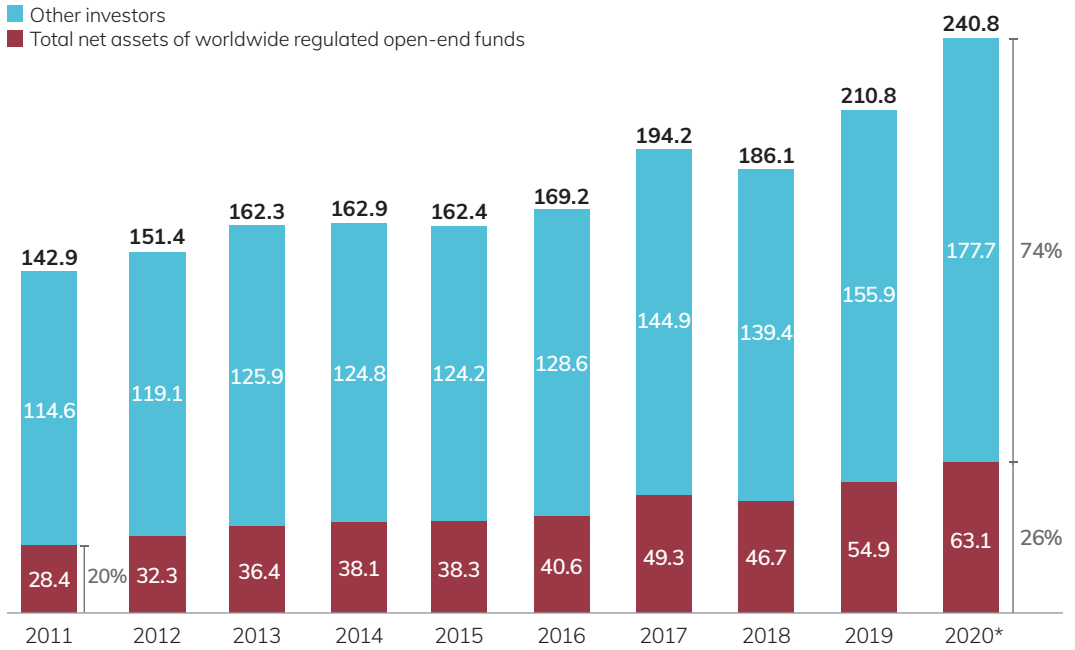
Regulated funds are a growing source of capital for world financial markets, helping to finance businesses, governments, and household activities. As of year-end 2020, worldwide capital markets, as measured by the value of equity and debt securities outstanding, totaled \$240.8 trillion, of which regulated funds' net assets were 26 percent, or \$63.1 trillion (Figure 1.12).

The share of worldwide capital markets held by regulated funds has grown over the past decade. In 2011, worldwide regulated funds held 20 percent of worldwide capital markets, rising to 26 percent in 2020. The remaining 74 percent of worldwide capital markets in 2020 were held by a wide range of other investors, such as central banks, sovereign wealth funds, defined benefit pension plans, banks, insurance companies, hedge funds, broker-dealers, and households' direct holdings of stocks and bonds.

FIGURE 1.12

Worldwide Regulated Open-End Fund Share of Worldwide Equity and Debt Markets

Trillions of US dollars, year-end



* Data for worldwide debt markets are as of September 30, 2020.

Note: Regulated open-end funds include mutual funds, ETFs, and institutional funds.

Source: Investment Company Institute tabulations of data from the International Investment Funds Association, World Federation of Exchanges, and Bank for International Settlements

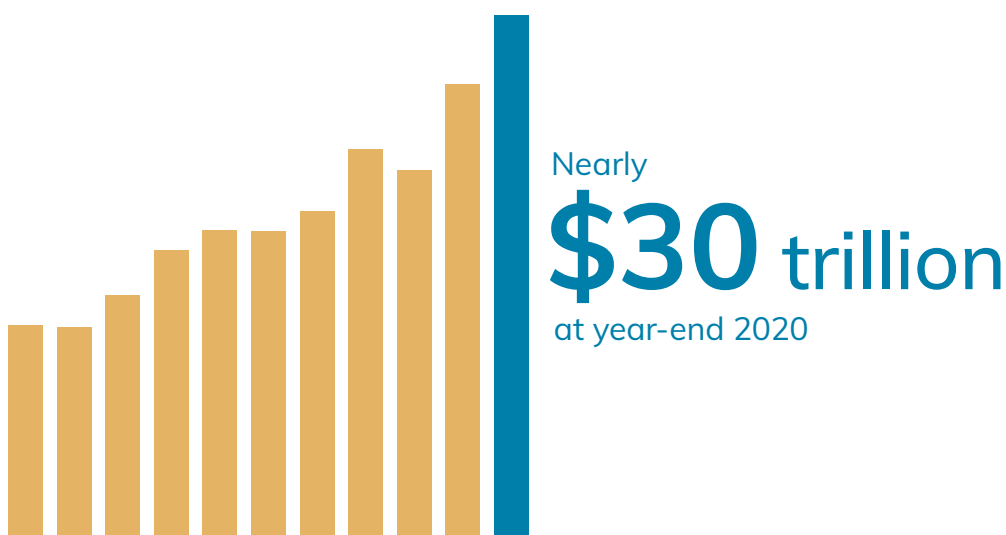


Chapter 2

US-Registered Investment Companies

Registered investment companies are an important segment of the asset management industry in the United States. US-registered investment companies play a major role in the US economy and financial markets, and a growing role in global financial markets. These funds managed nearly \$30 trillion in total net assets at year-end 2020, largely on behalf of more than 105 million US retail investors. The industry has experienced robust growth over the past quarter century from asset appreciation and strong demand from households due to rising household wealth, the aging US population, and the evolution of employer-based retirement systems. US funds supply investment capital in securities markets around the world and are important investors in the US stock and municipal securities markets.

Assets of US-registered investment companies increased in 2020



IN THIS CHAPTER

- 40** Number of Investment Companies
- 41** Investment Company Assets
- 43** Americans' Continued Reliance on Investment Companies
- 46** Role of Investment Companies in Financial Markets
- 48** Growth of Index Funds
- 53** Fund Complexes and Sponsors
- 60** Environmental, Social, and Governance Investing



Number of Investment Companies

The total number of investment companies* offered by US financial services companies has increased overall since 2005 (the recent low point) but remains below the recent peak at year-end 2000. During 2020, the overall number of investment companies fell by 3.2 percent (Figure 2.1), with each type, except exchange-traded funds (ETFs), contributing to the decline. The number of mutual funds decreased from 9,414 at year-end 2019 to 9,027 at year-end 2020; the number of closed-end funds fell to 494 at year-end 2020, the lowest level since the early 2000s; and the number of unit investment trusts (UITs) fell from 4,572 at year-end 2019 to 4,310 at year-end 2020. These declines contrast with the continued growth in the number of ETFs, which increased from 2,176 at year-end 2019 to 2,296 at year-end 2020.

FIGURE 2.1

Number of Investment Companies by Type

Year-end

	Mutual funds ¹	ETFs ²	Closed-end funds	UITs	Total
2000	8,349	80	482	10,072	18,983
2001	8,480	102	490	9,295	18,367
2002	8,490	113	543	8,303	17,449
2003	8,406	119	581	7,233	16,339
2004	8,411	152	618	6,499	15,680
2005	8,439	204	635	6,019	15,297
2006	8,704	359	646	5,907	15,616
2007	8,723	629	664	6,030	16,046
2008	8,860	743	644	5,984	16,231
2009	8,594	820	629	6,049	16,092
2010	8,523	950	626	5,971	16,070
2011	8,662	1,166	634	6,043	16,505
2012	8,742	1,239	604	5,787	16,372
2013	8,970	1,332	601	5,552	16,455
2014	9,256	1,451	570	5,381	16,658
2015	9,515	1,644	561	5,188	16,908
2016	9,505	1,774	534	5,100	16,913
2017	9,354	1,900	532	5,035	16,821
2018	9,616	2,057	504	4,917	17,094
2019	9,414	2,176	501	4,572	16,663
2020	9,027	2,296	494	4,310	16,127

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

² ETF data include ETFs that invest primarily in other ETFs.

* The terms *investment companies* and *US investment companies* are used at times throughout this book in place of *US-registered investment companies*. US-registered investment companies are open-end mutual funds, exchange-traded funds, closed-end funds, and unit investment trusts.

Investment Company Assets

Total assets in US-registered investment companies rose by \$3.7 trillion in 2020, to a year-end level of \$29.7 trillion (Figure 2.2). With a combined \$29.3 trillion in assets, mutual funds and ETFs accounted for the vast majority of total industry assets. However, the year-end data do not provide a complete picture of how the market turmoil from the COVID-19 pandemic affected assets of US-registered investment companies. In the first quarter of 2020, assets fell 12 percent to \$22.8 trillion, primarily reflecting a broad-based decline in domestic and international stock markets. Markets steadily recovered for the remainder of the year.

FIGURE 2.2

Investment Company Total Net Assets by Type

Billions of dollars, year-end

	Mutual funds	ETFs	Closed-end funds ¹	UITs	Total ²
2000	\$6,956	\$66	\$150	\$74	\$7,245
2001	6,969	83	145	49	7,246
2002	6,380	102	161	36	6,680
2003	7,399	151	216	36	7,801
2004	8,093	228	255	37	8,614
2005	8,889	301	276	41	9,507
2006	10,395	423	299	50	11,167
2007	11,995	608	316	53	12,973
2008	9,619	531	185	29	10,364
2009	11,109	777	224	38	12,149
2010	11,831	992	239	51	13,113
2011	11,630	1,048	244	60	12,982
2012	13,054	1,337	265	72	14,728
2013	15,049	1,675	282	87	17,092
2014	15,877	1,975	292	101	18,244
2015	15,658	2,101	263	94	18,116
2016	16,353	2,525	265	85	19,227
2017	18,765	3,401	277	85	22,528
2018	17,710	3,371	252	70	21,403
2019	21,291	4,396	279	79	26,045
2020	23,896	5,449	279	78	29,702

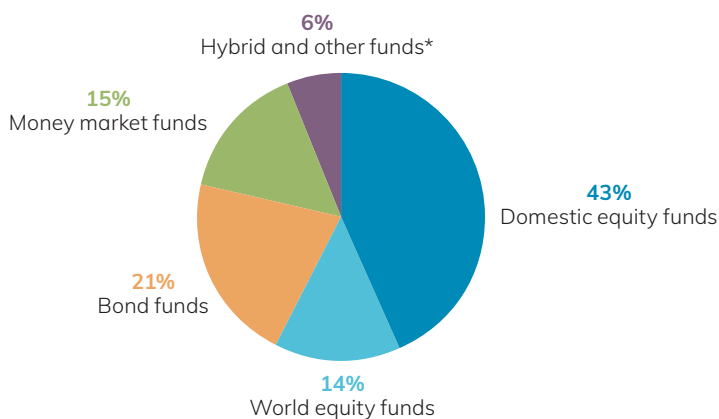
¹ Closed-end fund data include preferred share classes.

² Total investment company assets include mutual fund holdings of closed-end funds and ETFs.

At year-end 2020, US-registered mutual fund and ETF total net assets were concentrated in long-term funds, with equity funds alone constituting 58 percent (Figure 2.3). Domestic equity funds (those that invest primarily in shares of US corporations) held 43 percent of net assets; world equity funds (those that invest significantly in shares of non-US corporations) accounted for 14 percent. Bond funds held 21 percent of fund net assets. Money market funds, hybrid funds, and other funds—such as those that invest primarily in commodities—held the remaining 21 percent.

During 2020, mutual funds in aggregate recorded \$205 billion in net inflows (Figure 3.4). Money market funds received \$691 billion of net inflows as investors used government money market funds to preserve and build liquidity during the spring of 2020 (see Money Market Funds on page 88). Long-term mutual funds, however, saw net outflows of \$486 billion in 2020. Additionally, mutual fund shareholders reinvested \$268 billion in income dividends and \$354 billion in capital gains distributions that mutual funds paid out during the year. Investors continued to show strong demand for ETFs, with net share issuance (which includes reinvested dividends) totaling \$501 billion in 2020 (Figure 4.9). UITs experienced net new deposits of \$45 billion, slightly less than in the previous year, and closed-end funds issued a net \$1.5 billion in new shares (Figure 5.3).

FIGURE 2.3
The Majority of US Mutual Fund and ETF Total Net Assets Were in Equity Funds
 Percentage of total net assets, year-end 2020



US mutual fund and ETF total net assets: \$29.3 trillion

* This category includes ETFs—both registered and not registered under the Investment Company Act of 1940—that invest primarily in commodities, currencies, and futures.



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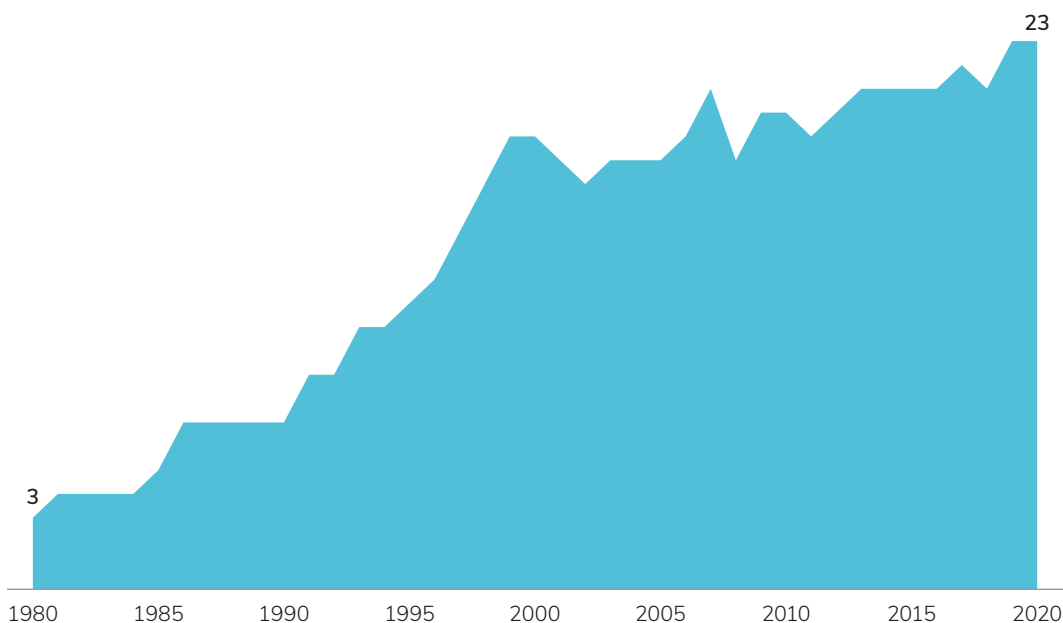
Americans' Continued Reliance on Investment Companies

Households make up the largest group of investors in funds, and registered investment companies managed 23 percent of household financial assets at year-end 2020 (Figure 2.4).

FIGURE 2.4

Share of US Household Financial Assets Held in Investment Companies

Percentage of US household financial assets, year-end



Note: Household financial assets held in registered investment companies include holdings of mutual funds, ETFs, closed-end funds, and UITs. Mutual funds held in employer-sponsored DC plans, IRAs, and variable annuities are included.

Sources: Investment Company Institute and Federal Reserve Board

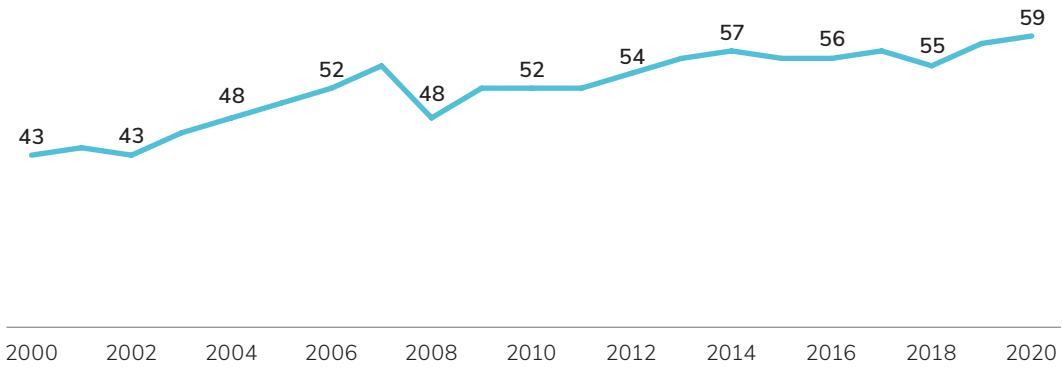
The growth of individual retirement accounts (IRAs) and defined contribution (DC) plans, particularly 401(k) plans, explains some of the increased household reliance on investment companies in the past three decades. IRAs made up 12 percent of household financial assets at year-end 2020, up from 4 percent in 1990, while DC plans have risen over the same period from 5 percent of household financial assets to 9 percent (with 401(k) plans alone accounting for 6 percent of household financial assets at year-end 2020).

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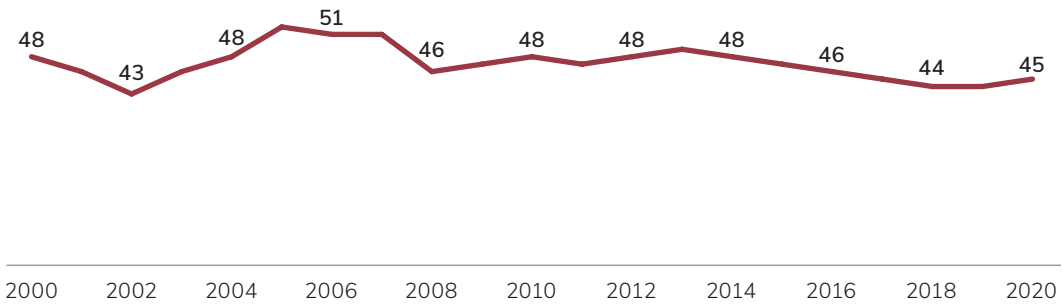
Mutual funds made up a significant portion of DC plan assets (59 percent) and IRA assets (45 percent) at year-end 2020 (Figure 2.5). In addition, the share of DC plan assets held in mutual funds has grown over the past two decades, from 43 percent at year-end 2000 to 59 percent at year-end 2020. Mutual funds also managed \$1.4 trillion in variable annuities outside retirement accounts, as well as \$11.4 trillion of other assets outside retirement accounts.

FIGURE 2.5
Mutual Funds in US Household Retirement Accounts
 Percentage of retirement assets in mutual funds by type of retirement vehicle

DC plans*



IRAs



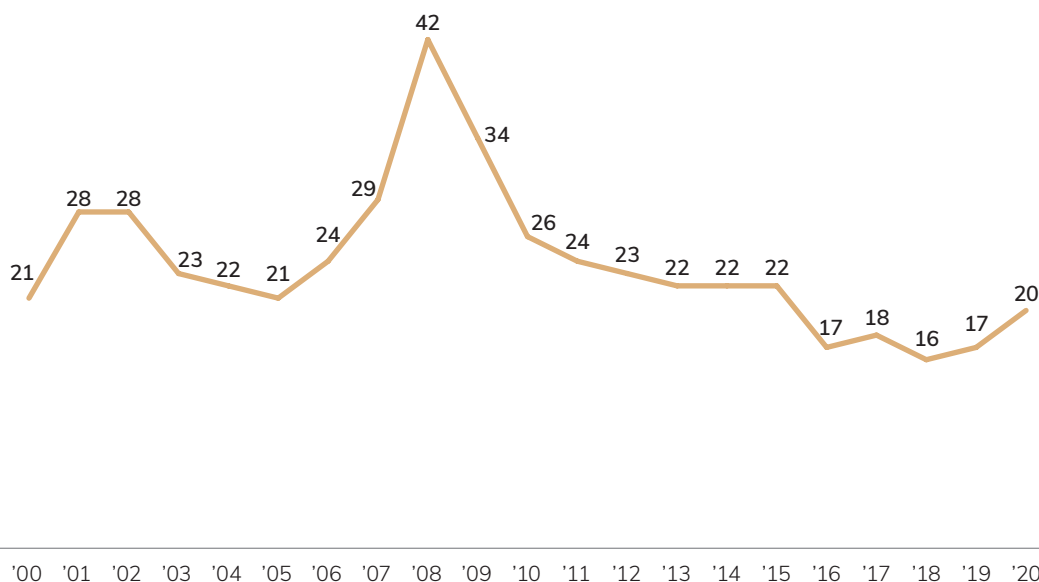
* This category includes private-sector employer-sponsored DC plans—such as 401(k) plans—403(b) plans, 457 plans, and the Federal Employees Retirement System (FERS) Thrift Savings Plan (TSP).
 Source: Investment Company Institute. For a complete list of sources, see Investment Company Institute, “The US Retirement Market, Fourth Quarter 2020.”

Businesses and other institutional investors also rely on funds. For instance, institutions can use money market funds to manage some of their cash and other short-term assets. At year-end 2020, nonfinancial businesses held 20 percent, or \$1.0 trillion, of their short-term assets in money market funds (Figure 2.6). Institutional investors also have contributed to the growing demand for ETFs. Investment managers—including mutual funds, pension funds, hedge funds, and insurance companies—use ETFs to invest in markets, to manage liquidity and investor flows, or to hedge their exposures.

FIGURE 2.6

Money Market Funds Managed 20 Percent of US Nonfinancial Businesses' Short-Term Assets in 2020

Percentage of short-term assets, year-end



Note: US nonfinancial businesses' short-term assets consist of foreign deposits, checkable deposits and currency, time and savings deposits, money market funds, repurchase agreements, and commercial paper.

Sources: Investment Company Institute and Federal Reserve Board

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 Money Market Fund Resource Center
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Role of Investment Companies in Financial Markets

Investment companies have been important investors in domestic financial markets for much of the past 30 years. In recent years, they have held a largely stable share of the securities outstanding across a variety of asset classes, with mutual funds accounting for the majority of the holdings. At year-end 2020, investment companies held 30 percent of US-issued equities outstanding, little changed from the 31 percent at year-end 2017 (Figure 2.7).

Investment companies held 23 percent of bonds issued by US corporations and foreign bonds held by US residents at year-end 2020, compared with 20 percent at year-end 2017. Also, investment companies held 15 percent of the US Treasury and government agency securities outstanding at year-end 2020, a share that has slightly increased over the past few years (Figure 2.7). Investment companies have been one of the largest groups of investors in the US municipal securities market, holding 29 percent of the securities outstanding at year-end 2020. Finally, mutual funds are important investors in the US commercial paper market, which is a critical source of short-term funding for many major corporations around the world. At year-end 2020, the share of the commercial paper market held by mutual funds (primarily prime money market funds) was 22 percent, down from 26 percent at year-end 2019.



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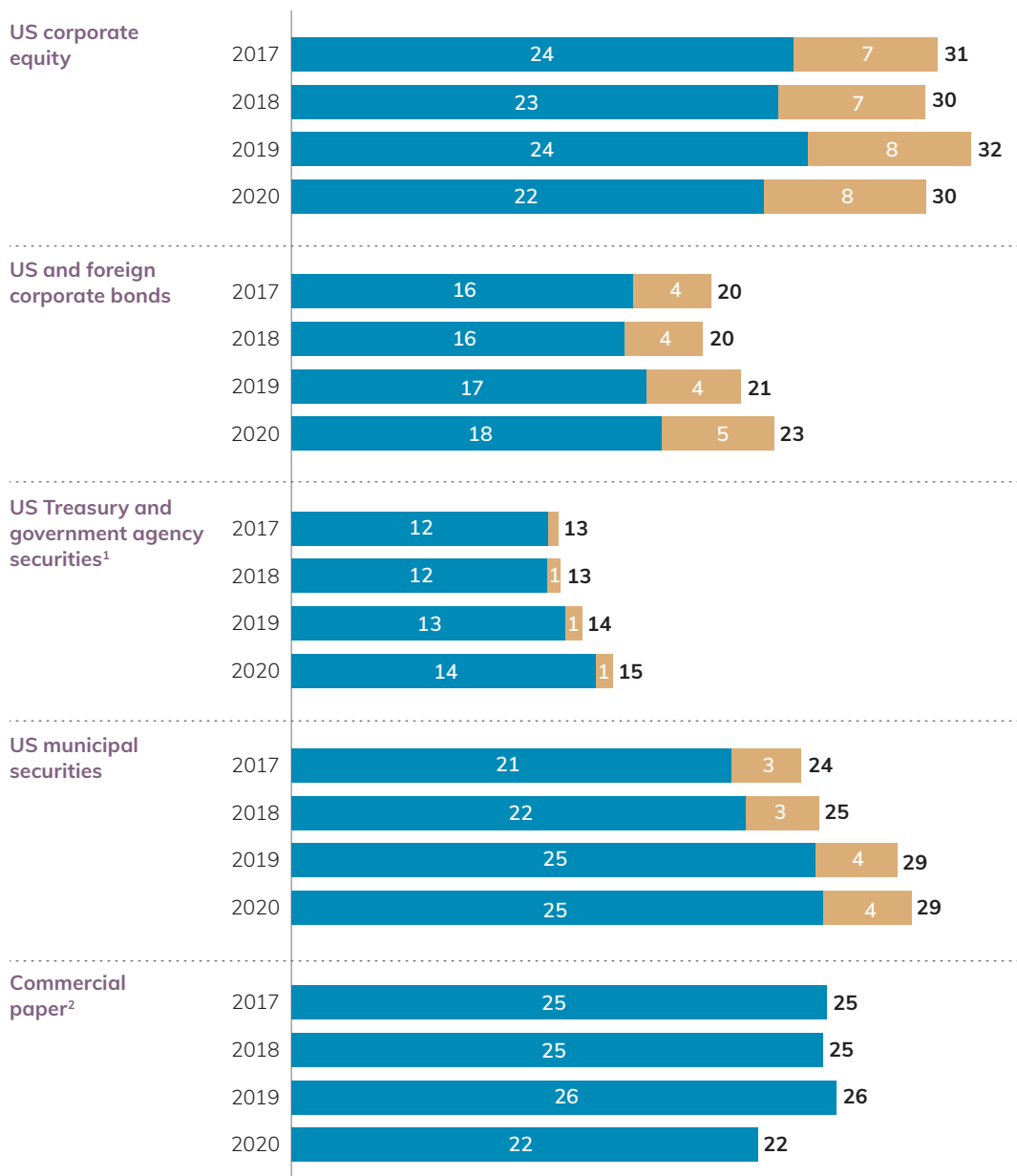
What's in a Name, Redux: For Bond Mutual Funds, "Corporate" Matters
www.ici.org/viewpoints/21_view_covid2

FIGURE 2.7

Investment Companies Channel Investment to Stock, Bond, and Money Markets

Percentage of total market securities held by investment companies, year-end

■ Mutual funds
■ Other registered investment companies



¹ The percentage of total US Treasury and government agency securities held by *other registered investment companies* was less than 0.5 percent in 2017.

² *Other registered investment companies* held no commercial paper.

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

Growth of Index Funds

Index funds are designed to track the performance of a market index. To do this, the fund manager purchases all the securities in the index or a representative sample of them—mirroring the index composition—so that the performance of the fund tracks the value of the index. This approach to portfolio management is the primary reason that index funds—which can be formed as either mutual funds or ETFs—tend to have below-average expense ratios (see Figure 6.7).

Index mutual funds were first offered in the 1970s, followed by index ETFs in the 1990s. By year-end 2020, total net assets in these two index fund categories had grown to \$9.9 trillion. Along with this growth, index fund assets have become a larger share of overall fund assets. At year-end 2020, index mutual funds and index ETFs together accounted for 40 percent of assets in long-term funds, up from 19 percent at year-end 2010 (Figure 2.8). Nevertheless, actively managed funds accounted for the majority of long-term fund assets (60 percent) at year-end 2020.



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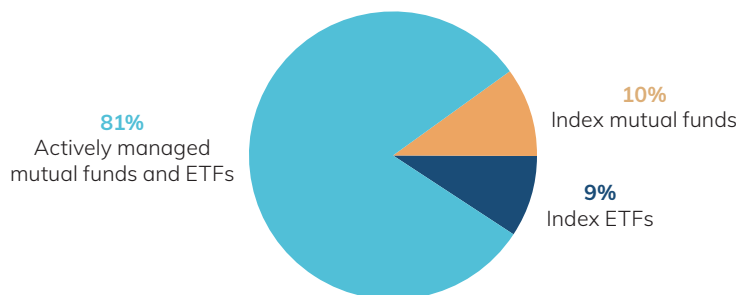
Pointing Fingers at Index Funds Won't Explain Market Volatility

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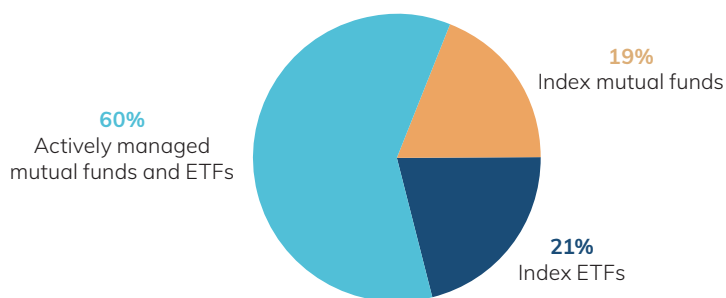
FIGURE 2.8

Index Funds Have Grown as a Share of the Fund Market

Percentage of total net assets, year-end



2010 total net assets: \$9.9 trillion



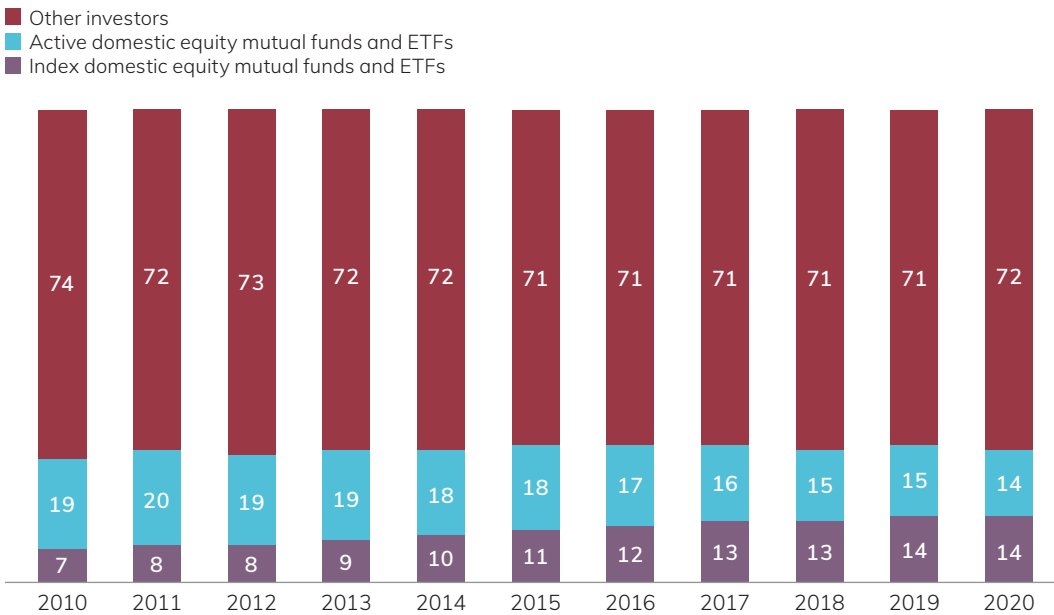
2020 total net assets: \$24.9 trillion

Note: Data for ETFs exclude non-1940 Act ETFs. Data for mutual funds exclude money market funds.

Growth in index funds has been concentrated in funds that invest in equities. Over the past decade, 66 percent of inflows into index funds went to domestic and world equity index funds, whereas bond and hybrid index funds received 34 percent. In 2020, however, domestic and world equity index funds received only 22 percent of the total flow to index funds, while bond and hybrid index funds received the bulk (78 percent) of the total flow. Even with these inflows, bond and hybrid index funds accounted for only 19 percent of index fund assets at year-end 2020.

Despite their significant growth over the past decade, index domestic equity mutual funds and ETFs remain relatively small investors in the US stock markets, holding only 14 percent of the value of US stocks at year-end 2020 (Figure 2.9). Actively managed domestic equity mutual funds and ETFs held another 14 percent, while other investors—including hedge funds, pension funds, life insurance companies, and individuals—held the majority (72 percent).

FIGURE 2.9
Index Fund Share of US Stock Market Is Small
 Percentage of US stock market capitalization, year-end



Sources: Investment Company Institute and World Federation of Exchanges

Unit Investment Trusts

Unit investment trusts (UITs) are registered investment companies with characteristics of both mutual funds and closed-end funds. Like mutual funds, UITs issue redeemable shares (called units), and like closed-end funds, they typically issue a specific, fixed number of shares. But unlike either mutual funds or closed-end funds, UITs have a preset termination date based on the portfolio's investments and the UIT's investment goals. UITs investing in long-term bonds might have a preset termination date of 20 to 30 years, depending on the maturity of the bonds they hold. UITs investing in stocks might seek to capture capital appreciation in a few years or less. When a UIT terminates, proceeds from the securities are paid to unit holders or, at a unit holder's election, reinvested in another trust.

UITs fall into two main categories: bond (or debt) trusts and equity trusts. Bond trusts are either taxable or tax-free; equity trusts are either domestic or international/global. The first UIT, introduced in 1961, held tax-free bonds, and historically, most UIT total net assets were invested in bonds. Equity UITs, however, have grown in popularity over the past three decades. Assets in equity UITs have exceeded the combined assets of taxable and tax-free bond UITs in recent years and constituted 90 percent of the assets in UITs at year-end 2020 (Figure 2.10). The number of trusts outstanding has been decreasing as sponsors created fewer new trusts and existing trusts reached their preset termination dates.

Federal law requires that UITs have a largely fixed portfolio—one that is not actively managed or traded. Once the trust's portfolio has been selected, its composition may change only in very limited circumstances. Most UITs hold a diversified portfolio, described in detail in the prospectus, with securities professionally selected to meet a stated investment goal, such as growth, income, or capital appreciation.

Investors can obtain UIT price quotes from brokerage or investment firms and investment company websites. Some, but not all, UITs list their prices on Nasdaq's Mutual Fund Quotation Service. Some broker-dealers offer their own trusts or sell trusts offered by nationally recognized independent sponsors. Units of these trusts can be bought through their registered representatives. Units can also be bought from the representatives of smaller investment firms that sell trusts sponsored by third-party firms.

Though a fixed number of units of a UIT are sold in a public offering, a trust sponsor is likely to maintain a secondary market, in which investors can sell their units back to the sponsor and other investors can buy those units. Even absent a secondary market, UITs are required by law to redeem outstanding units at their net asset value (NAV), which is based on the underlying securities' current market value.

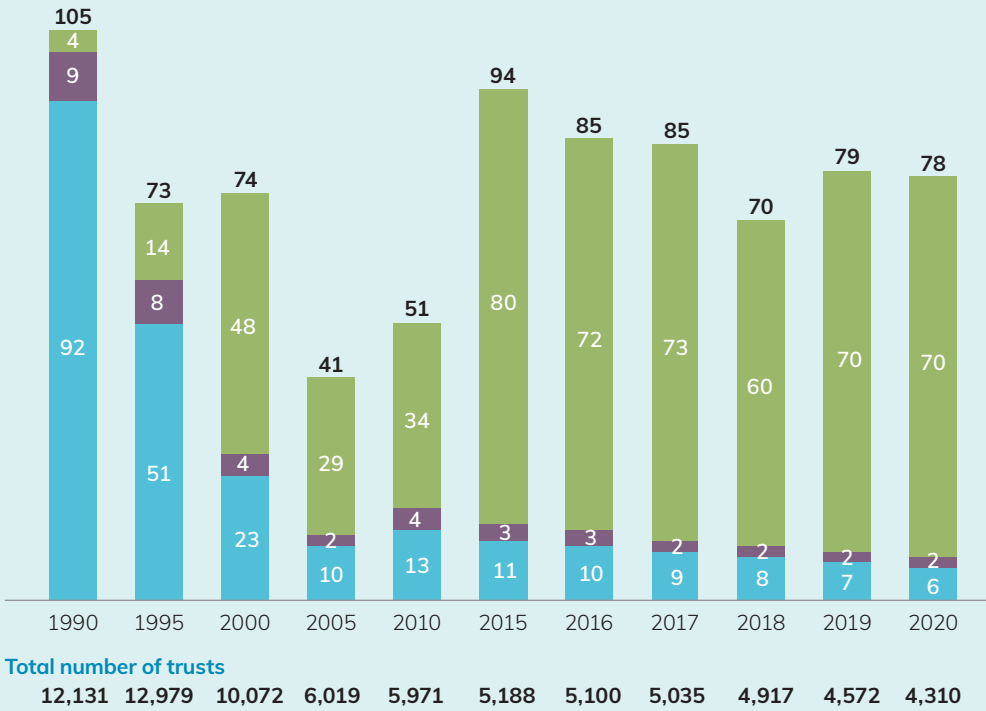
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FIGURE 2.10

Total Net Assets of UITs

Billions of dollars, year-end

- Equity trust assets
- Taxable debt trust assets
- Tax-free debt trust assets



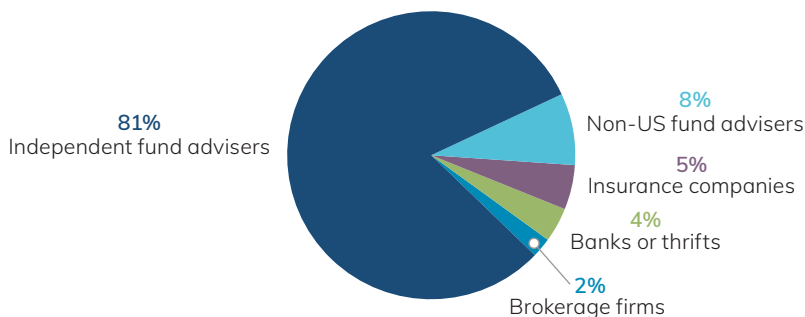
Fund Complexes and Sponsors

A variety of financial services companies offer registered funds in the United States. At year-end 2020, 81 percent of investment company complexes were independent fund advisers (Figure 2.11), managing 71 percent of investment company assets. Other types of investment company complexes in the US market include non-US fund advisers, insurance companies, banks, thrifts, and brokerage firms.

FIGURE 2.11

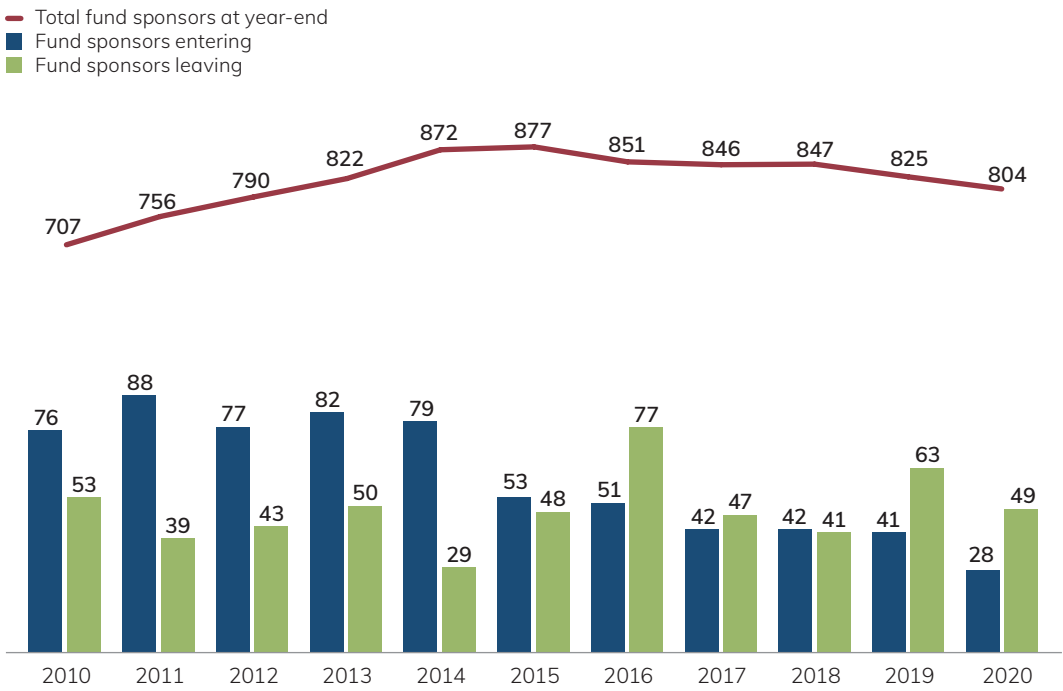
More Than 80 Percent of Fund Complexes Were Independent Fund Advisers

Percentage of investment company complexes by type of intermediary, year-end 2020



In 2020, 804 fund sponsors from around the world competed in the US market to provide investment management services to fund investors (Figure 2.12). The decline in the number of fund sponsors since year-end 2015 may be due to a variety of business decisions, including larger fund sponsors acquiring smaller ones, fund sponsors liquidating funds and leaving the business, or larger sponsors selling their advisory businesses. Prior to 2015, the number of fund sponsors had been increasing as the economy and financial markets recovered from the 2007–2009 financial crisis. Overall, from 2011 through 2020, 583 sponsors entered the market while 486 left, for a net increase of 97.

FIGURE 2.12
Number of Fund Sponsors



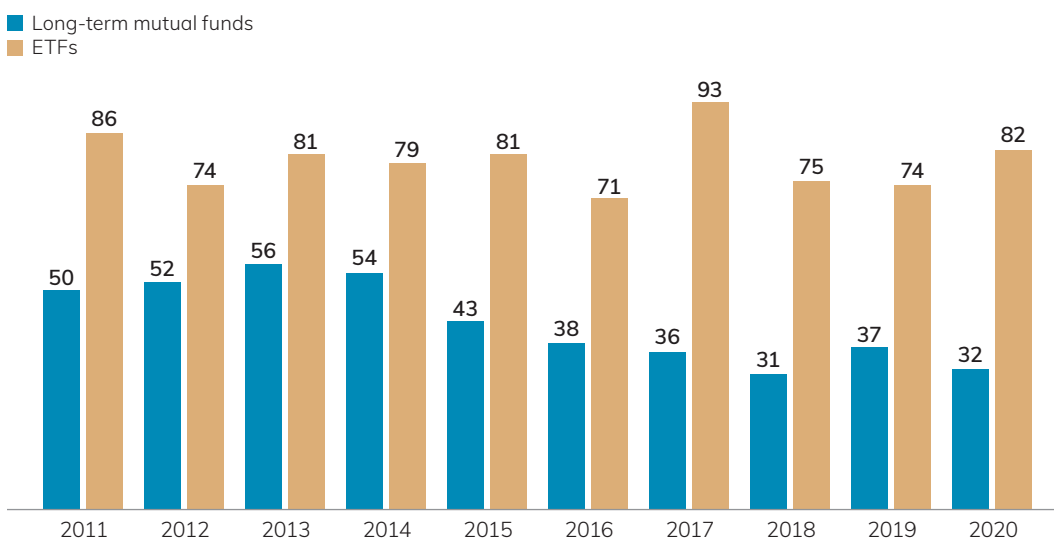
Many recent entrants to the fund industry have adopted solutions in which the fund's sponsor arranges for a third party to provide certain services (e.g., audit, trustee, some legal) through a turnkey setup. This allows the sponsor to focus more on managing portfolios and gathering assets. Through an arrangement known as a series trust, the third party provides services to a number of independent fund sponsors under a single complex that serves as an "umbrella." This can be cost-efficient because the costs of operating funds are spread across the combined assets of a number of funds in the series trust.

The increased availability of other investment products has led to changes in how investors are allocating their portfolios. The percentage of mutual fund companies retaining assets and attracting net new investments generally has been lower in recent years. In 2020, 32 percent of fund complexes saw positive flows to their long-term mutual funds, and 82 percent of ETF sponsors had positive net share issuance (Figure 2.13).

FIGURE 2.13

Positive Flows to Long-Term Mutual Funds and Positive Net Share Issuance of ETFs

Percentage of fund complexes



Note: Long-term mutual fund data include net new cash flow and reinvested dividends; ETF data for net share issuance include reinvested dividends.

In the past decade, the percentage of fund complexes attracting new money into their long-term mutual funds has decreased, while the concentration of mutual fund and ETF assets managed by the largest fund complexes has increased. The share of assets managed by the five largest firms rose from 35 percent at year-end 2005 to 53 percent at year-end 2020, and the share managed by the 10 largest firms increased from 46 percent to 64 percent (Figure 2.14). Some of the increase in market share occurred at the expense of the middle tier of firms—those ranked from 11 to 25—whose market share fell from 21 percent in 2005 to 17 percent in 2020.

FIGURE 2.14

Share of Mutual Fund and ETF Assets at the Largest Fund Complexes

Percentage of total net assets of mutual funds and ETFs, year-end

	2005	2010	2015	2016	2017	2018	2019	2020
Largest 5 complexes	35	42	45	47	50	51	53	53
Largest 10 complexes	46	55	56	58	60	61	64	64
Largest 25 complexes	67	74	75	76	77	79	80	81

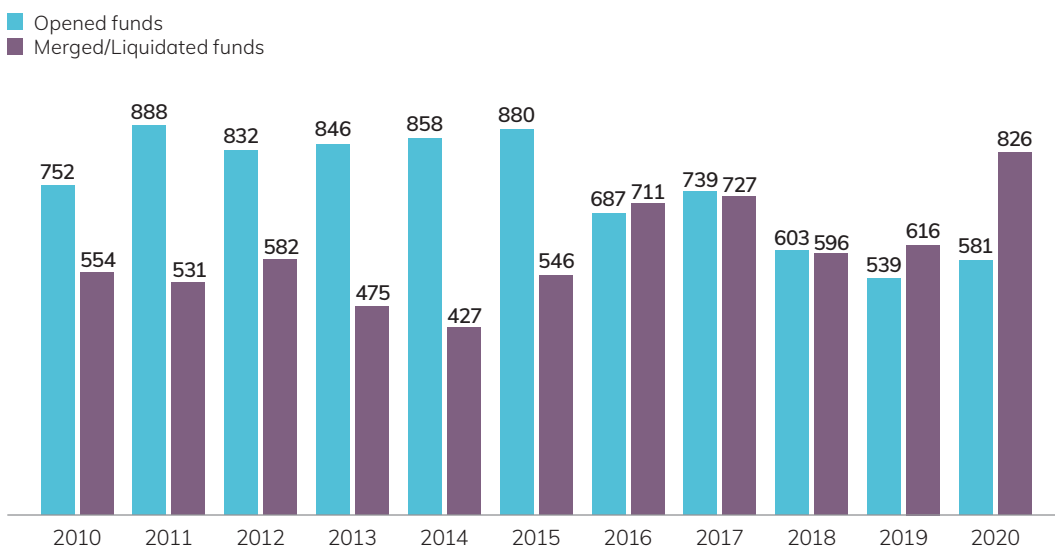
Note: Data include only mutual funds and ETFs registered under the Investment Company Act of 1940.

At least two factors have contributed to the rise in industry concentration. First, the increased concentration reflects the growing popularity of index funds—the 10 largest fund complexes manage most of the assets in index mutual funds. Actively managed domestic equity mutual funds had outflows in every year after 2005, while domestic equity index mutual funds had inflows in each of these years except for 2020. Domestic equity index ETFs had positive net share issuance in each of these years. Second, strong inflows over the past decade to bond mutual funds (Figure 3.10), which are fewer in number and are less likely to be offered by smaller fund sponsors, helped boost the share of assets managed by large fund complexes.

Macroeconomic conditions and competitive dynamics can affect the supply of funds offered for sale. Fund sponsors create new funds to meet investor demand and merge or liquidate those that do not attract sufficient investor interest. A total of 581 mutual funds and ETFs opened in 2020, up from 539 in 2019, but well below the 2010–2019 annual average of 762 (Figure 2.15). The number of mutual fund and ETF mergers and liquidations increased from 616 in 2019 to 826 in 2020.

FIGURE 2.15

Number of Mutual Funds and ETFs Entering and Leaving the Industry



Note: Data include mutual funds that do not report statistical information to the Investment Company Institute and mutual funds that invest primarily in other mutual funds. ETF data include ETFs that invest primarily in other ETFs.

Fund Proxy Voting Reflects Heterogeneous Industry

Investment companies are major shareholders of public companies. At year-end 2020, they held 30 percent of US-issued equities outstanding, a number that has changed little over the past several years (Figure 2.7). Like any company shareholder, they are entitled to vote on proxy proposals put forth by a company's board or its shareholders. Funds normally delegate proxy voting responsibilities to fund advisers, which have a fiduciary duty to vote in the best interest of fund shareholders.

During proxy year 2017 (the 12 months that ended June 30, 2017), shareholders of the 3,000 largest public companies considered 25,045 proposals—98 percent (24,580) of which were proposed by management and 2 percent (465) were submitted by shareholders. Investment companies cast more than 7.6 million votes on these proposals, with each investment company voting, on average, on about 1,500 separate proxy proposals. Because management proposals account for the bulk of proxy proposals, 70.7 percent of funds' votes were cast on management proposals related to uncontested elections of directors, with an additional 13.2 percent and 9.3 percent related to management proposals on management compensation and ratification of audit firms, respectively.

Investment companies voted in favor of management proposals 94.0 percent of the time. The strong support for management proxy proposals likely reflects that the vast majority of them are not controversial—81 percent of management proposals were uncontested elections of directors and ratifications of the audit firms that companies selected.

During the same 2017 proxy year, 4.1 percent of the votes that investment companies cast were on the 465 shareholder proxy proposals. Among the shareholder proposals, about half were related to social and environmental matters; a quarter to board structures and elections; and the remainder to shareholder rights and antitakeover issues, compensation matters, and miscellaneous issues. Shareholder proxy proposals received support from investment companies, on average, 34.6 percent of the time.

Investment companies' support for shareholder proposals varied considerably depending on a range of factors. These factors included, among other things, the details of the proposal, the issuer to whom the proposal applied, and the backdrop and context in which the proposal was set. Investment companies tend to offer more support for shareholder proxy proposals that are likely to increase their rights as company shareholders. For example, investment companies voted in favor of shareholder proxy proposals related to shareholder rights or antitakeover measures nearly 50 percent of the time in proxy year 2017.

Investment companies, on average, have provided more limited support for social and environmental proposals. In proxy year 2017, these proposals received a favorable vote 25.2 percent of the time. Average levels of support can mask important nuances of how investment companies vote on such issues. These kinds of proposals, though classified generally as "social and environmental," cover a wide array of issues, including the environment, diversity in hiring practices, human rights matters, and issues about the safety of a company's business operations.

In addition, these proposals must be viewed in context. For example, suppose virtually identical proposals are directed to two different companies. An investment company might view the proposal as appropriate for the first company, but inappropriate for the second because the latter has already taken steps to address the proposal's concerns.

In short, there is no one-size-fits-all description of how funds vote, other than to say that investment companies seek to vote in the interests of their shareholders and in a way that is consistent with their investment objectives and policies.

For more information about investment company proxy voting, see *ICI Research Perspective*, "Proxy Voting by Registered Investment Companies, 2017," at www.ici.org/pdf/per25-05.pdf.

Environmental, Social, and Governance Investing

Perhaps one of the most significant recent global trends is the increasing interest in environmental, social, and governance (ESG) matters. These matters vary widely but are generally considered to include topics related to climate change, diversity and inclusion, human rights, the rights of company shareholders, and companies' compensation structures. The fund industry is responding to increased investor interest in ESG investing by, among other things, creating new funds that explicitly tailor their investments to specific ESG criteria.

Funds consider ESG factors to varying degrees. For decades, some funds have incorporated ESG factors into their investment processes as a way to enhance fund performance, manage investment risks, and identify emerging investment risks and opportunities, much as they would consider macroeconomic or interest rate risks, idiosyncratic business risks, and investment exposures to particular companies, industries, or geographical regions. Because these funds "integrate" ESG factors into the investment process, this type of investing is known as ESG integration.

Funds' use of ESG integration is distinct from funds' use of "sustainable investing strategies." Sustainable investing is a strategy that uses ESG analysis as a significant part of the fund's investment thesis as a way to pursue investment returns and ESG-related outcomes.



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Funds' Use of ESG Integration and Sustainable Investing Strategies: An Introduction
www.ici.org/pdf/20_ppr_esg_integration.pdf

Approaches to ESG Investing

The investment strategies funds use vary, as do the ways they describe their approaches. This section describes some of the most common approaches.

- » **Exclusionary investing:** Investment strategies that exclude, or “screen out,” investments in particular industries or companies that do not meet certain ESG criteria. This may also be described as negative screening, sustainable, or socially responsible investing (SRI).
- » **Inclusionary investing:** Investment strategies that generally seek investment returns by pursuing a strategic investing thesis focusing on investments that systematically tilt a portfolio based on ESG factors alongside traditional financial analysis. This may also be described as best-in-class, ESG thematic investing, ESG tilt, positive screening, or sustainable investing.
- » **Impact investing:** Investment strategies that seek to generate positive, measurable social and environmental impact alongside a financial return. This may also be described as community, goal-based, sustainable, or thematic investing.

These common approaches to ESG investing are not mutually exclusive—that is, a single fund may use multiple approaches (e.g., a best-in-class fund that excludes certain types of investments). As a result, seeking to classify funds that invest according to ESG criteria as solely exclusionary, inclusionary, or impact can be challenging. Applying ICI’s long-standing general approach to classifying funds enables research into these funds (e.g., tracking data and monitoring trends).

How ICI Categorizes Funds for Research and Statistical Purposes

ICI seeks to categorize funds as objectively as possible by applying predetermined rules and definitions to the prospectus language of mutual funds, ETFs, and closed-end funds, with a special focus on the “investment objective” and “principal investment strategies” sections.

For example, ICI Research uses prospectus language to determine in which of four broad categories to place a fund: equity, bond, hybrid, or money market. Funds are then placed in subcategories—for example, classifying equity funds as large-, mid-, or small-cap; or bond funds as investment grade or high-yield. To keep fund classifications up to date, ICI monitors funds’ prospectuses for material revisions.

This approach produces fund classifications that are consistent and relatively stable, which is very helpful when monitoring current and historical trends in fund data.

Using ICI’s Approach to Classify Funds That Invest According to ESG Criteria

ICI’s approach to classifying funds (see page 61) can be applied in a straightforward manner to all types of funds that invest according to ESG criteria. ICI Research reviews the prospectuses for a vast number of mutual funds and ETFs, examining the investment objective and principal investment strategies sections for language indicating that a fund places an important and explicit emphasis on environmental, social, or governance criteria to achieve certain goals.

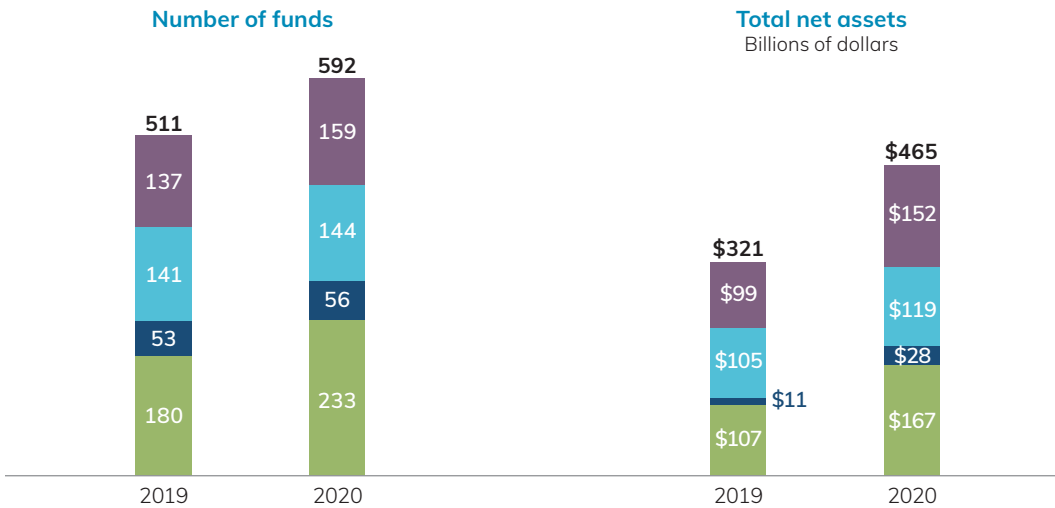
Following this approach, in 2020, 592 mutual funds and ETFs with assets of \$465 billion (Figure 2.16) would be classified generally as investing according to exclusionary, inclusionary, or impact investing ESG criteria. This is a sharp increase from year-end 2019—when there were 511 funds with assets of \$321 billion—reflecting growing investor interest in these funds.

FIGURE 2.16

Number and Total Net Assets of Funds That Invest According to ESG Criteria

By focus, year-end

- Other focus
- Religious values focus
- Environmental focus
- Broad ESG focus



Note: Data include mutual funds and ETFs. Data include mutual funds that invest primarily in other mutual funds and ETFs that invest primarily in other ETFs.

Among funds that use such criteria in selecting their investments, ICI uses prospectus language to classify these funds into groups based on the frameworks or guidelines expressed at the forefront of their principal investment strategies sections. Funds in these groups emphasize:

- » **Broad ESG focus:** These funds focus broadly on ESG matters. They consider all three elements of ESG (rather than focusing on one or two of the considerations) or may include ESG in their names. Index funds in this group may track a socially responsible index such as the MSCI KLD 400 Social Index.
- » **Environmental focus:** These funds focus more narrowly on environmental matters. They may include terms such as “alternative energy,” “climate change,” “clean energy,” “environmental solutions,” or “low carbon” in their principal investment strategies or fund names.
- » **Religious values focus:** These funds invest in accordance with specific religious values.
- » **Other focus:** These funds focus more narrowly on some combination of environmental, social, or governance elements, but not all three. They often negatively screen to eliminate certain types of investments.

Of the 592 funds at the end of 2020, 233 funds with assets of \$167 billion fall into the broad ESG focus subcategory; 56 funds with assets of \$28 billion in the environmental focus subcategory; 144 funds with assets of \$119 billion in the religious values focus subcategory; and 159 funds with assets of \$152 billion in the other focus subcategory (Figure 2.16).

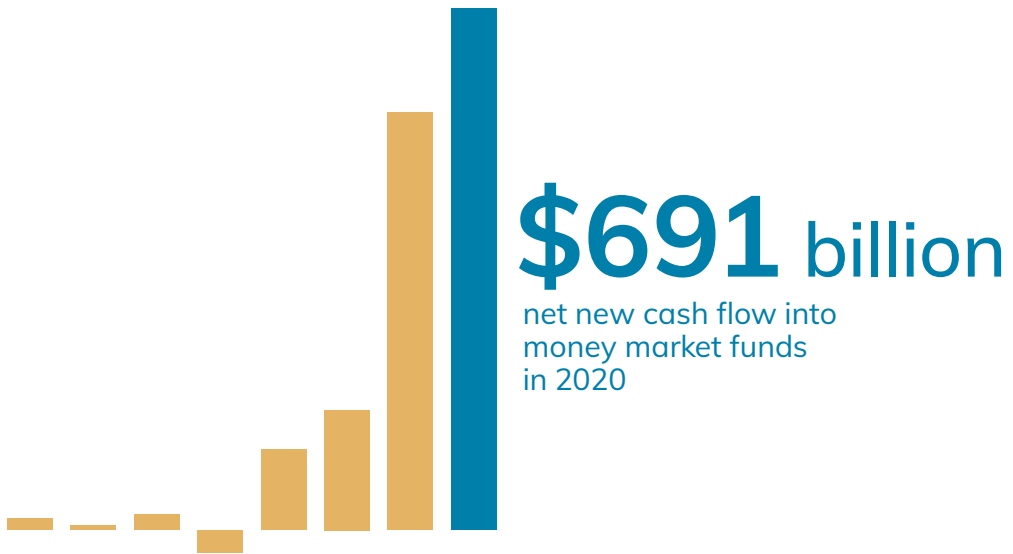


Chapter 3

US Mutual Funds

A mutual fund is an investment company that pools money from shareholders and invests in a portfolio of securities. In 2020, an estimated 102.5 million Americans in 58.7 million households owned mutual funds, relying on them to meet long-term personal financial objectives, such as preparing for retirement. US households and institutions also use money market funds as cash management tools. Mutual funds had net inflows of \$205 billion in 2020, or 1.0 percent of year-end 2019 total net assets. Changing demographics, portfolio rebalancing, and investors' reactions to US and worldwide economic and financial conditions play important roles in determining how demand for specific types of mutual funds—and for mutual funds in general—evolves.

Investors showed strong demand for money market funds in 2020



IN THIS CHAPTER

- 66** Overview of Mutual Fund Trends
- 69** Developments in Mutual Fund Flows
- 72** Equity Mutual Funds
- 76** Bond Mutual Funds
- 81** Hybrid Mutual Funds
- 83** Growth of Other Investment Products
- 88** Money Market Funds



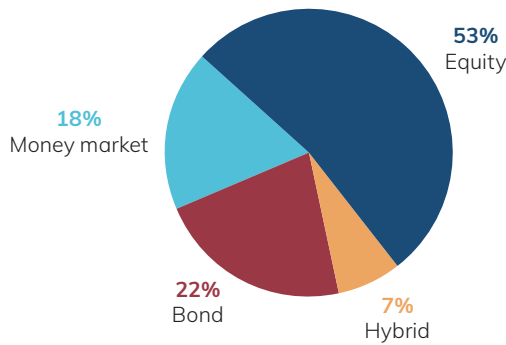
Overview of Mutual Fund Trends

With \$23.9 trillion in total net assets (Figure 3.1), the US mutual fund industry remained the largest in the world at year-end 2020. The majority of US mutual fund net assets at year-end 2020 were in long-term mutual funds, with equity funds alone making up 53 percent of US mutual fund net assets. Bond funds were the second-largest category, with 22 percent of net assets. Money market funds (18 percent) and hybrid funds (7 percent) held the remainder.

FIGURE 3.1

Equity Mutual Funds Held More Than Half of Mutual Fund Total Net Assets

Percentage of total net assets, year-end 2020



US mutual fund total net assets: \$23.9 trillion

Investor Demand for US Mutual Funds

A variety of factors influence investor demand for mutual funds, such as funds' ability to assist investors in achieving their investment objectives. For example, US households rely on equity, bond, and hybrid mutual funds to meet long-term personal financial objectives, such as preparing for retirement, saving for education, purchasing a house, or preparing for emergencies. US households, as well as businesses and other institutional investors, use money market funds as cash management tools because they provide a high degree of liquidity and competitive short-term yields.

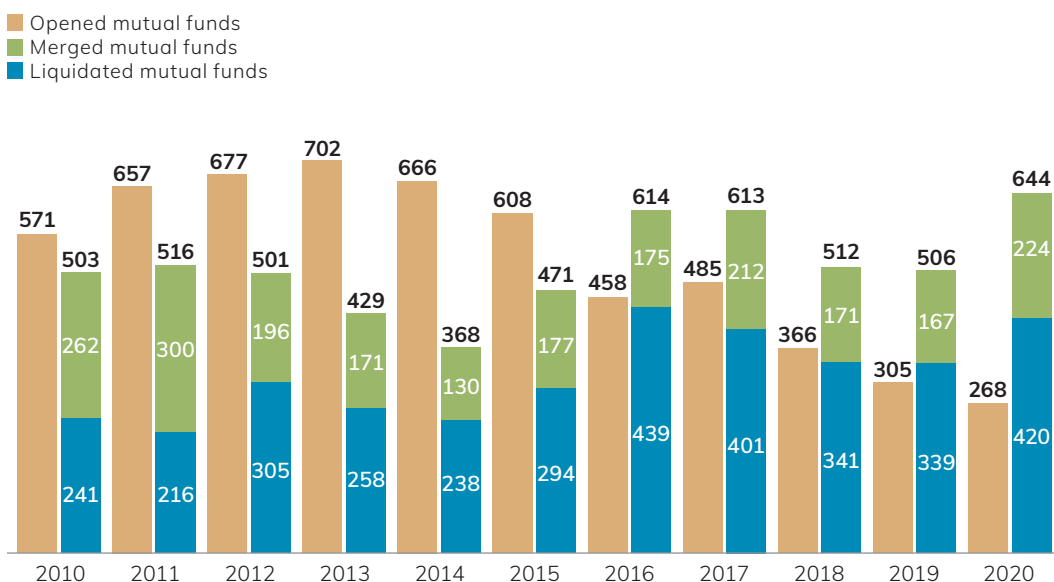
Continued long-running investing trends, portfolio rebalancing, and effects from the COVID-19 pandemic were important factors that influenced investor demand for mutual funds in 2020. Domestic equity mutual funds experienced net outflows, reflecting two major factors: an ongoing shift to index-based products and redemptions to keep equity allocations at their portfolio targets in response to substantial gains in US stock prices during the year. In contrast, demand for bond mutual funds was strong in 2020, despite substantial outflows from bond funds in March. Some of the money that investors directed toward bond funds likely was used to keep fixed-income allocations at their portfolio targets. The aging of the US population also continued to play a role in demand for bond mutual funds. In addition, government money market funds experienced substantial inflows in March and April 2020 as investors sought to preserve and build liquidity.

Entry and Exit of US Mutual Funds

Mutual fund sponsors create new funds to meet investor demand, and they merge or liquidate those that do not attract sufficient investor interest. A total of 268 mutual funds opened in 2020 (Figure 3.2). Fewer domestic and world equity fund launches contributed to the decline in the number of new mutual funds offered from 2019 to 2020. The number of mutual funds that were either merged or liquidated increased 27 percent to 644 funds in 2020—its highest level since 2009—as sponsors eliminated or consolidated more funds of funds from their lineups.

FIGURE 3.2

Number of Mutual Funds Entering and Exiting the Industry



Note: Data include mutual funds that do not report statistical information to the Investment Company Institute and mutual funds that invest primarily in other mutual funds.

Investors in US Mutual Funds

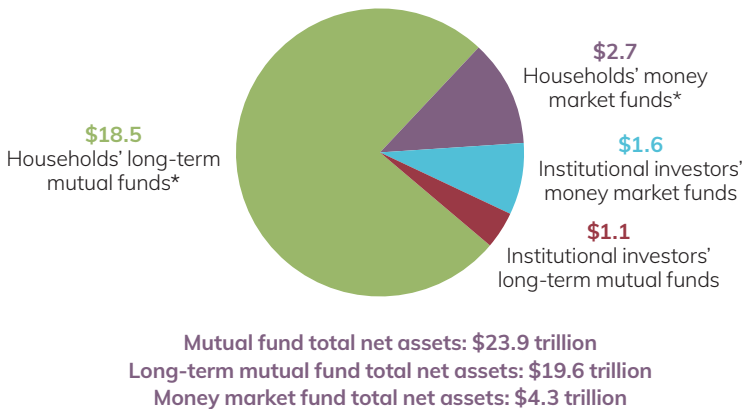
Demand for mutual funds is, in part, related to the types of investors who hold mutual fund shares. Retail investors (i.e., households) held the vast majority (89 percent) of the \$23.9 trillion in US mutual fund net assets at year-end 2020 (Figure 3.3). The proportion of long-term mutual fund net assets held by retail investors is even higher (94 percent). Retail investors also held substantial money market fund net assets (\$2.7 trillion), but this was a relatively small share (13 percent) of their total mutual fund net assets (\$21.2 trillion).

In contrast, institutional investors such as nonfinancial businesses, financial institutions, and nonprofit organizations held a relatively small portion of mutual fund net assets. At year-end 2020, institutions held 11 percent of mutual fund net assets (Figure 3.3). The majority (59 percent) of the \$2.7 trillion that institutions held in mutual funds was in money market funds, because one of the primary reasons institutions use mutual funds is to help manage their cash balances.

FIGURE 3.3

Households Held 89 Percent of Mutual Fund Total Net Assets

Trillions of dollars, year-end 2020



* Mutual funds held as investments in individual retirement accounts, defined contribution retirement plans, variable annuities, 529 plans, and Coverdell education savings accounts are counted as household holdings of mutual funds.

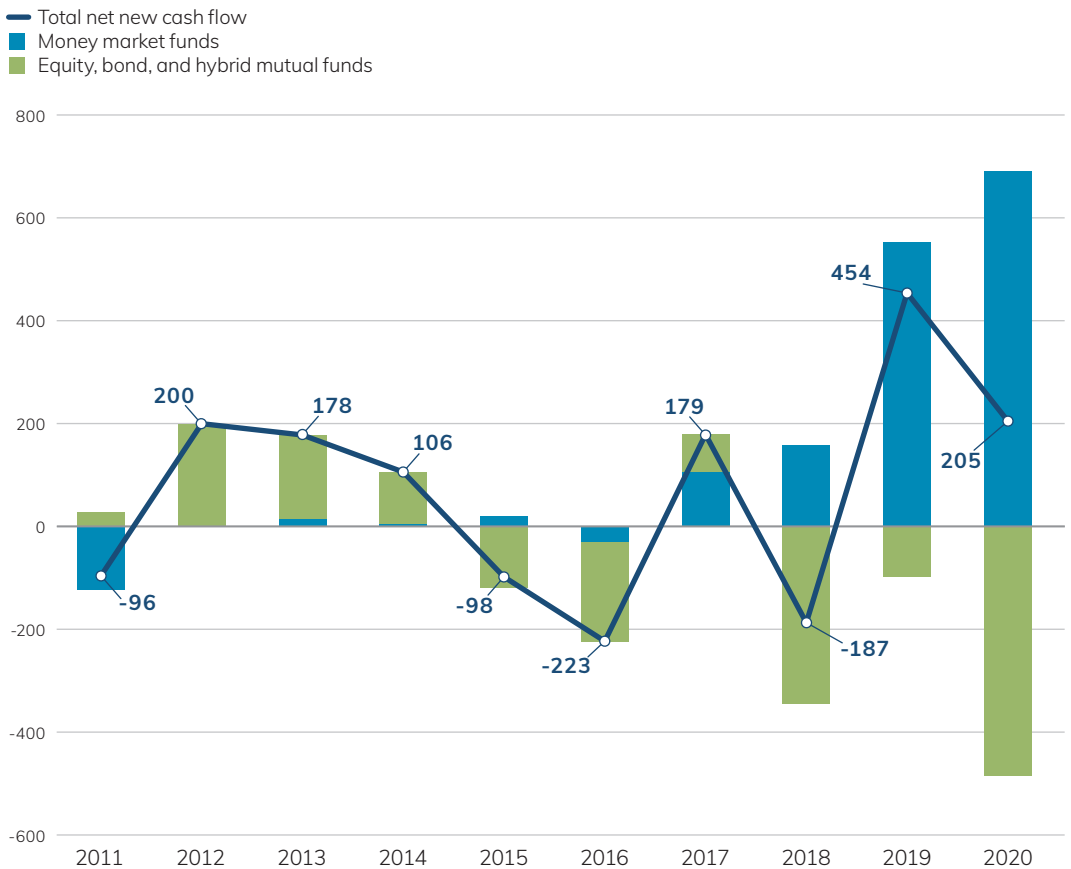
Developments in Mutual Fund Flows

Overall demand for mutual funds as measured by net new cash flow—new fund sales less redemptions, plus net exchanges—declined in 2020 (Figure 3.4). In 2020, mutual funds had net inflows of \$205 billion (1.0 percent of year-end 2019 total net assets), following net inflows of \$454 billion in 2019. Long-term mutual funds experienced net outflows of \$486 billion in 2020, as outflows from equity and hybrid funds were only partially offset by inflows to bond funds. Money market funds received \$691 billion in net inflows, driven by inflows into government money market funds as the COVID-19 pandemic created a massive demand for liquidity by businesses, households, governments, and other investors in March 2020. Outside of the shock to demand brought on by the public health crisis, a number of factors—including portfolio rebalancing, broad-based increases in global financial markets, ongoing demographic trends, and demand for indexed products—appeared to influence US mutual fund flows in 2020.

FIGURE 3.4

Net New Cash Flow to Mutual Funds

Billions of dollars, annual



The Global Economy and Financial Markets in 2020

Developments surrounding the COVID-19 pandemic drove macroeconomic trends around the world in 2020. From early 2020 onward, SARS-CoV-2 spread across the globe. Governments made efforts to control the health crisis by imposing strict mandates and social distancing guidelines, which effectively shut down large portions of the economy. This led to a substantial contraction in real global gross domestic product (GDP) of 8.9 percent in the second quarter of 2020 alone. For the year, real global GDP contracted an estimated 3.3 percent—a sharp reversal from growth of 2.8 percent in 2019. This severe deceleration in economic activity was experienced across the world as real GDP declined for many jurisdictions. In the United States, real GDP contracted by an estimated 3.5 percent in 2020 compared with growth of 2.2 percent in 2019; in the euro area, real GDP contracted 6.6 percent in 2020 compared with growth of 1.3 percent in 2019; and in emerging and developing market economies in Asia, real GDP contracted 1.0 percent in 2020 compared with growth of 5.3 percent in 2019.

In addition to the contraction in real GDP, other metrics show the negative effects that the COVID-19 pandemic had on the US economy. The unemployment rate spiked from 3.6 percent in December 2019 to 14.8 percent in April 2020; by December 2020, the unemployment rate had fallen to 6.7 percent. Inflation was low, with the Consumer Price Index rising just 1.4 percent in 2020—compared to 2.3 percent in 2019—below the Federal Reserve’s target of 2 percent inflation. Consumer spending, adjusted for inflation, experienced a year-over-year contraction of 16.5 percent in April 2020. This improved somewhat by December, with consumer spending contracting 3.5 percent year over year. Additionally, the Federal Reserve lowered the federal funds target rate twice in March to near-zero levels.

Financial markets around the world were generally unconcerned with early COVID-19 developments, in part because market participants had little indication of how severe the crisis would become. Stock markets began falling in the third week of February 2020, as governments began to impose quarantines and social distancing mandates. US stocks reached an all-time high on February 19, and by March 23, they had plummeted 35.0 percent.* Additionally, the Chicago Board Options Exchange (Cboe) Volatility Index (VIX)—which tracks the volatility of the S&P 500 index and is a widely used measure of market risk—jumped to record levels. Values less than 20 are associated with a period of market calm and values greater than 30 are associated with a high degree of investor fear. In 2020, the daily VIX reached a record peak of nearly 83 on March 16 and was above 30 for 32 percent of the trading days. From February 21, 2020, to the end of the year, the daily VIX never dropped below 20. By comparison, volatility in 2019 was fairly subdued—the daily VIX was below 20 for most of 2019 (94 percent of trading days) and never exceeded 30.

* As measured by the Wilshire 5000 Index.



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The Impact of COVID-19 on Economies and Financial Markets

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During this period, the Federal Reserve implemented a multitude of measures to calm markets and ease the flow of credit to households and businesses. For example, the Federal Reserve cut short-term interest rates, created multiple lending facilities to provide liquidity to the credit markets, and eased the terms at which major central banks could borrow US dollars. For the remainder of 2020, the US economy adjusted to the unique demands imposed by the COVID-19 public health crisis and financial markets recovered, with US stocks returning 21 percent for the year and US bonds returning 8 percent.*

Stock prices around the world in 2020 followed a similar pattern to the United States—a sharp downward spike in March was followed by steady increases for the remainder of the year, as investors became more optimistic about a “return to normal.” In Japan, the Nikkei 225 index was up 16 percent in 2020; in China, the Shanghai Composite Index was up 14 percent; and the broader MSCI Emerging Markets Index rose nearly 16 percent. In Europe, the MSCI Europe Index increased just 2 percent in 2020. In the United Kingdom, the value of stocks in the Financial Times Stock Exchange (FTSE) 100 Index declined 14 percent in 2020.

Long-Term Mutual Fund Flows

Although net new cash flows into long-term mutual funds are typically correlated with market returns, they tend to be moderate as a percentage of total net assets even during episodes of market turmoil. Several factors may contribute to this phenomenon. For example, households (i.e., retail investors) own the vast majority of US long-term mutual fund net assets (Figure 3.3). Retail investors generally respond less strongly to market events than do institutional investors. Most notably, households often use mutual funds to save for the long term, such as for college or retirement. Many of these investors make stable contributions through periodic payroll deductions, even during periods of market stress. In addition, many mutual fund shareholders seek the advice of financial advisers, who may provide a steadying influence during market downturns. These factors are amplified by the fact that net assets in mutual funds are spread across more than 100 million investors and that fund investors have a wide variety of individual characteristics (such as age or appetite for risk) and goals (such as saving for the purchase of a home, for education, or for retirement). They also are bound to have a wide range of views on market conditions and how best to respond to those conditions to meet their individual goals. As a result, even during months when funds as a whole experience net outflows, many investors continue to purchase fund shares.

* As measured by the FTSE US Broad Investment Grade Bond Index.

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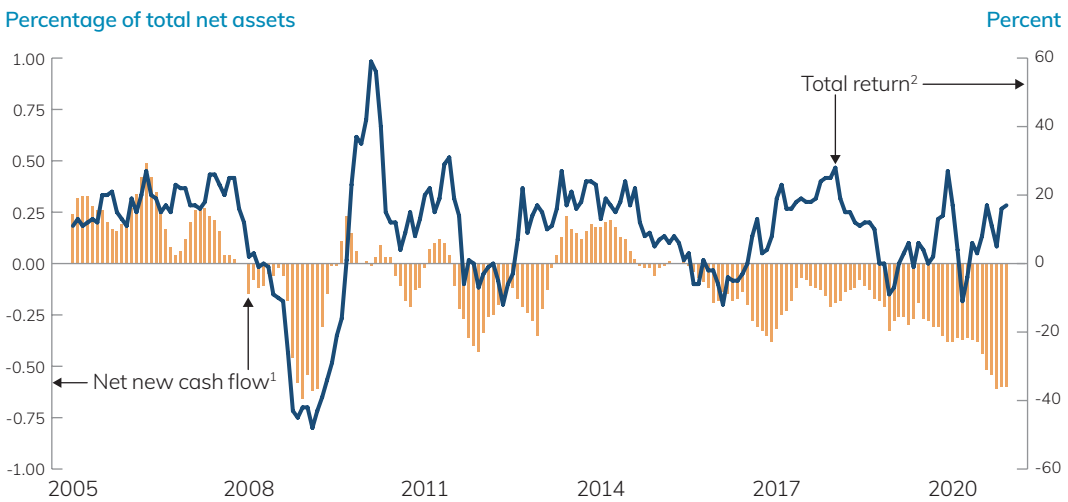
Equity Mutual Funds

Historically, net new cash flows to equity mutual funds have tended to rise and fall with returns on stocks (Figure 3.5). Global stock markets returned 17 percent in 2020, following a 27 percent return in 2019.* Despite strong global stock market performance for the year, equity mutual funds experienced net outflows totaling \$646 billion in 2020 (5.7 percent of year-end 2019 total net assets), following \$362 billion in net outflows in 2019. In both years, outflows from equity mutual funds were concentrated in domestic equity funds.

FIGURE 3.5

Net New Cash Flow to Equity Mutual Funds Typically Is Related to World Equity Returns

Monthly



¹ Net new cash flow is reported as a percentage of previous month-end equity mutual fund total net assets, plotted as a six-month moving average.

² The total return on equities is measured as the year-over-year percent change in the MSCI All Country World Daily Gross Total Return Index.

Sources: Investment Company Institute, MSCI, and Bloomberg

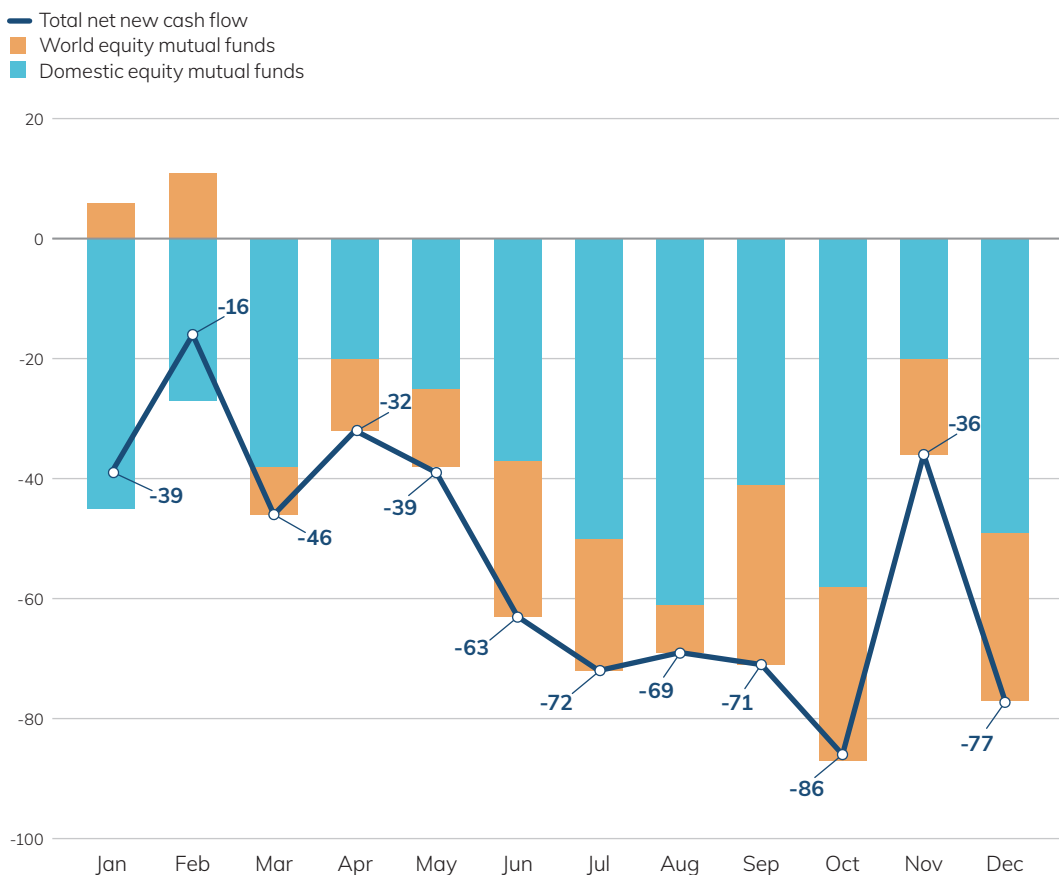
* As measured by the MSCI All Country World Daily Gross Total Return Index.

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Equity mutual funds had net outflows in every month in 2020 (Figure 3.6). In the first three months of the year, investors had redeemed, on net, only \$101 billion from equity mutual funds. Flows to mutual funds, in general, tend to be higher in the first quarter than at other times of the year because investors who receive year-end bonuses may invest that money relatively quickly in the new year. In addition, some investors make contributions to their individual retirement accounts (IRAs) before filing their tax returns. As the year progressed, net outflows from equity mutual funds accelerated, with investors redeeming a net \$545 billion from April through December. During this period, outflows were smallest in April and November. In April, US stocks returned 13 percent as investor confidence in financial markets returned following a series of actions taken by the Federal Reserve. In November, US stocks returned 12 percent, alongside the announcement of successful results from COVID-19 vaccine trials.

FIGURE 3.6
Net New Cash Flow to Equity Mutual Funds in 2020
 Billions of dollars; monthly, 2020



Portfolio rebalancing likely played a role in investors' decisions to redeem from equity funds in 2020. In 2020, the 17 percent return on global stocks outpaced the 8 percent return on US bonds and would have resulted in equities accounting for a larger share of investors' portfolios. For example, without taking any investment actions, investors following a 60/40 target portfolio allocation (60 percent in equity funds and 40 percent in bond funds) would have seen their equity allocation rise to 62 percent of their total portfolio from relatively strong gains in stock prices. To remain at their equity allocation targets, investors would have needed to redeem from equity funds in 2020.

In addition to portfolio rebalancing, net outflows from domestic equity mutual funds in 2020 also may have been driven by investor demand for domestic equity exchange-traded funds (ETFs). As discussed in chapter 4, demand for ETFs has been very strong over the past several years. Domestic equity ETFs had net creations in every month of 2020 except for February, which saw net redemptions of less than \$2 billion. Overall, demand for domestic equity ETFs resulted in \$189 billion in net share issuance in 2020 (Figure 4.10). In contrast, domestic equity mutual funds had net outflows of \$471 billion (Figure 3.6) over the same period.

Demand for world equity mutual funds weakened further in 2020, with investors redeeming \$175 billion (Figure 3.6), on net, compared with net redemptions of \$60 billion in 2019. Outflows from world equity mutual funds were spread across investment objectives but were concentrated in international equity mutual funds, which experienced outflows of \$120 billion in 2020. International equity mutual funds do not hold US stocks, and while global returns on stocks were positive in many countries in 2020, returns on US stocks were higher. Investors may have responded by moving into funds more focused on US equities. For example, global equity mutual funds, which usually hold some US stocks, saw \$37 billion in net outflows in 2020; emerging market equity mutual funds had outflows of \$12 billion; and regional equity mutual funds and world equity mutual funds that follow alternative investment strategies, collectively, had \$6 billion in net outflows in 2020.

Rebalancing may also have contributed to outflows from world equity mutual funds in 2020. Some types of funds rebalance portfolios automatically as part of an asset allocation strategy. The assets in funds offering asset allocation strategies—such as target date funds (discussed in more detail on page 81)—have grown considerably over the past decade. These funds typically hold a higher proportion of foreign equities and bonds than many US investors had traditionally allocated to foreign investments. As global equity markets rose in 2020, these kinds of asset allocation funds rebalanced their portfolios away from stocks, including foreign stocks, to maintain their target allocations.

Asset-Weighted Turnover Rate

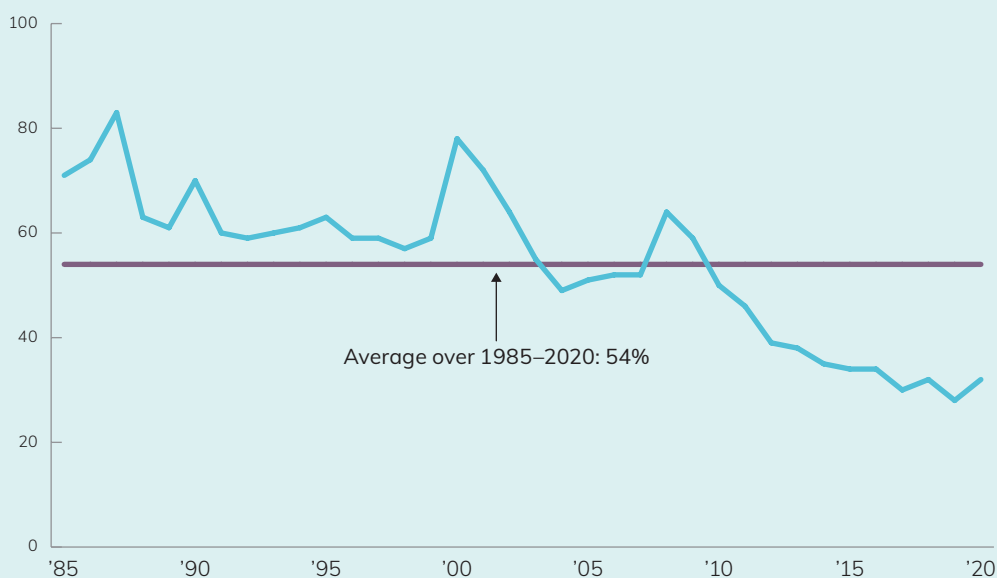
The turnover rate—the percentage of a fund's holdings that have been bought or sold over a year—is a measure of a fund's trading activity. The rate is calculated by dividing the lesser of purchases or sales (excluding those of short-term assets) in a fund's portfolio by average total net assets.

To analyze the turnover rate that shareholders actually experience in their funds, it is important to identify those funds in which shareholders are most heavily invested. Neither a simple average nor a median takes into account where fund assets are concentrated. An asset-weighted average gives more weight to funds with more net assets, and accordingly, indicates the average portfolio turnover actually experienced by fund shareholders. In 2020, the asset-weighted annual turnover rate experienced by equity mutual fund investors was 32 percent, well below the average of the past 36 years (Figure 3.7).

Investors tend to own equity funds with relatively low turnover rates. In 2020, about half of equity mutual fund total net assets were in funds with portfolio turnover rates of less than 27 percent. This reflects the propensity for mutual funds with below-average turnover to attract shareholder dollars.

FIGURE 3.7

Turnover Rate Experienced by Equity Mutual Fund Investors



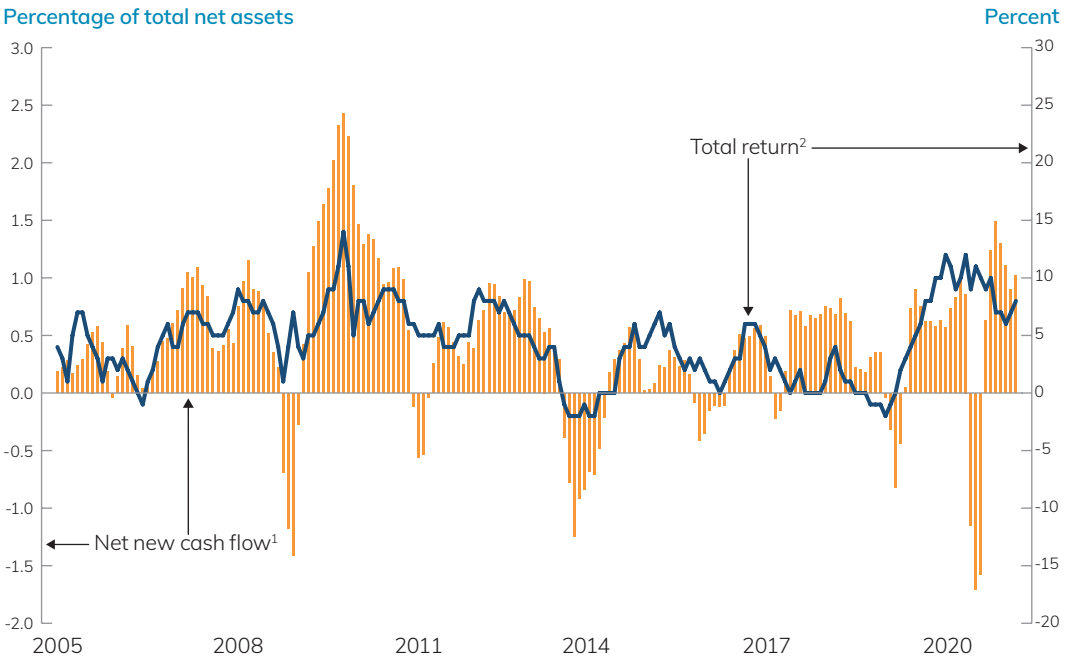
Note: The turnover rate is an asset-weighted average.

Bond Mutual Funds

Bond mutual fund net new cash flows typically are correlated with the performance of US bonds (Figure 3.8), which, in turn, is largely driven by the US interest rate environment. Long-term interest rates fell sharply in the first quarter of 2020 and finished the year substantially lower than they were at the beginning of the year. The yield on the 10-year Treasury started 2020 at 1.92 percent and had declined to 0.70 percent by the end of March. By early August, the 10-year Treasury yield had decreased further to 0.52 percent—its lowest point of the year. From that point, the 10-year Treasury yield steadily increased 41 basis points to finish the year at 0.93 percent. For the year as a whole, the total return on US bonds was 8 percent.

FIGURE 3.8

Net New Cash Flow to Bond Mutual Funds Typically Is Related to Bond Returns Monthly



¹ Net new cash flow is reported as a percentage of previous month-end bond mutual fund total net assets, plotted as a three-month moving average. Data exclude high-yield bond mutual funds.

² The total return on bonds is measured as the year-over-year percent change in the FTSE US Broad Investment Grade Bond Index.

Sources: Investment Company Institute, FTSE Russell, and Bloomberg

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Fund Investors Will “Run”? Sorry, Charlie Brown

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Taxable bond mutual funds received relatively strong inflows in 2020 except between February and April, when uncertainty over the COVID-19 pandemic was at its peak. In March, investors looking to shore up their cash positions redeemed \$213 billion from taxable bond mutual funds, or 5.3 percent of their total net assets at the end of February (Figure 3.9). At the same time, conditions in fixed-income markets deteriorated rapidly. Dislocations were first seen in the US Treasury market—normally a safe haven during periods of market stress—as yields on US Treasuries rose, while stock prices fell, from March 9 to March 18. Investors were selling Treasuries for a variety of reasons, such as to meet their need for cash, to rebalance around market conditions, and to meet margin calls. The dislocations in the Treasury market eventually spread to short-term credit markets, including the interbank lending, commercial paper, wholesale deposits, and short-term municipal debt markets. By mid-March, liquidity dried up, short- and long-term credit markets ceased to function, and the flow of credit to the economy evaporated. In March and April, the Federal Reserve took measures, including creating a broad range of lending facilities, that injected liquidity into the markets, smoothed the functioning of short- and long-term credit markets, and restored the flow of credit to the economy.

After April, taxable bond mutual funds experienced significant inflows. Between May and December 2020, taxable bond funds received \$373 billion in inflows (Figure 3.9). Portfolio rebalancing likely played a role in these inflows. Global stocks returned 34 percent between April 30, 2020, and December 31, 2020, while US bonds returned 3 percent. Returning to the example on page 74, an investor with a 60/40 target portfolio allocation (60 percent in equity funds and 40 percent in bond funds) at the end of April, who took no investment actions, would have seen their portfolio share in bond funds drop to 34 percent—well below the 40 percent target allocation—by the end of December. Investors and target date funds following asset allocation strategies would have needed to purchase bond funds during this period to remain at their target allocations.

Investor demand varied across specific categories of taxable bond mutual funds in 2020, with the bulk of investor flows being directed toward investment grade bond mutual funds, which received \$193 billion in net inflows in 2020. In addition, government bond mutual funds saw inflows of \$26 billion; multisector bond mutual funds saw inflows of \$6 billion; and high-yield bond mutual funds had inflows of \$4 billion. World bond mutual funds, which typically hold a mix of bonds denominated in US dollars and foreign currencies, had net outflows of \$24 billion.

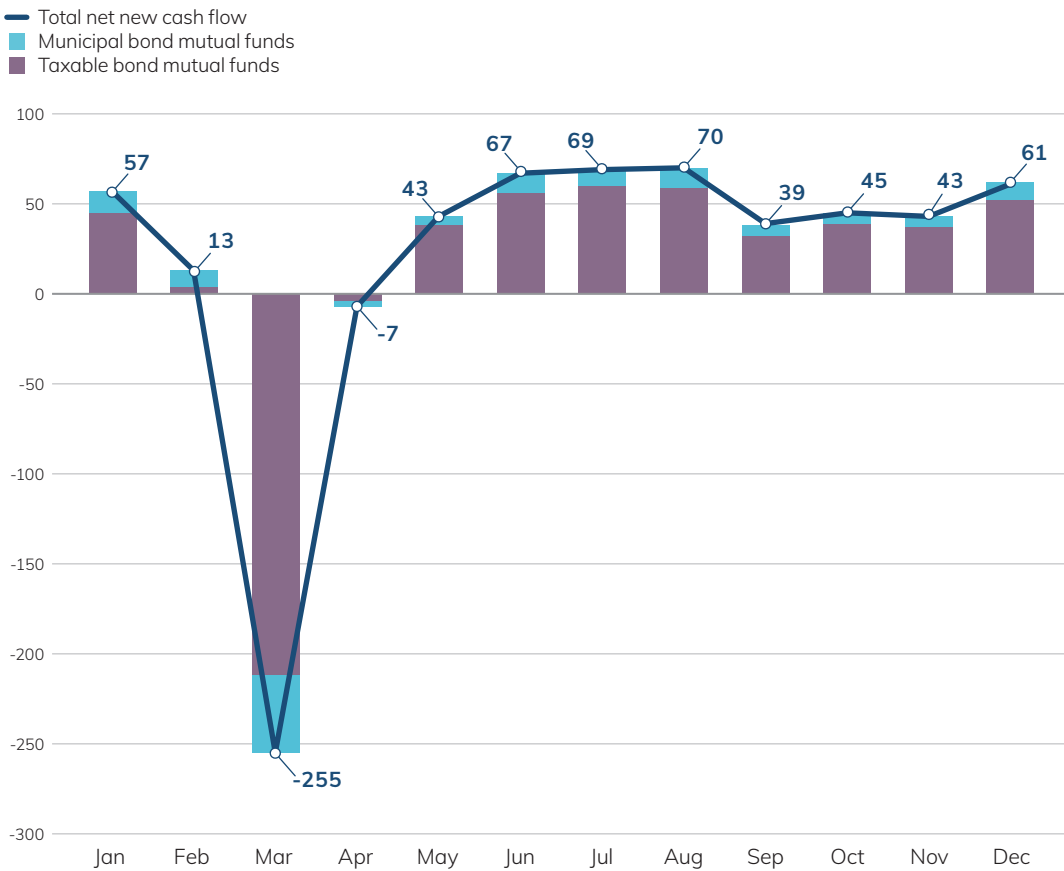
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Investor demand for taxable bond mutual funds also varied by the maturity or duration of their portfolios. In particular, short-term taxable bond funds received inflows of \$66 billion in 2020, or 11.6 percent of their year-end 2019 total net assets, compared with inflows of \$139 billion, or 4.2 percent of net assets, for other taxable bond funds.

Like demand for taxable bond mutual funds, demand for municipal bond mutual funds was relatively strong throughout 2020 except during March and April. In March, for example, municipal bond mutual funds experienced outflows of \$42 billion, which represented 4.9 percent of their total net assets at the end of February (Figure 3.9). However, municipal bond funds experienced net inflows of \$39 billion for the year as a whole.

FIGURE 3.9
Net New Cash Flow to Bond Mutual Funds in 2020
 Billions of dollars; monthly, 2020



How Bond Mutual Funds Manage Investor Flows

When meeting redemptions, fund managers' actions are guided by market conditions, expected investor flows, and other factors. A fund might, for example, decide to sell some of its holdings to raise the cash needed to fulfill redemptions. But its choice of which particular securities to sell may depend on market conditions. For example, during a market downturn, with liquidity at a premium, some fund managers might seek to add shareholder value by selling some of their funds' more-liquid bonds (which, being in high demand, are trading at a premium to fundamental value). Other fund managers may conclude that it is necessary and appropriate to sell a representative "slice" of their funds' entire portfolios.

Bond mutual fund managers have other ways of meeting redemption requests. For example, a fund might already have cash on hand. Or, the fund may use the cash that bond mutual funds receive each day in the form of interest income from bonds held in the portfolio, proceeds from matured bonds, or new sales of fund shares.

In addition, bond funds often use derivatives or hold liquid assets other than cash. For example, a high-yield bond fund might hold some portion of its assets in equities, because equities are very liquid, and the return profiles of high-yield bonds and equities can be similar. Derivatives can be more liquid than their physical counterparts, and funds are required to segregate liquid assets to support their derivatives positions. As these positions are closed, this cash collateral provides a ready source of liquidity to meet redemptions. This is especially true for many of the funds commonly called liquid alternative funds, as these funds are explicitly designed to allow frequent investor trading, and do so in large measure through the use of derivatives.

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Long-Term Demand for Bond Mutual Funds

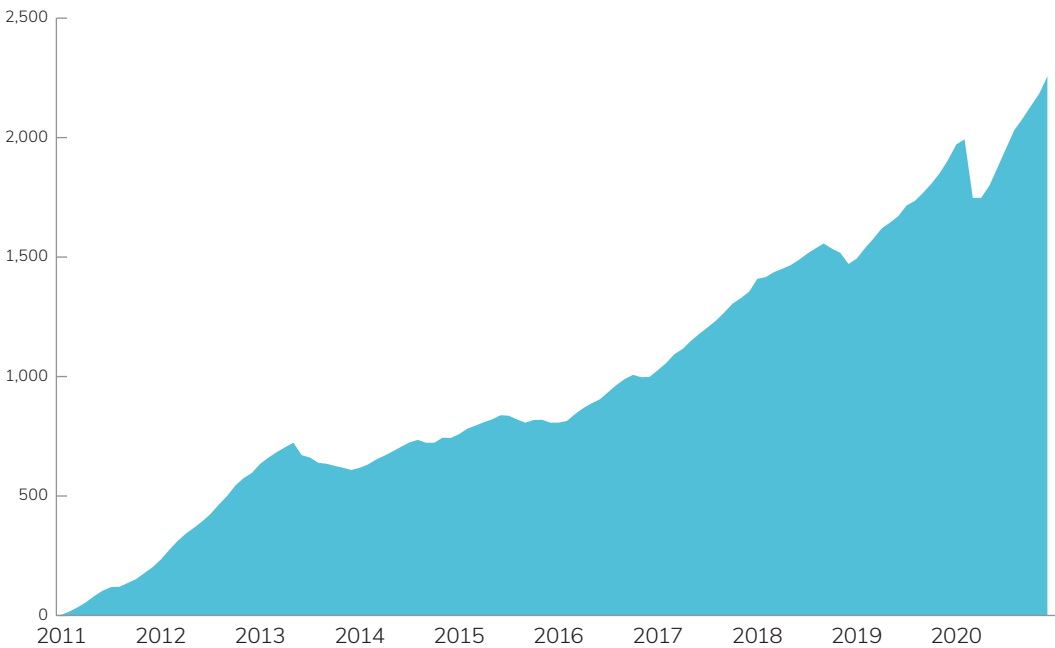
Despite several periods of market turmoil—including the COVID-19 pandemic, which led to substantial outflows in March 2020—bond mutual funds have experienced net inflows through most of the past decade. Bond mutual funds received \$2.3 trillion in net new cash flow and reinvested dividends from 2011 through 2020 (Figure 3.10).

A number of factors have helped sustain this long-term demand for bond mutual funds, including demographics. Older investors tend to have larger account balances because they have had more time to accumulate savings and take advantage of compounding. At the same time, as investors age, they tend to shift toward fixed-income products. Over the past decade, the aging of Baby Boomers has boosted flows to bond funds.

FIGURE 3.10

Bond Mutual Funds Have Experienced Net Inflows Through Most of the Past Decade

Cumulative flows to bond mutual funds, billions of dollars, monthly



Note: Bond mutual fund data include net new cash flow and reinvested dividends.

The continued popularity of target date mutual funds also likely helped to limit outflows from bond mutual funds in 2020. Target date funds invest in a changing mix of equities and fixed-income investments. As the fund approaches and passes its target date (which is usually specified in the fund's name), the fund gradually reallocates assets from equities to fixed-income investments, including bonds. Target date funds usually invest through a fund-of-funds approach, meaning they primarily hold and invest in shares of other equity and bond mutual funds or ETFs. Over the past 10 years, target date mutual funds have received net inflows of \$494 billion. By year-end 2020, target date mutual funds had total net assets of \$1.6 trillion (Figure 8.20). Investor interest in these funds likely reflects their automatic rebalancing features as well as their inclusion as an investment option in many defined contribution (DC) plans (Figure 8.12).

These long-term factors, combined with positive returns on bonds and inflows from portfolio allocation strategies, have caused bond mutual fund total net assets to double over the past decade—from \$2.6 trillion at year-end 2010 to \$5.2 trillion at year-end 2020. However, their share of the US bond market (US government bonds, corporate bonds, and tax-exempt bonds) has stayed relatively stable during this time. Bond mutual funds held 9 percent of the US bond market at year-end 2020, compared with 8 percent at year-end 2010.

Hybrid Mutual Funds

Hybrid funds (also called asset allocation funds or balanced funds) invest in a mix of stocks and bonds. This approach offers a way to balance the potential capital appreciation of stocks with the income and relative stability of bonds over the long term. The fund's portfolio may be periodically rebalanced to bring its asset allocation more in line with prospectus objectives, which could be necessary following capital gains or losses in the stock or bond markets.

Over the past six years, investors have moved away from hybrid mutual funds, which had been a popular way to achieve a managed, balanced portfolio of stocks and bonds (Figure 3.11). In 2020, hybrid mutual funds had outflows of \$84 billion (or 5.3 percent of prior year-end total net assets), following \$230 billion of net outflows over the previous five years. Many factors likely have contributed to this change. For example, investors may be shifting out of hybrid funds and into portfolios of ETFs that are periodically rebalanced, often with the assistance of a fee-based financial adviser. In addition, investors may be shifting assets toward target date funds and lifestyle funds as an alternative way to achieve a balanced portfolio. For example, in 2020, assets in target date funds were \$1.6 trillion, up substantially over the past decade (Figure 8.20).*

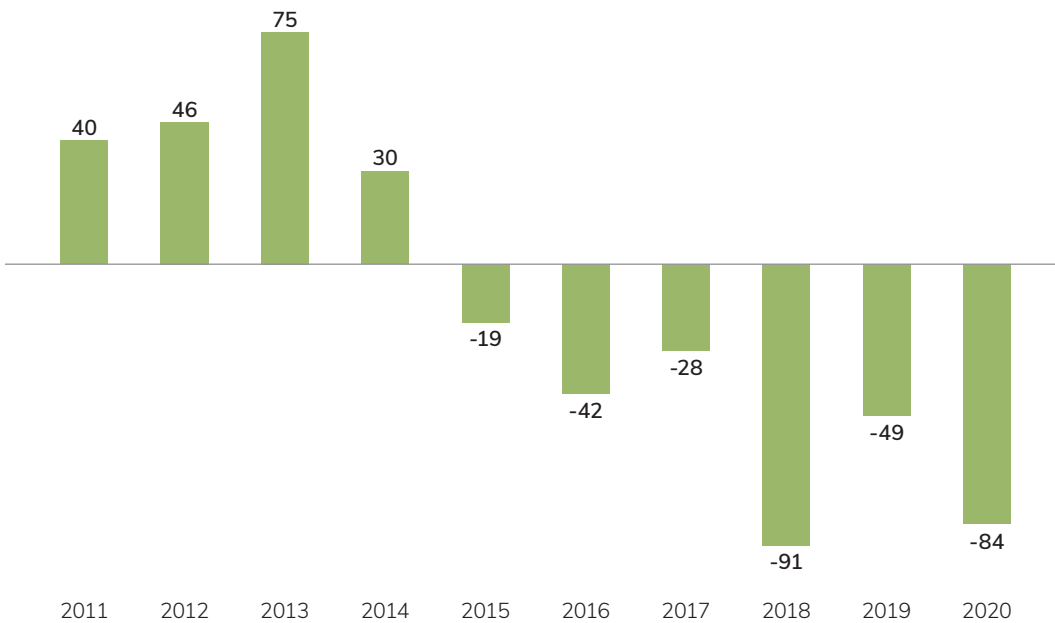
* ICI generally excludes funds of funds from total net asset and net new cash flow calculations to avoid double counting. Although target date funds are classified as hybrid funds by ICI, 97 percent of target date fund assets are in funds of funds, and therefore, their flows are excluded from the hybrid mutual fund flows presented in Figure 3.11.

Net outflows from hybrid funds from 2015 through 2020 were concentrated in flexible portfolio funds, which can hold any proportion of stocks, bonds, cash, and commodities, both in the United States and overseas. Following the 2007–2009 global financial crisis, many investors sought to broaden their portfolios and lower the correlation of their investments with the market or limit downside risk. Flexible portfolio funds can help investors achieve those goals. As a result, flexible portfolio funds saw net inflows of \$88 billion between 2009 and 2014. However, after a long bull market and comparably lower returns in funds offering downside protection, investors have redeemed, on net, \$163 billion from flexible portfolio funds in the past six years.

FIGURE 3.11

Net New Cash Flow to Hybrid Mutual Funds

Billions of dollars, annual



Growth of Other Investment Products

Outflows from some long-term mutual funds over the past decade reflect a broader shift, driven by both investors and retirement plan sponsors, toward other pooled investment vehicles. This trend is reflected in the outflows from actively managed funds and the growth of index mutual funds, ETFs, and collective investment trusts (CITs) since 2007.

Index mutual funds—which hold all (or a representative sample) of the securities in a specified index—have been popular among investors over the past two decades. Of households that owned mutual funds, 43 percent owned at least one equity index mutual fund in 2020. As of year-end 2020, 490 index mutual funds managed total net assets of \$4.8 trillion. However, index mutual funds experienced outflows of \$100 billion in 2020—a reversal from an extended period of annual inflows (Figure 3.12). Outflows from index domestic and world equity mutual funds (\$102 billion and \$55 billion, respectively) were only partially offset by inflows into index bond and hybrid mutual funds (\$57 billion). Some of the outflows from index equity mutual funds are likely attributable to portfolio rebalancing, with investors shifting assets from equity mutual funds to bond mutual funds as they seek to stay within some target portfolio allocation (see page 74). The outflows from index equity mutual funds also reflect some assets moving from mutual funds into other products, such as ETFs or CITs. At year-end 2020, net assets in index equity mutual funds made up 30 percent of total equity mutual fund net assets, unchanged from 2019 (Figure 3.13).

FIGURE 3.12

Net New Cash Flow to Index Mutual Funds

Billions of dollars, annual

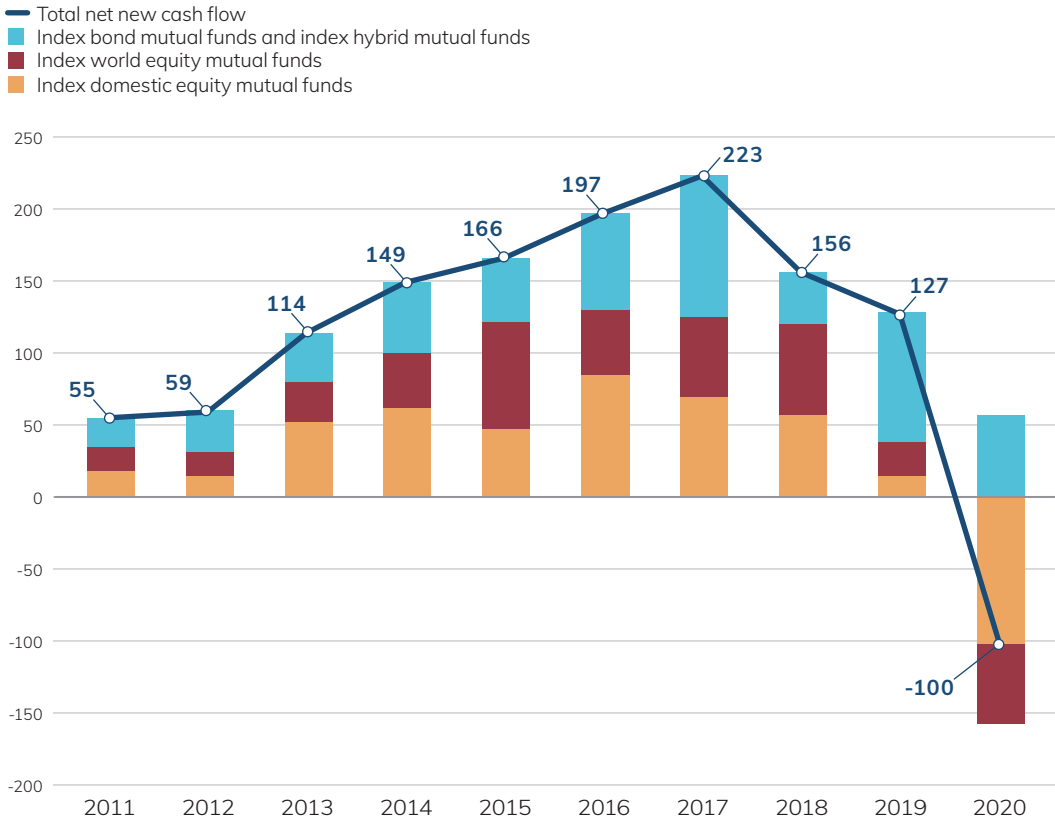
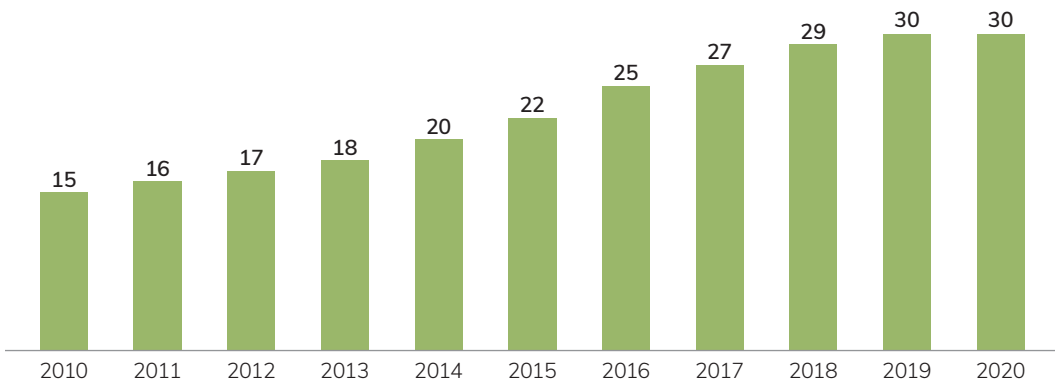


FIGURE 3.13

The Steady Growth of Index Equity Mutual Funds Stalled in 2020

Percentage of equity mutual funds' total net assets, year-end

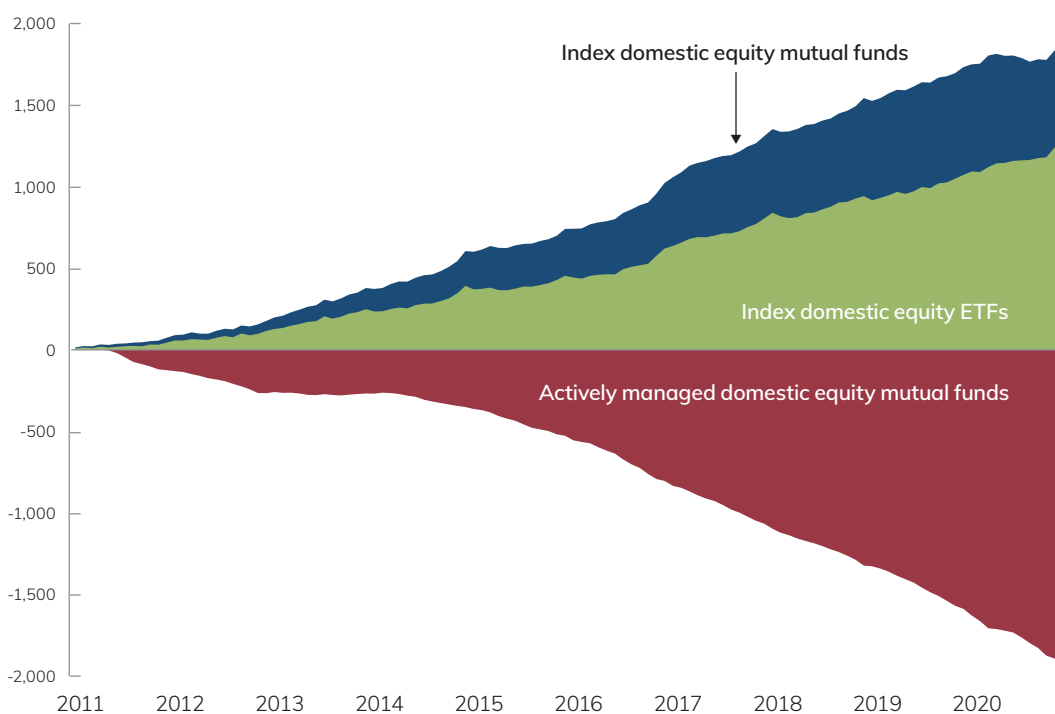


Index domestic equity mutual funds and ETFs have particularly benefited from the overall increased investor demand for index-based investment products. From 2011 through 2020, index domestic equity mutual funds and ETFs received \$1.9 trillion in net new cash and reinvested dividends, while actively managed domestic equity mutual funds experienced net outflows of \$1.9 trillion (including reinvested dividends) (Figure 3.14). Index domestic equity ETFs have grown particularly quickly— attracting twice the amount of net inflows of index domestic equity mutual funds since 2011. Part of the recent increasing popularity of ETFs is likely attributable to more brokers and financial advisers using them in their clients' portfolios. In 2019, full-service brokers and fee-based advisers had 21 percent and 33 percent, respectively, of their clients' household assets invested in ETFs, up sharply from 6 percent and 10 percent in 2011 (Figure 3.15).

FIGURE 3.14

Some of the Outflows from Domestic Equity Mutual Funds Have Gone to ETFs

Cumulative flows to domestic equity mutual funds and net share issuance of index domestic equity ETFs, billions of dollars, monthly

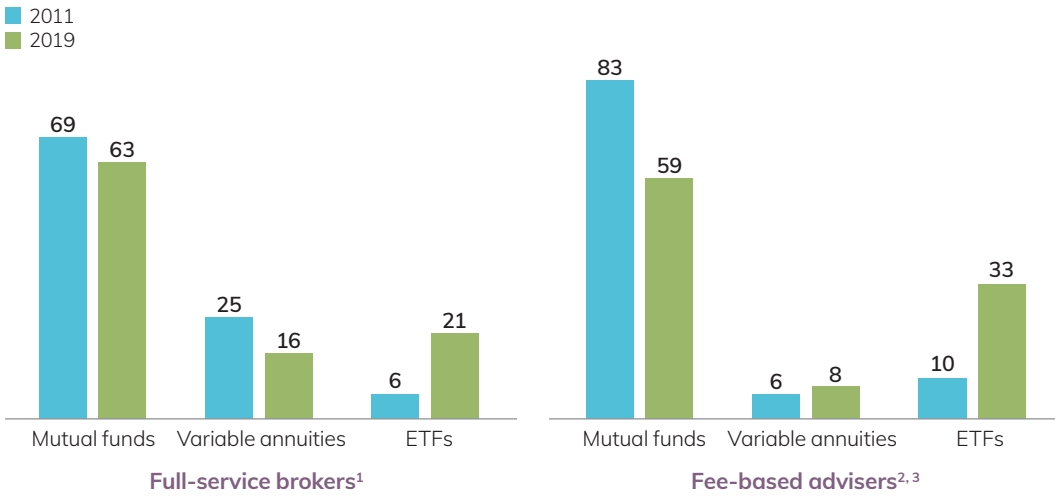


Note: Mutual fund data include net new cash flow and reinvested dividends; ETF data for net share issuance include reinvested dividends.

FIGURE 3.15

Fee-Based Advisers Are Investing Larger Portions of Client Portfolios in ETFs

Percentage of household assets invested in investment category by adviser type



¹ This category includes wirehouses as well as regional, independent, and bank broker-dealers.

² This category includes registered investment advisers and dually registered investment adviser broker-dealers.

³ This category excludes an unknown portion of assets from investors who received fee-based advice but implemented trades themselves through discount brokers and fund supermarkets.

Source: Cerulli Associates, "The State of US Retail and Institutional Asset Management, 2020"

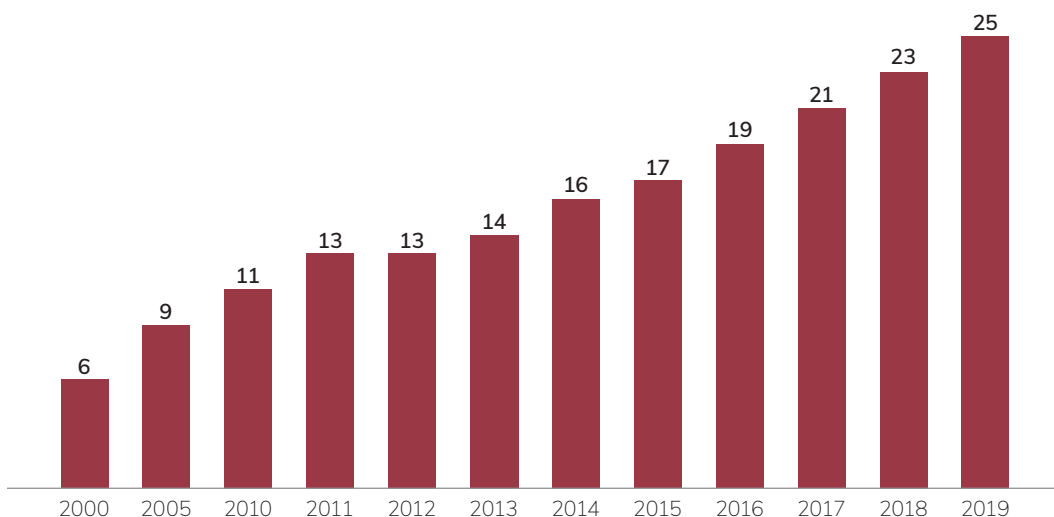
CITs are an alternative to mutual funds for DC plans. Like mutual funds, CITs pool the assets of investors and (either actively or passively) invest those assets according to a particular strategy. Much like institutional share classes of mutual funds, CITs generally require substantial minimum investment thresholds, which can limit the costs of managing pooled investment products. Unlike mutual funds, which are regulated under the Investment Company Act of 1940, CITs are regulated under banking laws and are not marketed as widely as mutual funds; this can also reduce their operational and compliance costs as compared with mutual funds.

More retirement plan sponsors have begun offering CITs as options in 401(k) plan lineups. As Figure 3.16 demonstrates, this trend has translated into a growing share of assets held in CITs by large 401(k) plans. That share increased from 6 percent in 2000 to an estimated 25 percent in 2019. This recent expansion is due, in part, to the growth in target date CITs.

FIGURE 3.16

Assets of Large 401(k) Plans Are Increasingly Held in Collective Investment Trusts

Percentage of assets in 401(k) plans with 100 participants or more



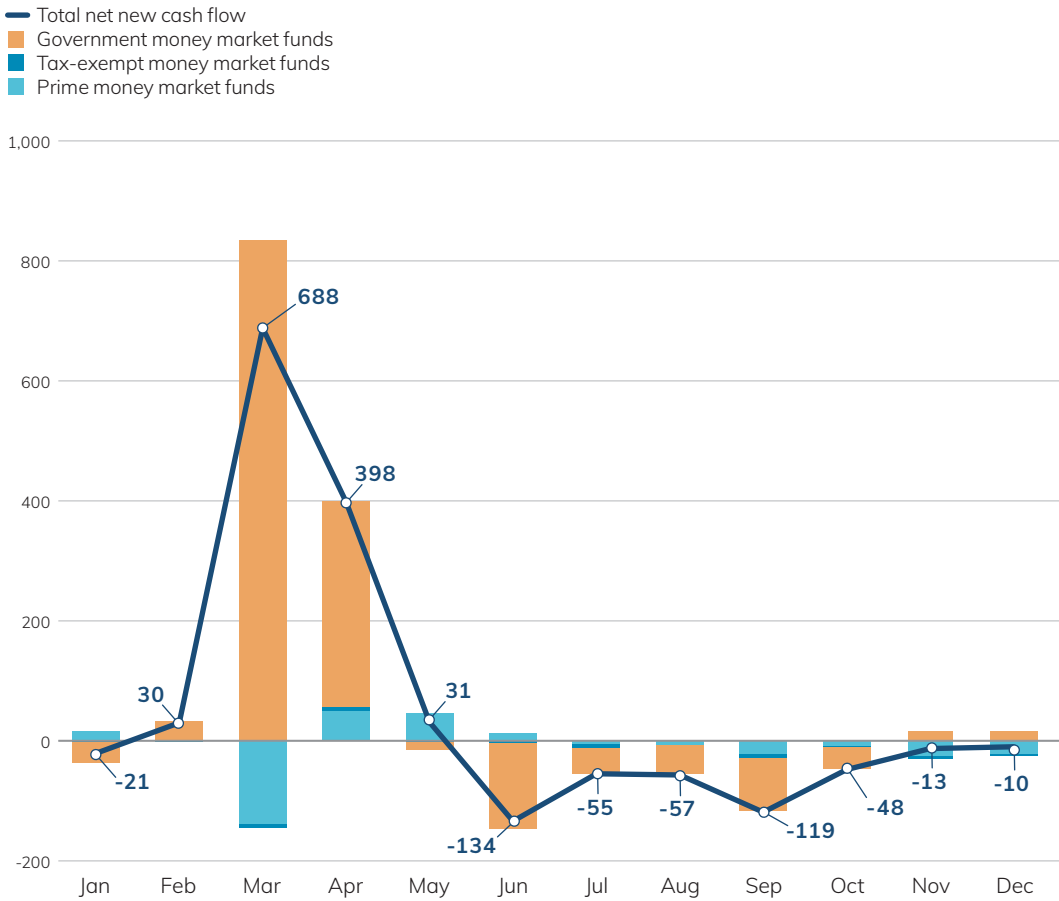
Note: Assets exclude Direct Filing Entity assets that are reinvested in collective investment trusts. Data prior to 2019 come from the Form 5500 Research data sets released by the Department of Labor. Data for 2019 are preliminary, based on Department of Labor Form 5500 latest data sets.

Source: Investment Company Institute tabulations of Department of Labor Form 5500 data

Money Market Funds

In 2020, money market funds received \$691 billion in net new cash flows, up from \$553 billion in 2019 (Figures 3.4 and 3.17). Government money market funds received substantial inflows (\$835 billion) while prime money market funds and tax-exempt money market funds had outflows of \$111 billion and \$33 billion, respectively.

FIGURE 3.17
Net New Cash Flow to Money Market Funds in 2020
 Billions of dollars; monthly, 2020



Demand for government money market funds in March and April 2020 was shaped by the efforts of businesses, households, and governments to preserve or build liquidity. As market volatility and investor uncertainty peaked in March, investors of all types used government money market funds, which primarily hold securities issued by the US Treasury, to help them preserve liquidity. Government money market funds experienced inflows of \$834 billion in March, followed by additional inflows of \$342 billion in April. From May through December, government money market funds had outflows of \$338 billion. Even though financial markets became significantly calmer after April, the bulk of the cash that flooded into government money market funds remained.

Meanwhile, prime money market funds experienced outflows of \$139 billion in March 2020, 17.6 percent of their net assets at the end of February. In particular, institutional prime money market funds had outflows of \$91 billion (29.1 percent of their total net assets at the end of February) and retail prime money market funds had outflows of \$48 billion (10.1 percent of their total net assets at the end of February). A combination of factors may have contributed to these outflows. Investor demand for safe, liquid assets meant that some of the outflows from prime money market funds may have moved into government money market funds.

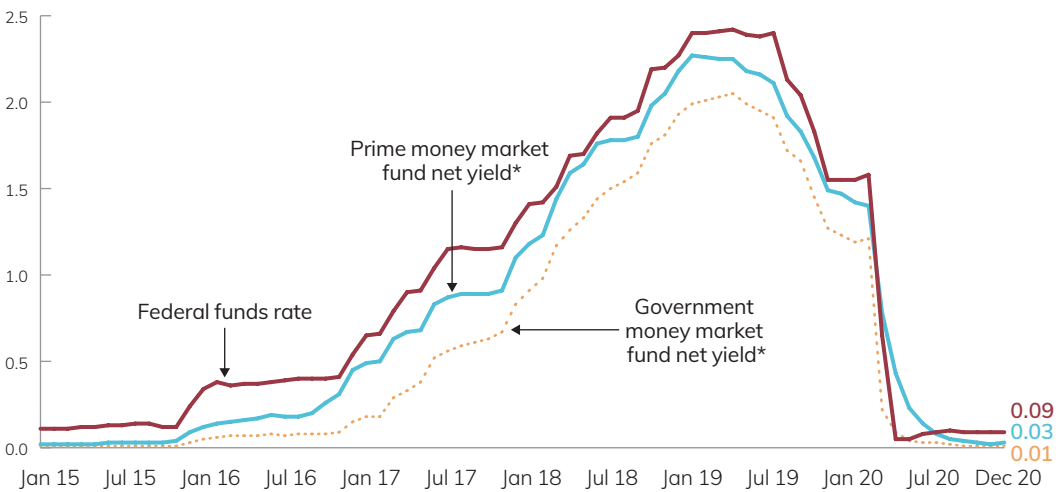
The 2014 reforms from the Securities and Exchange Commission (SEC) may also have played a role; for example, they granted funds the option to impose fees or gates on redemptions if their weekly liquid assets dropped below the 30 percent regulatory minimum. As weekly liquid assets of some institutional prime money market funds approached the 30 percent threshold, the pace of outflows accelerated because of the risk that a fund could impose a liquidity fee or redemption gate. Toward the end of March 2020, the Federal Reserve established a range of facilities to lend to virtually every sector of the economy, including to money market funds through the Money Market Fund Liquidity Facility. These facilities eased pressures on short-term credit markets and money market funds, and outflows from prime money market funds reversed. In April, prime money market funds experienced inflows of \$49 billion, followed by inflows of \$46 billion in May.

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www.ici.org/pdf/20_rpt_covid3.pdf



In March 2020, the Federal Reserve lowered the federal funds target rate twice. By the end of April, the federal funds rate was hovering at a little more than zero, and net yields on prime and government money market funds—which closely track short-term interest rates—had dropped significantly (Figure 3.18). By year-end 2020, government money market fund net yields were 0.01 percent and prime money market fund net yields were 0.03 percent. To keep net yields above zero in 2020, many advisers reinstated the expense waivers they had provided to their money market funds during the ultralow interest rate environment from 2009 through 2015. Consequently, the expenses waived by money market funds increased sharply from an estimated \$1.2 billion in 2019 to an estimated \$3.1 billion in 2020 (Figure 3.19).

FIGURE 3.18
Net Yields of Money Market Funds Were Nearly Zero by the End of 2020
 Percent, month-end

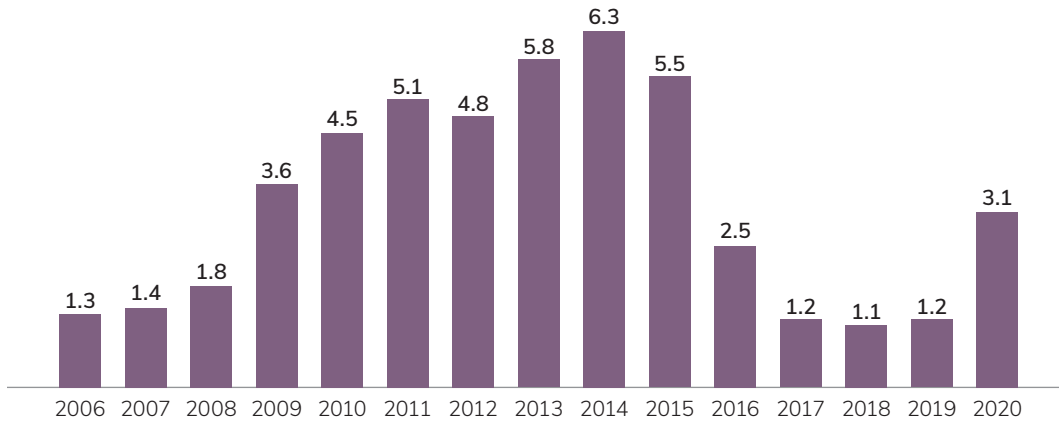


* Net yields of money market funds are annualized seven-day compound net yields.
 Sources: iMoneyNet and Federal Reserve Board

FIGURE 3.19

Money Market Funds' Use of Expense Waivers Increased in 2020

Money market fund expenses waived, billions of dollars



Source: Investment Company Institute tabulations of iMoneyNet data

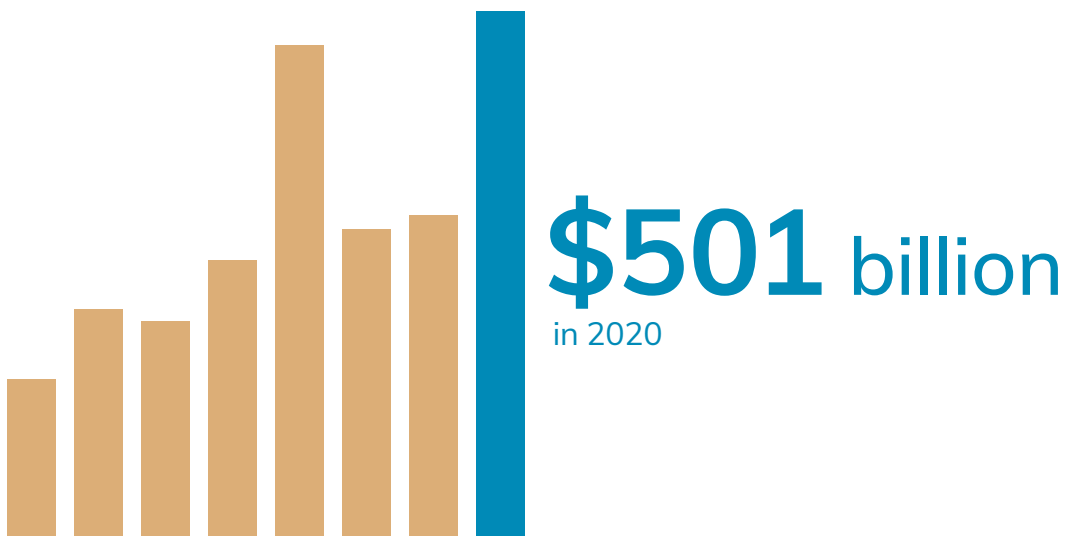


Chapter 4

US Exchange-Traded Funds

ETFs are a convenient, cost-effective tool for investors seeking to gain or shed exposure to broad market indexes, particular sectors or geographical regions, or specific rules-based investment strategies. Over the past decade, demand for ETFs has grown markedly as investors—both institutional and retail—increasingly turn to them as investment options. In the past 10 years, net share issuance of ETFs has totaled \$2.8 trillion. As investor demand has increased, sponsors have offered more ETFs with a greater variety of investment objectives. With \$5.4 trillion in total net assets at year-end 2020, the US ETF industry remained the largest in the world.

Net share issuance hit record pace in 2020



IN THIS CHAPTER

- 94** What Is an ETF?
- 96** ETFs and Mutual Funds
- 97** ETF Total Net Assets
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What Is an ETF?

An exchange-traded fund (ETF) is a pooled investment vehicle with shares that investors can buy and sell throughout the day on a stock exchange at a market-determined price. Investors may buy or sell ETF shares through a broker or in a brokerage account just as they would the shares of any publicly traded company. ETFs have been available as an investment product for 28 years in the United States. Most ETFs are structured as open-end investment companies, like mutual funds, and are governed by the same regulations. Other ETFs—primarily those investing in commodities, currencies, and futures—have different structures and are subject to different regulatory requirements.

Evolution of the ETF Regulatory Framework

The first US ETF—a broad-based domestic equity fund tracking the S&P 500 index—was launched in 1993 after a fund sponsor received Securities and Exchange Commission (SEC) exemptive relief from several provisions of the Investment Company Act of 1940 that would not otherwise allow the ETF structure. As other fund sponsors wanted to bring new ETFs to market, they had to obtain their own specific exemptive relief orders from the SEC. Until 2008, the SEC only approved exemptive relief orders for ETFs that tracked specified indexes. These ETFs, commonly referred to as index-based ETFs, are designed to track the performance of their designated indexes or, in some cases, a multiple or an inverse (or a multiple of an inverse) of their indexes. At year-end 2020, there were 1,675 index-based ETFs—with \$5.1 trillion in total net assets—that were registered with the SEC under the Investment Company Act of 1940.

In early 2008, the SEC granted approval through exemptive relief orders to several fund sponsors to offer fully transparent, actively managed ETFs. Actively managed ETFs do not seek to track the return of a particular index. Instead, an actively managed ETF's investment adviser, like that of an actively managed mutual fund, creates a unique mix of investments to meet a particular investment objective and strategy. As other fund sponsors wanted to offer actively managed ETFs, they had to obtain their own exemptive relief. From the approval of the first actively managed ETFs in 2008 through year-end 2020, the market has grown to 467 actively managed 1940 Act ETFs with \$174 billion in total net assets.



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ICI Explains: Understanding ETFs

www.ici.org/video/explain_18_etfs

After granting more than 300 exemptive orders to fund sponsors for index-based and fully transparent actively managed ETFs since 1993, the SEC adopted the “ETF rule” (Rule 6c-11 under the Investment Company Act of 1940) in September 2019. The ETF rule enables any fund sponsor to offer ETFs that satisfy certain conditions (e.g., daily disclosure of all portfolio holdings, net asset value, market price, premium or discount, and bid-ask spread; as well as written policies and procedures regarding basket construction) without the expense and delay of obtaining exemptive relief from the SEC. The ETF rule also removes a competitive disadvantage that favored some ETF sponsors with older, more flexible forms of exemptive relief. Under the new rule, the vast majority of ETFs currently registered with the SEC are subject to identical requirements.

In 2019, the SEC also granted separate approval through the exemptive relief process to five models of ETFs that did not fall under the new ETF rule because they do not fully disclose their portfolio holdings each day. These ETFs, commonly referred to as non-transparent or semi-transparent ETFs, provide limited daily information on the value of the securities they hold and, similar to mutual funds, publicly disclose their full schedule of portfolio holdings at least quarterly. Non-transparent or semi-transparent ETFs have been approved for use only in limited asset classes—primarily domestic equity—and must prominently disclose on their prospectuses, websites, and marketing materials that they are different from the more traditional ETFs allowed under the ETF rule. The first non-transparent or semi-transparent ETFs were launched in 2020, and by year-end there were 19 ETFs with nearly \$1 billion in total net assets under these approved models.

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ETFs and Mutual Funds

An ETF is a registered investment company that is similar to a mutual fund in that it offers investors a proportionate share in a pool of stocks, bonds, and other assets such as derivatives or bank loans. Like a mutual fund, an ETF is required to post the mark-to-market net asset value (NAV) of its portfolio at the end of each trading day and must conform to the main investor protection mechanisms of the Investment Company Act of 1940, including limitations on leverage, daily valuation and liquidity requirements, prohibitions on transactions with affiliates, and rigorous disclosure obligations. Also, like mutual funds, creations and redemptions of ETF shares are aggregated and executed just once per day at NAV. Despite these similarities, key features differentiate ETFs from mutual funds.

Key Differences

One major difference is that retail investors buy and sell ETF shares on the secondary market (stock exchange) through a broker-dealer, much like they would any other type of stock. In contrast, mutual fund shares are not listed on stock exchanges, but are purchased and sold through a variety of distribution channels, including through investment professionals—full service brokers, independent financial planners, bank or savings institution representatives, or insurance agents—or directly from a fund company or discount broker.

Pricing also differs between mutual funds and ETFs. Mutual funds are “forward priced,” which means that although investors can place orders to buy or sell mutual fund shares throughout the day, all orders placed during the day will receive the same price—the NAV—the next time it is computed. Most mutual funds calculate their NAV as of 4:00 p.m. eastern time because that is the time US stock exchanges typically close. In contrast, the market price of an ETF share is continuously determined on a stock exchange. Consequently, the price at which investors buy and sell ETF shares on the secondary market may not necessarily equal the NAV of the portfolio of securities in the ETF. Two investors selling the same ETF shares at different times on the same day may receive different prices for their shares, both of which may differ from the ETF’s NAV, which—like a mutual fund—generally is calculated as of 4:00 p.m. eastern time.



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Understanding Exchange-Traded Funds: How ETFs Work

www.ici.org/pdf/per20-05.pdf

ETF Total Net Assets

At year-end 2020, the US ETF market—with 2,204 funds and \$5.4 trillion in total net assets—remained the largest in the world, accounting for 69 percent of the \$7.9 trillion in ETF net assets worldwide (Figures 4.1 and 4.2). Within the United States, total net assets in ETFs accounted for 18 percent of assets managed by investment companies at year-end 2020.

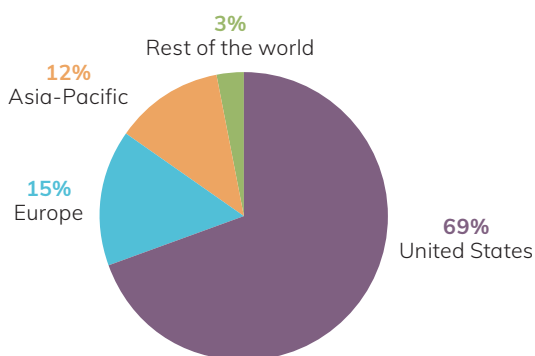
The vast majority of assets in US ETFs are in funds registered with and regulated by the SEC under the Investment Company Act of 1940 (Figure 4.2). At year-end 2020, less than 3 percent of net assets were held in ETFs that are not registered with or regulated by the SEC under the Investment Company Act of 1940; these ETFs invest primarily in commodities, currencies, and futures.

Non-1940 Act ETFs that invest in commodity or currency futures are regulated by the Commodity Futures Trading Commission (CFTC) under the Commodity Exchange Act and by the SEC under the Securities Act of 1933. Those that invest solely in physical commodities or currencies are regulated by the SEC under the Securities Act of 1933. At year-end 2020, there were 62 of these non-1940 Act ETFs with \$145 billion in net assets.

FIGURE 4.1

The United States Has the Largest ETF Market

Percentage of total net assets, year-end 2020



Worldwide ETF total net assets: \$7.9 trillion

Sources: Investment Company Institute and ETFGI

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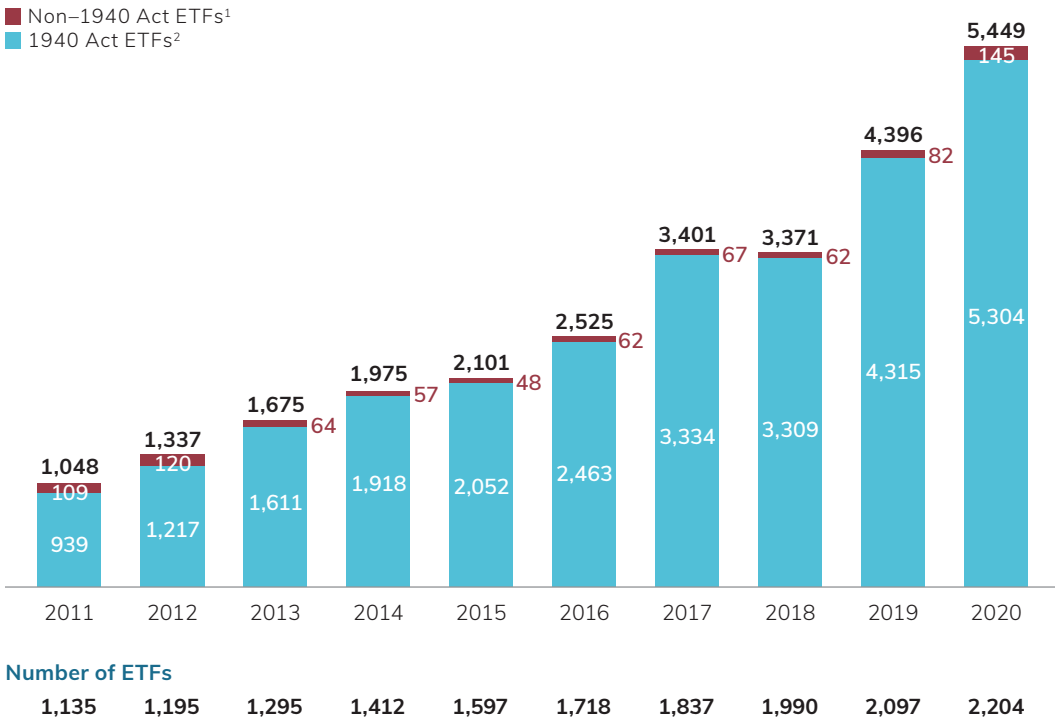
Focus on Funds: Exchange-Traded Fund Assets Rise in 2020

www.ici.org/video/201211_fof_etfflows

FIGURE 4.2

Total Net Assets and Number of ETFs

Billions of dollars, year-end



¹ The funds in this category are not registered under the Investment Company Act of 1940 and invest primarily in commodities, currencies, and futures.

² The funds in this category are registered under the Investment Company Act of 1940.

Origination of an ETF

An ETF originates with a sponsor—a company or financial institution—that chooses the investment objective of the ETF. In the case of an index-based ETF, the sponsor chooses both an index and a method of tracking its target index. Many early ETFs tracked traditional indexes, mostly those weighted by market capitalization. More-recently launched index-based ETFs follow benchmarks that use an array of index construction methodologies, with weightings based on market capitalization, as well as other fundamental factors, such as sales or book value. Others follow factor-based metrics—indexes that first screen potential securities for a variety of attributes, including dividend payments, value, or growth—and then weight the selected securities equally or by market capitalization. Other customized index approaches include screening, selecting, and weighting securities to minimize volatility, maximize diversification, or achieve a high or low degree of correlation with the market.

Index-based ETFs track their target index in various ways. An index-based ETF may replicate its index (that is, it may invest 100 percent of its assets proportionately in all the securities in the target index) or it may invest in a representative sample of securities in the target index. Representative sampling is a practical solution for ETFs tracking indexes that contain thousands of securities (such as total stock market or broad-based fixed-income indexes), securities that have restrictions on ownership or transferability (certain foreign securities), or securities that are difficult to obtain (some fixed-income securities).

The sponsor of an actively managed ETF determines the investment objective of the fund and may trade securities at its discretion, much like an actively managed mutual fund. For instance, the sponsor may try to achieve an investment objective such as outperforming a segment of the market or investing in a particular sector through a portfolio of stocks, bonds, or other assets.

Creation and Redemption of ETF Shares—Primary Market Activity

The creation or redemption of ETF shares—activity directly involving the ETF's underlying securities—is categorized as primary market activity. The creation and redemption mechanism in the ETF structure allows the number of shares outstanding in an ETF to expand or contract based on demand (Figure 4.3). Each business day, ETFs publish the creation and redemption baskets for the next trading day. The creation and redemption baskets are specific lists of names and quantities of securities, cash, and/or other assets. Often baskets will track the ETF's portfolio through either a pro rata slice or a representative sample. At times, baskets may be limited to a subset of the ETF's portfolio and contain a cash component. For example, the composition of baskets for bond ETFs may vary from day to day with the mix of cash and the selection of bonds in the baskets based on liquidity in the underlying bond market. Typically, the composition of an ETF's daily creation and redemption baskets mirror one another.

Creation

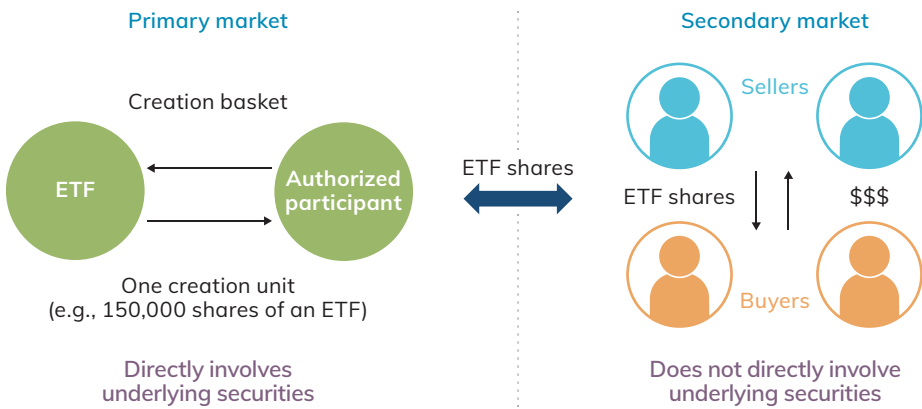
ETF shares are created when an authorized participant, or AP (see page 102), submits an order for one or more creation units. A creation unit consists of a specified number of ETF shares, generally ranging from 25,000 to 250,000 shares. The ETF shares are delivered to the AP when the specified creation basket is transferred to the fund. The fund may permit or require an AP to substitute cash for some or all of the securities or assets in the creation basket. This generally occurs when an instrument in the creation basket is difficult to obtain or may not be held by certain types of investors (such as certain foreign securities). An AP also may be charged a cash adjustment or transaction fee to offset any transaction expenses the fund undertakes. The value of the creation basket and any cash adjustment equals the value of the creation unit based on the ETF's NAV at the end of the day on which the transaction was initiated.

The AP can either keep the ETF shares that make up the creation unit or sell all or part of them to its clients or to other investors on a stock exchange, in a “dark pool” (private exchange), or in other trading venues. Purchases and sales of existing ETF shares among investors, including APs, are referred to as secondary market trading or activity.

Redemption

The redemption process in the primary market is simply the reverse of the creation process. A creation unit is redeemed when an AP acquires the number of ETF shares specified in the ETF’s creation unit and returns the creation unit to the fund. In return, the AP receives the daily redemption basket of securities, cash, and/or other assets. The total value of the redemption basket and any cash adjustment is equivalent to the value of the creation unit based on the ETF’s NAV at the end of the day on which the transaction was initiated.

FIGURE 4.3
Creation of ETF Shares



Note: The creation basket represents a specific list of securities, cash, and/or other assets.



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The Creation and Redemption Process and Why It Matters

www.ici.org/viewpoints/view_12_etfbasics_creation

How ETFs Trade

The price of an ETF share on a stock exchange is influenced by the forces of supply and demand. Though imbalances in supply and demand can cause the price of an ETF share to deviate from its underlying value, substantial deviations tend to be short-lived for many ETFs. Two primary features of an ETF's structure promote trading of its shares at a price that approximates its underlying value: portfolio transparency and the ability for APs to create or redeem ETF shares at the NAV at the end of each trading day.

Transparency of an ETF's holdings—either through full disclosure of the portfolio or other information on the value of the securities—enables investors to observe and attempt to profit from discrepancies between the ETF's share price and its underlying value during the trading day.

When there are discrepancies between an ETF's market price and the value of its underlying securities, trading can more closely align the ETF's price and its underlying value. For example, if an ETF is trading at a discount to its underlying value, investors may buy ETF shares or sell the underlying securities, or both. The increased demand should raise the ETF's price and the sales of the underlying securities should lower their prices, narrowing the gap between the ETF and its underlying value. If the ETF is trading at a premium to its underlying value, investors may choose to sell the ETF shares or buy the underlying securities, or both. These actions should bring the price of the ETF and the market value of its underlying securities closer together by reducing the ETF share price or raising the price of the underlying securities, or both.

The ability to create or redeem ETF shares at the end of each trading day also helps an ETF trade at market prices that approximate the underlying market value of the portfolio. When a deviation between an ETF's market price and its underlying value occurs, APs (on their own behalf or on behalf of other market participants) may create or redeem creation units in the primary market in an effort to capture a profit. For example, when an ETF is trading at a discount, market participants may find it profitable to buy the ETF shares and sell short the underlying securities. At the end of the day, APs return ETF shares to the fund in exchange for the ETF's redemption basket, which is used to cover the short positions in the underlying securities. When an ETF is trading at a premium, market participants may find it profitable to sell short the ETF during the day while simultaneously buying the underlying securities. At the end of the day, the APs (on their own behalf or on behalf of other market participants) will deliver the creation basket to the ETF in exchange for ETF shares that are used to cover the short sales.

These actions by market participants, commonly described as arbitrage, help keep the market-determined price of an ETF's shares close to its underlying value.

What Is an AP?

An authorized participant (AP) is typically a large financial institution that enters into a legal contract with an ETF distributor to create and redeem shares of the fund. In addition, APs are US-registered, self-clearing broker-dealers that can process all required trade submission, clearance, and settlement transactions on their own account; they are also full participating members of the National Securities Clearing Corporation (NSCC) and the Depository Trust Company (DTC).

APs play a key role in the primary market for ETF shares because they are the only investors allowed to interact directly with the fund. APs do not receive compensation from an ETF or its sponsor and have no legal obligation to create or redeem the ETF's shares. Rather, APs typically derive their compensation from acting as dealers in ETF shares. Also, APs create and redeem shares in the primary market when doing so is a more effective way of managing their firms' aggregate exposure than trading in the secondary market. Some APs are clearing brokers (rather than dealers) and receive payment for processing creations and redemptions as an agent for a wide array of market participants such as registered investment advisers and various liquidity providers, including market makers, hedge funds, and proprietary trading firms.

Over the years, policymakers have expressed concern that APs will step away from their role in facilitating creations and redemptions of ETF shares during periods of market stress, which would have knock-on effects in the secondary market for ETF shares. To investigate this concern, ICI conducted a member survey to assess the activity of APs during the March 2020 stress period and compared the experience with a more "normal" period in March 2019. In short, APs facilitated a significantly higher volume of ETF creations and redemptions for more ETFs during March 2020 than in March 2019. And, rather than pulling back, more APs, on average, participated in ETF primary market activity during the crisis in March 2020 (Figure 4.4). For example, across all ETF asset classes, there was a daily average of 2.0 active APs per ETF during the March 2020 period compared with a daily average of 1.6 active APs per ETF in the March 2019 period.



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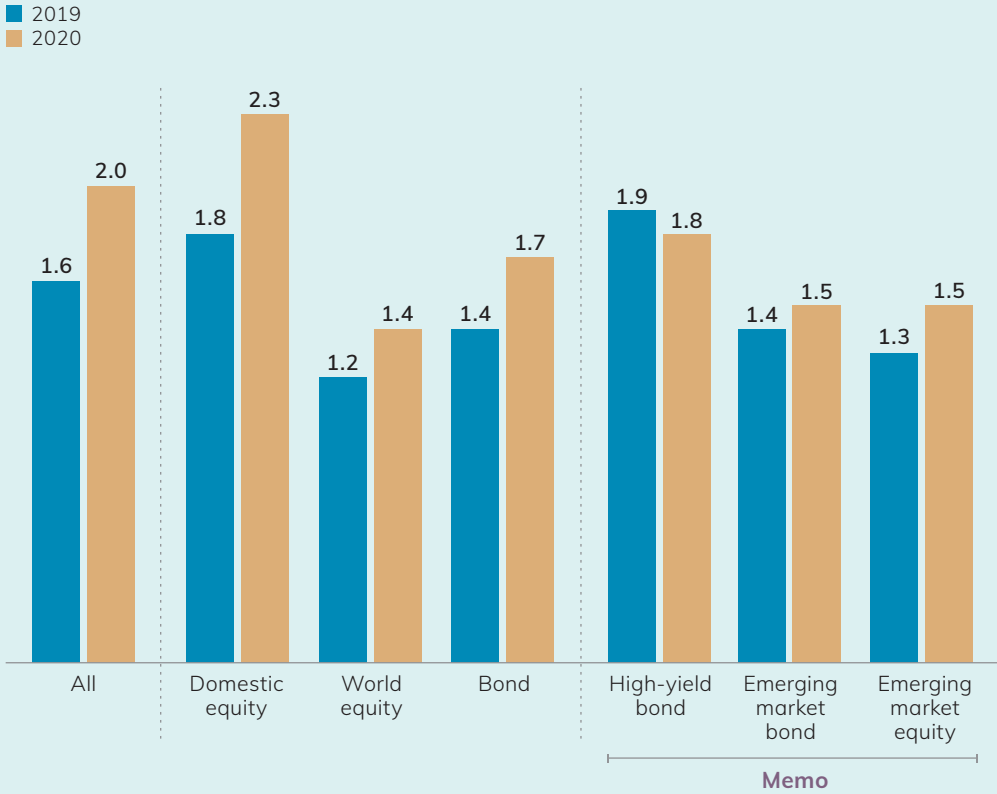
The Role and Activities of Authorized Participants of Exchange-Traded Funds

www.ici.org/pdf/ppr_15_aps_etfs.pdf

FIGURE 4.4

Authorized Participants Increased Their Activity Across a Wide Range of ETF Asset Classes in March 2020

Daily average number of active APs per ETF; March 11–March 29, 2019, and March 9–March 27, 2020



Source: Investment Company Institute survey of ETF sponsors. See *Report of the COVID-19 Market Impact Working Group*, “Experiences of US Exchange-Traded Funds During the COVID-19 Crisis.”

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Does Liquidity in ETFs Depend Solely on Authorized Participants?

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Secondary Market Trading in ETF Shares

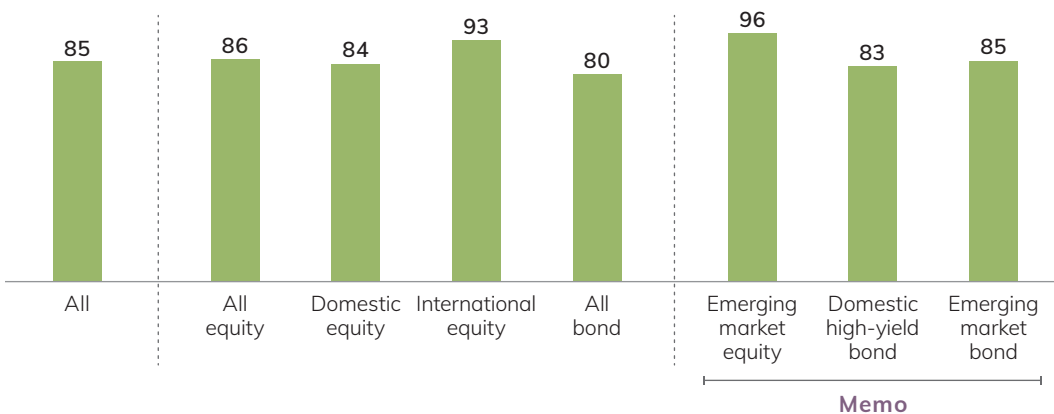
ETF investors trading in the secondary market (e.g., on an exchange) do not interact with the ETF directly and, for the most part, do not create transactions in the underlying securities, because only the ETF shares are changing hands. Although many large institutional investors can access ETFs in both the primary and secondary markets, retail investors generally can access them only in the secondary market. Many ETF investors trading in the secondary market generally are not motivated by arbitrage. They are using ETFs to gain or reduce exposure to particular asset classes or investment strategies. Thus, ETFs provide investors with an efficient means to transfer risk.

Across all ETFs, most activity is conducted in the secondary market (trading ETF shares) rather than the primary market (creations and redemptions of ETF shares through an AP). On average, 85 percent of the total activity in ETFs occurred on the secondary market in 2020 (Figure 4.5). Even for ETFs focused on narrower investment objectives—such as emerging market equity, domestic high-yield bond, and emerging market bond—the bulk of the trading occurred on the secondary market (96 percent, 83 percent, and 85 percent, respectively). On average, secondary market trading was a smaller proportion of total trading for all types of bond ETFs (80 percent) than for all types of equity ETFs (86 percent). Because bond ETFs are a growing segment of the industry, many ETFs tend to have less-established secondary markets. As their total net assets increase, the secondary market for bond ETFs is likely to deepen.

FIGURE 4.5

Most ETF Activity Occurs on the Secondary Market

Percentage of secondary market activity¹ relative to total activity,² 2020



¹ Secondary market activity is measured as total dollar volume of ETF shares traded in each category.

² Total activity is measured as the sum of primary market and secondary market activity. Primary market activity is measured as the total of gross issuance and gross redemptions of ETF shares in each category.

Sources: Investment Company Institute and Bloomberg

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Exchange-Traded Funds Resource Center

www.ici.org/etf

Investors use ETFs for a variety of reasons, such as acquiring or shedding exposure to specific asset classes and investment strategies, diversifying their portfolios, and hedging investment risks. It is, therefore, not surprising that ETF secondary market trading volumes (as measured by the value of shares traded) are a substantial share of total trading on US stock exchanges and other venues. On a daily basis, ETF trading volume accounted for an average of 26 percent of total stock market trading in 2020 (Figure 4.6). Also, despite tremendous growth in ETFs, their average daily share of total stock market trading remained relatively flat after 2011—fluctuating in a narrow range between 25 and 27 percent.

During periods of market turbulence, ETF secondary market trading volumes rise—both in absolute terms and as a share of total stock market trading—as investors, especially institutional investors, turn to ETFs to quickly and efficiently transfer and hedge risks. For example, in late 2018, stock market volatility jumped, largely reflecting market participants' concerns about slowing global growth and intensifying trade tensions. On December 24, 2018, when the S&P 500 index neared bear market territory from its September peak, ETF trading volume accounted for 43 percent of total stock market trading—its highest share during 2018 (Figure 4.6). In March 2020, during the financial market stress brought on by the COVID-19 crisis, ETF trading volume surged—reaching 40 percent of total stock market trading on March 3, as investors quickly sought to reposition their exposures in the face of the looming pandemic.

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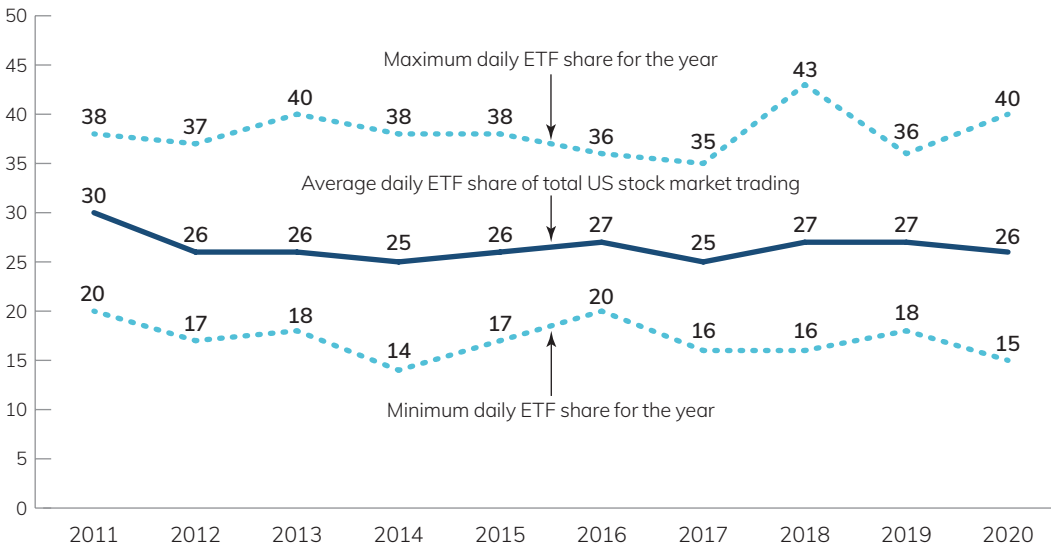
ETFs Are Passing the COVID-19 Crisis Test
www.ici.org/viewpoints/20_view_etfscovid



FIGURE 4.6

ETF Secondary Market Trading Averaged 26 Percent of Daily US Stock Trading in 2020

Percentage of total US stock market trading volume, annual



Date of maximum

Aug 10 Dec 31 Jun 20 Feb 3 Aug 24 Sep 13 Dec 1 Dec 24 Jan 2 Mar 3

Date of minimum

Jan 18 Sep 21 Feb 12 Jun 27 Jun 26 Jul 28 Jun 23 Jun 22 Nov 26 Dec 18

Sources: Investment Company Institute, Bloomberg, and Cboe Exchange, Inc.

Some observers have argued that dealers would step away from facilitating trading of ETF shares in the secondary market during a crisis. To address this concern, ICI reviewed and analyzed data related to the number of registered market makers and other liquidity providers that posted two-sided quotes in ETF shares during the March 2020 stress period and during a more “normal” period in March 2019 on BZX (the largest US equities exchange operated by Cboe Global Markets, Inc.).



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Experiences of US Exchange-Traded Funds During the COVID-19 Crisis

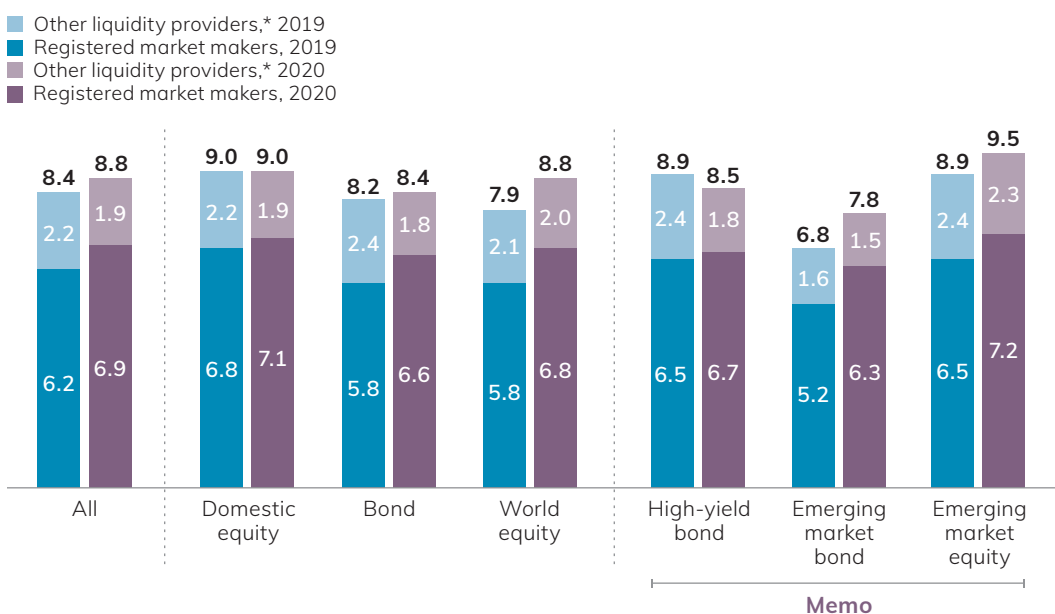
www.ici.org/pdf/20_rpt_covid2.pdf

Generally speaking, registered market makers and other liquidity providers on BZX continued to provide two-sided quotes for ETFs across a broad range of ETF asset classes during the extreme market volatility in March 2020. The daily average number of registered market makers that were actively quoting per ETF during the March 2020 stress period exceeded the average number during the same period in 2019 for each broad asset class examined (Figure 4.7). The engagement of other liquidity providers, which may act like market makers but do not have the continuous, two-sided quote obligations of registered market makers, also added to ETF liquidity. Although the daily average number of other liquidity providers per ETF on BZX was lower in March 2020 compared to March 2019 across asset classes, the decline was small—not the wholesale pullback that policymakers and others predicted and feared.

FIGURE 4.7

ETF Liquidity Providers Consistently Participated During Height of Market Turbulence in March 2020

Daily average per ETF; March 11–March 29, 2019, and March 9–March 27, 2020



* For the purposes of this analysis, *other liquidity provider* is any firm that has a two-sided quote for any point in the trading day (09:30 to 16:00 ET) that is less than or equal to 30 percent wide (midpoint x 1.15 for the ask price and midpoint x 0.85 for the bid price), and is not a registered market maker.

Source: Investment Company Institute calculation based on CGM data for the BZX Exchange. See *Report of the COVID-19 Market Impact Working Group*, “Experiences of US Exchange-Traded Funds During the COVID-19 Crisis.”

Most ETF secondary market trades represent investors exchanging shares of ETFs among themselves. Such trades, which occur in the secondary market, do not “touch” the securities that ETFs hold—that only happens when there is primary market activity (creations and redemptions) in ETF shares. In 2020, domestic equity ETFs had a total of \$4.2 trillion in primary market activity, which represented only 4.7 percent of the \$88.9 trillion traded in company stocks during the year (Figure 4.8). Even during 2018—a year with multiple episodes of heightened stock market volatility—creations and redemptions of domestic equity ETFs accounted for only 5.4 percent of the \$65.1 trillion traded in company stocks that year. It is important to note that in the past decade, only a small fraction of company stock trading volume has been attributable to ETFs.

FIGURE 4.8

Domestic Equity ETFs Have Had Minimal Impact on Underlying US Stocks

Annual

Year	Domestic equity ETF primary market activity* Trillions of dollars	Value of company stock traded Trillions of dollars	Domestic equity ETF primary market activity as a share of company stock traded Percent
2011	\$2.1	\$44.3	4.7%
2012	1.7	38.7	4.4
2013	1.9	41.2	4.6
2014	2.3	48.7	4.6
2015	2.5	51.3	4.9
2016	2.2	49.7	4.4
2017	2.2	51.3	4.2
2018	3.5	65.1	5.4
2019	2.9	59.3	5.0
2020	4.2	88.9	4.7

* Primary market activity is measured as the total of gross issuance and gross redemptions.
Sources: Investment Company Institute, Bloomberg, and Cboe Exchange, Inc.

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Pointing Fingers at Index Funds Won't Explain Market Volatility

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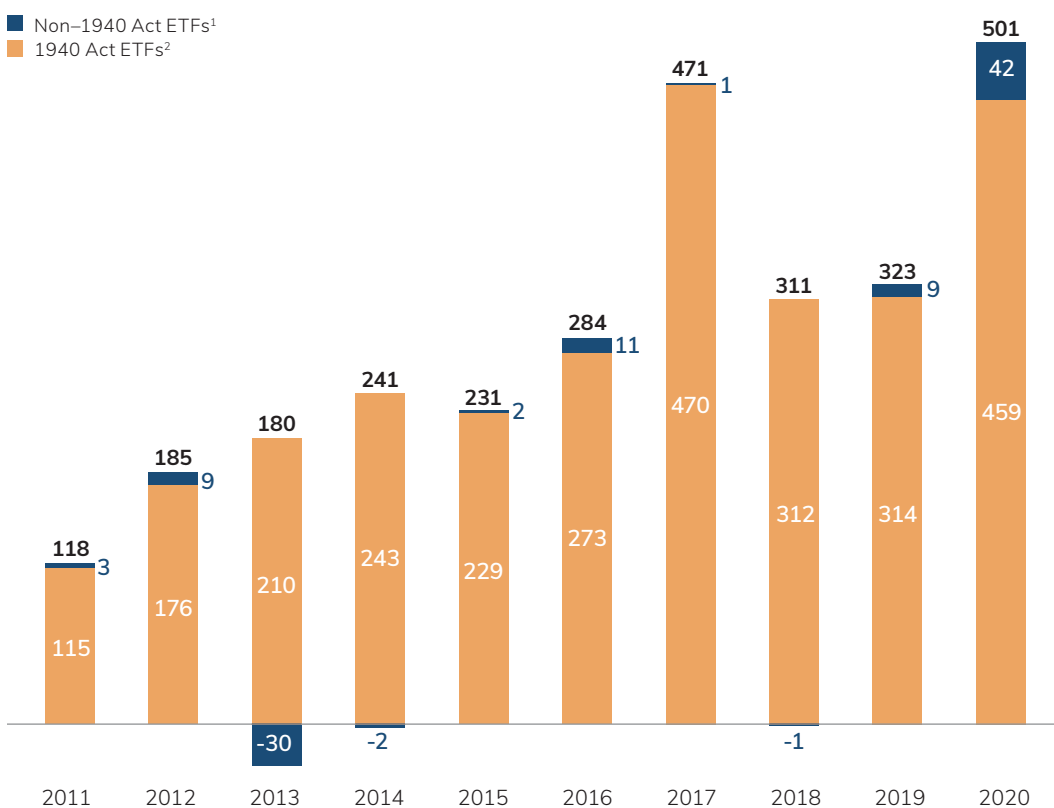
Demand for ETFs

In the past decade, demand for ETFs has grown as institutional investors have found ETFs to be a convenient vehicle for participating in, or hedging against, broad movements in the stock market. Increased awareness of these investment vehicles by retail investors and their financial advisers also has influenced demand for ETFs. For 2020 as a whole, net share issuance of ETF shares (including reinvested dividends) surged to a record \$501 billion, up from 2019's robust \$323 billion (Figure 4.9).

FIGURE 4.9

Net Share Issuance of ETFs Surged in 2020

Billions of dollars, annual



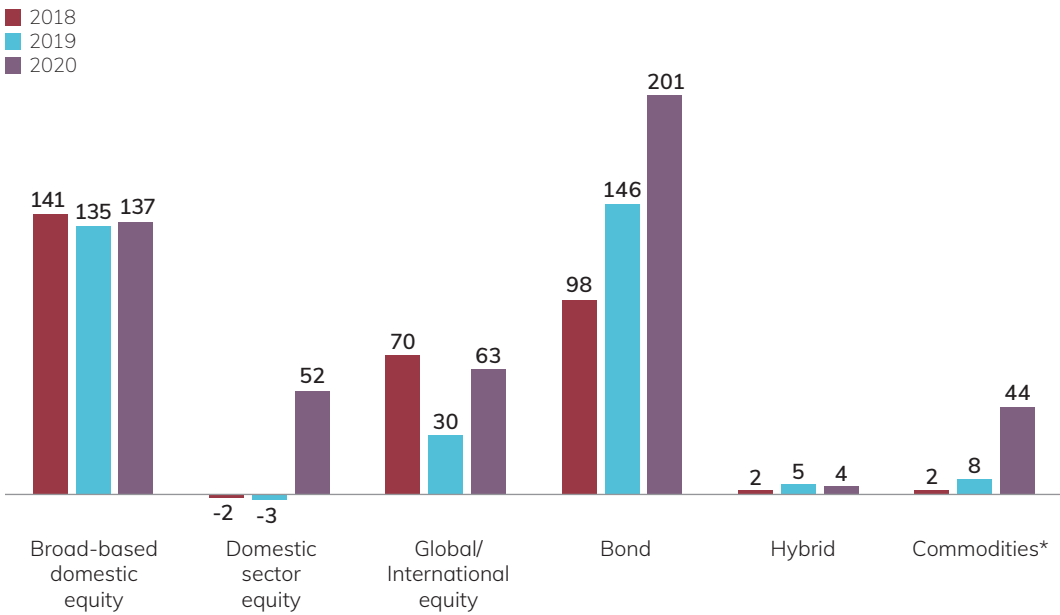
¹ The funds in this category are not registered under the Investment Company Act of 1940 and invest primarily in commodities, currencies, and futures.

² The funds in this category are registered under the Investment Company Act of 1940.

Note: Data for net share issuance include reinvested dividends.

In 2020, net share issuance of ETFs increased across nearly all asset classes (Figure 4.10). Demand for bond ETFs, likely boosted by the aging of the Baby Boom Generation and attractive returns on bonds* (up 8 percent), rose sharply in 2020, with net share issuance totaling a record \$201 billion, up from \$146 billion in 2019 and \$98 billion in 2018. Net share issuance of broad-based domestic equity ETFs remained strong in 2020, with \$137 billion in net new shares issued, possibly reflecting strong returns on US stocks† (up 21 percent). Demand for global/international ETFs, which totaled \$63 billion for 2020, picked up during the second half of the year. Contractions in economic growth in international advanced economies—such as Europe, the United Kingdom, Japan, and Canada—and emerging market and developing economies—such as Russia, Brazil, and Mexico—were less severe in the second quarter of 2020 than had been expected and prospects for future economic growth for the remainder of 2020 were increased. Net share issuance of commodity ETFs increased to \$44 billion in 2020, with ETFs that had exposure to gold and silver accounting for three-quarters of the net share issuance.

FIGURE 4.10
Net Share Issuance of ETFs by Investment Classification
 Billions of dollars, annual



* Commodity ETFs include funds—both registered and not registered under the Investment Company Act of 1940—that invest primarily in commodities, currencies, and futures.
 Note: Data for net share issuance include reinvested dividends.

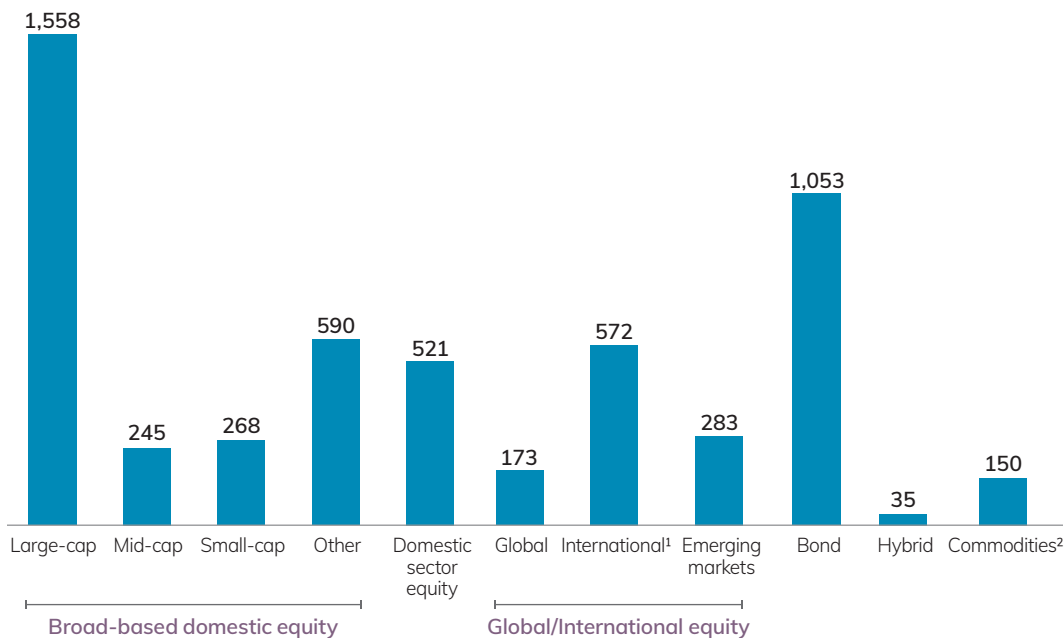
* As measured by the FTSE US Broad Investment Grade Bond Index.
 † As measured by the Wilshire 5000 Total Market Index.

ETFs have been available for more than 25 years, and in that time, large-cap domestic equity ETFs have accounted for the largest proportion of ETF net assets. At year-end 2020, net assets in large-cap domestic equity ETFs totaled \$1.6 trillion, or 29 percent of ETF net assets (Figure 4.11). Fueled by strong investor demand over the past few years, bond ETFs held 19 percent (\$1.1 trillion) of ETF net assets. International equity ETFs accounted for \$572 billion, or 11 percent of ETF net assets.

FIGURE 4.11

Total Net Assets of ETFs Were Concentrated in Large-Cap Domestic Stocks

Billions of dollars, year-end 2020



¹ This category includes international, regional, and single country ETFs but excludes emerging market ETFs.

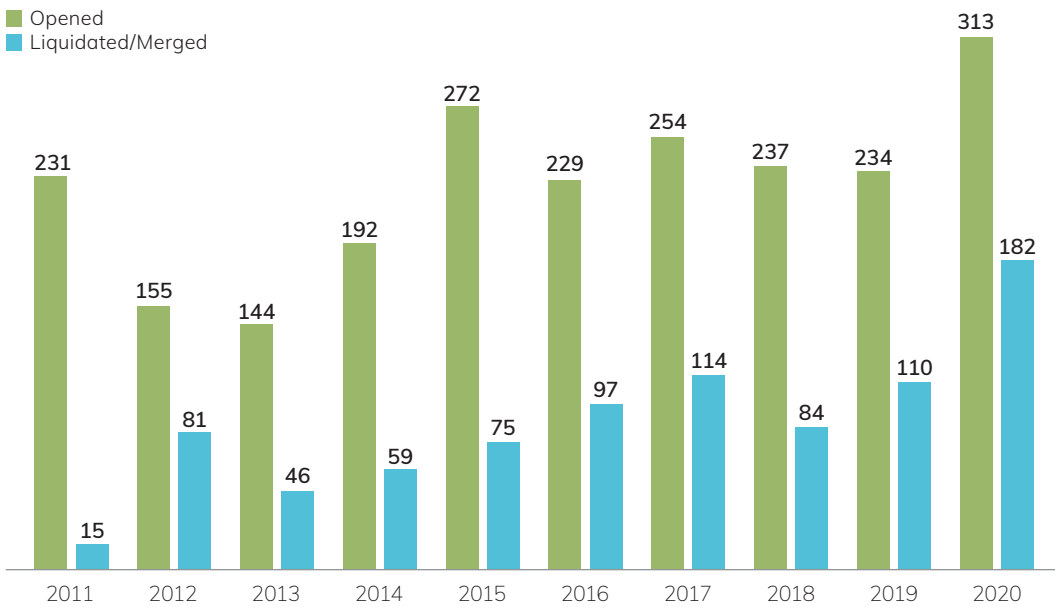
² Commodity ETFs include funds—both registered and not registered under the Investment Company Act of 1940—that invest primarily in commodities, currencies, and futures.

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ICI Explains: ETFs and the Markets
www.ici.org/video/19_explain ETFs

Strong investor demand for ETFs has led to a substantial increase in the number of ETFs created by fund sponsors, with 2,261 new ETFs offered to investors in the past decade (Figure 4.12). Over the same period, 863 ETFs were liquidated or merged with another fund. In any given year, fund sponsors will liquidate or merge ETFs that have failed to attract sufficient demand. In 2020, 313 ETFs—about 60 percent of which were domestic equity ETFs—were launched. Meanwhile, 182 ETFs were liquidated or merged, as sponsors eliminated some international/global equity and sector equity ETFs from their lineups.

FIGURE 4.12
Number of ETFs Entering and Exiting the Industry



Note: Data include ETFs that invest primarily in other ETFs.

Characteristics of ETF-Owning Households

About 9 percent of US households (11.7 million) held ETFs in 2020. Of households that owned mutual funds, an estimated 17 percent also owned ETFs. ETF-owning households tended to include affluent investors who owned a range of equity and fixed-income investments. In 2020, 94 percent of ETF-owning households also owned equity mutual funds, individual stocks, or variable annuities (Figure 4.13). Fifty-five percent of households that owned ETFs also held bond mutual funds, individual bonds, or fixed annuities, and 41 percent owned investment real estate.

FIGURE 4.13

ETF-Owning Households Held a Broad Range of Investments

Percentage of ETF-owning households holding each type of investment, 2020

Equity mutual funds, individual stocks, or variable annuities (total)	94
Bond mutual funds, individual bonds, or fixed annuities (total)	55
Mutual funds (total)	88
Equity	84
Bond	46
Hybrid	37
Money market	52
Individual stocks	71
Individual bonds	18
Fixed or variable annuities	26
Investment real estate	41

Note: Multiple responses are included.

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A Close Look at ETF Households
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Some characteristics of ETF-owning households are similar to those of households that own mutual funds and those that own stocks directly. For instance, households that owned ETFs—like households owning mutual funds and those owning individual stocks—tended to have household incomes above the national median and tended to own at least one defined contribution (DC) retirement plan account (Figure 4.14). ETF-owning households, however, also exhibit some characteristics that distinguish them from other households. For example, ETF-owning households tended to be younger and have higher education levels.

FIGURE 4.14

Characteristics of ETF-Owning Households

2020

	All US households	Households owning ETFs	Households owning mutual funds	Households owning individual stocks
Median				
Age of head of household ¹	52	47	50	51
Household income ²	\$65,000	\$125,000	\$105,000	\$120,000
Household financial assets ³	\$100,000	\$450,000	\$300,000	\$467,000
Percentage of households				
Household primary or co-decisionmaker for saving and investing				
Married or living with a partner	55	64	69	69
College or postgraduate degree	38	68	56	59
Employed (full- or part-time)	59	72	75	71
Retired from lifetime occupation	30	23	23	28
Household owns				
IRA(s)	37	72	65	67
DC retirement plan account(s)	49	78	87	75

¹ Age is based on the sole or co-decisionmaker for household saving and investing.

² Total reported is household income before taxes in 2019.

³ Household financial assets include assets in employer-sponsored retirement plans but exclude the household's primary residence.

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Focus on Funds: Exchange-Traded Fund Investors Are Different

www.ici.org/video/fof_011119_etfs

ETF-owning households also exhibit more willingness to take investment risk (Figure 4.15). Fifty-six percent of ETF-owning households were willing to take substantial or above-average investment risk for substantial or above-average gain in 2020, compared with 25 percent of all US households and 40 percent of mutual fund-owning households. This result may be explained by the predominance of equity ETFs, which make up 77 percent of ETF total net assets (Figure 4.11). Investors who are more willing to take investment risk generally may be more likely to invest in equities.

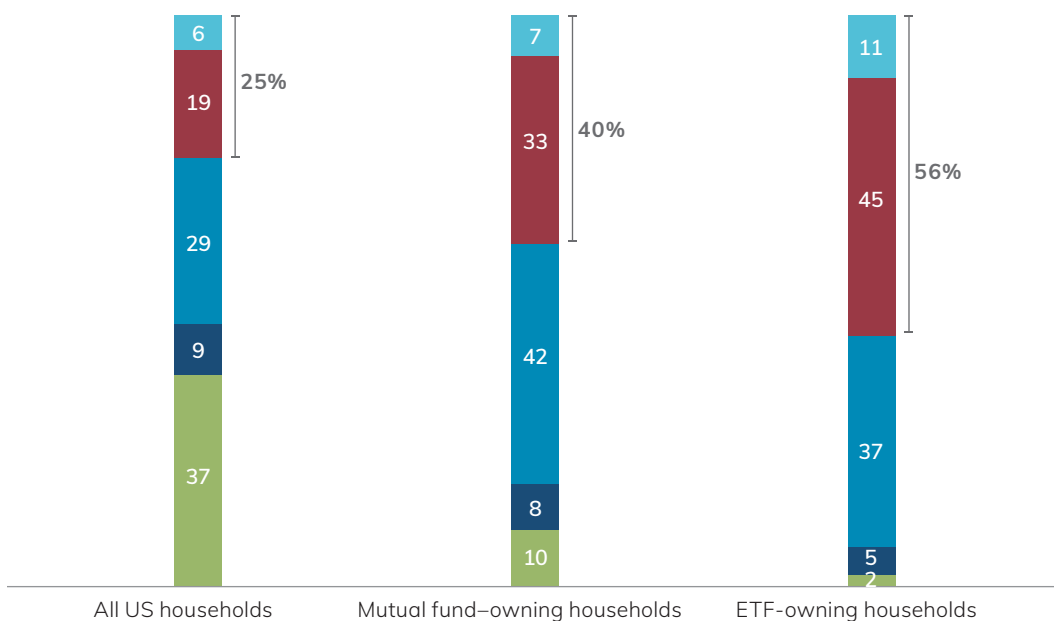
FIGURE 4.15

ETF-Owning Households Are Willing to Take More Investment Risk

Percentage of all US households, mutual fund-owning households, and ETF-owning households; 2020

Level of risk willing to take with financial investments

- Substantial risk for substantial gain
- Above-average risk for above-average gain
- Average risk for average gain
- Below-average risk for below-average gain
- Unwilling to take any risk





Chapter 5

US Closed-End Funds

Closed-end funds are one of four types of investment companies, along with mutual (or open-end) funds, exchange-traded funds, and unit investment trusts. Closed-end funds generally issue a fixed number of shares that are listed on a stock exchange or traded in the over-the-counter market. The assets of a closed-end fund are professionally managed in accordance with the fund's investment objectives and policies, and may be invested in stocks, bonds, and other securities. Total assets of closed-end funds were \$279 billion at year-end 2020.

62 percent of closed-end fund total assets were in bond funds at year-end 2020



62%

in bond closed-end funds

IN THIS CHAPTER

- 118** What Is a Closed-End Fund?
- 119** Total Assets of Closed-End Funds
- 121** Net Issuance of Closed-End Funds
- 122** Closed-End Fund Distributions
- 123** Closed-End Fund Leverage
- 128** Characteristics of Households Owning Closed-End Funds



What Is a Closed-End Fund?

A closed-end fund is a type of investment company whose shares are listed on a stock exchange or traded in the over-the-counter market. The assets of a closed-end fund are professionally managed in accordance with the fund's investment objectives and policies, and may be invested in equities, bonds, and other securities. The market price of a closed-end fund share fluctuates like that of other publicly traded securities and is determined by supply and demand in the marketplace.

A closed-end fund is created by issuing a fixed number of common shares to investors during an initial public offering. Subsequent issuance of common shares can occur through secondary or follow-on offerings, at-the-market offerings, rights offerings, or dividend reinvestments. Closed-end funds also are permitted to issue one class of preferred shares in addition to common shares. Holders of preferred shares are paid dividends, but do not participate in the gains and losses on the fund's investments. Issuing preferred shares allows a closed-end fund to raise additional capital, which it can use to purchase more securities for its portfolio.

Once issued, shares of a closed-end fund generally are bought and sold by investors in the open market and are not purchased or redeemed directly by the fund—although some closed-end funds may adopt stock repurchase programs or periodically tender for shares. Because a closed-end fund does not need to maintain cash reserves or sell securities to meet redemptions, the fund has the flexibility to invest in less-liquid portfolio securities. For example, a closed-end fund may invest in securities of very small companies, municipal bonds that are not widely traded, or securities traded in countries that do not have fully developed securities markets.



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Closed-End Fund Resource Center

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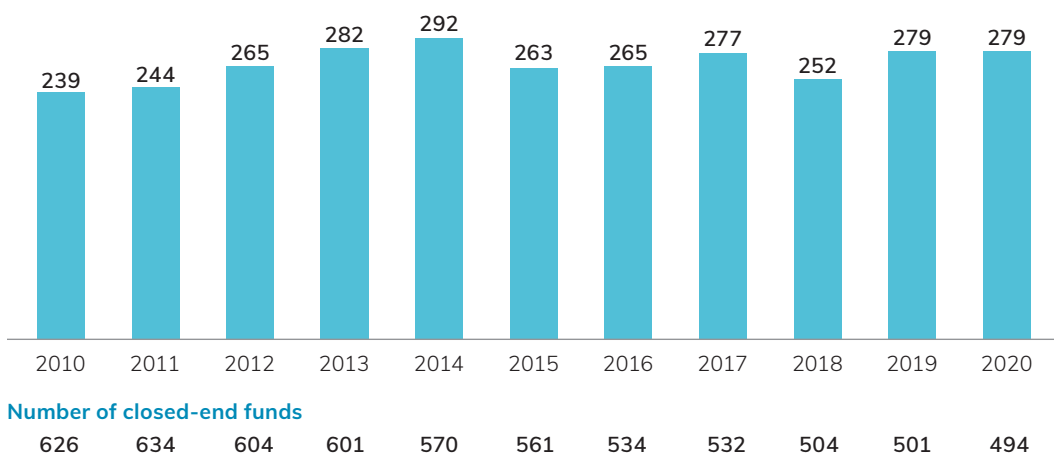
Total Assets of Closed-End Funds

At year-end 2020, 494 closed-end funds had total assets of \$279 billion (Figure 5.1), which remained unchanged from year-end 2019. Stock and bond markets sharply declined in February and March 2020 because of the uncertainty surrounding the COVID-19 pandemic. This contributed to a decline in total assets of closed-end funds from \$279 billion at year-end 2019 to \$231 billion by the end of March 2020. However, markets steadily recovered for the remainder of the year, helping lift closed-end fund assets back to their precrisis levels.

FIGURE 5.1

Total Assets of Closed-End Funds Were \$279 Billion at Year-End 2020

Billions of dollars, year-end



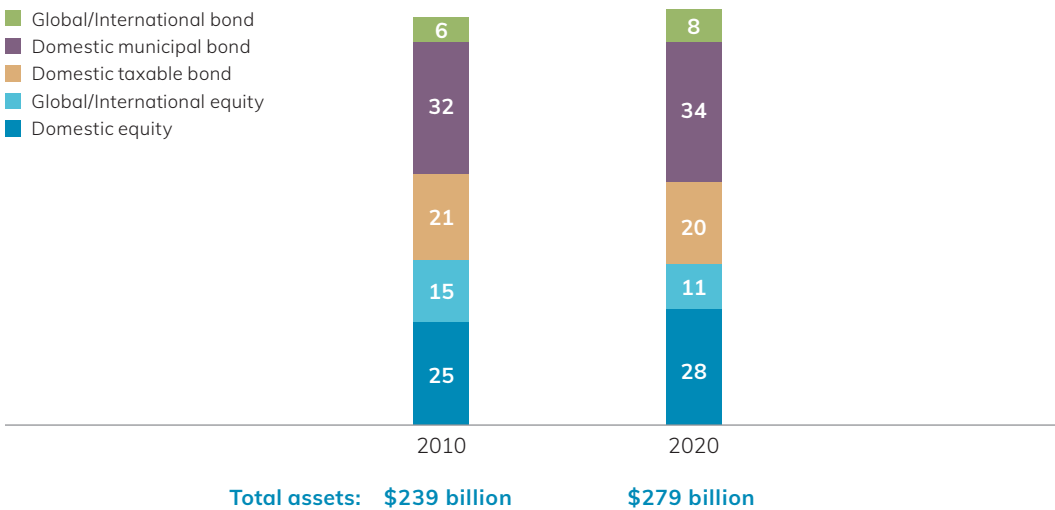
Note: *Total assets* is the fair value of assets held in closed-end fund portfolios funded by common and preferred shares less any liabilities (not including liabilities attributed to preferred shares).

Source: ICI Research Perspective, "The Closed-End Fund Market, 2020"

Historically, bond funds have accounted for a large share of assets in closed-end funds. At year-end 2010, 60 percent of all closed-end fund assets were held by bond funds, with the remainder held by equity funds (Figure 5.2). At year-end 2020, 62 percent of closed-end fund assets (\$173 billion) were held by bond funds. The remaining 38 percent of closed-end fund assets (\$106 billion) were held by equity funds. These shares have remained relatively stable, in part because of two offsetting factors. Over the past 10 years, cumulative net issuance of bond closed-end fund shares exceeded that of equity fund shares—offsetting the total returns on US stocks,* which exceeded those of US bonds† during this time.

The number of closed-end funds available to investors decreased for the ninth straight year in 2020, and remains well below its recent peak in 2011 (Figure 5.1). Over this period, more closed-end funds were liquidated, merged, or converted into open-end mutual funds or exchange-traded funds (ETFs) than were launched.

FIGURE 5.2
Composition of the Closed-End Fund Market by Investment Objective
 Percentage of closed-end fund total assets, year-end



Source: ICI Research Perspective, “The Closed-End Fund Market, 2020”

* As measured by the Wilshire 5000 Total Market Index.
 † As measured by the FTSE US Broad Investment Grade Bond Index.



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The Closed-End Fund Market, 2020
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Net Issuance of Closed-End Funds

Net issuance of closed-end fund shares was \$1.5 billion in 2020, compared with \$5.9 billion in 2019 (Figure 5.3). In 2020, equity closed-end funds had positive net share issuance of \$1.9 billion, while bond closed-end funds had net redemptions of \$0.4 billion. Among equity closed-end funds, net share issuance was concentrated in domestic funds (\$2.0 billion). Among bond closed-end funds, global/international funds saw \$0.6 billion in net share issuance, while domestic taxable funds and domestic municipal funds experienced net redemptions of \$0.7 billion and \$0.3 billion, respectively.

FIGURE 5.3

Closed-End Fund Net Share Issuance

Millions of dollars

	Total	Equity			Bond			
		Total	Domestic	Global/ International	Total	Domestic taxable	Domestic municipal	Global/ International
2011	6,018	4,466	3,206	1,260	1,551	724	825	2
2012	11,385	2,953	2,840	113	8,432	3,249	3,102	2,081
2013	14,515	3,605	4,097	-491	10,909	3,921	530	6,459
2014	4,935	4,314	3,819	494	621	266	567	-212
2015	1,859	1,267	224	1,043	592	708	-11	-104
2016	829	58	242	-184	771	1,437	-168	-498
2017	678	-548	-147	-401	1,226	758	231	237
2018	1,869	-412	-352	-60	2,280	300	1,985	-4
2019	5,882	2,633	828	1,805	3,249	1,311	1,674	265
2020	1,462	1,901	1,977	-76	-439	-715	-316	593

Note: Net share issuance is the dollar value of gross issuance (proceeds from initial and additional public offerings of shares) minus gross redemptions of shares (share repurchases and fund liquidations).

Source: ICI Research Perspective, "The Closed-End Fund Market, 2020"

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Focus on Funds: Gain Market Insights on Closed-End Funds

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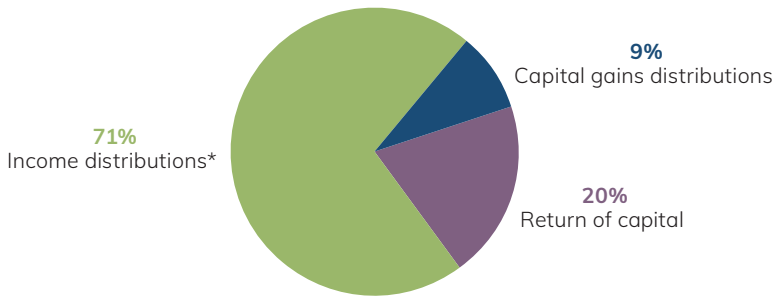
Closed-End Fund Distributions

In 2020, closed-end funds distributed an estimated \$16.4 billion to shareholders (Figure 5.4). Closed-end funds may make distributions to shareholders from three possible sources: income distributions, which are payments from interest and dividends that the fund earns on its investments in securities; realized capital gains distributions; and return of capital. Income distributions accounted for 71 percent of closed-end fund distributions, capital gains distributions for 9 percent, and return of capital for 20 percent.

FIGURE 5.4

Closed-End Fund Distributions

Percentage of closed-end fund distributions, 2020



Total closed-end fund distributions: \$16.4 billion

* Income distributions are paid from interest and dividends that the fund earns on its investments in securities.

Source: ICI Research Perspective, "The Closed-End Fund Market, 2020"

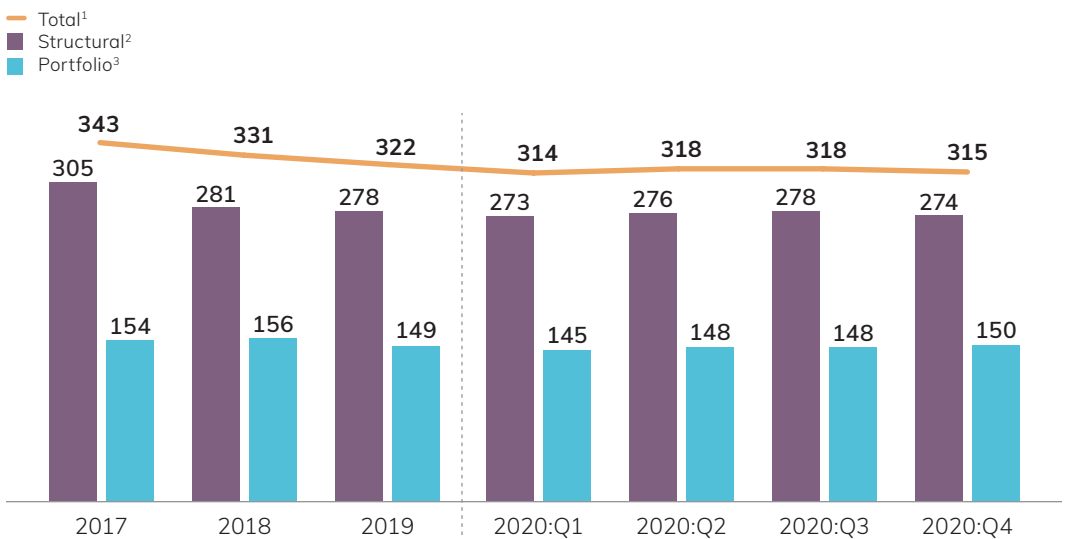
Closed-End Fund Leverage

Closed-end funds have the ability, subject to strict regulatory limits, to use leverage as part of their investment strategy. The use of leverage by a closed-end fund can allow it to achieve higher long-term returns, but also increases risk and the likelihood of share price volatility. Closed-end fund leverage can be classified as either structural leverage or portfolio leverage. At year-end 2020, at least 315 funds, accounting for 64 percent of closed-end funds, were using structural leverage, some types of portfolio leverage (i.e., tender option bonds or reverse repurchase agreements), or both as a part of their investment strategy (Figure 5.5).

FIGURE 5.5

Closed-End Funds Are Employing Structural Leverage and Some Types of Portfolio Leverage

Number of funds, end of period



¹ Components do not add to the total because funds may employ both structural and portfolio leverage.

² Structural leverage affects the closed-end fund's capital structure by increasing the fund's portfolio assets through borrowing and issuing debt and preferred shares.

³ Portfolio leverage is leverage that results from particular types of portfolio investments, including certain types of derivatives, reverse repurchase agreements, tender option bonds, and other investments or types of transactions. Data are only available for reverse repurchase agreements and tender option bonds. Given data collection constraints, and the continuing development of types of investments/transactions with a leverage characteristic (and the use of different definitions of *leverage*), actual portfolio leverage may be materially different from what is reflected above.

Source: ICI Research Perspective, "The Closed-End Fund Market, 2020"

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Frequently Asked Questions About Closed-End Funds and Their Use of Leverage

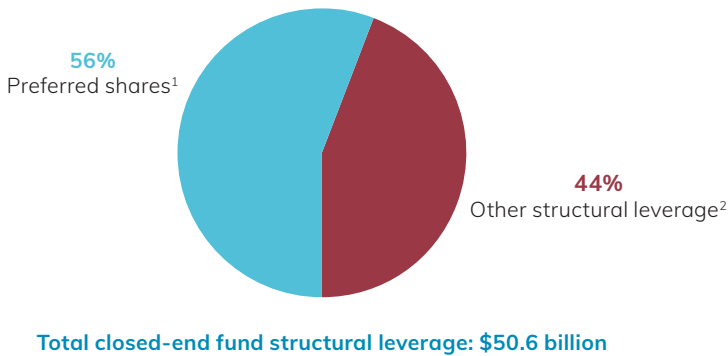
www.ici.org/faqs/faq/other/faqs_closed_end

Structural leverage affects the closed-end fund's capital structure by increasing the fund's portfolio assets. Types of closed-end fund structural leverage include borrowing capital and issuing debt and preferred shares. At the end of 2020, 274 funds had a total of \$50.6 billion in structural leverage, with 56 percent from preferred shares and 44 percent from other structural leverage, which includes bank borrowing and other forms of debt (Figures 5.5 and 5.6). The average leverage ratio* across those closed-end funds employing structural leverage was 26 percent at year-end 2020. Among closed-end funds employing structural leverage, the average leverage ratio for bond funds was somewhat higher (28 percent) than that of equity funds (21 percent).

FIGURE 5.6

Preferred Shares Constituted the Majority of Closed-End Fund Structural Leverage

Percentage of closed-end fund structural leverage, year-end 2020



¹ A closed-end fund may issue preferred shares to raise additional capital, which can be used to purchase more securities for its portfolio. Holders of preferred shares are paid dividends, but do not participate in the gains and losses on the fund's investments.

² *Other structural leverage* includes bank borrowing and other forms of debt.

Source: ICI Research Perspective, "The Closed-End Fund Market, 2020"

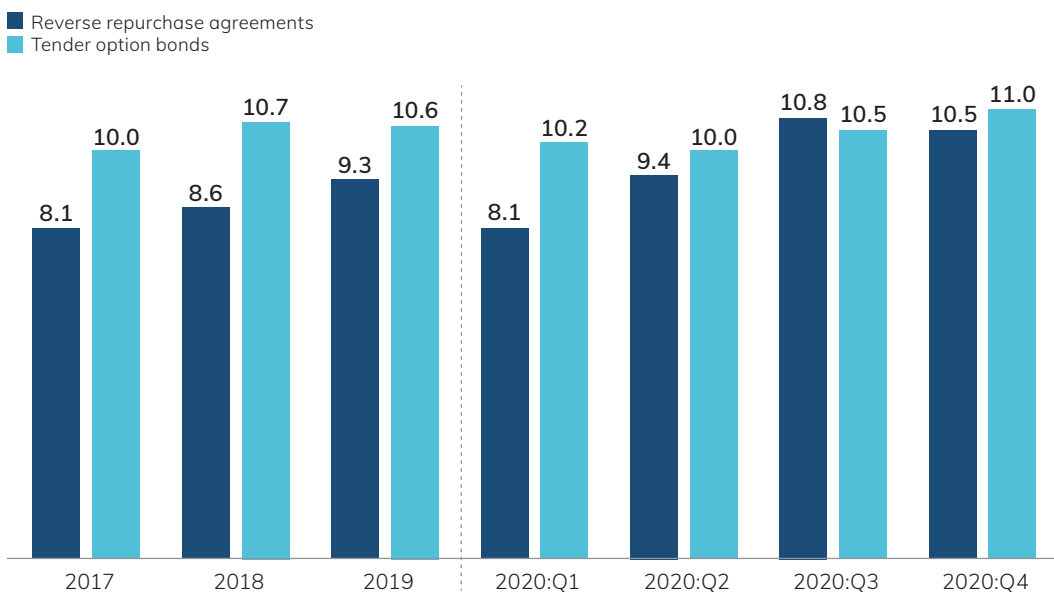
* The *leverage ratio* is the ratio of the amount of structural leverage to the sum of the amount of common share assets and structural leverage.

Portfolio leverage is leverage that results from particular portfolio investments, such as certain types of derivatives, reverse repurchase agreements, and tender option bonds. At the end of 2020, 150 closed-end funds had \$21.4 billion outstanding in reverse repurchase agreements and tender option bonds (Figures 5.5 and 5.7).

FIGURE 5.7

Use of Portfolio Leverage

Billions of dollars, end of period



Note: Portfolio leverage is leverage that results from particular types of portfolio investments, including certain types of derivatives, reverse repurchase agreements, tender option bonds, and other investments or types of transactions. Data are only available for reverse repurchase agreements and tender option bonds. Given data collection constraints, and the continuing development of types of investments/transactions with a leverage characteristic (and the use of different definitions of *leverage*), actual portfolio leverage may be materially different from what is reflected above.

Source: ICI Research Perspective, "The Closed-End Fund Market, 2020"

Closed-End Fund Discounts

More than 95 percent of exchange-listed closed-end funds calculate the value of their portfolios every business day, while the rest calculate their portfolio values weekly or on some other basis. The net asset value (NAV) of a closed-end fund is calculated by subtracting the fund's liabilities (e.g., fund borrowing) from the current market value of its assets and dividing by the total number of shares outstanding. The NAV changes as the total value of the underlying portfolio securities rises or falls, or the fund's liabilities change.

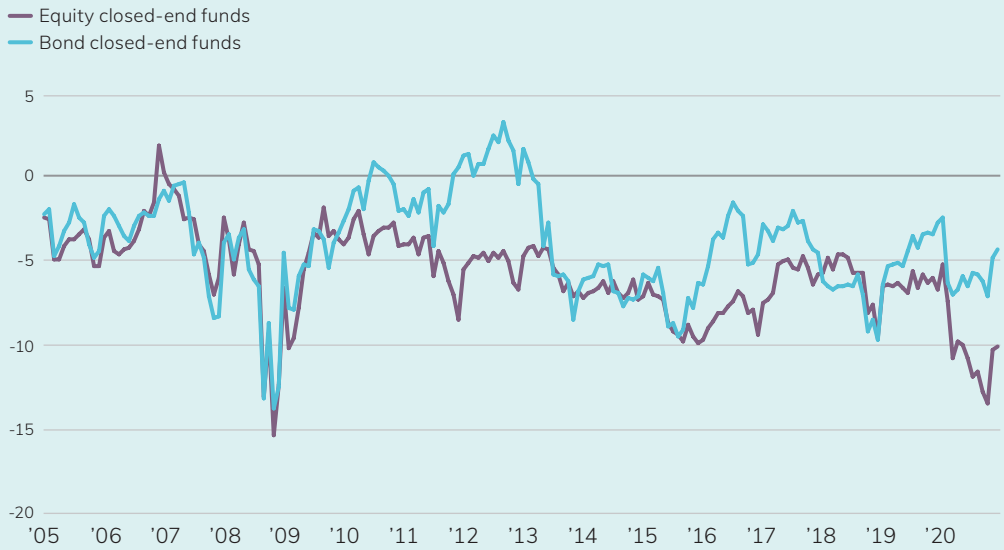
Because an exchange-listed closed-end fund's shares trade based on investor demand, the fund may trade at a price higher or lower than its NAV. A closed-end fund trading at a share price higher than its NAV is said to be trading at a "premium" to the NAV, while a closed-end fund trading at a share price lower than its NAV is said to be trading at a "discount." Funds may trade at discounts or premiums to the NAV based on market perceptions or investor sentiment. For example, a closed-end fund that invests in securities that are anticipated to generate above-average future returns and are difficult for retail investors to obtain directly may trade at a premium because of a high level of market interest. In contrast, a closed-end fund with large unrealized capital gains may trade at a discount because investors will have priced in any perceived tax liability.

Closed-end fund price deviations widened sharply in February and March 2020 as COVID-19 developments began to affect financial markets. For equity closed-end funds, the average discount widened from 5.3 percent at the end of January 2020 to 10.9 percent at the end of March, while bond closed-end fund average discounts widened from 2.5 percent to 7.1 percent over the same period. The average discount for equity closed-end funds continued to widen through October 2020 to 13.6 percent—despite generally steady growth in the equity markets. This is likely the result of uncertainty over the duration of the recovery period, as countries worldwide began to experience a second spike in the number of COVID-19 cases. Meanwhile, the average discount for bond closed-end funds remained relatively stable, with an average discount of 7.2 percent at the end of October 2020. By the end of December, average discounts for equity and bond closed-end funds narrowed to 10.2 percent and 4.4 percent, respectively, as positive reports from vaccine trials likely improved investor perceptions of the market.

FIGURE 5.8

Closed-End Funds' Premium/Discount Rate

Percent, month-end



Note: The premium/discount rate is the simple average of the percent difference between share price and NAV at month-end.

Source: Investment Company Institute tabulations of Bloomberg data

Characteristics of Households Owning Closed-End Funds

An estimated 3.9 million US households owned closed-end funds in 2020. These households tended to include affluent investors who owned a range of equity and fixed-income investments. In 2020, 88 percent of households owning closed-end funds also owned equity mutual funds, individual stocks, or variable annuities (Figure 5.9). Seventy percent of households that owned closed-end funds also held bond mutual funds, individual bonds, or fixed annuities. In addition, 38 percent of these households owned investment real estate.

FIGURE 5.9

Closed-End Fund Investors Owned a Broad Range of Investments

Percentage of closed-end fund–owning households holding each type of investment, 2020

Equity mutual funds, individual stocks, or variable annuities (total)	88
Bond mutual funds, individual bonds, or fixed annuities (total)	70
Mutual funds (total)	77
Equity	75
Bond	52
Hybrid	38
Money market	55
Individual stocks	76
Individual bonds	33
Fixed or variable annuities	40
Investment real estate	38

Note: Multiple responses are included.

Source: ICI Research Perspective, "The Closed-End Fund Market, 2020"

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A Guide to Closed-End Funds

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Because a large number of households that owned closed-end funds also owned individual stocks and mutual funds, the characteristics of closed-end fund–owning households were similar in many respects to those of households owning individual stocks and mutual funds. For instance, households that owned closed-end funds (like households owning individual stocks and mutual funds) tended to be headed by college-educated individuals and tended to have household incomes above the national median (Figure 5.10).

Nonetheless, households that owned closed-end funds exhibited certain characteristics distinguishing them from households owning individual stocks and mutual funds. For example, although households with closed-end funds tended to have similar household financial assets as those owning individual stocks, they had greater household financial assets than households owning mutual funds (Figure 5.10). Also, 48 percent of individuals heading households that own closed-end funds were retired from their lifetime occupations, compared with 28 percent for those owning individual stocks and 23 percent for those owning mutual funds.

FIGURE 5.10

Closed-End Fund Investors Had Above-Average Household Incomes and Financial Assets

2020

	All US households	Households owning closed-end funds	Households owning mutual funds	Households owning individual stocks
Median				
Age of head of household ¹	52	54	50	51
Household income ²	\$65,000	\$135,000	\$105,000	\$120,000
Household financial assets ³	\$100,000	\$500,000	\$300,000	\$467,000
Percentage of households				
Household primary or co-decisionmaker for saving and investing				
Married or living with a partner	55	66	69	69
College or postgraduate degree	38	56	56	59
Employed (full- or part-time)	59	56	75	71
Retired from lifetime occupation	30	48	23	28
Household owns				
IRA(s)	37	71	65	67
DC retirement plan account(s)	49	58	87	75

¹ Age is based on the sole or co-decisionmaker for household saving and investing.

² Total reported is household income before taxes in 2019.

³ Household financial assets include assets in employer-sponsored retirement plans but exclude the household's primary residence.

Source: ICI Research Perspective, "The Closed-End Fund Market, 2020"

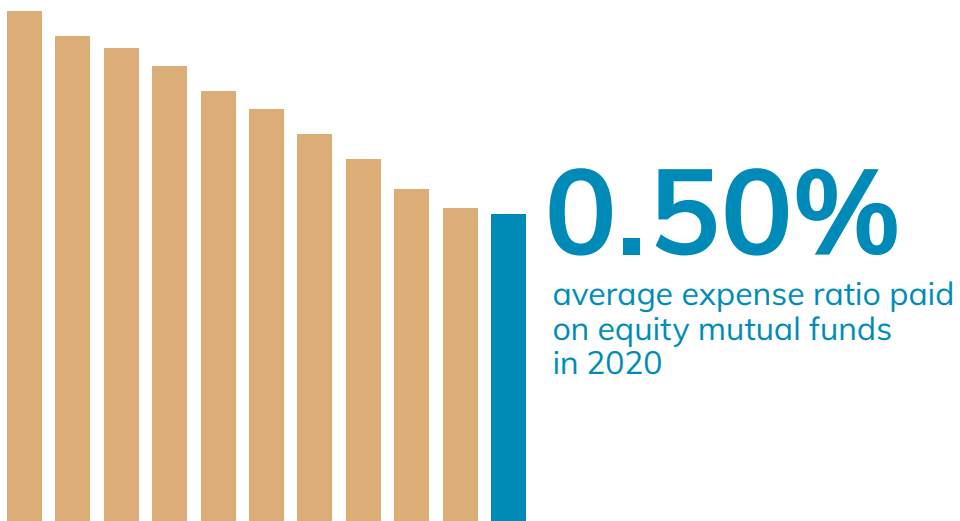


Chapter 6

US Fund Expenses and Fees

Mutual funds provide investors with many investment-related services, and for those services, investors incur two primary types of expenses and fees: ongoing expenses and sales loads. Average expense ratios (i.e., ongoing expenses) paid by US mutual fund investors have fallen substantially over time. For example, on an asset-weighted basis, average expense ratios for equity mutual funds fell from 0.99 percent in 2000 to 0.50 percent in 2020, a 49 percent decline.

Expense ratios paid by equity mutual fund investors have fallen 40 percent over the past decade



IN THIS CHAPTER

- 132** Trends in Mutual Fund Expenses
- 138** Expense Ratios of Index Mutual Funds and Index ETFs
- 145** Mutual Fund Load Fees



Trends in Mutual Fund Expenses

Mutual fund investors incur two primary types of expenses and fees: ongoing expenses and sales loads. Ongoing expenses cover portfolio management, fund administration, daily fund accounting and pricing, shareholder services (such as call centers and websites), distribution charges (known as 12b-1 fees), and other operating costs. These expenses are included in a fund's expense ratio—the fund's annual expenses expressed as a percentage of its assets. Because expenses are paid from fund assets, investors pay these expenses indirectly. Sales loads are paid at the time of share purchase (front-end loads), when shares are redeemed (back-end loads), or over time (level loads).

On an asset-weighted basis, average expense ratios* incurred by mutual fund investors have fallen substantially (Figure 6.1). In 2000, equity mutual fund investors incurred expense ratios of 0.99 percent, on average, or 99 cents for every \$100 invested. By 2020, that average had fallen to 0.50 percent, a 49 percent decline. Hybrid and bond mutual fund expense ratios also have declined. The average hybrid mutual fund expense ratio fell from 0.89 percent in 2000 to 0.59 percent in 2020, a reduction of 34 percent. In addition, the average bond mutual fund expense ratio fell from 0.76 percent in 2000 to 0.42 percent in 2020, a decline of 45 percent.

* In this chapter, unless otherwise noted, average expense ratios are calculated on an asset-weighted basis. ICI's fee research uses asset-weighted averages to summarize the expenses and fees that shareholders pay through funds. In this context, asset-weighted averages are preferable to simple averages, which would overstate the expenses and fees of funds in which investors hold few dollars. ICI weights the expense ratio of each fund's share class by its year-end assets.

The fund investment categories used in this chapter are broad and encompass diverse investment styles (e.g., active and index), a range of general investment types (e.g., equity, bond, and hybrid funds), and a variety of arrangements for shareholder services, recordkeeping, or distribution charges (known as 12b-1 fees). This material is intended to provide general information on fees incurred by investors through funds as well as insight into average fees across the marketplace. It is not intended for benchmarking fees and expenses incurred by a particular investor, or charged by a particular fund or other investment product.



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Trends in the Expenses and Fees of Funds, 2020

www.ici.org/pdf/per27-03.pdf

FIGURE 6.1

Expense Ratios Incurred by Mutual Fund Investors Have Declined Substantially Since 2000

Percent

Year	Equity mutual funds	Hybrid mutual funds	Bond mutual funds
2000	0.99	0.89	0.76
2001	0.99	0.89	0.75
2002	1.00	0.89	0.73
2003	1.00	0.90	0.75
2004	0.95	0.85	0.72
2005	0.91	0.81	0.69
2006	0.88	0.78	0.67
2007	0.86	0.77	0.64
2008	0.83	0.77	0.61
2009	0.86	0.84	0.64
2010	0.83	0.82	0.63
2011	0.79	0.80	0.62
2012	0.77	0.79	0.61
2013	0.74	0.80	0.61
2014	0.70	0.78	0.57
2015	0.67	0.76	0.54
2016	0.63	0.73	0.51
2017	0.59	0.70	0.48
2018	0.54	0.66	0.47
2019	0.51	0.63	0.46
2020	0.50	0.59	0.42

Note: Expense ratios are measured as asset-weighted averages. Data exclude mutual funds available as investment choices in variable annuities.

Sources: Investment Company Institute, Lipper, and Morningstar. See *JCI Research Perspective*, "Trends in the Expenses and Fees of Funds, 2020."

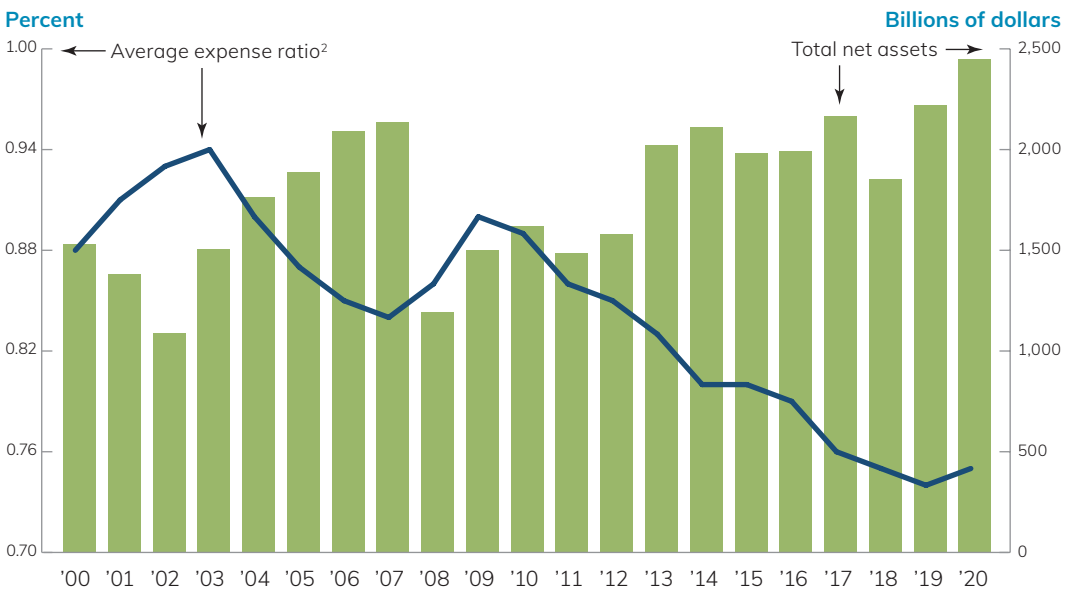
Understanding the Decline in Mutual Fund Expense Ratios

Several factors help account for the steep drop in mutual fund expense ratios. First, expense ratios often vary inversely with fund assets. Some fund costs included in expense ratios—such as transfer agency fees, accounting and audit fees, and directors' fees—are more or less fixed in dollar terms. This means that when a fund's assets rise, these costs contribute less to a fund's expense ratio. Thus, if the assets of a fixed sample of funds rise over time, the sample's average expense ratio tends to fall over the same period (Figure 6.2).

FIGURE 6.2

Mutual Fund Expense Ratios Tend to Fall as Fund Assets Rise

Share classes of actively managed domestic equity mutual funds continuously in existence since 2000¹



¹ Calculations are based on a fixed sample of share classes. Data exclude mutual funds available as investment choices in variable annuities and index mutual funds.

² Expense ratios are measured as asset-weighted averages.

Sources: Investment Company Institute, Lipper, and Morningstar. See *ICI Research Perspective*, "Trends in the Expenses and Fees of Funds, 2020."

Another factor contributing to the decline of the average expense ratios of long-term mutual funds is the shift toward no-load share classes (see No-Load Share Classes on page 145), particularly institutional no-load share classes, which tend to have below-average expense ratios. In part, this shift reflects a change in how investors pay for services from brokers and other financial professionals (see Mutual Fund Load Fees on page 145).

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IRA Investors Are Concentrated in Lower-Cost Mutual Funds

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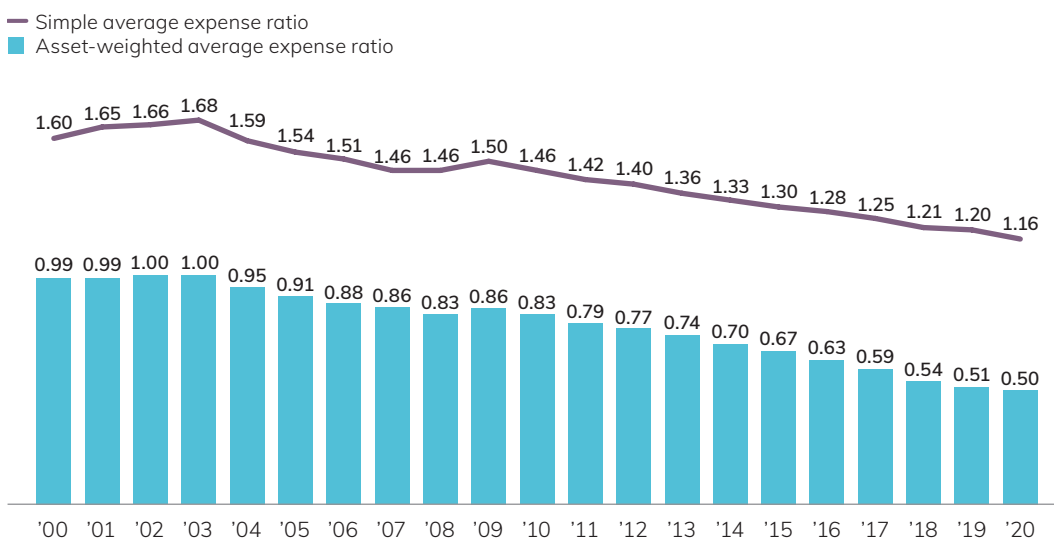
Mutual fund expense ratios also have fallen because of economies of scale and competition. Investor demand for mutual fund services has increased dramatically in the past few decades. From 1990 to 2020, the number of households owning mutual funds more than doubled—from 23.4 million to 58.7 million (Figure 7.1). All else being equal, this sharp increase in demand would tend to boost mutual fund expense ratios. Any such tendency, however, was mitigated by downward pressure on expense ratios—from competition among existing mutual fund sponsors, new mutual fund sponsors entering the industry, competition from products such as exchange-traded funds (ETFs) (see chapter 4 and page 141 of this chapter), and economies of scale resulting from the growth in fund assets.

Finally, shareholders tend to invest in mutual funds with below-average expense ratios (Figure 6.3). The simple average expense ratio of equity mutual funds (the average for all equity mutual funds offered for sale) was 1.16 percent in 2020. The asset-weighted average expense ratio for equity mutual funds (the average shareholders actually paid) was far lower, at 0.50 percent.

FIGURE 6.3

Fund Shareholders Paid Below-Average Expense Ratios for Equity Mutual Funds

Percent



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

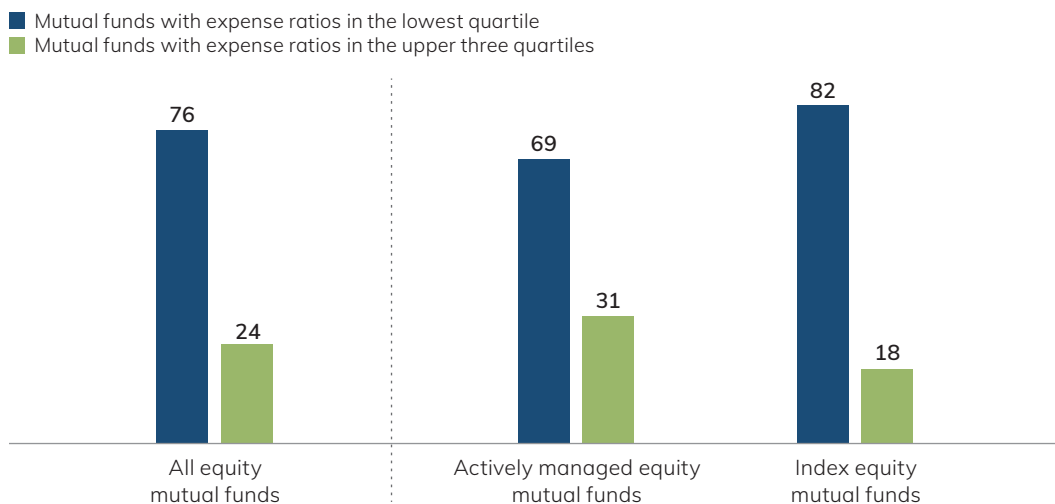
Sources: Investment Company Institute, Lipper, and Morningstar

Another way to illustrate the tendency for investors to gravitate to lower-cost funds is to examine how the allocation of their assets across funds varies by expense ratio. At year-end 2020, equity mutual funds with expense ratios in the lowest quartile held 76 percent of equity mutual funds' total net assets, while those with expense ratios in the upper three quartiles held only 24 percent (Figure 6.4). This pattern holds for both actively managed and index equity mutual funds. Actively managed equity mutual funds with expense ratios in the lowest quartile held 69 percent of actively managed equity mutual funds' net assets at year-end 2020, and lower-cost index equity mutual funds held 82 percent of index equity mutual funds' net assets.

FIGURE 6.4

Total Net Assets Are Concentrated in Lower-Cost Mutual Funds

Percentage of total net assets, 2020



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

Sources: Investment Company Institute and Morningstar

Differences in Mutual Fund Expense Ratios

Like the prices of most goods and services, the expense ratios of individual mutual funds differ considerably across the array of available products. The expense ratios of individual funds depend on many factors, including investment objective (see below), fund assets (see page 134), and payments to financial intermediaries (see page 145).

Mutual Fund Investment Objective

Mutual fund expense ratios vary by investment objective (Figure 6.5). For example, bond and money market mutual funds tend to have lower expense ratios than equity mutual funds. Among equity mutual funds, expense ratios tend to be higher for funds that specialize in a given sector—such as healthcare or real estate—or those that invest in equities around the world, because such funds tend to cost more to manage. Even within a particular investment objective, mutual fund expense ratios

can vary considerably. For example, 10 percent of equity mutual funds that focus on growth stocks have expense ratios of 0.64 percent or less, while 10 percent have expense ratios of 1.82 percent or more. Among other things, this variation reflects the fact that some growth funds focus more on small- or mid-cap stocks and others focus more on large-cap stocks. Portfolios of small- and mid-cap stocks tend to cost more to manage since information about these types of stocks is less readily available, which means that active portfolio managers must spend more time doing research.

FIGURE 6.5

Mutual Fund Expense Ratios Vary Across Investment Objectives

Percent, 2020

Investment objective	10th percentile	Median	90th percentile	Asset-weighted average	Simple average
Equity mutual funds	0.59	1.08	1.92	0.50	1.16
Growth	0.64	1.04	1.82	0.68	1.11
Sector	0.72	1.18	2.05	0.69	1.29
Value	0.63	1.04	1.81	0.59	1.11
Blend	0.30	0.91	1.74	0.29	0.96
World	0.67	1.14	1.98	0.62	1.22
Hybrid mutual funds	0.50	1.09	1.99	0.59	1.20
Bond mutual funds	0.37	0.75	1.58	0.42	0.86
Investment grade	0.29	0.64	1.42	0.31	0.73
World	0.53	0.91	1.75	0.49	1.01
Government	0.20	0.68	1.59	0.35	0.80
High-yield	0.58	0.90	1.74	0.63	0.99
Municipal	0.41	0.68	1.54	0.46	0.82
Money market funds	0.15	0.30	0.64	0.22	0.36
Memo:					
Index equity mutual funds	0.04	0.30	1.63	0.06	0.58
Target date mutual funds*	0.27	0.65	1.37	0.37	0.72

* Data include mutual funds that invest primarily in other mutual funds. Ninety-five percent of target date mutual funds invest primarily in other mutual funds.

Note: Each fund's share class is weighted equally for the median, 10th, and 90th percentiles. Data exclude mutual funds available as investment choices in variable annuities.

Sources: Investment Company Institute and Morningstar. See *ICI Research Perspective*, "Trends in the Expenses and Fees of Funds, 2020."

Expense Ratios of Index Mutual Funds and Index ETFs

An index fund generally seeks to replicate the return on a specified index. Under this approach, often referred to as passive management, portfolio managers buy and hold all, or a representative sample of, the securities in their target indexes. This approach to portfolio management is a primary reason that index funds—whether mutual funds or ETFs—tend to have below-average expense ratios. By contrast, under an active management approach, managers have more discretion to increase or reduce exposure to sectors or securities within their funds' investment mandates. Active managers may also undertake significant research about stocks or bonds, market sectors, or geographic regions. This approach offers investors the chance to earn superior returns, or to meet other investment objectives such as limiting downside risk, managing volatility, under- or over-weighting various sectors, and altering asset allocations in response to market conditions. These characteristics tend to make active management more costly than management of an index fund.

Index Mutual Funds

Growth in index mutual funds has contributed to the decline in asset-weighted average expense ratios of equity, hybrid, and bond mutual funds. From 2000 to 2020, index mutual fund total net assets grew significantly, from \$384 billion to \$4.8 trillion (Figure 6.6). Consequently, over the same period, index mutual funds' share of long-term mutual fund net assets more than tripled, from 7.5 percent at year-end 2000 to 24.6 percent at year-end 2020. Within index mutual funds, index equity mutual funds accounted for the bulk (81 percent) of index mutual fund net assets at year-end 2020.

Index mutual funds tend to have below-average expense ratios for several reasons. First, their approach to portfolio management—in which managers generally seek to replicate the return on a specified index by buying and holding all (or a representative sample) of the securities in their target indexes—lends itself to being less costly. This is because index funds' portfolios tend not to change frequently, and therefore, have low turnover rates.

Second, index mutual funds tend to have below-average expense ratios because of their investment focus. Net assets of index equity mutual funds are concentrated more heavily in large-cap blend funds that target US large-cap indexes, such as the S&P 500. Net assets of actively managed equity mutual funds, on the other hand, are more widely distributed across stocks of varying capitalizations, international regions, or specialized business sectors. Managing portfolios of small- or mid-cap, international, or sector stocks is generally acknowledged to be more expensive than managing portfolios of US large-cap stocks.



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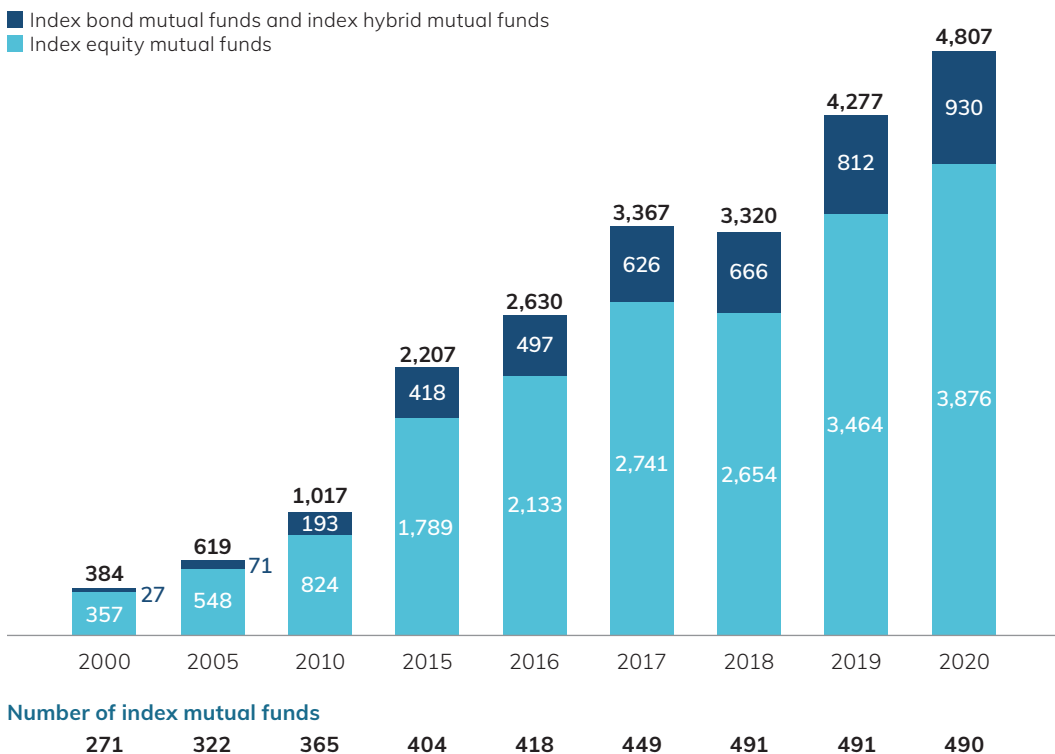
Pointing Fingers at Index Funds Won't Explain Market Volatility

www.ici.org/viewpoints/view_18_index_volatility

FIGURE 6.6

Total Net Assets of Index Mutual Funds Have Increased in Recent Years

Billions of dollars, year-end

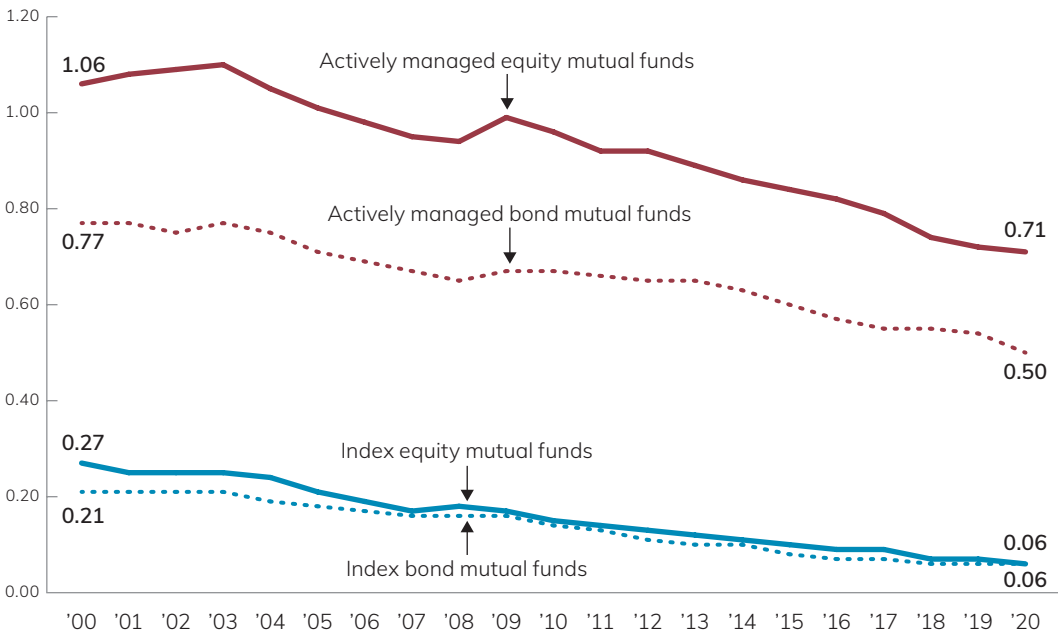


Third, index mutual funds are larger on average than actively managed mutual funds, which, through economies of scale, helps reduce fund expense ratios. At year-end 2020, the average index equity mutual fund (\$9.5 billion) was more than four times as large as the average actively managed equity mutual fund (\$2.2 billion).

Finally, index mutual fund investors who hire financial professionals might pay for that service out of pocket, rather than through the fund's expense ratio (see Mutual Fund Load Fees on page 145). By contrast, actively managed mutual funds more commonly have share classes that bundle these costs into the expense ratio. Nevertheless, actively managed mutual funds also are increasingly offering share classes that do not bundle them into the expense ratio.

These reasons, among others, help explain why index mutual funds generally have lower expense ratios than actively managed mutual funds. It is important to note that both index and actively managed mutual funds have contributed to the decline in the average expense ratios of mutual funds (Figure 6.7). From 2000 to 2020, the average expense ratio of index equity mutual funds fell from 0.27 percent to 0.06 percent, while the average expense ratio for actively managed equity mutual funds fell from 1.06 percent to 0.71 percent. Over the same period, the average expense ratio of index bond mutual funds fell from 0.21 percent to 0.06 percent and the average expense ratio of actively managed bond mutual funds fell from 0.77 percent to 0.50 percent.

FIGURE 6.7
Expense Ratios of Actively Managed and Index Mutual Funds Have Fallen
 Percent



Note: Expense ratios are measured as asset-weighted averages. Data exclude mutual funds available as investment choices in variable annuities.

Sources: Investment Company Institute, Lipper, and Morningstar. See *ICI Research Perspective*, "Trends in the Expenses and Fees of Funds, 2020."



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ICI Explains: All Fund Management Is Active

www.ici.org/video/explain_18_active_management

The downward trend in the average expense ratios of both index and actively managed mutual funds reflects, in part, investors' increasing tendency to buy lower-cost funds. Investor demand for index mutual funds is disproportionately concentrated in funds with the lowest costs. This phenomenon is not unique to index mutual funds, however; the proportion of assets in the lowest-cost actively managed mutual funds is also high (Figure 6.4).

Index ETFs

The trends in ETFs over the past decade have influenced asset-weighted average expense ratios of index equity and index bond ETFs. ETF total net assets have grown rapidly in recent years, from \$992 billion at year-end 2010 to \$5.4 trillion at year-end 2020 (Figure 2.2). During this time, ETFs have become a significant market participant, with net assets accounting for 18 percent of total net assets managed by investment companies at year-end 2020. ETFs are largely index-based and generally registered with the Securities and Exchange Commission (SEC) under the Investment Company Act of 1940. Actively managed ETFs registered under the 1940 Act represented 3.2 percent of ETF total net assets at year-end 2020, and ETFs not registered under the 1940 Act represented 2.7 percent. Like index mutual funds, most of the net assets in ETFs are in funds that focus on equities. Equity ETFs accounted for 77 percent of the total net assets of ETFs at year-end 2020.

Part of the strong growth in ETFs is attributable to their distribution structure, in which the ETF generally charges an expense ratio that provides no compensation to financial professionals. Compensation to financial professionals for distribution or account servicing and maintenance is typically paid directly by the investor.*

Financial professionals often provide programs that offer investors a suite of ETFs suited to their investment goals. In such cases, investors would typically pay financial professionals an asset-based fee in addition to the ETF expense ratios in the suite of ETFs selected. Also, because ETFs are generally index funds, they typically have lower expense ratios.

* Some ETFs bundle distribution fees in the expense ratio to cover marketing and distribution expenses. These fees are usually small, typically less than 0.06 percent.

Like mutual fund investors, ETF shareholders tend to invest in funds with below-average expense ratios (Figure 6.8). The simple average expense ratio of index equity ETFs (the average for all index equity ETFs offered for sale) was 0.47 percent in 2020. The asset-weighted average expense ratio for index equity ETFs (the average shareholders actually paid) was much less than that, 0.18 percent. The same holds for index bond ETFs, with a simple average expense ratio of 0.25 percent in 2020 and an asset-weighted average expense ratio of 0.13 percent.

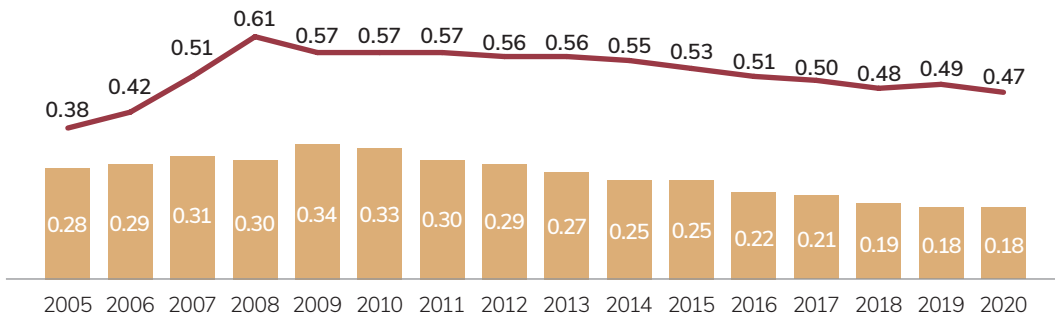
FIGURE 6.8

Expense Ratios Incurred by Index ETF Investors Have Generally Declined in Recent Years

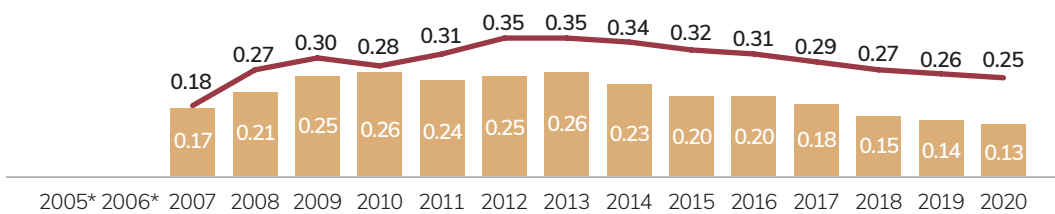
Percent

— Simple average expense ratio
 ■ Asset-weighted average expense ratio

Index equity ETFs



Index bond ETFs



* Data for index bond ETFs are excluded prior to 2007 because of a limited number of funds.

Note: Data exclude ETFs not registered under the Investment Company Act of 1940.

Sources: Investment Company Institute and Morningstar. See *ICI Research Perspective*, "Trends in the Expenses and Fees of Funds, 2020."



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Additionally, index ETF expense ratios differ based on their investment objectives (Figure 6.9). Among index bond ETFs, for example, expense ratios tend to be higher for those that invest in either foreign or high-yield bonds because such securities are typically more costly to manage than securities such as Treasury bonds. Indeed, the asset-weighted average expense ratio for index high-yield bond ETFs was 0.39 percent in 2020, compared to the asset-weighted average expense ratio of 0.12 percent for index government bond ETFs. Even within specific investment objectives, expense ratios will vary among index ETFs for a range of reasons. For example, expense ratios may differ because not all index ETFs in a given investment objective rely on the same index, and licensing fees that ETFs pay to index providers may vary.

FIGURE 6.9

Index ETF Expense Ratios Vary Across Investment Objectives

Percent, 2020

Investment objective	10th percentile	Median	90th percentile	Asset-weighted average	Simple average
Index equity ETFs	0.10	0.45	0.93	0.18	0.47
Growth	0.07	0.30	0.60	0.15	0.32
Sector	0.13	0.46	0.95	0.26	0.53
Value	0.08	0.29	0.60	0.19	0.34
Blend	0.07	0.35	0.95	0.11	0.42
World	0.12	0.51	0.80	0.27	0.50
Index hybrid ETFs	0.47	0.60	0.98	0.49	0.68
Index bond ETFs	0.06	0.18	0.50	0.13	0.25
Corporate	0.05	0.10	0.23	0.07	0.14
World	0.22	0.35	0.51	0.22	0.38
Government	0.05	0.14	0.95	0.12	0.25
High-yield	0.20	0.39	0.56	0.39	0.40
Municipal	0.17	0.18	0.30	0.14	0.21
Memo:					
Active equity ETFs	0.23	0.75	0.90	0.69	0.70

Note: Each fund's share class is weighted equally for the median, 10th, and 90th percentiles. Data exclude ETFs not registered under the Investment Company Act of 1940.

Sources: Investment Company Institute and Morningstar. See *ICI Research Perspective*, "Trends in the Expenses and Fees of Funds, 2020."

Mutual Fund Fee Structures

Mutual funds often are categorized by the class of shares that fund sponsors offer, primarily load or no-load classes. Load classes generally serve investors who buy shares through financial professionals; no-load classes usually serve investors who buy shares without the assistance of a financial professional or who choose to compensate their financial professionals separately. Funds sold through financial professionals typically offer more than one share class in order to provide investors with alternative ways to pay for financial services.

12b-1 Fees

Since 1980, when the SEC adopted Rule 12b-1 under the Investment Company Act of 1940, mutual funds and their shareholders have had the flexibility to compensate financial professionals and other financial intermediaries through asset-based fees. These distribution fees, known as 12b-1 fees, enable investors to pay indirectly for some or all of the services they receive from financial professionals (such as brokers) and other financial intermediaries (such as retirement plan recordkeepers and discount brokerage firms). Funds also use 12b-1 fees to a very limited extent to help defray advertising and marketing costs.

Load Share Classes

Load share classes include a sales load, a 12b-1 fee, or both. Sales loads and 12b-1 fees are used to compensate brokers and other financial professionals for their services.

Front-end load shares, which are predominantly Class A shares, were the traditional way investors compensated financial professionals for assistance. These shares generally charge a sales load—a percentage of the sales price or offering price—at the time of purchase. They also generally have a 12b-1 fee, often 0.25 percent. Front-end load shares are sometimes used in employer-sponsored retirement plans, but fund sponsors typically waive the sales load for purchases made through such retirement plans. Additionally, most front-end load share classes have breakpoint discounts, in which front-end load fees decline as the size of an investor's initial purchase rises, and many fund providers offer discounted load fees when an investor has total balances exceeding a given amount in that provider's funds.

Back-end load shares, often called Class B shares, typically do not have a front-end load. Investors using back-end load shares pay for services provided by financial professionals through a combination of an annual 12b-1 fee and a contingent deferred sales load (CDSL). The CDSL is paid if fund shares are redeemed before a given number of years of ownership. Back-end load shares usually convert after a specified number of years to a share class with a lower 12b-1 fee (for example, Class A shares). The assets in back-end load shares have declined substantially in recent years.

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

No-Load Share Classes

No-load share classes have neither a front-end load nor a CDSL, and have a 12b-1 fee of 0.25 percent or less. Originally, no-load share classes were sold directly by mutual fund sponsors to investors. Now, investors can also purchase no-load funds through employer-sponsored retirement plans, discount brokerage firms, and bank trust departments. Some financial professionals who charge investors separately for their services, rather than through a load or 12b-1 fee, help investors select a portfolio of no-load funds.

Mutual Fund Load Fees

Many mutual fund investors engage an investment professional, such as a broker, an investment adviser, or a financial planner. Among households owning mutual fund shares outside employer-sponsored retirement plans, 75 percent own mutual fund shares through investment professionals (Figure 7.7). These professionals can provide many benefits to investors, such as helping them identify financial goals, analyzing an existing financial portfolio, determining an appropriate asset allocation, and—depending on the type of financial professional—providing investment advice or recommendations to help investors achieve their financial goals. The investment professional also may provide ongoing services, such as responding to investors' inquiries or periodically reviewing and rebalancing their portfolios.

Over the past few decades, the way that fund shareholders compensate financial professionals has changed significantly, moving away from front-end loads toward asset-based fees. An important element in the changing distribution structure of mutual funds has been this shift toward asset-based fees, which are assessed as a percentage of the assets that the financial professional helps an investor manage. Increasingly, these fees compensate brokers and other financial professionals who sell mutual funds. An investor may pay an asset-based fee indirectly through a fund's 12b-1 fee, which is included in the fund's expense ratio, or directly (out of pocket) to the financial professional, in which case it is not included in the fund's expense ratio.

In part because of the shift toward asset-based fees (either through the fund or out of pocket), the total net assets of front-end and back-end load share classes have declined in recent years, while those in no-load share classes have increased substantially. Also, front-end and back-end load share classes have had net outflows in each year of the past decade (Figure 6.10), and gross sales of back-end load share classes have dwindled almost to zero (Figure 6.11). As a result, the percentage of long-term mutual fund net assets held in front-end and back-end load share classes fell from 22 percent at year-end 2010 to 12 percent at year-end 2020 (Figure 6.12).

FIGURE 6.10

All Types of Long-Term Mutual Fund Share Classes Experienced Aggregate Outflows in 2020

Billions of dollars, annual

	2000	2005	2010	2015	2016	2017	2018	2019	2020
All long-term mutual funds	\$231	\$192	\$244	-\$120	-\$193	\$72	-\$346	-\$99	-\$486
Load	77	27	-57	-129	-238	-298	-231	-130	-140
Front-end ¹	19	54	-53	-105	-187	-225	-162	-77	-87
Back-end ²	27	-47	-28	-6	-5	-3	-2	-1	-1
Level ³	30	18	21	-22	-45	-70	-66	-53	-51
Other ⁴	3	2	2	(*)	-1	(*)	(*)	(*)	-1
Unclassified ⁵	-1	-1	(*)	5	(*)	1	-1	(*)	(*)
No-load⁶	103	124	261	78	126	456	-1	152	-195
Retail	79	65	55	5	-28	41	-93	-23	-179
Institutional	24	59	206	73	155	415	93	175	-16
Variable annuities	51	18	7	-67	-79	-112	-124	-125	-134
"R" share classes⁷	(*)	24	33	-2	-2	26	10	4	-17

¹ Front-end load > 1 percent. Primarily includes Class A shares; includes sales where front-end loads are waived.

² Front-end load = 0 percent and contingent deferred sales load (CDSL) > 2 percent. Primarily includes Class B shares.

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

⁴ This category contains all other load share classes not classified as front-end load, back-end load, or level load.

⁵ This category contains load share classes with missing load fee data.

⁶ Front-end load = 0 percent, CDSL = 0 percent, and 12b-1 fee ≤ 0.25 percent.

⁷ "R" shares include assets in any share class that ICI designates as a "retirement share class." These share classes are sold predominantly to employer-sponsored retirement plans. However, other share classes—including retail and institutional share classes—also contain investments made through 401(k) plans or IRAs.

(*) = inflow or outflow of less than \$500 million

Sources: Investment Company Institute, Lipper, and Morningstar

FIGURE 6.11

Gross Sales of Long-Term Mutual Funds Are Concentrated in No-Load Share Classes

Billions of dollars, annual

	2000	2005	2010	2015	2016	2017	2018	2019	2020
All long-term mutual funds	\$2,291	\$1,739	\$2,701	\$3,500	\$3,560	\$3,926	\$4,120	\$3,826	\$5,008
Load	978	538	579	503	437	369	349	343	382
Front-end ¹	704	408	455	395	361	309	296	297	341
Back-end ²	175	36	8	3	2	2	1	1	(*)
Level ³	91	85	111	99	72	56	48	45	39
Other ⁴	7	8	5	2	1	1	1	1	2
Unclassified ⁵	(*)	1	1	5	(*)	2	3	(*)	(*)
No-load⁶	1,043	936	1,693	2,597	2,730	3,169	3,366	3,110	4,078
Retail	774	598	931	1,222	1,222	1,334	1,427	1,263	1,643
Institutional	269	338	762	1,375	1,508	1,835	1,938	1,847	2,435
Variable annuities	268	225	318	248	245	184	210	188	324
"R" share classes⁷	2	40	112	152	148	203	195	185	223

¹ Front-end load > 1 percent. Primarily includes Class A shares; includes sales where front-end loads are waived.

² Front-end load = 0 percent and contingent deferred sales load (CDSL) > 2 percent. Primarily includes Class B shares.

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

⁴ This category contains all other load share classes not classified as front-end load, back-end load, or level load.

⁵ This category contains load share classes with missing load fee data.

⁶ Front-end load = 0 percent, CDSL = 0 percent, and 12b-1 fee ≤ 0.25 percent.

⁷ "R" shares include assets in any share class that ICI designates as a "retirement share class." These share classes are sold predominantly to employer-sponsored retirement plans. However, other share classes—including retail and institutional share classes—also contain investments made through 401(k) plans or IRAs.

(*) = gross sales of less than \$500 million

Sources: Investment Company Institute, Lipper, and Morningstar

FIGURE 6.12

Total Net Assets of Long-Term Mutual Funds Are Concentrated in No-Load Share Classes

Billions of dollars, year-end

	2000	2005	2010	2015	2016	2017	2018	2019	2020
All long-term mutual funds	\$5,111	\$6,862	\$9,028	\$12,903	\$13,625	\$15,918	\$14,672	\$17,659	\$19,563
Load	2,141	2,346	2,406	2,510	2,432	2,449	2,109	2,373	2,520
Front-end ¹	1,485	1,750	1,926	2,053	2,007	2,052	1,816	2,104	2,297
Back-end ²	487	276	78	17	12	8	4	4	2
Level ³	145	288	381	429	408	378	283	258	211
Other ⁴	21	26	18	7	6	6	6	7	9
Unclassified ⁵	2	5	2	5	(*)	4	1	(*)	1
No-load⁶	2,178	3,391	5,034	8,310	9,042	11,010	10,333	12,667	14,150
Retail	1,616	2,384	3,056	4,569	4,862	5,631	5,061	6,231	6,745
Institutional	563	1,007	1,979	3,742	4,181	5,379	5,272	6,436	7,405
Variable annuities	784	1,039	1,290	1,596	1,636	1,793	1,590	1,816	1,943
"R" share classes⁷	8	86	297	487	514	666	640	803	950

¹ Front-end load > 1 percent. Primarily includes Class A shares; includes sales where front-end loads are waived.

² Front-end load = 0 percent and contingent deferred sales load (CDSL) > 2 percent. Primarily includes Class B shares.

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

⁴ This category contains all other load share classes not classified as front-end load, back-end load, or level load.

⁵ This category contains load share classes with missing load fee data.

⁶ Front-end load = 0 percent, CDSL = 0 percent, and 12b-1 fee ≤ 0.25 percent.

⁷ "R" shares include assets in any share class that ICI designates as a "retirement share class." These share classes are sold predominantly to employer-sponsored retirement plans. However, other share classes—including retail and institutional share classes—also contain investments made through 401(k) plans or IRAs.


(*) = total net assets of less than \$500 million

Sources: Investment Company Institute, Lipper, and Morningstar

By contrast, no-load share classes—those with neither a front-end nor a back-end load fee and a 12b-1 fee of no more than 0.25 percent—generally have seen net inflows and rising net assets over the past 10 years (Figures 6.10 and 6.12). As a result, the percentage of long-term mutual fund total net assets held in no-load share classes rose from 56 percent at year-end 2010 to 72 percent at year-end 2020.

Some of the shift toward no-load share classes can be attributed to do-it-yourself investors. A larger factor, however, is the growth of sales through defined contribution plans as well as sales of no-load share classes through sales channels that compensate financial professionals (for example, discount brokers, fee-based advisers, full-service brokerage platforms) with asset-based fees outside of funds.

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The Economics of Providing 401(k) Plans: Services, Fees, and Expenses, 2019
www.ici.org/pdf/per26-05.pdf





Chapter 7

Characteristics of US Mutual Fund Owners

Ownership of mutual funds by US households grew substantially in the 1980s and 1990s and has held steady for the past two decades, averaging about 45 percent since 2000. In 2020, about 46 percent of all US households owned mutual funds. The estimated 102.5 million people who owned mutual funds in 2020 belong to all age and income groups; have a variety of financial goals; and buy and sell mutual funds through three principal sources: investment professionals, employer-sponsored retirement plans, and discount brokers or fund companies directly.

Generation X has the highest rate of mutual fund ownership



54%

of Generation X households own mutual funds

IN THIS CHAPTER

- 152** Individual and Household Ownership of Mutual Funds
- 158** Where Investors Own Mutual Funds
- 163** Shareholder Sentiment and Confidence
- 165** Willingness to Take Investment Risk
- 167** How Households Select Mutual Funds
- 168** Shareholder Use of the Internet



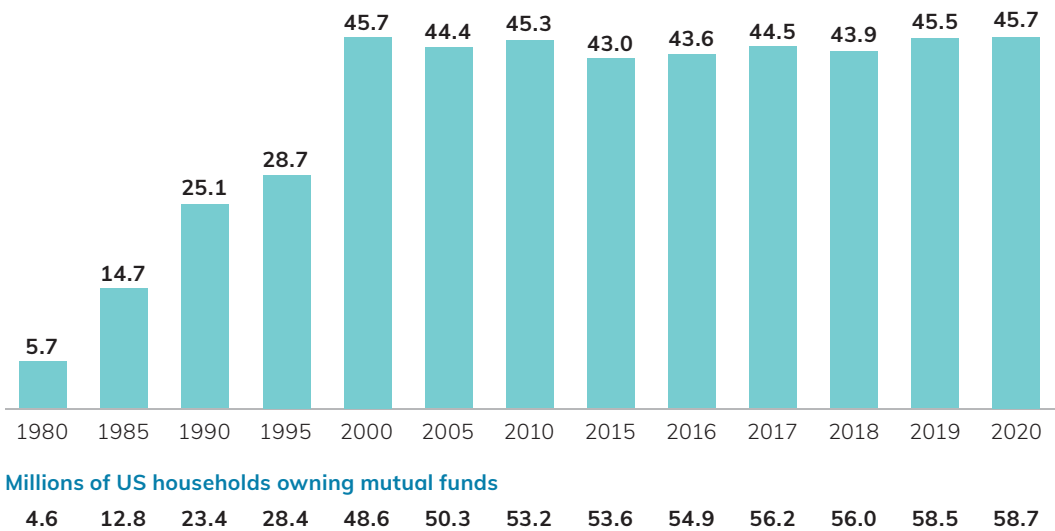
Individual and Household Ownership of Mutual Funds

In 2020, an estimated 102.5 million individual investors owned mutual funds—and at year-end 2020, these investors held 89 percent of total mutual fund assets (Figure 3.3), directly or through retirement accounts. Household ownership of mutual funds has remained relatively steady since 2000. Altogether, 45.7 percent of US households—or 58.7 million—owned mutual funds in 2020, nearly identical to the 2000–2020 average of 45 percent (Figure 7.1). Mutual funds were a major component of many US households’ financial holdings in 2020. Among households owning mutual funds, the median amount invested in mutual funds was \$126,700 (Figure 7.2). Sixty-nine percent of individuals heading households that owned mutual funds were married or living with a partner, 56 percent were college graduates, and 75 percent worked full- or part-time.

FIGURE 7.1

Nearly 46 Percent of US Households Owned Mutual Funds in 2020

Percentage of US households owning mutual funds



Note: The survey methodology was changed to a dual-frame sample of cell phones and landlines in 2014.

Source: ICI Research Perspective, “Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2020”

FIGURE 7.2

Characteristics of Mutual Fund Investors

2020

How many people own mutual funds?

102.5 million US individuals

58.7 million US households

Who are they?

50 is the median age of the head of household

69 percent are married or living with a partner

56 percent are college graduates

75 percent are employed (full- or part-time)

8 percent are Silent or GI Generation (born 1904 to 1945)

31 percent are Baby Boomers (born 1946 to 1964)

31 percent are Generation X (born 1965 to 1980)

30 percent are Generation Z or Millennials (born 1981 to 2012)*

\$105,000 is the median household income

What do they own?

\$300,000 is the median household financial assets

\$126,700 is the median mutual fund assets

56 percent hold more than half of their financial assets in mutual funds

65 percent own individual retirement accounts (IRAs)

87 percent own defined contribution (DC) retirement plan accounts

4 mutual funds is the median number owned

90 percent own equity funds

When and how did they make their first mutual fund purchase?

51 percent bought their first mutual fund before 2000

63 percent purchased their first mutual fund through an employer-sponsored retirement plan

Why do they invest?

94 percent use mutual funds to save for retirement

47 percent use mutual funds to save for emergencies

47 percent use mutual funds to reduce taxable income

26 percent use mutual funds to save for education

* Generation Z (born 1997 to 2012) and the Millennial Generation (born 1981 to 1996) are aged 8 to 39 in 2020; survey respondents, however, must be 18 or older.

Sources: *ICI Research Perspective*, "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2020"; *ICI Research Perspective*, "Characteristics of Mutual Fund Investors, 2020"; and *ICI Research Report*, "Profile of Mutual Fund Shareholders, 2020"

Mutual Fund Ownership by Age and Income

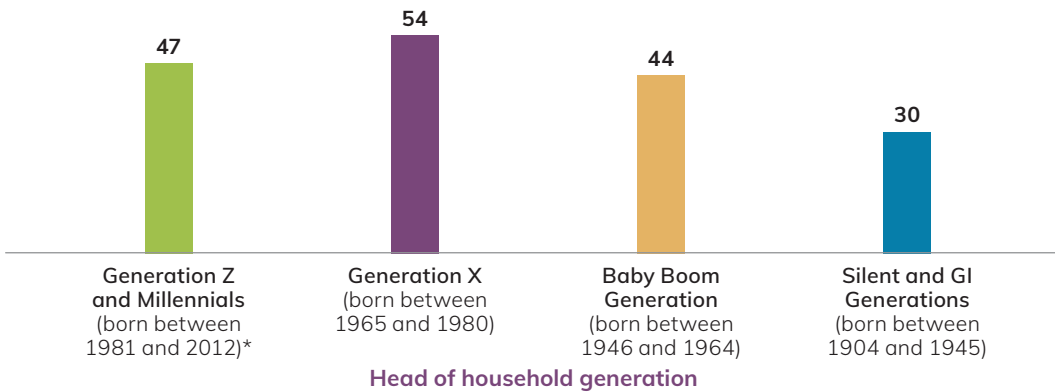
Mutual fund–owning households span all generations, but members of Generation X (born between 1965 and 1980) had the highest mutual fund ownership rate in 2020, at 54 percent (Figure 7.3). Forty-seven percent of Generation Z and Millennial households (born between 1981 and 2012) owned mutual funds in 2020. Forty-four percent of households headed by a Baby Boomer (born between 1946 and 1964) and 30 percent of Silent and GI Generation households (born between 1904 and 1945) owned mutual funds in 2020.

Among mutual fund–owning households in 2020, 31 percent were headed by members of the Baby Boom Generation, 31 percent were headed by members of Generation X, 30 percent were headed by members of Generation Z and Millennials, and 8 percent were headed by members of the Silent and GI Generations (Figure 7.4). Heads of mutual fund–owning households had a median age of 50 years (Figure 7.2).

FIGURE 7.3

Incidence of Mutual Fund Ownership Is Greatest Among Generation X

Percentage of US households within each generation group, 2020



Age of head of household in 2020

18 to 39* 40 to 55 56 to 74 75 or older

* Generation Z (born 1997 to 2012) and the Millennial Generation (born 1981 to 1996) are aged 8 to 39 in 2020; survey respondents, however, must be 18 or older.

Note: Generation is based on the age of the household sole or co-decisionmaker for saving and investing.

Source: ICI Research Perspective, "Characteristics of Mutual Fund Investors, 2020"



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Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2020

www.ici.org/pdf/per26-08.pdf

Baby Boomers held the largest percentage of households' mutual fund assets, at 43 percent (Figure 7.4). Households headed by members of Generation X (31 percent), Generation Z and Millennials (16 percent), and the Silent and GI Generations (10 percent) held the rest. This pattern of asset ownership reflects the fact that Generation Z and Millennial households are younger and have not had as much time to save as Baby Boom households, which are in their peak earning and saving years.

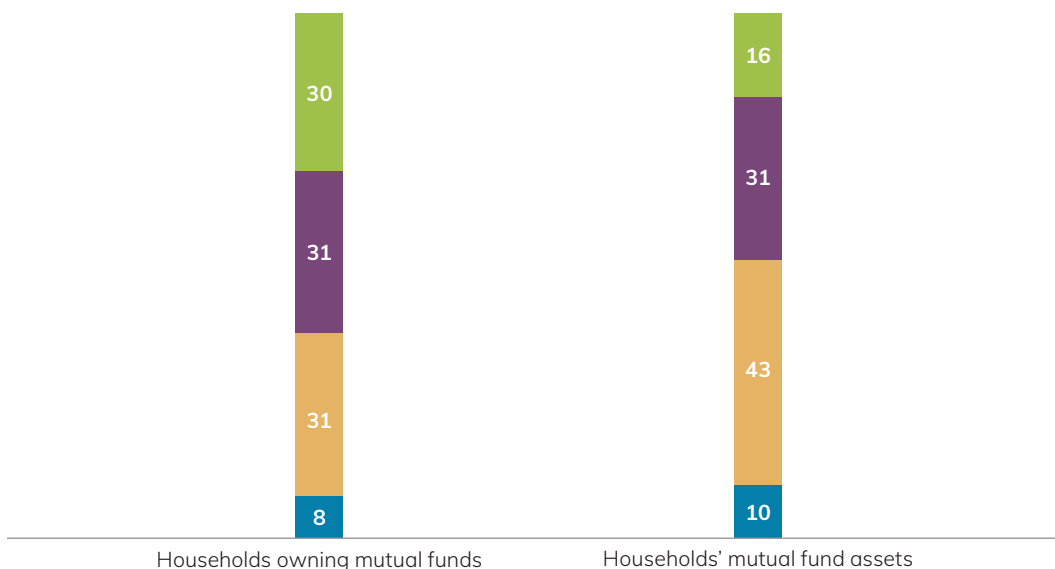
FIGURE 7.4

Baby Boomers Held the Largest Share of Household Mutual Fund Assets

Percentage of US households owning mutual funds and household mutual fund assets by generation, 2020

Head of household generation

- Generation Z and Millennials (born between 1981 and 2012)*
- Generation X (born between 1965 and 1980)
- Baby Boom Generation (born between 1946 and 1964)
- Silent and GI Generations (born between 1904 and 1945)



* Generation Z (born 1997 to 2012) and the Millennial Generation (born 1981 to 1996) are aged 8 to 39 in 2020; survey respondents, however, must be 18 or older.

Note: Generation is based on the age of the household sole or co-decisionmaker for saving and investing.

Source: ICI Research Perspective, "Characteristics of Mutual Fund Investors, 2020"

US households owning mutual funds had a range of annual household incomes: 12 percent had annual household income of less than \$50,000; 15 percent had between \$50,000 and \$74,999; 16 percent had between \$75,000 and \$99,999; 24 percent had between \$100,000 and \$149,999; and the remaining 33 percent had \$150,000 or more (Figure 7.5). The median household income of mutual fund–owning households in 2020 was \$105,000 (Figure 7.2).

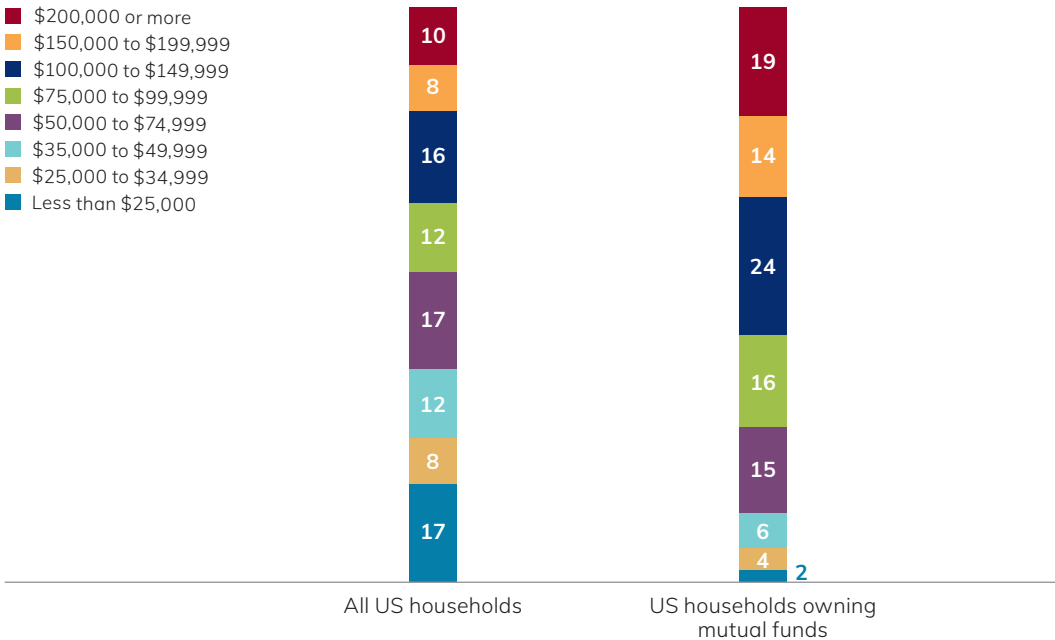
FIGURE 7.5

Mutual Fund Shareholders Have a Range of Incomes

Percent distribution of all US households and US households owning mutual funds by household income, 2020

Household income

- \$200,000 or more
- \$150,000 to \$199,999
- \$100,000 to \$149,999
- \$75,000 to \$99,999
- \$50,000 to \$74,999
- \$35,000 to \$49,999
- \$25,000 to \$34,999
- Less than \$25,000



Note: Total reported is household income before taxes in 2019.

Source: ICI Research Perspective, "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2020"



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ICI Explains: Who Invests in Mutual Funds and Why?

www.ici.org/video/19_explain_mutualfunds

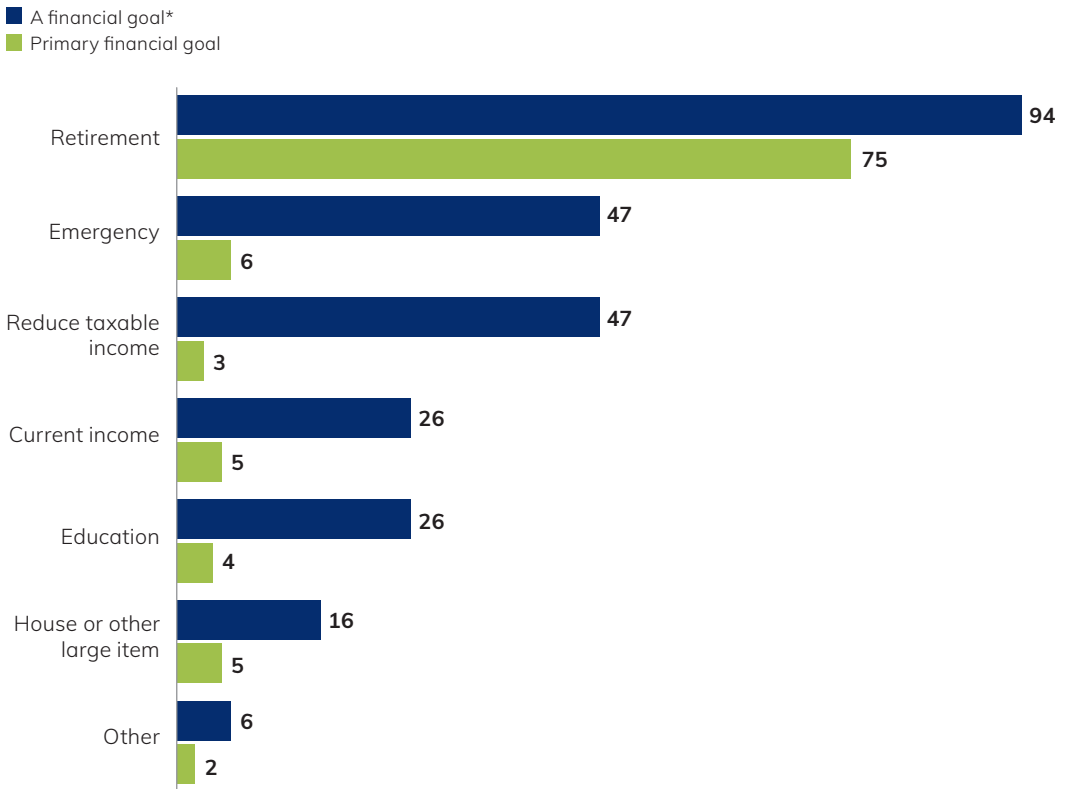
Savings Goals of Mutual Fund Investors

Mutual funds play a key role in the long- and short-term savings goals of US households. In 2020, 94 percent of mutual fund–owning households indicated that saving for retirement was one of their financial goals, and 75 percent said it was their primary financial goal (Figure 7.6). Mutual fund–owning households often purchase their first mutual fund through employer-sponsored retirement plans. In 2020, across all mutual fund–owning households, 63 percent had purchased their first fund through that channel (Figure 7.2). Retirement, however, is not the only financial goal for mutual fund–owning households—47 percent reported saving for emergencies as a goal; 47 percent reported reducing taxable income as a goal; and 26 percent reported saving for education as a goal.

FIGURE 7.6

Majority of Mutual Fund Investors Focus on Retirement

Percentage of US households owning mutual funds, 2020



* Multiple responses are included.

Source: ICI Research Perspective, "Characteristics of Mutual Fund Investors, 2020"

Where Investors Own Mutual Funds

The importance that mutual fund–owning households place on retirement saving is reflected in where they own their funds—in 2020, 94 percent of these households held mutual fund shares inside employer-sponsored retirement plans, individual retirement accounts (IRAs), or variable annuities. It is also reflected in the type of funds they choose—households are more likely to invest their retirement assets in long-term mutual funds than in money market funds. Indeed, defined contribution (DC) retirement plan and IRA assets held in equity, bond, and hybrid mutual funds totaled \$10.5 trillion at year-end 2020, or 54 percent of those funds' total net assets industrywide (Figure 8.19). By contrast, DC retirement plan and IRA assets in money market funds totaled just \$574 billion, or 13 percent of those funds' total net assets industrywide.

In 2020, 83 percent of mutual fund–owning households held funds inside employer-sponsored retirement plans, with 37 percent owning funds only inside such plans (Figure 7.7). Sixty-three percent of mutual fund–owning households held funds outside employer-sponsored retirement accounts, with 17 percent owning funds only outside such plans. For mutual fund–owning households without mutual funds in employer-sponsored retirement plans, 56 percent held funds in traditional or Roth IRAs. In many cases, these IRAs held assets rolled over from 401(k) plans or other employer-sponsored retirement plans (either defined benefit or DC plans).

Households owning mutual funds outside employer-sponsored retirement plans buy their fund shares through a variety of sources. In 2020, 75 percent of these households owned funds purchased with the help of an investment professional, including registered investment advisers, full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, and accountants (Figure 7.7). Thirty-eight percent of these households owned funds purchased solely with the help of an investment professional, and another 37 percent owned funds purchased from investment professionals and from fund companies directly or discount brokers. Twelve percent solely owned funds purchased from fund companies directly or discount brokers.

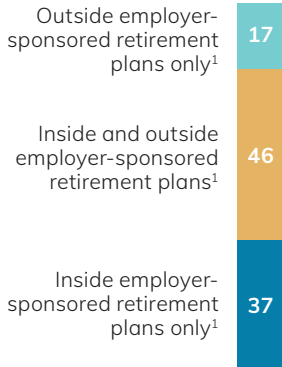
FIGURE 7.7

Mutual Fund Investments Outside Retirement Plans Are Often Guided by Investment Professionals

2020

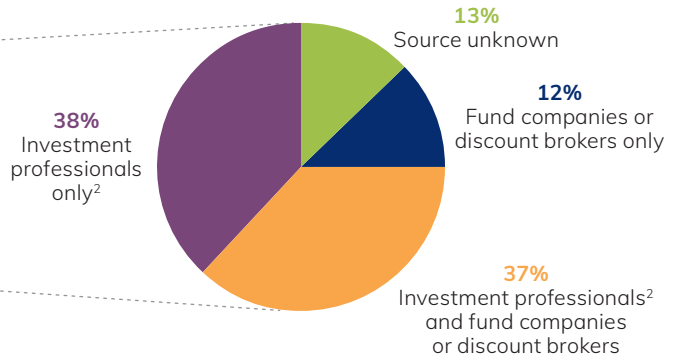
Sources of mutual fund ownership

Percentage of US households owning mutual funds



Sources for households owning mutual funds outside employer-sponsored retirement plans

Percentage of US households owning mutual funds outside employer-sponsored retirement plans¹



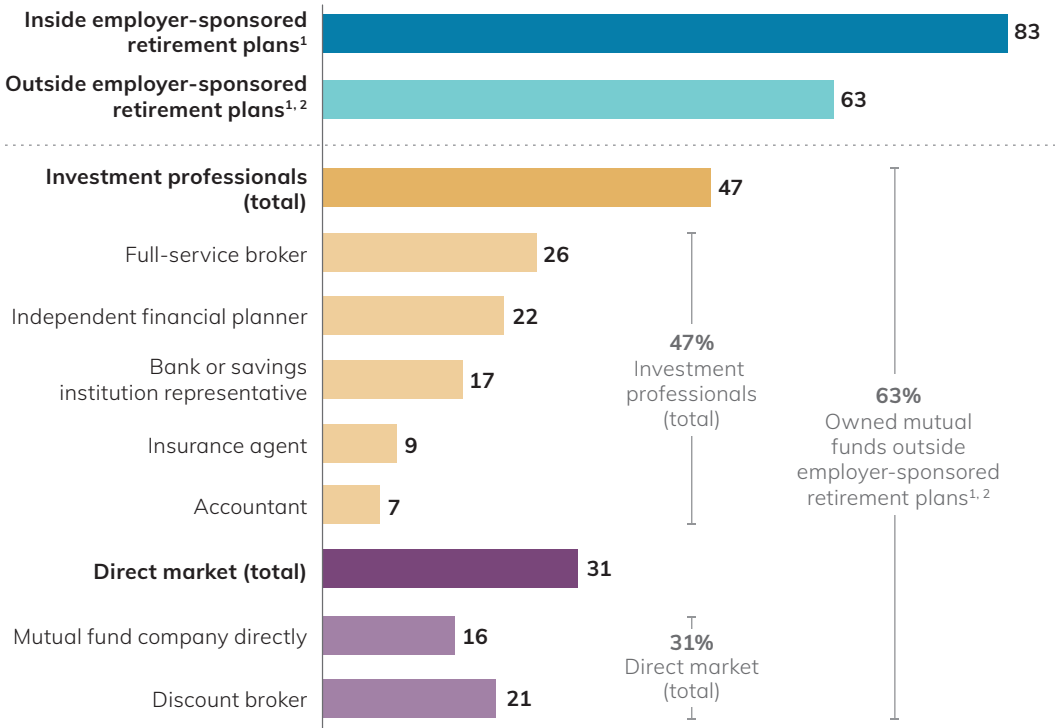
¹ Employer-sponsored retirement plans include DC plans (such as 401(k), 403(b), or 457 plans) and employer-sponsored IRAs (SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs).

² Investment professionals include registered investment advisers, full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, and accountants.

Source: ICI Research Perspective, "Characteristics of Mutual Fund Investors, 2020"

In 2020, mutual fund–owning households that held mutual funds outside employer-sponsored retirement plans purchased funds through two sources: investment professionals and the direct market channel. In 2020, almost half of households owning mutual funds held funds purchased through an investment professional and nearly one-third owned funds purchased through the direct market channel.

FIGURE 7.8
Mutual Fund Investors Purchase Mutual Funds Through a Variety of Channels
 Percentage of US households owning mutual funds, 2020



¹ Employer-sponsored retirement plans include DC plans (such as 401(k), 403(b), or 457 plans) and employer-sponsored IRAs (SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs).
² Seven percent of households owning mutual funds outside of employer-sponsored retirement plans did not indicate which source was used to purchase funds. Of this 7 percent, 5 percent owned funds both inside and outside employer-sponsored retirement plans and 2 percent owned funds only outside of employer-sponsored retirement plans.

Note: Multiple responses are included.

Source: ICI Research Perspective, “Characteristics of Mutual Fund Investors, 2020”

Younger generations are more likely to own mutual funds only inside employer-sponsored retirement plans, while older generations are more likely to own funds outside such plans. In 2020, 43 percent of Generation Z and Millennial households that owned mutual funds held them only inside employer-sponsored retirement plans, compared with 36 percent of mutual fund–owning households in the Baby Boom Generation (Figure 7.9). Fifty-seven percent of Generation Z and Millennial households that owned mutual funds held them outside of employer-sponsored retirement plans, compared with 64 percent of mutual fund–owning households headed by a Baby Boomer. Generation X households are more likely than younger or older generations to own funds both inside and outside employer-sponsored retirement plans. In 2020, 49 percent of Generation X households that owned mutual funds held them both inside and outside employer-sponsored retirement plans, compared with 45 percent of Generation Z and Millennial households, 45 percent of Baby Boom households, and 38 percent of Silent and GI Generation households. Although Silent and GI Generation households are the least likely to own mutual funds, those that do are the most likely to hold mutual funds only outside employer-sponsored retirement plans.

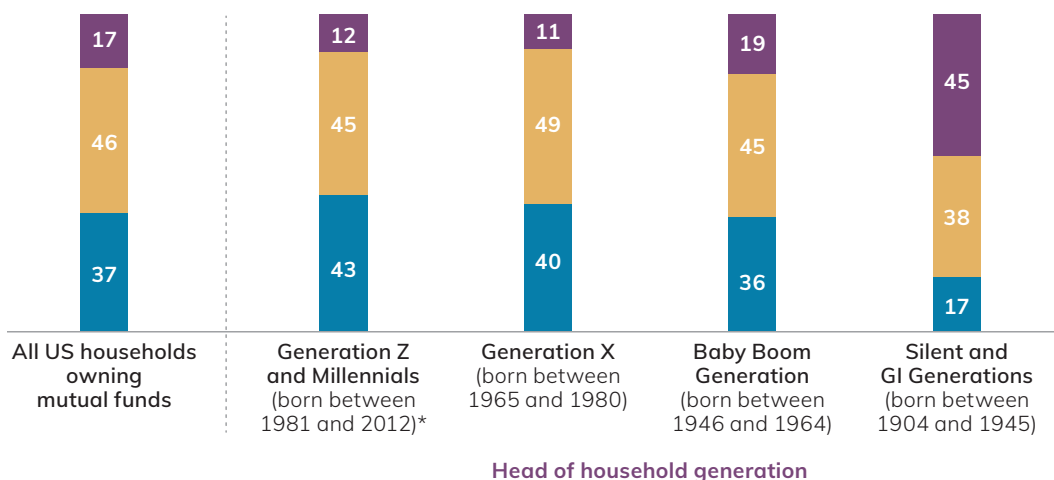
FIGURE 7.9

Mutual Fund Ownership Inside and Outside of Employer-Sponsored Retirement Plans

Percentage of US households owning mutual funds by generation, 2020

Source of mutual fund ownership

- Outside employer-sponsored retirement plans only
- Inside and outside employer-sponsored retirement plans
- Inside employer-sponsored retirement plans only



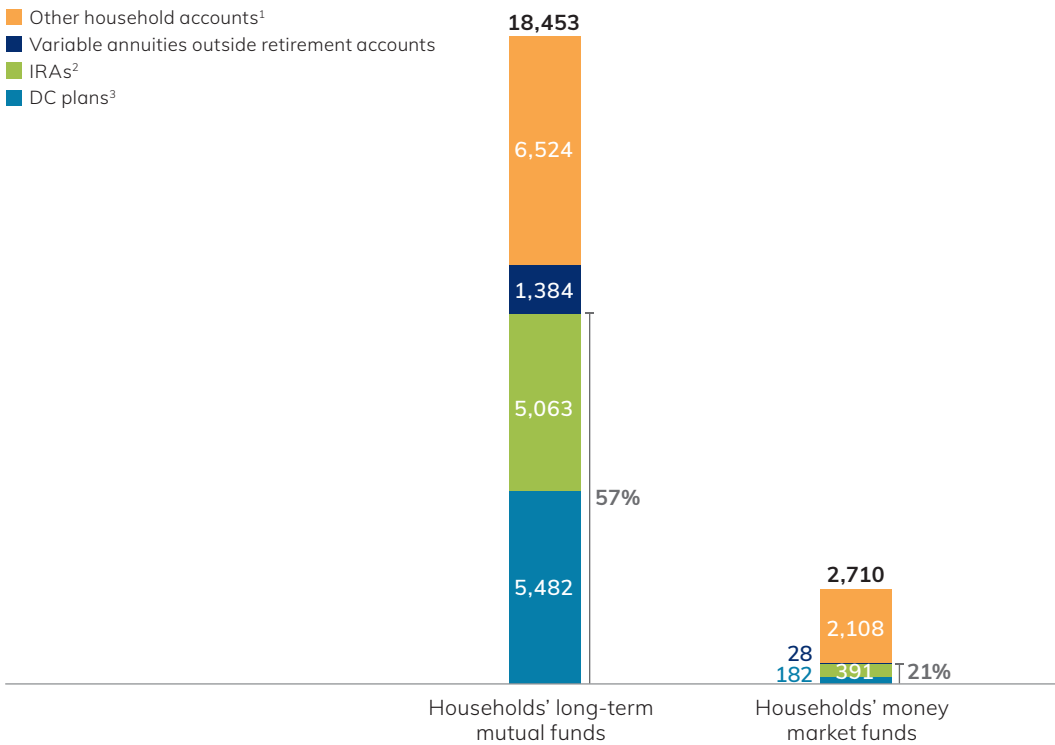
* Generation Z (born 1997 to 2012) and the Millennial Generation (born 1981 to 1996) are aged 8 to 39 in 2020; survey respondents, however, must be 18 or older.

Note: Generation is based on the age of the household sole or co-decisionmaker for saving and investing. Employer-sponsored retirement plans include DC plans (such as 401(k), 403(b), or 457 plans) and employer-sponsored IRAs (SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs).

Source: ICI Research Perspective, "Characteristics of Mutual Fund Investors, 2020"

At year-end 2020, mutual funds held in DC plans and IRAs accounted for \$11.1 trillion (32 percent) of the \$34.9 trillion US retirement market (Figures 8.5 and 8.19) and 47 percent of total mutual fund assets. DC plans and IRAs held 54 percent of total net assets in long-term mutual funds but a much smaller share of total net assets in money market funds (13 percent). Similarly, mutual funds held in DC plans and IRAs accounted for 57 percent of household long-term mutual fund assets but only 21 percent of household money market fund assets (Figure 7.10).

FIGURE 7.10
Households' Mutual Fund Assets by Type of Account
 Billions of dollars, year-end 2020



¹ Mutual funds held as investments in 529 plans and Coverdell ESAs are counted in this category.

² IRAs include traditional IRAs, Roth IRAs, and employer-sponsored IRAs (SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs).

³ DC plans include 401(k) plans, 403(b) plans, 457 plans, and other DC plans without 401(k) features.



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Characteristics of Mutual Fund Investors, 2020

www.ici.org/pdf/per26-09.pdf

Shareholder Sentiment and Confidence

Each year, ICI surveys US households about a variety of topics, including shareholder sentiment. In 2020, 66 percent of mutual fund shareholders familiar with mutual fund companies had “very” or “somewhat” favorable impressions of fund companies, the same as in 2019 (Figure 7.11). The share of mutual fund owners with “very” favorable impressions of fund companies was 16 percent.

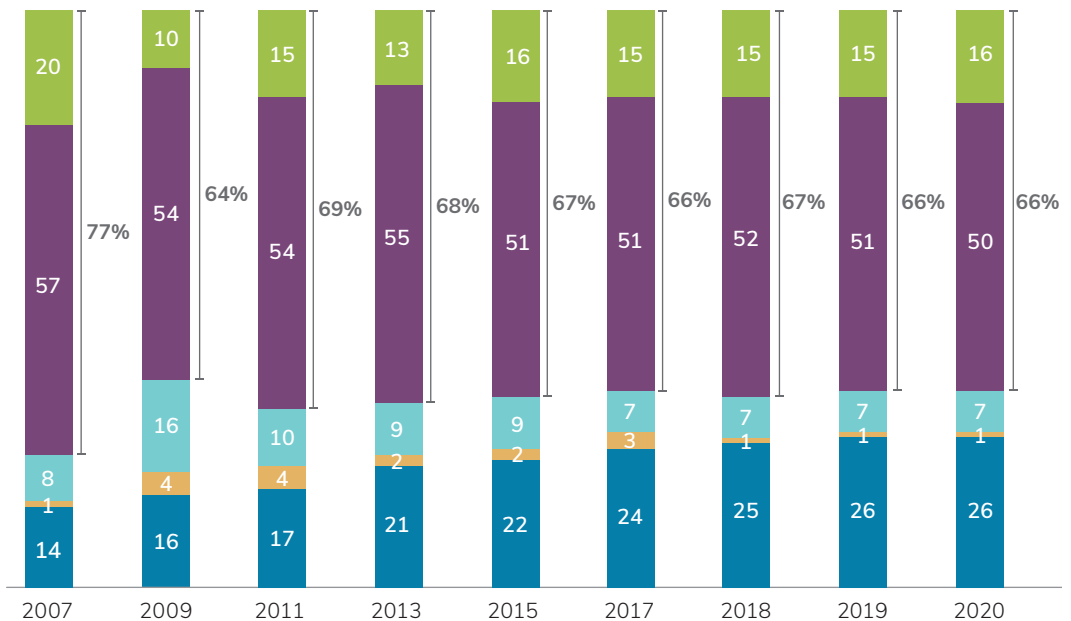
FIGURE 7.11

Most Shareholders View the Mutual Fund Industry Favorably

Percentage of US households owning mutual funds familiar with mutual fund companies

Impression of mutual fund industry

- Very favorable
- Somewhat favorable
- Somewhat unfavorable
- Very unfavorable
- No opinion



Note: The survey methodology was changed to a dual-frame sample of cell phones and landlines in 2014.

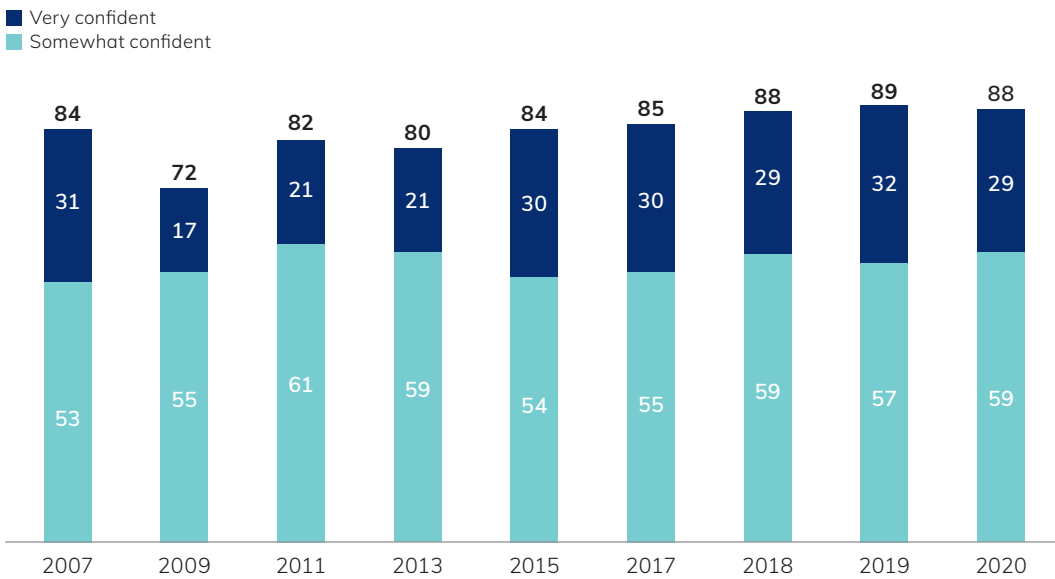
Source: ICI Research Perspective, “Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2020”

Mutual fund–owning households’ confidence that mutual funds are helping them reach their financial goals rebounded in the wake of the 2007–2009 financial crisis. In 2009, 72 percent of mutual fund–owning households said they were confident in mutual funds’ ability to help them achieve their financial goals, down from 84 percent in 2007 (Figure 7.12). From 2011 through 2013, about eight in 10 mutual fund–owning households said they were confident in mutual funds’ ability to help them achieve their financial goals, with more than 20 percent saying they were “very” confident. From 2015 to 2017, around 85 percent of mutual fund–owning households said they were confident in mutual funds’ ability to help them achieve their financial goals, rising to 88 percent in 2018 and 89 percent in 2019. In 2020, 88 percent of mutual fund–owning households had confidence in mutual funds, with 29 percent indicating they were “very” confident in mutual funds’ ability to help them achieve their financial goals.

FIGURE 7.12

Nearly Nine in 10 Mutual Fund–Owning Households Have Confidence in Mutual Funds

Percentage of US households owning mutual funds by level of confidence that mutual funds can help them meet their investment goals



Note: The survey methodology was changed to a dual-frame sample of cell phones and landlines in 2014. The question has four choices; the other two possible responses are “not very confident” and “not at all confident.”

Source: ICI Research Perspective, “Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2020”

Willingness to Take Investment Risk

The ICI survey also asked households about their willingness to take investment risk. Households owning mutual funds are far more willing to take investment risk than other households. In 2020, 40 percent of households owning mutual funds were willing to take above-average or substantial investment risk, more than three times the 12 percent of households not owning mutual funds (Figure 7.13).

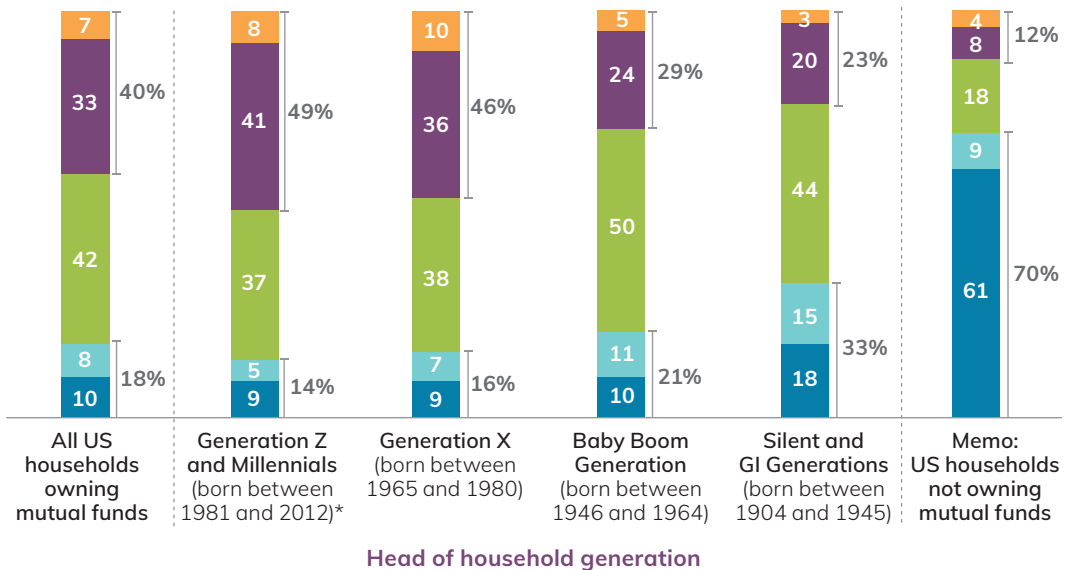
FIGURE 7.13

Households' Willingness to Take Investment Risk

Percentage of US households owning mutual funds by generation, 2020

Level of risk willing to take with financial investments

- Substantial risk for substantial gain
- Above-average risk for above-average gain
- Average risk for average gain
- Below-average risk for below-average gain
- Unwilling to take any risk



* Generation Z (born 1997 to 2012) and the Millennial Generation (born 1981 to 1996) are aged 8 to 39 in 2020; survey respondents, however, must be 18 or older.

Note: Generation is based on the age of the household sole or co-decisionmaker for saving and investing.

Sources: ICI Research Perspective, "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2020" and ICI Research Report, "Profile of Mutual Fund Shareholders, 2020"

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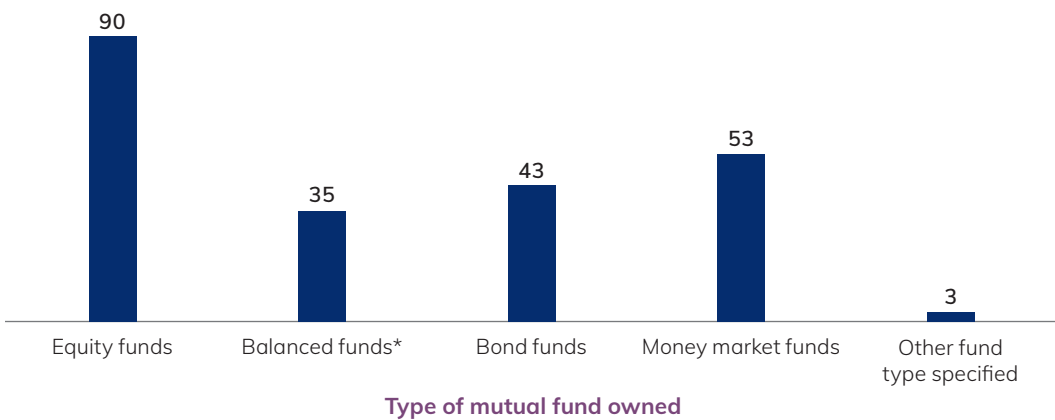
Profile of Mutual Fund Shareholders, 2020

www.ici.org/pdf/20_rpt_profiles.pdf

Risk tolerance varies with the age of the head of household, and younger households tend to be more willing to take investment risk than older households. In 2020, 49 percent of Generation Z and Millennial mutual fund–owning households and 46 percent of Generation X mutual fund–owning households were willing to take above-average or substantial investment risk (Figure 7.13). This willingness to take risk drops to 29 percent for mutual fund–owning households in the Baby Boom Generation and 23 percent for mutual fund–owning households in the Silent and GI Generations.

Mutual fund–owning households’ willingness to take investment risk is reflected in the types of mutual funds they own. Equity funds were the most commonly owned type of mutual fund in 2020, held by 90 percent of mutual fund–owning households (Figure 7.14). In addition, 35 percent owned balanced funds, 43 percent owned bond funds, and 53 percent owned money market funds.

FIGURE 7.14
Equity Funds Are the Most Commonly Owned Type of Mutual Fund
 Percentage of US households owning mutual funds, 2020



* The Investment Company Institute classifies this fund category as *hybrid* in its data.
 Note: Multiple responses are included.
 Source: ICI Research Perspective, “Characteristics of Mutual Fund Investors, 2020”

LEARN MORE
 What US Households Consider When They Select Mutual Funds, 2020
www.ici.org/pdf/per27-04.pdf

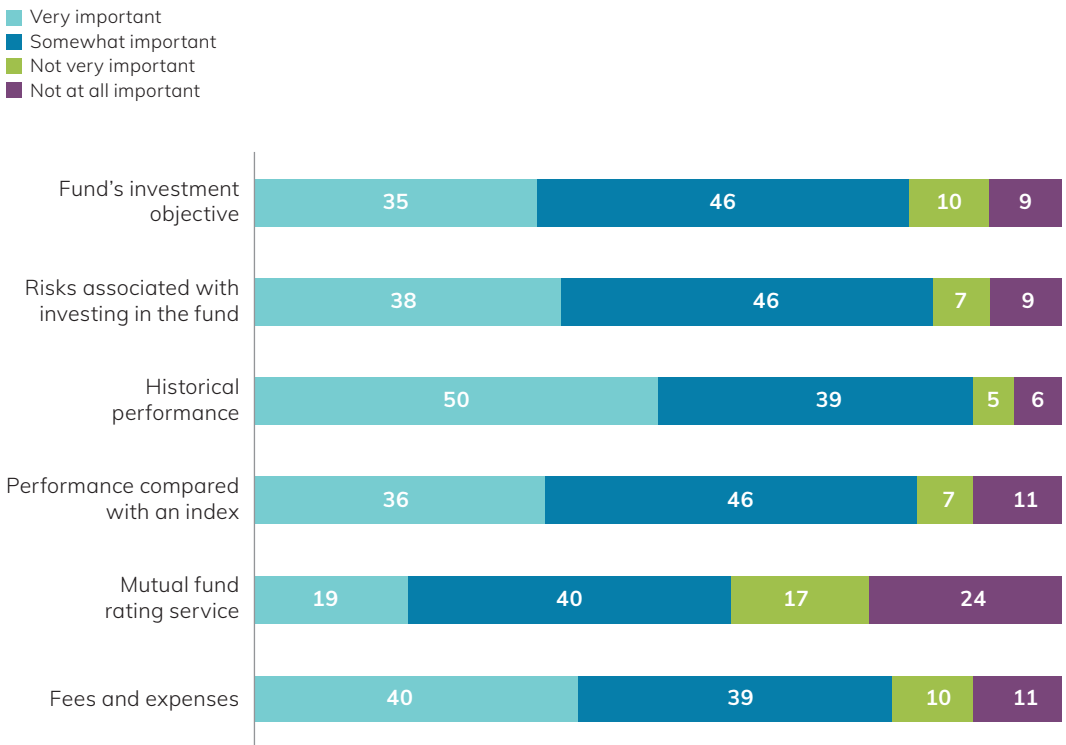
How Households Select Mutual Funds

ICI also surveyed mutual fund–owning households about the importance of a variety of factors when making their mutual fund purchase decisions. In 2020, 91 percent of mutual fund–owning households considered a fund’s investment objective when making their purchase decision (Figure 7.15). Similarly, 91 percent of mutual fund–owning households reviewed the risk level of a fund’s investments. Nearly 95 percent of mutual fund–owning households said that they reviewed the historical performance of a fund. Eighty-nine percent of mutual fund–owning households indicated that they considered a fund’s performance compared with an index, and 76 percent of mutual fund–owning households considered a fund’s rating from a rating service. Almost nine in 10 mutual fund–owning households indicated that they reviewed the fund’s fees and expenses.

FIGURE 7.15

Most Mutual Fund–Owning Households Research Fund Investments

Percentage of US households owning mutual funds, 2020



Source: ICI Research Perspective, “What US Households Consider When They Select Mutual Funds, 2020”

Shareholder Use of the Internet

An overwhelming majority of mutual fund–owning households have internet access. In 2020, 96 percent of US households owning mutual funds had internet access (Figure 7.16), up from 68 percent in 2000. Internet access traditionally has been greatest among younger people—in both mutual fund–owning households and the general population. Increasing access among older households, however, has narrowed the gap considerably.

FIGURE 7.16

Internet Access Is Nearly Universal Among Mutual Fund–Owning Households

Percentage of US households with internet access, 2020

	All US households	Mutual fund–owning households	Households with DC plan accounts ¹
Age of head of household²			
Younger than 35	91	97	95
35 to 49	89	99	98
50 to 64	87	97	96
65 or older	66	90	85
Education level			
High school diploma or less	67	93	86
Some college or associate's degree	89	96	94
College or postgraduate degree	93	97	97
Household income³			
Less than \$50,000	67	88	82
\$50,000 to \$99,999	91	96	94
\$100,000 to \$149,999	93	99	99
\$150,000 or more	94	98	98
Total	83	96	94

¹ DC plans include 401(k), 403(b), 457, and other DC plans.

² Age is based on the sole or co-decisionmaker for household saving and investing.

³ Total reported is household income before taxes in 2019.

Note: Internet access includes access to the internet at home, work, or some other location.

Source: ICI Research Perspective, "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2020"



Chapter 8

US Retirement and Education Savings

National policies that have created or enhanced tax-advantaged savings accounts have proven integral to helping Americans save for retirement and other long-term goals. Because many Americans use mutual funds in tax-advantaged accounts to reach these goals, ICI studies the US retirement market; the investors who use 401(k) plans, IRAs, 529 plans, and other tax-advantaged savings vehicles; and the role of mutual funds in the retirement and education savings markets. At year-end 2020, US retirement market assets totaled \$35 trillion, and assets in 529 education savings plans were nearly \$400 billion.

DC plans and IRAs accounted for 63 percent of retirement assets at year-end 2020



63%

of retirement assets
at year-end 2020

IN THIS CHAPTER

- 172** The US Retirement System
- 180** US Retiree Income
- 182** Defined Contribution Retirement Plans
- 189** Individual Retirement Accounts
- 197** The Role of Mutual Funds in Retirement Savings
- 200** The Role of Mutual Funds in Education Savings



The US Retirement System

American households rely on a combination of resources in retirement, and the role each type of resource plays has changed over time and varies across households. The traditional analogy compares retirement resources to a three-legged stool, with resources divided equally among the legs—Social Security, employer-sponsored pension plans, and private savings. A better analogy, however, is to think of Americans' retirement resources as a five-layer pyramid. Unlike the legs of a stool, pyramid layers need not be the same size.

Retirement Resource Pyramid

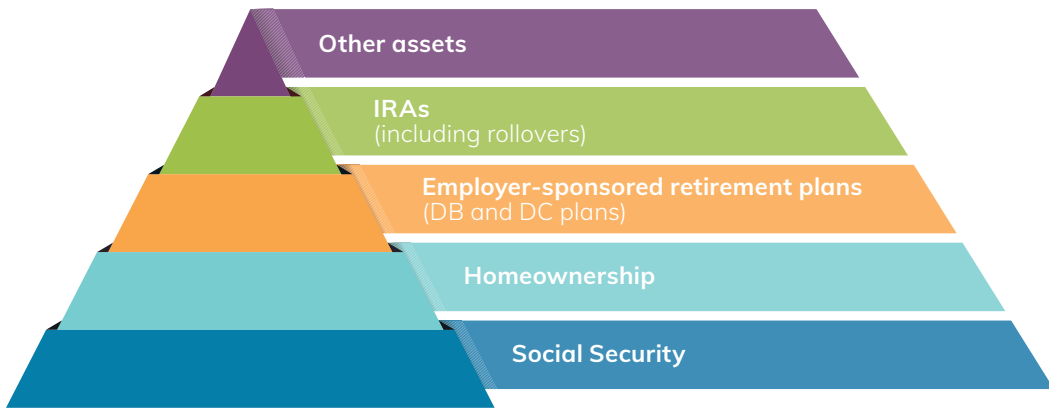
The retirement resource pyramid has five layers, which draw from government programs, compensation deferred until retirement, and other savings (Figure 8.1):

- » Social Security
- » homeownership
- » employer-sponsored retirement plans (private-sector and government employer plans, including both defined benefit [DB] and defined contribution [DC] plans)
- » individual retirement accounts (IRAs), including rollovers
- » other assets

Though the use of each layer differs by household, together these resources have broadly enabled recent generations of retirees to maintain their standard of living in retirement.

FIGURE 8.1

Retirement Resource Pyramid



Source: Investment Company Institute, *The Success of the US Retirement System*

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Facts on America's Retirement System

www.factsonretirement.org

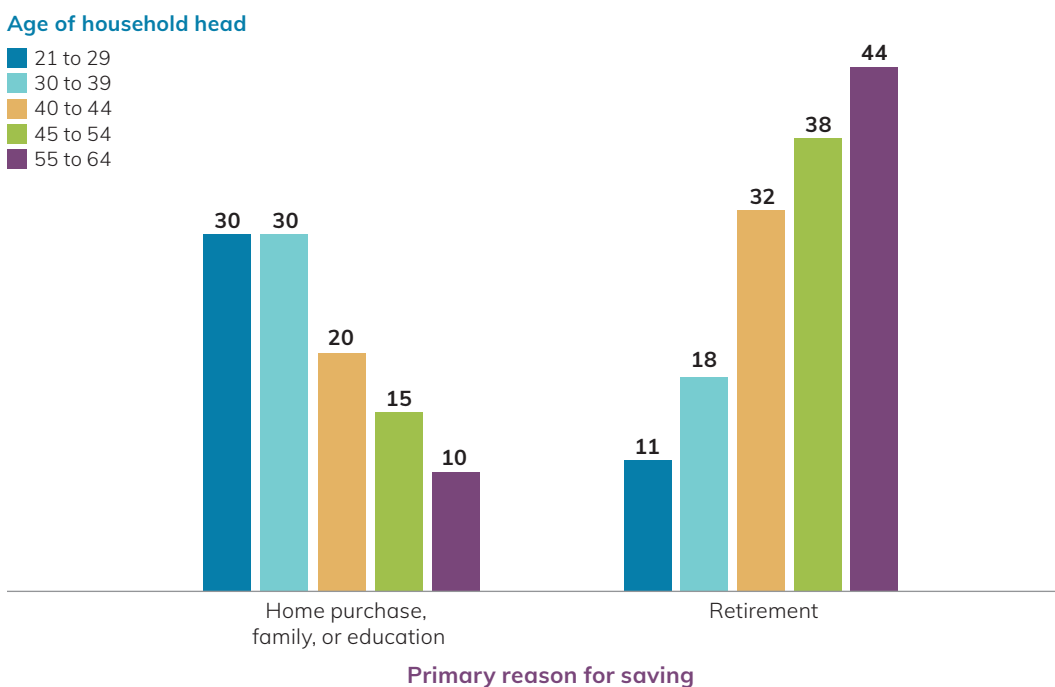
The composition of each household's retirement pyramid varies with income. For example, lower-income households tend to rely more on Social Security, reflecting the fact that Social Security benefits replace a higher share of pre-retirement earnings for workers with lower lifetime earnings.

The amount and composition of retirement resources also change with age. Younger households are more likely to save primarily for reasons other than retirement, such as for a home purchase, family, or education (Figure 8.2). By contrast, older households are more likely to save primarily for retirement, as many already have reached their other savings goals. The tendency of younger workers to focus less on saving for retirement is consistent with economic models of life-cycle consumption predicting that most workers delay saving for retirement until later in their careers, when they typically have higher earnings.

FIGURE 8.2

Primary Reason for Household Saving Changes with Age

Percentage of households by age of household head, 2019



Source: Investment Company Institute tabulations of the 2019 Federal Reserve Board Survey of Consumer Finances

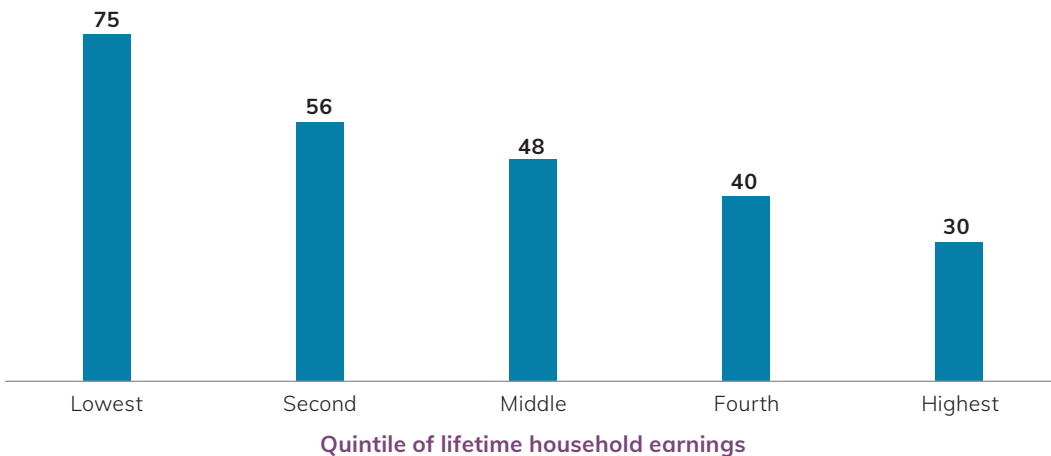
Social Security, the base of the US retirement resource pyramid, is a substantial component of retiree income and the primary source of income for lower-income retirees. Social Security benefits are funded through a payroll tax equal to 12.4 percent of earnings of covered workers (split equally between employers and employees) up to a maximum taxable earnings amount (\$137,700 in 2020). The benefit formula is highly progressive, with benefits representing a much higher percentage of earnings for workers with lower lifetime earnings.

By design, Social Security is the primary means of support for retirees with low lifetime earnings, and a substantial source of income for all retired workers. The Congressional Budget Office estimates that, for those in the lowest quintile (20 percent) of households ranked by lifetime household earnings, first-year Social Security benefits will replace 75 percent of inflation-indexed lifetime earnings, on average, for workers born in the 1960s who claim benefits at age 65 (Figure 8.3). That replacement rate drops to 56 percent for workers in the second quintile of households, and then declines more slowly as lifetime household earnings increase. Even for workers in the top 20 percent of households, Social Security benefits are projected to replace a considerable portion (30 percent) of earnings.

FIGURE 8.3

Social Security Benefit Formula Is Highly Progressive

Average scheduled Social Security replacement rates for workers in the 1960s birth cohort by quintile of lifetime household earnings, percent



Note: The replacement rate is the ratio of Social Security benefits net of income tax to average inflation-indexed lifetime earnings. Replacement rates are for workers claiming benefits at age 65. For workers born in the 1960s, the Social Security full benefit retirement age is 67. If these workers claimed benefits at age 67, benefits would increase by about 15 percent.

Source: Congressional Budget Office, *CBO's 2020 Long-Term Projections for Social Security: Additional Information*

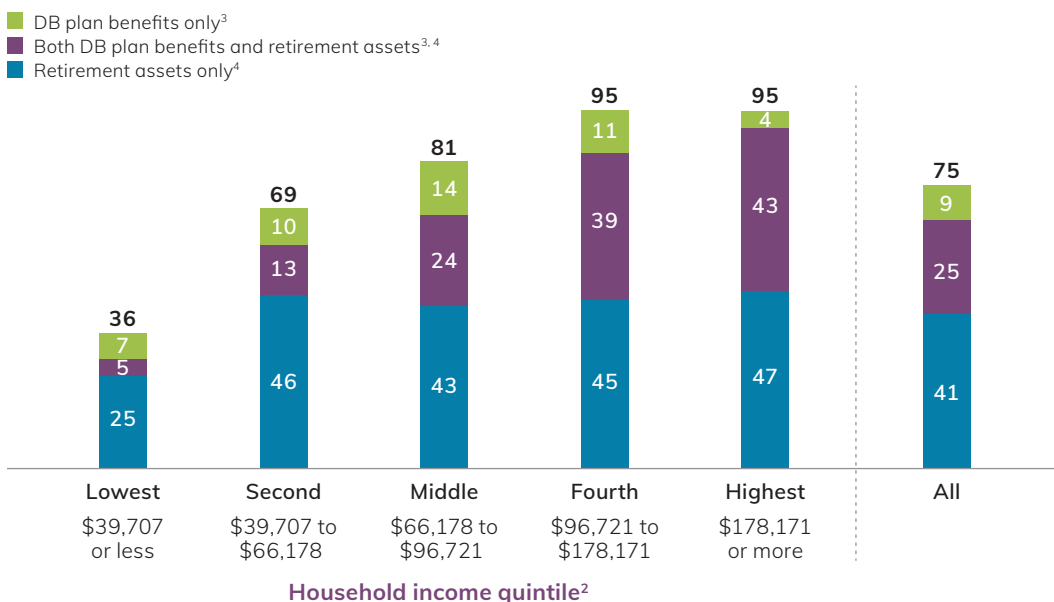
For many near-retiree households, homeownership is the second most important retirement resource after Social Security. Older households are more likely to own their homes; more likely to own their homes without mortgage debt; and, if they still have mortgages, more likely to have small mortgages relative to the value of their homes. Retired households typically benefit from this resource simply by living in their homes rent-free.

Employer-sponsored retirement plans and IRAs, which complement Social Security benefits and are important resources for households regardless of income or wealth, increase in importance for households for which Social Security replaces a smaller share of earnings. In 2019, three-quarters of near-retiree households had accrued benefits in employer-sponsored retirement plans—DB and DC plans sponsored by private-sector and government employers—or IRAs (Figure 8.4).

FIGURE 8.4

Near-Retiree Households Across All Income Groups Have Retirement Assets, DB Plan Benefits, or Both

Percentage of near-retiree households¹ by income quintile,² 2019



¹ Near-retiree households are those with a head of household aged 55 to 64, and a working head of household or working spouse.

² Income is household income before taxes in 2018.

³ Households currently receiving DB plan benefits and households with the promise of future DB plan benefits, whether from private-sector or government employers, are counted in this category.

⁴ In this figure, retirement assets include DC plan assets (401(k), 403(b), 457, thrift, and other DC plans), whether from private-sector or government employers, and IRAs (traditional, Roth, SEP, SAR-SEP, and SIMPLE).

Source: Investment Company Institute tabulations of the 2019 Federal Reserve Board Survey of Consumer Finances

Finally, although less important on average, retirees also rely on other assets in retirement. These assets can be financial—including bank deposits, stocks, bonds, and mutual funds owned outside employer-sponsored retirement plans and IRAs. They also can be nonfinancial—including business equity, investment real estate, second homes, vehicles, and consumer durables (long-lived goods such as household appliances and furniture). Higher-income households are more likely to have large holdings of assets in this category.

Snapshot of US Retirement Market Assets

Employer-sponsored retirement plans, IRAs (including rollovers), and annuities play an important role in the US retirement system, with assets totaling \$34.9 trillion at year-end 2020 (Figure 8.5)—up 9.3 percent from year-end 2019. The largest components of retirement assets were IRAs and employer-sponsored DC plans (including 401(k) plans), which together represented 63 percent of all retirement market assets at year-end 2020. Other employer-sponsored plans include private-sector DB plans (\$3.4 trillion), state and local government DB plans (\$5.1 trillion), and federal government DB plans (\$2.0 trillion). In addition, annuity reserves outside of retirement plans were \$2.5 trillion at year-end 2020.

Retirement assets include individual account-based savings (DC plans and IRAs) and assets held in DB plans. Traditional DB plans promise to pay benefits in retirement typically based on salary and years of service. Some DB plans, however, do not have sufficient assets to cover promised benefits that households have a legal right to expect. The total unfunded liabilities of DB plans were \$5.8 trillion at year-end 2020, and underfunding is more pronounced in government-sector pension plans. As of year-end 2020, state and local government DB plans had \$5.1 trillion in assets and \$4.0 trillion in unfunded liabilities and federal DB plans had \$2.0 trillion in assets and \$1.6 trillion in unfunded liabilities. By comparison, private-sector DB plans had \$3.4 trillion in assets and \$147 billion in unfunded liabilities.



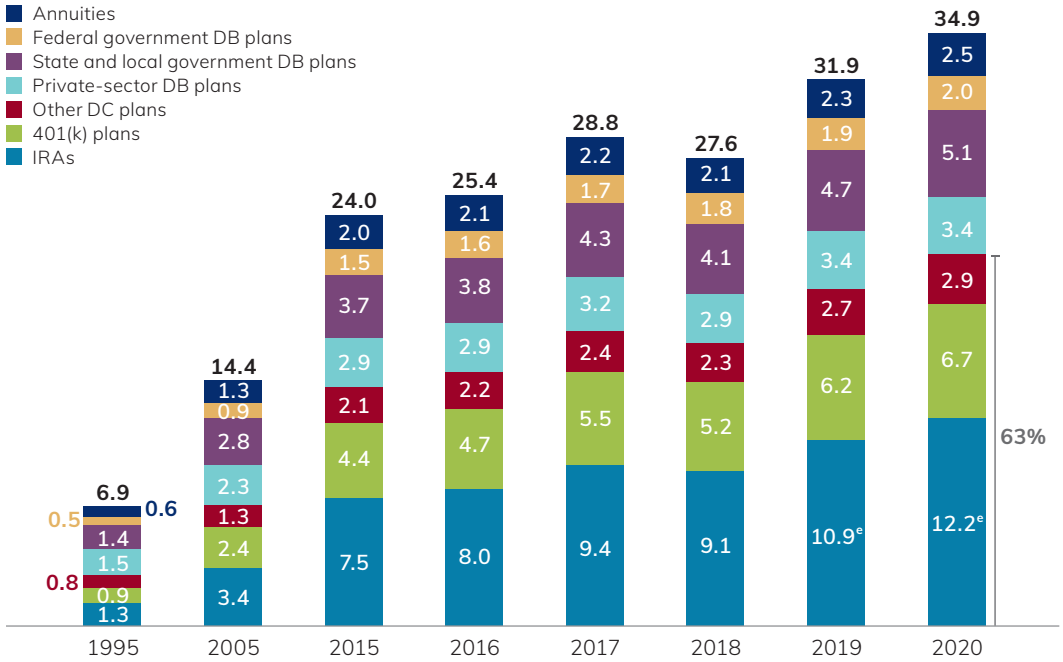
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ICI Explains: The Retirement Pyramid: How to Best View Your Resources
www.ici.org/video/21_explain_retirement

FIGURE 8.5

US Retirement Market Assets

Trillions of dollars, year-end



^e Data are estimated.

Source: Investment Company Institute. For a complete list of sources, see Investment Company Institute, "The US Retirement Market, Fourth Quarter 2020."

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 The US Retirement Market
www.ici.org/research/stats/retirement

COVID-19 and the US Retirement System

As the COVID-19 pandemic effectively shut down large portions of the US economy and significantly affected asset prices, total assets in the US retirement system fell from \$31.9 trillion at the end of 2019 to \$28.3 trillion at the end of March 2020. However, assets had fully recovered to their pre-COVID peak by the end of September and finished the year at \$34.9 trillion (up 9.3 percent from year-end 2019). The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), enacted in March 2020, eliminated the 10 percent penalty on early withdrawals from retirement accounts for individuals affected by COVID-19 and waived 2020 required minimum distributions for IRAs and employer-sponsored retirement plans. The act also contained optional provisions increasing repayment flexibility and expanding access to DC plan account balances for in-service withdrawals and loans.

Throughout the year, DC plan participants largely stayed the course. Only 3.8 percent of DC plan participants took withdrawals, largely in line with 2019 (3.9 percent). In addition, recordkeepers identified 5.8 percent of participants taking the coronavirus-related distributions allowed by the CARES Act. The percentage of participants who stopped contributing, changed the asset allocation of their contributions, or changed the asset allocation of their account balances was also in line with recent years.

For more information about DC plan participant activity in 2020, see *ICI Research Report*, “Defined Contribution Plan Participants’ Activities, 2020” at www.ici.org/pdf/20_rpt_recsurveyq4.pdf.

Ownership of Retirement Resources

Many US households have accumulated resources earmarked for retirement (Figure 8.6). Across all age groups, 64 percent of US households (82 million) reported that they had employer-sponsored retirement plans, IRAs, or both in 2020. Fifty-eight percent of US households reported that they had employer-sponsored retirement plans—that is, they had assets in DC plan accounts, were receiving or expecting to receive benefits from DB plans, or both. Thirty-seven percent reported having assets in IRAs, including 31 percent that had both IRAs and employer-sponsored retirement plans. US households represent a wide range of ages at different points in the life cycle of savings. Focus on retirement savings tends to increase with age (Figure 8.2), and older households are more likely to have retirement resources; for example, three-quarters of near-retiree households have retirement accumulations (Figure 8.4).

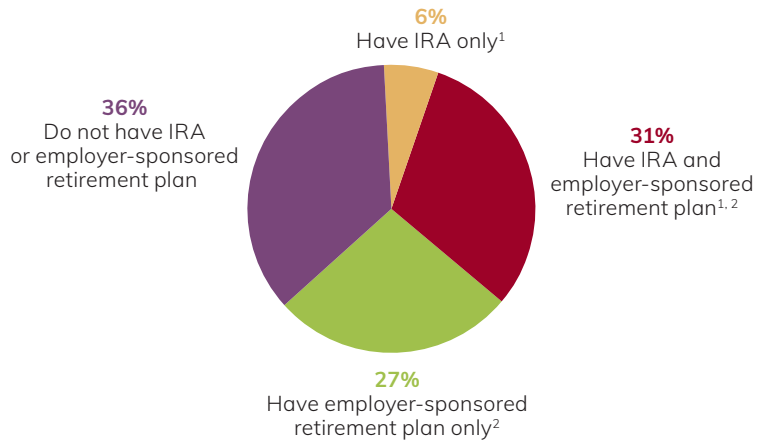
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Focus on Funds: How 401(k) Investors React to Market Ups and Downs
www.ici.org/video/200320_fof_volatility

FIGURE 8.6

Many US Households Have Retirement Resources Outside Social Security

Percentage of US households, 2020



Total number of US households: 128.5 million

¹ This category includes traditional, Roth, and employer-sponsored IRAs (SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs).

² Employer-sponsored retirement plans include DC and DB retirement plans.

Sources: Investment Company Institute and US Census Bureau. See *ICI Research Perspective*, "The Role of IRAs in US Households' Saving for Retirement, 2020."

US Retiree Income

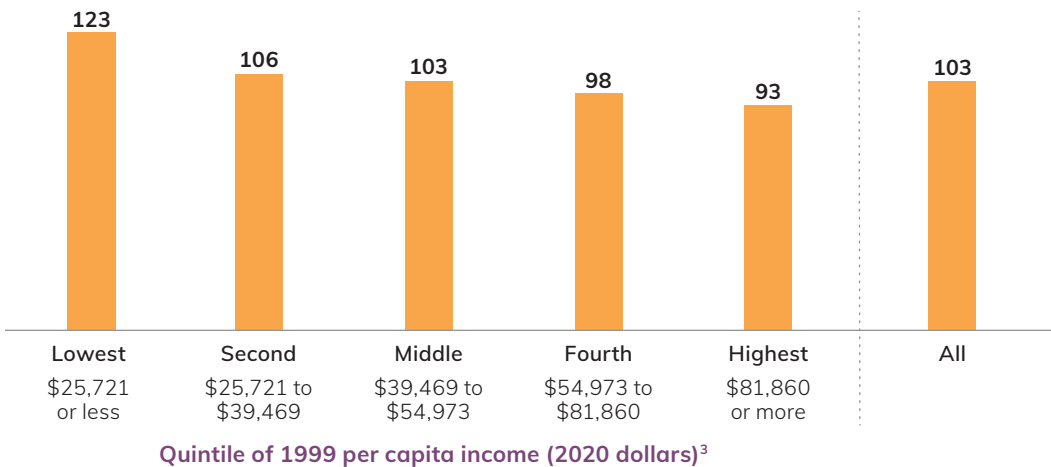
Most American workers maintain or increase their spendable income after claiming Social Security, according to a study coauthored by ICI and Internal Revenue Service Statistics of Income Division staff. The study also finds that, after claiming, most get substantial amounts of both Social Security benefits and retirement income (from employer-sponsored retirement plans, annuities, or IRAs).

Lower-income workers typically had higher replacement rates of spendable income—income available after paying taxes and making contributions to retirement accounts (Figure 8.7). Three years after claiming, the median worker in the study had spendable income that was greater (103 percent) than spendable income in the year before claiming. Notably, median replacement rates were found to be highest for individuals in the lowest quintile of income in 1999 (123 percent) and lowest for individuals in the highest quintile (93 percent).

FIGURE 8.7

Most Workers Maintain Spendable Income After Claiming Social Security

Median spendable income replacement rate¹ three years after claiming Social Security among individuals in the sample² by 1999 per capita income,³ percent



¹ Spendable income is the sum of labor income, Social Security benefits, and retirement income (DB and DC pension, annuity, and IRA income) less payroll taxes and a proportional amount of federal income taxes. The replacement rate is expressed as a percentage of spendable income in the year before Social Security was claimed.

² The sample consists of all working taxpayers aged 55 to 61 in 1999 who claimed Social Security retirement benefits between 2000 and 2007.

³ For individuals filing a non-joint return, per capita income is income reported on the tax return. For married individuals filing a joint return, per capita income is income reported on the tax return divided by two.

Source: *Using Panel Tax Data to Examine the Transition to Retirement*, available at www.ici.org/transition_to_retirement



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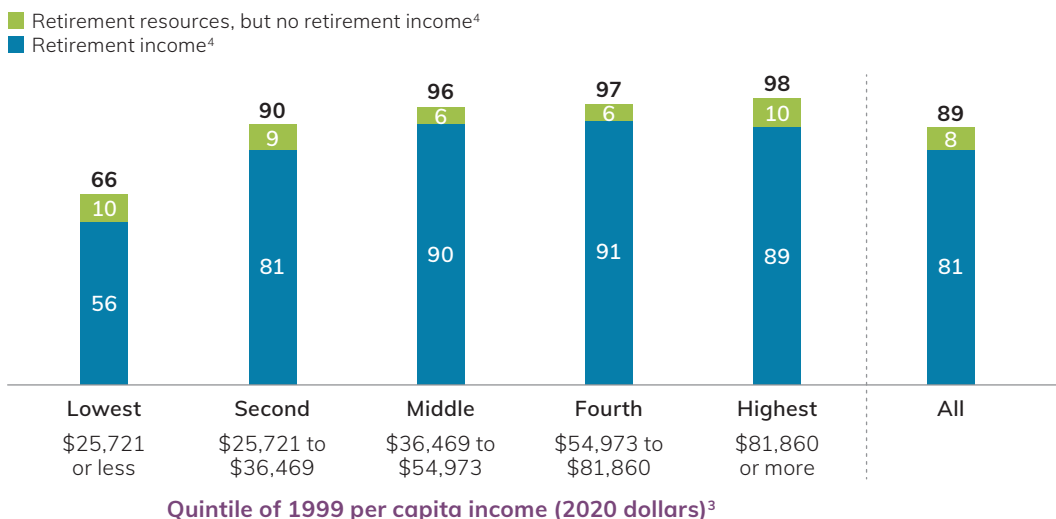
www.ici.org/retirement

In addition to Social Security, the vast majority of workers analyzed had resources from employer-sponsored retirement plans, annuities, and IRAs (Figure 8.8). Over the five-year period from one year before an individual claims Social Security to three years after claiming, 81 percent received income—either directly or through a spouse—from employer plans, annuities, or IRAs. Another 8 percent had evidence of these resources—a Form 1099-R (reporting a rollover or other retirement account transaction that did not generate income), a Form 5498 (indicating IRA ownership), or both—but were not yet drawing on them.

FIGURE 8.8

Nearly Nine in 10 Had Retirement Resources Outside of Social Security

Percentage of sample¹ who had evidence of retirement resources outside of Social Security² by 1999 per capita income³



¹ The sample consists of all working taxpayers aged 55 to 61 in 1999 who claimed Social Security retirement benefits between 2000 and 2007.

² The period analyzed is the five-year period starting one year prior to claiming Social Security and ending three years after claiming.

³ For individuals filing a non-joint return, per capita income is income reported on the tax return. For married individuals filing a joint return, per capita income is income reported on the tax return divided by two.

⁴ Retirement income is income from DB and DC pensions, annuities, and IRAs.

Source: *Using Panel Tax Data to Examine the Transition to Retirement*, available at www.ici.org/transition_to_retirement

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ICI Analysis Shows Americans Maintain or Increase Spendable Income After Claiming Social Security

www.ici.org/news-release/17_news_retirement_income

Defined Contribution Retirement Plans

DC plans provide employees with a retirement account funded with employer contributions, employee contributions, or both, plus investment earnings or losses on those contributions, less withdrawals. Assets in employer-sponsored DC plans have grown faster than assets in DB plans over the past three decades, increasing from 30 percent of total DC and DB plan assets in 1990 to 48 percent at year-end 2020.

At the end of 2020, employer-sponsored DC plans—which include 401(k) plans, 403(b) plans, 457 plans, the federal Thrift Savings Plan (TSP), and other private-sector DC plans—held an estimated \$9.6 trillion in assets (Figure 8.5). With \$6.7 trillion in assets at year-end 2020, 401(k) plans held the largest share of employer-sponsored DC plan assets. 403(b) plans—which are similar to 401(k) plans and are offered by educational and certain nonprofit organizations—held another \$1.2 trillion in assets. In addition, 457 plans—which serve employees of state and local governments and certain tax-exempt organizations—and the TSP held a total of \$1.1 trillion. Other private-sector DC plans without 401(k) features held the remaining \$0.6 trillion.

401(k) and 403(b) Plan Design and Investment Lineup

Plan Design

Employers that sponsor a 401(k) plan have the option to include features such as employer contributions, access to plan assets through participant loans, and automatic enrollment of employees into the plan to encourage participation. The most common of these plan features is employer contributions. In 401(k) plans, employers can make contributions without regard to employee contributions or by using a matching structure that gives employees an incentive to contribute to the plan. Recent analysis of large 401(k) plans by BrightScope and ICI found that 86 percent made employer contributions in plan year 2017. Nearly eight out of 10 (78 percent) large 401(k) plans had participant loans outstanding, and nearly three out of 10 (29 percent) included automatic enrollment in 2017. An analysis of large private-sector 403(b) plans found that they also offer a variety of combinations of these plan design features.



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The BrightScope/ICI Defined Contribution Plan Profile: A Close Look at 401(k) Plans, 2017
www.ici.org/pdf/20_ppr_dcplan_profile_401k.pdf

When designing 401(k) plans, employers tend to select a combination of features that their employees are likely to value. In 2017, 46 percent of large 401(k) plans had both employer contributions and participant loans outstanding but no automatic enrollment, making this the most common combination of plan activities. The next most common plan design combined all three activities—employer contributions, automatic enrollment, and outstanding loans—and was offered by 22 percent of large 401(k) plans. Fourteen percent of large 401(k) plans had employer contributions only, and about 4 percent did not report any of the three activities.

Investment Lineup

In addition to choosing how to structure contributions to the 401(k) plan, employers also select the investment options that are available to plan participants. In 2017, domestic equity funds, international equity funds, and domestic bond funds were offered in nearly all large 401(k) plans (Figure 8.9). Although these three fund types are equally likely to be offered, when these funds are available in the plan, employers tend to offer more domestic equity funds (10 funds on average) than domestic bond funds (three funds) or international equity funds (three funds). Target date funds also are common investment choices, with more than 80 percent of large 401(k) plans offering 10 of these funds on average. In addition, 45 percent of large 401(k) plans offered one money fund on average and 70 percent offered one guaranteed investment contract (GIC). In total, the average large 401(k) plan offered 28 funds to participants in 2017. Large private-sector 403(b) plans also offer participants a diverse array of investment options to choose from.

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Focus on Funds: Retirement Plan Participation Continues to Increase
www.ici.org/video/200306_fof_retirement

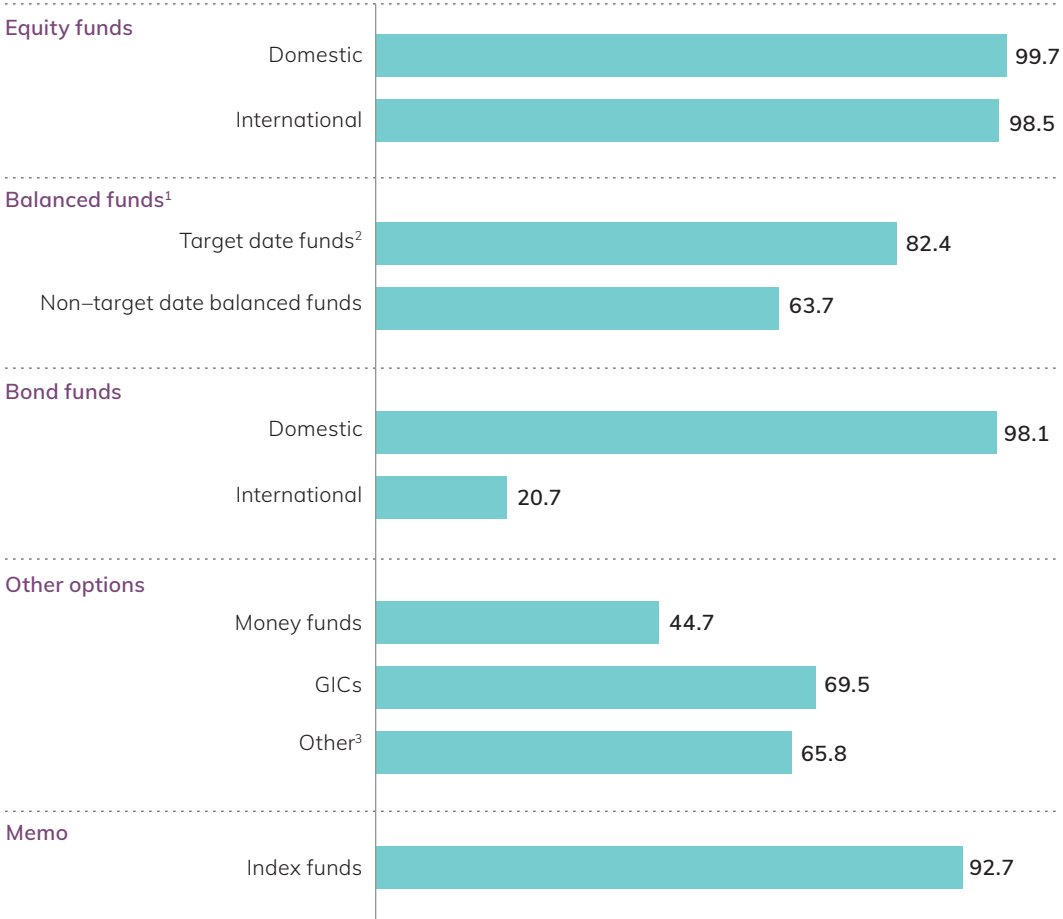


FIGURE 8.9

Incidence of Investment Options Offered in Large 401(k) Plans by Type of Investment

Percentage of plans with audited 401(k) filings in the BrightScope database, 2017

Type of investment option



¹ The Investment Company Institute classifies balanced funds as *hybrid* in its data.

² A target date fund typically rebalances its portfolio to become less focused on growth and more focused on income as it approaches and passes the target date of the fund, which is usually included in the fund's name.

³ *Other* includes commodity funds, real estate funds, and individual stocks (including company stock) and bonds.

Note: The sample is 55,645 plans with 56.1 million participants and \$4.5 trillion in assets. Participant loans are excluded. Funds include mutual funds, collective investment trusts, separate accounts, and other pooled investment products. BrightScope audited 401(k) filings generally include plans with 100 participants or more. Plans with fewer than four investment options or more than 100 investment options are excluded from BrightScope audited 401(k) filings for this analysis.

Source: BrightScope Defined Contribution Plan Database. See BrightScope and Investment Company Institute, *The BrightScope/ICI Defined Contribution Plan Profile: A Close Look at 401(k) Plans, 2017*.



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How America Supports Retirement: Challenging the Conventional Wisdom on Who Benefits

www.ici.org/whobenefits

401(k) Participants: Asset Allocation, Account Balances, and Loan Activity

Asset Allocation

The amount of income that 401(k) plan accounts provide in retirement depends, in part, on the asset allocation decisions of plan participants.

According to research conducted by ICI and the Employee Benefit Research Institute (EBRI), the asset allocation of 401(k) participants varies with age. At year-end 2018, on average, 401(k) plan participants in their twenties had 26 percent of their 401(k) assets invested in equity funds, 51 percent in target date funds, 3 percent in non–target date balanced funds,* and 2 percent in company stock (Figure 8.10). By comparison, older 401(k) plan participants had higher allocations to equity funds (36 percent of their 401(k) assets), lower allocations to target date funds (23 percent), and similar allocations to non–target date balanced funds (5 percent) and company stock (4 percent). These older participants also had higher allocations to fixed-income investments. At year-end 2018, on average, 401(k) plan participants in their sixties had nearly one-quarter of their 401(k) account assets in money funds, bond funds, and GICs and other stable value funds, while participants in their twenties allocated a much lower 12 percent to those investments, on average.

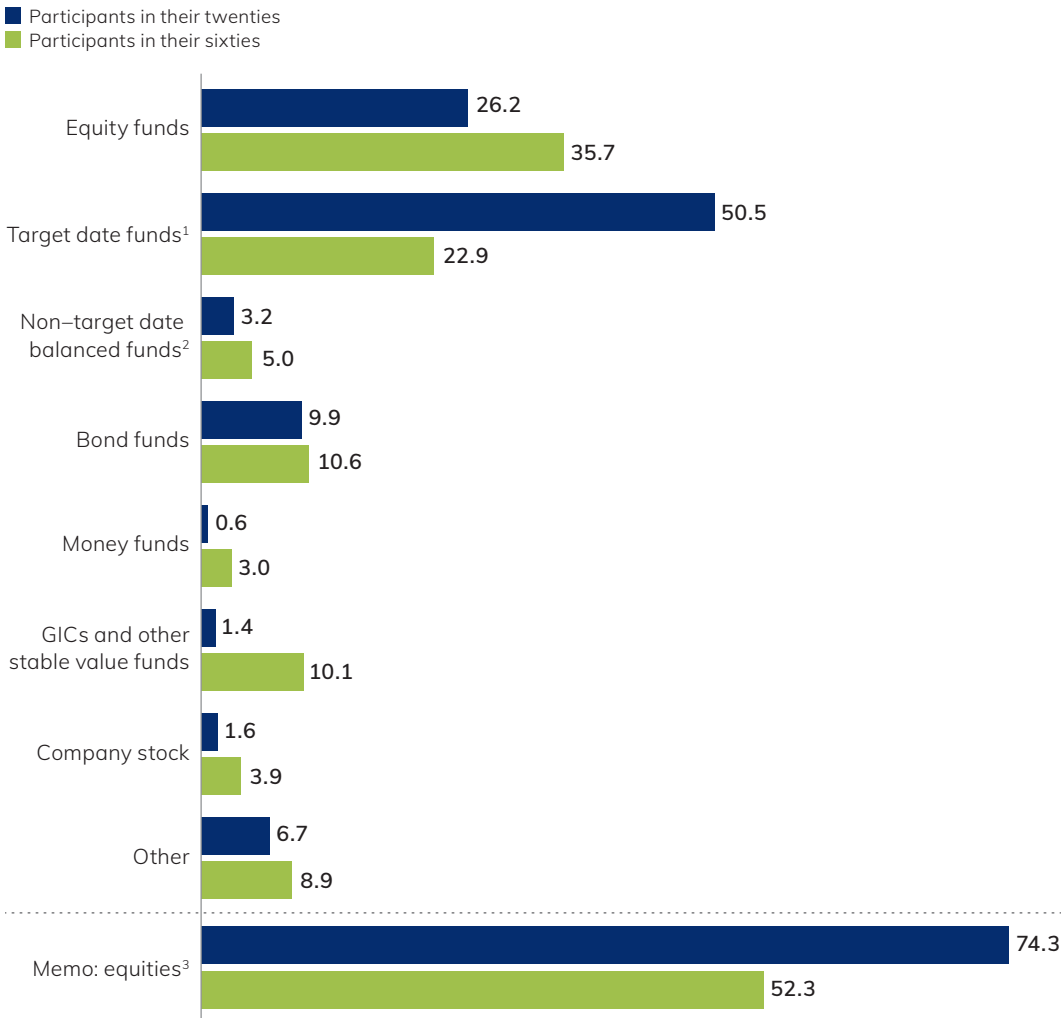
All told, younger participants allocate more of their portfolios to equities (which include equity funds; the equity portion of balanced funds, including target date funds; and company stock) compared with older participants. According to EBRI/ICI research, at year-end 2018, participants in their twenties had 74 percent of their 401(k) assets invested in equities, on average, while those in their sixties had 52 percent of their 401(k) assets invested in equities (Figure 8.10).

* The Investment Company Institute classifies balanced funds as *hybrid* in its data.

FIGURE 8.10

401(k) Asset Allocation Varies with Participant Age

Average asset allocation of 401(k) account balances, percentage of account balances, year-end 2018



¹ A target date fund typically rebalances its portfolio to become less focused on growth and more focused on income as it approaches and passes the target date of the fund, which is usually included in the fund's name.

² The Investment Company Institute classifies balanced funds as *hybrid* in its data.

³ Equities include equity funds, company stock, and the equity portion of balanced funds.

Note: Funds include mutual funds, bank collective trusts, life insurance separate accounts, and any pooled investment product primarily invested in the security indicated. Percentages are dollar-weighted averages.

Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project. See *ICI Research Perspective*, "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2018."



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Target Retirement Date Funds Resource Center

www.ici.org/trdf

Portfolio allocation also varies widely within age groups. At year-end 2018, 75 percent of 401(k) participants in their twenties held more than 80 percent of their account in equities, while participants in their sixties were much less inclined to hold such high equity allocations (less than 15 percent of them did so) (Figure 8.11). By comparison, 15 percent of those in their twenties and 34 percent of those in their sixties allocated 40 percent or less of their account to equities.

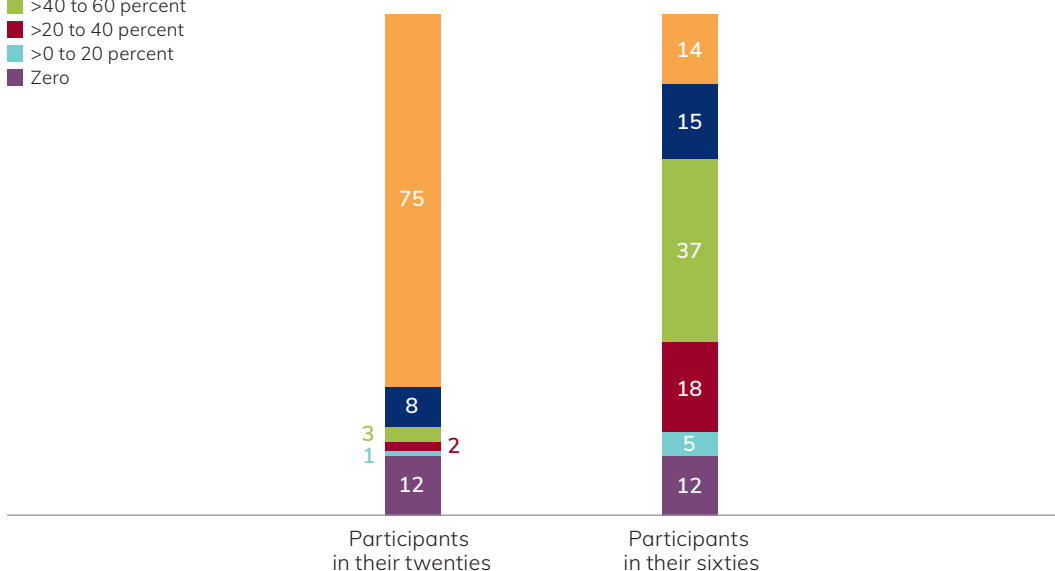
FIGURE 8.11

Asset Allocation to Equities Varies Widely Among 401(k) Plan Participants

Asset allocation distribution of 401(k) participant account balance to equities, percentage of participants, year-end 2018

Percentage of 401(k) account balance invested in equities

- >80 percent
- >60 to 80 percent
- >40 to 60 percent
- >20 to 40 percent
- >0 to 20 percent
- Zero



Note: Equities include equity funds, company stock, and the equity portion of balanced funds. Funds include mutual funds, bank collective trusts, life insurance separate accounts, and any pooled investment product primarily invested in the security indicated. The Investment Company Institute classifies balanced funds as *hybrid* in its data.

Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project. See *ICI Research Perspective*, “401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2018.”

Target Date Funds

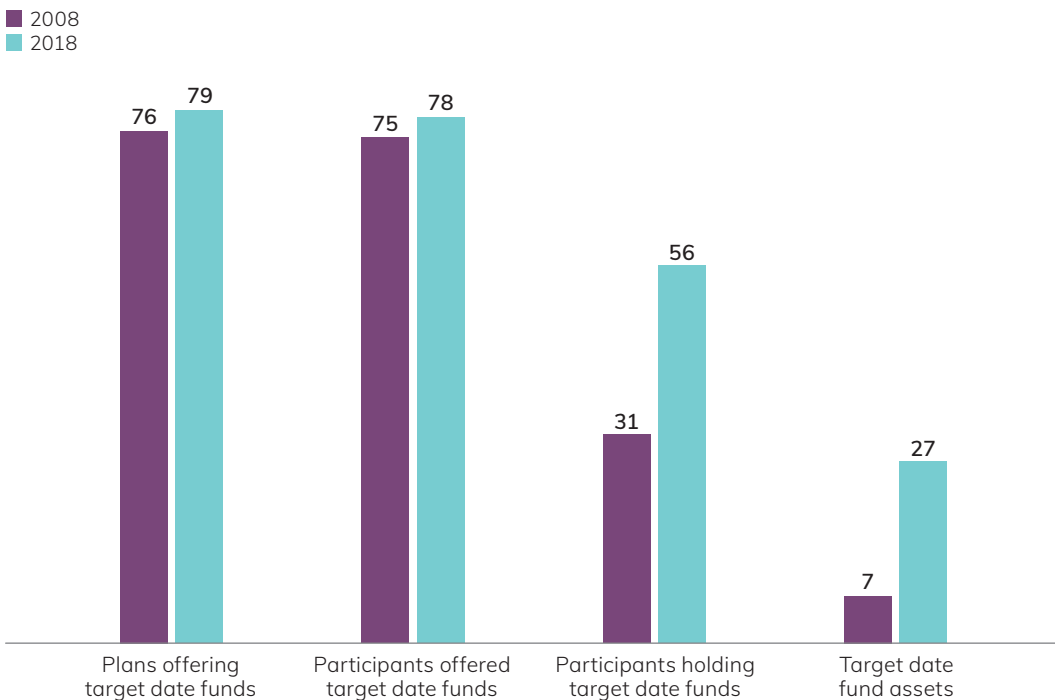
A target date fund (including both target date mutual funds and other pooled target date investments) follows a predetermined reallocation of assets over time based on a specified target retirement date. Typically, the fund rebalances its portfolio to become less focused on growth and more focused on income as it approaches and passes the target date, which is usually indicated in the fund's name.

The use of target date funds in 401(k) plans has increased in the past decade—from 7 percent of assets at year-end 2008 to 27 percent at year-end 2018 (Figure 8.12). Participant use of target date funds also has increased—from 31 percent of 401(k) plan participants at year-end 2008 to 56 percent at year-end 2018. Over the same time period, both the share of 401(k) plans that offered target date funds and the share of 401(k) plan participants who were offered target date funds have remained stable. At year-end 2018, 79 percent of 401(k) plans offered target date funds, and 78 percent of 401(k) plan participants were offered target date funds.

FIGURE 8.12

Target Date Funds' 401(k) Market Share

Percentage of total 401(k) market, year-end



Note: Funds include mutual funds, bank collective trusts, life insurance separate accounts, and other pooled investment products.

Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project. See *ICI Research Perspective*, "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2018."

Loan Activity

Most 401(k) participants do not borrow from their plans, although the majority (88 percent) have access to loans. At year-end 2018, 19 percent of participants eligible for loans had loans outstanding. Not all participants, however, have access to 401(k) plan loans—factoring in all 401(k) participants with and without loan access in the EBRI/ICI 401(k) database, only 17 percent had loans outstanding at year-end 2018. Unpaid loan balances among participants with loans averaged about 10 percent of the remaining 401(k) account balance. In aggregate, US Department of Labor data indicate that outstanding loan amounts were less than 2 percent of 401(k) plan assets in 2018.

Individual Retirement Accounts

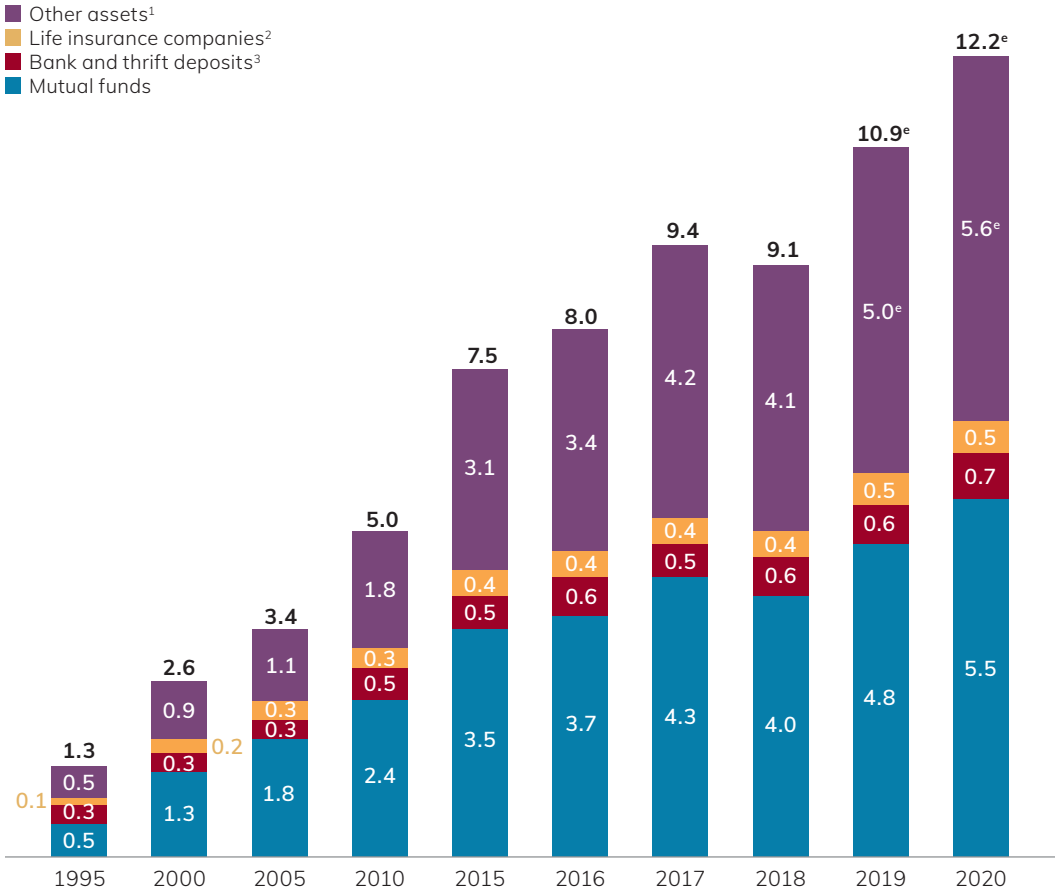
The first type of IRA—known as a traditional IRA—was created under the Employee Retirement Income Security Act of 1974 (ERISA). IRAs provide all workers with a contributory retirement savings vehicle and, through rollovers, give workers leaving jobs a means to preserve the tax benefits and growth opportunities that employer-sponsored retirement plans provide. Roth IRAs, first available in 1998, were created to provide a contributory retirement savings vehicle on an after-tax basis, with qualified withdrawals distributed tax-free. In addition, policymakers have added employer-sponsored IRAs (SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs) to encourage small businesses to provide retirement plans by simplifying the rules applicable to tax-qualified plans.

IRA assets totaled \$12.2 trillion at year-end 2020, accounting for 35 percent of US retirement assets (Figure 8.13). Mutual funds were 45 percent of IRA assets (\$5.5 trillion) at year-end 2020. The *other assets* category—which includes exchange-traded funds (ETFs), closed-end funds, individual stocks and bonds, and other non-mutual fund securities held through brokerage accounts—had 46 percent of IRA assets (\$5.6 trillion).

FIGURE 8.13

IRA Assets

Trillions of dollars, year-end



¹ Other assets includes individual stocks, individual bonds, closed-end funds, ETFs, and other assets held through brokerage or trust accounts.

² Life insurance company IRA assets are annuities held by IRAs, excluding variable annuity mutual fund IRA assets, which are included in mutual funds.

³ Bank and thrift deposits include Keogh deposits.

^e Data are estimated.

Source: Investment Company Institute. For a complete list of sources, see Investment Company Institute, "The US Retirement Market, Fourth Quarter 2020."



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Individual Retirement Account Resource Center

www.ici.org/ira

IRA Investors

More than one-third of US households, or 48 million, owned at least one type of IRA in 2020 (Figure 8.14). Traditional IRAs were the most common type, owned by 37 million US households. Roth IRAs, created as part of the Taxpayer Relief Act of 1997, were owned by 26 million US households. Nearly nine million US households owned employer-sponsored IRAs (SEP IRAs, SAR-SEP IRAs, or SIMPLE IRAs).

FIGURE 8.14

Millions of US Households Own IRAs

	Year created	Number of US households with type of IRA 2020	Percentage of US households with type of IRA 2020	Assets in IRAs Billions of dollars, year-end 2020
Traditional IRA	1974 (Employee Retirement Income Security Act)	36.8 million	28.6%	\$10,290 ^e
SEP IRA	1978 (Revenue Act)	8.6 million	6.7%	\$710 ^e
SAR-SEP IRA	1986 (Tax Reform Act)			
SIMPLE IRA	1996 (Small Business Job Protection Act)			
Roth IRA	1997 (Taxpayer Relief Act)	26.3 million	20.5%	\$1,210 ^e
Any IRA		47.9 million	37.3%	\$12,210 ^e

^e Data are estimated.

Note: Households may own more than one type of IRA. SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs are employer-sponsored IRAs.

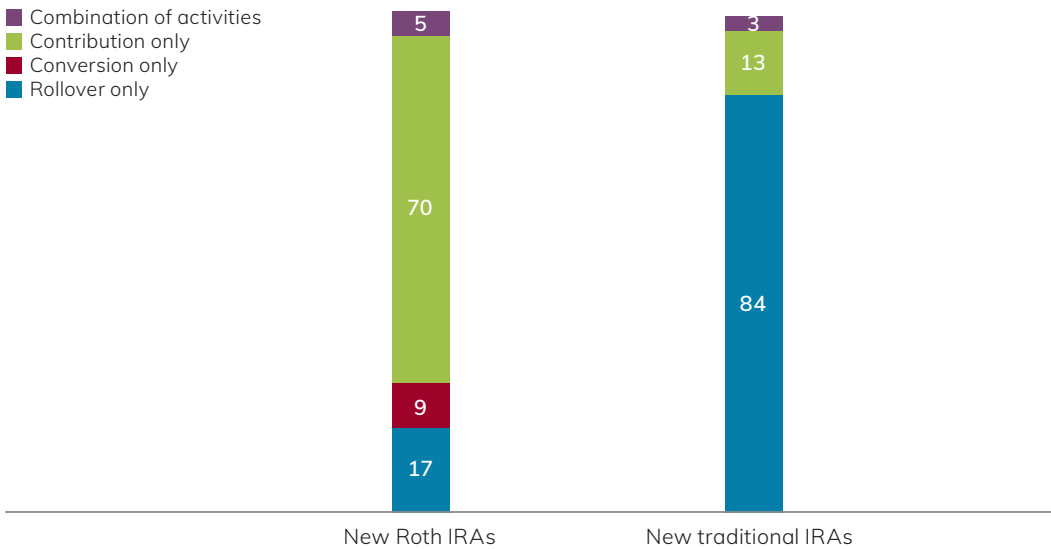
Sources: *ICI Research Perspective*, "The Role of IRAs in US Households' Saving for Retirement, 2020" and "The US Retirement Market, Fourth Quarter 2020"

Investment returns and rollovers from employer-sponsored retirement plans, more than new contributions, have fueled the growth of IRAs. For example, the Internal Revenue Service Statistics of Income Division reports that \$534 billion was rolled over to IRAs in tax year 2018, compared with \$70 billion that was contributed. Although most US households are eligible to make contributions to IRAs, few do so. Indeed, only 12 percent of US households contributed to traditional or Roth IRAs in tax year 2019 and very few eligible households made “catch-up” contributions (the additional contributions individuals aged 50 or older are allowed to make).

Analysis of The IRA Investor Database—which contains information on more than 17 million IRA investors—finds that rollovers play a particularly important role in opening traditional IRAs. In 2016, most new traditional IRAs (84 percent) were opened only with rollovers (Figure 8.15). In contrast, most new Roth IRAs (70 percent) were opened only with contributions (Figure 8.15). In contrast, most new Roth IRAs (70 percent) were opened solely with contributions.

FIGURE 8.15
New Roth IRAs Often Are Opened with Contributions; New Traditional IRAs Often Are Opened with Rollovers

Percentage of new IRAs opened in 2016 by type of IRA



Note: New IRAs are accounts that did not exist in The IRA Investor Database in 2015 and were opened by one of the paths indicated in 2016. The calculation excludes IRAs that changed financial services firms. The samples are 0.4 million new Roth IRA investors aged 18 or older at year-end 2016 and 0.8 million new traditional IRA investors aged 25 to 74 at year-end 2016.

Source: The IRA Investor Database™. See *ICI Research Report*, “The IRA Investor Profile: Roth IRA Investors’ Activity, 2007–2016.”

A substantial share of traditional IRA investors have rolled over assets from an employer-sponsored retirement plan. In any given year, only a small portion of traditional IRA investors have a rollover, but, for the most part, the groups that make rollovers differ from year to year. For example, in each year from 2007 through 2016, about one in 10 traditional IRA investors in The IRA Investor Database had a rollover, but more than half of investors with traditional IRAs at year-end 2016 had a rollover at some point during this period.

Traditional IRA-owning households generally researched the decision to roll over money from their former employers' retirement plans into traditional IRAs. The most common source of information was a professional financial adviser. Advisers were consulted by 65 percent of traditional IRA-owning households with rollovers; about half indicated that they primarily relied on these financial professionals. Older households were more likely to consult professional financial advisers than younger households when making their decision. Seven percent of traditional IRA-owning households with rollovers indicated their primary source of information was online materials from financial services firms, with younger households more likely to rely on online resources as their primary source of information than older households were. Ten percent of households with rollovers primarily relied on information from their employers.

IRA Portfolios

As with 401(k) participants, younger IRA investors tend to have a larger share of their assets invested in equities, equity funds, and target date funds than older investors, according to The IRA Investor Database. Older investors tend to be more invested in bonds, bond funds, and non-target date balanced funds. In 2016, traditional IRA investors in their thirties had, on average, a combined 71 percent of their assets in equities, equity funds, and target date funds (Figure 8.16). Traditional IRA investors in their sixties held a lower share of their assets (57 percent) in these combined categories, while holding much higher allocations across bonds, bond funds, and non-target date balanced funds.

Roth IRA investors display a similar pattern of investing by age, although in all age groups, they tended to have higher allocations to equities and equity funds and lower allocations to bonds and bond funds compared with traditional IRA investors (Figure 8.16).

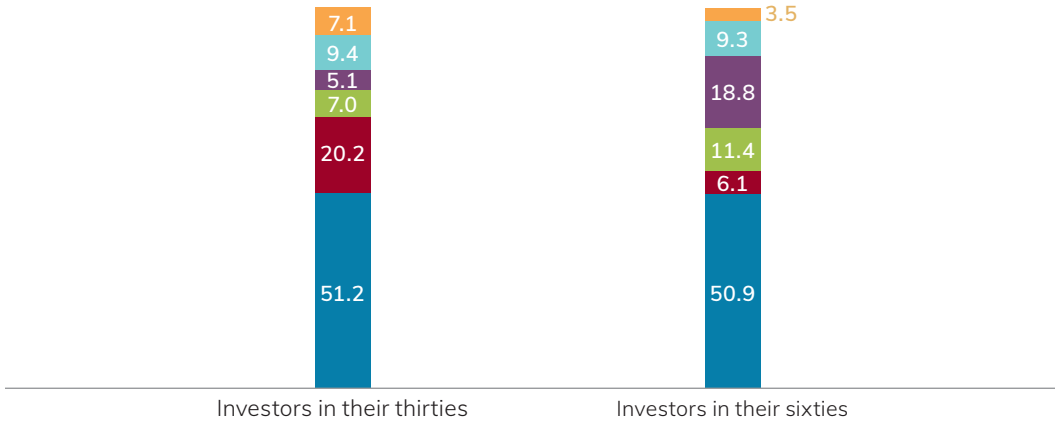
FIGURE 8.16

IRA Asset Allocation Varies with Investor Age

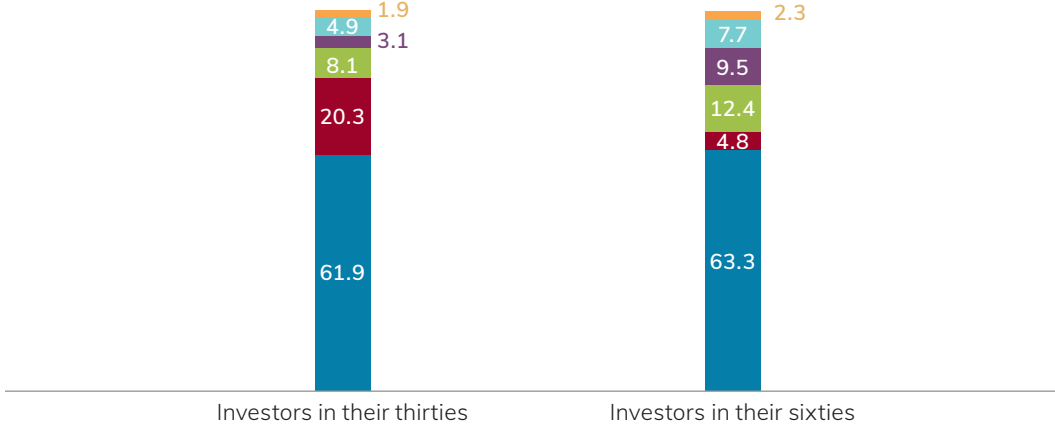
Average asset allocation of IRA balances, percentage of assets, year-end 2016

- Other investments¹
- Money market funds
- Bonds and bond funds²
- Non-target date balanced funds³
- Target date funds⁴
- Equities and equity funds⁵

Traditional IRA investors



Roth IRA investors



¹ Other investments includes certificates of deposit and unidentifiable assets.

² Bond funds include bond mutual funds, bond closed-end funds, and bond ETFs.

³ The Investment Company Institute classifies balanced funds as *hybrid* in its data.

⁴ A target date fund typically rebalances its portfolio to become less focused on growth and more focused on income as it approaches and passes the target date of the fund, which is usually included in the fund's name.

⁵ Equity funds include equity mutual funds, equity closed-end funds, and equity ETFs.

Note: Percentages are dollar-weighted averages.

Source: The IRA Investor Database™. See *ICI Research Report*, "The IRA Investor Profile: Traditional IRA Investors' Activity, 2007–2016" and *ICI Research Report*, "The IRA Investor Profile: Roth IRA Investors' Activity, 2007–2016."

Distributions from IRAs

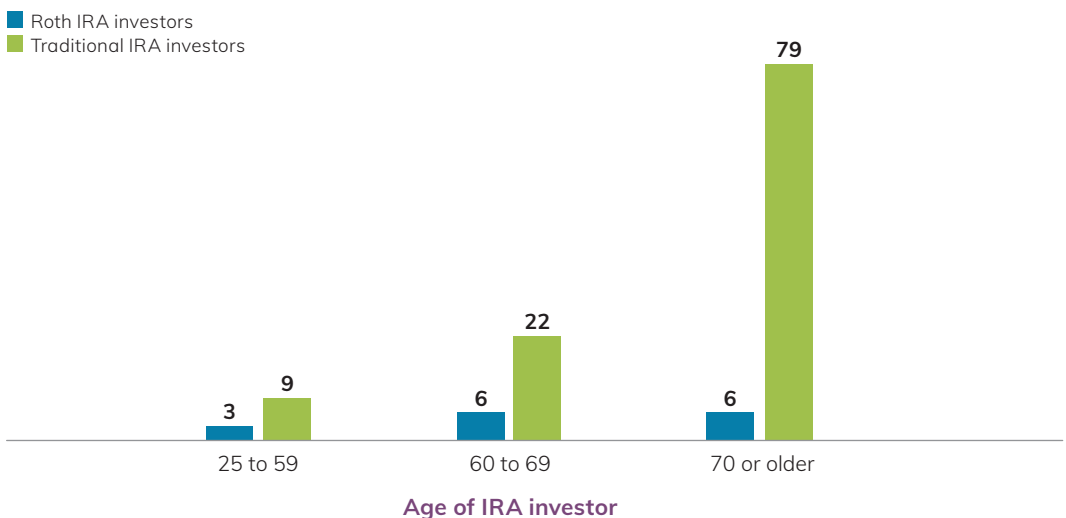
Withdrawals from IRAs tend to occur later in life, often to fulfill required minimum distributions (RMDs) under the law. An RMD is calculated as a percentage of the IRA balance, based on remaining life expectancy. Traditional IRA owners aged 70½ or older generally must withdraw at least the minimum amount each year, or pay a penalty (this age was recently increased to 72). However, the CARES Act waived RMDs for 2020. In tax year 2019, 76 percent of households that took traditional IRA withdrawals said they calculated the withdrawal amount based on RMD rules.

Withdrawal activity is lower among younger traditional and Roth IRA investors, likely related to early withdrawal penalties for distributions taken by individuals younger than 59½ (Figure 8.17). Withdrawal activity rises for investors in their sixties (where withdrawals are generally penalty free), and increases substantially for traditional IRA investors aged 70 or older, likely related to RMD rules. The withdrawal rate does not increase after age 70 for Roth IRA investors, who are not subject to RMDs during the owner's lifetime.

FIGURE 8.17

Roth IRA Investors Rarely Take Withdrawals; Traditional IRA Investors Are Heavily Affected by RMDs

Percentage of IRA investors with withdrawals by type of IRA and investor age, 2016



Note: The samples are 5.7 million Roth IRA investors aged 25 or older at year-end 2016 and 11.9 million traditional IRA investors aged 25 or older at year-end 2016.

Source: The IRA Investor Database™. See *ICI Research Report*, "The IRA Investor Profile: Roth IRA Investors' Activity, 2007–2016."

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The IRA Investor Profile

www.ici.org/research/investors/database

Withdrawals from IRAs tend to be retirement related. Of the 27 percent of traditional IRA-owning households in 2020 that reported taking withdrawals in 2019, 85 percent reported that the head of household, the spouse, or both were retired. Among retired traditional IRA-owning households in 2020 that reported taking withdrawals in 2019, 41 percent reported using some or all of the withdrawal amount to pay for living expenses (Figure 8.18). Other uses included reinvesting or saving in another account (41 percent); buying, repairing, or remodeling a home (16 percent); and using it for an emergency (4 percent).

FIGURE 8.18

Traditional IRA Withdrawals Among Retirees Often Are Used to Pay for Living Expenses

Percentage among retired traditional IRA-owning households that made withdrawals, 2020

Purpose of traditional IRA withdrawal

Took withdrawals to pay for living expenses	41
Spent it on a car, boat, or big-ticket item other than a home	8
Spent it on a healthcare expense	8
Used it for an emergency	4
Used it for home purchase, repair, or remodeling	16
Reinvested or saved it in another account	41
Paid for education	2
Some other purpose	9

Note: Multiple responses are included. The base of respondents includes the 23 percent of traditional IRA-owning households that were retired in 2020 and took withdrawals in tax year 2019. The household was considered retired if either the head of household or spouse responded affirmatively to the question: "Are you retired from your lifetime occupation?"

Source: Investment Company Institute IRA Owners Survey. See *ICI Research Perspective*, "The Role of IRAs in US Households' Saving for Retirement, 2020."

The Role of Mutual Funds in Retirement Savings

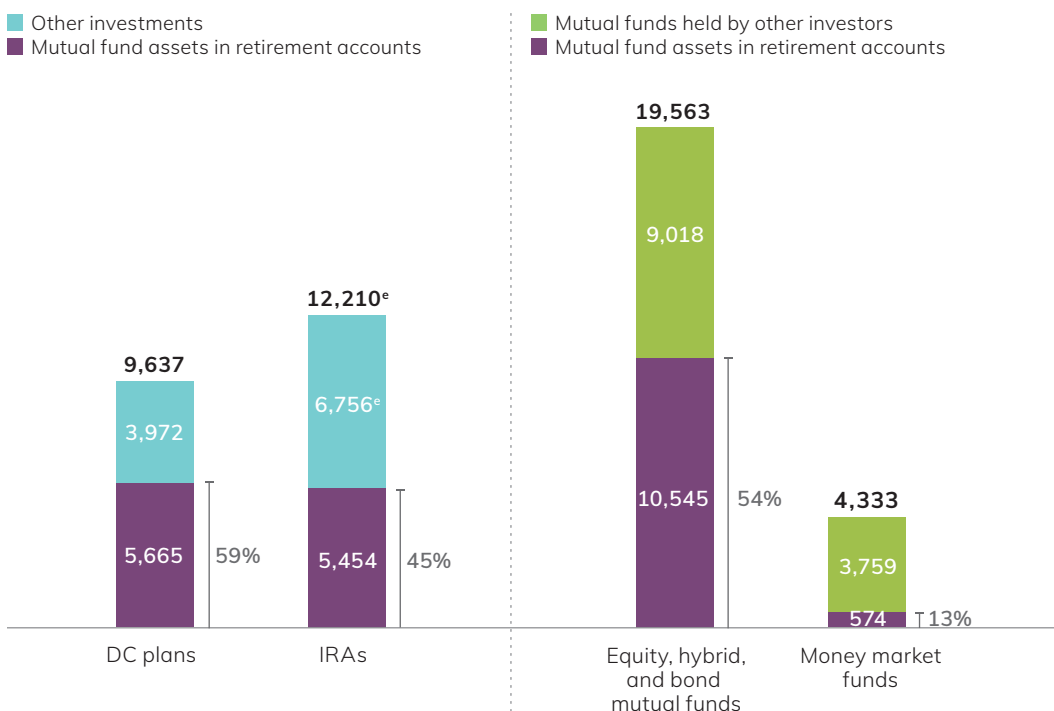
Mutual funds play a major role in employer-sponsored DC plans (such as 401(k) plans) and IRAs. At year-end 2020, mutual funds accounted for 59 percent of DC plan assets and 45 percent of IRA assets (Figure 8.19). Investors held slightly more mutual fund assets in DC plans (\$5.7 trillion) than in IRAs (\$5.5 trillion). Among DC plans, 401(k) plans held the most assets in mutual funds, with \$4.4 trillion, followed by 403(b) plans (\$617 billion), other private-sector DC plans (\$481 billion), and 457 plans (\$149 billion). Combined, the \$11.1 trillion of mutual fund assets held in DC plans and IRAs at the end of 2020 accounted for 32 percent of the \$34.9 trillion US retirement market.

Assets in DC plans and IRAs represent a large share of mutual fund assets overall, and long-term mutual fund assets in particular (Figure 8.19). The \$11.1 trillion in mutual fund retirement assets made up 47 percent of all mutual fund assets at year-end 2020. DC plans and IRAs held 54 percent of equity, hybrid, and bond mutual fund assets, but only 13 percent of money market fund assets.

FIGURE 8.19

Substantial Amounts of Retirement Assets Are Invested in Mutual Funds

Assets, billions of dollars, year-end 2020



^e Data are estimated.

Sources: Investment Company Institute and Federal Reserve Board. See Investment Company Institute, "The US Retirement Market, Fourth Quarter 2020."

Types of Mutual Funds Used by Retirement Investors

Retirement investors tend to hold equity investments. At year-end 2020, 58 percent of the \$11.1 trillion in mutual fund retirement assets held in DC plans and IRAs were invested in equity funds. US domestic equity funds alone constituted \$4.9 trillion, or 44 percent, of mutual fund assets held in DC plans and IRAs; world equity funds were an additional 14 percent.

Retirement investors also gain exposure to equities through hybrid funds, which invest in a mix of equity, bond, and money market securities. At year-end 2020, 23 percent of mutual fund assets held in DC plans and IRAs were held in hybrid funds.

The remaining 19 percent of mutual fund assets held in DC plans and IRAs at the end of 2020 were invested in bond funds and money market funds. Bond funds held \$1.6 trillion, or 14 percent, of mutual fund assets held in DC plans or IRAs, and money market funds accounted for \$574 billion, or 5 percent.

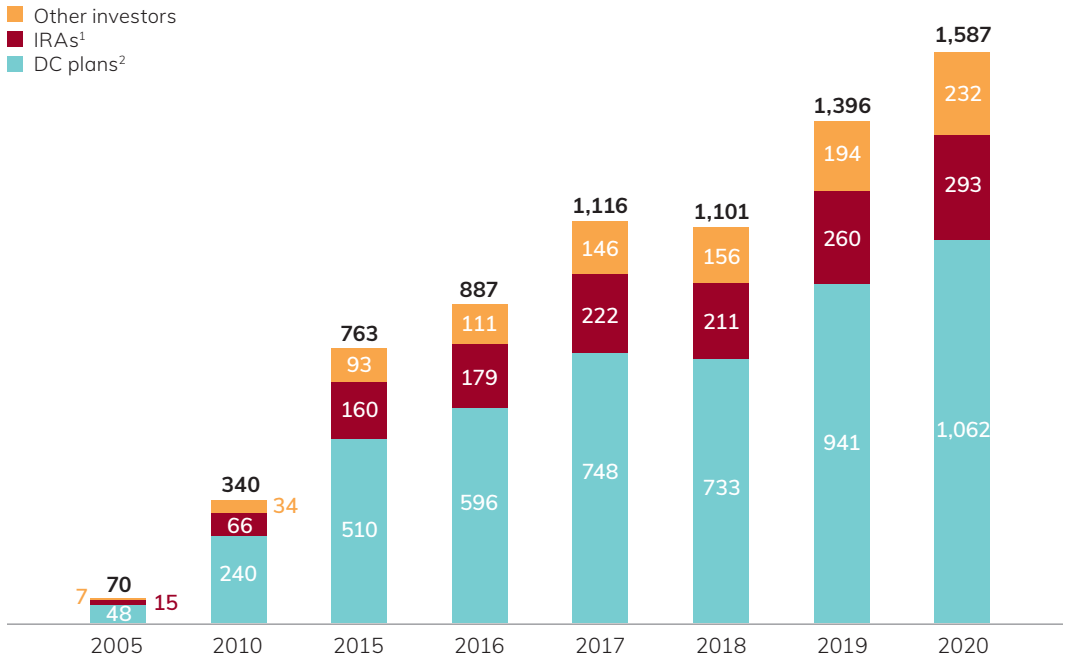
Target Date Mutual Funds in Retirement Accounts

Target date mutual funds, generally included in the hybrid fund category, have grown more popular among investors and retirement plan sponsors over the past decade. Assets in target date mutual funds totaled \$1.6 trillion at year-end 2020, up from \$1.4 trillion at year-end 2019, and \$340 billion at year-end 2010 (Figure 8.20). At year-end 2020, most (85 percent) target date mutual fund assets were held in retirement accounts, predominantly DC plan accounts.

FIGURE 8.20

Target Date Mutual Fund Assets by Account Type

Billions of dollars, year-end



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

² DC plans include 401(k) plans, other private-sector DC plans without 401(k) features, 403(b) plans, and 457 plans.

Note: Data include mutual funds that invest primarily in other mutual funds. A target date mutual fund typically rebalances its portfolio to become less focused on growth and more focused on income as it approaches and passes the target date of the fund, which is usually included in the fund's name.

Source: Investment Company Institute, "The US Retirement Market, Fourth Quarter 2020"

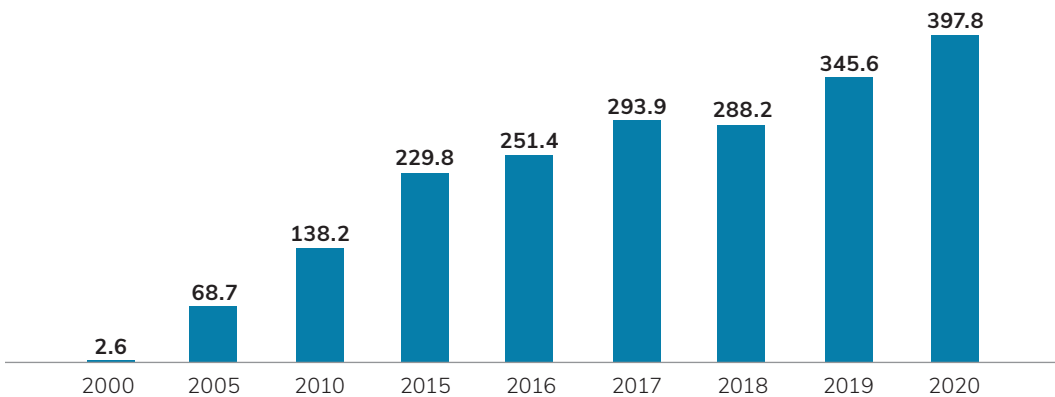
The Role of Mutual Funds in Education Savings

Twenty-six percent of households that owned mutual funds in 2020 cited education as a financial goal for their fund investments (Figure 7.6). Nevertheless, the demand for education savings vehicles has been moderate since their introduction in the 1990s, partly because of their limited availability and partly due to investors' lack of familiarity with them. The Economic Growth and Tax Relief Reconciliation Act (EGTRRA), enacted in 2001, enhanced the attractiveness of two education savings vehicles—Section 529 plans and Coverdell education savings accounts (ESAs)—by making them more flexible and allowing larger contributions. The 2006 Pension Protection Act (PPA) made the EGTRRA enhancements permanent. The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 extended the EGTRRA enhancements to Coverdell ESAs for two years; the American Taxpayer Relief Act of 2012 made these enhancements permanent. The Setting Every Community Up for Retirement Enhancement Act (SECURE Act), enacted in 2019, expanded the types of education costs that are coverable by 529 plans.

Assets in 529 Savings Plans

Assets in Section 529 savings plans were \$397.8 billion at year-end 2020, up 15.1 percent from year-end 2019 (Figure 8.21). As of year-end 2020, there were 13.8 million 529 savings plan accounts, with an average account size of approximately \$28,800.

FIGURE 8.21
Section 529 Savings Plan Assets
Billions of dollars, year-end



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. See Investment Company Institute, "529 Plan Program Statistics, December 2020."



LEARN MORE

529 Plan Program Statistics

www.ici.org/research/stats/529s

Characteristics of Households Saving for College

In 2020, as a group, households saving for college through 529 plans, Coverdell ESAs, or mutual funds held outside these accounts tended to be headed by younger individuals—about half (49 percent) were younger than 45 (Figure 8.22). Heads of households saving for college had a range of educational attainment. Sixty-five percent had completed college, 24 percent had an associate's degree or some college, and 11 percent had a high school diploma or less. These households also represented a range of incomes: 30 percent of households saving for college had household income of less than \$100,000. Finally, 57 percent of these households had children (younger than 18) in the home, and 38 percent had more than one child in the home.

FIGURE 8.22

Characteristics of Households Saving for College

Percentage of US households saving for college,¹ 2020

Age of head of household²

Younger than 35	20
35 to 44	29
45 to 54	24
55 to 64	14
65 or older	13

Education level of head of household²

High school diploma or less	11
Associate's degree or some college	24
Completed college	23
Some graduate school or completed graduate school	42

Household income³

Less than \$50,000	8
\$50,000 to \$99,999	22
\$100,000 to \$149,999	24
\$150,000 to \$199,999	14
\$200,000 or more	32

Number of children in home⁴

None	43
One	19
Two	22
Three or more	16

¹ Households saving for college are households that own education savings plans (Coverdell ESAs or 529 plans) or that said paying for education was one of their financial goals for their mutual funds.

² Age and education level are based on the sole or co-decisionmaker for saving and investing.

³ Total reported is household income before taxes in 2019.

⁴ The number of children reported is children younger than 18 living in the home.

Part Two

Data Tables





Data Tables

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TABLE 1
Mutual Funds: Total Net Assets, Number of Funds, and Number of Share Classes

Year-end

Year	Total net assets Billions of dollars	Number of funds	Number of share classes
1940	\$0.45	68	–
1945	1.28	73	–
1950	2.53	98	–
1955	7.84	125	–
1960	17.03	161	–
1965	35.22	170	–
1970	47.62	361	–
1975	45.87	426	–
1976	51.28	452	–
1977	48.94	477	–
1978	55.84	505	–
1979	94.51	526	–
1980	134.76	564	–
1981	241.37	665	–
1982	296.68	857	–
1983	292.99	1,026	–
1984	370.68	1,243	1,243
1985	495.39	1,528	1,528
1986	715.67	1,835	1,835
1987	769.17	2,312	2,312
1988	809.37	2,737	2,737
1989	980.67	2,935	2,935
1990	1,064.34	3,078	3,176
1991	1,392.17	3,402	3,586
1992	1,641.58	3,823	4,207
1993	2,068.94	4,533	5,561
1994	2,153.69	5,324	7,696
1995	2,807.61	5,724	9,006
1996	3,520.29	6,246	10,350
1997	4,461.17	6,675	11,988
1998	5,516.07	7,308	13,707
1999	6,833.75	7,758	15,209
2000	6,955.94	8,134	16,687
2001	6,969.00	8,268	17,967
2002	6,380.19	8,223	18,947
2003	7,398.75	8,107	19,290
2004	8,093.27	8,039	20,025
2005	8,888.70	7,967	20,534
2006	10,395.24	8,106	21,231
2007	11,995.19	8,019	21,569
2008	9,618.69	8,022	22,233
2009	11,108.97	7,651	21,621
2010	11,831.06	7,546	21,894
2011	11,630.37	7,581	22,277
2012	13,053.59	7,596	22,659
2013	15,048.93	7,721	23,413
2014	15,876.62	7,934	24,251
2015	15,657.87	8,121	25,078
2016	16,353.46	8,073	25,134
2017	18,764.84	7,965	25,135
2018	17,709.53	8,093	25,035
2019	21,291.05	7,943	24,591
2020	23,895.84	7,636	23,894

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

TABLE 2

Mutual Funds: Total Sales, New Sales, Exchange Sales, Redemptions, and Exchange Redemptions

Billions of dollars, annual

Year	Total sales ¹	New sales	Exchange sales ²	Redemptions	Exchange redemptions ³
1945	\$0.29	–	–	\$0.11	–
1950	0.52	–	–	0.28	–
1955	1.21	–	–	0.44	–
1960	2.10	–	–	0.84	–
1965	4.36	\$3.93	–	1.96	–
1970	4.63	3.84	–	2.99	–
1975	10.06	8.94	–	9.57	–
1980	247.42	238.96	\$10.10	216.08	\$9.94
1981	472.13	452.42	14.44	362.44	14.59
1982	626.94	604.09	28.25	588.35	27.86
1983	547.77	532.04	35.67	565.83	36.03
1984	680.12	661.74	36.66	607.02	37.11
1985	953.85	933.37	46.55	864.88	46.84
1986	1,204.90	1,179.40	107.75	1,015.64	107.96
1987	1,251.19	1,220.27	205.68	1,178.75	207.35
1988	1,176.81	1,143.62	134.28	1,166.67	134.24
1989	1,444.84	1,401.21	130.66	1,327.05	131.95
1990	1,564.55	1,517.16	138.79	1,470.80	140.98
1991	2,037.33	1,990.26	155.75	1,879.62	154.31
1992	2,749.56	2,704.59	197.43	2,548.05	198.15
1993	3,187.32	3,137.61	248.79	2,904.31	253.95
1994	3,074.99	3,019.14	317.53	2,928.42	324.99
1995	3,598.52	3,523.91	351.53	3,314.74	351.08
1996	4,669.20	4,584.62	504.73	4,265.81	503.91
1997	5,799.28	5,703.11	613.42	5,323.65	618.42
1998	7,227.21	7,123.95	742.91	6,647.64	743.30
1999	9,041.22	8,920.81	949.93	8,560.63	947.21
2000	11,107.08	10,968.25	1,149.66	10,582.54	1,145.07
2001	12,864.47	12,745.95	797.12	12,239.48	797.34
2002	13,167.80	13,083.43	747.34	13,008.87	745.47
2003	12,393.19	12,315.05	571.85	12,360.77	573.70
2004	12,190.71	12,100.61	408.99	12,038.36	417.93
2005	13,938.45	13,811.67	420.83	13,546.09	432.40
2006	17,408.21	17,227.72	487.70	16,751.26	492.17
2007	23,467.84	23,233.76	606.40	22,350.06	611.68
2008	26,346.85	26,132.75	734.70	25,710.86	729.68
2009	20,679.42	20,528.10	530.15	20,675.75	528.31
2010	18,208.99	18,052.27	420.14	18,319.00	434.82
2011	17,836.37	17,660.62	448.02	17,738.10	466.44
2012	17,023.22	16,832.51	422.01	16,620.59	434.00
2013	18,159.43	17,970.31	517.65	17,778.86	530.96
2014	18,718.53	18,501.76	425.47	18,388.00	433.27
2015	20,939.31	20,715.43	442.75	20,811.36	444.97
2016	21,890.16	21,663.06	593.63	21,888.80	591.10
2017	21,102.43	20,845.65	597.36	20,665.94	598.23
2018	24,130.09	23,824.65	622.11	24,015.55	618.33
2019	26,427.66	26,087.59	469.68	25,636.42	467.32
2020	33,142.38	32,874.10	773.72	32,677.30	765.55

¹ Total sales are the dollar value of new sales plus sales made through reinvestment of income dividends from existing accounts; this number excludes reinvestment of capital gains distributions.

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

³ Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into other funds within the same fund group.

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

TABLE 3

Mutual Funds: Total Net Assets

Billions of dollars, year-end

Year	Total	Long-term funds		
		Equity	Bond and income	Money market funds
1960	\$17.03	\$16.00	\$1.02	-
1965	35.22	32.76	2.46	-
1970	47.62	45.13	2.49	-
1975	45.87	37.49	4.68	\$3.70
1980	134.76	44.42	13.98	76.36
1981	241.37	41.19	14.01	186.16
1982	296.68	53.63	23.21	219.84
1983	292.99	76.97	36.63	179.39

Year	Total	Long-term funds					Money market funds	
		Equity			Bond		Taxable	Tax-exempt
		Domestic	World	Hybrid	Taxable	Municipal		
1984	\$370.68	\$74.55	\$5.19	\$11.15	\$25.45	\$20.79	\$209.75	\$23.80
1985	495.39	103.39	7.94	17.61	83.20	39.44	207.55	36.25
1986	715.67	138.98	15.47	25.76	167.63	75.67	228.35	63.81
1987	769.17	158.02	17.43	29.25	171.40	76.97	254.68	61.42
1988	809.37	171.40	17.98	26.35	168.96	86.73	272.20	65.76
1989	980.67	221.45	23.59	35.64	166.25	105.66	358.62	69.47
1990	1,064.34	211.18	28.30	35.98	170.29	120.25	414.56	83.78
1991	1,392.17	365.21	39.52	52.04	238.75	154.20	452.46	89.98
1992	1,641.58	468.41	45.68	77.63	307.41	196.26	451.35	94.84
1993	2,068.94	626.54	114.13	142.33	366.03	254.60	461.88	103.44
1994	2,153.69	691.57	161.19	161.40	301.21	227.31	501.11	109.89
1995	2,807.61	1,052.57	196.51	206.70	345.52	253.29	631.32	121.69
1996	3,520.29	1,440.81	285.20	248.36	391.05	253.07	763.94	137.87
1997	4,461.17	2,021.58	346.37	311.71	450.75	271.87	901.23	157.66
1998	5,516.07	2,585.90	391.64	360.04	528.25	298.57	1,166.97	184.71
1999	6,833.75	3,454.77	585.19	374.31	535.11	271.31	1,413.16	199.90
2000	6,955.94	3,368.86	563.87	360.84	538.71	278.41	1,611.38	233.87
2001	6,969.00	2,946.98	444.03	357.95	638.60	296.22	2,026.15	259.08
2002	6,380.19	2,272.69	369.37	335.27	807.75	330.04	1,988.78	276.30
2003	7,398.75	3,117.83	535.01	447.53	922.68	336.31	1,749.10	290.29
2004	8,093.27	3,625.92	716.20	552.25	968.96	328.24	1,589.70	312.00
2005	8,888.70	3,929.15	955.72	621.48	1,016.58	338.95	1,690.45	336.37
2006	10,395.24	4,471.16	1,360.43	731.50	1,128.60	365.09	1,969.42	369.03
2007	11,995.19	4,694.05	1,718.55	821.47	1,301.49	374.14	2,617.67	467.83
2008	9,618.69	2,738.21	916.34	562.26	1,231.86	337.79	3,338.55	493.68
2009	11,108.97	3,564.05	1,307.47	717.58	1,745.48	458.50	2,916.96	398.94
2010	11,831.06	4,053.48	1,542.69	842.20	2,115.22	473.95	2,473.51	330.01
2011	11,630.37	3,855.07	1,357.72	883.98	2,345.16	497.53	2,399.22	291.70
2012	13,053.59	4,323.59	1,615.16	1,032.46	2,809.03	580.17	2,405.74	287.43
2013	15,048.93	5,725.54	2,037.02	1,284.70	2,784.59	499.29	2,447.20	270.61
2014	15,876.62	6,229.15	2,084.84	1,379.20	2,892.31	566.48	2,463.85	260.79
2015	15,657.87	6,042.28	2,107.33	1,341.47	2,818.62	593.43	2,499.81	254.93
2016	16,353.46	6,411.43	2,165.84	1,399.87	3,034.46	613.73	2,597.87	130.27
2017	18,764.84	7,477.72	2,827.43	1,547.05	3,400.00	665.34	2,716.18	131.13
2018	17,709.53	6,800.05	2,427.45	1,383.96	3,385.56	675.46	2,891.77	145.27
2019	21,291.05	8,438.80	2,936.84	1,579.08	3,890.23	814.10	3,494.38	137.62
2020	23,895.84	9,523.93	3,204.51	1,620.04	4,337.50	876.57	4,227.79	105.49

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

TABLE 4
Mutual Funds: Total Net Assets by Composite Investment Objective

Billions of dollars, year-end

Year	Equity funds			Bond funds							Money market funds		
	Capital appreciation	World	Total return	Hybrid funds	Investment grade	High yield	World	Government	Multisector	State muni	National muni	Taxable	Tax-exempt
2000	\$1,143,391	\$563,877	\$1,934,941	\$360,841	\$245,688	\$103,201	\$32,851	\$124,871	\$32,101	\$131,921	\$146,491	\$1,611,381	\$233,881
2001	1,105,051	444,031	1,841,921	357,951	311,071	105,201	31,751	154,011	36,571	139,781	156,441	2,026,151	259,081
2002	765,431	369,371	1,507,261	335,271	410,531	105,611	34,121	218,981	38,511	152,631	177,411	1,988,781	276,301
2003	1,040,991	535,011	2,076,851	447,531	476,321	156,841	43,971	197,991	47,561	149,261	187,051	1,749,101	290,291
2004	1,152,111	716,201	2,473,821	552,251	520,671	165,811	52,631	176,611	53,241	144,091	184,151	1,589,701	312,001
2005	1,236,081	955,721	2,693,081	621,481	572,641	157,271	59,951	167,341	59,381	147,461	191,501	1,690,451	336,371
2006	1,323,101	1,360,431	3,148,051	731,501	642,921	173,861	80,901	153,141	77,791	154,421	210,671	1,969,421	369,031
2007	1,422,671	1,718,551	3,271,381	821,471	762,921	172,061	109,931	158,191	98,381	155,931	218,211	2,617,671	467,831
2008	809,751	916,341	1,928,461	562,261	737,531	116,911	105,651	188,041	83,731	135,091	202,701	3,338,551	493,681
2009	1,086,641	1,307,471	2,477,401	717,581	1,050,971	196,091	158,071	210,311	130,041	159,261	299,241	2,916,961	398,941
2010	1,247,361	1,542,691	2,806,121	842,201	1,241,681	241,661	246,411	225,431	160,041	156,161	317,801	2,473,511	330,011
2011	1,177,621	1,357,721	2,677,451	883,981	1,365,141	269,491	294,421	242,041	174,071	158,891	338,641	2,399,221	291,701
2012	1,317,871	1,615,161	3,005,721	1,032,461	1,569,961	340,421	369,021	298,281	231,351	177,531	402,641	2,405,741	287,431
2013	1,723,901	2,037,021	4,001,641	1,284,701	1,447,721	417,121	431,371	239,381	249,001	144,821	354,471	2,447,201	270,611
2014	1,854,911	2,084,841	4,374,241	1,379,201	1,520,741	376,361	466,871	253,811	274,541	156,161	410,321	2,463,851	260,791
2015	1,843,421	2,107,331	4,198,861	1,341,471	1,510,281	325,391	431,511	265,751	285,701	159,841	433,591	2,499,811	254,931
2016	1,779,191	2,165,841	4,632,241	1,399,871	1,639,061	371,731	420,411	280,821	322,441	160,861	452,871	2,597,871	130,271
2017	2,094,171	2,827,431	5,383,551	1,547,051	1,838,451	372,731	491,411	290,231	407,171	165,001	500,351	2,716,181	131,131
2018	1,943,831	2,427,451	4,856,231	1,383,961	1,844,801	330,821	493,691	298,871	417,371	157,841	517,621	2,891,771	145,271
2019	2,412,861	2,936,841	6,025,941	1,579,081	2,159,311	337,051	548,291	347,001	498,581	183,641	630,461	3,494,381	137,621
2020	3,020,651	3,204,511	6,503,271	1,620,041	2,518,101	354,641	541,121	394,111	529,531	190,761	685,821	4,227,791	105,491

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

TABLE 5
Mutual Funds: Number of Funds

Year-end

Year	Total	Long-term funds		
		Equity	Bond and income	Money market funds
1970	361	323	38	–
1975	426	314	76	36
1980	564	288	170	106
1981	665	306	180	179
1982	857	340	199	318
1983	1,026	396	257	373

Year	Total	Long-term funds						
		Equity			Bond		Money market funds	
		Domestic	World	Hybrid	Taxable	Municipal	Taxable	Tax-exempt
1984	1,243	430	29	89	159	111	331	94
1985	1,528	519	43	103	229	174	350	110
1986	1,835	621	57	121	302	247	360	127
1987	2,312	743	81	164	415	366	389	154
1988	2,737	897	109	179	522	420	433	177
1989	2,935	941	128	189	561	443	470	203
1990	3,078	944	155	192	583	463	505	236
1991	3,402	985	206	211	657	523	552	268
1992	3,823	1,086	239	234	772	628	585	279
1993	4,533	1,280	306	281	950	796	627	293
1994	5,324	1,463	423	360	1,103	1,012	649	314
1995	5,724	1,611	528	411	1,166	1,011	676	321
1996	6,246	1,901	668	465	1,243	981	669	319
1997	6,675	2,181	768	499	1,283	931	685	328
1998	7,308	2,620	889	525	1,349	899	687	339
1999	7,758	2,993	945	528	1,367	882	702	341
2000	8,134	3,308	1,051	506	1,362	870	703	334
2001	8,268	3,593	1,077	470	1,300	814	689	325
2002	8,223	3,703	1,016	457	1,290	769	677	311
2003	8,107	3,648	927	472	1,309	779	659	313
2004	8,039	3,648	887	472	1,322	767	638	305
2005	7,967	3,655	911	480	1,312	740	592	277
2006	8,106	3,738	993	500	1,316	712	573	274
2007	8,019	3,671	1,059	495	1,320	672	544	258
2008	8,022	3,646	1,139	511	1,306	638	533	249
2009	7,651	3,412	1,168	481	1,287	599	476	228
2010	7,546	3,315	1,193	495	1,308	583	442	210
2011	7,581	3,257	1,267	519	1,344	563	430	201
2012	7,596	3,216	1,281	570	1,392	557	400	180
2013	7,721	3,191	1,347	613	1,455	560	382	173
2014	7,934	3,233	1,414	674	1,529	557	364	163
2015	8,121	3,271	1,491	726	1,578	574	336	145
2016	8,073	3,229	1,522	727	1,598	576	319	102
2017	7,965	3,196	1,508	740	1,565	574	299	83
2018	8,093	3,235	1,530	784	1,618	558	287	81
2019	7,943	3,141	1,507	775	1,602	554	284	80
2020	7,636	2,997	1,459	723	1,567	550	265	75

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

TABLE 6
Mutual Funds: Number of Funds by Composite Investment Objective
 Year-end

Year	Equity funds			Hybrid funds	Bond funds					Money market funds		
	Capital appreciation	World	Total return		Investment grade	High yield	World	Government	Multisector	State muni	National muni	Taxable
2000	1,554	1,051	1,754	506	573	217	155	322	95	588	703	334
2001	1,712	1,077	1,881	470	554	221	140	294	91	550	689	325
2002	1,722	1,016	1,981	457	575	209	126	283	97	514	677	311
2003	1,673	927	1,975	472	601	210	120	281	97	523	659	313
2004	1,649	887	1,999	472	615	215	122	275	95	513	638	305
2005	1,630	911	2,025	480	609	226	123	262	92	498	592	277
2006	1,666	993	2,072	500	594	219	139	255	109	477	573	274
2007	1,576	1,059	2,095	495	605	219	150	243	103	444	544	258
2008	1,554	1,139	2,092	511	593	214	161	236	102	414	533	249
2009	1,442	1,168	1,970	481	571	205	169	237	105	377	476	228
2010	1,392	1,193	1,923	495	583	209	183	229	104	361	442	210
2011	1,356	1,267	1,901	519	579	209	216	222	118	346	430	201
2012	1,342	1,281	1,874	570	580	217	255	216	124	336	400	180
2013	1,326	1,347	1,865	613	591	229	290	213	132	331	382	173
2014	1,329	1,414	1,904	674	602	240	347	198	142	322	364	163
2015	1,344	1,491	1,927	726	617	239	370	191	161	319	336	145
2016	1,314	1,522	1,915	727	621	242	370	189	176	319	319	102
2017	1,303	1,508	1,893	740	604	238	354	186	183	312	299	83
2018	1,328	1,530	1,907	784	605	246	363	193	211	293	287	81
2019	1,302	1,507	1,839	775	593	253	349	193	214	285	284	80
2020	1,234	1,459	1,763	723	579	250	329	188	221	279	265	75

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

TABLE 7
Mutual Funds: Number of Share Classes

Year-end

Year	Total	Long-term funds					Money market funds	
		Equity			Bond		Taxable	Tax-exempt
		Domestic	World	Hybrid	Taxable	Municipal		
1984	1,243	430	29	89	159	111	331	94
1985	1,528	519	43	103	229	174	350	110
1986	1,835	621	57	121	302	247	360	127
1987	2,312	743	81	164	415	366	389	154
1988	2,737	897	109	179	522	420	433	177
1989	2,935	941	128	189	561	443	470	203
1990	3,176	962	166	199	597	490	522	240
1991	3,586	1,021	227	223	686	558	591	280
1992	4,207	1,189	263	257	876	708	616	298
1993	5,561	1,560	385	347	1,206	1,054	672	337
1994	7,696	2,026	630	515	1,604	1,660	858	403
1995	9,006	2,442	845	634	1,843	1,862	953	427
1996	10,350	3,055	1,155	749	2,049	1,889	1,005	448
1997	11,988	3,858	1,449	872	2,288	1,973	1,075	473
1998	13,707	4,865	1,769	963	2,530	1,954	1,136	490
1999	15,209	5,800	1,964	1,015	2,710	1,992	1,228	500
2000	16,687	6,709	2,288	1,002	2,810	2,030	1,327	521
2001	17,967	7,712	2,496	991	2,866	1,957	1,403	542
2002	18,947	8,407	2,509	1,029	3,058	1,938	1,463	543
2003	19,290	8,531	2,366	1,110	3,215	2,040	1,460	568
2004	20,025	8,995	2,357	1,202	3,374	2,050	1,474	573
2005	20,534	9,252	2,500	1,343	3,420	1,992	1,462	565
2006	21,231	9,625	2,772	1,355	3,532	1,937	1,452	558
2007	21,569	9,688	3,027	1,350	3,624	1,878	1,443	559
2008	22,233	9,871	3,384	1,424	3,739	1,827	1,441	547
2009	21,621	9,333	3,543	1,374	3,768	1,757	1,330	516
2010	21,894	9,195	3,714	1,450	3,980	1,774	1,281	500
2011	22,277	9,173	3,953	1,561	4,142	1,719	1,254	475
2012	22,659	9,137	4,054	1,715	4,433	1,698	1,174	448
2013	23,413	9,212	4,275	1,892	4,715	1,748	1,141	430
2014	24,251	9,408	4,549	2,054	4,991	1,743	1,100	406
2015	25,078	9,621	4,808	2,237	5,207	1,778	1,056	371
2016	25,134	9,623	4,921	2,186	5,328	1,801	1,003	272
2017	25,135	9,615	4,887	2,234	5,352	1,870	946	231
2018	25,035	9,535	4,888	2,296	5,374	1,814	911	217
2019	24,591	9,291	4,828	2,258	5,294	1,794	914	212
2020	23,894	8,910	4,690	2,141	5,256	1,789	896	212

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

TABLE 8
Mutual Funds: Number of Share Classes by Composite Investment Objective

Year-end	Equity funds			Bond funds							Money market funds		
	Capital appreciation	World	Total return	Hybrid funds	Investment grade	High yield	World	Government	Multisector	State muni	National muni	Taxable	Tax-exempt
2000	3,229	2,288	3,480	1,002	1,134	488	310	678	200	1,392	638	1,327	521
2001	3,754	2,496	3,958	991	1,187	521	292	659	207	1,325	632	1,403	542
2002	3,959	2,509	4,448	1,029	1,340	525	291	675	227	1,285	653	1,463	543
2003	3,938	2,366	4,593	1,110	1,462	535	289	703	226	1,333	707	1,460	568
2004	4,063	2,357	4,932	1,202	1,554	568	302	716	234	1,333	717	1,474	573
2005	4,089	2,500	5,163	1,343	1,576	606	315	687	236	1,306	686	1,462	565
2006	4,240	2,772	5,385	1,355	1,606	616	367	664	279	1,257	680	1,452	558
2007	4,153	3,027	5,535	1,350	1,657	648	412	629	278	1,208	670	1,443	559
2008	4,177	3,384	5,694	1,424	1,660	669	491	624	295	1,150	677	1,441	547
2009	3,928	3,543	5,405	1,374	1,630	650	542	633	313	1,069	688	1,330	516
2010	3,837	3,714	5,358	1,450	1,709	685	615	652	319	1,065	709	1,281	500
2011	3,780	3,953	5,393	1,561	1,721	698	743	619	361	1,029	690	1,254	475
2012	3,766	4,054	5,371	1,715	1,798	739	892	626	378	1,002	696	1,174	448
2013	3,765	4,275	5,447	1,892	1,842	791	1,044	630	408	1,010	738	1,141	430
2014	3,791	4,549	5,617	2,054	1,872	830	1,250	600	439	990	753	1,100	406
2015	3,868	4,808	5,753	2,237	1,938	842	1,332	591	504	976	802	1,056	371
2016	3,818	4,921	5,805	2,186	1,978	851	1,348	590	561	998	803	1,003	272
2017	3,817	4,887	5,798	2,234	1,989	861	1,323	589	590	1,027	843	946	231
2018	3,844	4,888	5,691	2,296	1,979	867	1,295	586	647	963	851	911	217
2019	3,767	4,828	5,524	2,258	1,958	879	1,219	589	649	937	857	914	212
2020	3,586	4,690	5,324	2,141	1,929	875	1,177	582	693	922	867	896	212

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

TABLE 9

Closed-End Funds: Total Assets and Number of Funds by Type of Fund

Year	Total assets Millions of dollars, year-end										Number of funds Year-end						
	Equity funds					Bond funds					Equity funds			Bond funds			
	Total	Domestic	Global/ International	Domestic taxable	Domestic municipal	Global/ International	Total	Domestic	Global/ International	Domestic taxable	Domestic municipal	Global/ International	Total	Domestic	Global/ International	Domestic taxable	Domestic municipal
1996	\$152,415	\$19,830	\$27,074	\$33,925	\$59,540	\$12,046	497	50	91	119	205	497	50	91	119	205	32
1997	158,477	20,536	29,011	35,025	61,992	11,912	487	45	89	116	205	487	45	89	116	205	32
1998	164,456	22,529	25,011	42,833	63,628	10,454	492	44	83	124	211	492	44	83	124	211	30
1999	156,581	24,696	16,494	40,529	64,513	10,348	512	49	74	118	241	512	49	74	118	241	30
2000	149,798	24,557	11,986	35,313	68,266	9,676	482	53	69	110	220	482	53	69	110	220	30
2001	145,185	22,309	8,748	30,559	74,467	9,102	490	52	64	109	238	490	52	64	109	238	27
2002	161,165	26,596	6,988	28,143	90,024	9,414	543	63	59	105	291	543	63	59	105	291	25
2003	215,909	42,987	9,743	57,581	94,060	11,539	581	75	55	127	297	581	75	55	127	297	27
2004	255,495	63,732	18,072	65,963	94,841	12,847	618	95	61	137	295	618	95	61	137	295	30
2005	276,482	77,090	27,784	64,485	94,563	12,559	635	120	71	133	280	635	120	71	133	280	31
2006	299,111	88,013	33,657	69,836	94,526	13,079	646	128	74	135	276	646	128	74	135	276	33
2007	316,135	87,869	57,329	66,335	88,920	15,682	664	136	92	133	269	664	136	92	133	269	34
2008	185,099	45,753	26,525	34,596	67,334	10,891	644	128	93	130	260	644	128	93	130	260	33
2009	224,407	52,940	34,489	45,639	77,677	13,660	629	117	91	129	260	629	117	91	129	260	32
2010	239,384	60,461	36,239	50,578	77,140	14,965	626	117	87	132	258	626	117	87	132	258	32
2011	244,023	62,414	33,441	49,646	84,100	14,422	634	125	87	134	256	634	125	87	134	256	32
2012	265,175	68,461	32,179	55,195	90,594	18,746	604	125	86	133	223	604	125	86	133	223	37
2013	281,806	81,757	32,480	60,170	83,626	23,773	601	131	85	134	210	601	131	85	134	210	41
2014	291,613	88,962	30,422	58,361	90,957	22,910	570	126	84	126	194	570	126	84	126	194	40
2015	262,989	72,201	27,593	52,912	90,371	19,912	561	122	84	128	188	561	122	84	128	188	39
2016	264,802	75,587	26,217	54,772	87,971	20,254	534	118	82	128	172	534	118	82	128	172	34
2017	277,299	79,688	29,610	57,157	89,991	20,853	532	117	80	131	171	532	117	80	131	171	33
2018	252,206	67,873	23,328	52,997	88,359	19,649	504	109	70	132	159	504	109	70	132	159	34
2019	278,673	79,324	27,856	57,177	93,213	21,103	501	112	69	133	152	501	112	69	133	152	35
2020	278,698	76,815	29,265	56,040	95,172	21,405	494	110	66	133	149	494	110	66	133	149	36

Note: Components may not add to the total because of rounding. Totals are inclusive of preferred share classes.

TABLE 10

Closed-End Funds: Gross Issuance, Gross Redemptions, and Net Issuance by Type of Fund

Millions of dollars, annual

Year	Total	Equity funds		Bond funds		
		Domestic	Global/ International	Domestic taxable	Domestic municipal	Global/ International
Gross issuance¹						
2002	\$24,895	\$9,191	\$3	\$2,309	\$13,392	\$0
2003	40,810	11,187	50	25,587	2,954	1,032
2004	27,991	15,424	5,714	5,820	5	1,028
2005	21,388	12,559	6,628	2,046	31	124
2006	12,745	7,992	2,505	1,718	196	334
2007	31,086	5,973	19,764	2,221	433	2,695
2008	275	8	145	121	0	0
2009	3,615	549	485	876	1,389	317
2010	14,017	3,719	114	2,374	7,454	358
2011	14,990	3,850	1,469	1,000	8,669	2
2012	16,844	3,815	533	4,088	6,328	2,081
2013	17,850	4,311	157	4,525	2,393	6,464
2014	8,456	4,263	619	677	2,897	1
2015	4,322	572	1,461	1,433	804	51
2016	4,008	346	156	2,101	1,400	4
2017	3,070	776	302	1,270	371	350
2018	3,780	111	50	401	3,219	0
2019	7,515	854	2,154	1,770	2,472	265
2020	3,610	2,004	6	602	185	813
Gross redemptions²						
2007	\$2,717	\$1,024	\$105	\$254	\$1,313	\$20
2008	22,713	7,060	1,832	7,031	6,089	701
2009	6,875	2,916	639	1,664	1,627	30
2010	8,587	1,724	55	474	6,335	0
2011	8,972	644	209	276	7,843	0
2012	5,459	974	420	838	3,226	0
2013	3,335	214	649	604	1,864	5
2014	3,522	444	124	411	2,330	213
2015	2,463	348	419	725	816	156
2016	3,179	104	340	664	1,568	502
2017	2,391	923	703	512	140	113
2018	1,912	463	109	101	1,234	4
2019	1,633	26	349	459	798	0
2020	2,149	27	83	1,318	501	220
Net issuance³						
2007	\$28,369	\$4,949	\$19,659	\$1,966	-\$880	\$2,675
2008	-22,438	-7,052	-1,687	-6,910	-6,089	-700
2009	-3,259	-2,366	-154	-788	-238	287
2010	5,430	1,995	59	1,900	1,119	357
2011	6,018	3,206	1,260	724	825	2
2012	11,385	2,840	113	3,249	3,102	2,081
2013	14,515	4,097	-491	3,921	530	6,459
2014	4,935	3,819	494	266	567	-212
2015	1,859	224	1,043	708	-11	-104
2016	829	242	-184	1,437	-168	-498
2017	678	-147	-401	758	231	237
2018	1,869	-352	-60	300	1,985	-4
2019	5,882	828	1,805	1,311	1,674	265
2020	1,462	1,977	-76	-715	-316	593

¹ Gross issuance of shares is the value of net proceeds from underwritings, additional offerings, and other issuance. Data are not available prior to 2002.

² Gross redemptions of shares is the value of share repurchases and fund liquidations. Data are not available prior to 2007.

³ Net issuance of shares is the dollar value of gross issuance minus gross redemptions. Data are not available prior to 2007.

Note: Components may not add to the total because of rounding. Totals are inclusive of preferred share classes.

TABLE 11
Exchange-Traded Funds: Total Net Assets by Type of Fund
 Millions of dollars, year-end

Year	Investment objective										Legal status			Memo
	Equity					Commodities ²					1940 Act ETFs			
	Total	Domestic equity		Global/ International		Commodities ²	Hybrid	Bond	Index	Actively managed	Non-1940 Act ETFs ³	Funds of funds ⁴		
	Broad-based	Sector ¹												
1996	\$2,411	\$2,159	-	\$252	-	-	-	-	\$2,411	-	-	-		
1997	6,707	6,200	-	506	-	-	-	-	6,707	-	-	-		
1998	15,568	14,058	\$484	1,026	-	-	-	-	15,568	-	-	-		
1999	33,873	29,374	2,507	1,992	-	-	-	-	33,873	-	-	-		
2000	65,585	60,529	3,015	2,041	-	-	-	-	65,585	-	-	-		
2001	82,993	74,752	5,224	3,016	-	-	-	-	82,993	-	-	-		
2002	102,143	86,985	5,919	5,324	-	-	\$3,915	-	102,143	-	-	-		
2003	150,983	120,430	11,901	13,984	-	-	4,667	-	150,983	-	-	-		
2004	227,540	163,730	20,315	33,644	\$1,335	-	8,516	-	226,205	-	\$1,335	-		
2005	300,820	186,832	28,975	65,210	4,798	-	15,004	-	296,022	-	4,798	-		
2006	422,550	232,487	43,655	111,194	14,699	-	20,514	-	407,850	-	14,699	-		
2007	608,422	300,930	64,117	179,702	28,906	\$1,119	34,648	-	579,517	-	28,906	-		
2008	531,288	266,161	58,374	113,684	35,728	132	57,209	-	495,314	\$245	35,728	\$97		
2009	777,128	304,044	82,053	209,315	74,528	169	107,018	-	701,586	1,014	74,528	824		
2010	991,989	372,377	103,807	276,622	101,081	322	137,781	-	888,175	2,759	101,055	1,294		
2011	1,048,139	400,702	108,548	245,114	109,176	377	184,222	-	934,232	5,039	108,868	1,575		
2012	1,337,123	509,350	135,378	328,521	120,016	656	243,203	-	1,207,037	10,211	119,875	2,215		
2013	1,674,713	761,798	202,706	398,834	64,042	1,469	245,862	-	1,596,580	14,267	63,866	2,561		
2014	1,974,550	935,825	267,523	414,805	56,974	3,047	296,376	-	1,901,223	16,789	56,538	5,030		
2015	2,100,681	965,338	267,355	474,640	49,317	3,738	340,293	-	2,029,319	22,891	48,471	10,453		
2016	2,524,548	1,224,187	302,535	502,804	62,777	4,951	427,293	-	2,433,900	29,019	61,629	9,541		
2017	3,401,035	1,603,965	374,360	792,351	68,927	7,800	553,631	-	3,288,767	44,980	67,288	11,615		
2018	3,371,161	1,606,004	332,546	725,420	65,868	8,708	632,616	-	3,239,590	69,165	62,406	12,222		
2019	4,396,214	2,169,305	414,223	883,879	84,931	30,094	813,783	-	4,215,307	99,321	81,586	13,444		
2020	5,449,371	2,661,126	521,455	1,028,693	150,298	34,500	1,053,298	-	5,130,250	174,070	145,050	16,013		

¹ This category includes funds both registered and not registered under the Investment Company Act of 1940.

² This category includes funds—both registered and not registered under the Investment Company Act of 1940—that invest primarily in commodities, currencies, and futures.

³ The funds in this category are not registered under the Investment Company Act of 1940.

⁴ Data for ETFs that invest primarily in other ETFs are excluded from the totals.

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

Sources: Investment Company Institute and Strategic Insight Sirmfund

TABLE 12

Exchange-Traded Funds: Number of Funds by Type of Fund

Year-end

Year	Investment objective										Legal status			Memo
	Equity					Commodities ²					1940 Act ETFs			
	Domestic equity		Global/International			Hybrid	Bond	Index	Actively managed	Non-1940 Act ETFs ³	Funds of funds ⁴			
	Broad-based	Sector ¹	Broad-based	International	Global/International									
1996	19	-	-	17	-	-	-	19	-	-	-	-		
1997	19	-	-	17	-	-	-	19	-	-	-	-		
1998	29	9	9	17	-	-	-	29	-	-	-	-		
1999	30	4	9	17	-	-	-	30	-	-	-	-		
2000	80	29	26	25	-	-	-	80	-	-	-	-		
2001	102	34	34	34	-	-	-	102	-	-	-	-		
2002	113	34	32	39	-	8	-	113	-	-	-	-		
2003	119	39	33	41	-	6	-	119	-	-	-	-		
2004	152	60	42	43	-	6	1	151	-	1	-	-		
2005	204	81	65	49	-	6	3	201	-	3	-	-		
2006	359	133	119	85	-	6	16	343	-	16	-	-		
2007	629	197	191	159	28	49	28	601	-	28	-	-		
2008	728	204	186	225	45	6	45	670	13	45	15	-		
2009	797	222	179	244	49	5	98	727	21	49	23	-		
2010	923	243	193	298	55	6	128	843	26	54	27	-		
2011	1,135	288	229	368	75	7	168	1,029	33	73	31	-		
2012	1,195	275	222	404	79	13	202	1,076	42	77	44	-		
2013	1,295	293	235	438	76	15	238	1,163	60	72	37	-		
2014	1,412	317	236	494	82	19	264	1,232	108	72	39	-		
2015	1,597	361	266	592	81	21	276	1,404	120	73	47	-		
2016	1,718	396	303	630	80	22	287	1,501	151	66	56	-		
2017	1,837	472	300	630	91	33	311	1,571	197	69	63	-		
2018	1,990	515	325	670	91	35	354	1,662	259	69	67	-		
2019	2,097	578	344	668	89	38	380	1,709	320	68	79	-		
2020	2,204	693	339	637	82	40	413	1,675	467	62	92	-		

¹ This category includes funds both registered and not registered under the Investment Company Act of 1940.

² This category includes funds—both registered and not registered under the Investment Company Act of 1940—that invest primarily in commodities, currencies, and futures.

³ The funds in this category are not registered under the Investment Company Act of 1940.

⁴ Data for ETFs that invest primarily in other ETFs are excluded from the totals.

Sources: Investment Company Institute and Strategic Insight Simfund

TABLE 13
Exchange-Traded Funds: Net Issuance by Type of Fund
 Millions of dollars, annual

Year	Investment objective										Legal status		Memo	
	Equity					Commodities ²					1940 Act ETFs			Funds of funds ⁴
	Domestic equity		Global/ International			Hybrid	Bond	Index	Actively managed	Non-1940 Act ETFs ³				
Broad-based	Sector ¹	Global/ International	Commodities ²	Bond										
1996	\$1,108	\$842	-	\$266	-	-	-	\$1,108	-	-	-	-	-	
1997	3,466	3,160	-	306	-	-	-	3,466	-	-	-	-	-	
1998	6,195	5,158	\$484	553	-	-	-	6,195	-	-	-	-	-	
1999	11,929	10,221	1,596	112	-	-	-	11,929	-	-	-	-	-	
2000	42,508	40,591	1,033	884	-	-	-	42,508	-	-	-	-	-	
2001	31,012	26,911	2,735	1,366	-	-	-	31,012	-	-	-	-	-	
2002	45,302	35,477	2,304	3,792	-	-	\$3,729	45,302	-	-	-	-	-	
2003	15,810	5,737	3,587	5,764	-	-	721	15,810	-	-	-	-	-	
2004	56,375	29,084	6,514	15,645	-	\$1,353	-	55,021	-	-	\$1,353	-	-	
2005	56,729	16,941	6,719	23,455	-	2,859	-	53,871	-	-	2,859	-	-	
2006	73,995	21,589	9,780	28,423	-	8,475	-	65,520	-	-	8,475	-	-	
2007	150,617	61,152	18,122	48,842	-	9,062	\$122	141,555	-	-	9,062	-	-	
2008	177,220	88,105	30,296	25,243	58	10,567	22,952	166,372	\$281	10,567	-	\$107	-	
2009	116,469	-11,842	14,329	39,599	15	28,410	45,958	87,336	724	28,410	-	237	-	
2010	117,982	28,317	10,187	41,527	144	8,155	29,652	108,136	1,716	8,129	-	433	-	
2011	117,646	34,657	9,674	24,250	72	2,948	46,045	112,464	2,555	2,627	-	385	-	
2012	185,399	57,744	14,307	51,896	246	8,889	52,318	171,377	4,988	9,035	-	505	-	
2013	179,959	99,545	34,434	62,807	849	-29,870	12,195	205,154	4,710	-29,905	-	1,106	-	
2014	240,844	102,394	40,593	46,642	1,629	-1,420	51,007	240,026	2,584	-1,766	-	2,365	-	
2015	230,993	49,757	13,368	109,668	1,110	2,118	54,971	222,028	7,435	1,530	-	5,704	-	
2016	284,055	147,805	19,684	20,217	1,088	11,679	83,983	266,306	6,305	11,444	-	-779	-	
2017	470,978	156,459	29,565	159,748	2,500	1,603	121,102	454,418	15,432	1,128	-	889	-	
2018	311,037	141,229	-2,147	70,254	1,689	1,700	98,312	283,448	28,329	-741	-	1,821	-	
2019	322,549	135,406	-2,704	29,795	5,495	8,362	146,195	287,748	26,016	8,785	-	-530	-	
2020	500,883	137,281	51,833	62,551	4,173	43,707	201,339	398,254	60,653	41,975	-	1,511	-	

¹ This category includes funds both registered and not registered under the Investment Company Act of 1940.

² This category includes funds—both registered and not registered under the Investment Company Act of 1940—that invest primarily in commodities, currencies, and futures.

³ The funds in this category are not registered under the Investment Company Act of 1940.

⁴ Data for ETFs that invest primarily in other ETFs are excluded from the totals.

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

TABLE 14

Unit Investment Trusts: Total Net Assets, Number of Trusts, and New Deposits by Type of Trust

Year	Total net assets Millions of dollars, year-end				Number of trusts Year-end				New deposits Millions of dollars, annual			
	Total trusts	Equity	Taxable debt	Tax-free debt	Total trusts	Equity	Taxable debt	Tax-free debt	Total trusts	Equity	Taxable debt	Tax-free debt
1996	\$72,204	\$22,922	\$8,485	\$40,796	11,764	378	591	10,795	\$21,662	\$18,316	\$800	\$2,546
1997	84,761	40,747	6,480	37,533	11,593	563	513	10,517	38,546	35,855	771	1,919
1998	93,943	56,413	5,380	32,151	10,966	872	414	9,680	47,675	45,947	562	1,166
1999	91,970	62,128	4,283	25,559	10,414	1,081	409	8,924	52,046	50,629	343	1,074
2000	74,161	48,060	3,502	22,599	10,072	1,554	369	8,149	43,649	42,570	196	883
2001	49,249	26,467	3,784	18,999	9,295	1,500	324	7,471	19,049	16,927	572	1,550
2002	36,016	14,651	4,020	17,345	8,303	1,247	366	6,690	11,600	9,131	862	1,607
2003	35,826	19,024	3,311	13,491	7,233	1,206	320	5,707	12,731	10,071	931	1,729
2004	37,267	23,201	2,635	11,432	6,499	1,166	295	5,038	17,125	14,559	981	1,585
2005	40,894	28,634	2,280	9,980	6,019	1,251	304	4,464	22,598	21,526	289	782
2006	49,662	38,809	2,142	8,711	5,907	1,566	319	4,022	29,057	28,185	294	578
2007	53,040	43,295	2,066	7,680	6,030	1,964	327	3,739	35,836	35,101	298	438
2008	28,543	20,080	2,007	6,456	5,984	2,175	343	3,466	23,590	22,335	557	698
2009	38,336	24,774	3,668	9,894	6,049	2,145	438	3,466	22,293	16,159	2,201	3,933
2010	50,567	34,112	3,780	12,675	5,971	2,212	491	3,268	30,936	25,003	928	5,006
2011	59,931	40,638	3,602	15,691	6,043	2,395	512	3,136	36,026	31,900	765	3,361
2012	71,725	51,905	4,063	15,757	5,787	2,426	553	2,808	43,404	40,012	1,236	2,157
2013	86,504	70,850	3,560	12,094	5,552	2,428	580	2,544	55,628	53,719	916	993
2014	101,136	85,887	3,135	12,114	5,381	2,501	593	2,287	65,529	63,991	624	915
2015	94,127	80,417	2,597	11,113	5,188	2,609	587	1,992	65,949	64,582	492	875
2016	84,627	71,590	2,676	10,362	5,100	2,586	635	1,879	49,346	47,564	631	1,151
2017	84,939	73,262	2,370	9,307	5,035	2,557	639	1,839	49,580	48,695	322	563
2018	69,932	59,807	2,246	7,880	4,917	2,522	642	1,753	49,289	48,285	498	506
2019	79,062	69,771	2,120	7,172	4,572	2,397	576	1,599	47,629	46,518	477	634
2020	77,852	70,312	1,679	5,860	4,310	2,312	522	1,476	44,931	44,131	298	503

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

TABLE 15

Long-Term Mutual Funds: Liquid Assets and Liquid Assets as a Percentage of Total Net Assets

Year-end

Year	Liquid assets* Millions of dollars				Liquid assets* as a percentage of total net assets Percent			
	Total	Equity funds	Hybrid funds	Bond funds	Total	Equity funds	Hybrid funds	Bond funds
1984	\$12,181	\$7,295	\$878	\$4,007	8.9%	9.1%	7.9%	8.7%
1985	20,593	10,452	1,413	8,728	8.2	9.4	8.0	7.1
1986	30,611	14,612	2,514	13,485	7.2	9.5	9.8	5.5
1987	37,930	16,319	2,730	18,881	8.4	9.3	9.3	7.6
1988	44,980	17,742	2,986	24,252	9.5	9.4	11.3	9.5
1989	44,603	25,602	5,747	13,253	8.1	10.4	16.1	4.9
1990	48,369	27,344	4,198	16,827	8.5	11.4	11.7	5.8
1991	60,243	30,657	3,309	26,277	7.1	7.6	6.4	6.7
1992	73,858	42,417	6,560	24,881	6.7	8.3	8.5	4.9
1993	99,251	57,539	16,613	25,099	6.6	7.8	11.7	4.0
1994	120,228	70,885	19,929	29,414	7.8	8.3	12.3	5.6
1995	141,245	97,743	19,271	24,231	6.9	7.8	9.3	4.0
1996	151,196	107,667	17,954	25,575	5.8	6.2	7.2	4.0
1997	198,035	145,560	24,634	27,841	5.8	6.1	7.9	3.9
1998	190,519	143,507	25,289	21,724	4.6	4.8	7.0	2.6
1999	217,266	174,660	20,976	21,630	4.2	4.3	5.6	2.7
2000	276,329	224,990	26,777	24,562	5.4	5.7	7.4	3.0
2001	222,019	170,315	26,906	24,798	4.7	5.0	7.5	2.7
2002	208,669	120,491	25,422	62,757	5.1	4.6	7.6	5.5
2003	259,441	154,859	30,645	73,937	4.8	4.2	6.8	5.9
2004	307,048	184,119	36,419	86,510	5.0	4.2	6.6	6.7
2005	303,161	190,880	43,133	69,149	4.4	3.9	6.9	5.1
2006	346,718	218,626	57,461	70,631	4.3	3.7	7.9	4.7
2007	381,641	266,256	56,813	58,572	4.3	4.2	6.9	3.5
2008	314,270	203,272	52,712	58,285	5.4	5.6	9.4	3.7
2009	365,705	169,791	52,845	143,068	4.7	3.5	7.4	6.5
2010	330,323	192,599	61,022	76,702	3.7	3.4	7.2	3.0
2011	462,132	182,547	70,744	208,841	5.2	3.5	8.0	7.3
2012	517,184	200,436	101,222	215,526	5.0	3.4	9.8	6.4
2013	661,363	272,504	151,578	237,280	5.4	3.5	11.8	7.2
2014	745,389	291,688	168,182	285,519	5.7	3.5	12.2	8.3
2015	677,166	258,379	185,527	233,260	5.2	3.2	13.8	6.8
2016	674,376	257,872	179,700	236,803	4.9	3.0	12.8	6.5
2017	802,613	306,926	198,211	297,476	5.0	3.0	12.8	7.3
2018	679,331	268,642	170,353	240,336	4.6	2.9	12.3	5.9
2019	754,378	275,905	185,815	292,658	4.3	2.4	11.8	6.2
2020	780,929	243,523	176,904	360,503	4.0	1.9	10.9	6.9

* Liquid assets include certificates of deposit, commercial paper, US government agency issues (one year maturity or less), repurchase agreements, cash reserves, other securities (one year maturity or less), and receivables minus liabilities.

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

TABLE 16
Long-Term Mutual Funds: Liquid Assets* as a Percentage of Total Net Assets by Composite Investment Objective
 Percent, year-end

Year	Equity funds				Bond funds							
	Capital appreciation	World	Total return	Hybrid funds	Investment grade	High yield	World	Government	Multisector	State muni	National muni	
2000	6.1%	7.7%	4.9%	7.4%	4.5%	9.0%	-2.2%	-2.8%	-2.2%	3.1%	3.5%	
2001	4.9	6.2	4.8	7.5	3.3	7.6	-3.7	-0.6	0.6	2.3	3.2	
2002	4.9	5.7	4.1	7.6	9.8	7.9	-2.5	0.5	7.1	2.6	4.2	
2003	3.7	5.8	4.1	6.8	9.5	6.1	3.3	1.7	8.7	2.2	3.7	
2004	3.6	5.5	4.2	6.6	8.8	6.1	6.1	3.8	8.3	2.9	6.5	
2005	3.3	5.2	3.7	6.9	6.4	5.2	6.1	1.2	6.7	2.5	5.7	
2006	3.4	4.3	3.7	7.9	6.8	5.0	12.5	-4.1	2.6	2.0	4.5	
2007	4.3	5.2	3.5	6.9	2.1	4.7	17.0	-0.8	4.5	1.8	4.6	
2008	6.1	7.9	4.2	9.4	1.1	10.9	13.0	4.4	3.6	1.7	4.9	
2009	4.5	3.9	2.8	7.4	6.8	5.5	13.5	4.0	6.6	2.8	6.0	
2010	3.5	4.4	2.9	7.2	0.3	6.0	16.5	-2.5	2.7	2.1	5.2	
2011	3.8	4.5	2.8	8.0	7.2	7.3	17.5	0.9	5.2	3.1	6.6	
2012	3.6	4.0	2.9	9.8	5.4	5.7	15.1	2.8	6.9	3.4	6.2	
2013	3.6	4.5	3.0	11.8	6.8	4.4	17.2	1.0	7.0	2.0	6.5	
2014	3.3	4.9	2.9	12.2	7.5	4.5	19.3	2.5	8.1	3.6	7.6	
2015	3.3	4.3	2.6	13.8	4.7	5.9	15.0	3.2	9.5	4.4	8.2	
2016	3.1	4.2	2.4	12.8	6.0	5.7	13.7	1.3	6.4	2.7	6.7	
2017	3.5	4.1	2.2	12.8	7.4	5.1	15.4	3.8	5.2	2.6	6.3	
2018	3.1	4.0	2.3	12.3	5.6	4.2	14.1	2.2	2.2	2.6	6.5	
2019	2.8	3.5	1.8	11.8	5.3	5.7	13.9	5.4	3.3	3.4	6.5	
2020	2.1	2.7	1.4	10.9	6.6	5.3	12.2	5.5	6.2	3.3	7.2	

* Liquid assets include certificates of deposit, commercial paper, US government agency issues (one year maturity or less), repurchase agreements, cash reserves, other securities (one year maturity or less), and receivables minus liabilities.

TABLE 17

Long-Term Mutual Funds: Net New Cash Flow, Total Net Assets, and Flows as a Percentage of Previous Year's Total Net Assets

Millions of dollars

Year	Net new cash flow Annual			Total net assets Year-end			Flows as a percentage of previous year's total net assets Percent					
	Equity funds	Hybrid funds	Bond funds	Total	Equity funds	Hybrid funds	Bond funds	Total	Equity funds	Hybrid funds	Bond funds	
1985	\$73,490	\$6,643	\$3,720	\$63,127	\$111,329	\$17,609	\$122,646	51.7%	18.3%	39.7%	83.7%	
1986	129,991	20,386	6,988	102,618	154,446	25,764	243,305	7.0	12.5	14.5	2.8	
1987	29,776	19,231	3,748	6,797	175,452	29,253	248,370	-5.1	-8.5	-12.6	-1.8	
1988	-23,119	-14,948	-3,684	-4,488	471,417	189,383	26,346	255,688	1.9	3.6	12.1	0.4
1989	8,731	6,774	3,183	-1,226	552,578	245,037	35,636	271,905	3.8	5.3	4.1	2.4
1990	20,997	12,915	1,463	6,619	585,998	239,478	35,981	290,539	18.7	16.7	19.6	20.3
1991	106,004	39,888	7,067	59,049	849,725	404,732	52,045	392,948	20.2	19.5	41.7	18.1
1992	171,833	78,983	21,725	71,126	1,095,390	514,087	77,630	503,673	22.1	24.8	54.9	14.3
1993	242,034	127,260	42,619	72,154	1,503,626	740,667	142,331	620,628	5.0	15.5	15.5	-10.0
1994	74,741	114,525	21,998	-61,782	1,542,688	852,765	161,405	528,519	7.8	14.6	14.6	2.3
1995	120,245	124,392	3,738	-7,884	2,084,588	1,249,077	206,705	598,807	11.2	17.4	5.7	0.2
1996	230,198	216,935	11,795	1,468	2,618,485	1,726,009	248,358	644,118	10.3	13.2	6.3	4.4
1997	270,994	227,107	15,755	28,132	3,402,280	2,367,951	311,713	722,615	7.1	6.6	3.4	10.1
1998	240,458	156,856	10,457	73,144	4,164,395	2,977,539	360,037	826,819	4.4	7.8	-9.8	-5.9
1999	169,232	187,550	-13,031	-5,288	5,220,693	4,039,961	374,315	806,417	2.6	0.8	2.0	11.1
2000	230,927	315,324	-36,736	-47,661	5,110,689	3,932,725	360,841	817,123	2.6	-0.9	2.2	15.3
2001	131,019	33,272	7,235	90,512	4,683,769	3,391,004	357,947	934,818	5.3	5.5	11.6	2.9
2002	122,354	-28,888	7,979	143,263	4,115,111	2,642,057	335,270	1,137,784	3.9	4.7	11.9	-1.2
2003	216,445	143,996	38,958	33,491	5,359,359	3,652,839	447,530	1,258,989	3.1	2.9	7.7	2.0
2004	210,054	171,903	53,052	-14,901	6,191,574	4,342,123	552,250	1,297,200	3.3	3.0	3.2	4.4
2005	191,923	123,843	42,752	25,328	6,861,884	4,884,874	621,477	1,355,533	2.8	1.3	5.5	7.4
2006	226,826	147,242	19,859	59,725	8,056,786	5,831,591	731,503	1,493,693	-2.4	-3.4	-3.1	1.9
2007	224,138	73,216	40,361	110,561	8,909,694	6,412,592	821,474	1,675,628	6.8	0.1	3.5	23.7
2008	-210,794	-216,457	-25,523	31,185	5,786,458	3,654,545	562,262	1,569,652	3.1	-0.5	5.0	10.5
2009	393,337	2,150	19,792	371,395	7,793,077	4,871,520	717,580	2,203,977	0.3	-2.3	4.7	4.6
2010	243,647	-24,384	35,612	232,419	9,027,544	5,596,173	842,198	2,589,174	2.2	-2.9	5.2	10.8
2011	28,200	-129,506	39,682	118,024	8,939,449	5,212,787	883,980	2,842,683	1.6	2.7	7.2	-2.1
2012	200,108	-152,678	46,267	306,519	10,360,421	5,938,757	1,032,462	3,389,202	0.8	0.3	2.4	1.3
2013	163,016	159,481	74,733	-71,198	12,331,127	7,762,556	1,284,695	3,283,876	-0.9	-0.9	-1.4	-0.7
2014	99,728	25,458	30,399	43,871	13,151,980	8,313,989	1,379,201	3,458,790	-1.5	-3.2	3.1	3.1
2015	-119,613	-75,620	-19,046	-24,947	12,903,124	8,149,607	1,341,466	3,412,051	0.5	-1.9	-2.0	7.1
2016	-192,974	-258,030	-41,882	106,938	13,625,320	8,577,267	1,399,866	3,648,187	-2.2	-2.5	-3.6	7.7
2017	71,974	-159,225	-28,483	259,682	15,917,536	10,305,152	1,547,046	4,065,338	-0.7	-3.9	-3.6	7.7
2018	-345,917	-256,766	-91,272	2,120	14,672,489	9,227,508	1,383,964	4,061,017	-2.8	-5.7	-5.3	5.2
2019	-99,161	-362,185	-49,312	312,336	17,659,051	11,375,640	1,579,084	4,704,326	-2.8	-5.7	-5.3	5.2
2020	-485,811	-646,216	-83,965	244,369	19,562,556	12,728,439	1,620,042	5,214,074	-2.8	-5.7	-5.3	5.2

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

TABLE 18

Equity Mutual Funds: Net New Cash Flow and Components of Net New Cash Flow

Millions of dollars, annual

Year	Net new cash flow ¹	Sales			Redemptions		
		New + exchange	New ²	Exchange ³	Regular + exchange	Regular ⁴	Exchange ⁵
1984	\$4,336	\$28,705	\$16,586	\$12,119	\$24,369	\$10,669	\$13,700
1985	6,643	40,608	25,046	15,562	33,965	17,558	16,406
1986	20,386	87,997	50,774	37,224	67,612	26,051	41,561
1987	19,231	139,596	65,093	74,502	120,365	38,601	81,764
1988	-14,948	68,827	25,641	43,186	83,774	33,247	50,528
1989	6,774	89,345	46,817	42,527	82,571	37,229	45,342
1990	12,915	104,334	62,872	41,462	91,419	44,487	46,931
1991	39,888	146,618	90,192	56,427	106,730	53,394	53,336
1992	78,983	201,720	134,309	67,411	122,738	61,465	61,272
1993	127,260	307,356	213,639	93,717	180,095	91,944	88,151
1994	114,525	366,659	252,887	113,772	252,134	141,097	111,037
1995	124,392	433,853	282,937	150,915	309,461	170,402	139,059
1996	216,935	674,323	442,372	231,951	457,387	240,533	216,854
1997	227,107	880,285	579,063	301,222	653,178	362,020	291,158
1998	156,856	1,065,012	699,372	365,640	908,156	534,090	374,065
1999	187,550	1,410,664	918,438	492,226	1,223,113	743,983	479,130
2000	315,324	1,970,909	1,318,803	652,107	1,655,585	1,031,260	624,325
2001	33,272	1,329,228	953,220	376,008	1,295,956	891,564	404,392
2002	-28,888	1,213,934	893,841	320,094	1,242,822	875,050	367,772
2003	143,996	1,073,973	837,298	236,675	929,977	707,423	222,554
2004	171,903	1,096,318	926,741	169,577	924,415	758,715	165,701
2005	123,843	1,192,366	1,016,940	175,427	1,068,524	877,996	190,527
2006	147,242	1,416,347	1,213,690	202,657	1,269,106	1,047,184	221,921
2007	73,216	1,728,761	1,506,107	222,655	1,655,545	1,388,642	266,903
2008	-216,457	1,525,723	1,331,066	194,656	1,742,180	1,467,312	274,867
2009	2,150	1,194,084	1,032,246	161,838	1,191,934	1,011,588	180,346
2010	-24,384	1,405,936	1,236,196	169,740	1,430,320	1,238,430	191,890
2011	-129,506	1,492,242	1,322,125	170,117	1,621,748	1,417,372	204,376
2012	-152,678	1,449,655	1,260,225	189,430	1,602,333	1,382,129	220,203
2013	159,481	1,864,206	1,641,084	223,122	1,704,725	1,496,823	207,902
2014	25,458	2,009,016	1,797,760	211,256	1,983,558	1,773,309	210,249
2015	-75,620	2,004,953	1,795,262	209,692	2,080,573	1,875,778	204,795
2016	-258,030	1,941,717	1,722,731	218,986	2,199,746	1,955,001	244,745
2017	-159,225	2,226,064	1,937,911	288,153	2,385,289	2,072,811	312,478
2018	-256,766	2,412,184	2,118,261	293,923	2,668,950	2,352,560	316,390
2019	-362,185	2,011,929	1,814,332	197,598	2,374,114	2,143,119	230,995
2020	-646,216	2,580,596	2,297,185	283,411	3,226,812	2,879,511	347,301

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

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

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

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

⁵ Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into other funds within the same fund group.

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

TABLE 19

Hybrid Mutual Funds: Net New Cash Flow and Components of Net New Cash Flow

Millions of dollars, annual

Year	Net new cash flow ¹	Sales			Redemptions		
		New + exchange	New ²	Exchange ³	Regular + exchange	Regular ⁴	Exchange ⁵
1984	\$1,801	\$4,118	\$3,842	\$276	\$2,318	\$2,017	\$301
1985	3,720	7,502	6,976	526	3,782	3,161	621
1986	6,988	13,535	12,342	1,194	6,548	5,162	1,386
1987	3,748	14,948	12,419	2,528	11,200	7,848	3,353
1988	-3,684	6,259	4,601	1,658	9,943	7,521	2,422
1989	3,183	11,139	9,334	1,805	7,956	5,780	2,176
1990	1,463	9,671	7,989	1,682	8,208	5,600	2,608
1991	7,067	16,860	13,754	3,106	9,793	7,011	2,782
1992	21,725	32,772	26,463	6,309	11,047	7,209	3,838
1993	42,619	60,610	49,526	11,083	17,990	11,735	6,256
1994	21,998	58,541	49,043	9,498	36,544	25,298	11,245
1995	3,738	43,024	35,385	7,640	39,286	27,807	11,479
1996	11,795	56,783	47,436	9,347	44,988	31,413	13,575
1997	15,755	68,345	55,261	13,084	52,590	38,265	14,325
1998	10,457	82,691	67,294	15,397	72,234	53,161	19,073
1999	-13,031	81,904	67,607	14,297	94,935	69,790	25,144
2000	-36,736	70,364	56,920	13,445	107,100	77,159	29,941
2001	7,235	83,442	65,530	17,912	76,207	58,802	17,405
2002	7,979	93,414	75,393	18,021	85,436	67,201	18,234
2003	38,958	115,845	96,728	19,117	76,888	63,367	13,520
2004	53,052	143,459	125,434	18,025	90,407	77,520	12,887
2005	42,752	144,267	126,616	17,650	101,514	86,200	15,314
2006	19,859	146,088	127,532	18,555	126,229	106,066	20,163
2007	40,361	206,397	183,464	22,933	166,036	144,102	21,934
2008	-25,523	181,436	155,075	26,361	206,959	165,395	41,564
2009	19,792	174,217	150,048	24,169	154,425	127,179	27,246
2010	35,612	205,830	181,871	23,959	170,218	146,546	23,672
2011	39,682	263,981	234,392	29,589	224,299	191,200	33,099
2012	46,267	266,569	239,916	26,653	220,302	195,788	24,513
2013	74,733	339,527	302,752	36,775	264,794	233,859	30,935
2014	30,399	323,388	291,911	31,476	292,989	265,828	27,161
2015	-19,046	299,590	268,713	30,877	318,636	284,185	34,451
2016	-41,882	302,250	263,627	38,624	344,132	303,791	40,342
2017	-28,483	291,828	250,940	40,888	320,311	279,136	41,175
2018	-91,272	262,759	229,830	32,929	354,030	314,570	39,461
2019	-49,312	253,294	225,686	27,608	302,606	273,767	28,839
2020	-83,965	299,996	264,431	35,565	383,961	336,069	47,891

¹ Net new cash flow is the dollar value of new sales minus redemptions, combined with net exchanges.² New sales are the dollar value of new purchases of mutual fund shares. This does not include shares purchased through reinvestment of dividends in existing accounts.³ Exchange sales are the dollar value of mutual fund shares switched into funds within the same fund group.⁴ Regular redemptions are the dollar value of shareholder liquidation of mutual fund shares.⁵ Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into other funds within the same fund group.

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

TABLE 20

Bond Mutual Funds: Net New Cash Flow and Components of Net New Cash Flow

Millions of dollars, annual

Year	Net new cash flow ¹	Sales			Redemptions		
		New + exchange	New ²	Exchange ³	Regular + exchange	Regular ⁴	Exchange ⁵
1984	\$13,058	\$25,554	\$20,774	\$4,780	\$12,497	\$7,344	\$5,152
1985	63,127	83,359	74,485	8,874	20,232	13,094	7,137
1986	102,618	158,874	138,240	20,634	56,256	35,776	20,480
1987	6,797	123,528	93,725	29,803	116,731	69,627	47,104
1988	-4,488	72,174	47,378	24,796	76,662	51,558	25,103
1989	-1,226	71,770	48,602	23,168	72,996	48,517	24,480
1990	6,619	80,414	56,861	23,552	73,795	47,947	25,848
1991	59,049	141,399	107,819	33,580	82,350	56,111	26,239
1992	71,126	217,769	171,897	45,872	146,643	96,398	50,246
1993	72,154	262,155	208,459	53,696	190,000	127,163	62,838
1994	-61,782	186,270	130,728	55,542	248,051	162,620	85,432
1995	-7,884	164,348	108,361	55,986	172,232	114,559	57,673
1996	1,468	201,252	135,795	65,457	199,784	125,091	74,693
1997	28,132	240,600	174,592	66,008	212,467	140,297	72,171
1998	73,144	312,004	228,563	83,440	238,859	159,225	79,635
1999	-5,288	297,350	215,587	81,764	302,638	206,057	96,581
2000	-47,661	250,001	186,271	63,730	297,662	217,818	79,844
2001	90,512	393,737	301,021	92,716	303,225	224,211	79,014
2002	143,263	514,694	401,687	113,008	371,431	283,497	87,934
2003	33,491	520,642	428,512	92,130	487,151	376,116	111,035
2004	-14,901	395,224	340,323	54,901	410,125	341,056	69,070
2005	25,328	402,232	350,627	51,605	376,904	321,127	55,776
2006	59,725	446,110	390,877	55,234	386,385	328,938	57,447
2007	110,561	591,464	505,718	85,745	480,903	409,347	71,555
2008	31,185	709,213	580,580	128,633	678,028	581,399	96,630
2009	371,395	1,006,192	856,450	149,742	634,797	524,597	110,200
2010	232,419	1,089,250	964,032	125,217	856,830	742,133	114,697
2011	118,024	1,103,549	975,974	127,575	985,525	869,663	115,862
2012	306,519	1,246,679	1,121,167	125,512	940,161	837,899	102,261
2013	-71,198	1,307,639	1,158,510	149,129	1,378,837	1,190,488	188,349
2014	43,871	1,278,248	1,174,182	104,066	1,234,377	1,137,576	96,801
2015	-24,947	1,195,117	1,090,489	104,629	1,220,064	1,119,502	100,562
2016	106,938	1,315,909	1,188,167	127,742	1,208,971	1,102,267	106,705
2017	259,682	1,407,854	1,262,215	145,639	1,148,172	1,026,868	121,304
2018	2,120	1,445,095	1,300,627	144,468	1,442,975	1,304,288	138,687
2019	312,336	1,561,202	1,442,855	118,347	1,248,867	1,158,581	90,286
2020	244,369	2,127,366	1,939,574	187,792	1,882,997	1,729,784	153,213

¹ Net new cash flow is the dollar value of new sales minus redemptions, combined with net exchanges.² New sales are the dollar value of new purchases of mutual fund shares. This does not include shares purchased through reinvestment of dividends in existing accounts.³ Exchange sales are the dollar value of mutual fund shares switched into funds within the same fund group.⁴ Regular redemptions are the dollar value of shareholder liquidation of mutual fund shares.⁵ Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into other funds within the same fund group.

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

TABLE 21
Long-Term Mutual Funds: Net New Cash Flow by Composite Investment Objective

Millions of dollars, annual

Year	Equity funds				Bond funds							National muni
	Capital appreciation	World	Total return	Hybrid funds	Investment grade	High yield	World	Government	Multisector	State muni		
2000	\$262,240	\$57,893	-\$4,809	-\$36,736	\$5,293	-\$12,798	-\$4,648	-\$16,633	-\$4,439	-\$5,438	-\$8,998	
2001	-22,874	-23,242	79,389	7,235	49,014	3,371	-1,151	24,657	2,436	6,293	5,892	
2002	-52,330	-4,117	27,560	7,979	64,518	4,309	-71	53,225	4,475	5,259	11,549	
2003	27,022	24,361	92,613	38,958	30,200	22,589	4,028	-22,124	5,639	-8,212	1,471	
2004	-11,545	71,583	111,865	53,052	22,080	-2,843	4,310	-26,259	3,160	-7,939	-7,410	
2005	-25,862	106,911	42,794	42,752	36,749	-13,495	6,404	-14,211	5,171	1,232	3,480	
2006	-27,620	150,923	23,939	19,859	36,992	3,322	10,936	-17,833	11,203	3,876	11,229	
2007	-44,341	141,736	-24,178	40,361	75,928	-4,755	21,130	-2,242	9,646	3,233	7,621	
2008	-49,179	-66,945	-100,333	-25,523	8,553	-5,229	6,070	20,600	-6,628	-2,301	10,121	
2009	-7,560	29,645	-19,934	19,792	20,248	22,466	32,554	18,950	24,801	6,081	64,295	
2010	-26,761	56,679	-54,302	35,612	11,0745	19,452	70,076	4,059	16,427	-2,838	14,499	
2011	-44,528	4,124	-89,102	39,682	51,100	22,004	44,462	3,338	8,736	-9,890	-1,726	
2012	-39,103	6,552	-120,126	46,267	104,800	34,550	42,969	33,743	40,285	8,539	41,633	
2013	-3,006	141,355	21,131	74,733	-97,715	55,689	66,239	-51,224	14,307	-22,420	-36,074	
2014	-41,271	85,172	-18,443	30,399	9,210	-43,854	24,402	5,729	20,396	-1,064	29,051	
2015	-54,303	94,042	-115,358	-19,046	-790	-36,417	-23,568	12,403	8,615	682	14,129	
2016	-138,544	-23,189	-96,297	-41,882	83,736	6,852	-39,538	11,294	21,580	2,454	20,560	
2017	-103,247	76,883	-132,861	-28,483	138,197	-17,953	47,240	2,031	63,834	-2,010	28,344	
2018	-92,591	-5,994	-158,181	-91,272	169,978	-34,276	7,463	5,588	2,185	-7,634	11,817	
2019	-108,982	-60,001	-193,202	-49,312	160,846	-30,344	13,599	28,683	46,312	15,316	77,925	
2020	-136,541	-175,406	-334,269	-83,965	193,064	4,190	-23,922	25,760	6,119	413	38,746	

Note: Net new cash flow is the dollar value of new sales minus redemptions, combined with net exchanges. Data for funds that invest primarily in other mutual funds were excluded from the series.

TABLE 22

Long-Term Mutual Funds: New Sales by Composite Investment Objective

Millions of dollars, annual

Year	Equity funds				Bond funds							National muni
	Capital appreciation	World	Total return	Hybrid funds	Investment grade	High yield	World	Government	Multisector	State muni		
2000	\$574,045	\$342,451	\$402,306	\$56,920	\$79,000	\$26,742	\$2,242	\$24,347	\$6,787	\$16,985	\$24,168	
2001	306,495	251,519	395,206	65,530	127,444	36,183	8,948	58,983	12,245	25,028	32,190	
2002	249,939	245,137	398,764	75,393	173,270	39,644	10,920	93,873	14,537	26,274	43,168	
2003	250,424	205,235	381,638	96,728	187,544	65,537	18,946	71,167	20,084	20,546	44,688	
2004	268,105	184,371	474,265	125,434	166,268	48,120	18,132	38,511	17,923	16,820	34,548	
2005	264,348	239,613	512,979	126,616	172,174	41,686	23,786	32,063	20,628	21,959	38,331	
2006	302,295	354,877	556,519	127,532	184,657	45,475	29,025	29,690	29,478	25,566	46,985	
2007	368,591	479,123	658,393	183,464	248,103	54,490	45,536	34,593	38,826	29,589	54,582	
2008	340,497	374,345	616,224	155,075	277,360	47,176	53,445	64,527	37,527	30,562	69,983	
2009	273,552	284,643	474,051	150,048	426,897	70,111	69,216	90,702	57,875	28,386	113,264	
2010	309,518	379,531	547,147	181,871	450,177	95,780	129,602	79,464	71,230	28,530	109,250	
2011	340,424	398,432	583,269	234,392	448,976	128,866	138,821	72,172	76,840	19,797	90,501	
2012	335,543	363,051	561,631	239,916	489,072	124,084	132,763	109,826	106,453	30,912	128,058	
2013	395,553	511,371	734,160	302,752	466,186	172,324	193,007	74,495	117,003	23,833	111,661	
2014	425,133	543,160	829,468	291,911	492,618	147,566	194,845	70,511	128,794	22,423	117,425	
2015	422,920	584,877	787,465	268,713	466,592	124,802	154,000	79,994	127,043	24,301	113,757	
2016	384,318	500,412	838,001	263,627	530,316	130,474	114,885	90,939	132,663	34,344	154,546	
2017	415,554	612,393	909,965	250,940	552,532	124,298	159,081	74,598	175,780	28,833	147,092	
2018	465,286	672,522	980,452	229,830	568,355	117,093	148,380	89,583	164,950	32,103	180,164	
2019	414,446	532,639	867,246	225,686	641,728	104,931	160,543	111,308	193,961	38,443	191,941	
2020	575,548	657,911	1,063,725	264,431	930,172	148,604	189,555	175,621	210,382	38,168	247,073	

Note: New sales are the dollar value of new purchases of mutual fund shares. This does not include shares purchased through reinvestment of dividends in existing accounts. Data for funds that invest primarily in other mutual funds were excluded from the series.

TABLE 23
Long-Term Mutual Funds: Exchange Sales by Composite Investment Objective

Millions of dollars, annual

Year	Equity funds			Bond funds							
	Capital appreciation	World	Total return	Hybrid funds	Investment grade	High yield	World	Government	Multisector	State muni	National muni
2000	\$343,618	\$169,388	\$139,101	\$13,445	\$16,756	\$10,298	\$3,011	\$15,829	\$1,662	\$5,304	\$10,870
2001	176,019	85,777	114,212	17,912	32,609	11,377	2,057	24,779	2,860	5,348	13,686
2002	144,274	71,079	104,740	18,021	39,468	11,200	2,373	37,280	3,460	5,625	13,602
2003	94,568	41,777	100,330	19,117	33,966	17,109	3,528	18,355	4,664	4,288	10,218
2004	57,575	27,630	84,373	18,025	23,681	8,943	2,056	7,022	4,314	2,750	6,135
2005	55,786	38,396	81,244	17,650	20,833	7,257	2,780	6,575	4,742	2,983	6,435
2006	64,339	56,926	81,392	18,555	21,900	7,278	2,740	5,972	7,024	3,450	6,869
2007	60,892	68,791	92,972	22,933	41,588	7,881	4,629	10,226	5,035	5,706	10,680
2008	58,295	49,364	86,998	26,361	50,416	7,363	8,504	27,495	10,048	7,039	17,767
2009	44,896	47,478	69,464	24,169	76,507	13,163	7,976	18,336	8,641	5,081	20,037
2010	41,943	55,909	71,888	23,959	58,253	13,047	9,482	14,512	10,791	3,852	15,280
2011	48,425	40,006	81,686	29,589	59,218	14,797	10,801	14,323	10,756	3,736	13,944
2012	45,113	47,475	96,842	26,653	54,575	13,406	9,807	14,912	12,957	3,685	16,171
2013	68,219	44,079	110,824	36,775	52,652	18,960	26,824	13,320	10,342	4,900	22,131
2014	61,403	48,151	101,702	31,476	46,053	12,165	10,140	7,231	9,769	3,600	15,107
2015	60,632	53,756	95,303	30,877	40,679	13,663	13,601	9,151	9,412	3,899	14,222
2016	54,074	49,014	115,898	38,624	52,757	14,263	15,466	10,539	9,738	4,106	20,874
2017	62,765	82,355	143,032	40,888	65,913	13,600	18,053	11,159	13,368	4,122	19,423
2018	69,978	72,938	151,007	32,929	52,722	12,039	31,960	13,872	9,112	4,508	20,254
2019	49,028	47,049	101,520	27,608	57,418	9,638	11,110	12,348	9,112	3,699	15,021
2020	75,247	59,715	148,449	35,565	108,415	11,024	9,640	24,243	11,447	3,636	19,388

Note: Exchange sales are the dollar value of mutual fund shares switched into funds within the same fund group. Data for funds that invest primarily in other mutual funds were excluded from the series.

TABLE 24

Long-Term Mutual Funds: Regular Redemptions by Composite Investment Objective

Millions of dollars, annual

Year	Equity funds			Hybrid funds					Bond funds				
	Capital appreciation	World	Total return	Investment grade	High yield	World	Government	Multisector	State muni	National muni			
2000	\$367,514	\$288,496	\$375,250	\$77,159	\$34,638	\$11,437	\$55,823	\$10,431	\$21,956	\$31,884			
2001	307,078	264,301	320,185	58,802	32,315	9,538	38,047	10,368	18,584	27,401			
2002	276,695	243,144	355,211	67,201	34,988	11,383	53,740	11,082	20,881	33,434			
2003	222,805	183,741	300,877	63,367	46,729	15,501	79,437	14,856	25,603	41,443			
2004	269,782	122,228	366,705	77,520	48,641	13,819	58,824	14,628	22,817	39,625			
2005	275,345	148,065	454,586	86,200	51,704	18,358	43,913	15,546	20,457	34,488			
2006	314,823	223,282	509,079	106,066	41,938	18,602	43,974	19,036	21,692	36,205			
2007	395,443	347,693	645,506	144,102	56,044	26,366	38,850	28,060	25,962	46,949			
2008	377,084	413,224	677,004	165,395	49,838	49,479	59,781	44,521	32,199	63,068			
2009	274,333	254,602	482,652	127,179	51,002	40,269	69,920	35,644	22,685	56,421			
2010	329,686	317,496	591,247	146,546	79,416	62,812	74,239	55,216	29,101	93,398			
2011	377,247	383,010	657,115	191,200	107,838	95,478	69,559	69,157	28,412	92,128			
2012	367,494	354,659	659,976	195,788	91,821	92,006	77,394	70,307	22,815	89,798			
2013	401,245	374,407	721,171	233,859	121,424	141,365	117,156	101,578	40,542	139,022			
2014	464,890	459,497	848,922	265,828	186,224	170,248	63,788	110,968	23,917	92,168			
2015	480,248	501,432	894,098	284,185	156,690	181,379	68,931	119,597	23,870	102,699			
2016	509,020	513,175	932,806	303,791	126,135	155,357	81,447	114,381	31,051	134,990			
2017	506,130	546,167	1,020,515	279,136	141,241	118,101	74,455	114,571	30,481	120,941			
2018	555,531	679,400	1,117,629	314,570	148,117	160,662	85,802	149,884	38,606	169,007			
2019	513,479	583,590	1,046,051	273,767	133,935	149,294	83,277	150,938	24,779	118,897			
2020	701,066	819,711	1,358,734	336,069	141,425	210,889	151,889	205,514	36,909	209,692			

Note: Regular redemptions are the dollar value of shareholder liquidation of mutual fund shares. Data for funds that invest primarily in other mutual funds were excluded from the series.

TABLE 25
Long-Term Mutual Funds: Exchange Redemptions by Composite Investment Objective
 Millions of dollars, annual

Year	Equity funds			Bond funds							
	Capital appreciation	World	Total return	Hybrid funds	Investment grade	High yield	World	Government	Multisector	State muni	National muni
2000	\$287,909	\$165,451	\$170,965	\$29,941	\$18,714	\$15,200	\$4,463	\$20,986	\$2,457	\$5,870	\$12,153
2001	198,310	96,238	109,844	17,405	23,080	11,874	2,618	21,058	2,301	5,499	12,583
2002	169,848	77,190	120,734	18,234	30,232	11,547	1,981	24,188	2,440	5,758	11,787
2003	95,166	38,910	88,478	13,520	38,764	13,328	2,945	32,209	4,354	7,443	11,992
2004	67,443	18,190	80,067	12,887	25,168	11,265	2,059	12,969	4,450	4,692	8,467
2005	70,651	23,033	96,843	15,314	19,597	10,734	1,804	8,936	4,653	3,253	6,798
2006	79,432	37,597	104,893	20,163	22,074	7,493	2,227	9,521	6,263	3,449	6,420
2007	78,381	58,486	130,037	21,934	26,647	11,082	2,669	8,210	6,155	6,099	10,692
2008	70,886	77,430	126,551	41,564	36,711	9,930	6,400	11,642	9,682	7,703	14,562
2009	51,675	47,874	80,797	27,246	52,499	9,807	4,371	20,168	6,071	4,702	12,584
2010	48,536	61,264	82,090	23,672	49,734	9,959	6,195	15,678	10,379	6,119	16,632
2011	56,130	51,303	96,942	33,099	50,005	13,821	9,681	13,597	9,703	5,011	14,043
2012	52,265	49,315	118,623	24,513	45,090	11,118	7,594	13,601	8,817	3,243	12,797
2013	65,533	39,688	102,681	30,935	87,152	14,171	12,228	21,882	11,461	10,611	30,844
2014	62,916	46,642	100,691	27,161	39,199	17,360	10,335	8,225	7,199	3,170	11,313
2015	57,607	43,160	104,028	34,451	41,726	18,193	9,790	7,812	8,243	3,648	11,150
2016	67,915	59,440	117,390	40,342	40,430	11,752	14,532	8,737	6,439	4,945	19,870
2017	75,436	71,698	165,343	41,175	53,170	14,610	11,794	9,270	10,744	4,484	17,231
2018	72,324	72,054	172,011	39,461	51,890	15,290	12,215	12,065	21,992	5,639	19,595
2019	58,977	56,101	115,918	28,839	40,839	10,977	8,761	11,697	5,824	2,047	10,140
2020	86,270	73,321	187,710	47,891	72,057	14,013	12,228	22,216	10,195	4,483	18,022

Note: Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into other funds within the same fund group. Data for funds that invest primarily in other mutual funds were excluded from the series.

TABLE 26

Long-Term Mutual Funds: Annual Redemption Rates

Percent

Year	Narrow redemption rates ¹				Broad redemption rates ²			
	Total	Equity funds	Hybrid funds	Bond funds	Total	Equity funds	Hybrid funds	Bond funds
1985	17.4%	18.4%	22.0%	15.5%	29.8%	35.6%	26.3%	24.0%
1986	19.8	19.6	23.8	19.6	38.6	50.9	30.2	30.7
1987	26.5	23.4	28.5	28.3	56.7	73.0	40.7	47.5
1988	20.0	18.2	27.1	20.5	36.9	45.9	35.8	30.4
1989	17.9	17.1	18.7	18.4	31.9	38.0	25.7	27.7
1990	17.5	18.4	15.6	17.0	31.0	37.7	22.9	26.2
1991	16.5	16.6	15.9	16.4	28.1	33.1	22.2	24.1
1992	17.0	13.4	11.1	21.5	28.8	26.7	17.0	32.7
1993	17.8	14.7	10.7	22.6	29.9	28.7	16.4	33.8
1994	21.6	17.7	16.7	28.3	35.2	31.6	24.1	43.2
1995	17.4	16.2	15.1	20.3	29.0	29.4	21.3	30.6
1996	17.0	16.2	13.8	20.1	30.1	30.7	19.8	32.1
1997	18.0	17.7	13.7	20.5	30.5	31.9	18.8	31.1
1998	19.7	20.0	15.8	20.6	32.2	34.0	21.5	30.8
1999	21.7	21.2	19.0	25.2	34.5	34.9	25.9	37.1
2000	25.7	25.9	21.1	26.8	39.9	41.5	29.1	36.7
2001	24.0	24.3	17.0	25.6	34.2	35.4	21.8	34.6
2002	27.9	29.0	19.4	27.4	38.6	41.2	24.6	35.9
2003	24.2	22.5	16.1	31.4	31.5	29.5	19.5	40.7
2004	20.4	19.0	15.2	26.8	24.7	23.1	17.7	32.3
2005	19.7	19.0	14.1	24.5	23.7	23.2	16.7	28.7
2006	19.9	19.5	14.7	23.1	23.9	23.7	17.6	27.6
2007	22.9	22.7	17.7	26.2	27.1	27.0	20.5	30.7
2008	30.1	29.2	22.5	36.4	35.8	34.6	28.4	42.4
2009	24.5	23.7	19.1	28.1	29.2	28.0	23.3	33.9
2010	25.3	23.7	17.8	31.3	29.2	27.3	20.8	36.1
2011	27.6	26.2	20.1	32.7	31.5	30.0	23.8	37.0
2012	25.0	24.8	18.3	27.5	28.6	28.7	20.7	30.9
2013	25.7	21.8	17.9	36.5	29.5	24.9	20.2	42.2
2014	24.9	22.1	18.4	34.3	27.6	24.7	20.4	37.2
2015	25.2	22.8	19.6	33.1	27.8	25.3	22.1	36.0
2016	25.3	23.4	21.5	31.4	28.3	26.3	24.5	34.5
2017	22.9	22.0	18.4	26.8	26.1	25.3	21.2	30.0
2018	26.0	24.1	20.7	32.3	29.2	27.3	23.4	35.7
2019	22.1	20.8	17.9	26.6	24.3	23.0	19.8	28.7
2020	26.6	23.9	20.4	35.1	29.5	26.8	23.3	38.2

¹ The narrow redemption rate is calculated by taking the sum of regular redemptions for the year as a percentage of average net assets at the beginning and end of the period.

² The broad redemption rate is calculated by taking the sum of regular redemptions and exchange redemptions for the year as a percentage of average net assets at the beginning and end of the period.

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

TABLE 27

Long-Term Mutual Funds: Portfolio Holdings: Value and Percentage of Total Net Assets

Year-end

Year	Total net assets	Common and preferred stocks	Long-term US government bonds	Corporate bonds	Municipal bonds	Liquid assets	Other
Millions of dollars							
1995	\$2,054,588	\$1,215,223	\$259,192	\$187,575	\$245,331	\$141,245	\$6,021
1996	2,618,485	1,718,207	265,127	233,127	245,183	151,196	5,645
1997	3,402,280	2,358,201	282,360	286,516	266,303	198,035	10,866
1998	4,164,395	3,003,688	286,697	381,435	292,368	190,519	9,688
1999	5,220,692	4,057,388	293,241	380,357	267,264	217,266	5,176
2000	5,110,688	3,908,281	309,755	342,983	269,334	276,329	4,007
2001	4,683,769	3,423,161	379,606	367,727	289,490	222,019	1,766
2002	4,115,111	2,687,479	481,481	415,160	320,410	208,669	1,910
2003	5,359,359	3,760,375	504,575	499,950	331,980	259,441	3,038
2004	6,191,574	4,489,103	537,319	531,265	318,354	307,048	8,483
2005	6,861,884	5,054,529	612,828	547,881	330,945	303,161	12,540
2006	8,056,786	6,023,836	644,739	666,374	359,163	346,718	15,956
2007	8,909,694	6,608,519	749,423	779,991	369,046	381,641	21,075
2008	5,786,458	3,733,391	705,043	675,350	336,874	314,270	21,531
2009	7,793,077	5,089,644	849,829	1,019,336	451,152	365,705	17,411
2010	9,027,544	5,869,326	1,084,731	1,256,539	479,661	330,323	6,964
2011	8,939,449	5,507,290	1,185,690	1,317,241	506,830	462,132	-39,734
2012	10,360,421	6,294,164	1,379,388	1,603,032	592,848	517,184	-26,196
2013	12,331,127	8,222,937	1,208,861	1,728,524	512,634	661,363	-3,192
2014	13,151,980	8,797,072	1,213,235	1,839,763	568,191	745,389	-11,671
2015	12,903,124	8,624,291	1,253,021	1,793,063	582,719	677,166	-27,135
2016	13,625,320	9,069,742	1,363,005	1,933,480	607,888	674,376	-23,170
2017	15,917,536	10,826,608	1,515,349	2,110,958	661,429	802,613	579
2018	14,672,489	9,657,967	1,586,225	2,098,565	667,844	679,331	-17,444
2019	17,659,051	11,943,279	1,824,430	2,353,281	798,405	754,378	-14,722
2020	19,562,556	13,387,731	1,891,982	2,669,031	857,785	780,929	-24,902
Percent							
1995	100.0%	59.1%	12.6%	9.1%	11.9%	6.9%	0.3%
1996	100.0	65.6	10.1	8.9	9.4	5.8	0.2
1997	100.0	69.3	8.3	8.4	7.8	5.8	0.3
1998	100.0	72.1	6.9	9.2	7.0	4.6	0.2
1999	100.0	77.7	5.6	7.3	5.1	4.2	0.1
2000	100.0	76.5	6.1	6.7	5.3	5.4	0.1
2001	100.0	73.1	8.1	7.9	6.2	4.7	0.0
2002	100.0	65.3	11.7	10.1	7.8	5.1	0.0
2003	100.0	70.2	9.4	9.3	6.2	4.8	0.1
2004	100.0	72.5	8.7	8.6	5.1	5.0	0.1
2005	100.0	73.7	8.9	8.0	4.8	4.4	0.2
2006	100.0	74.8	8.0	8.3	4.5	4.3	0.2
2007	100.0	74.2	8.4	8.8	4.1	4.3	0.2
2008	100.0	64.5	12.2	11.7	5.8	5.4	0.4
2009	100.0	65.3	10.9	13.1	5.8	4.7	0.2
2010	100.0	65.0	12.0	13.9	5.3	3.7	0.1
2011	100.0	61.6	13.3	14.7	5.7	5.2	-0.4
2012	100.0	60.8	13.3	15.5	5.7	5.0	-0.3
2013	100.0	66.7	9.8	14.0	4.2	5.4	-0.0
2014	100.0	66.9	9.2	14.0	4.3	5.7	-0.1
2015	100.0	66.8	9.7	13.9	4.5	5.2	-0.2
2016	100.0	66.6	10.0	14.2	4.5	4.9	-0.2
2017	100.0	68.0	9.5	13.3	4.2	5.0	0.0
2018	100.0	65.8	10.8	14.3	4.6	4.6	-0.1
2019	100.0	67.6	10.3	13.3	4.5	4.3	-0.1
2020	100.0	68.4	9.7	13.6	4.4	4.0	-0.1

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

TABLE 28

Long-Term Mutual Funds: Portfolio Holdings as a Percentage of Total Net Assets by Type of Fund

Year-end

Year	Total net assets	Common and preferred stocks	Long-term US government bonds	Corporate bonds	Municipal bonds	Liquid assets	Other	Total net assets Millions of dollars
Equity funds								
2004	100.0%	95.2%	0.1%	0.4%	0.0%	4.2%	0.1%	\$4,342,123
2005	100.0	95.5	0.1	0.4	0.0	3.9	0.1	4,884,874
2006	100.0	95.6	0.1	0.4	0.0	3.8	0.1	5,831,591
2007	100.0	95.2	0.1	0.4	0.0	4.2	0.2	6,412,592
2008	100.0	93.5	0.2	0.5	0.0	5.6	0.3	3,654,545
2009	100.0	95.8	0.1	0.5	0.0	3.5	0.1	4,871,520
2010	100.0	95.7	0.2	0.5	0.0	3.4	0.1	5,596,173
2011	100.0	95.6	0.3	0.6	0.0	3.5	0.0	5,212,787
2012	100.0	95.6	0.3	0.6	0.0	3.4	0.0	5,938,757
2013	100.0	95.6	0.2	0.6	0.0	3.5	0.0	7,762,556
2014	100.0	95.7	0.2	0.6	0.0	3.5	0.1	8,313,989
2015	100.0	96.1	0.2	0.5	0.0	3.2	0.1	8,149,607
2016	100.0	96.2	0.2	0.5	0.0	3.0	0.1	8,577,267
2017	100.0	96.3	0.2	0.4	0.0	3.0	0.1	10,305,152
2018	100.0	96.4	0.2	0.4	0.0	2.9	0.0	9,227,508
2019	100.0	97.0	0.2	0.4	0.0	2.4	0.0	11,375,640
2020	100.0	97.5	0.1	0.3	0.0	1.9	0.1	12,728,439
Hybrid funds								
2004	100.0%	63.5%	11.0%	18.4%	0.4%	6.6%	0.1%	\$552,250
2005	100.0	62.6	10.5	19.5	0.4	6.9	0.0	621,477
2006	100.0	61.2	10.0	19.5	0.3	8.9	0.1	731,503
2007	100.0	60.5	10.3	20.8	0.3	8.0	0.1	821,474
2008	100.0	55.4	9.8	24.3	0.4	9.6	0.4	562,262
2009	100.0	58.3	9.8	23.4	0.4	7.7	0.5	717,580
2010	100.0	60.7	8.9	22.3	0.5	7.3	0.4	842,198
2011	100.0	59.3	9.4	22.1	0.5	7.9	0.8	883,980
2012	100.0	59.4	8.8	21.1	0.5	9.4	0.8	1,032,462
2013	100.0	61.2	7.8	18.6	0.4	11.3	0.6	1,284,695
2014	100.0	59.4	8.2	19.6	0.5	11.9	0.4	1,379,201
2015	100.0	57.4	8.8	19.5	0.6	13.7	-0.1	1,341,466
2016	100.0	57.3	9.0	20.5	0.6	12.6	0.0	1,399,866
2017	100.0	56.8	10.2	19.6	0.6	12.5	0.2	1,547,046
2018	100.0	54.3	12.4	20.6	0.7	11.9	0.1	1,383,964
2019	100.0	56.5	11.9	19.3	0.7	11.4	0.3	1,579,084
2020	100.0	58.6	9.5	20.6	0.7	10.3	0.2	1,620,042
Bond funds								
2004	100.0%	0.8%	36.3%	31.6%	24.2%	6.6%	0.4%	\$1,297,200
2005	100.0	0.8	39.7	29.9	24.0	5.1	0.6	1,355,533
2006	100.0	0.8	37.4	33.4	23.7	4.3	0.5	1,493,693
2007	100.0	1.0	38.9	34.9	21.7	3.0	0.6	1,675,628
2008	100.0	0.6	40.8	33.2	21.2	3.7	0.5	1,569,652
2009	100.0	0.8	34.9	37.3	20.2	6.5	0.4	2,203,977
2010	100.0	0.9	38.2	39.9	18.1	3.0	-0.1	2,589,174
2011	100.0	0.8	37.8	38.2	17.4	7.4	-1.7	2,842,683
2012	100.0	0.9	37.0	39.5	17.1	6.5	-1.0	3,389,202
2013	100.0	1.1	32.9	43.7	15.3	7.5	-0.4	3,283,876
2014	100.0	1.1	31.3	43.9	16.1	8.4	-0.7	3,458,790
2015	100.0	0.9	32.7	43.6	16.7	6.9	-0.9	3,412,051
2016	100.0	0.7	33.3	43.8	16.3	6.6	-0.8	3,648,187
2017	100.0	0.8	32.8	43.3	15.9	7.4	-0.2	4,065,338
2018	100.0	0.6	34.2	43.5	16.1	6.1	-0.5	4,061,017
2019	100.0	0.7	34.2	42.6	16.7	6.4	-0.5	4,704,326
2020	100.0	0.8	33.0	43.9	16.2	7.1	-0.9	5,214,074

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

TABLE 29

Long-Term Mutual Funds: Paid and Reinvested Dividends by Type of Fund

Millions of dollars, annual

Year	Paid dividends				Reinvested dividends			
	Total	Equity funds	Hybrid funds	Bond funds	Total	Equity funds	Hybrid funds	Bond funds
1984*	\$7,238	\$2,613	\$583	\$4,042	\$4,655	\$1,881	\$432	\$2,342
1985	12,719	3,229	1,098	8,392	7,731	2,321	768	4,642
1986	22,689	6,328	1,499	14,862	13,991	3,706	1,087	9,197
1987	31,708	7,246	1,934	22,528	18,976	4,841	1,476	12,659
1988	31,966	6,554	1,873	23,539	17,494	4,476	1,217	11,801
1989	34,102	10,235	2,165	21,702	20,584	7,119	1,383	12,082
1990	33,156	8,787	2,350	22,018	21,107	6,721	1,717	12,669
1991	35,145	9,007	2,337	23,801	24,264	7,255	1,898	15,111
1992	58,608	17,023	4,483	37,102	30,365	8,845	2,923	18,597
1993	73,178	20,230	6,810	46,137	38,092	12,174	4,239	21,679
1994	61,202	17,279	6,662	37,260	39,116	12,971	4,907	21,238
1995	67,217	22,567	8,856	35,794	46,629	18,286	6,792	21,552
1996	73,018	25,061	9,580	38,377	53,064	21,345	8,031	23,688
1997	79,238	27,597	11,316	40,326	58,192	23,100	9,410	25,682
1998	80,604	25,495	11,104	44,006	59,823	22,377	9,328	28,118
1999	94,999	32,538	12,439	50,022	69,765	27,328	10,543	31,895
2000	87,861	26,975	10,847	50,039	66,058	23,725	9,537	32,797
2001	82,675	21,386	10,361	50,929	62,160	19,248	9,269	33,642
2002	81,936	20,465	9,737	51,734	62,344	18,552	8,775	35,017
2003	85,849	24,356	9,919	51,574	66,827	22,125	8,839	35,863
2004	98,060	34,702	12,186	51,171	78,213	31,421	10,668	36,124
2005	115,407	42,413	16,691	56,303	93,973	38,435	14,579	40,959
2006	143,388	60,109	19,134	64,145	119,001	54,207	16,989	47,805
2007	180,803	77,536	25,057	78,210	151,628	69,573	22,092	59,964
2008	181,947	70,588	26,032	85,327	152,983	63,626	23,045	66,313
2009	167,914	58,862	22,213	86,839	140,291	53,084	19,388	67,819
2010	180,884	62,178	23,277	95,429	152,273	56,369	20,671	75,233
2011	202,378	68,701	29,026	104,650	172,492	62,432	25,630	84,430
2012	215,222	83,226	24,947	107,049	186,498	76,125	22,685	87,688
2013	209,421	84,509	24,232	100,680	183,913	77,978	22,167	83,769
2014	237,033	101,050	30,018	105,964	211,767	93,770	27,762	90,235
2015	242,430	108,258	31,493	102,678	218,548	100,841	29,267	88,441
2016	244,518	115,463	30,425	98,630	221,731	107,715	28,468	85,549
2017	271,512	128,055	33,069	110,388	246,431	119,398	30,948	96,085
2018	311,914	146,622	34,742	130,550	282,472	136,004	32,545	113,923
2019	340,111	163,388	36,530	140,193	307,178	150,740	34,113	122,325
2020	288,230	132,776	32,356	123,099	259,035	122,295	30,083	106,658

* Portions of the paid dividend totals for equity, hybrid, and bond funds are estimated; the total is not estimated.

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

TABLE 30

Long-Term Mutual Funds: Paid and Reinvested Capital Gains by Type of Fund

Millions of dollars, annual

Year	Paid capital gains				Reinvested capital gains			
	Total	Equity funds	Hybrid funds	Bond funds	Total	Equity funds	Hybrid funds	Bond funds
1984*	\$6,019	\$5,247	\$553	\$219	\$5,122	\$4,655	\$338	\$129
1985	4,895	3,699	739	457	3,751	3,091	398	261
1986	17,661	13,942	1,240	2,478	14,275	11,851	778	1,646
1987	22,926	18,603	1,605	2,718	17,816	15,449	1,056	1,312
1988	6,354	4,785	620	948	4,769	3,883	364	522
1989	14,766	12,665	540	1,562	9,710	8,744	348	617
1990	8,017	6,833	443	742	5,515	4,975	255	285
1991	13,917	11,961	861	1,095	9,303	8,242	484	577
1992	22,089	17,294	1,488	3,306	14,906	12,233	1,130	1,542
1993	35,905	27,705	3,496	4,704	25,514	19,954	2,687	2,872
1994	29,744	26,351	2,399	993	24,864	22,038	2,086	993
1995	54,271	50,204	3,322	745	46,866	43,550	2,832	745
1996	100,489	88,212	10,826	1,451	87,416	76,638	9,769	1,451
1997	182,763	160,744	19,080	2,940	164,916	145,358	17,360	2,940
1998	164,989	138,681	21,572	4,737	151,105	127,473	19,698	4,737
1999	237,623	219,483	16,841	1,299	206,508	190,300	15,229	1,299
2000	325,841	305,994	18,645	1,202	298,429	279,891	17,506	1,202
2001	68,625	60,088	6,104	2,433	64,819	56,965	5,789	2,433
2002	16,097	10,538	907	4,651	14,749	9,838	887	4,651
2003	14,397	7,782	758	5,857	12,956	7,188	703	5,857
2004	54,741	41,581	6,600	6,560	49,896	38,073	6,167	6,560
2005	129,058	113,167	11,895	3,995	117,566	103,208	10,955	3,995
2006	256,915	235,853	18,720	2,342	236,465	217,010	17,509	2,342
2007	413,630	377,673	32,162	3,795	380,915	347,628	30,011	3,795
2008	132,363	110,843	9,786	11,734	123,231	103,761	9,064	11,734
2009	15,300	5,740	771	8,789	13,994	5,418	702	8,789
2010	42,950	15,739	1,290	25,921	38,961	14,785	1,199	25,921
2011	73,285	51,455	5,503	16,327	67,438	48,120	5,275	16,327
2012	100,188	66,771	5,566	27,851	93,353	62,866	5,330	27,851
2013	239,199	201,807	22,847	14,544	227,585	191,963	22,151	14,544
2014	399,645	345,744	40,594	13,308	382,227	330,047	39,630	13,308
2015	379,613	331,234	35,442	12,937	364,033	316,955	34,773	12,937
2016	220,440	197,820	14,541	8,079	213,419	191,403	14,315	8,079
2017	370,038	333,562	32,499	3,977	358,542	322,832	31,887	3,977
2018	511,433	461,935	45,336	4,162	495,079	446,695	44,387	4,162
2019	355,072	317,924	27,298	9,850	343,233	307,332	26,487	9,850
2020	366,897	297,764	30,115	39,018	353,683	286,918	29,199	39,018

* Portions of the paid capital gains totals for equity, hybrid, and bond funds are estimated; the total is not estimated.

Note: Data for funds that invest primarily in other mutual funds were excluded from the series. Components may not add to the total because of rounding. Capital gains distributions include long-term and short-term capital gains.

TABLE 31

Long-Term Mutual Funds: Portfolio Purchases, Sales, and Net Purchases by Type of Security

Millions of dollars, annual

Year	Total portfolio			Common stock			Other securities		
	Purchases	Sales	Net purchases	Purchases	Sales	Net purchases	Purchases	Sales	Net purchases
1996	\$2,014,471	\$1,734,681	\$279,790	\$1,151,258	\$927,261	\$223,997	\$863,213	\$807,420	\$55,793
1997	2,380,579	2,104,978	275,601	1,457,383	1,268,979	188,404	923,196	835,999	87,197
1998	2,857,469	2,557,559	299,910	1,761,777	1,597,051	164,727	1,095,692	960,508	135,184
1999	3,434,814	3,221,790	213,024	2,262,359	2,088,332	174,027	1,172,455	1,133,457	38,998
2000	4,917,851	4,691,428	226,423	3,558,646	3,328,033	230,613	1,359,205	1,363,395	-4,190
2001	4,682,606	4,385,924	296,682	2,733,670	2,606,442	127,228	1,948,936	1,779,482	169,454
2002	4,016,226	3,803,575	212,651	2,175,875	2,141,252	34,623	1,840,351	1,662,323	178,028
2003	4,279,139	3,995,890	283,248	2,054,070	1,884,388	169,682	2,225,068	2,111,502	113,567
2004	4,307,465	4,016,592	290,873	2,390,635	2,198,265	192,370	1,916,830	1,818,327	98,503
2005	4,831,622	4,529,560	302,062	2,764,796	2,610,540	154,256	2,066,826	1,919,020	147,806
2006	5,734,401	5,395,034	339,367	3,329,028	3,171,157	157,871	2,405,374	2,223,877	181,496
2007	7,094,402	6,717,330	377,071	3,834,824	3,732,412	102,412	3,259,578	2,984,919	274,659
2008	7,350,891	7,291,533	59,359	3,655,169	3,715,052	-59,883	3,695,723	3,576,481	119,242
2009	6,932,015	6,451,974	480,040	2,644,766	2,543,164	101,602	4,287,249	3,908,811	378,438
2010	7,335,194	6,865,394	469,799	2,811,379	2,752,104	59,275	4,523,815	4,113,290	410,524
2011	8,531,542	8,125,848	405,694	3,033,112	3,033,762	-650	5,498,430	5,092,085	406,344
2012	8,191,304	7,603,869	587,435	2,772,466	2,827,128	-54,662	5,418,838	4,776,741	642,097
2013	9,253,292	8,733,458	519,834	3,409,921	3,226,955	182,966	5,843,371	5,506,503	336,868
2014	8,527,228	7,967,414	559,815	3,523,203	3,447,214	75,989	5,004,025	4,520,199	483,826
2015	8,882,423	8,425,247	457,176	3,597,960	3,559,243	38,716	5,284,463	4,866,004	418,460
2016	8,571,080	8,172,753	398,327	3,417,690	3,538,433	-120,743	5,153,390	4,634,320	519,070
2017	9,048,623	8,470,120	578,503	3,474,780	3,620,713	-145,933	5,573,843	4,849,407	724,436
2018	9,499,556	9,026,632	472,924	4,031,348	4,165,112	-133,764	5,468,208	4,861,520	606,689
2019	9,402,448	8,839,067	563,382	3,513,551	3,752,512	-238,961	5,888,898	5,086,555	802,343
2020	11,463,686	11,259,340	204,345	4,162,266	4,663,122	-500,856	7,301,419	6,596,218	705,202

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

TABLE 32

Equity Mutual Funds: Portfolio Purchases, Sales, and Net Purchases by Type of Security

Millions of dollars, annual

Year	Total portfolio			Common stock			Other securities		
	Purchases	Sales	Net purchases	Purchases	Sales	Net purchases	Purchases	Sales	Net purchases
1996	\$1,116,902	\$896,639	\$220,263	\$1,050,880	\$832,482	\$218,398	\$66,022	\$64,157	\$1,865
1997	1,421,210	1,223,458	197,751	1,352,084	1,166,645	185,439	69,126	56,814	12,312
1998	1,723,409	1,556,960	166,449	1,635,510	1,475,133	160,377	87,899	81,827	6,072
1999	2,232,671	2,049,338	183,333	2,126,719	1,941,307	185,411	105,952	108,031	-2,078
2000	3,513,553	3,256,504	257,049	3,391,531	3,142,910	248,621	122,022	113,595	8,427
2001	2,704,374	2,590,457	113,917	2,568,207	2,461,596	106,611	136,167	128,861	7,305
2002	2,140,466	2,112,381	28,085	2,017,518	1,999,454	18,064	122,949	112,928	10,021
2003	1,965,144	1,822,530	142,614	1,902,448	1,757,922	144,526	62,696	64,608	-1,912
2004	2,278,466	2,110,374	168,091	2,216,669	2,053,424	163,245	61,796	56,950	4,846
2005	2,670,842	2,524,140	146,702	2,591,755	2,452,060	139,695	79,086	72,080	7,007
2006	3,230,084	3,062,769	167,315	3,128,793	2,965,097	163,696	101,292	97,672	3,620
2007	3,759,468	3,657,698	101,770	3,582,008	3,489,479	92,529	177,460	168,219	9,241
2008	3,627,580	3,697,755	-70,174	3,361,218	3,425,944	-64,725	266,362	271,811	-5,449
2009	2,749,690	2,676,251	73,438	2,433,080	2,338,835	94,245	316,609	337,416	-20,807
2010	2,828,651	2,828,670	-19	2,568,313	2,532,479	35,834	260,338	296,191	-35,853
2011	2,914,461	2,942,815	-28,355	2,755,590	2,785,154	-29,564	158,871	157,662	1,209
2012	2,639,817	2,696,135	-56,318	2,499,411	2,571,685	-72,274	140,405	124,450	15,956
2013	3,178,861	2,993,404	185,457	3,043,658	2,877,064	166,595	135,203	116,340	18,863
2014	3,301,189	3,190,975	110,214	3,120,746	3,033,031	87,715	180,443	157,945	22,499
2015	3,385,506	3,308,692	76,814	3,188,293	3,121,591	66,703	197,212	187,101	10,111
2016	3,235,378	3,327,498	-92,120	3,025,956	3,128,195	-102,639	209,821	199,303	10,519
2017	3,340,119	3,398,966	-58,847	3,089,355	3,171,918	-82,562	250,764	227,049	23,715
2018	3,853,539	3,916,715	-63,176	3,607,510	3,687,420	-79,910	246,029	229,294	16,735
2019	3,394,191	3,563,646	-169,455	3,128,707	3,338,177	-209,469	265,484	225,470	40,014
2020	3,871,638	4,340,422	-468,784	3,630,778	4,114,649	-483,871	240,860	225,773	15,087

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

TABLE 33

Hybrid Mutual Funds: Portfolio Purchases, Sales, and Net Purchases by Type of Security

Millions of dollars, annual

Year	Total portfolio			Common stock			Other securities		
	Purchases	Sales	Net purchases	Purchases	Sales	Net purchases	Purchases	Sales	Net purchases
1996	\$223,905	\$201,872	\$22,033	\$92,485	\$88,464	\$4,021	\$131,420	\$113,408	\$18,011
1997	255,200	234,816	20,384	98,109	94,976	3,132	157,092	139,839	17,252
1998	282,651	257,096	25,555	115,703	111,401	4,301	166,948	145,694	21,254
1999	296,228	296,836	-607	128,298	138,910	-10,612	167,930	157,926	10,004
2000	308,675	335,254	-26,579	157,997	174,917	-16,920	150,678	160,337	-9,659
2001	357,427	334,013	23,414	155,118	134,256	20,862	202,308	199,757	2,552
2002	340,604	320,551	20,053	145,342	129,192	16,150	195,263	191,359	3,903
2003	360,522	312,045	48,477	137,487	113,780	23,707	223,035	198,265	24,769
2004	404,947	337,214	67,733	163,795	132,966	30,829	241,151	204,248	36,904
2005	397,694	346,259	51,435	165,487	150,166	15,321	232,207	196,094	36,113
2006	408,861	381,374	27,487	191,740	197,120	-5,380	217,122	184,255	32,867
2007	529,026	465,012	64,014	241,633	230,855	10,778	287,393	234,157	53,236
2008	594,118	577,594	16,524	281,814	273,655	8,159	312,304	303,939	8,365
2009	477,006	443,131	33,876	200,907	194,826	6,081	276,099	248,305	27,794
2010	512,564	463,314	49,250	225,191	204,365	20,826	287,374	258,950	28,424
2011	660,464	596,747	63,716	254,665	229,513	25,152	405,799	367,235	38,564
2012	721,488	659,618	61,870	252,700	236,516	16,184	468,788	423,102	45,686
2013	911,886	831,231	80,655	345,324	328,480	16,845	566,562	502,751	63,810
2014	933,624	865,393	68,232	371,983	386,419	-14,436	561,641	478,973	82,668
2015	946,306	911,822	34,484	380,355	404,392	-24,037	565,951	507,430	58,521
2016	882,133	842,628	39,505	354,704	375,405	-20,701	527,430	467,223	60,207
2017	913,055	874,678	38,377	327,174	380,034	-52,860	585,881	494,644	91,237
2018	1,030,367	1,015,242	15,124	381,943	430,546	-48,603	648,424	584,697	63,728
2019	985,993	963,262	22,732	338,338	372,623	-34,286	647,656	590,639	57,017
2020	1,424,598	1,447,429	-22,831	459,381	484,605	-25,224	965,217	962,824	2,393

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

TABLE 34

Bond Mutual Funds: Portfolio Purchases, Sales, and Net Purchases by Type of Security

Millions of dollars, annual

Year	Total portfolio			Common stock			Other securities		
	Purchases	Sales	Net purchases	Purchases	Sales	Net purchases	Purchases	Sales	Net purchases
1996	\$673,665	\$636,170	\$37,494	\$7,893	\$6,316	\$1,578	\$665,771	\$629,855	\$35,917
1997	704,169	646,704	57,465	7,190	7,358	-167	696,978	639,346	57,632
1998	851,409	743,503	107,906	10,565	10,516	49	840,845	732,987	107,858
1999	905,914	875,616	30,299	7,342	8,115	-773	898,572	867,501	31,072
2000	1,095,623	1,099,669	-4,046	9,118	10,206	-1,088	1,086,505	1,089,464	-2,958
2001	1,620,805	1,461,454	159,351	10,345	10,589	-245	1,610,461	1,450,864	159,596
2002	1,535,155	1,370,642	164,513	13,015	12,606	409	1,522,140	1,358,036	164,104
2003	1,953,473	1,861,315	92,158	14,135	12,686	1,449	1,939,338	1,848,629	90,709
2004	1,624,053	1,569,004	55,049	10,171	11,875	-1,704	1,613,882	1,557,129	56,753
2005	1,763,087	1,659,162	103,925	7,554	8,314	-760	1,755,533	1,650,847	104,686
2006	2,095,456	1,950,891	144,565	8,495	8,940	-445	2,086,961	1,941,951	145,010
2007	2,805,908	2,594,620	211,288	11,183	12,077	-894	2,794,725	2,582,542	212,182
2008	3,129,193	3,016,184	113,009	12,136	15,453	-3,317	3,117,057	3,000,731	116,326
2009	3,705,319	3,332,592	372,727	10,778	9,502	1,276	3,694,541	3,323,090	371,451
2010	3,993,978	3,573,410	420,568	17,875	15,260	2,615	3,976,103	3,558,150	417,953
2011	4,956,617	4,586,285	370,333	22,858	19,096	3,762	4,933,760	4,567,189	366,571
2012	4,829,999	4,248,116	581,883	20,355	18,926	1,428	4,809,644	4,229,190	580,455
2013	5,162,545	4,908,823	253,722	20,938	21,411	-473	5,141,607	4,887,412	254,195
2014	4,292,415	3,911,046	381,369	30,474	27,764	2,710	4,261,941	3,883,281	378,659
2015	4,550,611	4,204,733	345,878	29,311	33,261	-3,950	4,521,300	4,171,472	349,828
2016	4,453,569	4,002,627	450,942	37,430	34,832	2,598	4,416,139	3,967,795	448,344
2017	4,795,448	4,196,475	598,973	58,251	68,761	-10,511	4,737,198	4,127,714	609,484
2018	4,615,650	4,094,675	520,975	41,895	47,146	-5,251	4,573,755	4,047,529	526,226
2019	5,022,264	4,312,159	710,105	46,506	41,712	4,794	4,975,758	4,270,447	705,311
2020	6,167,450	5,471,489	695,961	72,108	63,869	8,239	6,095,342	5,407,621	687,722

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

TABLE 35

Money Market Funds: Total Net Assets, Number of Funds, and Number of Share Classes by Type of Fund

Year-end

Year	Total net assets Millions of dollars				Number of funds				Number of share classes			
	Taxable		Tax-exempt		Taxable		Tax-exempt		Taxable		Tax-exempt	
	Total	Government	Prime	Tax-exempt	Total	Government	Prime	Tax-exempt	Total	Government	Prime	Tax-exempt
1996	\$901,807	\$223,790	\$540,146	\$137,871	988	277	392	319	1,453	413	592	448
1997	1,058,886	254,223	647,005	157,658	1,013	279	406	328	1,548	442	633	473
1998	1,351,677	312,905	854,061	184,711	1,026	277	410	339	1,626	461	675	490
1999	1,613,058	333,726	1,079,435	199,897	1,043	281	421	341	1,728	488	740	500
2000	1,845,248	367,780	1,243,598	233,869	1,037	274	429	334	1,848	530	797	521
2001	2,285,232	461,631	1,564,520	259,081	1,014	269	420	325	1,945	573	830	542
2002	2,265,075	453,157	1,535,621	276,297	988	259	418	311	2,006	581	882	543
2003	2,039,393	410,041	1,339,061	290,291	972	251	408	313	2,028	571	889	568
2004	1,901,700	379,706	1,209,995	311,999	943	239	399	305	2,047	575	899	573
2005	2,026,820	399,330	1,291,117	336,373	869	221	371	277	2,027	569	893	565
2006	2,338,451	426,838	1,542,584	369,029	847	215	358	274	2,010	577	875	558
2007	3,085,500	760,389	1,857,280	467,832	802	202	342	258	2,002	570	873	559
2008	3,832,232	1,490,204	1,848,349	493,680	782	199	334	249	1,988	583	858	547
2009	3,315,893	1,107,035	1,809,923	398,935	704	180	296	228	1,846	561	769	516
2010	2,803,514	855,021	1,618,488	330,006	652	165	277	210	1,781	544	737	500
2011	2,690,921	970,075	1,429,149	291,697	631	166	264	201	1,729	544	710	475
2012	2,693,169	928,749	1,476,993	287,426	580	158	242	180	1,622	519	655	448
2013	2,717,808	962,009	1,485,187	270,612	555	152	230	173	1,571	508	633	430
2014	2,724,641	1,010,783	1,453,071	260,787	527	148	216	163	1,506	512	588	406
2015	2,754,743	1,226,735	1,273,077	254,931	481	146	190	145	1,427	523	533	371
2016	2,728,137	2,221,873	375,999	130,266	421	230	89	102	1,275	718	285	272
2017	2,847,304	2,260,750	455,428	131,126	382	225	74	83	1,177	700	246	231
2018	3,037,039	2,326,389	565,379	145,271	368	217	70	81	1,128	680	231	217
2019	3,632,000	2,720,402	773,976	137,622	364	211	73	80	1,126	674	240	212
2020	4,333,280	3,684,888	542,898	105,495	340	199	66	75	1,108	674	222	212

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

TABLE 36

Money Market Funds: Total Net Assets by Type of Fund

Millions of dollars, year-end

Year	All money market funds				Retail money market funds				Institutional money market funds			
	Taxable funds		Taxable		Taxable		Taxable		Taxable		Taxable	
	Total	Government	Prime	Tax-exempt	Total	Government	Prime	Tax-exempt	Total	Government	Prime	Tax-exempt
1996	\$901,807	\$223,790	\$540,146	\$137,871	\$592,743	\$94,786	\$387,844	\$110,113	\$309,064	\$129,003	\$152,302	\$77,758
1997	1,058,886	254,223	647,005	157,658	663,683	100,991	439,946	122,747	395,202	153,232	207,059	34,911
1998	1,351,677	312,905	854,061	184,711	835,623	121,662	571,834	142,126	516,054	191,243	282,227	42,585
1999	1,613,058	333,726	1,079,435	199,897	965,202	132,915	676,502	155,785	647,856	200,812	402,933	44,111
2000	1,845,248	367,780	1,243,598	233,869	1,062,252	151,837	731,699	178,716	782,996	215,943	511,900	55,154
2001	2,285,232	461,631	1,564,520	259,081	1,135,500	169,883	776,132	189,484	1,149,733	291,748	788,388	69,597
2002	2,265,075	453,157	1,535,621	276,297	1,065,333	157,011	716,297	192,025	1,199,743	296,146	819,324	84,272
2003	2,039,393	410,041	1,339,061	290,291	938,595	141,248	606,735	190,612	1,100,798	268,793	732,326	99,679
2004	1,901,700	379,706	1,209,995	311,999	853,187	126,473	534,920	191,794	1,048,514	253,233	675,076	120,205
2005	2,026,820	399,330	1,291,117	336,373	876,493	126,244	546,843	203,406	1,150,327	273,085	744,274	132,968
2006	2,338,451	426,838	1,542,584	369,029	1,008,656	140,483	644,129	224,043	1,329,796	286,354	898,455	144,986
2007	3,085,500	760,389	1,857,280	467,832	1,226,179	185,526	755,324	285,329	1,859,321	574,863	1,101,955	182,503
2008	3,832,232	1,490,204	1,848,349	493,680	1,370,803	289,731	777,860	303,212	2,461,429	1,200,472	1,070,489	190,467
2009	3,315,893	1,107,035	1,809,923	398,935	1,080,913	214,478	631,052	235,383	2,234,981	892,556	1,178,872	163,553
2010	2,803,514	855,021	1,618,488	330,006	958,674	189,694	563,005	205,975	1,844,840	665,327	1,055,482	124,031
2011	2,690,921	970,075	1,429,149	291,697	950,623	203,677	550,496	196,451	1,740,298	766,398	878,654	95,247
2012	2,693,169	928,749	1,476,993	287,426	949,287	205,513	540,799	202,975	1,743,881	723,236	936,194	84,451
2013	2,717,808	962,009	1,485,187	270,612	936,830	205,056	535,512	196,262	1,780,978	756,954	949,674	74,350
2014	2,724,641	1,010,783	1,453,071	260,787	906,906	193,533	517,370	190,003	1,817,735	811,250	935,701	70,784
2015	2,754,743	1,226,735	1,273,077	254,931	941,089	346,765	409,582	184,743	1,813,654	879,970	863,496	70,188
2016	2,728,137	2,221,873	375,999	130,266	986,231	607,323	252,880	126,028	1,741,906	1,614,549	1,231,119	4,238
2017	2,847,304	2,260,750	455,428	131,126	1,006,696	611,421	269,354	126,121	1,840,407	1,649,329	186,074	5,004
2018	3,037,039	2,326,389	565,379	145,271	1,187,271	703,785	346,184	137,302	1,849,769	1,622,604	219,195	7,969
2019	3,632,000	2,720,402	773,976	137,622	1,370,373	779,603	464,671	126,099	2,261,627	1,940,799	309,305	11,523
2020	4,333,280	3,684,888	542,898	105,495	1,529,187	1,156,091	278,696	94,400	2,804,093	2,528,797	264,202	11,094

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

TABLE 37

Money Market Funds: Net New Cash Flow¹ by Type of Fund

Millions of dollars, annual

Year	All money market funds				Retail money market funds ²				Institutional money market funds ³			
	Taxable		Tax-exempt		Taxable		Tax-exempt		Taxable		Tax-exempt	
	Total	Government	Prime	Tax-exempt	Total	Government	Prime	Tax-exempt	Total	Government	Prime	Tax-exempt
1996	\$89,422	\$20,572	\$58,935	\$9,915	\$52,940	\$6,181	\$39,559	\$7,200	\$36,481	\$14,391	\$19,376	\$2,715
1997	103,465	20,129	69,105	14,231	46,743	4,781	32,204	9,757	56,721	15,348	36,901	4,473
1998	235,460	45,178	167,912	22,370	131,071	15,835	100,508	14,728	104,389	29,343	67,404	7,642
1999	193,661	8,486	174,937	10,238	82,195	-757	73,125	9,827	111,466	9,243	101,812	411
2000	159,371	14,412	118,360	26,599	43,582	504	24,423	18,655	115,789	13,908	93,937	7,944
2001	375,226	86,623	267,263	21,340	36,385	13,580	12,762	10,043	338,841	73,043	254,501	11,297
2002	-45,934	-11,131	-51,056	16,254	-80,065	-10,174	-71,219	1,328	34,131	-957	20,163	14,925
2003	-264,019	-50,998	-222,795	9,774	-151,954	-20,609	-126,437	-4,908	-112,065	-30,389	-96,358	14,682
2004	-156,745	-36,125	-139,213	18,592	-88,770	-15,871	-75,331	2,432	-67,975	-20,254	-63,882	16,160
2005	62,084	13,182	28,008	20,895	2,358	-3,652	-4,781	10,791	59,726	16,834	32,789	10,103
2006	245,163	19,615	200,117	25,432	96,543	9,317	71,069	16,157	148,620	10,297	129,048	9,276
2007	654,286	319,240	251,098	83,948	172,620	38,769	83,232	50,618	481,666	280,471	167,866	33,329
2008	637,695	697,443	-73,243	13,495	114,389	98,267	2,099	14,023	523,307	599,176	-75,341	-528
2009	-539,150	-414,948	-28,571	-95,631	-308,406	-104,057	-136,444	-67,906	-230,744	-310,891	107,873	-27,725
2010	-525,064	-253,927	-201,765	-69,372	-124,197	-25,964	-69,829	-28,404	-400,867	-227,962	-131,937	-40,968
2011	-124,102	107,294	-192,742	-38,654	-1,377	20,461	-12,573	-9,265	-122,725	86,833	-180,169	-29,389
2012	-178	-43,343	47,096	-3,930	-1,195	-781	-7,602	7,187	1,017	-42,563	54,697	-11,117
2013	15,132	29,348	2,568	-16,784	-12,115	-1,143	-4,181	-6,792	27,247	30,491	6,748	-9,993
2014	6,235	48,232	-31,890	-10,107	-30,663	-5,843	-18,335	-6,486	36,898	54,075	-13,556	-3,621
2015	21,462	40,682	-13,719	-5,501	5,270	20,579	-11,153	-4,156	16,192	20,103	-2,566	-1,345
2016	-30,238	850,698	-764,848	-116,088	-70,336	169,635	-161,132	-78,839	40,097	681,063	-603,716	-37,249
2017	106,857	30,088	76,287	483	5,394	-8,376	14,039	-2,69	101,464	38,464	62,248	752
2018	158,798	42,871	103,288	12,640	165,229	83,003	72,010	10,215	-6,430	-40,132	31,278	2,424
2019	552,692	363,656	197,958	-8,923	165,225	67,155	110,540	-12,469	387,467	296,502	87,418	3,547
2020	690,783	834,512	-110,989	-32,740	155,281	252,562	-65,087	-32,194	535,502	581,950	-45,902	-546

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

² Retail money market funds include those offered through a network of broker-dealers, by fund companies without intermediaries, through variable annuity and variable life insurance contracts, and predominantly by employer-sponsored retirement plans. Fund shares sold to both employer-sponsored retirement plans and institutional investors are not included in this category.

³ Institutional money market funds include those fund shares sold primarily to institutional investors or institutional accounts. This also includes accounts that are purchased by or through an institution such as an employer, trustee, or fiduciary on behalf of its clients, employees, or owners; employer-sponsored retirement plans; and certain qualified individual investors, which include high net worth individuals and fee-based or wrap account participants.

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

TABLE 38

Money Market Funds: Net New Cash Flow and Components of Net New Cash Flow

Millions of dollars, annual

Year	Net new cash flow ¹	Sales			Redemptions		
		New + exchange	New ²	Exchange ³	Regular + exchange	Regular ⁴	Exchange ⁵
1984	\$35,080	\$640,021	\$620,536	\$19,485	\$604,941	\$586,987	\$17,953
1985	-5,293	848,451	826,858	21,592	853,743	831,067	22,676
1986	33,552	1,026,745	978,041	48,704	993,193	948,656	44,537
1987	10,072	1,147,877	1,049,034	98,843	1,137,805	1,062,671	75,133
1988	106	1,130,639	1,066,003	64,636	1,130,534	1,074,346	56,188
1989	64,132	1,359,616	1,296,458	63,158	1,295,484	1,235,527	59,957
1990	23,179	1,461,537	1,389,439	72,098	1,438,358	1,372,764	65,594
1991	6,068	1,841,131	1,778,491	62,640	1,835,063	1,763,106	71,957
1992	-16,006	2,449,766	2,371,925	77,841	2,465,772	2,382,976	82,796
1993	-13,890	2,756,282	2,665,987	90,295	2,770,172	2,673,464	96,707
1994	8,525	2,725,201	2,586,478	138,722	2,716,675	2,599,400	117,275
1995	89,381	3,234,216	3,097,225	136,990	3,144,834	3,001,968	142,866
1996	89,422	4,156,985	3,959,014	197,971	4,067,563	3,868,772	198,791
1997	103,465	5,127,297	4,894,195	233,102	5,023,832	4,783,066	240,767
1998	235,460	6,407,155	6,128,721	278,434	6,171,695	5,901,169	270,526
1999	193,661	8,080,824	7,719,176	361,648	7,887,163	7,540,804	346,359
2000	159,371	9,826,639	9,406,256	420,383	9,667,268	9,256,307	410,962
2001	375,226	11,736,664	11,426,177	310,487	11,361,438	11,064,906	296,531
2002	-45,934	12,008,720	11,712,506	296,214	12,054,654	11,783,124	271,530
2003	-264,019	11,176,438	10,952,511	223,927	11,440,457	11,213,867	226,590
2004	-156,745	10,874,604	10,708,112	166,492	11,031,349	10,861,072	170,277
2005	62,084	12,493,634	12,317,489	176,145	12,431,550	12,260,771	170,779
2006	245,163	15,706,879	15,495,624	211,255	15,461,715	15,269,072	192,643
2007	654,286	21,313,538	21,038,467	275,071	20,659,252	20,407,965	251,287
2008	637,695	24,451,072	24,066,025	385,047	23,813,377	23,496,758	316,618
2009	-539,150	18,683,752	18,489,354	194,399	19,222,902	19,012,386	210,516
2010	-525,064	15,771,387	15,670,167	101,220	16,296,451	16,191,894	104,558
2011	-124,102	15,248,864	15,128,126	120,738	15,372,966	15,259,864	113,102
2012	-178	14,291,619	14,211,202	80,417	14,291,797	14,204,776	87,021
2013	15,132	14,976,592	14,867,963	108,629	14,961,461	14,857,692	103,769
2014	6,235	15,316,582	15,237,910	78,672	15,310,347	15,211,292	99,055
2015	21,462	17,658,517	17,560,966	97,551	17,637,056	17,531,891	105,164
2016	-30,238	18,696,811	18,488,537	208,274	18,727,049	18,527,740	199,309
2017	106,857	17,517,259	17,394,583	122,677	17,410,402	17,287,124	123,278
2018	158,798	20,326,725	20,175,934	150,791	20,167,926	20,044,133	123,794
2019	552,692	22,730,843	22,604,716	126,127	22,178,152	22,060,952	117,200
2020	690,783	28,639,866	28,372,914	266,952	27,949,083	27,731,941	217,142

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

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

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

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

⁵ Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into other funds within the same fund group.

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

TABLE 39

Money Market Funds: Paid and Reinvested Dividends by Type of Fund

Millions of dollars, annual

Year	Paid dividends			Reinvested dividends		
	Total	Taxable money market funds	Tax-exempt money market funds	Total	Taxable money market funds	Tax-exempt money market funds
1984	\$16,435	\$15,435	\$1,000	\$13,730	\$13,061	\$669
1985	15,708	14,108	1,600	12,758	11,760	998
1986	14,832	12,432	2,400	11,514	9,981	1,533
1987	15,654	12,833	2,821	11,946	10,136	1,810
1988	21,618	17,976	3,642	15,692	13,355	2,337
1989	28,619	24,683	3,936	23,050	20,294	2,756
1990	30,258	26,448	3,810	26,282	23,226	3,056
1991	28,604	25,121	3,483	22,809	19,998	2,811
1992	20,280	17,197	3,083	14,596	12,567	2,029
1993	18,991	15,690	3,302	11,615	10,007	1,607
1994	23,737	20,504	3,233	16,739	14,626	2,113
1995	37,038	32,855	4,183	27,985	24,873	3,111
1996	42,555	38,446	4,108	31,516	28,448	3,068
1997	48,842	44,184	4,658	37,979	34,425	3,554
1998	57,371	52,160	5,211	43,440	39,577	3,863
1999	69,002	63,227	5,775	50,646	46,600	4,046
2000	98,218	90,157	8,061	72,770	66,889	5,881
2001	79,306	73,360	5,946	56,366	51,948	4,418
2002	32,251	29,397	2,854	22,033	19,940	2,093
2003	17,041	15,124	1,917	11,313	9,915	1,398
2004	18,390	15,899	2,491	11,889	10,080	1,809
2005	50,186	43,547	6,638	32,803	27,951	4,852
2006	96,422	85,017	11,405	61,488	53,268	8,220
2007	127,905	113,177	14,729	82,456	71,937	10,519
2008	93,841	82,711	11,130	61,122	53,442	7,680
2009	18,619	16,590	2,030	11,035	9,999	1,037
2010	7,161	6,708	453	4,447	4,196	252
2011	5,237	4,888	349	3,261	3,074	187
2012	6,618	6,345	273	4,212	4,068	144
2013	8,020	7,794	226	5,206	5,089	117
2014	7,565	7,323	242	5,000	4,876	124
2015	7,907	7,703	204	5,328	5,223	105
2016	8,618	8,262	356	5,367	5,169	198
2017	18,503	17,722	781	10,349	9,931	418
2018	42,307	40,739	1,569	22,965	22,145	820
2019	61,382	59,673	1,709	32,894	32,009	885
2020	17,499	16,647	851	9,241	8,806	435

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

TABLE 40

Taxable Government Money Market Funds: Asset Composition as a Percentage of Total Net Assets

Year-end

Year	Total net assets Millions of dollars	US Treasury bills	17.7%	Other Treasury securities	18.5%	US government agency issues	25.4%	Repurchase agreements	35.2%	Certificates of deposit	0.0%	Eurodollar CDs	0.1%	Commercial paper	0.7%	Bank notes	0.0%	Corporate notes ¹	—	Other assets ²	2.4%	Average maturity Days
1996	\$223,790	17.7%	18.5%	25.4%	35.2%	0.0%	0.1%	0.7%	0.0%	0.0%	0.0%	0.1%	0.7%	0.0%	—	2.4%	49					
1997	254,223	15.2	17.6	25.1	37.8	0.1	0.0	1.2	0.1	0.0	0.0	0.0	1.2	0.1	—	2.9	50					
1998	312,905	14.3	17.7	30.4	33.4	0.3	0.0	1.7	0.1	0.3	0.0	0.0	1.7	0.1	0.2%	2.0	52					
1999	333,726	17.1	13.0	37.1	28.2	0.1	0.0	1.4	0.1	0.1	0.0	0.0	1.4	0.1	1.1	1.9	48					
2000	367,780	14.2	10.1	32.0	37.9	0.0	0.0	1.6	0.1	0.2	0.0	0.0	1.6	0.1	1.2	2.9	45					
2001	461,631	19.2	9.2	34.5	31.7	0.2	0.0	0.5	0.0	0.2	0.0	0.0	0.5	0.0	1.5	3.3	55					
2002	453,157	20.5	6.4	33.2	35.5	0.1	0.0	0.5	0.0	0.1	0.0	0.0	0.5	0.0	1.7	2.1	52					
2003	410,041	20.0	7.2	33.8	36.3	0.3	0.0	0.9	0.0	0.3	0.0	0.0	0.9	0.0	1.8	-0.3	52					
2004	379,706	21.4	4.9	34.5	35.9	0.2	0.0	0.9	0.1	0.2	0.0	0.0	0.9	0.1	0.8	1.2	36					
2005	399,330	15.8	4.4	28.1	50.0	0.0	0.0	0.2	0.1	0.0	0.0	0.0	0.2	0.1	0.8	0.5	27					
2006	426,838	14.9	4.1	21.5	58.6	0.1	0.0	0.5	0.0	0.1	0.0	0.0	0.5	0.0	0.1	0.3	32					
2007	760,389	16.3	5.1	24.1	53.7	0.3	0.0	0.2	0.0	0.3	0.0	0.0	0.2	0.0	0.0	0.2	31					
2008	1,490,204	30.5	6.2	36.2	26.8	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.1	0.1	0.2	-0.1	48					
2009	1,107,035	25.6	6.0	35.4	30.6	0.0	0.0	1.0	0.2	0.0	0.0	0.0	1.0	0.2	0.3	0.7	47					
2010	855,021	22.9	8.5	33.3	33.0	0.0	0.0	0.9	0.1	0.0	0.0	0.0	0.9	0.1	0.4	0.9	47					
2011	970,075	23.2	13.2	28.9	31.6	0.0	0.0	1.0	0.1	0.0	0.0	0.0	1.0	0.1	0.4	1.5	45					
2012	928,749	25.6	12.6	26.7	33.0	0.0	0.0	0.7	0.0	0.0	0.0	0.0	0.7	0.0	0.1	1.4	46					
2013	962,009	27.1	14.3	29.4	27.9	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.3	0.0	0.1	0.8	48					
2014	1,010,783	21.2	13.5	31.3	34.7	0.1	0.0	0.5	0.0	0.1	0.0	0.0	0.5	0.0	0.1	-1.2	44					
2015	1,226,735	17.2	17.2	32.8	32.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.4	40					
2016	2,221,873	17.8	16.8	30.5	33.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.1	0.0	0.0	1.7	46					
2017	2,260,750	19.4	10.5	30.0	39.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.1	33					
2018	2,326,389	23.6	12.0	27.4	38.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.7	31					
2019	2,720,402	21.4	15.1	27.2	36.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	38					
2020	3,684,888	48.5	11.1	17.0	23.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	49					

¹ Prior to 1998, corporate notes are included in other assets.² Other assets include banker's acceptances, municipal securities, and cash reserves.

Note: Data for funds that invest primarily in other mutual funds were excluded from the series. Components may not add to 100 percent because of rounding.

TABLE 41
Taxable Prime Money Market Funds: Asset Composition as a Percentage of Total Net Assets
 Year-end

Year	Total net assets Millions of dollars	US Treasury bills	Other Treasury securities	US government agency issues	Repurchase agreements	Certificates of deposit	Eurodollar CDs	Commercial paper	Bank notes	Corporate notes ¹	Other assets ²	Average maturity Days
1996	\$540,146	0.5%	1.6%	9.0%	5.1%	12.8%	4.3%	51.0%	2.3%	—	13.5%	56
1997	647,005	0.4	0.5	5.4	5.3	14.7	3.7	52.0	3.2	—	14.8	57
1998	854,061	0.4	0.8	9.6	4.6	13.0	3.6	48.7	3.9	5.8%	9.6	58
1999	1,079,435	0.3	0.3	6.8	4.8	12.8	3.9	49.2	3.1	8.4	10.4	49
2000	1,243,598	0.3	0.1	5.9	3.9	11.7	6.6	50.9	3.6	10.5	6.5	53
2001	1,564,520	0.4	0.3	12.3	6.0	14.9	7.3	41.7	1.5	11.1	4.5	58
2002	1,535,621	1.3	0.3	11.8	8.1	13.8	7.0	40.1	1.4	12.0	4.2	54
2003	1,339,061	1.4	0.3	14.9	8.1	11.6	5.1	35.6	2.0	16.2	4.6	59
2004	1,209,995	0.3	0.1	12.0	8.5	14.1	5.7	33.9	2.6	17.9	4.9	41
2005	1,291,117	0.6	0.1	4.1	11.8	14.5	6.0	38.5	2.3	17.9	4.0	38
2006	1,542,584	0.1	0.2	2.9	9.9	13.9	4.4	39.6	2.2	21.6	5.2	49
2007	1,857,280	0.8	0.2	3.1	11.3	15.2	5.5	36.9	4.0	16.7	6.3	44
2008	1,848,349	1.9	0.5	12.7	8.4	21.5	4.7	34.1	3.1	9.3	3.8	47
2009	1,809,923	2.3	1.3	8.9	8.3	31.6	5.5	28.1	2.9	6.4	4.8	50
2010	1,618,488	2.7	1.9	7.8	12.8	28.6	6.7	24.3	3.2	6.2	5.8	44
2011	1,429,149	3.1	3.8	9.2	13.5	28.4	3.1	24.6	2.7	4.5	7.1	40
2012	1,476,993	3.4	4.2	6.9	16.8	29.5	3.0	23.1	3.5	3.5	6.1	45
2013	1,485,187	2.2	4.3	5.7	15.7	33.3	2.3	23.9	2.7	4.2	5.7	46
2014	1,453,071	2.1	2.6	5.1	20.9	35.7	1.7	23.0	1.6	3.9	3.5	44
2015	1,273,077	1.9	2.8	5.1	23.9	34.7	0.9	23.4	2.0	3.0	2.3	31
2016	375,999	5.1	2.0	0.2	18.0	38.6	0.5	26.8	0.3	1.1	7.4	34
2017	455,428	5.2	0.6	0.7	16.5	39.2	0.8	32.5	0.8	0.8	2.9	30
2018	565,379	7.2	0.3	1.0	21.5	33.7	0.3	33.4	0.5	0.8	1.2	30
2019	773,976	5.0	0.6	1.8	25.7	33.2	1.0	30.0	0.8	0.7	1.3	34
2020	542,898	6.5	4.9	0.4	26.3	25.8	0.1	30.9	0.2	0.6	4.2	43

¹ Prior to 1998, corporate notes are included in other assets.

² Other assets include banker's acceptances, municipal securities, and cash reserves.

Note: Data for funds that invest primarily in other mutual funds were excluded from the series. Components may not add to 100 percent because of rounding.

TABLE 42

Active and Index Mutual Funds: Total Net Assets

Millions of dollars, year-end

Year	Active funds					Index funds							
	Equity					Equity							
	Total	Domestic	World	Hybrid and bond	Total	Domestic	Other	World	Hybrid and bond	Total	Domestic	Other	World
1993	\$1,476,839	\$603,409	\$112,849	\$760,581	\$27,805	\$19,790	\$3,338	\$1,281	\$3,396				
1994	1,511,747	664,955	159,099	687,693	32,573	22,752	3,863	2,095	3,863				
1995	2,001,233	1,004,386	193,659	803,189	57,042	41,744	6,442	2,846	6,009				
1996	2,520,727	1,355,714	281,075	883,938	97,759	73,856	11,241	4,124	8,538				
1997	3,231,978	1,870,505	341,039	1,020,434	170,302	129,857	21,221	5,329	13,895				
1998	3,899,397	2,349,060	383,675	1,166,662	264,998	201,791	35,051	7,962	20,193				
1999	4,834,039	3,107,557	572,058	1,154,425	386,653	283,831	63,386	13,130	26,307				
2000	4,726,650	3,024,385	551,225	1,151,041	384,039	267,596	76,875	12,644	26,923				
2001	4,313,234	2,623,951	432,899	1,256,384	370,535	244,905	78,121	11,128	36,381				
2002	3,787,694	2,002,274	358,318	1,427,101	327,417	197,648	72,766	11,050	45,952				
2003	4,904,066	2,731,660	516,789	1,655,616	455,293	269,322	116,850	18,218	50,903				
2004	5,637,529	3,160,276	687,966	1,789,287	554,044	312,115	153,530	28,236	60,163				
2005	6,243,185	3,423,764	912,929	1,906,491	618,699	327,178	178,211	42,792	70,518				
2006	7,309,318	3,873,226	1,293,787	2,142,306	747,468	369,591	228,340	66,647	82,889				
2007	8,054,981	4,041,605	1,622,851	2,390,525	854,713	384,127	268,314	95,695	106,577				
2008	5,166,984	2,307,274	848,469	2,011,242	619,474	246,056	184,876	67,871	120,672				
2009	6,957,655	2,979,038	1,214,963	2,763,654	835,422	319,615	265,396	92,507	157,903				
2010	8,010,831	3,352,255	1,419,941	3,238,635	1,016,713	365,375	335,850	122,751	192,736				
2011	7,845,700	3,120,860	1,236,275	3,488,565	1,093,749	366,191	368,016	121,445	238,098				
2012	9,049,344	3,454,263	1,453,951	4,141,130	1,311,077	417,538	451,793	161,212	280,534				
2013	10,597,237	4,512,288	1,821,473	4,263,476	1,733,889	557,113	656,137	215,545	305,095				
2014	11,098,481	4,791,801	1,841,918	4,464,763	2,053,499	648,571	788,775	242,924	373,228				
2015	10,696,307	4,556,313	1,804,441	4,335,553	2,206,817	654,067	831,897	302,890	417,964				

Year	Active funds					Index funds					
	Equity					Equity					
	Total	Domestic	World	Hybrid	Bond	Total	Domestic	Other	World	Hybrid	Bond
2016	\$10,995,791	\$4,642,548	\$1,802,124	\$1,368,374	\$3,182,745	\$2,629,528	\$763,748	\$1,005,132	\$363,714	\$31,492	\$465,442
2017	12,950,788	5,261,194	2,303,236	1,508,807	3,477,552	3,366,748	938,945	1,277,582	524,195	38,239	587,787
2018	11,352,355	4,651,727	1,921,414	1,346,718	3,432,496	3,320,134	908,059	1,240,269	506,039	37,246	628,521
2019	13,382,297	5,615,050	2,296,111	1,533,241	3,937,895	4,276,754	1,187,236	1,636,513	640,731	45,843	766,431
2020	14,755,909	6,290,630	2,561,532	1,567,235	4,336,511	4,806,647	1,345,586	1,887,712	642,979	52,807	877,563

Note: Prior to 2016, separate data for hybrid and bond funds are not available. Data for funds that invest primarily in other mutual funds were excluded from the series. Components may not add to the totals because of rounding.

TABLE 43

Active and Index Mutual Funds: Net New Cash Flow

Millions of dollars, annual

Year	Active funds				Index funds						
	Equity				Equity						
	Total	Domestic	World	Hybrid and bond	Total	S&P 500	Other	World	Hybrid and bond		
1993	\$235,621	\$83,873	\$37,940	\$113,808	\$6,428	\$3,994	\$953	\$501	\$980		
1994	71,812	67,891	43,812	-39,890	3,348	1,871	515	436	525		
1995	110,393	103,022	11,000	-3,630	11,815	8,820	1,038	512	1,446		
1996	205,418	147,780	46,483	11,155	24,780	18,447	3,192	1,033	2,108		
1997	236,147	158,823	37,028	40,296	34,847	25,208	5,230	818	3,591		
1998	194,318	109,857	5,955	78,505	46,140	30,977	8,499	1,568	5,096		
1999	107,619	122,149	8,986	-23,515	61,613	38,073	16,102	2,241	5,197		
2000	205,317	235,961	56,229	-86,874	25,611	10,038	11,431	1,664	2,477		
2001	104,283	-38,542	-24,423	90,165	26,735	8,720	9,252	1,181	7,582		
2002	97,098	-41,741	-5,786	144,626	25,256	5,102	11,869	1,669	6,616		
2003	181,211	88,866	22,163	70,183	35,234	14,225	16,544	2,199	2,266		
2004	169,924	72,502	65,922	31,499	40,130	11,051	16,766	5,661	6,651		
2005	164,046	5,518	98,455	60,073	27,877	-934	12,348	8,456	8,007		
2006	194,068	-17,691	140,249	71,510	32,758	-7,349	21,358	10,674	8,074		
2007	163,000	-96,271	124,821	134,449	61,138	-1,736	29,487	16,915	16,473		
2008	-259,419	-180,515	-74,642	-4,262	48,624	6,943	24,060	7,697	9,924		
2009	333,410	-52,336	21,693	364,052	59,928	7,636	17,205	7,951	27,135		
2010	186,087	-95,280	37,603	243,763	57,560	-1,009	15,225	19,076	24,268		
2011	-26,628	-151,361	-13,078	137,811	54,828	-6,621	24,353	17,202	19,895		
2012	141,066	-174,225	-8,971	324,261	59,043	-7,325	22,320	15,523	28,525		
2013	48,754	-33,957	113,046	-30,335	114,262	4,562	47,521	28,309	33,870		
2014	-49,335	-121,281	46,769	25,177	149,063	11,528	50,039	38,403	49,092		
2015	-285,336	-216,650	19,109	-87,795	165,723	15,413	31,575	74,932	43,802		
Year	Active funds				Index funds						
	Equity				Equity						
	Total	Domestic	World	Hybrid	Bond	Total	S&P 500	Other	World	Hybrid	Bond
2016	-\$390,177	-\$320,064	-\$68,164	-\$44,093	\$42,143	\$29,885	\$55,338	\$44,975	\$2,211	\$64,795	
2017	-151,065	-306,157	21,691	-30,753	164,153	223,039	7,698	62,350	55,192	2,269	95,529
2018	-501,935	-308,237	-68,551	-91,515	-33,633	156,018	14,505	42,960	62,557	243	35,753
2019	-226,605	-316,783	-83,274	-49,909	223,361	127,444	2,083	12,516	23,272	598	88,975
2020	-385,771	-368,995	-120,072	-83,919	187,215	-100,041	-47,604	-54,211	-55,334	-46	57,154

Note: Prior to 2016, separate data for hybrid and bond funds are not available. Data for funds that invest primarily in other mutual funds were excluded from the series.

TABLE 44

Active and Index Mutual Funds: Number of Funds

Year-end

Year	Active funds				Index funds					
	Equity				Equity					
	Total	Domestic	World	Hybrid and bond	Total	Domestic		World	Hybrid and bond	
					S&P 500	Other				
1993	3,544	1,226	300	2,018	70	39	15	6	10	
1994	4,280	1,403	416	2,461	82	43	17	7	15	
1995	4,641	1,545	521	2,575	87	48	18	7	14	
1996	5,153	1,819	661	2,673	105	60	22	7	16	
1997	5,530	2,082	756	2,692	132	72	27	12	21	
1998	6,126	2,497	874	2,755	156	84	39	15	18	
1999	6,519	2,838	925	2,756	196	94	61	20	21	
2000	6,826	3,089	1,025	2,712	271	118	101	26	26	
2001	6,969	3,358	1,053	2,558	285	124	111	24	26	
2002	6,922	3,447	988	2,487	313	128	128	28	29	
2003	6,814	3,386	897	2,531	321	124	138	30	29	
2004	6,768	3,375	859	2,534	328	123	150	28	27	
2005	6,776	3,389	882	2,505	322	115	151	29	27	
2006	6,917	3,456	960	2,501	342	118	164	33	27	
2007	6,863	3,387	1,022	2,454	354	118	166	37	33	
2008	6,880	3,361	1,097	2,422	360	113	172	42	33	
2009	6,590	3,148	1,119	2,323	357	104	160	49	44	
2010	6,529	3,043	1,143	2,343	365	102	170	50	43	
2011	6,568	2,977	1,210	2,381	382	102	178	57	45	
2012	6,644	2,947	1,223	2,474	372	94	175	58	45	
2013	6,794	2,924	1,289	2,581	372	87	180	58	47	
2014	7,024	2,956	1,356	2,712	383	85	192	58	48	
2015	7,236	2,983	1,428	2,825	404	84	204	63	53	

Year	Active funds					Index funds					
	Equity					Equity					
	Total	Domestic	World	Hybrid	Bond	Total	Domestic		World	Hybrid	Bond
						S&P 500	Other				
2016	7,234	2,940	1,451	720	2,123	418	83	206	71	7	51
2017	7,134	2,891	1,430	732	2,081	449	82	223	78	8	58
2018	7,234	2,911	1,442	775	2,106	491	80	244	88	9	70
2019	7,088	2,819	1,418	766	2,085	491	78	244	89	9	71
2020	6,806	2,674	1,372	714	2,046	490	77	246	87	9	71

Note: Prior to 2016, separate data for hybrid and bond funds are not available. Data for funds that invest primarily in other mutual funds were excluded from the series.

TABLE 45

Active and Index Mutual Funds: Number of Share Classes

Year-end

Year	Active funds				Index funds				
	Equity				Equity				
	Total	Domestic	World	Hybrid and bond	Total	Domestic		World	Hybrid and bond
					S&P 500	Other			
1993	4,479	1,502	379	2,598	74	43	15	6	10
1994	6,340	1,955	620	3,765	96	54	17	10	15
1995	7,517	2,360	834	4,323	110	63	19	11	17
1996	8,754	2,944	1,144	4,666	143	86	25	11	21
1997	10,235	3,705	1,428	5,102	205	115	38	21	31
1998	11,829	4,665	1,744	5,420	252	145	55	25	27
1999	13,160	5,541	1,933	5,686	321	161	98	31	31
2000	14,374	6,325	2,245	5,804	465	217	167	43	38
2001	15,505	7,278	2,453	5,774	517	234	200	43	40
2002	16,363	7,931	2,456	5,976	578	247	229	53	49
2003	16,661	8,035	2,310	6,316	601	245	251	56	49
2004	17,345	8,464	2,302	6,579	633	254	277	55	47
2005	17,860	8,715	2,438	6,707	647	250	287	62	48
2006	18,524	9,050	2,702	6,772	697	255	320	70	52
2007	18,833	9,101	2,944	6,788	734	257	330	83	64
2008	19,490	9,277	3,288	6,925	755	258	336	96	65
2009	19,019	8,783	3,436	6,800	756	239	311	107	99
2010	19,337	8,641	3,593	7,103	776	233	321	121	101
2011	19,692	8,576	3,809	7,307	856	240	357	144	115
2012	20,166	8,541	3,901	7,724	871	227	369	153	122
2013	20,960	8,614	4,119	8,227	882	214	384	156	128
2014	21,836	8,774	4,401	8,661	909	212	422	148	127
2015	22,686	8,955	4,647	9,084	965	211	455	161	138

Year	Active funds					Index funds					
	Equity					Equity					
	Total	Domestic	World	Hybrid	Bond	Total	Domestic		World	Hybrid	Bond
						S&P 500	Other				
2016	22,872	8,958	4,747	2,172	6,995	987	210	455	174	14	134
2017	22,914	8,923	4,698	2,219	7,074	1,044	205	487	189	15	148
2018	22,844	8,837	4,702	2,281	7,024	1,063	194	504	186	15	164
2019	22,409	8,601	4,638	2,243	6,927	1,056	194	496	190	15	161
2020	21,723	8,219	4,499	2,125	6,880	1,063	194	497	191	16	165

Note: Prior to 2016, separate data for hybrid and bond funds are not available. Data for funds that invest primarily in other mutual funds were excluded from the series.

TABLE 46

Alternative Strategy Mutual Funds: Total Net Assets, Net New Cash Flow, Number of Funds, and Number of Share Classes

Year	Equity funds				Bond funds				Equity funds				Bond funds			
	Total	Domestic	World	World	Total	Multisector	World	World	Domestic	World	Total	Multisector	World	World	World	
																Total net assets Millions of dollars, year-end
2007	\$41,491	\$20,331	\$1,149	\$18,619	\$1,392	1,174	—	—	\$445	-47	-780	-546	—			
2008	31,276	17,097	431	12,574	1,174	1,638	—	—	-1,011	-446	-1,237	12	—			
2009	58,317	24,432	3,355	28,892	1,796	1,966	—	—	7,241	2,572	21,025	424	—			
2010	112,951	32,620	1,776	55,078	2,136	2,145	\$21,680	25,143	7,295	726	36,448	241	\$13,256			
2011	129,167	33,729	3,987	64,171	2,136	2,145	21,143	25,143	-3,747	954	15,838	420	3,412			
2012	148,873	41,045	3,897	80,421	2,145	1,862	21,366	51,124	6,088	822	12,026	-46	803			
2013	220,211	50,193	6,666	110,367	1,862	2,288	51,124	64,028	9,804	2,054	64,028	116	28,560			
2014	239,457	58,766	7,920	102,491	2,288	2,337	67,993	72,443	6,959	1,298	22,443	123	15,156			
2015	227,366	51,931	10,907	110,334	2,337	1,968	51,857	-15,162	-5,646	2,618	-15,162	-186	-14,978			
2016	212,653	49,201	10,349	115,615	1,968	2,294	35,520	-23,366	-4,446	-742	-23,366	-445	-17,930			
2017	225,544	54,213	12,561	122,297	2,294	34,179	34,179	-1,859	440	824	-1,859	313	-2,380			
2018	198,072	46,466	10,512	103,542	7,491	30,060	30,060	-20,741	-5,407	-960	-20,741	1,611	-3,845			
2019	188,544	47,385	7,834	96,551	10,091	26,684	26,684	-24,545	-3,182	-3,149	-24,545	2,055	-4,802			
2020	173,210	43,148	6,910	90,246	10,553	22,354	22,354	-17,440	-4,066	-1,263	-17,440	107	-4,687			
Year	Equity funds				Bond funds				Equity funds				Bond funds			
Year	180	125	16	21	18	17	—	—	294	35	424	41	54	41	—	
																Number of funds Year-end
2007	180	125	16	21	18	17	—	—	294	35	424	41	54	41	—	
2008	204	138	22	27	17	—	—	320	58	499	41	80	41	—	—	
2009	208	132	24	34	18	—	—	300	65	507	44	98	44	—	—	
2010	243	139	24	52	20	8	8	330	72	645	48	157	48	38	—	
2011	301	149	39	79	23	11	11	350	103	800	52	238	52	57	—	
2012	337	154	35	111	23	14	14	361	85	903	52	340	52	65	—	
2013	364	153	42	130	23	16	16	366	104	1,012	48	412	48	82	—	
2014	437	167	52	159	26	33	33	408	145	1,243	64	502	64	124	—	
2015	489	177	57	188	29	38	38	422	157	1,357	66	576	66	136	—	
2016	477	179	61	175	30	32	32	423	172	1,318	70	535	70	118	—	
2017	473	185	56	175	27	30	30	429	146	1,295	64	538	64	118	—	
2018	498	187	64	191	30	26	26	428	164	1,319	69	565	69	93	—	
2019	469	180	55	184	29	21	21	401	138	1,242	68	554	68	81	—	
2020	415	159	51	156	29	20	20	343	128	1,097	68	481	68	77	—	

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

Note: Alternative strategy mutual funds in this table are funds that employ alternative investment approaches like long/short, market neutral, leveraged, inverse, or commodity strategies to meet their investment objectives. Data for funds that invest primarily in other mutual funds were excluded from the series. Components may not add to the total because of rounding.

TABLE 47

Emerging Market Debt Mutual Funds: Total Net Assets, Net New Cash Flow, Number of Funds, and Number of Share Classes

Year	Total net assets Millions of dollars, year-end	Net new cash flow* Millions of dollars, annual	Number of funds Year-end	Number of share classes Year-end
2000	\$2,319	-\$297	23	47
2001	2,129	-412	24	50
2002	2,585	311	22	46
2003	4,297	691	19	43
2004	5,543	635	19	43
2005	7,590	1,245	18	42
2006	12,962	2,193	23	60
2007	16,966	2,275	28	79
2008	13,589	257	31	98
2009	19,739	2,016	33	104
2010	37,888	14,902	36	126
2011	45,009	12,568	48	165
2012	75,322	19,891	66	217
2013	64,668	-4,701	88	291
2014	58,881	-5,627	103	351
2015	44,812	-10,721	97	355
2016	51,046	502	108	408
2017	66,377	6,936	105	398
2018	63,383	-1,868	104	387
2019	65,813	-5,267	100	356
2020	62,735	-4,790	95	341

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

Note: Emerging market debt funds in this table are funds that invest primarily in debt from underdeveloped regions of the world. Data for funds that invest primarily in other mutual funds were excluded from the series.

TABLE 48

Floating-Rate High-Yield Bond Mutual Funds: Total Net Assets, Net New Cash Flow, Number of Funds, and Number of Share Classes

Year	Total net assets Millions of dollars, year-end	Net new cash flow* Millions of dollars, annual	Number of funds Year-end	Number of share classes Year-end
2000	\$17,059	-\$48	14	28
2001	15,717	-2,617	21	54
2002	10,892	-4,442	20	50
2003	12,815	334	19	47
2004	21,960	7,650	22	60
2005	25,396	2,228	24	68
2006	31,745	5,723	22	79
2007	29,903	-2,303	27	94
2008	15,812	-7,078	29	115
2009	26,365	4,444	29	112
2010	45,292	15,158	31	122
2011	58,228	10,612	37	151
2012	75,117	10,918	40	164
2013	139,492	59,628	50	194
2014	117,323	-21,826	51	198
2015	93,085	-22,059	54	215
2016	104,898	3,450	59	226
2017	119,128	10,493	64	249
2018	116,086	-2,242	69	261
2019	87,436	-35,327	71	261
2020	63,991	-21,761	71	268

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

Note: Floating-rate high-yield funds in this table are funds that invest in income-producing senior loans, floating-rate loans, and other floating-rate debt securities, which typically are of below investment grade quality. Data for funds that invest primarily in other mutual funds were excluded from the series.

TABLE 49

Funds of Funds:¹ Total Net Assets, Net New Cash Flow, Number of Funds, and Number of Share Classes

Year	Total net assets Millions of dollars, year-end				Net new cash flow ² Millions of dollars, annual			
	Total	Equity	Hybrid	Bond	Total	Equity	Hybrid	Bond
2008	\$469,330	\$42,858	\$425,207	\$1,265	\$60,478	\$5,710	\$54,311	\$457
2009	680,121	55,266	622,820	2,035	70,164	4,145	65,274	745
2010	914,590	80,580	824,609	9,402	118,365	4,964	110,953	2,448
2011	1,035,613	80,693	939,194	15,726	119,672	3,010	111,794	4,868
2012	1,270,684	93,065	1,149,517	28,102	93,733	-2,653	85,518	10,869
2013	1,558,210	128,757	1,391,401	38,051	108,398	12,612	85,432	10,354
2014	1,689,742	127,886	1,514,602	47,254	66,797	11,458	50,469	4,869
2015	1,715,203	136,723	1,524,458	54,021	55,833	8,849	35,771	11,213
2016	1,859,227	149,865	1,652,444	56,918	14,941	-2,683	17,378	245
2017	2,196,705	179,794	1,950,065	66,846	29,075	708	21,249	7,117
2018	2,104,109	194,876	1,829,728	79,505	32,564	35,580	-14,776	11,759
2019	2,543,561	252,837	2,194,142	96,583	24,301	12,614	-633	12,321
2020	2,882,177	364,219	2,402,169	115,789	-48,889	14,720	-69,532	5,922
Year	Number of funds Year-end				Number of share classes Year-end			
2008	838	122	706	10	2,779	309	2,443	27
2009	943	130	803	10	3,049	324	2,708	17
2010	977	146	818	13	3,133	347	2,767	19
2011	1,081	156	904	21	3,394	355	2,996	43
2012	1,146	163	953	30	3,704	404	3,225	75
2013	1,249	173	1,042	34	3,969	411	3,469	89
2014	1,322	174	1,107	41	4,203	414	3,683	106
2015	1,394	178	1,177	39	4,522	438	3,978	106
2016	1,432	173	1,218	41	4,636	432	4,098	106
2017	1,389	166	1,182	41	4,647	420	4,134	93
2018	1,523	183	1,287	53	5,073	442	4,524	107
2019	1,471	169	1,247	55	4,936	403	4,421	112
2020	1,391	162	1,174	55	4,673	393	4,160	120

¹ Funds of funds are mutual funds that invest primarily in other mutual funds.

² Net new cash flow is the dollar value of new sales minus redemptions, combined with net exchanges.
Note: Components may not add to the total because of rounding.

TABLE 50

Funds of Funds:¹ Components of Net New Cash Flow²

Millions of dollars, annual

Year	Sales											
	New + exchange					New ³						
	Total	Equity	Hybrid	Bond	Total	Equity	Hybrid	Bond	Total	Equity	Hybrid	Bond
2008	\$210,801	\$25,027	\$184,991	\$783	\$181,188	\$20,752	\$159,718	\$719	\$29,613	\$4,276	\$25,273	\$64
2009	190,510	19,787	169,659	1,064	171,431	18,308	152,102	1,021	19,079	1,479	17,557	43
2010	290,423	21,530	265,742	3,152	265,189	20,329	241,726	3,134	25,235	1,201	24,016	18
2011	350,468	20,728	321,984	7,756	322,736	19,618	295,384	7,734	27,732	1,111	26,600	21
2012	330,585	18,461	296,379	15,745	304,582	17,097	272,149	15,335	26,003	1,364	24,229	410
2013	400,742	33,303	349,514	17,924	360,684	30,706	312,397	17,581	40,058	2,597	37,117	343
2014	406,427	34,501	355,859	16,067	365,839	32,584	317,650	15,605	40,588	1,916	38,210	462
2015	452,288	38,962	386,426	26,900	400,073	37,004	336,713	26,356	52,215	1,958	49,713	544
2016	404,937	32,372	355,919	16,646	367,331	30,677	320,535	16,119	37,605	1,695	35,384	527
2017	457,838	37,126	396,327	24,386	412,820	34,639	354,390	23,792	45,018	2,487	41,937	594
2018	553,846	85,667	427,418	40,762	497,451	82,621	374,708	40,123	56,395	3,046	52,710	639
2019	527,950	65,187	418,257	44,507	474,707	63,020	367,687	44,000	53,243	2,166	50,570	507
2020	622,934	100,369	455,103	67,462	556,836	97,199	393,668	65,969	66,098	3,170	61,436	1,493
Year	Redemptions											
	Regular + exchange					Regular ⁴						
	Total	Equity	Hybrid	Bond	Total	Equity	Hybrid	Bond	Total	Equity	Hybrid	Bond
2008	\$150,323	\$19,317	\$130,680	\$326	\$119,873	\$16,057	\$103,539	\$277	\$30,449	\$3,260	\$27,140	\$49
2009	120,346	15,642	104,385	319	102,094	14,235	87,563	296	18,252	1,406	16,822	24
2010	172,058	16,566	154,789	703	150,063	15,166	134,199	698	21,995	1,400	20,590	6
2011	230,796	17,718	210,190	2,887	202,695	16,236	183,580	2,879	28,101	1,482	26,610	8
2012	236,852	21,115	210,861	4,876	211,555	19,614	187,274	4,667	25,297	1,500	23,587	209
2013	292,343	20,691	264,082	7,571	259,180	19,196	232,689	7,295	33,163	1,495	31,393	272
2014	339,630	23,042	305,390	11,198	288,455	21,665	255,814	10,976	51,175	1,377	49,576	226
2015	396,456	30,113	350,655	15,687	337,302	28,087	293,903	15,312	59,154	2,026	56,752	376
2016	389,996	35,055	338,540	16,400	343,472	32,924	294,553	15,996	46,524	2,131	43,988	405
2017	428,763	36,417	375,077	17,268	374,864	34,059	323,948	16,857	53,898	2,358	51,129	411
2018	521,283	50,087	444,193	29,002	450,746	47,554	374,781	28,471	70,537	2,534	67,427	531
2019	503,649	52,573	418,890	32,186	443,025	49,873	361,302	31,851	60,624	2,700	57,588	335
2020	671,823	85,648	524,635	61,540	587,077	81,074	445,209	60,794	84,747	4,575	79,426	746

¹ Funds of funds are mutual funds that invest primarily in other mutual funds.² Net new cash flow is the dollar value of new sales minus redemptions, combined with net exchanges.³ New sales are the dollar value of new purchases of mutual fund shares. This does not include shares purchased through reinvestment of dividends in existing accounts.⁴ Exchange sales are the dollar value of mutual fund shares switched into funds within the same fund group.⁵ Regular redemptions are the dollar value of shareholder liquidation of mutual fund shares.⁶ Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into other funds within the same fund group.

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

TABLE 51

Inflation-Protected and TIPS Mutual Funds: Total Net Assets, Net New Cash Flow, Number of Funds, and Number of Share Classes

Year	Inflation-protected ¹		TIPS ²	Total	Inflation-protected ¹		TIPS ²
	Total net assets Millions of dollars, year-end	Total			Net new cash flow ³ Millions of dollars, annual	Total	
2010	\$108,539	\$98,326	\$10,213	\$9,277	\$7,346	\$1,931	
2011	133,437	120,065	13,372	11,421	9,900	1,522	
2012	150,447	137,116	13,331	7,333	8,289	-956	
2013	108,266	95,942	12,324	-31,499	-31,383	-115	
2014	107,432	92,360	15,072	-3,096	-5,869	2,773	
2015	105,832	86,206	19,627	-1,025	-5,821	4,796	
2016	112,516	90,706	21,810	2,194	821	1,373	
2017	127,310	99,630	27,680	11,034	5,487	5,548	
2018	129,118	95,717	33,401	3,357	-2,232	5,590	
2019	146,802	99,766	47,036	7,391	-3,572	10,963	
2020	167,197	112,862	54,336	7,801	4,076	3,726	

Year	Number of funds		Number of share classes	
	Year-end	Year-end	Year-end	Year-end
2010	60	50	202	170
2011	64	52	219	183
2012	69	56	236	197
2013	70	57	244	205
2014	66	56	234	205
2015	69	59	260	230
2016	68	58	254	226
2017	67	56	262	234
2018	65	52	249	219
2019	64	50	241	209
2020	59	45	221	189

¹ Inflation-protected funds are funds that invest in inflation-protected or inflation-indexed securities other than TIPS (Treasury inflation-protected securities).

² TIPS funds invest in Treasury inflation-protected securities, which are backed by the US government and provide protection against inflation, as measured by the Consumer Price Index, while the interest rate remains fixed.

³ Net new cash flow is the dollar value of new sales minus redemptions, combined with net exchanges.

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

TABLE 52

Mutual Funds by Market Capitalization: Total Net Assets and Net New Cash Flow by Type of Fund

Millions of dollars

Year	Total net assets Year-end											
	Growth funds				Value funds				Blend funds			
	Small cap	Mid cap	Large cap	Multi cap	Small cap	Mid cap	Large cap	Multi cap	Small cap	Mid cap	Large cap	Multi cap
2008	\$67,773	\$92,956	\$225,621	\$275,756	\$78,536	\$88,564	\$339,460	\$111,339	\$71,867	\$108,421	\$636,952	\$493,320
2009	94,830	128,691	295,499	365,059	104,213	121,026	416,722	140,989	96,987	148,065	816,907	632,496
2010	116,796	160,228	328,298	397,948	130,432	146,329	456,871	159,686	120,735	181,381	922,811	687,874
2011	107,062	146,730	327,708	354,990	120,523	135,549	435,514	156,211	116,873	171,441	911,538	629,798
2012	115,862	161,673	385,974	377,274	133,265	153,001	471,647	175,461	144,896	191,343	1,038,038	698,073
2013	165,727	213,811	508,382	490,623	175,869	209,709	591,265	243,433	207,615	264,980	1,401,939	906,831
2014	158,834	212,629	555,305	506,673	170,461	222,084	630,213	273,493	208,371	286,573	1,618,791	964,255
2015	153,411	200,729	564,331	507,198	145,762	200,521	563,599	258,300	196,747	278,292	1,630,702	924,934
2016	158,591	186,963	525,328	499,648	171,304	224,303	615,827	285,492	235,096	303,366	1,846,797	950,050
2017	193,242	220,219	640,690	594,227	180,191	242,552	666,057	335,859	258,022	344,367	2,233,135	1,123,371
2018	185,147	205,584	618,720	546,906	139,739	191,639	569,500	283,762	228,443	293,998	2,129,215	1,019,934
2019	236,014	266,398	773,904	682,582	161,996	231,083	666,385	343,283	273,378	357,079	2,741,476	1,251,254
2020	311,892	340,928	1,004,715	885,678	162,432	221,383	651,148	325,181	296,219	403,921	3,054,741	1,388,249
	Net new cash flow*											
	Annual											
Year	Growth funds				Value funds				Blend funds			
	Small cap	Mid cap	Large cap	Multi cap	Small cap	Mid cap	Large cap	Multi cap	Small cap	Mid cap	Large cap	Multi cap
	2008	-\$4,211	-\$10,517	-\$14,153	-\$11,156	-\$1,936	-\$8,764	-\$18,821	-\$15,187	-\$7,642	-\$13,303	-\$3,504
2009	1,857	-1,318	-9,446	-9,268	1,123	2,485	-7,468	-3,438	1,383	-695	3,507	-16,832
2010	-1,783	-1,301	-12,770	-19,322	1,313	371	-13,515	-2,275	150	-465	-10,068	-29,813
2011	-5,469	-6,882	6,619	-33,785	-4,981	-4,838	-18,594	-34	-472	-5,487	-12,351	-42,344
2012	-6,430	-5,600	1,635	-38,508	-8,699	-7,281	-29,485	-10,692	-6,223	-5,568	-10,905	-41,273
2013	3,136	-3,007	-11,939	-17,109	-3,930	2,881	-25,917	14,457	7,768	8,045	29,290	-11,461
2014	-10,104	-15,242	-16,472	-28,696	-10,199	-3,929	-20,670	9,045	-7,551	-2,008	40,443	-23,574
2015	-2,921	-11,627	-16,747	-22,499	-13,983	-7,278	-43,256	-5,801	-4,088	-1,541	4,368	-43,780
2016	-10,460	-21,643	-47,440	-33,741	-7,329	-7,417	-23,738	-6,419	-361	-10,513	22,160	-62,681
2017	-4,979	-9,192	-30,485	-33,970	-8,705	-10,534	-46,494	-1,749	-7,551	-12,516	3,636	-48,947
2018	905	-4,456	-20,328	-34,266	-14,771	-20,033	-43,417	-16,176	-3,887	-16,811	-4,908	-38,178
2019	-7,520	-5,449	-35,470	-32,334	-9,450	-10,717	-47,836	-14,284	-13,172	-19,099	-30,472	-48,172
2020	-11,929	-14,456	-44,203	-43,300	-8,194	-17,579	-35,484	-32,974	-19,834	-20,525	-124,146	-75,532

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

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

TABLE 53
Mutual Funds by Market Capitalization: Number of Funds and Number of Share Classes by Type of Fund
 Year-end

Year	Number of funds											
	Growth funds				Value funds				Blend funds			
	Small cap	Mid cap	Large cap	Multi cap	Small cap	Mid cap	Large cap	Multi cap	Small cap	Mid cap	Large cap	Multi cap
2008	235	246	348	207	221	202	393	203	186	147	489	251
2009	212	221	331	190	201	190	368	201	177	138	463	243
2010	206	208	317	181	196	186	356	192	171	132	457	233
2011	203	199	310	169	203	183	338	201	173	138	439	226
2012	198	190	300	164	209	181	327	212	167	134	420	224
2013	191	181	288	165	205	178	319	215	179	129	413	227
2014	188	180	289	160	213	188	322	220	188	127	414	232
2015	182	180	287	160	214	190	321	215	200	133	421	233
2016	181	174	267	158	213	189	320	207	202	134	414	236
2017	179	165	263	155	210	187	321	208	201	134	401	231
2018	178	163	273	159	213	189	319	198	207	138	408	235
2019	178	168	264	155	204	185	302	189	196	134	399	230
2020	170	163	250	148	200	176	283	173	188	130	387	226

Year	Number of share classes											
	Growth funds				Value funds				Blend funds			
	Small cap	Mid cap	Large cap	Multi cap	Small cap	Mid cap	Large cap	Multi cap	Small cap	Mid cap	Large cap	Multi cap
2008	650	697	1,006	545	595	563	1,107	551	471	400	1,301	706
2009	605	637	959	527	559	529	1,023	503	450	377	1,248	716
2010	579	613	919	518	560	516	1,023	516	431	354	1,235	699
2011	590	596	907	491	582	544	993	545	436	375	1,223	695
2012	581	572	894	472	598	550	953	571	438	371	1,184	706
2013	560	559	878	482	593	555	945	602	478	359	1,184	731
2014	560	560	891	462	610	593	976	624	521	348	1,210	735
2015	549	567	907	463	626	602	995	608	569	348	1,239	766
2016	574	562	847	465	645	608	1,006	585	608	372	1,221	771
2017	597	547	821	471	643	615	1,001	619	602	373	1,186	759
2018	585	533	826	487	624	612	986	565	601	368	1,181	754
2019	583	537	789	474	614	591	941	559	571	360	1,159	729
2020	562	524	764	458	604	563	890	516	547	353	1,131	720

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

TABLE 54

Sector Mutual Funds: Total Net Assets and Net New Cash Flow by Type of Fund

Millions of dollars

Year	Total net assets								
	Consumer	Financial	Health	Natural resources	Precious metals	Real estate	Technology/ Telecom	Utilities	Other sectors
2000	\$1,042	\$16,087	\$45,921	\$2,885	\$1,143	\$11,675	\$103,853	\$22,908	\$3,917
2001	1,290	13,901	40,545	2,355	1,314	13,509	62,302	17,744	2,940
2002	1,096	10,885	30,087	2,175	2,486	17,744	31,275	11,275	2,082
2003	1,436	13,138	36,803	3,237	4,227	31,652	46,922	13,481	2,412
2004	1,631	12,917	40,147	5,789	4,270	49,925	42,403	19,201	2,974
2005	1,405	11,837	45,398	11,972	7,003	59,158	34,366	28,390	3,189
2006	1,928	12,269	44,744	14,588	9,875	81,329	32,879	34,589	3,950
2007	2,147	8,518	43,967	22,050	12,066	53,738	34,169	45,669	4,826
2008	1,776	4,857	31,337	9,907	7,836	33,503	16,331	23,229	1,766
2009	2,439	5,941	32,440	17,380	14,901	44,126	27,610	30,309	2,986
2010	3,113	6,286	32,507	22,714	23,065	55,120	30,738	33,332	4,597
2011	3,546	4,548	35,884	20,797	17,102	60,155	26,680	34,785	3,906
2012	4,675	5,901	44,105	21,712	15,338	75,340	28,570	35,400	5,001
2013	6,431	9,285	74,767	30,696	6,811	77,363	41,486	40,149	8,173
2014	7,017	9,415	103,447	36,630	6,019	104,288	45,358	41,556	8,969
2015	9,514	10,222	124,538	28,988	4,487	101,459	47,088	32,516	7,006
2016	8,962	12,025	93,121	39,256	6,882	105,701	46,956	38,543	8,014
2017	8,946	14,099	104,465	37,720	7,277	111,353	62,450	35,539	9,727
2018	7,925	10,600	101,961	29,472	3,780	94,209	57,421	29,000	6,633
2019	9,354	10,816	116,209	28,880	5,368	115,765	80,264	32,202	7,722
2020	11,230	8,692	135,174	17,651	7,242	105,174	115,462	26,535	7,134

Year	Net new cash flow*								
	Consumer	Financial	Health	Natural resources	Precious metals	Real estate	Technology/ Telecom	Utilities	Other sectors
2000	-\$122	-\$534	\$9,256	\$248	-\$214	\$339	\$43,837	\$1,201	-\$187
2001	254	-962	236	-169	-29	429	-4,466	-953	-198
2002	11	-1,603	-2,895	-73	484	3,612	-6,207	-2,076	-288
2003	9	-940	-767	336	447	5,177	65	-292	-145
2004	3	-1,535	-387	1,435	398	7,048	-6,165	1,571	148
2005	-209	-1,586	836	3,471	1,027	3,000	-8,541	3,311	121
2006	29	-1,017	-4,137	769	736	4,395	-4,452	556	-49
2007	94	-2,617	-3,378	1,662	-152	-15,282	-2,742	1,992	257
2008	209	96	-3,026	-206	769	1,791	-3,865	-3,412	-488
2009	82	-457	-3,163	1,764	2,253	492	1,768	250	386
2010	101	-626	-2,407	1,493	2,330	1,746	-1,391	-848	724
2011	262	-885	478	1,152	-1,359	1,018	-2,346	701	-286
2012	544	56	1,385	460	112	4,490	-1,515	-1,994	173
2013	794	859	8,582	5,451	-1,433	315	1,972	-1,409	977
2014	47	-256	7,645	5,776	-166	5,279	85	3,783	91
2015	2,235	978	11,007	-688	-37	-4,552	288	-2,585	-1,510
2016	-913	49	-17,602	3,053	325	-771	-3,953	-1,155	154
2017	-1,481	208	-8,496	-2,489	-108	-6,603	-932	-5,234	74
2018	-429	-1,311	-4,071	-2,972	-505	-11,439	-2,858	-4,043	-1,411
2019	-657	-2,471	-10,306	-3,811	87	-3,303	-1,659	-2,446	-461
2020	-588	-1,532	-3,743	-4,349	581	-4,182	-1,326	-2,580	-867

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

Note: Sector funds are funds that invest solely in companies that operate in related fields or specific industries. Data for funds that invest primarily in other mutual funds were excluded from the series.

TABLE 55

Sector Mutual Funds: Number of Funds and Number of Share Classes by Type of Fund

Year-end

Year	Number of funds								
	Consumer	Financial	Health	Natural resources	Precious metals	Real estate	Technology/ Telecom	Utilities	Other sectors
2000	7	34	38	17	12	74	132	34	16
2001	9	41	57	16	11	75	152	40	17
2002	12	42	63	14	12	79	143	35	19
2003	11	38	58	15	12	91	123	33	19
2004	14	40	59	16	12	94	114	34	20
2005	14	41	53	17	12	93	103	32	19
2006	18	40	57	19	13	97	107	38	23
2007	19	40	52	19	12	96	98	39	25
2008	19	38	48	20	12	92	88	41	22
2009	19	36	41	19	12	90	79	37	23
2010	19	35	38	20	12	87	74	35	21
2011	19	32	34	24	11	83	69	33	21
2012	20	33	35	26	12	84	66	36	24
2013	19	32	35	30	12	87	68	41	24
2014	19	31	34	34	12	87	67	37	24
2015	19	31	34	42	12	90	67	39	24
2016	19	30	34	42	12	89	67	39	23
2017	20	30	34	44	11	89	67	38	23
2018	20	31	37	47	11	89	71	39	23
2019	20	31	39	38	12	86	71	37	23
2020	18	30	38	36	11	83	67	34	27

Year	Number of share classes								
	Consumer	Financial	Health	Natural resources	Precious metals	Real estate	Technology/ Telecom	Utilities	Other sectors
2000	12	73	91	29	20	151	283	75	23
2001	17	88	145	28	22	156	345	89	25
2002	22	92	171	25	25	171	345	91	28
2003	19	85	155	32	27	213	288	88	28
2004	27	92	159	33	28	237	277	91	29
2005	26	95	137	37	28	240	259	94	27
2006	33	93	147	40	31	246	265	107	37
2007	41	95	132	46	35	252	248	113	42
2008	42	91	124	51	38	246	218	116	33
2009	42	80	101	49	38	246	199	104	41
2010	42	79	97	53	39	246	190	96	36
2011	43	72	80	70	34	238	184	89	36
2012	47	73	83	80	37	241	182	100	43
2013	41	72	83	92	35	256	188	109	44
2014	41	70	80	101	35	266	181	96	40
2015	39	70	80	135	35	281	180	101	39
2016	37	72	79	136	33	275	178	101	36
2017	39	74	78	141	31	271	181	101	36
2018	39	78	86	149	33	272	189	102	37
2019	41	79	101	128	37	270	191	97	39
2020	37	74	98	119	32	259	183	86	47

Note: Sector funds invest solely in companies that operate in related fields or specific industries. Data for funds that invest primarily in other mutual funds were excluded from the series.

TABLE 56

Target Date and Lifestyle Mutual Funds:¹ Total Net Assets, Net New Cash Flow, Number of Funds, and Number of Share Classes

Year	Total net assets Millions of dollars, year-end			Net new cash flow ² Millions of dollars, annual			Number of funds Year-end			Number of share classes Year-end		
	Total	Target date ³	Lifestyle ⁴	Total	Target date ³	Lifestyle ⁴	Total	Target date ³	Lifestyle ⁴	Total	Target date ³	Lifestyle ⁴
1997	\$14,314	\$1,133	\$13,181	\$4,138	\$128	\$4,010	77	9	68	141	14	127
1998	25,413	4,158	21,255	6,013	1,097	4,916	110	14	96	199	20	179
1999	34,753	6,492	28,261	4,927	1,318	3,609	130	16	114	239	26	213
2000	39,716	8,215	31,501	7,583	3,553	4,030	146	21	125	279	36	243
2001	45,467	11,761	33,706	7,696	3,884	3,812	147	22	125	351	67	284
2002	49,425	14,433	34,992	8,095	3,768	4,327	171	22	149	431	67	364
2003	81,733	25,374	56,359	19,040	7,252	11,788	192	42	150	499	105	394
2004	129,170	43,135	86,035	28,336	12,851	15,485	241	81	160	740	248	492
2005	202,062	70,476	131,585	57,182	22,122	35,059	325	124	201	1,131	449	682
2006	303,656	113,807	189,849	66,805	33,101	33,704	423	181	242	1,562	770	792
2007	420,912	182,973	237,939	91,919	56,211	35,708	495	246	249	1,834	1,038	796
2008	335,491	159,900	175,591	54,444	41,917	12,527	614	339	275	2,217	1,369	848
2009	486,605	255,655	230,950	52,116	43,441	8,674	644	380	264	2,353	1,516	837
2010	603,991	339,836	264,155	48,609	44,425	4,184	639	378	261	2,330	1,494	836
2011	637,927	375,881	262,046	40,468	41,552	-1,084	677	413	264	2,491	1,623	868
2012	773,388	480,800	292,588	50,272	52,932	-2,660	683	429	254	2,601	1,753	848
2013	976,850	618,061	358,789	55,255	52,941	2,314	763	492	271	2,934	2,034	900
2014	1,098,026	702,702	395,324	41,671	44,588	-2,918	816	542	274	3,086	2,176	910
2015	1,135,315	762,789	372,526	52,766	66,349	-13,582	869	599	270	3,266	2,353	913
2016	1,258,736	886,686	372,050	41,159	64,929	-23,770	913	641	272	3,393	2,469	924
2017	1,513,952	1,115,766	398,186	38,362	67,581	-29,219	885	632	253	3,391	2,505	886
2018	1,448,422	1,100,889	347,533	22,034	53,140	-31,106	934	685	249	3,676	2,811	865
2019	1,777,778	1,395,554	382,224	29,376	57,560	-28,184	918	679	239	3,613	2,791	822
2020	1,985,220	1,586,832	398,388	-35,868	-7,486	-28,383	871	633	238	3,415	2,618	797

¹ Categories include data for funds that invest primarily in other funds.

² Net new cash flow is the dollar value of new sales minus redemptions, combined with net exchanges.

³ A target date fund is designed to satisfy investors' investment objective by a particular target date, which is usually included in the name of the fund. These funds invest in a mix of asset classes and typically rebalance their portfolios to become more conservative and income producing as the fund approaches and passes its target date.

⁴ A lifestyle fund maintains a predetermined risk level and generally uses words such as "conservative," "moderate," or "aggressive" in its name to indicate its risk level.
Note: Components may not add to the total because of rounding.

TABLE 57

Target Date and Lifestyle Mutual Funds:¹ Components of Net New Cash Flow²

Millions of dollars, annual

Year	Sales						Redemptions					
	New ³			Exchange ⁴			Regular ⁵			Exchange ⁶		
	Total	Target date ⁷	Lifestyle ⁸	Total	Target date ⁷	Lifestyle ⁸	Total	Target date ⁷	Lifestyle ⁸	Total	Target date ⁷	Lifestyle ⁸
1997	\$5,580	\$453	\$5,127	\$1,067	\$0	\$1,067	\$1,763	\$325	\$1,438	\$746	\$0	\$746
1998	8,853	1,175	7,679	2,782	1,335	1,448	3,557	589	2,968	2,066	823	1,243
1999	10,660	1,712	8,948	3,142	1,682	1,460	6,099	909	5,190	2,776	1,167	1,609
2000	15,032	3,796	11,236	4,620	2,530	2,089	8,296	1,306	6,990	3,772	1,467	2,305
2001	15,408	4,624	10,784	4,179	2,519	1,660	8,510	1,601	6,909	3,381	1,658	1,723
2002	18,235	5,171	13,064	3,691	2,288	1,403	10,901	2,180	8,721	2,930	1,511	1,419
2003	27,581	7,984	19,597	5,321	3,368	1,953	11,038	2,383	8,655	2,824	1,717	1,107
2004	41,670	16,261	25,409	8,713	5,398	3,315	17,571	6,113	11,458	4,477	2,696	1,781
2005	77,129	26,503	50,625	11,647	7,618	4,029	25,921	8,467	17,454	5,673	3,532	2,141
2006	89,517	39,781	49,736	17,113	11,123	5,990	31,240	12,448	18,792	8,586	5,356	3,230
2007	137,678	76,013	61,665	23,456	17,011	6,445	56,645	28,346	28,300	12,570	8,468	4,102
2008	127,548	78,570	48,978	22,099	16,120	5,979	73,889	38,397	35,492	21,314	14,376	6,938
2009	118,488	80,350	38,138	15,172	11,554	3,618	68,215	39,410	28,805	13,329	9,053	4,277
2010	149,987	107,631	42,356	20,606	16,623	3,983	104,959	67,392	37,567	17,025	12,437	4,588
2011	172,552	131,665	40,887	22,271	17,914	4,356	132,011	90,813	41,198	22,343	17,215	5,129
2012	182,816	143,661	39,155	19,667	15,988	3,680	133,104	92,090	41,014	19,107	14,626	4,481
2013	217,811	171,396	46,415	30,989	25,301	5,687	167,030	121,606	45,424	26,514	22,150	4,364
2014	240,323	186,214	54,109	33,593	28,093	5,500	187,366	129,061	58,306	44,879	40,658	4,221
2015	279,536	239,289	40,247	45,530	40,479	5,051	220,966	166,823	54,143	51,333	46,596	4,737
2016	279,449	241,381	38,068	35,211	30,891	4,320	230,522	169,536	60,986	42,979	37,806	5,172
2017	315,952	286,073	29,879	37,968	33,235	4,733	268,383	209,194	59,188	47,176	42,534	4,642
2018	337,849	309,638	28,211	47,688	42,895	4,792	302,072	243,092	58,980	61,431	56,301	5,130
2019	333,499	305,813	27,686	46,820	42,301	4,519	298,023	242,379	55,644	52,920	48,175	4,745
2020	349,249	316,700	32,549	56,201	50,264	5,937	369,172	309,576	59,595	72,146	64,873	7,273

¹ Categories include data for funds that invest primarily in other funds.² Net new cash flow is the dollar value of new sales minus redemptions, combined with net exchanges.³ New sales are the dollar value of new purchases of mutual fund shares. This does not include shares purchased through reinvestment of dividends in existing accounts.⁴ Exchange sales are the dollar value of mutual fund shares switched into funds within the same fund group.⁵ Regular redemptions are the dollar value of shareholder liquidation of mutual fund shares.⁶ Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into other funds within the same fund group.⁷ A target date fund is designed to satisfy investors' investment objective by a particular target date, which is usually included in the name of the fund. These funds invest in a mix of asset classes and typically rebalance their portfolios to become more conservative and income producing as the fund approaches and passes its target date.⁸ A lifestyle fund maintains a predetermined risk level and generally uses words such as "conservative," "moderate," or "aggressive" in its name to indicate its risk level.

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

TABLE 58

Variable Annuity Mutual Funds: Total Net Assets, Net New Cash Flow, and Number of Funds

Year	Total net assets Millions of dollars, year-end			Net new cash flow* Millions of dollars, annual			Number of funds Year-end			
	Total	Equity	Hybrid and bond	Total	Equity	Hybrid and bond	Total	Equity	Hybrid and bond	Money market
1997	\$473,331	\$364,286	\$92,571	\$40,468	\$33,743	\$6,316	937	535	323	79
1998	615,152	474,961	116,337	44,252	27,853	10,359	1,161	702	377	82
1999	818,712	656,759	128,221	38,580	30,747	-455	1,350	866	403	81
2000	816,766	652,387	131,341	48,465	58,318	-7,91	1,559	1,049	430	80
2001	741,998	558,512	138,731	21,374	4,755	7,931	1,735	1,238	408	89
2002	638,928	438,598	152,260	-1,066	-12,627	11,234	1,897	1,385	420	92
2003	837,408	619,012	182,744	29,735	34,966	6,919	1,885	1,362	435	88
2004	973,911	738,444	202,106	33,505	33,592	2,595	1,881	1,351	443	87
2005	1,072,894	822,105	217,090	16,404	13,254	4,450	1,882	1,356	443	83
2006	1,266,690	975,362	249,135	29,558	16,878	7,178	1,922	1,389	452	81
2007	1,397,953	1,052,793	292,437	31,640	1,631	22,758	1,895	1,364	453	78
2008	928,316	598,560	254,786	-6,398	-30,780	4,844	1,895	1,368	448	79
2009	1,185,798	791,759	336,742	9,756	-3,518	32,081	1,824	1,303	448	73
2010	1,338,575	886,358	403,664	-2,563	-25,434	32,582	1,773	1,256	447	70
2011	1,297,419	799,921	448,654	-21,463	-48,327	26,756	1,732	1,220	449	63
2012	1,439,798	875,004	520,862	-31,892	-55,367	28,607	1,724	1,195	469	60
2013	1,667,318	1,050,470	577,056	-53,809	-61,392	10,221	1,733	1,180	496	57
2014	1,708,123	1,065,125	605,874	-67,157	-58,536	-5,957	1,729	1,150	523	56
2015	1,634,720	1,006,454	589,223	-65,126	-53,813	-13,119	1,705	1,126	526	53
2016	1,672,238	1,027,850	608,496	-81,164	-64,863	-13,981	1,681	1,102	536	43
2017	1,824,948	1,156,194	636,558	-116,232	-89,780	-22,585	1,678	1,093	542	43
2018	1,628,762	1,001,126	589,330	-118,734	-87,338	-37,078	1,729	1,129	558	42
2019	1,851,204	1,178,362	637,563	-128,440	-95,522	-29,277	1,721	1,114	565	42
2020	1,983,756	1,284,454	658,464	-128,516	-103,408	-30,491	1,647	1,067	540	40

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

Note: This category includes mutual funds offered through variable annuity and variable life insurance contracts. Data for funds that invest primarily in other mutual funds were excluded from the series. Components may not add to the total because of rounding.

TABLE 59
Variable Annuity Mutual Funds: Components of Net New Cash Flow¹
 Millions of dollars, annual

Year	Sales						Redemptions									
	New ²			Exchange ³			Regular ⁴			Exchange ⁵						
	Total	Equity	Hybrid and bond	Money market	Total	Equity	Hybrid and bond	Money market	Total	Equity	Hybrid and bond	Money market				
1997	\$105,219	\$67,005	\$15,290	\$22,923	\$24,210	\$13,017	\$2,348	\$8,846	\$65,375	\$33,408	\$9,905	\$22,061	\$23,586	\$12,871	\$1,417	\$9,298
1998	141,460	83,456	23,224	34,780	37,134	18,964	5,502	12,668	99,142	54,025	14,963	30,153	35,199	20,542	3,403	11,254
1999	212,005	130,891	22,002	59,112	40,818	22,080	2,985	15,753	174,368	100,372	22,268	51,728	39,875	21,853	3,174	14,849
2000	334,926	222,937	20,125	91,863	36,326	22,822	1,852	11,652	287,216	166,174	27,481	93,561	35,571	21,267	2,288	12,017
2001	346,078	197,776	33,674	114,628	31,716	15,928	5,185	10,604	325,797	191,027	27,582	107,189	30,623	17,922	3,346	9,356
2002	342,105	183,693	48,156	110,256	34,171	16,428	7,160	10,583	343,917	194,173	38,802	110,942	33,425	18,574	5,281	9,570
2003	282,544	169,038	54,378	59,128	28,791	15,307	5,944	7,541	253,156	136,059	46,629	70,468	28,444	13,320	6,774	8,351
2004	261,716	170,082	46,592	45,042	26,407	14,397	5,711	6,300	228,278	136,344	44,382	47,552	26,340	14,543	5,325	6,472
2005	246,396	162,387	48,220	35,789	19,598	10,599	3,403	5,595	230,118	148,067	44,472	37,579	19,472	11,666	2,702	5,105
2006	280,053	191,694	51,513	36,846	22,318	10,823	3,425	8,070	250,470	173,262	44,348	32,859	22,344	12,376	3,412	6,555
2007	343,148	218,037	73,775	51,336	37,045	19,701	8,247	9,097	317,002	215,663	55,851	45,488	31,550	20,444	3,413	7,694
2008	379,879	197,960	93,750	88,169	25,445	11,112	5,114	9,220	389,907	227,288	90,474	72,145	21,816	12,564	3,546	5,706
2009	312,302	150,896	99,579	61,528	22,650	14,589	3,767	4,294	302,418	154,620	69,567	78,231	22,778	14,382	1,999	6,397
2010	337,225	164,907	139,353	32,964	17,325	6,755	6,742	3,828	339,535	188,579	108,555	42,401	17,578	8,517	4,959	4,102
2011	331,149	144,557	150,371	36,221	16,262	6,816	6,865	2,582	352,624	189,860	125,864	36,900	16,251	9,840	4,616	1,795
2012	309,793	128,108	153,110	28,576	14,231	10,720	2,102	1,410	340,829	181,579	125,427	33,824	15,087	12,616	1,178	1,293
2013	296,779	142,686	123,346	30,748	23,171	14,353	5,960	2,859	348,940	201,508	112,565	34,867	24,819	16,922	6,520	1,377
2014	257,643	132,904	96,537	28,202	9,559	4,669	1,574	3,316	324,217	189,773	103,400	31,044	10,142	6,335	668	3,139
2015	267,129	137,141	97,627	32,361	16,398	6,576	6,187	3,635	332,646	190,532	111,026	31,089	16,007	6,998	5,907	3,102
2016	268,863	124,422	111,350	33,090	12,088	4,949	3,995	3,145	350,512	187,786	126,687	36,040	11,603	6,448	2,640	2,515
2017	203,105	109,667	64,526	28,912	13,401	7,210	2,936	3,256	319,440	197,914	88,680	32,846	13,298	8,743	1,367	3,189
2018	232,468	124,339	70,787	37,343	18,629	10,921	3,683	4,026	351,123	210,460	108,078	32,586	18,707	12,137	3,469	3,102
2019	213,372	105,716	73,628	34,029	11,534	6,458	2,357	2,719	341,096	198,885	104,069	38,143	12,250	8,812	1,193	2,245
2020	366,332	145,052	170,434	50,846	12,032	5,740	3,185	3,107	494,905	245,069	202,667	47,169	11,974	9,131	1,443	1,401

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

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

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

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

⁵ Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into other funds within the same fund group.

Note: This category includes mutual funds offered through variable annuity and variable life insurance contracts. Data for funds that invest primarily in other mutual funds were excluded from the series. Components may not add to the total because of rounding.

TABLE 60

Mutual Funds: Total Net Assets Held in Individual and Institutional Accounts

Millions of dollars, year-end

Year	Total	Equity funds	Hybrid funds	Bond funds	Money market funds
Total					
2003	\$7,398,752	\$3,652,839	\$447,530	\$1,258,989	\$2,039,393
2004	8,093,274	4,342,123	552,250	1,297,200	1,901,700
2005	8,888,704	4,884,874	621,477	1,355,533	2,026,820
2006	10,395,237	5,831,591	731,503	1,493,693	2,338,451
2007	11,995,194	6,412,592	821,474	1,675,628	3,085,500
2008	9,618,691	3,654,545	562,262	1,569,652	3,832,232
2009	11,108,970	4,871,520	717,580	2,203,977	3,315,893
2010	11,831,058	5,596,172	842,198	2,589,174	2,803,514
2011	11,630,371	5,212,786	883,980	2,842,683	2,690,921
2012	13,053,590	5,938,757	1,032,462	3,389,202	2,693,169
2013	15,048,935	7,762,556	1,284,695	3,283,876	2,717,808
2014	15,876,621	8,313,989	1,379,201	3,458,790	2,724,641
2015	15,657,868	8,149,607	1,341,466	3,412,051	2,754,743
2016	16,353,457	8,577,266	1,399,866	3,648,187	2,728,137
2017	18,764,840	10,305,152	1,547,046	4,065,338	2,847,304
2018	17,709,528	9,227,508	1,383,964	4,061,017	3,037,039
2019	21,291,051	11,375,640	1,579,084	4,704,326	3,632,000
2020	23,895,836	12,728,439	1,620,042	5,214,074	4,333,280
Individual accounts					
2003	\$6,550,988	\$3,463,087	\$435,096	\$1,166,076	\$1,486,729
2004	7,201,792	4,093,108	536,248	1,203,913	1,368,522
2005	7,800,523	4,576,081	600,435	1,233,422	1,390,585
2006	9,095,808	5,436,665	704,116	1,356,239	1,598,787
2007	10,388,177	5,985,978	792,338	1,518,062	2,091,800
2008	7,866,094	3,405,816	544,230	1,425,187	2,490,860
2009	9,292,487	4,503,071	693,742	2,007,495	2,088,180
2010	10,063,200	5,132,817	808,656	2,338,152	1,783,575
2011	9,937,535	4,780,239	845,147	2,578,064	1,734,085
2012	11,241,291	5,450,563	990,241	3,066,675	1,733,812
2013	13,065,406	7,156,868	1,226,873	2,954,976	1,726,689
2014	13,760,926	7,652,782	1,319,191	3,105,100	1,683,853
2015	13,525,711	7,484,368	1,283,710	3,055,443	1,702,190
2016	14,188,277	7,884,433	1,341,319	3,273,507	1,689,018
2017	16,335,789	9,462,799	1,483,197	3,635,869	1,753,925
2018	15,383,864	8,468,297	1,329,501	3,650,623	1,935,442
2019	18,597,669	10,471,894	1,522,059	4,258,458	2,345,258
2020 ^p	20,765,094	11,754,936	1,564,843	4,739,420	2,705,895
Institutional accounts*					
2003	\$847,764	\$189,752	\$12,435	\$92,913	\$552,664
2004	891,482	249,015	16,002	93,287	533,178
2005	1,088,181	308,793	21,042	122,111	636,235
2006	1,299,429	394,925	27,386	137,454	739,664
2007	1,607,017	426,614	29,136	157,567	993,700
2008	1,752,597	248,729	18,031	144,465	1,341,372
2009	1,816,483	368,449	23,839	196,482	1,227,714
2010	1,767,858	463,355	33,542	251,021	1,019,939
2011	1,692,836	432,548	38,832	264,619	956,837
2012	1,812,299	488,193	42,221	322,527	959,357
2013	1,983,529	605,688	57,822	328,900	991,119
2014	2,115,695	661,206	60,010	353,690	1,040,788
2015	2,132,157	665,239	57,756	356,608	1,052,554
2016	2,165,180	692,833	58,547	374,680	1,039,120
2017	2,429,050	842,353	63,849	429,469	1,093,379
2018	2,325,664	759,211	54,463	410,394	1,101,597
2019	2,693,382	903,747	57,025	445,868	1,286,742
2020 ^p	3,130,743	973,503	55,199	474,655	1,627,386

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

^p Data are preliminary.

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

TABLE 61

Mutual Funds: Total Net Assets of Institutional Investors by Type of Institution and Type of Fund

Millions of dollars, year-end

Year		Total	Business corporations	Financial institutions ¹	Nonprofit organizations	Other ²
2010	Total	\$1,767,857	\$740,811	\$515,903	\$153,296	\$357,847
	Equity	463,355	120,797	108,785	49,035	184,738
	Hybrid	33,542	10,953	10,186	4,262	8,142
	Bond	251,021	53,920	54,883	33,426	108,791
	Money market	1,019,939	555,140	342,048	66,574	56,177
2011	Total	1,692,836	681,722	488,485	146,362	376,267
	Equity	432,548	102,056	95,442	45,288	189,761
	Hybrid	38,832	12,042	11,390	4,795	10,606
	Bond	264,619	51,793	57,984	36,221	118,621
	Money market	956,837	515,830	323,670	60,058	57,278
2012	Total	1,812,299	684,193	519,412	152,243	456,462
	Equity	488,193	108,749	98,567	51,677	229,212
	Hybrid	42,221	11,235	13,949	5,186	11,851
	Bond	322,527	59,297	68,777	40,304	154,149
	Money market	959,357	504,912	338,120	55,074	61,251
2013	Total	1,983,529	745,302	548,911	165,777	523,539
	Equity	605,688	135,707	121,573	64,253	284,156
	Hybrid	57,822	15,135	17,240	7,431	18,015
	Bond	328,900	58,967	70,699	35,563	163,670
	Money market	991,120	535,492	339,399	58,530	57,698
2014	Total	2,115,695	799,799	579,919	180,942	555,035
	Equity	661,206	157,549	125,520	65,481	312,656
	Hybrid	60,010	15,821	18,065	7,170	18,955
	Bond	353,690	69,078	79,370	39,071	166,171
	Money market	1,040,788	557,351	356,964	69,220	57,253
2015	Total	2,132,157	824,542	578,993	183,050	545,571
	Equity	665,239	159,408	127,776	62,521	315,534
	Hybrid	57,756	16,613	19,185	7,621	14,336
	Bond	356,608	72,159	86,100	38,294	160,054
	Money market	1,052,554	576,361	345,932	74,614	55,647
2016	Total	2,165,180	719,866	660,524	196,160	588,631
	Equity	692,833	162,501	129,491	61,827	339,015
	Hybrid	58,547	15,510	19,635	8,400	15,001
	Bond	374,680	78,008	90,439	40,098	166,136
	Money market	1,039,120	463,847	420,959	85,835	68,479
2017	Total	2,429,050	800,478	745,214	211,528	671,831
	Equity	842,353	198,320	169,611	72,736	401,686
	Hybrid	63,849	16,566	21,400	9,630	16,252
	Bond	429,469	86,116	119,634	42,133	181,586
	Money market	1,093,379	499,476	434,568	87,028	72,307
2018	Total	2,325,664	736,035	790,540	216,055	583,034
	Equity	759,211	176,704	161,144	66,497	354,867
	Hybrid	54,463	12,008	19,046	9,160	14,248
	Bond	410,394	81,210	121,014	43,687	164,483
	Money market	1,101,597	466,114	489,336	96,711	49,436
2019	Total	2,693,382	884,748	894,971	275,156	638,507
	Equity	903,747	220,580	198,560	96,127	388,480
	Hybrid	57,025	12,868	18,789	10,898	14,470
	Bond	445,868	92,997	136,384	54,074	162,413
	Money market	1,286,742	558,303	541,239	114,056	73,144
2020 ^p	Total	3,130,743	1,054,279	1,146,491	321,039	608,933
	Equity	973,503	259,848	243,611	106,904	363,140
	Hybrid	55,199	13,012	18,362	12,110	11,716
	Bond	474,655	103,564	162,865	61,155	147,070
	Money market	1,627,386	677,856	721,653	140,871	87,006

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

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

^p Data are preliminary.

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

TABLE 62

Taxable Money Market Funds: Total Net Assets of Institutional Investors by Type of Institution and Type of Fund

Millions of dollars, year-end

Year		Total	Business corporations	Financial institutions ¹	Nonprofit organizations	Other ²
2003	Total	\$515,134	\$270,469	\$194,252	\$32,211	\$18,202
	Institutional funds	428,443	220,562	173,539	22,473	11,870
	Retail funds	86,691	49,907	20,713	9,738	6,333
2004	Total	486,612	277,235	161,810	28,909	18,659
	Institutional funds	406,634	228,594	146,520	18,934	12,586
	Retail funds	79,979	48,641	15,290	9,975	6,073
2005	Total	578,538	322,944	197,002	32,896	25,696
	Institutional funds	485,039	270,892	172,215	23,666	18,266
	Retail funds	93,499	52,052	24,788	9,229	7,430
2006	Total	677,610	388,596	221,779	37,856	29,379
	Institutional funds	581,580	324,089	208,179	26,698	22,613
	Retail funds	96,030	64,507	13,600	11,158	6,766
2007	Total	916,501	514,367	294,432	57,470	50,232
	Institutional funds	804,418	444,130	273,626	43,408	43,254
	Retail funds	112,082	70,237	20,806	14,062	6,977
2008	Total	1,253,699	736,035	377,962	74,803	64,899
	Institutional funds	1,129,758	659,901	350,944	60,631	58,281
	Retail funds	123,941	76,134	27,018	14,171	6,618
2009	Total	1,150,656	668,516	356,992	68,124	57,025
	Institutional funds	1,052,584	606,631	336,161	57,764	52,029
	Retail funds	98,072	61,885	20,831	10,360	4,996
2010	Total	961,045	513,038	328,890	65,252	53,865
	Institutional funds	872,602	459,592	307,203	56,442	49,365
	Retail funds	88,443	53,446	21,687	8,809	4,500
2011	Total	909,996	481,122	314,508	58,686	55,680
	Institutional funds	822,855	428,513	292,479	50,999	50,864
	Retail funds	87,141	52,610	22,029	7,687	4,815
2012	Total	911,741	468,745	328,348	53,961	60,686
	Institutional funds	835,786	422,874	309,051	47,368	56,492
	Retail funds	75,955	45,871	19,297	6,593	4,194
2013	Total	946,812	500,390	331,652	57,568	57,202
	Institutional funds	875,277	452,859	317,151	55,082	50,186
	Retail funds	71,535	47,531	14,501	2,486	7,017
2014	Total	997,505	522,774	350,393	67,706	56,632
	Institutional funds	928,544	476,948	336,690	65,017	49,889
	Retail funds	68,961	45,826	13,703	2,689	6,743
2015	Total	1,010,203	542,704	339,108	73,426	54,965
	Institutional funds	944,012	499,770	326,717	70,402	47,124
	Retail funds	66,192	42,934	12,391	3,024	7,842
2016	Total	1,034,203	463,475	417,196	85,122	68,409
	Institutional funds	969,587	421,179	407,309	81,578	59,521
	Retail funds	64,617	42,296	9,888	3,545	8,888
2017	Total	1,089,761	499,171	432,063	86,323	72,204
	Institutional funds	1,026,576	457,035	423,287	82,819	63,436
	Retail funds	63,185	42,136	8,776	3,505	8,768
2018	Total	1,096,479	465,336	486,100	95,701	49,342
	Institutional funds	1,005,658	420,197	454,371	91,702	39,387
	Retail funds	90,821	45,139	31,728	4,000	9,954
2019	Total	1,280,924	557,001	537,818	113,088	73,017
	Institutional funds	1,194,120	514,723	509,390	109,173	60,834
	Retail funds	86,804	42,278	28,428	3,915	12,183
2020 ^p	Total	1,619,079	677,127	715,509	139,823	86,621
	Institutional funds	1,508,142	627,298	677,168	134,411	69,266
	Retail funds	110,937	49,828	38,341	5,412	17,355

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

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

^p Data are preliminary.

Note: Institutional funds are sold primarily to institutional investors or institutional accounts. This includes accounts that are purchased by an institution, such as a business, financial, or nonprofit organization. Retail funds are sold primarily to individual investors and include variable annuity mutual funds. Data for funds that invest in other mutual funds were excluded from the series. Components may not add to the total because of rounding.

TABLE 63

Mutual Funds: DC Plan Assets and Estimated Net New Cash Flow by Type of Fund

Billions of dollars

Year	Total net assets Year-end										Estimated net new cash flow Annual																			
	Equity funds					Bond funds					Equity funds					Hybrid funds					Bond funds					Money market funds				
	Total	Domestic	World	Hybrid funds	Money market funds	Total	Domestic	World	Hybrid funds	Money market funds	Total	Domestic	World	Hybrid funds	Money market funds	Total	Domestic	World	Hybrid funds	Money market funds	Total	Domestic	World	Hybrid funds	Money market funds					
1997	\$775	\$527	\$56	\$73	\$60	\$58	\$72	\$60	\$67	\$45	\$11	\$7	\$6	\$11	\$6	\$6	\$11	\$6	\$6	\$11	\$6	\$11	\$6	\$11	\$6					
1998	993	688	67	91	76	72	76	76	77	44	4	6	6	44	4	4	4	4	4	4	4	4	4	4	4					
1999	1,292	914	109	102	92	76	92	92	85	68	22	-1	2	44	8	8	8	8	8	8	8	8	8	8	8					
2000	1,283	884	115	108	96	80	80	96	90	39	2	12	39	19	18	18	18	18	18	18	18	18	18	18	18					
2001	1,225	788	96	118	119	104	119	119	77	26	6	7	7	26	6	6	6	6	6	6	6	6	6	6	6					
2002	1,100	630	85	114	132	139	132	132	50	37	7	13	13	37	7	7	7	7	7	7	7	7	7	7	7					
2003	1,421	865	124	154	122	155	122	122	72	40	21	22	22	40	21	21	21	21	21	21	21	21	21	21	21					
2004	1,654	1,015	172	194	110	163	110	110	95	13	27	45	45	13	27	27	27	27	27	27	27	27	27	27	27					
2005	1,876	1,104	229	253	112	178	112	112	91	-5	47	36	36	-5	47	47	47	47	47	47	47	47	47	47	47					
2006	2,218	1,245	334	324	124	192	124	124	93	-29	35	51	51	-29	35	35	35	35	35	35	35	35	35	35	35					
2007	2,486	1,297	421	400	152	217	152	152	32	-40	-15	30	30	-40	-15	-15	-15	-15	-15	-15	-15	-15	-15	-15	-15					
2008	1,703	753	222	306	198	224	198	198	41	-11	12	33	33	-11	12	12	12	12	12	12	12	12	12	12	12					
2009	2,187	980	321	425	170	290	170	170	35	-11	7	35	35	-11	7	7	7	7	7	7	7	7	7	7	7					
2010	2,501	1,128	369	518	146	341	146	146	18	-40	-2	38	38	-40	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2					
2011	2,467	1,067	320	553	154	373	154	154	36	-37	-3	39	39	-37	-3	-3	-3	-3	-3	-3	-3	-3	-3	-3	-3					
2012	2,841	1,208	376	663	154	440	154	154	57	14	26	37	37	14	26	26	26	26	26	26	26	26	26	26	26					
2013	3,467	1,616	476	807	149	418	149	149	17	-17	24	17	17	-17	24	24	24	24	24	24	24	24	24	24	24					
2014	3,694	1,756	490	872	140	437	140	140	-39	-66	25	23	23	-66	25	25	25	25	25	25	25	25	25	25	25					
2015	3,629	1,689	501	886	141	412	141	141	-59	-87	-5	31	31	-87	-5	-5	-5	-5	-5	-5	-5	-5	-5	-5	-5					
2016	3,841	1,774	513	985	130	440	130	130	-5	-88	30	25	25	-88	30	30	30	30	30	30	30	30	30	30	30					
2017	4,533	2,055	686	1,171	123	496	123	123	-64	-80	2	7	7	-80	2	2	2	2	2	2	2	2	2	2	2					
2018	4,176	1,852	591	1,107	133	493	133	133	-22	-99	-2	22	22	-99	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2					
2019	5,113	2,293	733	1,359	146	583	146	146	-231	-156	-90	-49	-49	-156	-90	-90	-90	-90	-90	-90	-90	-90	-90	-90	-90					
2020	5,665	2,582	763	1,487	182	650	182	182																						

(*) = between -\$500 million and \$500 million

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

TABLE 64

Mutual Funds: IRA Assets and Estimated Net New Cash Flow by Type of Fund

Billions of dollars

Year	Total net assets Year-end						Estimated net new cash flow Annual					
	Equity funds			Money market funds			Equity funds			Hybrid funds		
	Total	Domestic	World	Hybrid funds	Bond funds	Money market funds	Total	Domestic	World	Hybrid funds	Bond funds	Money market funds
1997	\$785	\$442	\$79	\$84	\$90	\$89	\$67	\$54	\$8	\$5	\$7	-\$6
1998	996	586	93	98	105	114	90	50	6	3	12	19
1999	1,272	796	137	102	106	131	65	53	2	-1	1	10
2000	1,262	780	135	103	107	136	64	68	14	-9	-6	-4
2001	1,202	698	111	109	131	153	69	33	-2	9	20	10
2002	1,088	547	93	110	174	164	56	3	(*)	10	34	9
2003	1,386	747	131	161	196	151	50	30	4	24	7	-15
2004	1,596	860	176	218	204	138	60	19	20	37	-1	-14
2005	1,780	931	231	263	210	144	64	3	24	34	2	1
2006	2,142	1,066	324	340	233	179	110	5	36	31	11	27
2007	2,435	1,124	410	408	269	224	124	-14	33	45	24	36
2008	1,692	652	220	288	259	273	-5	-44	-17	1	14	41
2009	2,114	832	307	372	374	229	24	-18	3	14	69	-44
2010	2,418	947	368	443	456	204	41	-18	11	26	47	-26
2011	2,409	893	313	494	496	213	24	-39	-11	45	21	9
2012	2,752	1,008	354	581	591	217	38	-32	-15	28	53	5
2013	3,322	1,356	444	715	577	230	90	23	24	44	-14	12
2014	3,524	1,477	456	788	584	219	20	-11	16	37	-11	-10
2015	3,493	1,457	461	784	575	216	4	-18	16	9	(*)	-3
2016	3,708	1,546	461	833	623	244	-35	-56	-17	-10	20	29
2017	4,279	1,795	601	940	703	240	-13	-68	16	-9	54	-5
2018	3,994	1,646	514	860	709	266	-55	-47	-8	-32	9	23
2019	4,820	2,050	624	1,001	830	315	(*)	-67	-16	-21	59	45
2020	5,454	2,305	759	1,062	937	391	-30	-141	26	-42	52	76

(*) = between -\$500 million and \$500 million

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

TABLE 65

Worldwide Regulated Open-End Funds: Total Net Assets

Millions of US dollars, year-end

	2015	2016	2017	2018	2019	2020
World	\$38,253,029	\$40,643,981	\$49,304,555	\$46,695,997	\$54,877,086	\$63,059,166
Americas	19,628,173	21,187,451	24,899,214	23,642,972	28,640,330	32,325,685
Argentina	16,435	20,189	29,213	15,902	13,796	22,366
Brazil	743,530	1,060,904	1,238,039	1,211,436	1,333,617	1,154,476
Canada	954,305	1,080,632	1,292,023	1,163,469	1,412,987	1,603,913
Chile	39,898	46,214	54,744	52,497	59,089	72,190
Costa Rica	2,533	2,297	2,446	2,119	2,610	3,177
Mexico	105,940	92,429	109,449	109,729	123,269	124,356
Trinidad and Tobago	6,983	6,781	7,426	7,131	7,697	N/A
United States	17,758,549	18,878,005	22,165,874	21,080,689	25,687,265	29,345,207
Europe	13,732,581	14,112,401	17,725,155	16,476,656	18,811,567	21,756,232
Austria	151,199	150,939	179,198	165,036	182,076	208,969
Belgium	92,115	84,294	109,190	96,260	107,366	118,989
Bulgaria	440	548	770	822	913	1,026
Croatia	1,975	2,571	2,982	2,977	3,409	2,960
Cyprus	N/A	248	1,581	2,803	3,578	4,172
Czech Republic	7,812	8,901	12,823	12,514	15,123	18,693
Denmark	111,509	116,910	145,837	138,232	151,253	177,180
Finland	88,351	93,757	110,998	100,005	110,191	126,968
France	1,832,073	1,880,335	2,313,588	2,074,766	2,202,190	2,536,411
Germany	1,799,754	1,893,722	2,312,051	2,198,505	2,488,705	2,904,419
Greece	4,292	4,111	5,390	4,744	6,328	7,051
Hungary	14,825	14,582	16,983	15,486	14,591	15,215
Ireland	2,052,437	2,197,533	2,873,630	2,772,568	3,424,577	4,079,118
Italy	207,867	203,384	260,385	236,504	239,513	259,836
Liechtenstein	44,938	45,624	54,674	50,871	60,130	67,216
Luxembourg	3,817,201	3,901,304	4,988,625	4,654,017	5,301,228	6,103,325
Malta	3,808	2,739	3,437	3,180	3,658	3,343
Netherlands	729,096	771,988	923,269	858,681	960,230	1,110,000
Norway	102,526	113,957	138,737	138,053	151,216	175,013
Poland	32,286	29,572	41,450	39,769	40,205	42,983

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TABLE 65 CONTINUED

Worldwide Regulated Open-End Funds: Total Net Assets

Millions of US dollars, year-end

	2015	2016	2017	2018	2019	2020
Portugal	14,685	13,149	15,361	13,572	14,839	18,047
Romania	5,038	5,072	5,827	4,726	5,263	4,941
Russia	1,383	2,099	3,207 ^a	N/A	N/A	N/A
Slovakia	6,202	6,205	7,889	7,563	8,329	9,612
Slovenia	2,448	2,528	3,106	2,750	3,279	3,848
Spain	274,715	280,826	351,307	324,856	340,883	370,066
Sweden	279,977	286,412	355,957	336,156	412,641	518,243
Switzerland	457,162	475,838	558,769	530,976	653,328	749,333
Turkey	12,887	12,277	13,185	7,407	17,294	17,699
United Kingdom	1,583,580	1,510,976	1,914,949	1,682,857	1,889,231	2,101,556
Asia and Pacific	4,770,207	5,198,307	6,498,424	6,421,374	7,247,743	8,791,436
Australia	1,545,426	1,791,800	2,149,932	1,941,424	2,192,564	2,463,434
China	1,263,130	1,227,540	1,688,981	1,768,597	1,890,624	2,655,130
Chinese Taipei	63,147	61,773	72,835	78,938	128,498	155,702
India	168,186	216,805	307,387	296,868	345,602	402,140
Japan	1,335,924	1,470,910	1,759,449	1,804,509	2,064,166	2,392,869
Korea, Rep. of	343,293	370,600	451,886	463,144	538,215	615,076
New Zealand	41,908	48,623	57,441	59,364	78,447	93,811
Pakistan	4,164	5,360	4,591	3,653	4,018	5,778
Philippines	5,029	4,896	5,922	4,877	5,609	7,496
Africa	122,068	145,822	181,762	154,995	177,446	185,813
South Africa	122,068	145,822	181,762	154,995	177,446	185,813

^a Year-end data are not available. Data are as of September.

N/A = not available

Note: Components may not add to the total because of rounding. Regulated open-end funds include mutual funds, exchange-traded funds (ETFs), and institutional funds. ETFs are included in Canada beginning in 2017 and China beginning in 2015. New Zealand and Trinidad and Tobago include home- and foreign-domiciled funds. Funds of funds are excluded except where noted. Croatia, Cyprus, France, India, Ireland, Luxembourg, Netherlands, Norway, Romania, Slovakia, Spain, and Turkey include funds of funds, but do not provide separate data on funds of funds.

Source: International Investment Funds Association (IIFA)

TABLE 66

Worldwide Regulated Open-End Funds: Number of Funds

Year-end

	2015	2016	2017	2018	2019	2020
World	106,066	110,127	113,234	118,278	122,558	126,457
Americas	25,001	25,698	26,570	27,714	28,733	31,044
Argentina	346	420	487	544	577	550
Brazil	8,783	9,224	9,774	10,257	11,099	12,905
Canada	3,046	3,089	3,169	3,404	3,524	4,312
Chile	2,500	2,539	2,673	2,726	2,820	2,827
Costa Rica	65	67	67	71	66	60
Mexico	499	524	553	575	553	550
Trinidad and Tobago	44	44	45	54	54	N/A
United States	9,718	9,791	9,802	10,083	10,040	9,840
Europe	53,212	53,513	54,842	56,001	56,955	57,753
Austria	1,596	1,575	1,580	1,603	1,554	1,600
Belgium	1,164	962	890	701	587	526
Bulgaria	104	110	116	123	121	118
Croatia	85	89	94	96	99	96
Cyprus	N/A	30	46	69	84	126
Czech Republic	128	129	147	159	170	177
Denmark	532	558	565	599	621	664
Finland	371	372	380	404	389	402
France	11,122	10,952	10,860	10,804	10,715	10,802
Germany	5,604	5,678	5,863	6,149	6,392	6,705
Greece	139	135	146	175	180	193
Hungary	316	306	306	298	286	287
Ireland	6,201	6,470	6,831	7,285	7,646	7,948
Italy	713	760	832	866	912	906
Liechtenstein	1,184	1,287	1,367	1,566	1,713	1,900
Luxembourg	14,108	14,211	14,728	14,898	14,808	14,590
Malta	130	126	140	142	128	122
Netherlands	1,015	1,014	991	931	962	967
Norway	700	720	754	865	1,047	836
Poland	391	423	428	440	511	561

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TABLE 66 CONTINUED

Worldwide Regulated Open-End Funds: Number of Funds

Year-end

	2015	2016	2017	2018	2019	2020
Portugal	171	152	131	136	134	132
Romania	74	75	74	78	81	81
Russia	340	296	284 ^a	N/A	N/A	N/A
Slovakia	88	87	87	86	94	90
Slovenia	109	102	98	98	98	80
Spain	2,238	2,342	2,332	2,584	2,651	2,657
Sweden	471	496	519	528	522	526
Switzerland	860	858	918	887	915	916
Turkey	387	396	387	398	401	566
United Kingdom	2,871	2,802	2,948	3,033	3,134	3,179
Asia and Pacific	26,526	29,396	30,196	32,996	35,260	35,974
Australia	N/A	N/A	N/A	N/A	N/A	N/A
China	2,558	3,564	4,361	4,957	5,683	6,770
Chinese Taipei	602	653	714	774	893	896
India	804	795	807	831	927	974
Japan	9,820	10,915	11,662	12,294	12,863	13,429
Korea, Rep. of	11,918	12,626	11,828	13,258	13,967	13,014
New Zealand	609	615	587	629	656	608
Pakistan	160	171	177	192	204	218
Philippines	55	57	60	61	67	65
Africa	1,327	1,520	1,626	1,567	1,610	1,686
South Africa	1,327	1,520	1,626	1,567	1,610	1,686

^a Year-end data are not available. Data are as of September.

N/A = not available

Note: Regulated open-end funds include mutual funds, exchange-traded funds (ETFs), and institutional funds. ETFs are included in Canada beginning in 2017 and China beginning in 2015. New Zealand and Trinidad and Tobago include home- and foreign-domiciled funds. Funds of funds are excluded except where noted. Croatia, Cyprus, France, India, Ireland, Luxembourg, Netherlands, Norway, Romania, Slovakia, Spain, and Turkey include funds of funds, but do not provide separate data on funds of funds.

Source: International Investment Funds Association (IIFA)

TABLE 67

Worldwide Regulated Open-End Funds: Net Sales

Millions of US dollars, annual

	2015	2016	2017	2018	2019	2020
World	\$1,992,140	\$1,220,305	\$2,720,386	\$1,053,707	\$2,169,643	\$2,637,724
Americas	469,957	393,313	1,093,825	508,256	1,243,177	1,106,643
Argentina	4,421	3,248	7,018	-1,641	-2,799	14,907
Brazil	13,531	33,568	86,648	22,893	51,230	27,293
Canada	95,126	65,000	84,526	53,699	66,204	88,089
Chile	983	3,269	3,422	5,618	9,145	1,077
Costa Rica	427	-511 ^a	N/A	N/A	N/A	N/A
Mexico	-1,226	782	5,612	-1,706	3,012	1,146
Trinidad and Tobago	-23	17	10	37	234	N/A
United States	356,718	287,940	906,589	429,356	1,116,151	974,131
Europe	738,833	476,007	1,013,035	305,327	542,595	747,278
Austria	3,198	-370	3,510	256	4,302	6,511
Belgium	N/A	N/A	N/A	N/A	N/A	N/A
Bulgaria	(*)	112	116	60	89	28
Croatia	249	1,295	-1,969	128	302	-711
Cyprus	N/A	45	80	1,293	263	149
Czech Republic	1,426	1,170	1,417	924	1,641	589
Denmark	5,945	7,362	5,467	6,719	2,911	9,591
Finland	7,888	3,437	2,306	-2,989	-419	1,704
France	24,945	31,991	51,883	-18,345	-39,948	84,008
Germany	149,783	108,464	112,770	107,852	110,983	117,600
Greece	-444	-242	-73	-88	583	107
Hungary	226	-715	-41	8	-1,031	349
Ireland	127,605	154,311	335,902	113,484	317,248	272,045
Italy	11,339	9,908	22,900	3,357	-9,768	-2,499
Liechtenstein	993	-448	2,682	1,172	3,991	1,537
Luxembourg	331,873	110,662	348,648	113,193	148,719	173,565
Malta	-267	-568	152	76	130	-81
Netherlands	-5,826	13,004	-2,340	-19,986	-39,780	29,765
Norway	1,733	4,639	9,399	3,994	5,414	5,766
Poland	465	-1,656	3,467	458	839	477

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TABLE 67 CONTINUED

Worldwide Regulated Open-End Funds: Net Sales

Millions of US dollars, annual

	2015	2016	2017	2018	2019	2020
Portugal	-94	-844	255	-1,054	782	1,347
Romania	378	80	59	-888	454	-747
Russia	35	238	917 ^b	N/A	N/A	N/A
Slovakia	420	104	622	260	354	320
Slovenia	86	15	41	-9	87	179
Spain	26,866	15,728	23,479	10,072	1,795	1,523
Sweden	8,136	2,317	9,385	6,086	11,978	8,284
Switzerland	31,736	17,466	20,418	15,171	38,476	20,787
Turkey	-160	748	395	-2,409	7,762	-142
United Kingdom	10,299	-2,246	61,188	-33,468	-25,562	15,227
Asia and Pacific	775,461	339,954	603,409	233,252	375,271	771,176
Australia	N/A	N/A	N/A	N/A	N/A	N/A
China	467,137	122,744	395,965	8,545	140,251	566,560
Chinese Taipei	7,124	-3,597	-503	11,770	32,589	8,270
India	33,195	42,892	40,465	18,051	33,177	29,031
Japan	235,590	138,354	157,018	158,912	99,329	149,127
Korea, Rep. of	29,190	35,337	6,336	32,912	65,188	10,250
New Zealand	2,966	3,839	3,104	3,706	3,841	5,126
Pakistan	-68	264	536	-182	558	1,602
Philippines	327	121	488	-462	338	1,210
Africa	7,889	11,031	10,117	6,872	8,600	12,627
South Africa	7,889	11,031	10,117	6,872	8,600	12,627

^a Data are only for October through December.^b Data are only for January through September.

(*) = between -\$0.5 million and \$0.5 million

N/A = not available

Note: Net sales is a calculation of total sales minus total redemptions plus net exchanges. Components may not add to the total because of rounding. Regulated open-end funds include mutual funds, exchange-traded funds (ETFs), and institutional funds. ETFs are included in Canada beginning in 2017 and China beginning in 2015. New Zealand and Trinidad and Tobago include home- and foreign-domiciled funds. Funds of funds are excluded except where noted. Croatia, Cyprus, France, India, Ireland, Luxembourg, Netherlands, Norway, Romania, Slovakia, Spain, and Turkey include funds of funds, but do not provide separate data on funds of funds.

Source: International Investment Funds Association (IIFA)



Appendix A

How US-Registered Investment Companies Operate and the Core Principles Underlying Their Regulation

The Origins of Pooled Investing

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

The emergence of “investment pooling” in England in the 1800s brought the concept closer to US shores. In 1868, the Foreign and Colonial Government Trust formed in London. This trust resembled the US fund model in basic structure, providing “the investor of moderate means the same advantages as the large capitalists...by spreading the investment over a number of different stocks.”

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

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

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



Four Principal Securities Laws Govern Investment Companies

The Investment Company Act of 1940

Regulates the structure and operations of investment companies through a combination of registration and disclosure requirements and restrictions on day-to-day operations. The Investment Company Act requires the registration of all investment companies with more than 100 investors. Among other things, the act addresses investment company capital structures, custody of assets, investment activities (particularly with respect to transactions with affiliates and other transactions involving potential conflicts of interest), and the duties of fund boards.

The Investment Advisers Act of 1940

Regulates investment advisers. Requires all advisers to registered investment companies and other large advisers to register with the Securities and Exchange Commission (SEC). The Advisers Act contains provisions requiring fund advisers to meet recordkeeping, custodial, reporting, and other regulatory responsibilities.

The Securities Exchange Act of 1934

Regulates the trading, purchase, and sale of securities, including investment company shares. The 1934 Act also regulates broker-dealers, including investment company principal underwriters and others that sell investment company shares, and requires them to register with the SEC. In 1938, the act was revised to add Section 15A, which authorized the SEC to create self-regulatory organizations. Pursuant to this authority, in 1939 a self-regulatory organization for broker-dealers—which is now known as the Financial Industry Regulatory Authority (FINRA)—was created. Through its rules, inspections, and enforcement activities, FINRA, with oversight by the SEC, continues to regulate the conduct of broker-dealers, thereby adding another layer of protection for investors.

The Securities Act of 1933

Requires the registration of public offerings of securities—including investment company shares—and regulates such offerings. The 1933 Act also requires that all investors receive a current prospectus describing the fund.

The Types of US Investment Companies

Fund sponsors in the United States offer four main types of registered investment companies: mutual funds, closed-end funds, exchange-traded funds (ETFs), and unit investment trusts (UITs).

The majority of investment companies are **mutual funds**, both in terms of number of funds and assets under management. Mutual funds can have actively managed portfolios, in which a professional investment adviser creates a unique mix of investments to meet a particular investment objective, or passively managed portfolios, in which the adviser seeks to track the performance of a selected benchmark or index. One hallmark of mutual funds is that they issue redeemable securities, meaning that the fund stands ready to buy back its shares at their next computed net asset value (NAV). The NAV is calculated by dividing the total market value of the fund's assets, minus its liabilities, by the number of mutual fund shares outstanding.

Money market funds are one type of mutual fund. They offer investors a variety of features, including liquidity, a market-based rate of return, and the goal of returning principal, all at a reasonable cost. These funds, which are typically publicly offered to all types of investors, are registered investment companies that are regulated by the Securities and Exchange Commission (SEC) under US federal securities laws, including Rule 2a-7 under the Investment Company Act. That rule contains numerous risk-limiting conditions concerning portfolio maturity, quality, diversification, and liquidity. Since October 2016, institutional prime money market funds (funds that primarily invest in corporate debt securities) and institutional municipal money market funds maintain a floating NAV for transactions based on the current market value of the securities in their portfolios. Government money market funds and retail money market funds (funds designed to limit all beneficial owners of the funds to natural persons) are allowed to use the amortized cost method of pricing or penny rounding—or both—to seek to maintain a stable share price. Money market funds' boards of directors also have the ability to impose liquidity fees or to suspend redemptions temporarily if a fund's level of weekly liquid assets falls below a certain threshold.

Unlike mutual funds, **closed-end funds** do not issue redeemable shares.* Instead, they issue a fixed number of shares that trade intraday on stock exchanges at market-determined prices. Investors in a closed-end fund buy or sell shares through a broker, just as they would trade the shares of any publicly traded company. For more information on closed-end funds, see chapter 5.

ETFs are a hybrid of investment companies. They are structured and legally classified as open-end management investment companies or UITs (discussed below), but trade intraday on stock exchanges like closed-end funds. ETFs only buy and sell fund shares directly with authorized participants in large blocks, often 50,000 shares or more. For more information on ETFs, see chapter 4.

UITs are also a hybrid, with some characteristics of mutual funds and some of closed-end funds. Like closed-end funds, UITs typically issue only a specific, fixed number of shares, called units. Like mutual funds, the units are redeemable, but unlike mutual funds, generally the UIT sponsor will maintain a secondary market in the units so that redemptions do not deplete the UIT's assets. A UIT does not actively trade its investment portfolio—instead it buys and holds a set of particular investments until a set termination date, at which time the trust is dissolved and proceeds are paid to shareholders. For more information, see page 51.

The Organization of a Mutual Fund

A mutual fund typically is organized under state law either as a corporation or a business trust (sometimes called a statutory trust). The three most popular forms of organization are Massachusetts business trusts, Maryland corporations, and Delaware statutory trusts (Figure A.1).†

Historically, Massachusetts business trusts were the most popular—in part because the very first mutual fund was formed as a Massachusetts business trust. This was a common form of organization at the time for pools that invested in real estate or public utilities and it provided a model for others to follow. Developments in the late 1980s gave asset management companies other attractive choices, and since then, the percentage of funds organized as Massachusetts business trusts has declined as more and more funds have formed as Maryland corporations and Delaware statutory trusts. For example, in 1987, Maryland revised its law to align it with interpretations of the Investment Company Act concerning when funds are required to hold annual meetings. As a result, Maryland corporations became more competitive with the Massachusetts business trust as a form of organization for mutual funds. In 1988, Delaware—already a popular domicile for US corporations—adopted new statutory provisions devoted specifically to business trusts (since renamed statutory trusts). Benefits such as management of the trust and limited liability afforded to the trust's beneficial owners have led to Delaware statutory trusts being the most favored form of mutual fund organization.

* The closed-end funds discussed in this appendix issue a fixed number of shares that are listed and traded on a stock exchange. Other types of closed-end funds—such as interval funds, which offer shares and periodic repurchases at NAV—are beyond the intended scope of this appendix. For more information on interval funds, see the ICI white papers *Interval Funds: Operational Challenges and the Industry's Way Forward*, available at www.ici.org/pdf/19_ppr_interval_funds.pdf and *Consider This: Interval Fund Operational Practices*, available at www.ici.org/pdf/20_ppr_interval_funds.pdf.

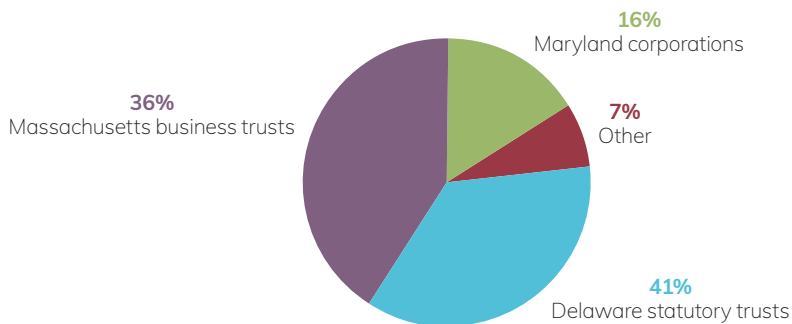
† Fewer than 700 funds, or about 7 percent, have chosen other forms of organization, such as limited liability partnerships, or other domiciles, such as Ohio or Wisconsin.

Mutual funds have officers and directors (if the fund is a corporation) or trustees (if the fund is a business trust).^{*} The fund's board plays an important role in overseeing fund operations, described in more detail on page 298.

FIGURE A.1

The Most Popular Forms of Mutual Fund Organization

Percentage of funds, year-end 2020



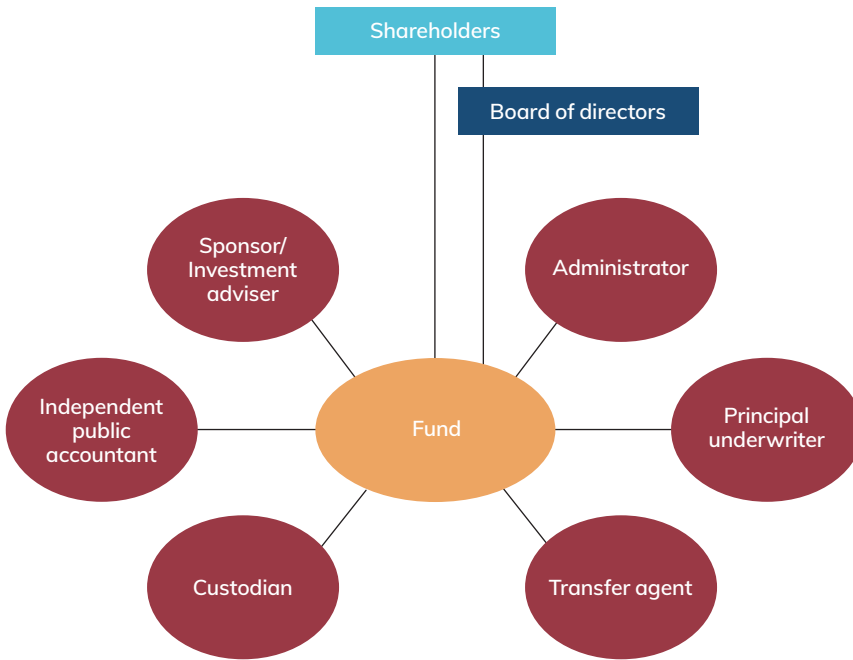
Number of funds: 9,466

Note: Data include mutual funds that do not report statistical information to the Investment Company Institute and mutual funds that invest primarily in other mutual funds.

^{*} For ease of reference, this appendix refers to all directors and trustees as *directors* and all boards as *boards of directors*.

Unlike other companies, a mutual fund is typically externally managed; it is not an operating company and it has no employees in the traditional sense. Instead, a fund relies upon third parties or service providers—either affiliated organizations or independent contractors—to invest fund assets and carry out other business activities. Figure A.2 shows the primary types of service providers usually relied upon by a fund.

FIGURE A.2
Organization of a Mutual Fund



Although it typically has no employees, a fund is required by law to have written compliance policies and procedures that govern the operations of the fund and the fund’s administrator, investment adviser, transfer agent, and principal underwriter, and that are reasonably designed to ensure the fund’s compliance with the federal securities laws. All funds must also have a chief compliance officer (CCO), whose appointment must be approved by the fund’s board and who must annually produce a report for the board regarding the adequacy of the fund’s compliance policies and procedures, the effectiveness of their implementation, and any material compliance matters that have arisen.

Fund Boards

A fund board represents the interests of the fund's shareholders by overseeing the management and operations of the fund, including the fund's contractual arrangements with its service providers. For more information on fund boards, see page 298.

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 and the right to approve material changes in the terms of a fund's contract with its investment adviser, the entity that manages the fund's assets. For example, a fund's management fee cannot be increased unless a majority of shareholders vote to approve the increase.

Sponsors

Setting up a mutual fund is a complicated process performed by the fund's sponsor, which is typically the fund's investment adviser. The fund sponsor has a variety of responsibilities. For example, it must assemble the group of third parties needed to launch the fund, including the persons or entities charged with managing and operating the fund. The sponsor provides officers and affiliated directors to oversee the fund and recruits unaffiliated persons to serve as independent directors.

Some of the major steps in the process of starting a mutual fund include organizing the fund under state law, registering the fund with the SEC as an investment company pursuant to the Investment Company Act, and registering the fund shares for sale to the public pursuant to the Securities Act of 1933.* Unless otherwise exempt from doing so, the fund also must make filings and pay fees to each state (except Florida) in which the fund's shares will be offered to the public. The Investment Company Act also requires that each new fund have at least \$100,000 of seed capital before distributing its shares to the public; this capital is usually contributed by the sponsor or adviser in the form of an initial investment.

Advisers

Investment advisers have overall responsibility for directing the fund's investments and handling its business affairs. The investment advisers have their own employees, including investment professionals who work on behalf of the fund's shareholders and determine which securities to buy and sell in the fund's portfolio, consistent with the fund's investment objectives and policies. In addition to managing the fund's portfolio, the adviser often serves as administrator to the fund, providing various "back-office" services. As noted earlier, a fund's investment adviser is often the fund's initial sponsor and its initial shareholder through the seed money invested to create the fund.

To protect investors, a fund's investment adviser and the adviser's employees are subject to numerous standards and legal restrictions, including restrictions on transactions that may pose conflicts of interest. Like a mutual fund, investment advisers are required to have their own written compliance programs that are overseen by CCOs, and to establish detailed procedures and internal controls designed to ensure compliance with all relevant laws and regulations.

* For more information on the requirements for the initial registration of a mutual fund, see the SEC's Investment Company Registration and Regulation Package, available at www.sec.gov/divisions/investment/invcoreg121504.htm.

Administrators

A fund's administrator handles the many back-office functions for a fund. For example, administrators often provide office space, clerical and fund accounting services, data processing, bookkeeping, and internal auditing; they also may prepare and file SEC, tax, shareholder, and other reports. Fund administrators also help maintain compliance procedures and internal controls, subject to oversight by the fund's board and CCO.

Principal Underwriters

Investors buy and redeem fund shares either directly through a fund's transfer agent or indirectly through a broker-dealer that is authorized to sell fund shares. In order to offer a particular fund's shares, however, a broker-dealer must have a sales agreement with the fund. The role of a fund's principal underwriter is to act as the agent for the fund in executing sales agreements that authorize broker-dealers to offer for sale and sell fund shares. Though principal underwriters must register under the Securities Exchange Act of 1934 as broker-dealers, they (1) do not operate as full-service broker-dealers, (2) typically are not involved in offering or selling fund shares to retail investors, and (3) do not establish or maintain accounts for retail investors.

Transfer Agents

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

Auditors

Auditors certify the fund's financial statements. The auditors' oversight role is described more fully on page 299.

Tax Features of Mutual Funds

Mutual funds are subject to special tax rules set forth in subchapter M of the Internal Revenue Code. Unlike most corporations, mutual funds are not subject to taxation on their income or capital gains at the entity level, provided that they meet certain gross income and asset requirements and distribute their income annually.

To qualify as a regulated investment company (RIC) under subchapter M, at least 90 percent of a mutual fund's gross income must be derived from certain sources, including dividends, interest, payments with respect to securities loans, and gains from the sale or other disposition of stock, securities, or foreign currencies. In addition, at the close of each quarter of the fund's taxable year, at least 50 percent of the value of the fund's total net assets must consist of cash, cash items, government securities, securities of other funds, and investments in other securities that, with respect to any one issuer, represent neither more than 5 percent of the assets of the fund nor more than 10 percent of the voting securities of the issuer. Further, no more than 25 percent of the fund's assets may be invested in the securities of any one issuer (other than government securities or the securities of other funds), the securities (other than the securities of other funds) of two or more issuers that the fund controls and that are engaged in similar trades or businesses, or the securities of one or more qualified publicly traded partnerships.

If a mutual fund satisfies the gross income and asset tests and thus qualifies as a RIC, the fund is eligible for the tax treatment provided by subchapter M, including the ability to deduct from its taxable income the dividends it pays to shareholders, provided that the RIC distributes at least 90 percent of its income (other than net capital gains) each year. A RIC may retain up to 10 percent of its income and all capital gains, but the retained income and capital gains are taxed at regular corporate tax rates. Therefore, mutual funds generally distribute all, or nearly all, of their income and capital gains each year.

The Internal Revenue Code also imposes an excise tax on RICs, unless a RIC distributes by December 31 at least 98 percent of its ordinary income earned during the calendar year, 98.2 percent of its net capital gains earned during the 12-month period ending on October 31 of the calendar year, and 100 percent of any previously undistributed amounts. Mutual funds typically seek to avoid this charge—imposed at a 4 percent rate on the underdistributed amount—by making the required minimum distribution each year.

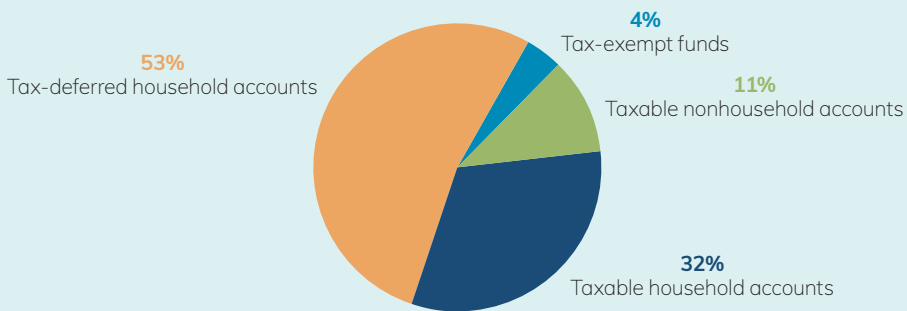
Mutual Fund Assets by Tax Status

Fund investors are responsible for paying tax on the amount of a fund's earnings and gains distributed to them, whether they receive the distributions in cash or reinvest them in additional fund shares. Investors often attempt to lessen the impact of taxes on their investments by investing in tax-exempt funds and tax-deferred retirement accounts and variable annuities. As of year-end 2020, 4 percent of all mutual fund assets were held in tax-exempt funds, and 53 percent were invested in tax-deferred accounts held by households.

FIGURE A.3

The Majority of Mutual Fund Total Net Assets Were Held in Tax-Deferred Accounts and Tax-Exempt Funds

Percentage of total net assets, year-end 2020



Mutual fund total net assets: \$23.9 trillion

Types of Distributions

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

Ordinary 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 a US investor's tax return and are taxed at the investor's ordinary income tax rate, unless they are qualified dividends. Qualified dividend income is taxed at a maximum rate of 20 percent. Some dividends paid by mutual funds may qualify for these lower top tax rates.

Long-term capital gains distributions represent a fund's net gains, if any, from the sale of securities held in its portfolio for more than one year. Long-term capital gains are taxed at a maximum rate of 20 percent.

Certain high-income individuals also are subject to a 3.8 percent tax on net investment income (NII). The tax on NII applies to interest, dividends, and net capital gains, including those received from a mutual fund.

Non-US investors may be subject to US withholding and estate taxes and certain US tax reporting requirements on investments in US funds. Amounts distributed to non-US investors that are designated as interest-related dividends or dividends deriving from capital gains will generally be eligible for exemption from US withholding tax. Other distributions that are treated as ordinary dividends will generally be subject to US withholding tax (at a 30 percent rate or lower treaty rate).

To help mutual fund shareholders understand the impact of taxes on the returns generated by their investments, the SEC requires mutual funds to disclose standardized after-tax returns for one-, five-, and 10-year periods. After-tax returns, which accompany before-tax returns in fund prospectuses, are presented in two ways:

- » After taxes on fund distributions only (preliquidation)
- » After taxes on fund distributions and an assumed redemption of fund shares (postliquidation)

Types of Taxable Shareholder Transactions

An investor who sells mutual fund shares usually incurs a capital gain or loss in the year the shares are sold; an exchange of shares between funds in the same fund family also usually results in either a capital gain or loss.

Investors are liable for tax on any capital gain arising from the sale of fund shares, just as they would be if they sold a stock, bond, or other security. Capital losses from mutual fund share sales and exchanges, like capital losses from other investments, may be used to offset other capital gains in the current year and thereafter. In addition, up to \$3,000 of capital losses in excess of capital gains (\$1,500 for a married individual filing a separate return) may be used to offset ordinary income.

The amount of a shareholder's gain or loss on fund shares is determined by the difference between the cost basis of the shares (generally, the purchase price—including sales loads—of the shares, whether acquired with cash or reinvested dividends) and the sale price. Many funds voluntarily have been providing cost basis information to shareholders or computing gains and losses for shares sold. Tax rules enacted in 2012 require all brokers and funds to provide cost basis information to shareholders, as well as to indicate whether any gains or losses are long-term or short-term, for fund shares acquired beginning in 2012.

Tax-Exempt Funds

Tax-exempt bond funds distribute amounts attributable to municipal bond interest. These “exempt-interest dividends” are exempt from federal income tax and, in some cases, state and local taxes.

Tax-exempt money market funds invest in short-term municipal securities or equivalent instruments and also pay exempt-interest dividends. Even though income from these funds generally is tax-exempt, investors must report it on their income tax returns. Tax-exempt funds provide investors with this information and typically explain how to handle exempt-interest dividends on a state-by-state basis. For some taxpayers, portions of income earned by tax-exempt funds also may be subject to the federal alternative minimum tax.

Mutual Fund Ordinary Dividend Distributions

Ordinary dividend distributions represent income—primarily from interest and dividends earned by securities in a fund’s portfolio—after expenses are paid by the fund. Mutual funds distributed \$306 billion in dividends to fund shareholders in 2020. Bond and money market funds accounted for 46 percent of all dividend distributions in 2020. Fifty-two percent of all dividend distributions were paid to tax-deferred household accounts and tax-exempt fund shareholders. Another 41 percent were paid to taxable household accounts.

FIGURE A.4

Dividend Distributions

Billions of dollars

Year	Tax-deferred household accounts and tax-exempt funds	Taxable household accounts	Taxable nonhousehold accounts	Total
2000	\$75	\$87	\$25	\$186
2001	68	71	23	162
2002	59	43	12	114
2003	57	37	9	103
2004	65	41	10	116
2005	84	61	21	166
2006	114	90	36	240
2007	143	118	47	309
2008	138	100	38	276
2009	109	63	15	187
2010	112	64	12	188
2011	122	74	12	208
2012	128	81	13	222
2013	123	81	14	217
2014	137	93	15	245
2015	140	93	17	250
2016	141	96	16	253
2017	154	115	22	290
2018	177	145	33	354
2019	193	168	40	401
2020	157	126	22	306

Mutual Fund Capital Gains Distributions

Capital gains distributions represent a fund's net gains, if any, from the sale of securities held in its portfolio. When gains from these sales exceed losses, they are distributed to fund shareholders. Mutual funds distributed \$367 billion in capital gains to shareholders in 2020. Sixty-one percent of these distributions were paid to tax-deferred household accounts, and another 34 percent were paid to taxable household accounts and tax-exempt fund shareholders. Equity, bond, and hybrid mutual funds can distribute capital gains, but equity mutual funds typically account for the bulk of these distributions. In 2020, 53 percent of equity mutual fund share classes made a capital gains distribution, and 69 percent of these share classes distributed more than 2.0 percent of their assets as capital gains.

FIGURE A.5

Capital Gains Distributions

Billions of dollars

Year	Tax-deferred household accounts	Taxable household accounts and tax-exempt funds	Taxable nonhousehold accounts	Total
2000	\$194	\$119	\$13	\$326
2001	50	16	2	69
2002	9	6	1	16
2003	7	6	1	14
2004	30	21	4	55
2005	78	44	8	129
2006	164	79	14	257
2007	260	131	22	414
2008	96	29	7	132
2009	10	4	1	15
2010	22	18	3	43
2011	40	30	4	73
2012	58	37	5	100
2013	147	82	11	239
2014	253	129	17	400
2015	250	114	15	380
2016	149	63	8	220
2017	237	117	17	370
2018	330	159	22	511
2019	236	105	14	355
2020*	224	126	17	367

* In 2020, tax-exempt funds distributed less than \$1 billion in capital gains.

Note: Capital gains distributions include long-term and short-term capital gains.

Core Principles Underlying the Regulation of US Investment Companies

Embedded in the structure and regulation of mutual funds and other registered investment companies are several core principles that provide important protections for shareholders.

Transparency

Funds are subject to more extensive disclosure requirements than any other comparable financial product, such as separately managed accounts, collective investment trusts, and private pools. The cornerstone of the disclosure regime for mutual funds and ETFs is the prospectus.* Mutual funds and ETFs are required to maintain a current prospectus, which provides investors with information about the fund, including its investment objectives, investment strategies, risks, fees and expenses, and performance, as well as how to purchase, redeem, and exchange fund shares. Importantly, the key parts of this disclosure with respect to performance information and fees and expenses are standardized to facilitate comparisons by investors. Mutual funds and ETFs may provide investors with a summary prospectus containing key information about the fund, while making more information available on the internet and by mail upon request.

Mutual funds and ETFs also are required to make statements of additional information (SAIs) available to investors upon request and without charge. The SAI conveys information about the fund that, though useful to some investors, is not necessarily needed to make an informed investment decision. For example, the SAI generally includes information about the history of the fund, offers detailed disclosure on certain investment policies (such as borrowing and concentration policies), and lists officers, directors, and other persons who control the fund.

The prospectus, SAI, and certain other required information are contained in the fund's registration statement, which is filed electronically with the SEC and is publicly available via the SEC's Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system. Mutual fund and ETF registration statements are amended at least once each year to ensure that financial statements and other information do not become stale.† These funds also amend registration statements throughout the year as necessary to reflect material changes to their disclosure.

* Closed-end funds and UITs also provide investors with extensive disclosure, but under a slightly different regime that reflects the way shares of these funds trade. Both closed-end funds and UITs file an initial registration statement with the SEC containing a prospectus and other information related to the initial offering of their shares to the public.

† Section 10(a)(3) of the Securities Act of 1933 prohibits investment companies that make a continuous offering of shares from using a registration statement with financial information that is more than 16 months old. This gives mutual funds and ETFs four months after the end of their fiscal year to amend their registration statements.

In addition to registration statement disclosure, funds provide shareholders with several other disclosure documents. Funds must transmit annual and semiannual shareholder reports within 60 days after the end and the midpoint of the fund's fiscal year, respectively.* These reports contain performance and expense information, financial statements, and a list of the fund's portfolio securities.† Financial statements included in the annual shareholder report must be audited by an independent accountant. The annual shareholder report for non-money market mutual funds and most ETFs must also provide management's discussion of fund performance (MDFP), describing the factors that affected the fund's performance, including relevant market conditions and investment strategies and techniques used by the fund's investment adviser.‡

Funds also are required to file Form N-PORT with the SEC. Form N-PORT must include a complete list of the fund's portfolio securities in a structured data format along with other information including flows, returns, securities lending information, and—for funds investing more than a specified amount in fixed-income securities—portfolio-level risk metrics. Funds must file Form N-PORT for each month during the year; however, only the filing relating to the third month of each fiscal quarter is made publicly available. The Form N-PORT relating to the fund's third and ninth months of the fiscal year must include a list of the fund's investments, similar to that included in the fund's annual and semiannual shareholder reports. These requirements cause funds to publicly disclose their portfolio holdings at least four times each fiscal year.§

Funds also must file census-type information annually on Form N-CEN,** and must annually disclose how they voted on specific proxy issues at portfolio companies on Form N-PX. Funds are the only shareholders required to publicly disclose each and every proxy vote they cast. They are not required to mail Form N-PORT, Form N-CEN, and Form N-PX to shareholders, but the forms are publicly available via the SEC's EDGAR database.††

The combination of prospectuses, SAs, annual and semiannual shareholder reports, Form N-PORT, Form N-CEN, and Form N-PX provide the investing public, regulators, media, and other interested parties with far more information on funds than is available for other types of investments. This information is easily and readily available from most funds and the SEC. It is also available from private-sector vendors, such as Morningstar, that compile publicly available information on funds in ways that might benefit investors.

* Beginning in 2021, SEC Rule 30e-3 permits open-end funds to transmit a notice to shareholders indicating that a new shareholder report is available online and in print by request in lieu of transmitting a shareholder report. The notice must include a website address where the shareholder report can be accessed and a toll-free telephone number the shareholder can use to request a paper copy of the report at no charge.

† A fund is permitted to include a summary portfolio schedule in its shareholder reports in lieu of the complete schedule, provided that the complete portfolio schedule is filed with the SEC and is provided to shareholders upon request, free of charge. The summary portfolio schedule includes each of the fund's 50 largest holdings in unaffiliated issuers and each investment that exceeds 1 percent of the fund's NAV.

‡ After August 1, 2021, closed-end funds must also include an MDFP section in their annual shareholder reports.

§ Money market funds, which already must file portfolio holdings with the SEC monthly on Form N-MFP and disclose those holdings on their websites, are not required to file Form N-PORT.

** Beginning in June 2018, Form N-CEN replaced Form N-SAR. Form N-CEN updated the information required by Form N-SAR and required additional information about ETFs, closed-end funds, and securities lending activities. Form N-CEN was fully phased in for all funds in July 2019.

†† Only the Form N-PORT filing related to the third month of the fiscal quarter is made publicly available.

Daily Valuation and Liquidity

Nearly all funds offer shareholders liquidity and market-based valuation of their investments at least daily. ETFs and most closed-end fund shares are traded intraday on stock exchanges at market-determined prices, giving shareholders real-time liquidity and pricing. Mutual fund shares are redeemable on a daily basis at a price that reflects the current market value of the fund's portfolio investments. The value of each portfolio investment is determined either by a market quotation, if a market quotation is readily available, or at fair value (i.e., an estimate of the amount for which the investment could be sold in a current transaction). Under the SEC's new fair value rule, fair value for applicable portfolio investments may be determined by the fund's board, or by the fund's investment adviser (subject to continued oversight by the fund's board).

The daily pricing process is a critically important core compliance function that involves numerous staff and pricing vendors. The fair valuation process, a part of the overall pricing process, receives particular scrutiny from funds, their advisers, and their boards of directors, as well as regulators and independent auditors. Under SEC rules, all funds must adopt written policies and procedures that address the circumstances under which investments may be fair valued, and must establish methodologies for determining fair values in particular instances.* Those methodologies must be consistent with US generally accepted accounting principles (GAAP).

This daily valuation process results in a NAV for the fund. The NAV is the price used for all mutual fund share transactions occurring that day—new purchases, sales (redemptions), and exchanges from one fund to another within the same fund family.† It represents the current mark-to-market value of all the fund's assets, minus liabilities (e.g., accrued fund expenses payable), divided by the total number of outstanding shares. Mutual funds release their daily NAVs to investors and others after they complete the pricing process, generally around 6:00 p.m. eastern time. Daily fund prices are available through fund toll-free telephone services, websites, and other means.

* For more information on the mutual fund valuation process, see materials from ICI, the Independent Directors Council, and ICI Mutual Insurance Company, including *Valuation and Liquidity Issues for Mutual Funds* (February 1997 and March 2002) and two installments of the Fair Valuation Series, "An Introduction to Fair Valuation" (2005) and "The Role of the Board" (2006). ICI also has a two-volume compendium of SEC releases, staff letters, and enforcement actions related to the mutual fund valuation process, which is available at www.ici.org/pdf/pub_15_valuation_update_vol1.pdf and www.ici.org/pdf/pub_15_valuation_update_vol2.pdf.

† The pricing process is also critical for ETFs, although for slightly different reasons. ETFs operate like mutual funds with respect to transactions with authorized participants that trade with the ETF in large blocks, often of 50,000 shares or more. The NAV is the price used for these large transactions. Closed-end funds are not required to strike a daily NAV, but most do so to provide the market with the ability to calculate the difference between the fund's market price and its NAV. That difference is called the fund's *premium* (if the market price is greater than the NAV) or *discount* (if the market price is less than the NAV).

The Investment Company Act requires mutual funds to process transactions based upon “forward pricing,” meaning that shareholders receive the next computed NAV following the fund’s receipt of their transaction orders. For example, for a fund that prices its shares as of 4:00 p.m.,* orders received before 4:00 p.m. receive the NAV determined that same day as of 4:00 p.m. Orders received after 4:00 p.m. receive the NAV determined as of 4:00 p.m. on the next business day. Forward pricing is an important protection for mutual fund shareholders. It is designed to minimize the ability of shareholders to take advantage of fluctuations in the prices of a fund’s portfolio investments that occur after the fund has last calculated its NAV.

When a shareholder redeems shares in a mutual fund, he or she can expect to be paid promptly. Mutual funds may not suspend redemptions of their shares (subject to certain narrow exceptions)[†] or delay payments of redemption proceeds for more than seven days.

Under the SEC’s liquidity rule, no more than 15 percent of a mutual fund’s or ETF’s portfolio may be invested in illiquid assets,[‡] in part to ensure that the fund can make redemptions. This liquidity rule and its related reporting framework also impose other liquidity-related regulatory obligations on these funds.

Oversight and Accountability

All funds are subject to a strong system of oversight from both internal and external sources. Boards of directors, which include independent directors, and written compliance programs overseen by CCOs (see Compliance and Risk Management Programs on page 299), are examples of internal oversight mechanisms. External oversight is provided by the SEC, FINRA, and external service providers, such as certified public accounting firms.

Fund Boards

Mutual funds, closed-end funds, and ETFs structured as open-end funds have boards. The role of a fund’s board of directors is primarily one of oversight. The board of directors typically is not involved in the day-to-day management of the fund company. Instead, day-to-day management is handled by the fund’s investment adviser or administrator pursuant to a contract with the fund.

Investment company directors review and approve major contracts with service providers (including, notably, the fund’s investment adviser), approve policies and procedures to ensure the fund’s compliance with federal securities laws, and undertake oversight and review of the performance of the fund’s operations. Directors devote substantial time and consider large amounts of information in fulfilling these duties, in part because they must perform all their duties in “an informed and deliberate manner.”

* Mutual funds and ETFs must price their shares at least once every business day as of a time determined by the fund’s board. Many of these funds price as of 4:00 p.m. eastern time or when the New York Stock Exchange closes.

[†] Section 22(e) of the Investment Company Act prohibits mutual funds and ETFs from suspending redemptions unless the SEC permits them to do so or declares an emergency, or the New York Stock Exchange closes or restricts trading. These occurrences are relatively rare, although funds have suspended redemptions on several occasions, such as during Hurricane Sandy in 2012. See also page 283.

[‡] Money market funds are held to different liquidity standards. For more information on this topic, see Types of US Investment Companies on page 283 and www.ici.org/mmfs/current/16_mmf_reg_summ.

Fund boards must maintain a particular level of independence. The Investment Company Act requires at least 40 percent of the members of a fund board to be independent from fund management. An independent director is a fund director who does not have any significant business relationship with a mutual fund's adviser or underwriter. In practice, most fund boards have far higher percentages of independent directors. As of year-end 2018, independent directors made up at least three-quarters of boards in 84 percent of fund complexes.*

Independent fund directors play a critical role in overseeing fund operations and are entrusted with the primary responsibility for safeguarding the interests of the fund's shareholders. They serve as watchdogs, furnishing an independent check on the management of funds. Like directors of operating companies, they have a fiduciary duty to represent the interests of shareholders. But independent fund directors also have specific statutory and regulatory responsibilities under the Investment Company Act beyond the duties required of other types of directors. Among other things, they oversee the performance of the fund, approve the fees paid to the investment adviser for its services, and oversee the fund's compliance program.

Compliance and Risk Management Programs

The board's oversight function has been greatly enhanced in recent years by the development of written compliance programs and a formal requirement that all funds have CCOs. Rules adopted in 2003 require every fund and adviser to have a CCO who administers a written compliance program reasonably designed to prevent, detect, and correct violations of the federal securities laws. Compliance programs must be reviewed at least annually for their adequacy and effectiveness, and fund CCOs are required to report directly to the independent directors.

Regulatory Oversight

Internal oversight is accompanied by a number of forms of external oversight and accountability. Funds are subject to inspections, examinations, and enforcement by their primary regulator, the SEC. Fund underwriters and distributors also are overseen by FINRA, a self-regulatory organization. Funds affiliated with a bank may also be overseen by banking regulators. All funds are subject to the antifraud jurisdiction of each state in which the fund's shares are offered for sale or sold.

Auditors

A fund's financial statement disclosure is also subject to several internal and external checks. For example, annual reports include audited financial statements certified by an independent public accounting firm subject to oversight by the Public Company Accounting Oversight Board (PCAOB). This practice ensures that the financial statements are prepared in conformity with GAAP and fairly present the fund's financial position and results of operations.

* See *Overview of Fund Governance Practices, 1994–2018* for a description of the study that collects data on this and other governance practices. Available at www.idc.org/pdf/19_pub_fund_governance.pdf.

Sarbanes-Oxley Act

Like officers of public companies, fund officers are required to make certifications and disclosures required by the Sarbanes-Oxley Act. For example, they must certify the accuracy of the financial statements.

Additional Regulation of Advisers

In addition to the system of oversight applicable directly to funds, investors enjoy protections through SEC regulation of the investment advisers that manage fund portfolios. All advisers to registered funds are required to register with the SEC and are subject to SEC oversight and disclosure requirements. Advisers also owe a fiduciary duty to each fund they advise, meaning that they have a fundamental legal obligation to act in the best interests of the fund pursuant to a duty of undivided loyalty and utmost good faith.

Limits on Leverage

The inherent nature of a fund—a professionally managed pool of assets owned pro rata by its investors—is straightforward and easily understood by investors. The Investment Company Act fosters simplicity by prohibiting complex capital structures and limiting funds' use of leverage.

The Investment Company Act imposes various requirements on the capital structure of mutual funds, closed-end funds, and ETFs, including limitations on the issuance of “senior securities” and borrowing. These limitations greatly minimize the possibility that a fund's liabilities will exceed the value of its assets.

Generally speaking, a senior security is any debt that takes priority over the fund's shares, such as a loan or preferred stock. The SEC historically has interpreted the definition of senior security broadly, taking the view that selling securities short, purchasing securities on margin, and investing in many types of derivative instruments, among other practices, may create senior securities.

The SEC also takes the view that the Investment Company Act generally prohibits a fund from creating a future obligation to pay unless it “covers” the obligation.* A fund generally can cover an obligation by owning the instrument underlying that obligation. For example, a fund that wants to take a short position in a certain stock can comply with the Investment Company Act by owning an equivalent long position in that stock. The fund also can cover by earmarking or segregating liquid securities equal in value to the fund’s potential exposure from the leveraged transaction. The assets set aside to cover the potential future obligation must be liquid, unencumbered, and marked-to-market daily. They may not be used to cover other obligations and, if disposed of, must be replaced.

The Investment Company Act also limits borrowing. With the exception of certain privately arranged loans and temporary loans, any promissory note or other indebtedness would generally be considered a prohibited senior security.† Mutual funds and ETFs are permitted to borrow from a bank if, immediately after borrowing, the fund’s total net assets are at least three times total aggregate borrowings. In other words, the fund must have at least 300 percent asset coverage.

Closed-end funds have a slightly different set of limitations. They are permitted to issue debt and preferred stock, subject to certain conditions, including asset coverage requirements of 300 percent for debt and 200 percent for preferred stock.

Many funds voluntarily go beyond the prohibitions in the Investment Company Act, adopting policies that further restrict their ability to issue senior securities or borrow. Funds often, for example, adopt a policy stating that they will borrow only as a temporary measure for extraordinary or emergency purposes and not to finance investment in securities. In addition, they may disclose that, in any event, borrowings will be limited to a small percentage of fund assets (such as 5 percent). These are meaningful voluntary measures, because under the Investment Company Act, a fund’s policies on borrowing money and issuing senior securities cannot be changed without the approval of fund shareholders.

* The SEC recently modernized its framework governing funds’ use of derivatives, adopting the new Investment Company Act Rule 18f-4. Beginning February 2021, mutual funds, closed-end funds, and ETFs may invest in derivatives pursuant to a new rule that generally requires them to adopt a derivatives risk management program that a fund’s board oversees and comply with an outer-bound limit on fund leverage risk. In August 2022, the SEC will rescind positions requiring such funds to “cover” their obligations related to derivatives and instead will require funds to comply with the new rule’s requirements. Funds that limit their derivatives exposure to less than 10 percent of their net assets will not need to comply with the new requirements but will need to adopt and implement written policies and procedures reasonably designed to manage the fund’s derivatives risks.

† Temporary loans cannot exceed 5 percent of the fund’s total net assets and must be repaid within 60 days.

Custody

To protect fund assets, the Investment Company Act requires all funds to maintain strict custody of fund assets, separate from the assets of the adviser. Although the act permits other arrangements,* nearly all funds use a bank custodian for domestic securities. Foreign securities are required to be held in the custody of an international foreign bank or securities depository.

A fund's custody agreement with a bank is typically far more elaborate than the arrangements used for other bank clients. The custodian's services generally include safekeeping and accounting for the fund's assets, settling securities transactions, receiving dividends and interest, providing foreign exchange services, paying fund expenses, reporting failed trades, reporting cash transactions, monitoring corporate actions at portfolio companies, and tracing loaned securities.

The strict rules on the custody and reconciliation of fund assets are designed to prevent theft and other fraud-based losses. Shareholders are further insulated from these types of losses by a provision in the Investment Company Act that requires all mutual funds to have fidelity bonds designed to protect them against possible instances of employee larceny or embezzlement.

Prohibitions on Transactions with Affiliates

The Investment Company Act contains a number of strong and detailed prohibitions on transactions between the fund and fund insiders or affiliated organizations (such as the corporate parent of the fund's adviser). Many of these prohibitions were part of the original statutory text of the act, enacted in response to instances of overreaching and self-dealing by fund insiders during the 1920s in the purchase and sale of portfolio securities, loans by funds, and investments in related funds. The SEC's Division of Investment Management has said that "for more than 50 years, [the affiliated transaction prohibitions] have played a vital role in protecting the interests of shareholders and in preserving the industry's reputation for integrity; they continue to be among the most important of the act's many protections."[†]

Although a number of prohibitions in the Investment Company Act relate to affiliated transactions, three are particularly noteworthy:

- » General prohibition on direct transactions between a fund and an affiliate
- » General prohibition on "joint transactions," where the fund and affiliate are acting together vis-à-vis a third party
- » Restrictions preventing investment banks from placing or "dumping" unmarketable securities with an affiliated fund by generally prohibiting the fund from buying securities in an offering syndicated by an affiliated investment bank

* The Investment Company Act contains six separate custody rules for the possible types of custody arrangements for mutual funds, closed-end funds, and ETFs. UITs are subject to a separate rule that requires the use of a bank to maintain custody. See Section 17(f) of the Investment Company Act and SEC Rules 17f-1 through 17f-7.

[†] See *Protecting Investors: A Half Century of Investment Company Regulation*, Report of the Division of Investment Management, Securities and Exchange Commission (May 1992), available at www.sec.gov/divisions/investment/guidance/icreg50-92.pdf. The Division of Investment Management is the division within the SEC responsible for the regulation of funds.

Diversification

Both tax and securities law provide diversification standards for funds registered under the Investment Company Act. To qualify as RICs under the tax laws, all mutual funds, closed-end funds, and ETFs, as well as most UITs, must meet a tax diversification test every quarter. The effect of this test is that a fund with a modest cash position and no government securities would hold securities from at least 12 different issuers. Another tax diversification restriction limits the amount of an issuer's outstanding voting securities that a fund may own.

The securities laws set higher standards for funds that elect to be diversified. If a fund elects to be diversified, the Investment Company Act requires that, with respect to at least 75 percent of the portfolio, no more than 5 percent may be invested in the securities of any one issuer and no investment may represent more than 10 percent of the outstanding voting securities of any issuer. Diversification is not mandatory, but all mutual funds, closed-end funds, and ETFs must disclose whether or not they are diversified under the act's standards.

In practice, most funds that elect to be diversified are much more highly diversified than they need to be to meet these two tests. As of December 2020, for example, the median number of stocks held by US equity mutual funds was 78.*

* This number—calculated using Morningstar data—is the median among domestic equity mutual funds, excluding sector funds and funds of funds.



Appendix B

Significant Events in Fund History

1774	Dutch merchant and broker Adriaan van Ketwich invites subscriptions from investors to form a trust, the Eendragt Maakt Magt, with the aim of providing investment diversification opportunities to investors of limited means.
1868	The Foreign and Colonial Government Trust, the precursor to the US investment fund model, is formed in London. This trust provides “the investor of moderate means the same advantages as large capitalists.”
1924	The first mutual funds are established in Boston.
1933	The Securities Act of 1933 regulates the registration and offering of new securities, including mutual fund and closed-end fund shares, to the public.
1934	The Securities Exchange Act of 1934 authorizes the Securities and Exchange Commission (SEC) to provide for fair and equitable securities markets.
1936	The Revenue Act of 1936 establishes the tax treatment of mutual funds and their shareholders. Closed-end funds were covered by the act in 1942.
1940	The Investment Company Act of 1940 is signed into law, setting the structure and regulatory framework for registered investment companies. The forerunner to the National Association of Investment Companies (NAIC) is formed. The NAIC will become the Investment Company Institute.
1944	The NAIC begins collecting investment company industry statistics.
1951	The total number of mutual funds surpasses 100, and the number of shareholder accounts exceeds one million for the first time. The first mutual fund focusing on non-US investments is made available to US investors.
1954	Households' net purchases of fund shares exceed those of corporate stock. NAIC initiates a nationwide public information program emphasizing the role of investors in the US economy and explaining the concept of investment companies.
1961	The first tax-free unit investment trust is offered. The NAIC changes its name to the Investment Company Institute (ICI) and welcomes fund advisers and underwriters as members.
1962	The Self-Employed Individuals Tax Retirement Act creates savings opportunities (Keogh plans) for self-employed individuals.
1971	Money market funds are introduced.
1974	The Employee Retirement Income Security Act of 1974 (ERISA) creates the individual retirement account (IRA).



1976	The Tax Reform Act of 1976 permits the creation of municipal bond funds. The first retail index fund is offered.
1978	The Revenue Act of 1978 creates new Section 401(k) retirement plans and simplified employee pensions (SEPs).
1981	The Economic Recovery Tax Act establishes “universal” IRAs for all workers. The IRS proposes regulations for Section 401(k).
1986	The Tax Reform Act of 1986 reduces IRA deductibility.
1987	ICI welcomes closed-end funds as members.
1990	Mutual fund assets top \$1 trillion.
1993	The first exchange-traded fund (ETF) shares are issued.
1996	Enactment of the National Securities Markets Improvement Act of 1996 (NSMIA) provides a more rational system of state and federal regulation, giving the SEC exclusive jurisdiction for registering and regulating mutual funds, exchange-listed securities, and larger advisers. States retain their antifraud authority and responsibility for regulating non-exchange-listed offerings and smaller advisers. The Small Business Job Protection Act creates SIMPLE plans for employees of small businesses.
1997	The Taxpayer Relief Act of 1997 creates the Roth IRA and eliminates restrictions on portfolio management that disadvantage fund shareholders.
1998	The SEC approves the most significant disclosure reforms in the history of US mutual funds, encompassing “plain English,” fund profiles, and improved risk disclosure.
1999	The Gramm-Leach-Bliley Act modernizes financial services regulation and enhances financial privacy.
2001	Enactment of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) significantly expands retirement savings opportunities for millions of working Americans.
2003	The Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA) provides mutual fund shareholders with the full benefits of lower tax rates on dividends and capital gains.
2006	The Pension Protection Act (PPA) and the Tax Increase Prevention and Reconciliation Act provide incentives for investors of all ages to save more in tax-deferred and taxable investment accounts.
2008	The SEC votes to adopt the Summary Prospectus rule. Reserve Primary Fund fails to maintain \$1.00 NAV, becoming the second money market fund in 25 years to “break the dollar.”

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- 2009** The Money Market Working Group, a task force of senior industry executives, submits its report to the ICI board. The board endorses the working group's call for immediate implementation of new regulatory and oversight standards for money market funds.
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- 2010** The SEC adopts new rules and amendments to regulations governing money market funds.
- In *Jones v. Harris*, the US Supreme Court unanimously upholds the *Gartenberg* standard under which courts have long considered claims of excessive fund advisory fees.
- Enactment of the RIC Modernization Act streamlines and updates technical tax rules, benefiting shareholders by making funds more efficient.
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- 2011** In *Business Roundtable et al. v. SEC*, the United States Court of Appeals for the District of Columbia Circuit vacated the SEC's proxy access rule for failing to adequately evaluate the rule's costs and benefits.
- ICI launches ICI Global to carry out the Institute's international work by advancing the perspective of regulated investment funds globally.
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- 2014** The SEC adopted sweeping changes to the rules that govern money market funds, building upon the changes to money market fund regulation adopted by the SEC in 2010.
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- 2017** Congress passes the most significant tax bill in three decades. Reflecting congressional support for the voluntary, employer-based retirement system, lawmakers reject proposals to raise revenue by limiting retirement savings tax incentives.
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- 2018** The SEC adopted Rule 30e-3, permitting US-registered funds to deliver shareholder reports online to satisfy their fund disclosure obligations.
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- 2019** The SEC adopted Rule 6c-11, known as the ETF rule, finally enabling most ETFs to operate under the Investment Company Act of 1940 without having to apply for exemptive relief.
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- 2020** The SEC provides relief measures to funds to navigate operational challenges during the COVID-19 pandemic.
- The SEC adopted Rule 18f-4 and related amendments modernizing regulations governing fund investments in derivatives.
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Glossary

You can find more information about many of these entries in the chapters and appendix of this book and on www.ici.org.

actively managed fund. A fund that employs a portfolio manager or management team to manage the fund's investments to try to outperform their benchmarks and peer group average.

adviser. See **investment adviser**.

annual report. A report that a fund sends to its shareholders that discusses the fund's performance over the past fiscal year and identifies the securities in the fund's portfolio on the last business day of the fund's fiscal year. The annual report includes audited financial statements.

asset class. A group of securities or investments that have similar characteristics and behave similarly in the marketplace. Three common asset classes are equities (e.g., stocks), fixed income (e.g., bonds), and cash equivalents (e.g., money market funds).

at-the-market offering. An offering of new shares at a price determined by the same class of shares currently trading in the market. At-the-market offerings tend to be smaller than follow-on offerings and are conducted through equity distribution programs using a shelf registration statement.

auditor. An auditor certifies a fund's financial statements, providing assurance that they are prepared in conformity with generally accepted accounting principles (GAAP) and fairly present the fund's financial position and results of operations.

authorized participant. An entity, usually an institutional investor, that submits orders to an exchange-traded fund (ETF) for the creation and redemption of ETF **creation units**.

average portfolio maturity. The average maturity of all the securities in a bond or money market fund's portfolio.

back-end load. See **contingent deferred sales load (CDSL)**.

basis point. One one-hundredth of 1 percent (0.01 percent); thus, 100 basis points equals 1 percentage point. When applied to \$1.00, 1 basis point is \$0.0001, and 100 basis points equals one cent (\$0.01). Basis points are often used to simplify percentages written in decimal form.

benchmark. A standard against which the performance of a security or a mutual fund can be measured. For example, Barclays Capital Aggregate Bond Index is a benchmark index for many bond mutual funds. Many equity mutual funds are benchmarked to the S&P 500 index. See also **index**.

bond. A debt security issued by a company, municipality, government, 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. The term *fixed-income* is often used interchangeably with *bond*.

bond fund. A fund that invests primarily in bonds and other debt instruments.



breakpoints. Designated levels above which certain discounts or fee rate reductions apply. In the mutual fund context, breakpoints relate to the sales charges investors pay if they buy fund shares through a broker or other intermediary, or to the management fee the fund pays to its investment adviser. Many funds offer sales charge (load) discounts to investors when they initially purchase fund shares if the amount invested surpasses a specified breakpoint. The amount of the discount typically increases as the amount of the investment reaches higher breakpoints. Similarly, funds may establish breakpoints requiring a reduction in the rate of the management fee the fund's investment adviser may charge as fund assets surpass specified levels.

break the dollar. A phrase used to describe when the net asset value (NAV) of a government or retail money market fund that uses either the amortized cost method and/or the penny-rounding method to calculate its share price falls below its stable \$1.00 NAV. This could be triggered by a deviation greater than one-half of 1 percent (one-half cent, or \$0.0050) between the fund's market-to-market value (shadow price) and its stable \$1.00 NAV. Also known as *break the buck*.

broker. A firm engaged in the business of effecting transactions in securities for the accounts of others, and is often paid by commission.

broker-dealer. A broker-dealer is a firm that acts as both a **broker** and a **dealer**. Broker-dealers selling mutual fund shares are required to be registered with the SEC and regulated by FINRA. They typically are compensated for their services through sales charges paid by investors and other fees paid by the fund (e.g., **12b-1 fees**).

capital gains distributions. A distribution to mutual fund shareholders resulting from the fund's sale of securities held in its portfolio at a profit.

catch-up contribution. An additional contribution that individuals aged 50 or older are permitted to make to an individual retirement account (IRA) or employer-sponsored retirement savings plan in excess of the annual contribution limit. In 2017, the catch-up contribution amount was limited to \$1,000 for traditional and Roth IRAs, \$6,000 for 401(k) plans, and \$3,000 for SIMPLE IRA plans.

closed-end fund. A type of investment company that issues a fixed number of shares that trade intraday on stock exchanges at market-determined prices. Investors in a closed-end fund buy or sell shares through a broker, just as they would trade the shares of any publicly traded company.

commercial paper. Short-term, unsecured notes issued by a corporation to meet immediate short-term needs for cash, such as the financing of accounts payable, inventories, and short-term liabilities. Maturities typically range from overnight to 270 days. Commercial paper usually is issued by corporations with high credit ratings and sold at a discount from face value.

common stock. An investment that represents a share of ownership in a corporation. Also known as *common shares*. See also **preferred stock**.

contingent deferred sales load (CDSL). A fee that may be imposed by a fund on shareholders who redeem (sell back to the fund) shares during the first few years of ownership. A CDSL is disclosed to shareholders in the fund's prospectus. Also known as a *back-end load*.

creation unit. Financial institutions (called authorized participants) interact directly with an ETF by purchasing and redeeming ETF shares in large blocks called creation units. A creation unit generally contains between 25,000 and 200,000 ETFs shares. See also **authorized participant**.

dealer. A firm engaged in the business of buying and selling securities for its own account.

defined benefit (DB) plan. An employer-sponsored pension plan in which the amount of future benefits an employee will receive from the plan is defined, typically by a formula based on salary history and years of service. The amount of contributions the employer is required to make will depend on the investment returns experienced by the plan and the benefits promised. Contrast **defined contribution plan**.

defined contribution (DC) plan. An employer-sponsored retirement plan, such as a 401(k) plan or a 403(b) plan, in which contributions are made to individual participant accounts. Depending on the type of DC plan, contributions may be made by the employee, the employer, or both. The employee's benefits at retirement or termination of employment are based on the employee and employer contributions and earnings and losses on those contributions. See also **401(k) plan** and **403(b) plan**. Contrast **defined benefit plan**.

director. A person serving on the board of directors of a mutual fund. Mutual fund directors oversee the management and operations of a fund organized as a corporation. Directors also have significant and specific responsibilities under the federal securities laws. Among other things, they oversee the performance of the fund, approve the fees paid to the investment adviser for its services, and oversee the fund's compliance program. All directors have a fiduciary duty to represent the interests of shareholders. See also **independent director** and **trustee**.

distribution. (1) A fund's payment of dividends and capital gains to shareholders, (2) a method of selling fund shares to the public, which could involve either direct sales from the fund to retail or institutional investors, or sales through intermediaries, such as broker-dealers, who interact directly with the purchaser of fund shares, or both, or (3) a term used to describe a withdrawal of funds from a retirement plan.

dividend. Money that a fund or company pays to its shareholders, typically from its investment income, after expenses. The amount is usually expressed on a per-share basis. A dividend is a type of **distribution**.

emerging market. Generally, economies that are in the process of growth and industrialization, for example, many countries in Africa and Latin America. Though relatively undeveloped, these economies may hold significant growth potential in the future. May also be called *developing markets*.

employer-sponsored retirement plan. A type of employee benefit plan that an employer offers to help its employees accumulate assets for retirement. These can include **defined contribution plans** or **defined benefit plans**.

equity. A security or investment representing ownership in a company. By contrast, a bond represents a loan from the investor (owner of the bond) to a borrower (the issuer of the bond). The term *equity* is often used interchangeably with *stock*.

equity fund. A fund that concentrates its investments in equities. Also known as a *stock fund*.

exchange-traded fund (ETF). An investment company, typically a mutual fund or unit investment trust, whose shares are traded intraday on stock exchanges at market-determined prices. Investors may buy or sell ETF shares on the secondary market through a broker, just as they would the shares of any publicly traded company. Authorized participants are the only entities allowed to purchase and redeem ETF shares directly from the ETF. See also **authorized participant**.

expense ratio. A measure of what it costs to operate a fund, expressed as a percentage of its assets. This ratio is disclosed in the fund's prospectus and shareholder reports.

factor. Any variable that can explain differences in the returns on securities, such as: macroeconomic variables, returns on prespecified portfolios, or returns on benchmarks.

fair value. The amount a fund might reasonably expect to receive upon a current sale of a security. Where the value of the security cannot be readily determined from transactions occurring on an exchange or otherwise, a fund must have a process in place to determine how to value the amount it would expect to receive upon a current sale.

federal funds rate. The interest rate at which banks lend to each other in overnight borrowings to maintain their bank reserves at the Federal Reserve.

Financial Industry Regulatory Authority (FINRA). A self-regulatory organization that was created under the Securities Exchange Act of 1934 and that is charged with regulating broker-dealers. To fulfill its responsibilities, FINRA adopts regulatory rules that broker-dealers must comply with, conducts inspections of such broker-dealers, and imposes sanctions on those broker-dealers that violate its rules. FINRA's activities are overseen by the SEC.

529 plan. An investment program designed to help pay future qualified higher education expenses through a tax-advantaged account. These plans are offered by state governments and may also be offered by private consortiums. States offer two types of 529 plans: prepaid tuition programs allow contributors to establish an account in the name of a student to cover the cost of a specified number of academic periods or course units in the future; and college savings plans allow individuals to contribute to an investment account to pay for a student's qualified higher education expenses.

fixed-income security. See **bond**.

forward pricing. The concept describing the price at which mutual fund shareholders buy or redeem fund shares. Shareholders must receive the next computed share price following the fund's receipt of a shareholder transaction order.

follow-on offering. An offering of new shares of a same class of shares that is already publicly traded. The new shares are offered at a price established by the fund that is generally lower than the current price traded in the market.

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

401(k) plan. An employer-sponsored retirement plan that enables employees to make tax-deferred contributions from their salaries to the plan. See also **defined contribution 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. See also **defined contribution plan**.

front-end load. A fee imposed by some funds at the point of purchase to cover selling costs. Any front-end load imposed by a fund will be described in detail in the fund's prospectus.

full-service broker. A licensed broker-dealer firm that provides a variety of services, including trade execution, research and investment advice, retirement planning, tax advice, and other services.

fund complex. A group of funds usually having the same investment adviser and distributor. Each fund in a complex may have different investment objectives and follow different investment strategies. Also known as *fund family*.

funds of funds. Mutual funds that primarily invest in shares of other mutual funds rather than investing directly in individual securities. Also, ETFs that primarily invest in shares of other ETFs rather than investing directly in individual securities.

government bond. A debt security issued by a government or its agencies (e.g., in the United States: savings bonds, Treasury bonds, Treasury inflation-protected securities [TIPS]).

government money market fund. A money market fund that seeks to maintain a stable share price and invests at least 99.5 percent of its total assets in cash, government securities, and/or repurchase agreements collateralized by government securities or cash. See also **money market fund**.

government securities. Any debt obligation issued by a government or its agencies (e.g., Treasury bills issued by the United States). See also **US Treasury securities**.

hedge fund. A private investment pool for qualified (typically wealthy) investors that, unlike a mutual fund, is exempt from SEC registration.

hybrid fund. A mutual fund that invests in a mix of equity and fixed-income securities, which can change proportionally over time or remain fixed.

independent director. A fund director must satisfy a number of specific and stringent requirements to be "independent." In general, under the 1940 Act, an independent director cannot currently have, or at any time during the previous two years have had, a significant business relationship with the fund's adviser, principal underwriter (distributor), or affiliates. An independent director also cannot own any stock of the investment adviser or certain related entities, such as parent companies or subsidiaries. See also **director** and **trustee**.

independent public accountant. The entity that audits a fund's financial statements. As part of the audit, the independent public accountant must consider the fund's internal control over financial reporting, including controls for safeguarding the fund's securities. The independent public accountant reports to the board's audit committee.

index. A portfolio of assets that tracks the performance of a particular financial market or subset of it (e.g., stock, bond, or commodity markets) and serves as a benchmark against which to evaluate a fund's performance. The most common index for equity funds is the S&P 500. See also **benchmark**.

index fund. A fund designed to track the performance of a market index. The fund's portfolio of assets is either a replicate or a representative sample of the designated market index. Often referred to as *passively managed portfolios*.

individual retirement account (IRA). A tax-advantaged account set up by or for an individual to hold and invest funds for retirement.

institutional investor. Businesses, nonprofit organizations, and other similar investors that own funds and other securities on behalf of their organizations. This classification of investors differs from individual or household investors who own the majority of investment company assets.

institutional money market fund. A money market fund that does not qualify as either a retail or government money market fund and does not limit all beneficial owners of the fund to natural persons.

intraday indicative value (IIV). A real-time estimate of the intraday value of an exchange-traded fund (ETF). Typically, third-party providers calculate and disseminate this measure every 15 to 60 seconds during securities market trading hours.

investment adviser. An organization retained by an investment company to give professional advice on the fund's investments and asset management practices. All investment advisers to registered investment companies, such as mutual funds, must be registered with the SEC under the Investment Advisers Act of 1940.

investment company. A corporation, trust, or partnership that invests pooled shareholder dollars in securities appropriate to the organization's objective. Mutual funds, closed-end funds, unit investment trusts, and exchange-traded funds are the main types of SEC-registered investment companies.

investment objective. The goal (e.g., current income, long-term capital growth) that a fund pursues on behalf of its investors. The fund's investment objective is disclosed to investors in the fund's prospectus and the fund's investments must be consistent with the stated investment objective.

level load. A combination of an annual 12b-1 fee (typically 1 percent) and a contingent deferred sales load fee (also often 1 percent) imposed by funds when shares are sold within the first year after purchase. See also **contingent deferred sales load** and **12b-1 fee**.

lifecycle fund. See **target date fund**.

lifestyle fund. Mutual funds that maintain a predetermined risk level and generally use words such as “conservative,” “moderate,” or “aggressive” in their names to indicate the fund’s risk level. Also known as *target risk fund*.

liquidity. The ability to gain ready access to invested money. Mutual funds are liquid because their shares can be redeemed for the next computed net asset value (NAV) on any business day. In the securities market, a security is said to be liquid if the spread between bid and ask prices is narrow and reasonably sized trades can take place at those quotes.

load. See **sales charge**.

load fund. A mutual fund that imposes a sales charge—either when fund shares are purchased (front-end load) or redeemed (contingent deferred sales load)—or a fund that charges a 12b-1 fee greater than 0.25 percent. See also **12b-1 fee**.

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

management fee. The amount paid by a mutual fund to the investment adviser for its services.

maturity. The date by which an issuer promises to repay a bond’s face value.

money market. The global financial market for short-term borrowing and lending where short-term instruments such as Treasury bills (T-bills), commercial paper, and repurchase agreements are bought and sold.

money market fund. A mutual fund regulated pursuant to Rule 2a-7 under the Investment Company Act of 1940 that invests in short-term, high-quality, fixed-income securities, and seeks the highest level of income consistent with preservation of capital (e.g., maintaining a stable share price).

mutual fund. An investment vehicle that offers investors professional money management and diversified investment opportunities. All mutual funds are investment companies that are registered with the SEC under the Investment Company Act of 1940. Mutual funds buy a portfolio of securities selected by the fund’s investment adviser to meet a specified investment objective. One hallmark of mutual funds is that they are considered a liquid investment because they issue redeemable securities, meaning that the fund stands ready to buy back its shares at their next computed net asset value (NAV). See also **open-end investment company**.

net asset value (NAV). The per-share value of an investment company, calculated by subtracting the fund’s liabilities from the current market value of its assets and dividing by the number of shares outstanding. Mutual funds calculate their NAVs at least once daily on each day the financial markets are open.

net new cash flow. The net amount of “new” money flowing into a mutual fund. The amount is determined by calculating the dollar value of new sales of the fund minus redemptions, plus net exchanges. A positive number indicates new sales plus exchanges into funds exceeded redemptions plus exchanges out of funds. A negative number indicates redemptions plus exchanges out of funds exceeded new sales plus exchanges into funds.

net share issuance. The dollar value of gross issuance (proceeds from initial and additional public offerings of shares) minus the dollar value of gross redemptions of shares (share repurchases and fund liquidations). A positive number indicates that gross issuance exceeded gross redemptions. A negative number indicates that gross redemptions exceeded gross issuance.

no-load fund. A mutual fund whose shares are sold without a sales charge and without a 12b-1 fee of more than 0.25 percent per year. See also **12b-1 fee**.

open-end investment company. The legal name for a mutual fund, indicating that it stands ready to redeem (buy back) its shares from investors. See also **mutual fund**.

operating expenses. Business costs paid from a fund's assets. These include management fees, 12b-1 fees, and other expenses.

pooled investing. The basic concept behind mutual funds and other investment companies in which a fund aggregates the assets of investors who share common financial goals. A fund uses the pooled assets to buy a portfolio of investments, and each share purchased represents a shareholder's pro rata ownership interest in the fund's portfolio.

portfolio. A collection of investments owned by an individual or an institution (such as a mutual fund) that may include stocks, bonds, money market instruments, and other investments.

portfolio manager. A specialist employed by a fund's adviser to invest the fund's assets in accordance with predetermined investment objectives.

portfolio turnover rate. A measure of how frequently securities are bought and sold within a fund during a year. The portfolio turnover rate usually is expressed as a percentage of the value of a fund.

preferred stock. An investment that represents a share of ownership in a corporation that has a higher claim on the corporation's assets and earnings than common stock. Preferred stock differs from common stock in that preferred stock generally pays a fixed dividend that must be paid out before dividends to common stock shareholders. Also known as *preferred shares*. See also **common stock**.

primary market. The market in which investors buy securities directly from the companies issuing them. Contrast **secondary market**.

prime money market fund. A money market fund that invests primarily in corporate debt securities.

principal underwriter. A mutual fund underwriter enters into sales agreements with retail distributors (e.g., broker-dealers) of the mutual fund. To sell fund shares, a retail distributor must have executed a contract with a fund or its principal underwriter, which authorizes the distributor to offer and sell fund shares to the public. Generally speaking, a fund's underwriter is not involved in the offer or sale of fund shares to investors.

prospectus. The official document that describes an investment company to prospective investors. The prospectus contains information required by the SEC, such as investment objectives and policies, risks, services, and fees. Federal law requires that every mutual fund investor receive a prospectus. See also **summary prospectus**.

redeem. To sell mutual fund shares back to the fund. Mutual fund shares may be redeemed on any business day. An investor receives the next computed share price, called net asset value (NAV), minus any deferred sales charge or redemption fee.

redemption price. The amount per share that mutual fund shareholders receive when they redeem. See **redeem**.

registered investment company. Any fund—including a mutual fund—that is registered as an investment company with the SEC under the Investment Company Act of 1940. In addition to registering as an investment company under the Investment Company Act of 1940, shares of the registered investment company must be registered under the Securities Act of 1933 (if they are offered to the public) and the investment company's investment adviser must be registered with the SEC under the Investment Advisers Act of 1940. Each of these acts imposes regulatory responsibilities on the entities or securities registered under such acts.

regulated investment company (RIC). A fund eligible under subchapter M of the Internal Revenue Code to eliminate tax at the entity level by distributing all of its taxable income to its shareholders. The fund's income thus is taxed only once, at the investor level. A RIC may be organized in either corporate or trust form—but is treated in all cases as a corporation. To qualify as a RIC, a corporation must be registered at all times during the taxable year under the Investment Company Act of 1940 and must derive at least 90 percent of its income from certain sources, including dividends, interest, and capital gains. It also must distribute at least 90 percent of the dividends and interest received.

repurchase agreements. A form of short-term funding that is typically used by dealers and other institutional investors. In a repurchase transaction, one party sells securities to another party and agrees to buy back the securities at a specified time (e.g., the next day) for a specified price. Also known as a *repo*.

required minimum distribution (RMD). Rules under the Internal Revenue Code that generally require a person who owns a traditional IRA or 401(k) account to take annual distributions from the IRA or 401(k) account beginning at age 70½. The annual distribution amount is determined by formulas established by the IRS and must be calculated each year based on the owner's age (or the ages of the owner and the owner's spouse). The IRS formula is intended to ensure that the entire amount of a traditional IRA or 401(k) account be distributed over the expected life of the individual (or the joint lives of the individual and the individual's spouse). Distributing less than the required amount may result in a tax penalty. Roth IRAs are not subject to required minimum distributions during the account holder's lifetime.

retail investor. An individual investor who buys and sells securities for his or her personal account, and not for a company or organization.

retail money market fund. A money market fund that has policies and procedures reasonably designed to limit all beneficial owners of the fund to natural persons.

RIC. See **regulated investment company**.

rights offerings. Fund shareholders are issued rights to purchase additional fund shares at a price established by the fund, usually at a discount to NAV.

rollover. The transfer of an investor's assets from one qualified retirement plan (including an IRA) to another—due to changing jobs, for instance—without a tax penalty.

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

sales charge. The sales fee that may be imposed on mutual fund shares that are purchased through a broker-dealer or other financial intermediary. By regulation, mutual fund sales charges are capped. Sales charges may vary depending on where the shares are acquired (e.g., a fund supermarket or a broker-dealer), the amount invested, and the fund purchased. Also known as the *load*.

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

secondary market. Market in which an investor purchases or sells certain assets (such as closed-end fund, UIT, and ETF shares) from another investor through an intermediary such as a broker-dealer. Contrast **primary market**.

sector mutual fund. A fund that invests in a particular or specialized segment of the marketplace, such as stocks of companies in the software, healthcare, or real estate industries.

separate account. An insurance company account that is segregated or separate from the insurance company's general assets. Also refers to a fund managed by an investment adviser for a single plan.

SEP IRA (simplified employee pension plan). A retirement program created in 1978 that consists of individual retirement accounts for all eligible employees, to which the employer can contribute according to certain rules. A fairly simple, inexpensive plan to establish and administer, a SEP IRA can be attractive to small businesses and self-employed individuals.

series trust 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. Some mutual funds offer investors different types of shares known as classes (e.g., Class A, institutional shares). Each class will invest in the same portfolio of securities and will have the same investment objectives and policies, but each class will have different shareholder services and/or distribution arrangements with different fees and expenses and, therefore, different performance results. A multiclass structure offers investors the ability to select a fee and expense structure that is most appropriate for their investment goals (including the time that they expect to remain invested in the fund).

short-term fund. See **money market fund**.

SIMPLE IRA (savings incentive match plan for employees). A simplified tax-favored retirement plan created in 1996 that small employers can set up for the benefit of their employees.

S&P 500 index. A daily measure of stock market performance based on 500 US stocks chosen by Standard & Poor's for market size, liquidity, and industry group representation.

sponsor. A company or financial institution that creates a fund and determines its investment objective. When a new fund complex is launched, the fund sponsor (often an investment adviser) typically is the initial and sole shareholder of the new funds and elects the initial slate of directors.

stable value fund. An investment fund that seeks to preserve principal and to provide consistent returns and liquidity. Stable value funds include collective investment funds sponsored by banks or trust companies or contracts issued by insurance companies.

summary prospectus. SEC rules permit mutual funds to provide their investors with a brief summary (generally three to four pages) of key fund information instead of the fund's long-form, statutory prospectus if they make the statutory prospectus available online or by mail upon request and meet certain additional conditions. The summary prospectus must contain the following items in standardized order and cannot include additional information, nor omit required information: investment objectives/goals; fee and expense tables; principal investment strategies, principal risks and performance table; and management information. See also **prospectus**.

target date fund. Funds designed to satisfy their investors' investment objective by a particular target date, which is usually included in the name of the fund. For example, a Target Date 2025 fund may be designed for persons who plan to retire in 2025. To fulfill the investor's investment objective, the fund is typically constructed as a hybrid fund that follows a predetermined reallocation of risk over the lifetime of the investment. These funds invest in a mix of asset classes and typically rebalance their portfolios over time to become more conservative and income producing as the fund approaches and passes its target date. Target date funds are most commonly used to save for retirement or education, where the owner of the account expects to use the account proceeds at a known future date. Also known as **lifecycle fund**.

target risk fund. See **lifestyle fund**.

tender offer. In a closed-end fund tender offer, shareholders are given a limited opportunity to sell a portion of their shares back to the fund at a price—the tender price. Generally, the tender price is close to the fund's net asset value (NAV) and is higher than the market price.

total net assets. The total amount of assets, less any liabilities, a fund holds as of a certain date.

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

traditional IRA. The first type of IRA, created in 1974. Individuals may make tax-deductible or nondeductible (depending on income and other requirements) contributions to these accounts. See also **individual retirement account (IRA)**.

transfer agent. A transfer agent is the entity within a fund complex that maintains all shareholder account records, processes all transactions effected by shareholders, and provides shareholders who own shares directly with the fund communications regarding the fund or the shareholder's account. Typically, when a mutual fund shareholder contacts the fund to discuss the shareholder's account, it is the transfer agent that handles such inquiries. The transfer agent must be registered with the SEC under the Securities Exchange Act of 1934 and must perform its services pursuant to an agreement with the fund's board.

Treasury bill (T-bill). A short-term debt obligation of the US government with a maturity of less than one year. T-bills are sold in denominations of \$1,000 up to a maximum purchase of \$5 million and commonly have maturities of one month (four weeks), three months (13 weeks), or six months (26 weeks).

trustee. A member of the board of trustees of a fund organized as a business or statutory trust. Mutual fund trustees oversee the management and operations of the fund and have a fiduciary duty to represent the interests of shareholders. Fund trustees have the same responsibilities as fund directors. See also **director**.

12b-1 fee. A mutual fund fee, named for the SEC rule that permits it, used to pay distribution costs such as compensation to financial advisers for initial and ongoing assistance. If a fund has a 12b-1 fee, it will be disclosed in the fee table of a fund's prospectus.

underwriter. See **principal underwriter**.

unit investment trust (UIT). A type of fund that blends characteristics of mutual funds and closed-end funds. Like mutual funds, UITs issue redeemable shares. Like closed-end funds, however, UITs typically issue only a specific, fixed number of shares. A UIT does not actively trade its investment portfolio. Instead it buys and holds a fixed portfolio of securities until the UIT's set termination date, at which time the trust is dissolved and proceeds are paid to shareholders.

US Treasury securities. Debt securities issued by the US government and secured by its full faith and credit. Treasury securities are the debt financing instruments of the US federal government, and they are often referred to simply as Treasuries. There are four types of Treasury securities: Treasury bills, Treasury bonds, Treasury notes, and Treasury inflation protected securities (TIPS). See also **Treasury bill**.

variable annuity. An investment contract sold by an insurance company. Capital is accumulated, often through mutual fund investments, with the option to convert to an income stream in retirement.

wirehouse. An integrated broker with a national or worldwide business model as opposed to a regional one.

worldwide regulated open-end fund. A substantively regulated, open-end fund that is constrained by some diversification limits, concentration limits, and/or leverage limits with a view to offering a high level of investor protection; includes mutual funds, exchange-traded funds (ETFs), institutional funds, guaranteed/protected funds, (open-end) real estate funds, and other substantively regulated funds.