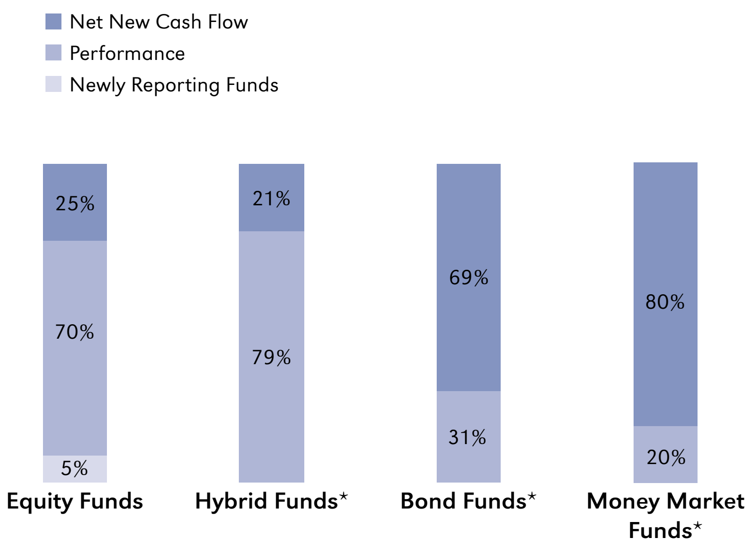
Mutual Fund Developments in 1998

The U.S. economy and world financial markets provided a mixed setting for mutual funds in 1998. In the United States, the economy grew at a robust 4.1 percent annual rate during its eighth year of expansion. Low inflation and an eased monetary policy by the Federal Reserve Board contributed to a decline in most interest rates. This environment buoyed the U.S. stock market, and broad market indexes dominated by large-capitalization companies once again posted strong gains.

In contrast, stock prices for many small companies ended the year lower. In addition, at times, the major stock indexes experienced their largest declines since 1990. Financial developments abroad were also mixed, as stock prices rose in many European countries but fell in many emerging markets.

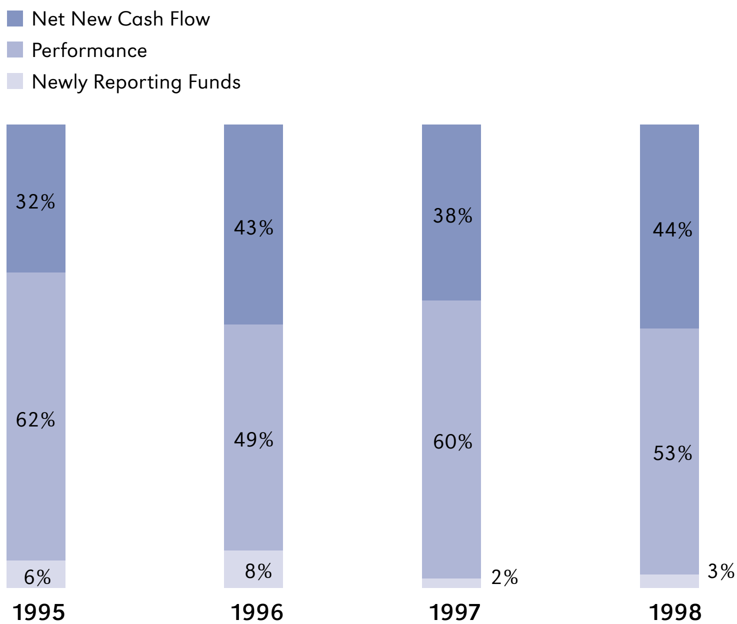
Assets in mutual funds increased 24 percent—to $5.5 trillion—in 1998, the fourth consecutive year of more than 20 percent growth, but the smallest percentage increase since

Components of Mutual Fund Asset Growth by Type of Fund, 1998



Asset growth from newly reporting funds was $1 billion or less in 1998.

Components of Mutual Fund Asset Growth*



** Newly reporting funds are excluded from the calculation of fund performance and net new cash flow during the month in which they are introduced to the Institute's data base.*

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

1994. Investment performance—asset appreciation plus reinvested dividends and capital gains distributions—accounted for about half of the increase. New investments by mutual fund owners, or net new cash flow, was a record $477 billion, with bond and money market funds accounting for $310 billion, or 65 percent of the inflows.

Equity Funds

Assets in equity funds increased 26 percent in 1998 to $2.98 trillion. The performance of these funds accounted for about 70 percent of the increase in assets. Equity funds posted $157 billion in net new cash flow in 1998, slowing from $227 billion in 1997. Funds investing predominantly in stocks of large-capitalization U.S. companies continued to capture the majority of the net inflow, with lesser amounts going to funds investing in stocks of small-capitalization domestic firms and foreign companies.

Bond Funds

Assets in bond funds rose 15 percent in 1998, to a record $831 billion from $724 billion in 1997. Net new cash flow, accounting for 69 percent of the increase in assets, rose to $75 billion in 1998 from $28 billion in 1997. Most of the

Net New Cash Flow to Mutual Funds

(billions of dollars)

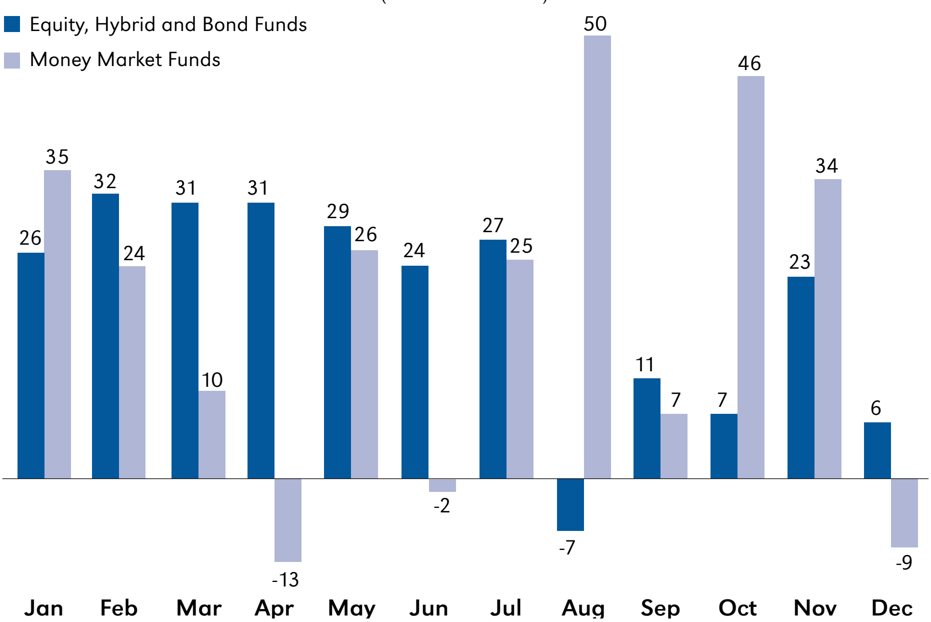
	Equity	Hybrid	Bond	Money Market	Total*	Total Mutual Fund Assets
1984	$5.9	$0.3	$13.1	$35.1	$54.3	$370.7
1985	8.5	1.9	63.2	(5.4)	68.2	495.4
1986	21.7	5.6	102.6	33.9	163.8	715.7
1987	19.0	4.0	6.8	10.2	40.0	769.2
1988	(16.1)	(2.5)	(4.5)	0.1	(23.0)	809.4
1989	5.8	4.2	(1.2)	64.1	72.8	980.7
1990	12.8	2.2	6.2	23.2	44.4	1,065.5
1991	39.4	8.0	58.9	5.5	111.8	1,393.2
1992	78.9	21.8	71.0	(16.3)	155.4	1,642.6
1993	129.4	39.4	73.3	(14.1)	228.0	2,070.1
1994	118.9	20.9	(64.6)	8.8	84.1	2,155.4
1995	127.6	5.3	(10.5)	89.4	211.8	2,811.5
1996	216.9	12.3	2.8	89.4	321.3	3,526.3
1997	227.1	16.5	28.4	102.1	374.1	4,468.2
1998	157.0	10.2	74.6	235.3	477.1	5,525.2

Note: The data contain a series break beginning in 1996. All funds were reclassified in 1996 and a separate category was created for hybrid funds. At the same time, data for funds that invest in other mutual funds were excluded from the series. Data prior to 1996 have been restated to create a consistent series back to 1984.

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

Net New Cash Flow to Mutual Funds, 1998
Long-term vs. Short-term

(billions of dollars)



remaining asset growth was attributable to investment performance.

Falling interest rates helped stimulate net new cash flow to bond funds, but the direct effect of the stock market selloff on inflows was likely minimal, as bond funds did not see an increase in net inflow during the second half of the year.

Net flows to funds investing predominantly in U.S. government, municipal and high-grade corporate bonds increased the most. As rates on high-yield bonds rose—and their prices declined—high-yield bond funds experienced outflows.

Hybrid Funds

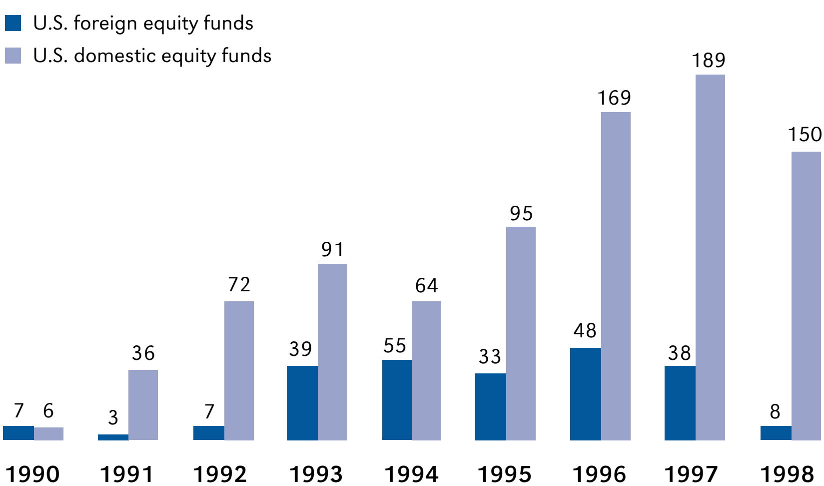
Assets in hybrid funds—funds investing in stocks, bonds and other securities—rose 15 percent in 1998, to $365 billion from $317 billion in 1997. Net new cash flow, accounting for 21 percent of the increase in assets, slowed to $10 billion in 1998 from $17 billion in 1997. Most of the remaining asset growth was attributable to investment performance.

During the first seven months of the year, the net inflow slightly outpaced that for the same period in 1997. With the stock market selloff in mid-summer, however, hybrid funds experienced a small outflow in August that continued through October. Net inflows resumed in November and December.

Money Market Funds

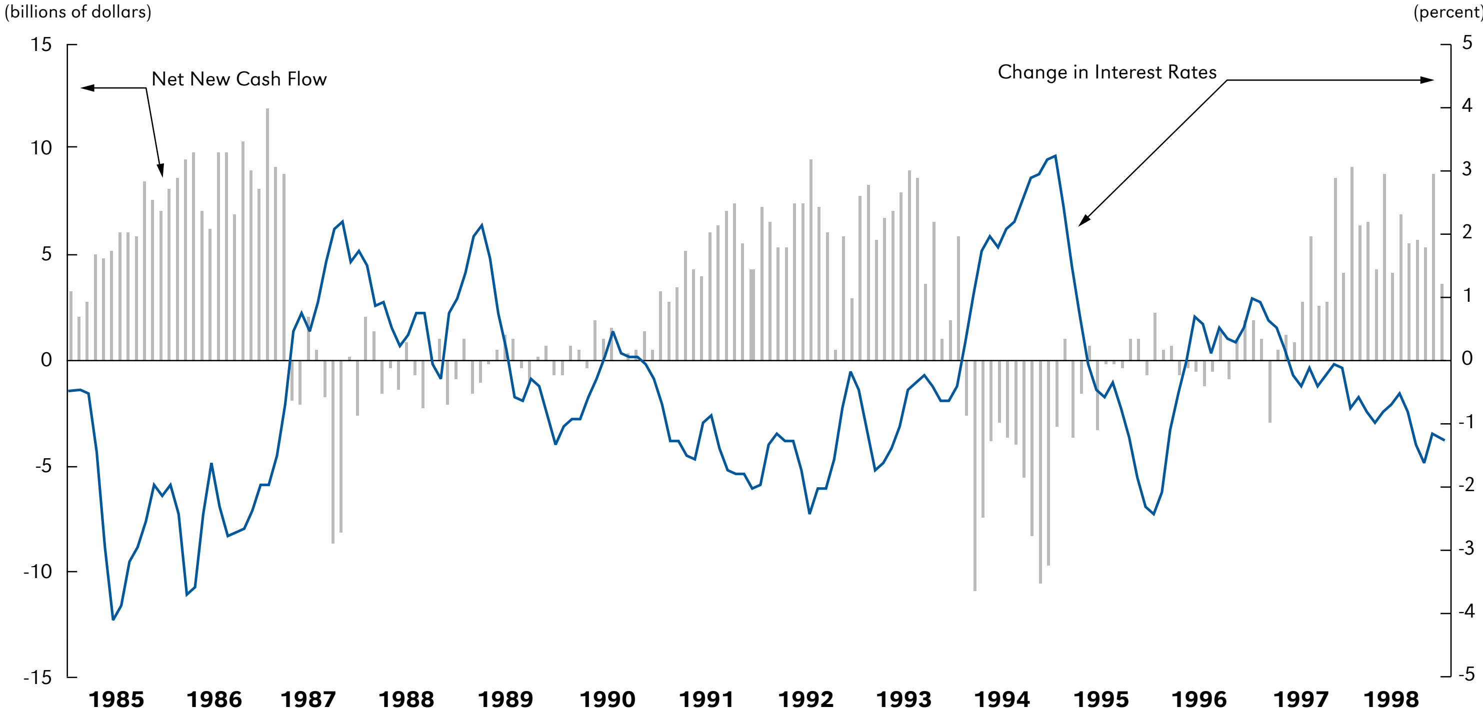
Assets of money market funds rose 28 percent in 1998, increasing to $1.352 trillion from $1.059 trillion. Net new cash flow to money market funds,

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



Note: The sum of net flows to foreign and domestic funds may not equal the total shown on page 3 because of rounding. The data contain a series break beginning in 1996. Data for funds that invest in other mutual funds were excluded from the series. Data prior to 1996 have been restated to create a consistent series back to 1990.

Interest Rate Changes and Net New Cash Flow to Bond Funds*



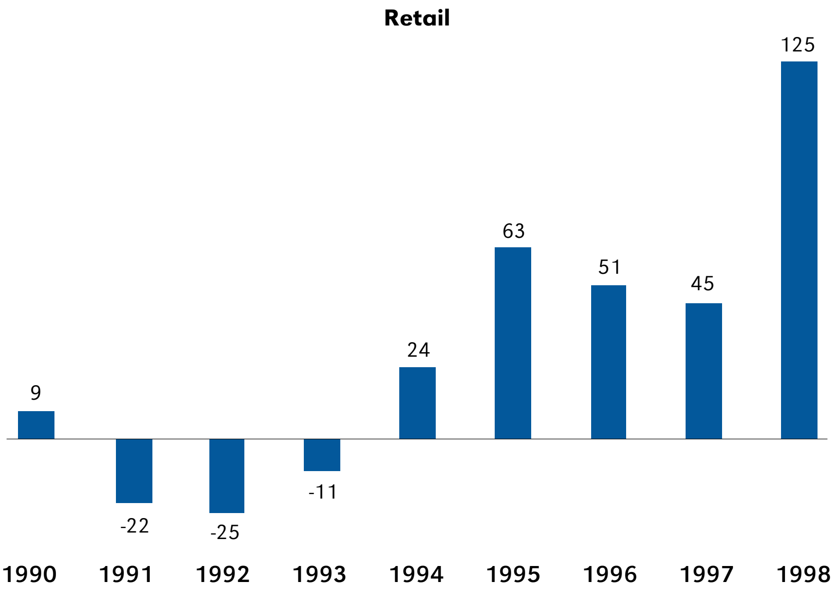
*Interest rate changes are year-over-year changes in the constant maturity yield on the three-year U.S. Treasury note.

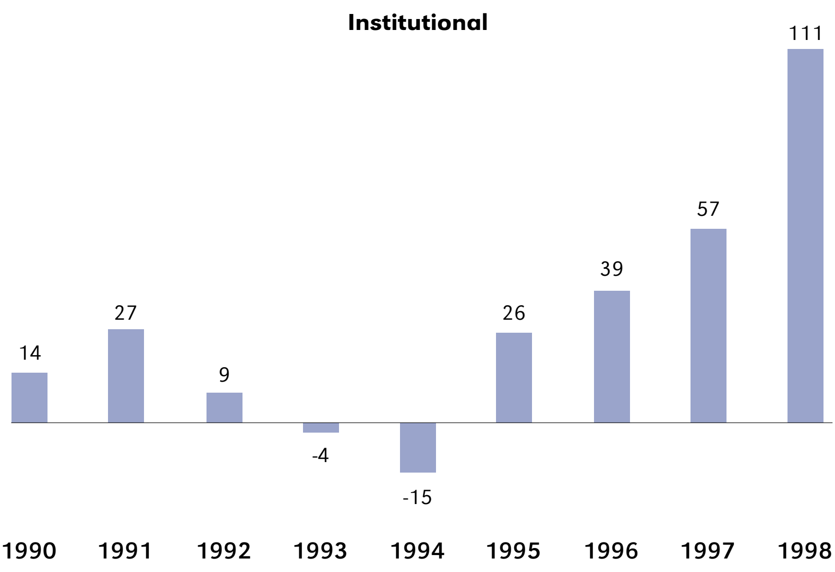
Note: See page 105 for data points on this chart. The net new cash flow data contain a series break beginning in 1996. Data prior to 1996 have been restated to create a consistent series back to 1985.

Source: Federal Reserve Board and Investment Company Institute

Net New Cash Flow to Money Market Funds

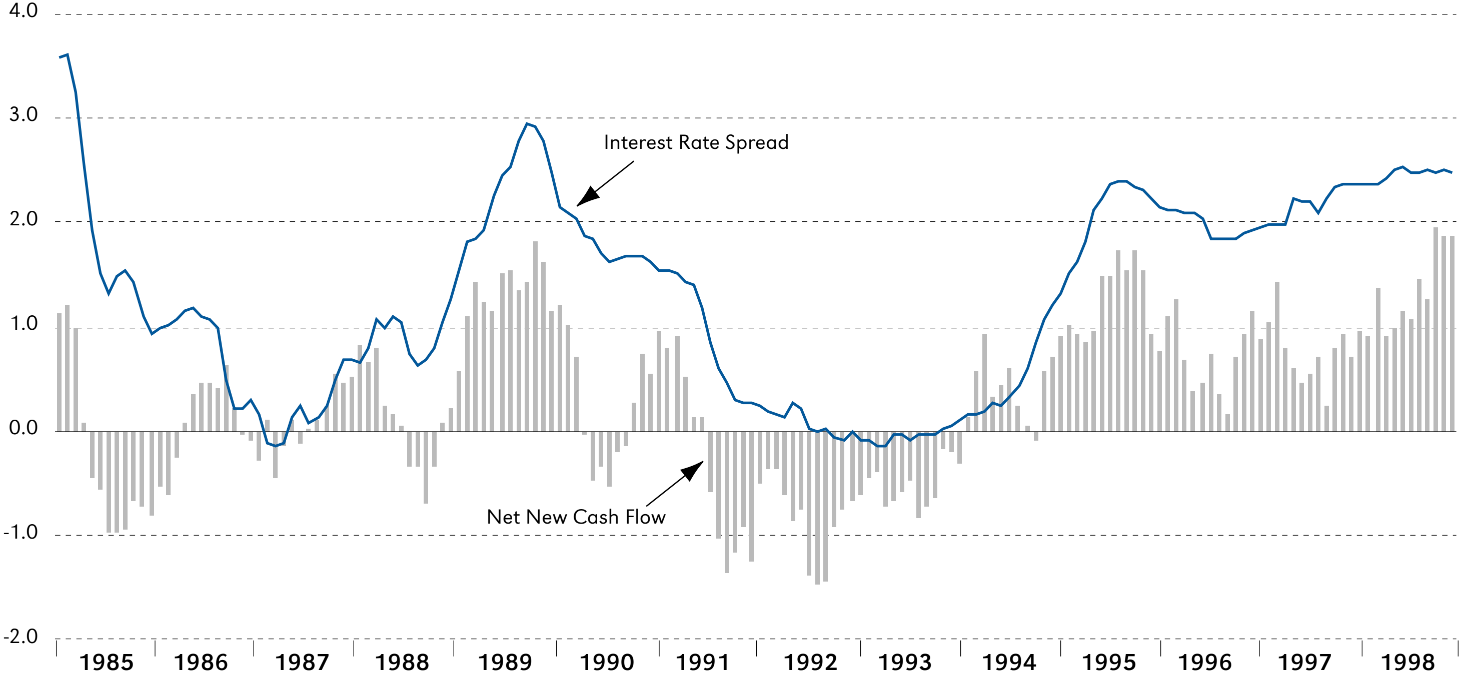
(billions of dollars)





Interest Rate Spread and Net New Cash Flow to Retail Money Market Funds*

(percent)



*Net new cash flow is a percentage of retail money market fund assets and is shown as a six-month moving average. The interest rate spread is the difference between the taxable money market fund yield and the average interest rate on savings deposits; the series is plotted with a six-month lag.

Note: See page 109 for data points on this chart.

Source: IBC Financial Data Inc., Federal Reserve Board and Investment Company Institute accounting for about 80 percent of the increase in assets, was a record $235 billion, more than double the previous record of $102 billion in 1997. Most of the remaining asset growth was attributable to investment performance.

The higher net inflow was primarily driven by a favorable interest rate environment. Inflows began the year well ahead of the previous year's pace and strengthened even further with the decline in short-term interest rates in the fall.

Increased household demand for liquidity after the sharp drop in the stock market may have bolstered the net flow. However, retail funds did not gain much cash directly from shareholders exchanging money out of long-term funds into money market funds.

Retail funds. The net inflow to retail money market funds—those offered primarily to individuals—rose to $125 billion from $45 billion in 1997. The heavier inflow was partly attributable to a widening gap between yields on retail money funds and bank and thrift deposits. In the past retail funds have experienced strong inflows when this yield gap was wide, and 1998 proved no exception. The spread average was 2.42 percent, the highest annual average since 1984, and up from 2.32 percent in 1997.

Money funds accounted for about 20 percent of U.S. households' short-term liquid assets at the end of 1998, up from 17 percent at the end of 1997. The percentage increase in short-term liquid assets in 1998 continued a trend present since 1995, when the yield spread began to widen.

Institutional funds. The net inflow to institutional money market funds—those held primarily by businesses, governments, institutional investors and pension plans—rose for the fourth straight year, to $111 billion from $57 billion. In recent years, institutional investors have increasingly outsourced their cash management to institutional money market funds.

Institutional money market fund inflows were assisted in autumn when the gap between money market fund yields widened in relation to money market rates. Even though yields on institutional money funds fell at that time, they dropped at a slower pace than money market rates. This lag occurs because money funds pay dividends based on the securities held in their portfolios rather than current interest rates.

Stock Market Volatility

The U.S. stock market was more volatile during the third quarter of 1998 than it had been in more than a decade. Nearly 45 percent of the days during the third quarter had an intraday trading range that exceeded 2 percent of the previous day's close. In addition, in the six weeks between mid-July and the end of August, most major equity indexes experienced

Findings on Shareholder Reaction to Market Volatility

Investment Company Institute studies suggest that the shareholder response to movements in stock prices is spread out over time. The rate of redemptions has generally remained unchanged or declined slightly during bear markets and does not rise until a bear market has ended and stock prices have begun to recover.

Over the years, Institute research noted several specific findings about mutual fund shareholders and their reactions to market volatility.

- The response of equity fund shareholders to the summer 1998 selloff in the stock market was muted. Net outflows totaled only 0.3 percent of domestic equity fund assets in August even though major market indexes posted their largest declines since 1990.
- The largest net outflow within a short period occurred during and immediately after the October 1987 stock market break (only 4.5 percent of total equity fund assets).
- An estimated 95 percent of stock fund owners did not redeem shares immediately after the 1987 stock market break.
- The responses of shareholders to other sharp drops in stock prices since 1945 were considerably more restrained than the reaction in 1987.
- The vast majority of shareholders are not new to investing in either mutual funds or individual stock and bonds. The typical mutual fund shareholder has invested in mutual funds for about 10 years.

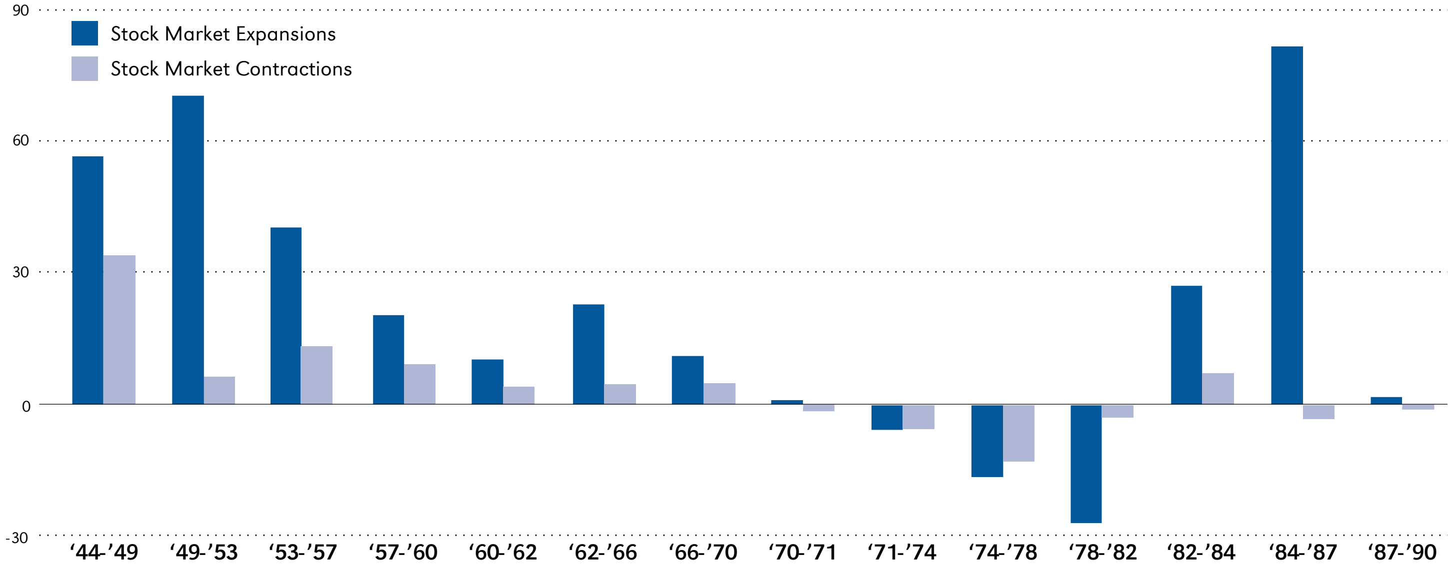
their steepest declines since 1990. The S&P 500 index fell 19.3 percent over this six-week period, compared with a decline of 19.9 percent during the market selloff in 1990. The Russell 2000 index dropped 27.1 percent during this period, compared with a 30.5 percent decline in 1990. Although these market declines were significant, during the autumn of 1987 the S&P 500 fell 33 percent and the Russell 2000 declined 39 percent.

Mutual fund shareholders' response to the broad market selloff was muted. Domestic stock funds experienced a net outflow of $6 billion in August, or just 0.3 percent of assets, the first net monthly outflow since the summer of 1990. By comparison, the net outflow during the market selloff in 1990 averaged 0.6 percent per month.

Volatility in the stock markets of emerging market countries led to only moderate monthly outflows in 1998, averaging 1 percent of assets. Outflows were primarily due to a decline in sales, not an increase in redemptions.

Net Flow to Equity Funds During Stock Market Expansions and Contractions, 1944–1990*

(percent of assets)



*For stock market expansions, net flow is expressed as a percentage of assets at trough; for stock market contractions, net flow is expressed as a percentage of assets at peak.

Note: See page 113 for data points on this chart.

What Is a Mutual Fund?

A mutual fund is an investment company that pools money from shareholders and invests in a diversified portfolio of securities. An estimated 77 million Americans in 44 million households own mutual fund shares.

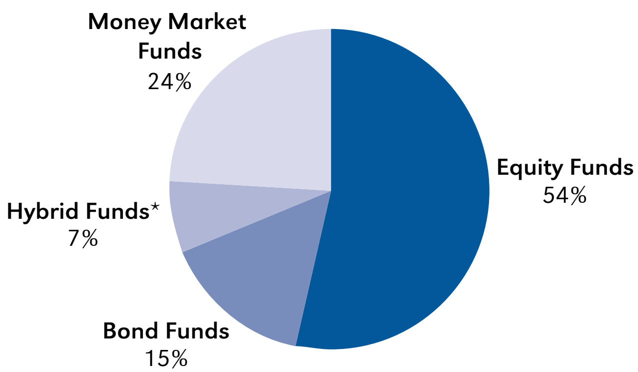
Four Basic Types of Mutual Funds

There are four basic types of mutual funds: stock (also called equity), bond, hybrid and money market. Money market funds are referred to as short-term funds because they invest in securities that generally mature in about one year or less, while stock, bond and hybrid funds are known as long-term funds. (Hybrid funds invest in a combination of stocks, bonds and other securities.) Of the total $5.5 trillion invested in mutual funds at the end of 1998, $2.98 trillion was invested in stock funds, $1.35 trillion in money market funds, $831 billion in bond funds and $365 billion in hybrid funds.

An investor in a mutual fund is a shareholder who buys shares of the fund. Each share represents proportionate ownership in all the fund's underlying securities. The securities

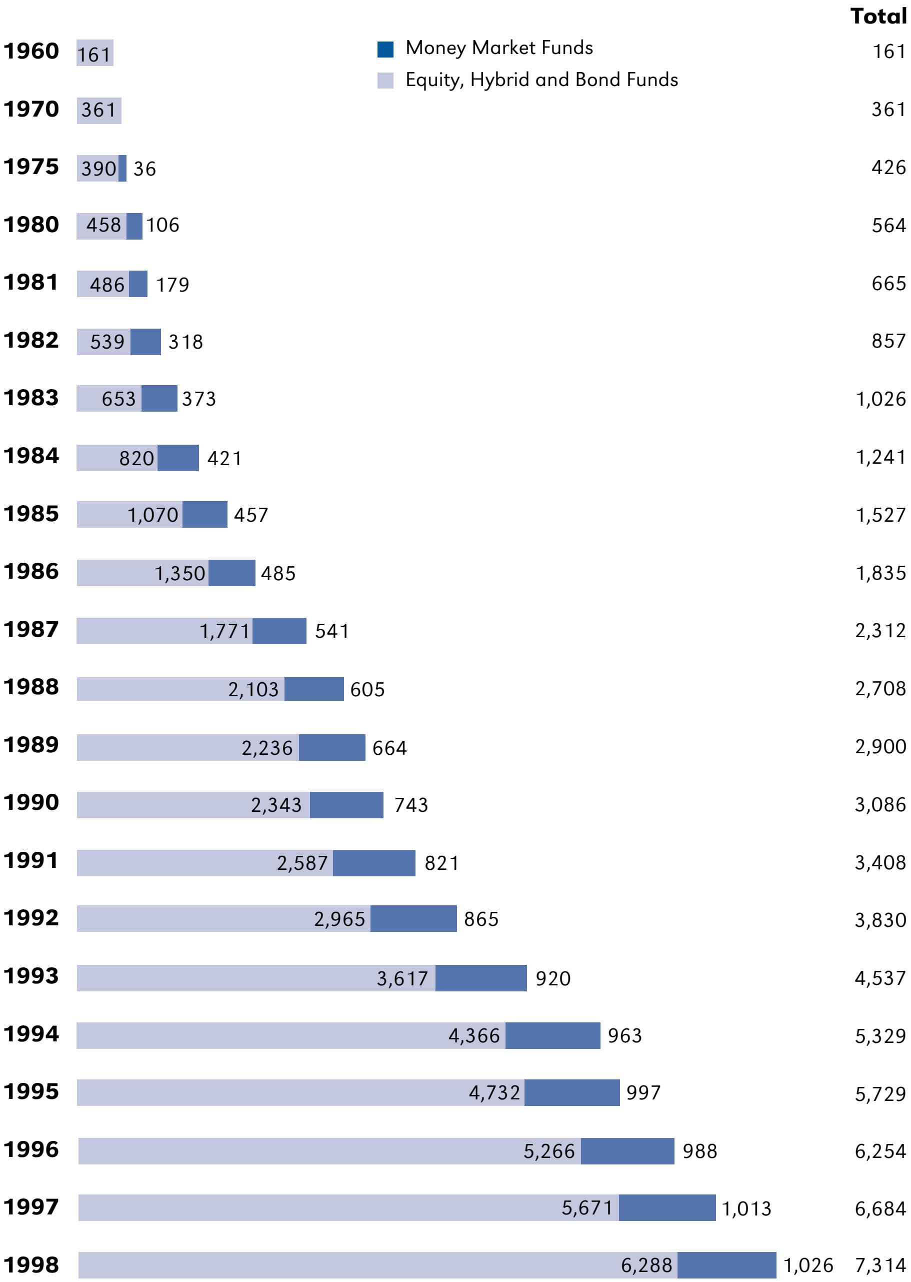
How Mutual Fund Assets Are Invested

(year-end 1998)



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

Number of Mutual Funds



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

MUTUAL FUND INVESTMENT OBJECTIVES

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

EQUITY FUNDS

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

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

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

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

World Equity Funds invest primarily in stocks of foreign companies.

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

HYBRID FUNDS

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

- *Asset allocation funds* invest in various asset classes including, but not limited to, equities, fixed-income securities and money market instruments. They seek high total return by maintaining precise weightings in asset classes.
- *Balanced funds* invest in a mix of equity securities and bonds with the three-part objective of conserving principal, providing income and achieving long-term growth of both principal and income. These funds maintain target percentages in asset classes.
- *Flexible portfolio funds* invest in common stocks, bonds and other debt securities, and money market securities to provide high total return. These funds may invest up to 100 percent in any one type of security and may easily change weightings depending upon market conditions.
- *Income-mixed funds* invest in a variety of income-producing securities, including equity and fixed-income securities. These funds seek a high level of current income without regard to capital appreciation.

continued on page 14

continued from page 13

TAXABLE BOND FUNDS

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

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

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

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

- *Global bond funds—general* invest in worldwide debt securities with no stated average maturity or an average maturity of five years or more. These funds may invest up to 25 percent of assets in companies located in the United States.
- *Global bond funds—short-term* invest in debt securities worldwide with an average maturity of one to five years. These funds may invest up to 25 percent of assets in companies located in the United States.
- *Other world bond funds,* such as international bond and emerging market debt funds, invest in foreign government and corporate debt instruments.

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

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

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

continued on page 15

continued from page 14

TAX-FREE BOND FUNDS

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

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

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

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

MONEY MARKET FUNDS

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

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

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

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

are selected by a professional investment adviser to meet a specified financial goal, such as growth or income.

Because funds invest in securities that rise and fall in value, an investor assumes investment risk, including the possible loss of principal. Unlike bank deposits, mutual funds are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency, nor are they guaranteed by any bank or other financial institution—no matter how or where their shares are sold. Of course, there is also an upside to investment risk. Generally speaking, taking greater investment risk offers the opportunity for greater reward.

Professional Management

The money accumulated in a mutual fund is managed by professionals who decide on behalf of shareholders on an investment strategy. These professionals choose investments that best match the fund's objectives as described in the prospectus. Their investment decisions are based on extensive knowledge and research of market conditions and the financial performance of individual companies and specific securities. As economic conditions change, the fund may adjust the mix of its investments to adopt a more aggressive or a more defensive posture to meet its investment objective.

Diversification

Fund managers typically invest in a variety of securities, seeking portfolio diversification. A diversified portfolio helps reduce risk by offsetting losses from some securities with gains in others. The average investor would find it expensive and difficult to construct a portfolio as diversified as that of a mutual fund. Mutual funds provide an economical way for the average investor to obtain the same kind of professional money management and diversification of investments that is available to large institutions and wealthy investors.

A Variety of Fund Investments

There are more than 7,300 mutual funds representing a wide variety of investment objectives, from conservative

How a Fund Determines Its Share Price

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

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

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

to aggressive, and investing in a wide range of securities. The Investment Company Institute classifies mutual funds into 33 broad categories according to their basic investment objective (see pages 13-15). There are also specialty or sector funds that invest primarily in a specialized segment of the securities markets. Specialty funds include biotechnology funds, small-company growth funds, index funds, funds that invest in other mutual funds, and social criteria funds. The broad selection of funds arose over the years to meet consumer demand for fund products that help meet a variety of financial objectives.

Mutual Fund Share Pricing

Mutual funds are required by law to determine the price of their shares each business day. A fund's net asset value (NAV) per share is the current value of all the fund's assets, minus liabilities, divided by the total number of shares outstanding (see illustration on page 16). A fund's share price, or offering price, is its NAV per share plus any applicable

Dividends and Reinvestment for All Types of Mutual Funds

(billions of dollars)

Year	Investment Income Dividends	Reinvested Dividends	Percent Reinvested
1980	10.4	8.5	81.7
1981	21.7	19.7	90.8
1982	25.8	22.9	88.8
1983	18.8	15.7	83.5
1984	23.7	18.4	77.6
1985	28.4	20.4	71.8
1986	37.6	25.5	67.8
1987	47.4	30.9	65.2
1988	53.5	33.2	62.1
1989	62.7	43.6	69.5
1990	63.0	47.4	75.2
1991	63.7	47.1	73.9
1992	78.9	44.9	56.9
1993	92.2	49.7	53.9
1994	85.0	55.9	65.8
1995	104.3	74.6	71.5
1996	116.2	85.1	73.1
1997	128.7	96.9	75.2
1998	138.4	103.5	74.8

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

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

How to Read Newspaper Fund Quotes

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

- The first column is the abbreviated fund's name. Several funds listed under a single heading indicate a family of funds.
- The second column is the Net Asset Value (NAV) per share as of the close of the preceding business day. In some newspapers, the NAV is identified as the sell or the bid price—the amount per share you would receive if you sold your shares (less the deferred sales charge, if any). Each mutual fund determines its net asset value every business day by dividing the market value of its total net assets, less liabilities, by the number of shares outstanding. On any given day, you can determine the value of your holdings by multiplying the NAV by the number of shares you own.
- The third column is the offering price or, in some papers, the buy price or the asked price—the price you would pay if you purchased shares. The buy price is the NAV plus any sales charges. If there are no initial sales charges, an "NL" for no-load appears in this column, and the buy price is the same as the NAV. To figure the sales charge percentage, divide the difference between the NAV and the offering price by the offering price. Here, for instance, the sales charge is 5 percent ($14.18 - $13.47 = $0.71; $0.71 ÷ $14.18 = 0.050).
- The fourth column shows the change, if any, in net asset value from the preceding day's quotation—in other words, the change over the most recent one-day trading period. This fund, for example, gained six cents per share.
- A "p" following the abbreviated name of the fund denotes a fund that charges an annual fee from assets for marketing and distribution costs, also known as a 12b-1 plan (named after the 1980 Securities and Exchange Commission rule that permits them).
- If the fund name is followed by an "r," the fund has either a contingent deferred sales charge (CDSC) or a redemption fee. A CDSC is a charge if shares are sold within a certain period; a redemption charge is a fee applied whenever shares are sold.
- A "t" designates a fund that has both a CDSC or a redemption fee and a 12b-1 fee.
- An "f" indicates a fund that habitually enters the previous day's prices, instead of the current day's.

Other footnotes may also apply to a fund listing. Please see the explanatory notes that accompany mutual fund tables in your newspaper.

front-end sales charge (the offering price of a fund without a sales charge would be the same as its NAV per share).

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

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

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

Pricing Process. Mutual fund pricing is an intensive process that takes place in a short time frame at the end of each business day. Generally, a fund's pricing process begins at the close of the New York Stock Exchange, normally 4:00 p.m. Eastern time. Fund accounting agents internally validate the prices

Mutual Fund Disclosure—Informing Investors

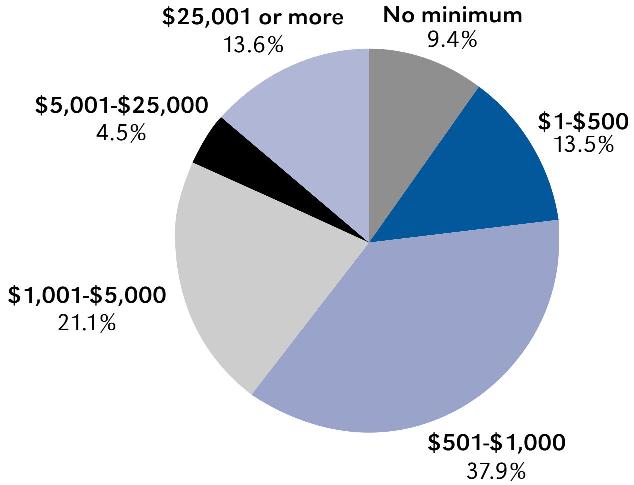
To protect investors, all mutual funds are highly regulated by the federal government through the U.S. Securities and Exchange Commission (SEC). As part of this government regulation, all funds must provide two types of documents to investors free of charge: a prospectus and a shareholder report.

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

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

Mutual Fund Minimum Investment Requirements, 1998

(percent distribution of funds by minimum investment requirement)*



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

received by subjecting them to various control procedures. For example, depending on the nature and extent of its holdings, a fund may use more than one pricing service to ensure accuracy.

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

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

Regulation

All U.S. funds are subject to strict regulation and oversight by the U.S. Securities and Exchange Commission (SEC). As part of this regulation, all funds must provide investors with full and complete disclosure about the fund in a written prospectus (see *Mutual Fund Disclosure—Informing Investors,* on page 19). In addition, the investor receives a yearly statement detailing the federal tax status of his or her distributions from the fund. Mutual fund shareholders are taxed on the fund's income directly, as if they held the underlying securities themselves. Similarly, any tax-exempt income received by a fund is generally passed on to the shareholders as tax-exempt (see Chapter 7, *Mutual Funds and Taxes,* on page 55).

Mutual funds are regulated under four federal laws designed to protect investors. The Investment Company Act of 1940 requires all funds to register with the SEC and to meet certain operating standards; the Securities Act of 1933 mandates specific disclosures; the Securities Exchange Act of 1934 sets out antifraud rules covering the purchase and sale of fund shares; and the Investment Advisers Act of 1940 regulates fund advisers. See Chapter 4 for more information on the structure and regulation of mutual funds.

Accessibility

Mutual fund shares are easy to buy. Investors (outside retirement plans) may purchase fund shares either with the help of an investment professional (e.g., a broker, financial planner, bank representative or insurance agent) or directly, based on the investor's own research and knowledge. Investment professionals provide services to investors—analyzing the client's financial needs and objectives and recommending appropriate funds. They are compensated for those services, generally through a sales commission, or through 12b-1 and/or service fees deducted from the fund's assets.

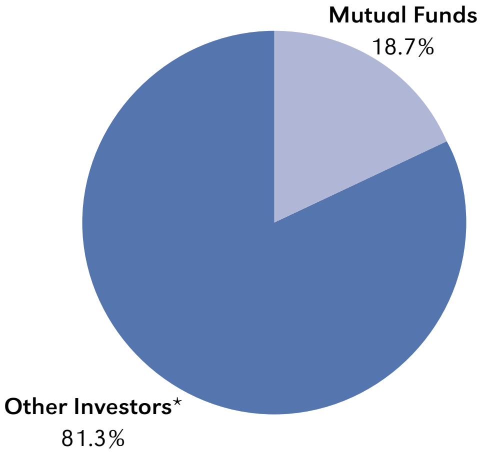
Direct-marketed funds are sold through the mail, by telephone, or at office locations. They typically offer fund shares to the public with a low sales charge or none at all. Funds that do not charge any front-end or deferred sales charge and that charge 12b-1 fees of no more than 0.25 percent are known as "no-loads." Because direct-marketed funds do not usually offer specific investment advice, investors are required to do their own research and determine which funds meet their needs.

Mutual funds may also be offered as investment selections in 401(k) plans and other employee benefit plans. See Chapter 6 for more information on mutual funds and the retirement market.

Shareholder Services

Mutual funds offer a wide variety of services to meet shareholders' needs. These services include toll-free (800) telephone service, 24-hour telephone access to account information and transaction processing, consolidated account statements, shareholder cost basis (tax) information, exchanges between funds, automatic investments, checkwriting privileges on many money market and some bond funds, automatic reinvestment of fund dividends, and automatic withdrawals. Mutual funds also provide extensive investor education and

Mutual Fund Ownership of U.S. Corporate Equity, December 31, 1998



Value of Publicly Held U.S. Equity Outstanding: $13.7 trillion

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

Source: Investment Company Institute, Nasdaq, AMEX, NYSE

shareholder communications, including newsletters, brochures, retirement and other planning guides, and websites.

Mutual Fund Investments in the Financial Markets

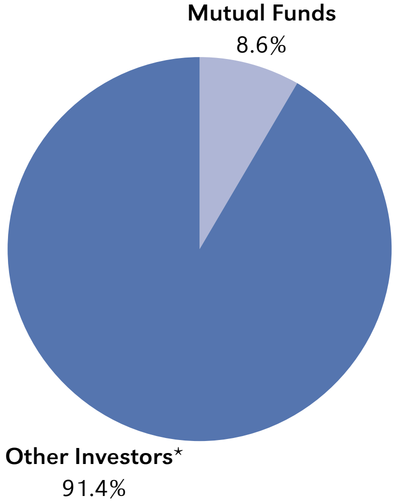
Investments in mutual funds often contribute to U.S. economic growth by investing in the nation's stock, bond and money markets.

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

The fixed-income markets. Mutual funds also help finance the short- and long-term borrowing needs of institutions such as banks, corporations and the U.S. government.

By investing in the money market and the bond market, mutual funds and other investors help lower the cost of institutional borrowing. For example, the Government National Mortgage Association (Ginnie Mae), the Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (Freddie Mac) issue mortgage-backed securities.

Mutual Fund Ownership of Treasury and Agency Securities, December 31, 1998

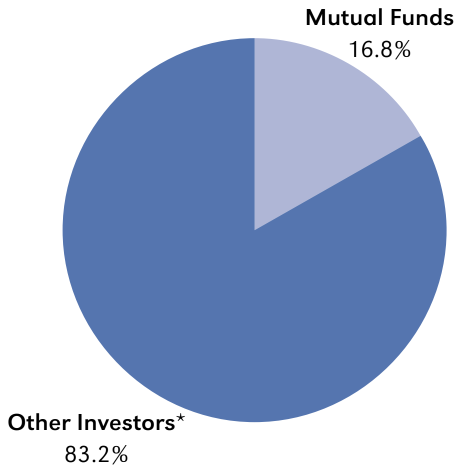


Total Treasury and Agency Securities Outstanding: $7.1 trillion

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

Source: Federal Reserve Board

Mutual Fund Ownership of Corporate and Foreign Bonds and Commercial Paper, December 31, 1998

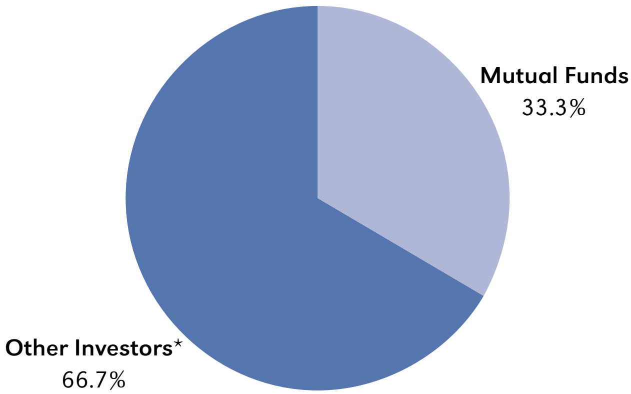


Total Corporate and Foreign Bonds Outstanding: $5.1 trillion

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

Source: Federal Reserve Board

Mutual Fund Ownership of Municipal Securities, December 31, 1998



Total Municipal Securities Outstanding: $1.46 trillion

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

Source: Federal Reserve Board

Purchases of these securities by mutual funds and other investors help increase the availability of financing for home-owners and lower the cost of home purchases for millions of Americans.

Mutual funds also provide an important source of funding for states and local governments that issue municipal securities to finance important public projects such as roads, bridges, libraries and schools.

Mutual Fund Fees and Expenses

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

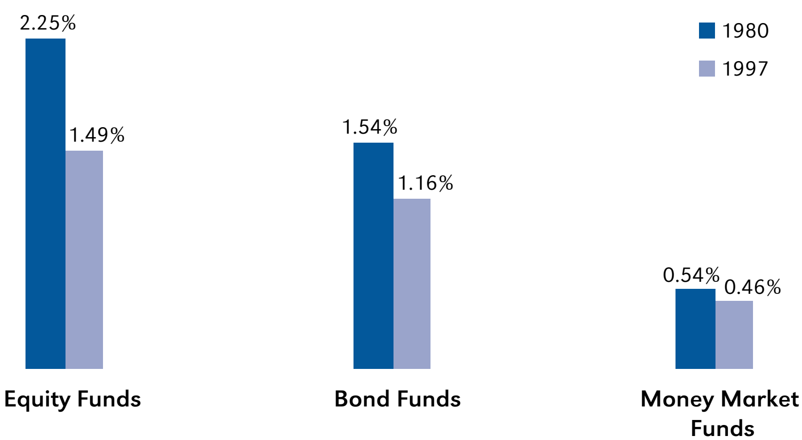
The Two Types of Mutual Fund Costs

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

Shareholder Fees

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

Average Cost of Investing in Mutual Funds*



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

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

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

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

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

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

Annual Operating Expenses

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

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

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

By law, 12b-1 fees used to pay marketing and distribution expenses cannot exceed 0.75 percent of a fund’s average net assets per year. There is also a lifetime cap based on a fund’s overall sales. In addition, a fund may also pay a

Mutual Fund Costs Drop Since 1980

Investment Company Institute studies suggest that the average cost of investing in mutual funds has declined significantly since 1980.

The average total cost of investing in equity funds decreased by more than one-third between 1980 and 1997, to 1.49 percent of each dollar invested in 1997 from 2.25 percent in 1980. The average total cost of investing in bond funds decreased by one-quarter for the same period, to 1.16 percent of each dollar invested from 1.54 percent. The average total cost of investing in money market funds decreased by 15 percent, to 0.46 percent from 0.54 percent.

For all three types of funds, an important source of the decrease was investors increasing their purchases of funds with relatively lower cost. For equity funds, lower costs also came in the form of declining distribution costs, such as sales charges and 12b-1 fees. Bond funds posted lower distribution costs and operating expenses, while money market funds experienced lower operating expenses.

Institute research also finds evidence of economies of scale in individual funds. A fund experiences economies of scale when its expense ratio falls as its assets rise. For example, in the Institute's research, large equity funds had substantially lower operating expenses than small funds. In addition, the 100 largest equity funds in 1997 that were established before 1980 experienced both rapid growth and falling operating expense ratios between 1980 and 1997. Among those 100 funds, ones that grew the most posted the largest reductions in operating expense ratios. As these findings suggest, economies of scale are a characteristic of individual funds. Consequently, an examination of the average expense ratio for all funds can mask the presence of economies of scale at individual funds.

See the Institute's public website (at www.ici.org/economy/perspective.html) for the complete studies on shareholder costs.

service fee of up to 0.25 percent of average net assets each year to compensate sales professionals for providing ongoing services to investors or their accounts.

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

Oversight of Fees

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

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

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

Mutual Fund Fee Table Required by Federal Law

(example is hypothetical)

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

Maximum Deferred Sales Charge (Load) is the maximum sales charge that a fund may impose when shares are redeemed or sold, and is an alternative way to compensate financial professionals for their services. This fee typically applies for the first few years of ownership and then disappears.

Maximum Sales Charge (Load) on Reinvested Dividends is the maximum fee charged by a fund when dividends are reinvested in the purchase of additional shares. Most funds do not charge a fee for this service.

Redemption Fees, like contingent deferred sales charges, are another type of back-end charge for redeeming shares. Unlike contingent deferred sales charges, these fees are paid to the fund. They are expressed as a dollar amount or as a percentage of the redemption price.

Exchange Fees may be charged when transferring money from one fund to another within the same fund family.

Account Maintenance Fees may be charged by some funds, for example, to maintain low-balance accounts.

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

Shareholder Fees

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

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

Annual Fund Operating Expenses

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

Example

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

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

Management Fees are ongoing fees charged by a fund's investment adviser for managing the fund and selecting its portfolio of securities.

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

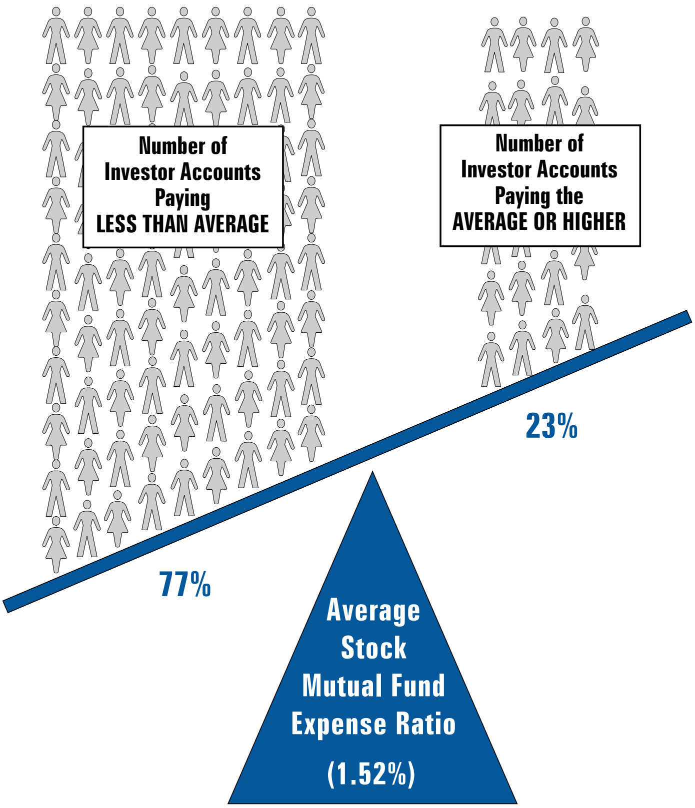
Other Expenses include, for example, fees charged by a fund's transfer agent to pay for fund shareholder services such as toll-free phone communication, computerized account services, website services, recordkeeping, printing, mailing or advertising.

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

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

Most Investors Own Lower Cost Stock Funds

In 1997, an estimated 77 percent of equity fund shareholder accounts were invested in stock funds with annual expense ratios below the average for all stock funds.



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

Fee Disclosure

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

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

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

How Mutual Fund Fees Affect Investment Return

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

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

The Structure and Regulation of Mutual Funds

Mutual funds are highly regulated financial entities that must comply with federal laws and regulations. In particular, the Securities and Exchange Commission (SEC) regulates mutual funds under the Investment Company Act of 1940. The 1940 Act imposes restrictions not only on mutual funds but also on their investment advisers, principal underwriters, directors, officers and employees. The 1940 Act also regulates the two other main types of investment companies—closed-end funds and unit investment trusts.

Virtually all mutual funds are externally managed. They do not have employees of their own. Instead, their operations are conducted by affiliated organizations and independent contractors. The diagram on page 34 depicts a typical mutual fund complex, including its principal service providers.

Four Principal Securities Laws Govern Mutual Funds

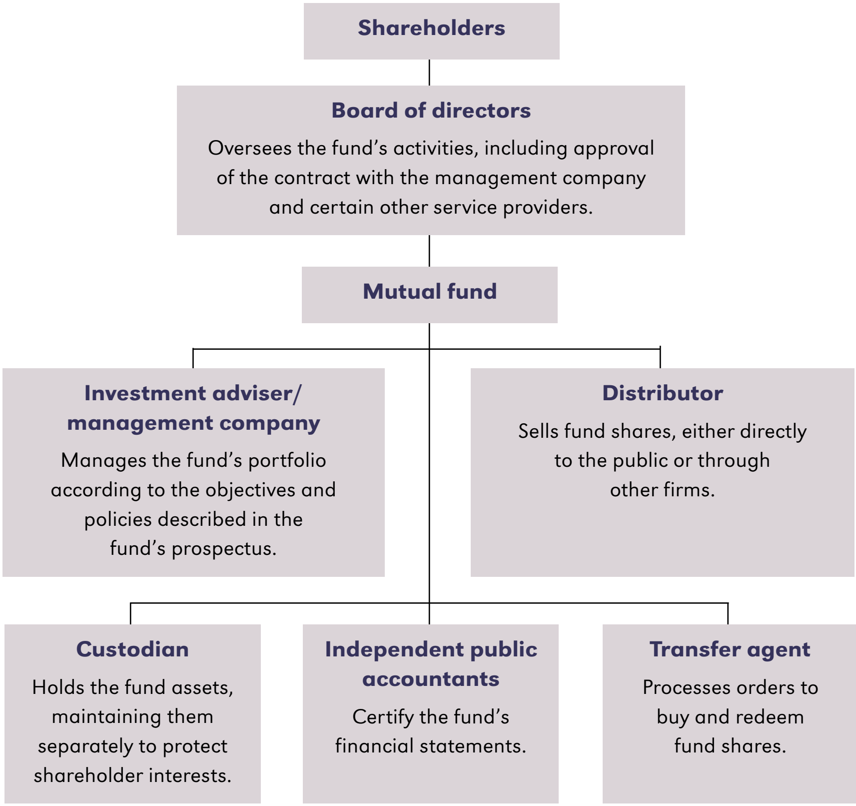
The Investment Company Act of 1940 regulates the structure and operations of mutual funds. Among other things, the 1940 Act requires mutual funds to maintain detailed books and records, safeguard their portfolio securities, and file semiannual reports with the U.S. Securities and Exchange Commission (SEC).

The Securities Act of 1933 requires the federal registration of all public offerings of securities, including mutual fund shares. The 1933 Act also requires that all prospective investors receive a current prospectus describing the fund.

The Securities Exchange Act of 1934 regulates broker-dealers, including mutual fund principal underwriters and others who sell mutual fund shares, and requires them to register with the SEC. Among other things, the 1934 Act requires registered broker-dealers to maintain extensive books and records, segregate customer securities in adequate custodial accounts, and file detailed, annual financial reports with the SEC.

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

The Structure of a Mutual Fund



Shareholders

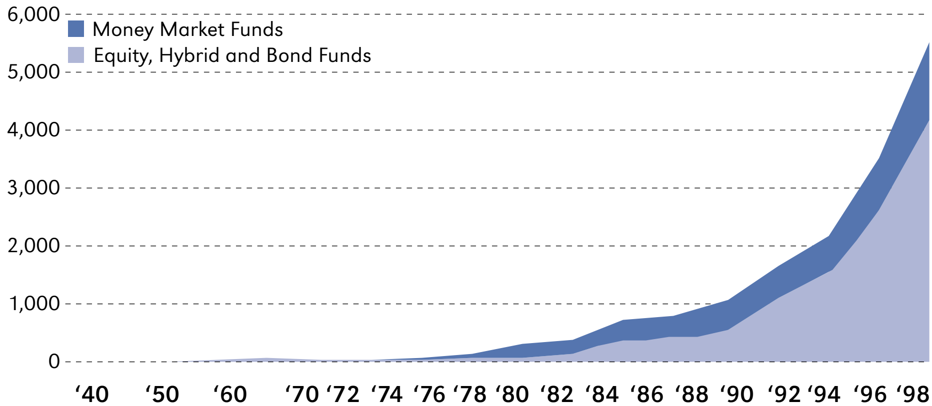
Like shareholders of other companies, mutual fund shareholders have specific voting rights. These include the right to elect directors at a meeting called for that purpose (subject to a limited exception for filling vacancies). Material changes in the terms of a fund's investment advisory contract must be approved by a shareholder vote, and funds seeking to change investment objectives or policies deemed fundamental must also seek shareholder approval.

Directors

A mutual fund is governed by a board of directors. The directors of a mutual fund have oversight responsibility for the management of the fund's business affairs. Because mutual fund directors are, in essence, looking out for shareholders' money, the law holds directors to a very high standard. They must exercise the care that a reasonably prudent person would take with his or her own business. They are expected to exercise sound business judgment, establish

Assets of Mutual Funds

(billions of dollars)



Note: See page 114 for data points on this chart. The data contain a series break beginning in 1996. Data for funds that invest in other mutual funds were excluded from the series. Data prior to 1996 have been restated to create a consistent series back to 1984.

procedures and undertake oversight and review of the performance of the investment adviser, principal underwriter and others that perform services for the fund. Lawyers call this being a "fiduciary" or having a "fiduciary duty." This means a director is expected to obtain adequate information about items that come before the board and to exercise his or her "business judgment," a legal concept that involves a good-faith effort by the director.

A provision of the 1940 Act states that at least 40 percent of a fund's board of directors must be independent of the fund's investment adviser or principal underwriter. Independent fund directors serve as watchdogs for the shareholders' interests and oversee a fund's investment adviser and others closely affiliated with the fund.

Investment Advisers

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

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

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

Fund Directors' Duties

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

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

Administrators

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

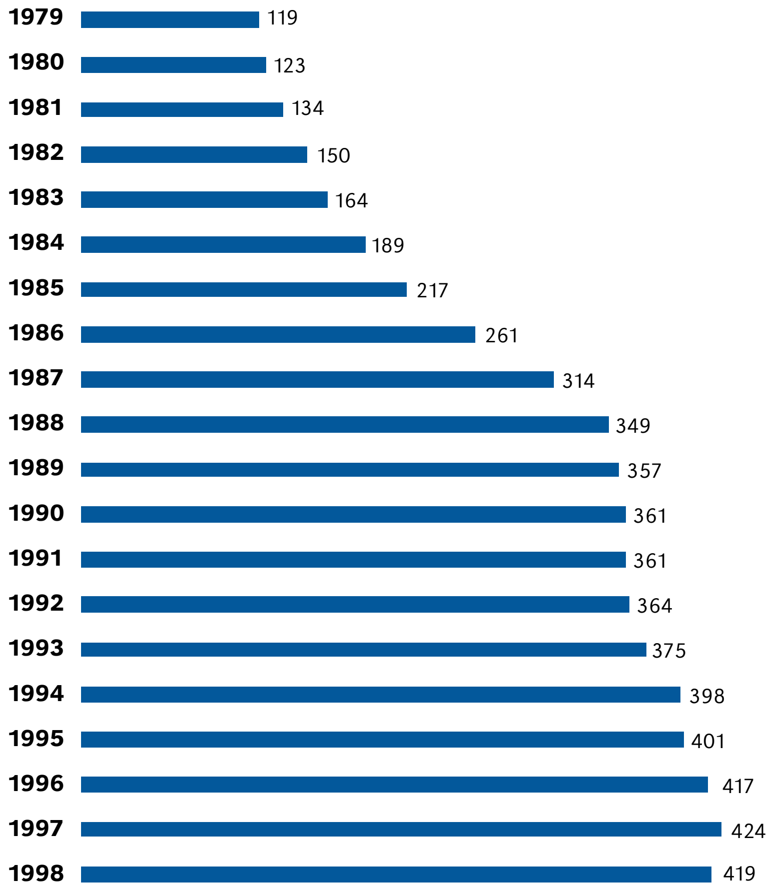
Description of Duty	Corporate Director	Fund Director
Approve securities depositories		x
Approve time for calculation of net asset value		x
Approve procedures for valuation of securities		x
Approve trading practices and procedures:		
Principal transactions with affiliates		x
Underwritings		x
Affiliated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

may also prepare and file SEC, tax, shareholder and other reports.

Principal Underwriters

Most mutual funds continuously offer new shares to the public at a price based on the current value of fund assets plus any sales charges. Mutual funds usually distribute their shares through principal underwriters. Principal underwriters are regulated as broker-dealers and are subject to National Association of

Number of Mutual Fund Complexes*



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

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

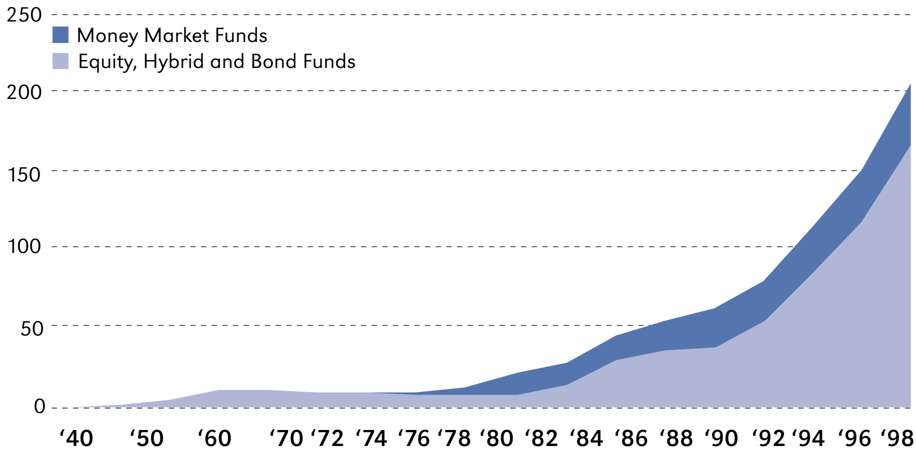
Securities Dealers, Inc. (NASD) rules governing mutual fund sales practices.

Custodians

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

Mutual Fund Shareholder Accounts

(millions)



Note: See page 114 for all data points on this chart. The data contain a series break beginning in 1996. Data for funds that invest in other mutual funds were excluded from the series. Data prior to 1996 have been restated to create a consistent series back to 1984.

Transfer Agents

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

Mutual Fund Ownership and Shareholder Characteristics

An estimated 77.3 million individuals in 44.4 million U.S. households own the majority of the mutual fund industry's $5.5 trillion in assets. As of year-end 1998, they held $4.3 trillion, or 78 percent, of mutual fund assets, while fiduciaries—banks and individuals serving as trustees, guardians or administrators—and other institutional investors held the remaining $1.1 trillion, or 22 percent.

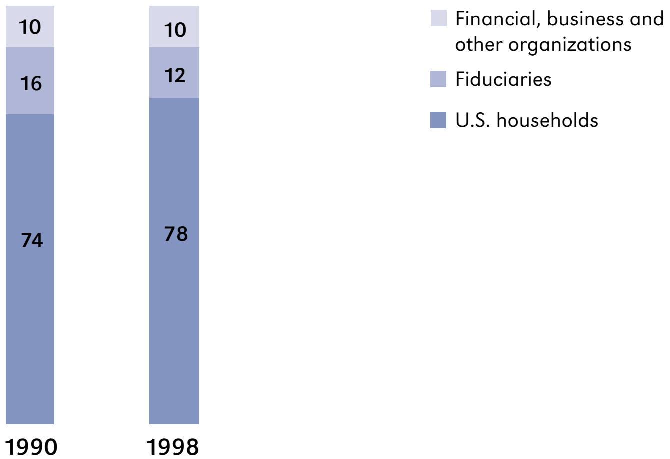
U.S. Household Financial Assets

U.S. households own many financial assets, including mutual funds, stocks, bonds and bank deposits. In 1998, households made $403 billion net purchases of financial assets, down from $424 billion in 1997.

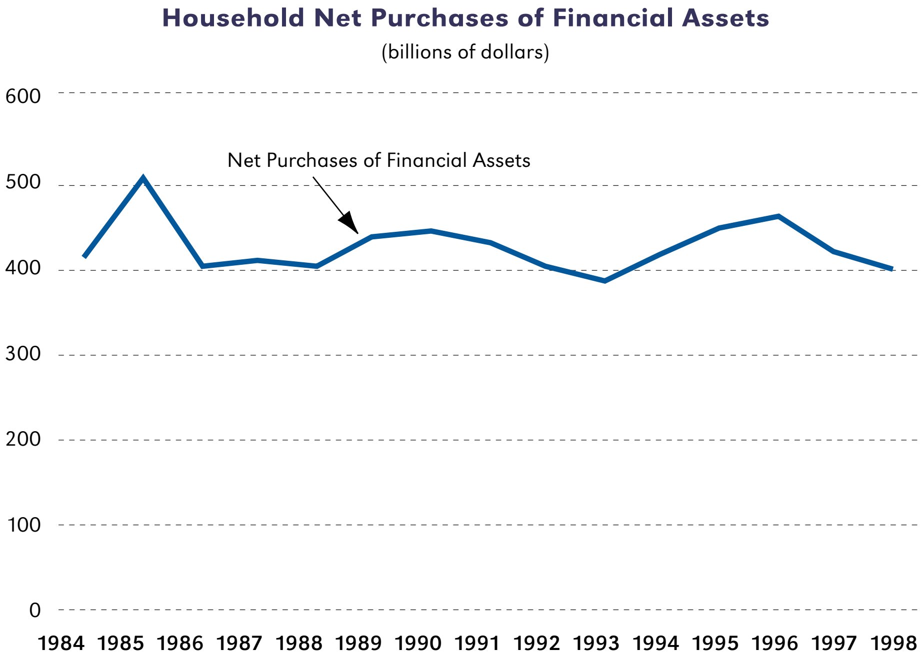
U.S. households invested $499 billion of their total net purchases of

Composition of Mutual Fund Ownership

(percent of total mutual fund assets)



Note: Total assets of mutual funds were $1.067 trillion at yearend 1990 and $5.525 trillion at year-end 1998.



Note: See page 115 for data points on this chart.

Source: Federal Reserve Board, Employee Benefit Research Institute and Investment Company Institute

financial assets in mutual funds (including reinvested dividends) in 1998. Long-term mutual funds—equity, hybrid and bond funds—accounted for $334 billion and money market funds attracted $165 billion.

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

Equity funds have experienced large inflows throughout the 1990s. At the same time, U.S. households have been net sellers of stock. This decade U.S. households, on net, sold $1.7 trillion of equity holdings from sources other than mutual funds while purchasing $1 trillion through mutual funds. In 1990, net equity purchases through mutual funds were $13 billion; by 1998, that figure had reached $179 billion.

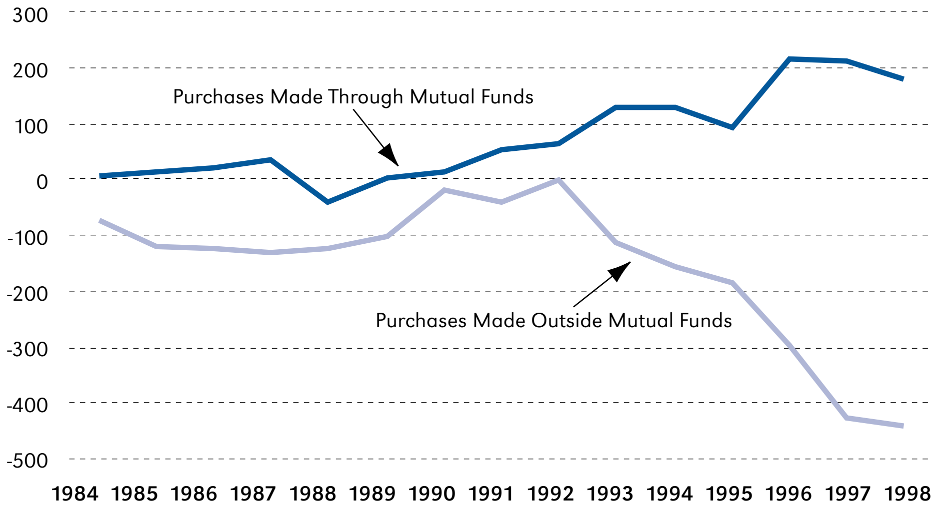
In 1998 alone, households were net sellers of $264 billion in direct holdings of stocks; this marked the fifth straight year that households were net sellers of stock.

Stock Market Performance Fuels Equity Asset Growth

Even though households have been net sellers of corporate stock, the share of their household financial assets held in equities has risen. This occurred because of the appreciation in value of U.S. households' remaining stock holdings, including those held in mutual funds. At year-end 1998, household direct and

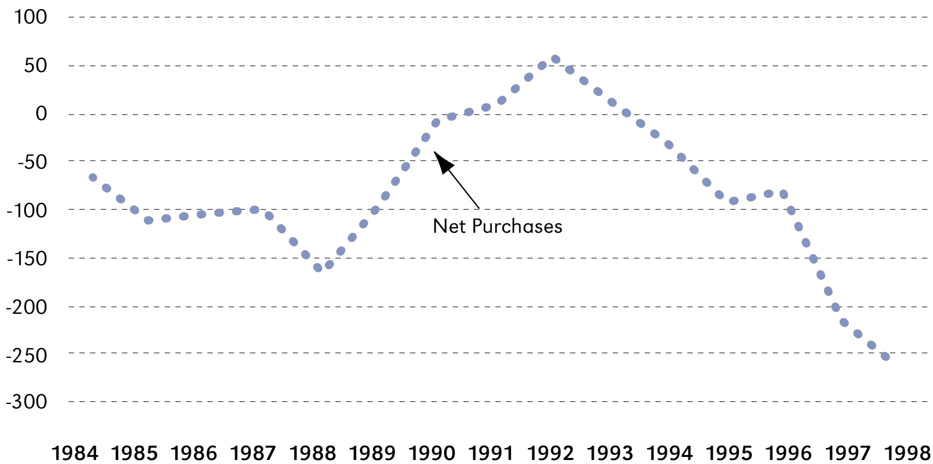
Purchases of Equities by Households

(billions of dollars)



Net Purchases of Equities by Households

(billions of dollars)

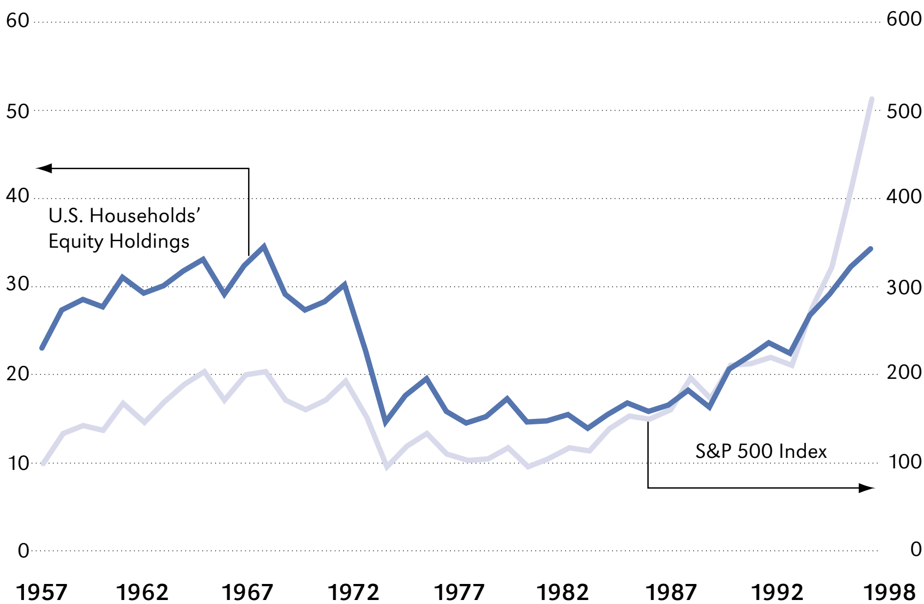


Note: See page 115 for data points for these charts.

Source: Federal Reserve Board and Investment Company Institute

Total Holdings of Equities by Households*

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



Equities held directly or through mutual funds, bank personal trusts and estates, and defined-contribution plans. Data are annual averages of quarterly data.

Note: See page 116 for data points on this chart.

Source: Federal Reserve Board, Employee Benefit Research Institute and Investment Company Institute

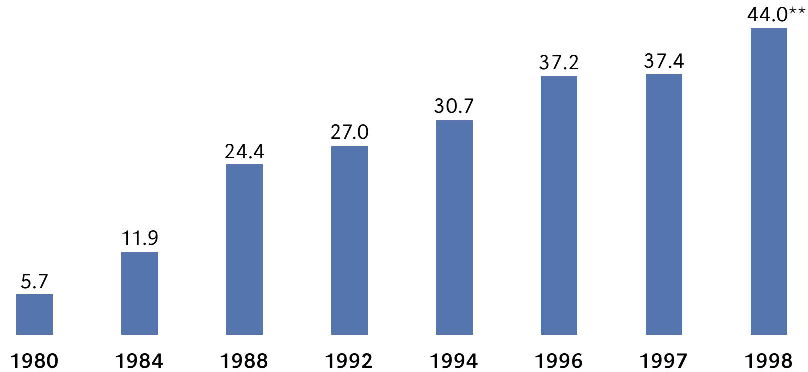
indirect holdings of equities were $10.3 trillion and amounted to 34.2 percent of household financial assets. This is up from 32.2 percent at the end of 1997. The current share of household financial assets held in equities was near the peak reached in 1968 (34.4 percent) following the extended run-up in stock market prices during the 1960s.

U.S. Shareholder Characteristics

Investment Company Institute research finds that the typical mutual fund investor is middle class, is 44 years old, has financial assets of $80,000, and is likely to be married and employed. Men and women share investment decision-making in 54 percent of fund-owning households. More than 80 percent of households with mutual fund holdings are headed by individuals in their primary income-earning years from age 25 to 64, with the heaviest concentration in the 35-to-44 age bracket. Only 17 percent of shareholders are retired. Among all shareholders, 57 percent have Individual Retirement Accounts.

Household Ownership of Mutual Funds*

(percent of U.S. households)



	1980	1984	1988	1992	1994	1996	1997	1998
Millions of Households	**4.6**	**10.2**	**22.2**	**25.8**	**30.2**	**36.8**	**37.4**	**44.4****

**Households owning mutual funds in 1980 and 1984 were estimated from data on the number of accounts held by individual shareholders and the number of funds owned by fund-owning households; data for 1980 through 1992 exclude households only owning mutual funds through employer-sponsored retirement plans; data for 1994, 1996, 1997 and 1998 include households only owning mutual funds through employer-sponsored retirement plans.*

***Estimate includes ownership through variable annuities and reflects an improved method of determining fund ownership through employer-sponsored retirement plans. Consequently, the 1998 estimate is not comparable to estimates from previous years.*

Household Owners of Mutual Funds
Demographic and Financial Characteristics, 1998[1]

Demographic Characteristics:	
Median age	44 years
Financial Characteristics:	
Median household income	$55,000
Median household financial assets[2]	$80,000
Percent of households owning:[3]	
IRAs	57
Defined-contribution plans (total)	77

[1]Characteristics of primary financial decisionmaker in the household. Includes households owning mutual funds through employer-sponsored retirement plans and variable annuities.

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

[3]Multiple responses included.

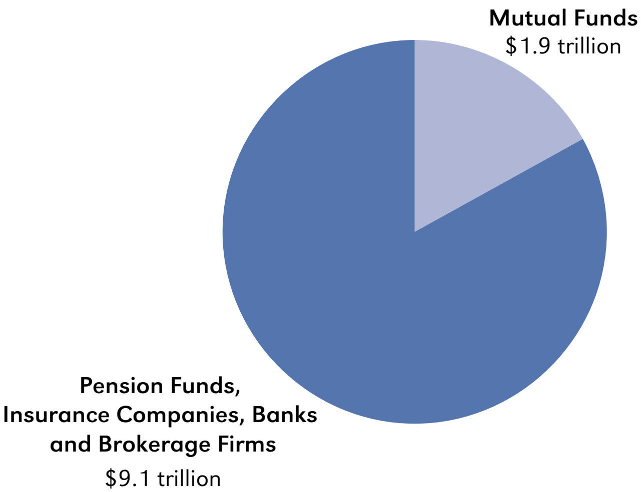
Mutual Funds and the Retirement Market

Mutual funds accounted for $1.9 trillion, or 17 percent, of the $11 trillion U.S. retirement market at year-end 1998. The remaining $9.1 trillion, or 83 percent, of assets in the retirement market is managed by pension funds, insurance companies, banks and brokerage firms.

Retirement Plans Comprise One-third of Fund Industry Assets

The $1.9 trillion in mutual fund retirement plan assets represented 35 percent of all mutual fund assets at year-end 1998. Consistent with overall asset growth in the mutual

U.S. Retirement Market Assets, 1998*



**Preliminary*

Source: Investment Company Institute and Federal Reserve Board

Mutual Fund Retirement Assets

(billions of dollars)

	Total Retirement	Employer-sponsored Accounts	IRAs
1991	$348	$161	$187
1992	439	203	236
1993	597	277	320
1994	676	329	347
1995	927	455	472
1996	1,177	584	593
1997	1,560	799	761
1998	1,898*	964*	934*

**Preliminary*

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

fund industry, mutual fund retirement plan assets grew by $338 billion, or 22 percent, during the year.

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

Mutual Funds and the Employer-sponsored Market

Mutual fund assets held in employer-sponsored retirement accounts totaled $964 billion in 1998, an increase of $165 billion, or 21 percent, from 1997. Mutual funds accounted for approximately 11 percent of the overall employer-sponsored market at year-end 1998.

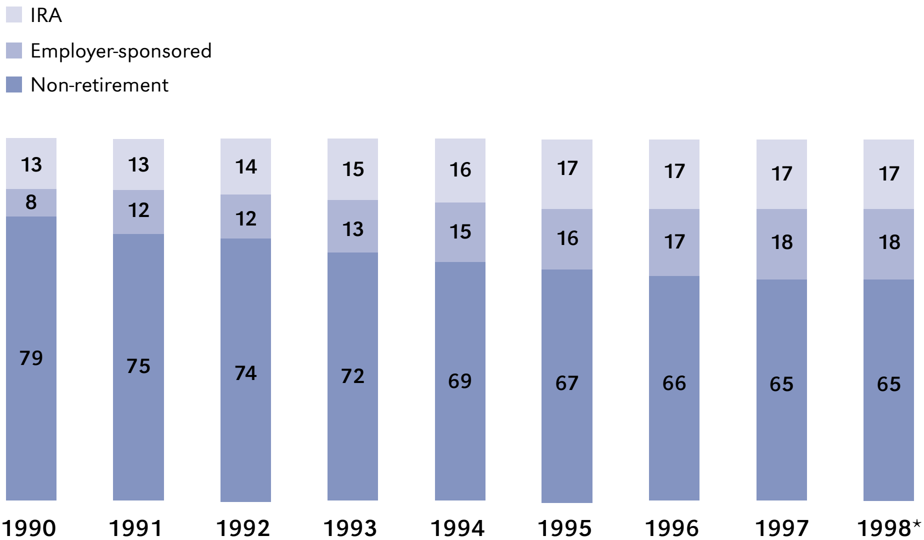
Mutual Funds and the Defined-contribution Market

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

At year-end 1998, 60 percent of mutual fund defined-contribution plan assets were held in 401(k) plans. For the year, mutual fund assets in 401(k) plans rose 21 percent, or $103 billion, to $585 billion. Mutual funds' share of the 401(k) market has increased during the 1990s from 9 percent in 1990 to an estimated 42 percent in 1998. Mutual fund assets in 403(b) plans—another type of defined-contribution plan—rose 22 percent, to $231 billion from $189 billion.

Share of Mutual Fund Assets in Retirement Plans

(percent of total mutual fund assets)



*Preliminary

Mutual Funds and the Defined-benefit Market

Mutual funds comprised 1 percent of the $4.5 trillion defined-benefit market, which includes plans offered by federal, state and local government employers, as well as some corporate employers and insurance companies.

Mutual Funds and the IRA Market

Although the Tax Reform Act of 1986 significantly reduced contributions to IRAs, assets in IRAs have continued to grow during the 1980s and 1990s due to investment performance and rollovers from employer-sponsored plans.

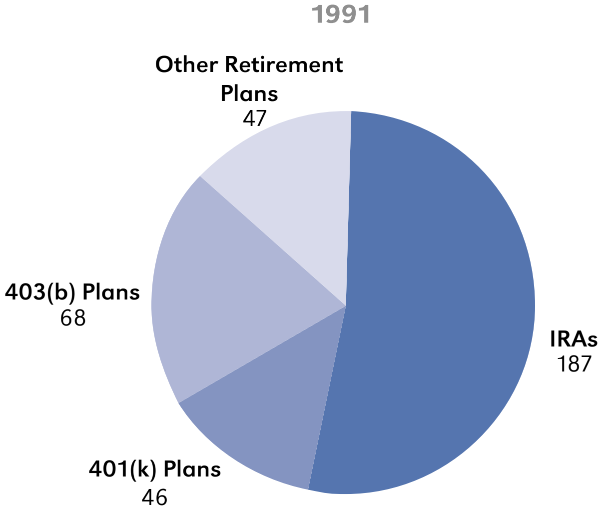
Since the mid-1980s, the mutual fund industry's share of the IRA market has increased from 14 percent to 44 percent in 1998. At the end of 1998, mutual funds accounted for $934 billion of the estimated $2.1 trillion IRA market, an increase of $173 billion, or 23 percent, from 1997.

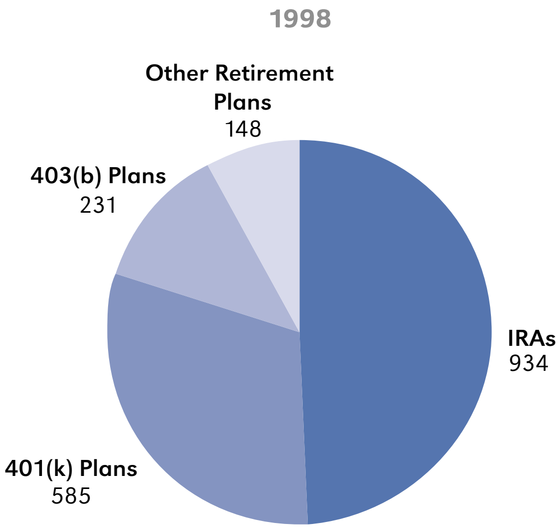
Types of Funds Used by Retirement Plan Investors

Of the $1.9 trillion in mutual fund retirement assets at year-end 1998, $1.4 trillion, or 71 percent, were invested in U.S. domestic or foreign equity funds. U.S. domestic equity funds alone comprise $1.2 trillion, or 64 percent, of

Mutual Fund Assets by Type of Retirement Plan*

(billions of dollars)



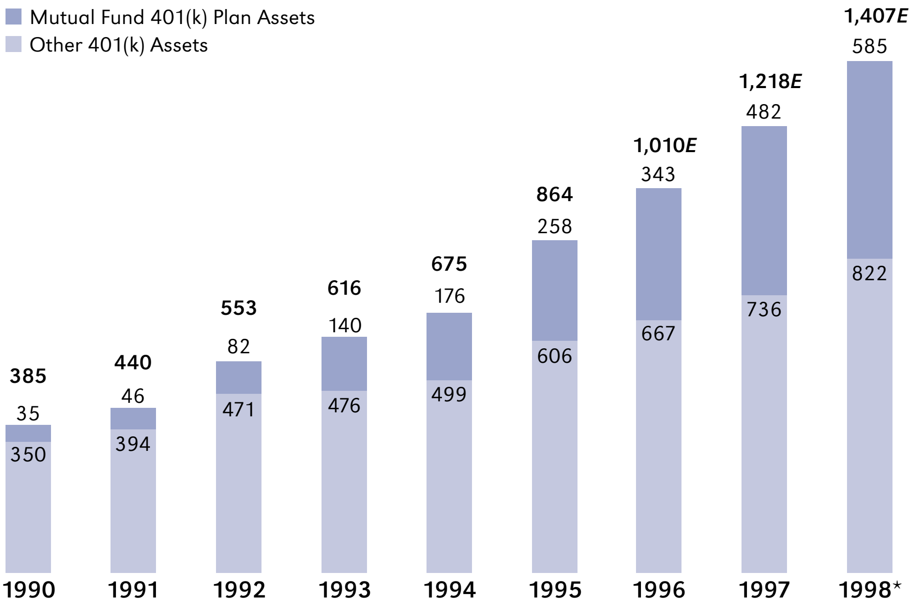


*Preliminary

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

Assets in 401(k) Plans

(billions of dollars)



**Preliminary*

E=Estimated

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

mutual fund retirement assets. By comparison, only 54 percent of overall fund industry assets—including retirement and non-retirement accounts—are invested in equity funds.

Approximately $365 billion, or 19 percent, of mutual fund retirement assets are invested in fixed-income funds: bond or money market funds. Bond funds hold $171 billion, or 9 percent, of mutual fund retirement assets, and money market funds account for $194, or 10 percent.

The remaining $180 billion, or approximately 10 percent, of mutual fund retirement assets are held in hybrid funds, which invest in a mix of equity and fixed-income securities and derivative instruments.

Assets in the IRA Market

(billions of dollars)

	1990	1991	1992	1993	1994	1995	1996	1997	1998*
Bank and Thrift Deposits**	$266	$282	$275	$263	$255	$261	$258	$254	$249
Life Insurance Companies	53	50	56	70	79	94	110	168	196
Mutual Funds	140	187	236	320	347	472	593	761	934
Securities Held Directly Through Brokerage Accounts	177	257	300	340	375	461	505	621	724
Total IRA Assets	$636	$776	$866	$993	$1,056	$1,289	$1,467	$1,804	$2,102

**Preliminary*

***Bank and thrift deposits include Keogh deposits.*

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

Mutual Fund Retirement Assets by Type of Fund, 1998*

(billions of dollars)

	Equity		Bond	Hybrid	Money Market	Total
	Domestic	Foreign				
IRAs	$542	$83	$98	$88	$123	$934
401(k) Plans	397	35	38	69	46	585
403(b) Plans	187	13	10	10	11	231
Other Employer-sponsored Plans	82	14	25	13	14	148
Total	**$1,208**	**$145**	**$171**	**$180**	**$194**	**$1,898**

**Preliminary*

Institute/EBRI Collaborate on New 401(k) Database

A collaborative effort by the Institute and the Employee Benefit Research Institute (EBRI) has resulted in the most comprehensive database on participants in 401(k) plans.

The EBRI-ICI database project, seeking to enhance understanding of the contribution of 401(k) plans to retirement security, includes 1996 data on 6.6 million active participants in 27,762 plans holding $246 billion in assets. The database accounted for 31 percent of all 401(k) assets, 18 percent of all participants and 9 percent of all plans in 1996.

The study found that more than two-thirds of plan balances were invested directly or indirectly in equity securities. Workers invested 44 percent of total plan balances in equity funds, 19.1 percent in employer stock, 15.1 percent in guaranteed investment contracts (GICs), 7.8 percent in balanced funds, 6.8 percent in bond funds, 5.4 percent in money funds, and 1.8 percent in other stable valued funds or unidentified investments.

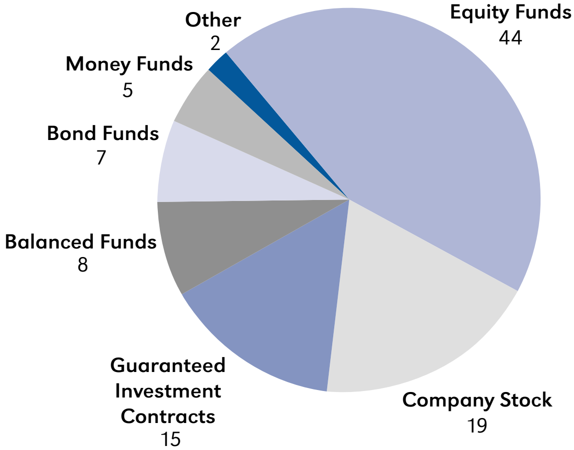
Workers in their 20s invested 76.8 percent of their plan assets in equity securities, while those in their 60s devoted slightly more than 50 percent to equity securities and almost 46 percent to fixed-income investments.

Asset allocation depends, in part, upon plan investment options. For example, the availability of company stock substantially reduced allocations to equity funds, and the presence of GICs in plans lowered allocations to bond and money funds. Moreover, when employers match employee contributions in the form of company stock, employees invested a high percentage of their own contributions in company stock.

The complete 20-page report is available on the Institute's public website at www.ici.org/economy/perspective.html.

Average Asset Allocation for All 401(k) Plan Balances, 1996

(percent)



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

Mutual Funds and Taxes

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

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

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

At tax time, mutual funds send investors Form 1099-DIV (see page 57), which tells them what earnings, if any, to report on their income tax return. Ordinary dividends are reported as dividend income; capital gain distributions are reported as long-term capital gains—regardless of how long the taxpayer has owned the fund shares.

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

Whenever funds distribute dividends and capital gains to shareholders, the share price or net asset value (NAV) drops by the amount distributed. For example, an investor buys 10 shares of a fund for $100 at an NAV of $10. Later, the fund distributes a capital gain of 50 cents per share and ordinary income of 50 cents per share ($1 per share).

The Principal Federal Statute Governing Mutual Fund Taxation

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

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

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

(billions of dollars)

	Capital Gain Distributions	Dividend Distributions		
	Equity, Hybrid and Bond Funds	Equity, Hybrid and Bond Funds	Taxable Money Market Funds	Tax-exempt Money Market Funds
1980	$1.8	$2.7	$7.7	$0.1
1981	2.7	3.1	18.5	0.1
1982	2.4	3.8	21.7	0.3
1983	4.4	5.0	13.2	0.6
1984	6.0	7.2	15.4	1.0
1985	4.9	12.7	14.4	1.6
1986	17.7	22.7	11.1	2.4
1987	22.9	31.8	12.8	2.8
1988	6.3	31.9	17.3	3.5
1989	14.8	34.1	24.7	3.9
1990	8.0	32.8	26.3	3.8
1991	13.9	35.1	25.2	3.5
1992	22.1	58.6	17.2	3.1
1993	35.9	73.2	15.9	3.3
1994	29.7	61.3	20.5	3.2
1995	54.3	67.2	32.8	4.2
1996	101.1	73.7	38.3	4.2
1997	184.1	80.0	44.0	4.7
1998	166.0	81.9	52.1	5.3

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

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

Despite the lower post-distribution price, the total value of the shareholder's investment remains unchanged. If the shareholder reinvested the dividend, 1.1 additional shares (with an NAV of $9) are purchased for $10 and the total value of the 11.1 shares returns to $100. If the $10 is retained, the investor has 10 shares worth $90 and $10 in cash.

Share Sales and Exchanges

An investor who sells mutual fund shares usually incurs a capital gain or loss in the year the shares are sold; an exchange of shares between funds in the same fund family also results in either a capital gain or loss (see page 60, *Tax-deferred Retirement Accounts,* for exceptions to these rules).

Investors are liable for tax on any capital gain arising from the sale of fund shares, just as they would be if they sold

How to Read Form 1099-DIV

Once a year a fund sends a Form 1099-DIV to any shareholder receiving $10 or more taxable income. This form contains much of the tax reporting information a shareholder needs. Any taxpayer who receives a capital gain distribution from a mutual fund is required to complete Schedule D (for capital gains and losses) as part of year-end tax filing

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

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

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

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

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

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

☐ CORRECTED (if checked)

PAYER'S name, street address, city, state, ZIP code, and telephone no. Mutual Fund XYZ 555 Investment Street San Francisco, CA 94104		1 Ordinary dividends $ 986.10 2a Total capital gain distr. $ 1,691.03	OMB No. 1545-0110 1999 Form **1099-DIV**	**Dividends and Distributions**
PAYER'S Federal identification number 12-3456789	RECIPIENT'S identification number 234-56-7890	2b 28% rate gain $ 0	2c Unrecap. sec. 1250 gain $ 0.00	**Copy B** **For Recipient**
RECIPIENT'S name Jane D. Investor		2d Section 1202 gain $	3 Nontaxable distributions $ 0.00	This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
Street address (including apt. no.) 345 Capitol Street		**4 Federal income tax withheld** $	5 Investment expenses $	
City, state, and ZIP code Washington, DC 20002		6 Foreign tax paid $ 0.00	7 Foreign country or U.S. possession	
Account number (optional)		8 Cash liquidation distr. $	9 Noncash liquidation distr. $	

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

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

How to Read Form 1099-B

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

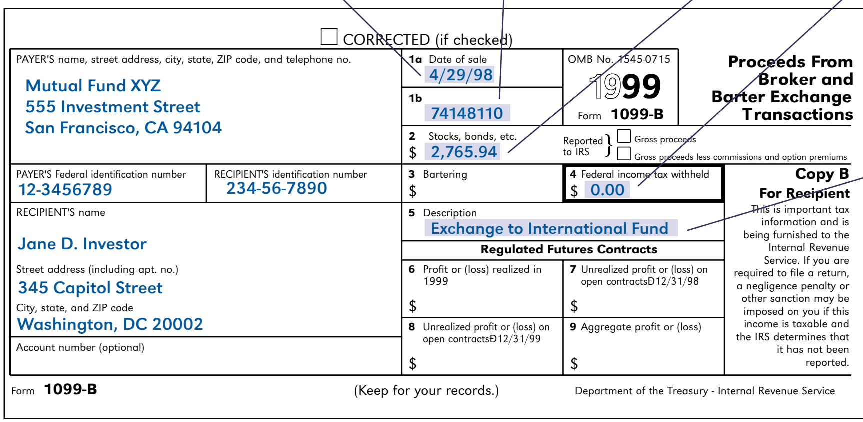
Date of Sale—the date on which the fund transaction occurred.

CUSIP No.—the fund's identification number.

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

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

Description—a brief description of the transaction or fund.


CORRECTED (if checked)

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

1a Date of sale
4/29/98

1b
74148110

OMB No. 1545-0715
1999
Form 1099-B

Proceeds From Broker and Barter Exchange Transactions

2 Stocks, bonds, etc.
$ 2,765.94

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

PAYER'S Federal identification number
12-3456789

RECIPIENT'S identification number
234-56-7890

3 Bartering
$

4 Federal income tax withheld
$ 0.00

Copy B
For Recipient

RECIPIENT'S name
Jane D. Investor

5 Description
Exchange to International Fund

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

City, state, and ZIP code
Washington, DC 20002

Account number (optional)

Regulated Futures Contracts

6 Profit or (loss) realized in 1999
$

7 Unrealized profit or (loss) on open contractsÐ12/31/98
$

8 Unrealized profit or (loss) on open contractsÐ12/31/99
$

9 Aggregate profit or (loss)
$

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

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

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

Year-end Distributions from Mutual Funds

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

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

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

any other security such as a stock or bond. Capital losses from mutual fund share sales and exchanges, like capital losses from other investments, may be used to offset other gains in the current year and thereafter.

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

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

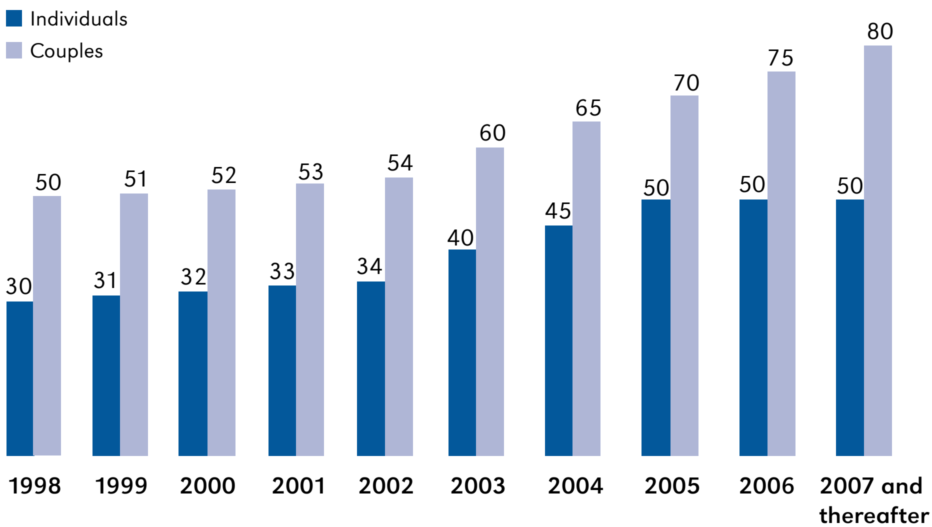
Tax-exempt Funds

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

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

Eligibility for Deductible IRAs Increased in Tax-year 1998

(thousands of dollars)



tax-exempt dividends on a state-by-state basis. For some taxpayers, portions of income earned by tax-exempt funds may also be subject to the federal alternative minimum tax, which can raise the need for an investor to consult a tax adviser.

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

Tax-deferred Retirement Accounts

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

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

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

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

About this Data Section

The mutual fund industry usually divides its statistics into two broad categories: long-term funds and short-term (or money market) funds. Beginning with this year's *Fact Book,* long-term fund data are classified according to three—rather than two—broad fund categories: equity, bond and hybrid. This and subsequent *Fact Books* will also include data on 33—rather than 21—investment objectives. These changes reflect the increased variety of funds that have developed over the years in response to investor needs.

The Data Section begins with a breakdown of U.S. industry totals (pages 67 to 69), including information on fund assets, accounts, and the numbers of funds. U.S. industry totals are broken down from the short- and long-term categories into five separate ones: equity funds, hybrid funds, bond funds, taxable money market funds and tax-exempt money market funds. The U.S. Industry Totals section does not provide total sales figures that combine long-term and short-term fund sales. Because of the special nature of short-term funds and the huge, continuous inflows and outflows of money they experience, it would be misleading to add their sales figures to those of long-term funds.

Subsequent sections concentrate on U.S. industry long-term funds (pages 70 to 89), U.S. industry short-term funds (pages 90 to 95), exchanges to and from all types of U.S. industry funds (pages 96 to 98), institutional funds in the U.S. industry (pages 99 to 101), and data from fund industries outside the United States (pages 102 to 103).

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SECTION SIX: Worldwide Totals

Total Industry Net Assets

(billions of dollars)

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

	Equity Funds	Hybrid Funds	Bond Funds	Taxable Money Market Funds	Tax-exempt Money Market Funds	Total*
1984	$83.1	$7.8	$46.2	$209.7	$23.8	$370.7
1985	116.9	12.0	122.6	207.5	36.3	495.4
1986	161.4	18.8	243.3	228.3	63.8	715.7
1987	180.5	24.2	248.4	254.7	61.4	769.2
1988	194.7	21.1	255.7	272.3	65.7	809.4
1989	248.8	31.8	271.9	358.7	69.4	980.7
1990	245.6	37.2	284.3	414.7	83.6	1,065.5
1991	411.2	54.2	385.4	452.6	89.9	1,393.2
1992	522.1	78.8	495.4	451.4	94.8	1,642.6
1993	748.1	142.6	614.1	461.9	103.4	2,070.1
1994	865.1	156.9	522.4	500.4	110.6	2,155.4
1995	1,266.8	204.8	587.0	629.7	123.3	2,811.5
1996	1,726.1	252.9	645.4	762.0	139.8	3,526.3
1997	2,368.0	317.1	724.2	898.1	160.8	4,468.2
1998	2,978.2	364.7	830.6	1,163.2	188.5	5,525.2

Note: The data contain a series break beginning in 1996. All funds were reclassified in 1996 and a separate category was created for hybrid funds. At the same time, data for funds that invest in other mutual funds were excluded from the series. Data prior to 1996 have been restated to create a consistent series back to 1984.

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

Total Industry Shareholder Accounts

(millions)

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

	Equity Funds	Hybrid Funds	Bond Funds	Taxable Money Market Funds	Tax-exempt Money Market Funds	Total*
1984	8.6	1.1	5.1	13.6	0.3	28.7
1985	11.5	1.5	6.9	14.4	0.5	34.8
1986	16.0	2.2	11.6	15.7	0.7	46.0
1987	20.8	2.9	13.1	16.8	0.8	54.4
1988	20.1	2.7	13.4	17.6	0.9	54.7
1989	20.8	2.8	13.3	20.2	1.1	58.1
1990	22.4	3.2	13.4	21.6	1.4	62.0
1991	25.9	3.6	15.3	21.9	1.7	68.3
1992	33.2	4.3	18.8	21.8	1.9	79.9
1993	42.5	6.6	20.6	21.6	2.0	93.2
1994	58.9	9.1	21.0	23.3	2.0	114.4
1995	70.5	9.7	20.8	27.9	2.3	131.3
1996	85.4	12.1	20.5	29.9	2.3	150.2
1997	101.8	12.9	20.2	33.0	2.7	170.5
1998	119.8	13.8	21.3	36.4	2.4	193.9

Note: The data contain a series break beginning in 1996. All funds were reclassified in 1996 and a separate category was created for hybrid funds. At the same time, data for funds that invest in other mutual funds were excluded from the series. Data prior to 1996 have been restated to create a consistent series back to 1984.

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

Total Number of Funds

Year	Equity Funds	Bond & Income Funds	Taxable Money Market Funds	Tax-exempt Money Market Funds	Total
1978	294	150	61	-	505
1979	289	159	76	-	524
1980	288	170	96	10	564
1981	306	180	159	20	665
1982	340	199	281	37	857
1983	396	257	307	66	1,026

	Equity Funds	Hybrid Funds	Bond Funds	Taxable Money Market Funds	Tax-exempt Money Market Funds	Total
1984	471	77	272	326	95	1,241
1985	579	87	404	346	111	1,527
1986	698	102	550	359	126	1,835
1987	843	146	782	388	153	2,312
1988	1,011	162	930	431	174	2,708
1989	1,069	175	992	463	201	2,900
1990	1,116	203	1,024	508	235	3,086
1991	1,207	226	1,154	554	267	3,408
1992	1,346	257	1,362	586	279	3,830
1993	1,604	309	1,704	628	292	4,537
1994	1,930	387	2,049	644	319	5,329
1995	2,193	460	2,079	672	325	5,729
1996	2,572	470	2,224	666	322	6,254
1997	2,951	501	2,219	682	331	6,684
1998	3,513	525	2,250	685	341	7,314

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

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

Year	Number of Reporting Funds	Number of Accounts (thousands)	Net Assets (billions of dollars)	Liquid Assets (billions of dollars)
1970	361	10,690.3	$47.6	$3.1
1971	392	10,901.0	55.0	2.6
1972	410	10,635.3	59.8	2.6
1973	421	10,330.9	46.5	3.4
1974	416	9,970.4	34.1	3.4
1975	390	9,667.3	42.2	3.2
1976	404	8,879.4	47.6	2.4
1977	427	8,515.1	45.0	3.3
1978	444	8,190.6	45.0	4.5
1979	446	7,482.2	49.0	4.7
1980	458	7,325.5	58.4	5.3
1981	486	7,175.5	55.2	5.3
1982	539	8,190.3	76.9	6.0
1983	653	12,065.0	113.6	8.3
1984	820	14,423.6	137.1	12.2
1985	1,070	19,827.7	251.6	20.6
1986	1,350	29,699.7	423.5	30.6
1987	1,771	36,746.4	453.1	37.9
1988	2,103	36,107.1	471.4	45.0
1989	2,236	36,820.8	552.6	44.6
1990	2,343	38,995.3	567.1	48.5
1991	2,587	44,778.1	850.8	60.4
1992	2,965	56,285.0	1,096.4	74.0
1993	3,617	69,632.7	1,504.8	99.4
1994	4,366	89,012.6	1,544.4	120.4
1995	4,732	101,114.9	2,058.5	141.8
1996	5,266	117,976.6	2,624.5	152.0
1997	5,671	134,897.0	3,409.3	198.8
1998	6,288	155,006.7	4,173.5	191.4

Note: Figures for shareholder accounts represent combined totals for member companies; duplications have not been eliminated. The data contain a series break beginning in 1996. Data for funds that invest in other mutual funds were excluded from the series. Data prior to 1996 have been restated to create a consistent series back to 1984.

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

(millions of dollars)

	1996	1997	1998
Total Net Assets	**$2,624,463.0**	**$3,409,314.9**	**$4,173,531.1**
Aggressive Growth	253,520.3	335,164.5	394,175.3
Growth	457,784.9	644,682.4	890,077.5
Sector	70,523.3	95,422.4	120,742.2
World Equity–Emerging Markets	14,017.4	16,048.1	12,674.8
World Equity–Global	105,218.4	137,469.8	159,774.7
World Equity–International	134,144.4	164,945.2	187,185.6
World Equity–Regional	31,818.2	27,905.2	32,002.4
Growth and Income	568,257.5	817,979.3	1,032,842.7
Income Equity	90,839.2	128,407.5	148,751.4
Total Equity Funds	**$1,726,123.6**	**$2,368,024.4**	**$2,978,226.6**
Asset Allocation	36,032.7	42,765.0	40,113.6
Balanced	108,870.3	141,046.7	168,368.8
Flexible Portfolio	55,555.9	70,345.6	85,785.6
Income–Mixed	52,473.2	62,954.0	70,446.2
Total Hybrid Funds	**$252,932.1**	**$317,111.3**	**$364,714.2**
Corporate Bond– General	25,441.7	30,085.5	37,326.3
Corporate Bond–Intermediate-term	45,064.1	56,189.3	69,035.1
Corporate Bond–Short-term	30,099.4	33,079.6	37,147.6
High-yield Bond	78,896.1	104,911.0	117,443.5
World Bond–Global General	17,505.6	16,080.8	15,922.1
World Bond–Global Short-term	5,414.0	6,145.7	5,674.3
World Bond–Other	2,821.5	3,764.0	3,323.7
Government Bond–General	38,217.8	35,400.2	38,338.4
Government Bond–Intermediate-term	19,837.4	20,667.6	25,389.8
Government Bond–Short-term	16,232.9	17,339.7	19,735.0
Government Bond–Mortgage-backed	56,340.1	55,479.6	60,890.9
Strategic Income	56,468.5	73,145.8	101,769.1
State Municipal–General	110,194.4	117,694.6	129,648.0
State Municipal–Short-term	6,769.1	8,842.7	10,311.9
National Municipal Bond–General	112,395.8	117,416.1	126,756.0
National Municipal Bond–Short-term	23,708.9	27,937.0	31,878.6
Total Bond Funds	**$645,407.3**	**$724,179.2**	**$830,590.3**

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

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

(millions of dollars)

	1996	1997	1998
Total Liquid Assets	**$152,024.9**	**$198,825.7**	**$191,393.0**
Aggressive Growth	15,305.5	21,102.7	20,146.5
Growth	32,474.5	41,712.1	42,962.7
Sector	4,072.7	6,205.9	7,288.3
World Equity–Emerging Markets	810.6	1,231.6	949.6
World Equity–Global	8,530.9	13,472.2	11,224.0
World Equity–International	9,591.1	11,854.3	9,568.4
World Equity–Regional	1,083.6	1,310.4	1,061.9
Growth and Income	28,604.0	40,110.0	40,579.5
Income Equity	7,195.5	8,565.5	9,735.8
Total Equity Funds	**$107,668.4**	**$145,564.7**	**$143,516.7**
Asset Allocation	5,516.2	4,746.5	3,384.4
Balanced	6,410.3	8,217.8	7,707.3
Flexible Portfolio	3,990.0	6,763.5	7,869.6
Income–Mixed	2,186.1	5,033.0	6,607.7
Total Hybrid Funds	**$18,102.6**	**$24,760.8**	**$25,569.0**
Corporate Bond–General	683.5	1,177.1	558.0
Corporate Bond–Intermediate-term	1,808.4	2,219.2	755.0
Corporate Bond–Short-term	2,856.4	2,364.4	3,282.1
High-yield Bond	5,319.4	5,611.9	5,350.0
World Bond–Global General	1,162.2	1,171.0	908.2
World Bond–Global Short-term	1,017.2	845.7	458.3
World Bond–Other	131.4	247.3	147.3
Government Bond–General	(700.3)	501.7	(931.6)
Government Bond–Intermediate-term	320.5	577.9	482.8
Government Bond–Short-term	319.1	387.9	207.8
Government Bond–Mortgage-backed	(741.9)	(468.3)	(4,042.0)
Strategic Income	6,328.0	7,171.7	8,855.1
State Municipal–General	2,565.1	2,447.7	2,179.8
State Municipal–Short-term	290.6	228.4	217.7
National Municipal Bond–General	2,336.1	1,583.5	1,924.6
National Municipal Bond–Short-term	2,558.2	2,433.1	1,954.2
Total Bond Funds	**$26,253.9**	**$28,500.2**	**$22,307.3**

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

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

Year	Total Net Assets	Net Cash & Equivalent	Corporate Bonds	Preferred Stocks	Common Stocks	Municipal Bonds	Long-term U.S. Gov't	Other
Millions of dollars								
1984	$137,126	$11,978	$15,018	$1,627	$81,597	$18,522	$8,009	$375
1985	251,583	20,598	24,950	3,771	119,644	38,322	43,452	846
1986	423,518	30,670	47,239	7,376	153,426	70,768	111,368	2,671
1987	453,081	37,942	41,591	5,557	176,076	68,463	119,653	3,799
1988	471,423	45,007	54,340	5,667	173,363	85,977	103,558	3,511
1989	552,585	44,676	52,823	4,571	240,749	84,820	117,835	7,111
1990	567,100	48,204	44,233	2,836	216,065	118,524	128,165	9,073
1991	850,758	60,623	86,773	6,881	376,882	149,223	162,052	8,324
1992	1,096,377	74,132	115,602	10,538	477,720	190,977	224,585	2,823
1993	1,504,750	99,857	169,401	16,184	694,384	248,267	272,954	3,703
1994	1,544,430	120,822	154,636	16,431	809,504	210,268	222,477	10,292
1995	2,058,519	141,964	191,027	16,919	1,198,656	244,313	259,956	5,684
1996	2,624,463	152,025	238,046	21,168	1,697,236	245,183	265,177	5,628
1997	3,409,315	198,826	292,616	29,529	2,328,723	266,310	282,377	10,934
1998	4,173,531	191,393	375,034	26,328	2,970,334	293,515	291,021	25,906

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

Net New Cash Flow* by Investment Objective

(millions of dollars)

	1996	1997	1998
Aggressive Growth	$56,188.1	$32,533.0	$11,663.9
Growth	39,646.4	51,812.4	64,255.1
Sector	3,612.8	10,153.8	6,829.4
World Equity–Emerging Markets	3,279.1	3,846.6	99.0
World Equity–Global	16,340.9	16,070.4	4,297.4
World Equity–International	25,000.0	20,087.3	831.0
World Equity–Regional	2,896.0	(2,156.3)	2,299.5
Growth and Income	61,644.4	83,574.1	61,893.5
Income Equity	8,266.1	11,192.7	4,863.6
Total Equity Funds**	**$216,873.8**	**$227,114.0**	**$157,032.4**
Asset Allocation	$3,361.9	$1,785.5	($4,184.4)
Balanced	4,862.2	8,140.8	8,077.9
Flexible Portfolio	1,816.8	3,429.9	2,618.7
Income–Mixed	2,209.5	3,143.2	3,642.0
Total Hybrid Funds**	**$12,250.4**	**$16,499.4**	**$10,154.2**
Corporate Bond–General	$1,321.7	$2,562.2	$5,745.4
Corporate Bond–Intermediate-term	5,829.4	7,513.0	10,198.1
Corporate Bond–Short-term	(783.1)	1,001.7	4,177.5
High-yield Bond	12,486.4	16,850.7	13,601.7
World Bond–Global General	(2,121.3)	(2,004.6)	(1,306.2)
World Bond–Global Short-term	(357.9)	156.9	(171.4)
World Bond–Other	276.7	560.3	321.8
Government Bond–General	(5,295.2)	(5,197.2)	1,152.3
Government Bond–Intermediate-term	(1,652.1)	(580.6)	2,352.2
Government Bond–Short-term	(785.9)	421.7	2,841.2
Government Bond–Mortgage-backed	(6,037.8)	(4,136.7)	2,553.0
Strategic Income	5,772.5	10,405.2	17,944.7
State Municipal–General	(2,500.3)	(1,013.2)	6,765.5
State Municipal–Short-term	547.1	1,365.8	1,234.1
National Municipal Bond–General	(4,799.7)	(2,351.2)	4,177.9
National Municipal Bond–Short-term	859.3	2,871.0	3,022.8
Total Bond Funds**	**$2,759.8**	**$28,425.0**	**$74,610.6**

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

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

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

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

(millions of dollars)

1996	Net New Cash Flow	Total Net Assets
January	$28,131.8	$1,311,399.2
February	21,773.1	1,352,572.9
March	20,680.8	1,386,024.2
April	25,543.2	1,450,807.4
May	25,006.0	1,507,482.3
June	14,116.8	1,509,235.7
July	5,374.8	1,443,418.5
August	17,650.0	1,507,649.1
September	17,260.6	1,596,384.6
October	13,365.9	1,626,783.7
November	16,675.8	1,738,059.8
December	11,295.0	1,726,123.6
Total**	**$216,873.8**	**$1,726,123.6**
1997		
January	$28,516.4	$1,828,788.6
February	17,495.7	1,840,030.4
March	9,971.9	1,785,113.4
April	15,760.4	1,853,442.9
May	20,302.9	2,000,016.9
June	16,332.6	2,096,820.3
July	26,377.0	2,272,763.1
August	13,648.8	2,199,211.7
September	25,269.1	2,361,739.5
October	19,758.8	2,275,980.9
November	18,121.8	2,329,895.5
December	15,558.6	2,368,024.4
Total**	**$227,114.0**	**$2,368,024.4**
1998		
January	$14,089.1	$2,392,569.3
February	24,060.8	2,586,483.9
March	22,437.6	2,733,526.9
April	26,191.0	2,792,090.0
May	18,847.8	2,750,361.9
June	18,991.9	2,835,775.5
July	19,341.8	2,806,322.9
August	(11,578.2)	2,359,355.7
September	6,254.8	2,479,182.2
October	2,378.3	2,646,860.9
November	12,821.9	2,813,423.8
December	3,195.6	2,978,226.6
Total**	**$157,032.4**	**$2,978,226.6**

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

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

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

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

(millions of dollars)

1996	Net New Cash Flow	Total Net Assets
January	$2,353.3	$217,194.2
February	1,861.4	218,892.0
March	1,525.8	221,673.4
April	1,469.3	224,973.4
May	605.7	227,853.8
June	561.7	229,078.7
July	488.0	225,729.2
August	717.7	229,889.3
September	641.4	237,836.9
October	411.4	243,283.2
November	869.1	255,342.5
December	745.7	252,932.1
Total**	**$12,250.4**	**$252,932.1**
1997		
January	$1,885.7	$261,806.5
February	1,461.0	264,833.5
March	1,174.0	258,965.4
April	1,194.2	266,699.7
May	1,273.1	278,680.6
June	1,354.9	288,532.9
July	1,579.8	304,980.5
August	1,390.0	298,043.3
September	1,413.2	310,383.6
October	1,298.1	306,468.3
November	1,633.7	312,862.4
December	841.7	317,111.3
Total**	**$16,499.4**	**$317,111.3**
1998		
January	$2,555.1	$322,207.9
February	2,031.9	336,637.1
March	1,736.7	348,350.0
April	1,011.3	351,738.2
May	1,079.4	349,746.3
June	1,028.1	356,698.0
July	1,042.1	355,125.3
August	(948.5)	321,274.9
September	(518.1)	332,306.0
October	(208.8)	343,891.4
November	1,475.0	357,419.2
December	(130.0)	364,714.2
Total**	**$10,154.2**	**$364,714.2**

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

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

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

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

(millions of dollars)

1996	Net New Cash Flow	Total Net Assets
January	$2,246.4	$604,548.2
February	418.7	600,207.8
March	645.9	594,307.7
April	(726.4)	606,721.7
May	(453.7)	610,050.2
June	(633.1)	613,745.2
July	(1,223.6)	615,863.7
August	(636.9)	617,040.3
September	1,267.5	627,987.9
October	(912.6)	635,159.3
November	930.9	646,498.7
December	1,836.7	645,407.3
Total**	**$2,759.8**	**$645,407.3**
1997		
January	$1,832.8	$647,819.3
February	1,020.8	653,637.1
March	(3,098.3)	642,307.7
April	378.7	648,334.9
May	1,182.0	657,948.3
June	801.5	666,047.8
July	2,698.1	684,316.0
August	5,771.3	684,998.3
September	2,541.3	696,238.8
October	2,632.4	701,802.9
November	8,587.9	713,589.3
December	4,076.5	724,179.2
Total**	**$28,425.0**	**$724,179.2**
1998		
January	$9,102.1	$741,639.4
February	6,323.6	749,512.3
March	6,426.0	758,718.6
April	4,220.1	762,945.5
May	8,753.9	777,085.1
June	4,136.9	784,849.6
July	6,822.8	792,635.9
August	5,879.9	795,774.3
September	5,635.2	811,490.0
October	5,272.4	810,201.0
November	8,692.2	828,125.7
December	3,345.5	830,590.3
Total**	**$74,610.6**	**$830,590.3**

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

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

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

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

(millions of dollars)

Year	Sales	Redemptions	Net Sales
1970	$4,625.8	$2,987.6	$1,638.2
1971	5,147.2	4,750.2	397.0
1972	4,892.5	6,562.9	(1,670.4)
1973	4,359.3	5,651.1	(1,291.8)
1974	3,091.5	3,380.9	(289.4)
1975	3,307.2	3,686.3	(379.1)
1976	4,360.5	6,801.2	(2,440.7)
1977	6,399.6	6,026.0	373.6
1978	6,705.3	7,232.4	(527.1)
1979	6,826.1	8,005.0	(1,178.9)
1980	9,993.7	8,200.0	1,793.7
1981	9,710.4	7,470.4	2,240.0
1982	15,738.3	7,571.8	8,166.5
1983	40,325.1	14,677.6	25,647.5
1984	45,857.0	20,030.4	25,826.6
1985	114,233.0	33,761.9	80,471.1
1986	215,288.2	66,970.0	148,318.2
1987	190,207.2	116,060.6	74,146.6
1988	95,115.7	92,326.9	2,788.8
1989	125,339.0	91,526.5	33,812.5
1990	149,092.1	98,066.1	51,026.0
1991	235,979.3	116,141.8	119,837.5
1992	363,053.1	165,205.5	197,847.6
1993	509,928.6	230,911.8	279,016.8
1994	472,440.6	329,075.3	143,365.3
1995	475,329.8	312,857.8	162,472.0
1996	681,048.5	397,549.2	283,499.3
1997	869,025.9	541,185.5	327,840.4
1998	1,057,820.3	747,680.3	310,140.0

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

Sales of Equity, Hybrid and Bond Funds by Investment Objective

(millions of dollars)

	1996	1997	1998
Total Sales	**$681,048.5**	**$869,025.9**	**$1,057,820.3**
Aggressive Growth	$91,847.3	$101,705.3	$113,817.1
Growth	116,309.7	150,194.6	204,846.4
Sector	20,706.8	29,555.3	32,759.3
World Equity–Emerging Markets	5,665.4	9,038.4	7,511.7
World Equity–Global	28,207.3	36,994.5	39,723.4
World Equity–International	44,698.4	62,934.7	71,644.7
World Equity–Regional	13,843.5	15,480.1	18,096.2
Growth and Income	123,310.0	170,855.8	205,656.2
Income Equity	19,093.4	25,406.1	27,995.9
Total Equity Funds	**$463,681.8**	**$602,164.8**	**$722,050.9**
Asset Allocation	$8,473.0	$9,043.6	$7,199.5
Balanced	25,450.8	31,040.2	37,728.0
Flexible Portfolio	11,612.7	13,543.8	16,240.9
Income–Mixed	11,331.4	12,830.4	17,093.0
Total Hybrid Funds	**$56,867.9**	**$66,458.0**	**$78,261.4**
Corporate Bond–General	$7,545.3	$10,367.6	$14,377.1
Corporate Bond–Intermediate-term	15,706.4	20,214.4	24,936.7
Corporate Bond–Short-term	17,292.5	16,583.7	18,830.4
High-yield Bond	26,632.1	38,106.6	48,033.4
World Bond–Global General	4,497.9	4,897.3	4,457.0
World Bond–Global Short-term	1,585.2	2,175.6	1,931.8
World Bond–Other	1,381.4	1,733.1	2,029.8
Government Bond–General	7,343.7	6,407.0	10,948.2
Government Bond–Intermediate-term	4,207.9	5,033.3	8,032.8
Government Bond–Short-term	6,302.5	8,250.3	10,212.4
Government Bond–Mortgage-backed	8,122.9	9,378.5	14,403.2
Strategic Income	18,217.9	26,892.5	37,318.6
State Municipal–General	16,780.9	19,132.7	25,619.7
State Municipal–Short-term	2,041.9	3,173.4	3,123.6
National Municipal Bond–General	15,979.3	18,542.9	22,926.0
National Municipal Bond–Short-term	6,861.0	9,514.2	10,327.3
Total Bond Funds	**$160,498.8**	**$200,403.1**	**$257,508.0**

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

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

(millions of dollars)

	1996	1997	1998
Total Sales	**$53,219.9**	**$58,423.1**	**$60,038.3**
Aggressive Growth	$1,652.6	$1,054.7	$1,295.1
Growth	4,582.1	4,155.2	3,931.4
Sector	1,135.4	1,232.2	1,101.2
World Equity–Emerging Markets	94.6	200.2	156.6
World Equity–Global	1,495.9	1,580.0	1,285.4
World Equity–International	1,809.1	2,268.4	2,430.5
World Equity–Regional	346.6	333.7	356.4
Growth and Income	8,248.9	10,003.4	9,759.5
Income Equity	1,981.3	2,272.7	2,065.5
Total Equity Funds	**$21,346.5**	**$23,100.5**	**$22,381.6**
Asset Allocation	$1,058.2	$1,282.7	$947.4
Balanced	3,261.7	3,930.5	3,932.2
Flexible Portfolio	1,638.8	2,001.5	1,801.0
Income–Mixed	2,243.1	2,386.9	2,843.0
Total Hybrid Funds	**$8,201.8**	**$9,601.6**	**$9,523.6**
Corporate Bond–General	$1,091.3	$1,148.6	$1,219.8
Corporate Bond–Intermediate-term	1,821.3	2,260.7	2,560.2
Corporate Bond–Short-term	1,198.6	1,284.3	1,324.9
High-yield Bond	3,642.8	4,794.9	6,161.3
World Bond–Global General	674.6	646.6	477.6
World Bond–Global Short-term	229.2	260.7	195.5
World Bond–Other	120.2	125.8	159.6
Government Bond–General	1,584.2	1,386.9	1,299.0
Government Bond–Intermediate-term	745.2	712.5	774.7
Government Bond–Short-term	650.0	710.5	696.6
Government Bond–Mortgage-backed	2,240.9	2,152.8	2,219.8
Strategic Income	2,282.4	2,788.6	3,509.3
State Municipal–General	3,074.2	3,103.1	3,148.8
State Municipal–Short-term	160.7	173.8	188.4
National Municipal Bond–General	3,472.6	3,453.3	3,416.2
National Municipal Bond–Short-term	683.4	717.9	781.4
Total Bond Funds	**$23,671.6**	**$25,721.0**	**$28,133.1**

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

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

(millions of dollars)

	1996	1997	1998
Total Sales	**$627,828.6**	**$810,602.8**	**$997,782.0**
Aggressive Growth	$90,194.7	$100,650.7	$112,522.0
Growth	111,727.6	146,039.4	200,915.0
Sector	19,571.3	28,323.0	31,658.0
World Equity–Emerging Markets	5,570.8	8,838.2	7,355.2
World Equity–Global	26,711.4	35,414.5	38,438.0
World Equity–International	42,889.3	60,666.3	69,214.2
World Equity–Regional	13,496.8	15,146.4	17,739.8
Growth and Income	115,061.2	160,852.5	195,896.7
Income Equity	17,112.1	23,133.4	25,930.4
Total Equity Funds	**$442,335.2**	**$579,064.4**	**$699,669.3**
Asset Allocation	$7,414.8	$7,760.9	$6,252.0
Balanced	22,189.1	27,109.7	33,795.8
Flexible Portfolio	9,973.9	11,542.3	14,440.0
Income–Mixed	9,088.4	10,443.5	14,250.0
Total Hybrid Funds	**$48,666.2**	**$56,856.4**	**$68,737.8**
Corporate Bond–General	$6,454.0	$9,219.0	$13,157.3
Corporate Bond–Intermediate-term	13,885.1	17,953.7	22,376.5
Corporate Bond–Short-term	16,093.9	15,299.5	17,505.5
High-yield Bond	22,989.3	33,311.6	41,872.1
World Bond–Global General	3,823.3	4,250.6	3,979.4
World Bond–Global Short-term	1,356.0	1,914.8	1,736.4
World Bond–Other	1,261.2	1,607.3	1,870.2
Government Bond–General	5,759.5	5,020.1	9,649.2
Government Bond–Intermediate-term	3,462.7	4,320.8	7,258.0
Government Bond–Short-term	5,652.5	7,539.8	9,515.8
Government Bond–Mortgage-backed	5,882.0	7,225.7	12,183.4
Strategic Income	15,935.6	24,103.9	33,809.2
State Municipal–General	13,706.7	16,029.7	22,470.9
State Municipal–Short-term	1,881.1	2,999.6	2,935.2
National Municipal Bond–General	12,506.7	15,089.6	19,509.8
National Municipal Bond–Short-term	6,177.6	8,796.3	9,546.0
Total Bond Funds	**$136,827.2**	**$174,682.0**	**$229,374.9**

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

Equity, Hybrid and Bond Fund Distributions to Shareholders

(millions of dollars)

Year	Dividend Distributions	Capital Gain Distributions
1970	$1,414.1	$922.1
1971	1,330.7	775.5
1972	1,286.6	1,402.6
1973	1,300.2	943.3
1974	1,553.2	484.3
1975	1,449.1	219.2
1976	1,580.0	470.9
1977	1,789.7	634.8
1978	2,116.0	710.6
1979	2,451.4	929.9
1980	2,669.0	1,774.2
1981	3,143.0	2,697.2
1982	3,832.9	2,350.1
1983	4,981.0	4,391.6
1984	7,238.4	6,019.2
1985	12,719.3	4,894.5
1986	22,682.8	17,658.5
1987	31,764.0	22,922.8
1988	31,918.3	6,342.4
1989	34,102.4	14,765.7
1990	32,839.1	8,036.3
1991	35,145.0	13,917.1
1992	58,608.3	22,088.6
1993	73,178.4	35,904.8
1994	61,262.8	29,744.8
1995	67,230.3	54,274.1
1996	73,291.6	100,508.3
1997	79,423.0	182,660.3
1998	81,002.4	164,991.1

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

Annual Redemption Rate for Equity, Hybrid and Bond Funds

(millions of dollars)

Year	Average Total Net Assets	Redemptions	Redemption Rate
1970	$47,954	$2,988	6.2%
1971	51,332	4,750	9.3
1972	57,438	6,563	11.4
1973	53,175	5,651	10.6
1974	40,290	3,381	8.4
1975	38,120	3,686	9.7
1976	44,880	6,801	15.2
1977	46,316	6,026	13.0
1978	45,014	7,232	16.1
1979	46,980	8,005	17.0
1980	53,690	8,200	15.3
1981	56,803	7,470	13.2
1982	66,024	7,572	11.5
1983	95,220	14,678	15.4
1984	125,363	20,030	16.0
1985	194,355	33,762	17.4
1986	337,551	66,970	19.8
1987	438,300	116,061	26.5
1988	462,252	92,327	20.0
1989	512,004	91,527	17.9
1990	559,843	98,066	17.5
1991	708,929	116,142	16.4
1992	973,567	165,206	17.0
1993	1,300,563	230,912	17.8
1994	1,524,590	329,075	21.6
1995	1,801,475	312,858	17.4
1996	2,345,900	397,549	16.9
1997	3,016,889	541,186	17.9
1998	3,791,423	747,680	19.7

Note: "Average Total Net Assets" are an average of values at the beginning of the year and at the end of the year. The redemption rate is the dollar redemption volume as a percent of average assets. The data contain a series break beginning in 1996. Data for funds that invest in other mutual funds were excluded from the series. Data prior to 1996 have been restated to create a consistent series back to 1984.

Redemptions of Equity, Hybrid and Bond Funds by Investment Objective

(millions of dollars)

	1996	1997	1998
Total Redemptions	**$397,549.2**	**$541,185.5**	**$747,680.3**
Aggressive Growth	$41,907.4	$68,277.0	$95,539.8
Growth	68,870.7	95,159.8	141,496.6
Sector	15,597.8	19,716.4	24,466.4
World Equity–Emerging Markets	2,592.7	4,859.0	6,915.1
World Equity–Global	12,042.7	19,560.6	31,822.0
World Equity–International	19,602.5	39,586.3	65,217.3
World Equity–Regional	10,712.0	15,093.8	15,887.4
Growth and Income	59,405.4	86,680.5	133,343.6
Income Equity	9,827.0	13,082.2	19,580.4
Total Equity Funds	**$240,558.2**	**$362,015.6**	**$534,268.6**
Asset Allocation	$3,847.2	$5,966.8	$8,507.4
Balanced	15,732.6	18,958.0	24,817.5
Flexible Portfolio	6,831.1	7,734.2	11,425.3
Income–Mixed	5,595.7	6,267.1	9,886.3
Total Hybrid Funds	**$32,006.6**	**$38,926.1**	**$54,636.5**
Corporate Bond–General	$4,837.6	$6,289.6	$7,884.6
Corporate Bond–Intermediate-term	8,439.6	10,497.9	13,951.8
Corporate Bond–Short-term	16,209.4	13,957.1	13,531.6
High-yield Bond	12,095.6	18,012.7	27,246.6
World Bond–Global General	5,603.6	5,425.0	4,756.1
World Bond–Global Short-term	1,615.1	1,778.4	1,861.6
World Bond–Other	974.9	1,017.0	1,418.2
Government Bond–General	9,663.7	9,226.5	9,326.2
Government Bond–Intermediate-term	4,423.4	4,660.6	6,181.2
Government Bond–Short-term	5,329.7	5,963.1	6,097.6
Government Bond–Mortgage-backed	10,539.1	10,436.4	9,947.3
Strategic Income	9,325.6	13,747.1	17,419.3
State Municipal–General	14,851.9	15,345.6	15,392.5
State Municipal–Short-term	1,292.8	1,619.4	1,811.3
National Municipal Bond–General	14,919.2	16,462.9	15,293.4
National Municipal Bond–Short-term	4,863.2	5,804.5	6,655.9
Total Bond Funds	**$124,984.4**	**$140,243.8**	**$158,775.2**

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

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

(millions of dollars)

Year	Total Purchases	Total Sales	Net Purchases
1970	$20,405.0	$18,588.5	$1,816.5
1971	25,360.2	24,793.8	566.4
1972	24,467.6	25,823.6	(1,356.0)
1973	19,706.6	21,903.0	(2,196.4)
1974	12,299.7	12,213.5	86.2
1975	15,396.9	15,511.4	(114.5)
1976	15,348.2	16,881.2	(1,533.0)
1977	18,168.0	19,420.7	(1,252.7)
1978	20,945.6	23,069.7	(2,124.1)
1979	22,412.1	23,702.5	(1,290.4)
1980	32,987.2	32,080.6	906.6
1981	36,161.7	33,709.2	2,452.5
1982	55,682.0	47,920.7	7,761.3
1983	93,009.5	71,466.5	21,543.0
1984	120,378.4	99,742.2	20,636.2
1985	262,472.3	188,539.3	73,933.0
1986	502,935.9	365,929.7	137,006.2
1987	538,095.8	491,428.1	46,667.6
1988	410,831.0	421,515.0	(10,684.0)
1989	471,760.2	445,459.5	26,300.7
1990	554,719.8	505,779.6	48,940.1
1991	735,695.9	608,136.5	127,559.4
1992	949,349.0	758,471.7	190,877.3
1993	1,335,537.9	1,060,392.9	275,145.0
1994	1,433,806.3	1,329,402.8	104,403.5
1995	1,550,714.0	1,400,819.1	148,895.0
1996	2,018,893.3	1,737,333.9	281,559.4
1997	2,384,639.4	2,108,980.6	275,658.8
1998	2,861,561.9	2,560,074.4	301,487.5

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

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

(millions of dollars)

Year	Total Purchases	Total Sales	Net Purchases
1970	$17,127.6	$15,900.8	$1,226.8
1971	21,557.7	21,175.1	382.6
1972	20,943.5	22,552.8	(1,609.3)
1973	15,560.7	17,504.4	(1,943.7)
1974	9,085.3	9,372.1	(286.8)
1975	10,948.7	11,902.3	(953.6)
1976	10,729.1	13,278.3	(2,549.2)
1977	8,704.7	12,211.3	(3,506.6)
1978	12,832.9	14,454.7	(1,621.8)
1979	13,089.0	15,923.0	(2,834.0)
1980	19,893.8	21,799.9	(1,906.1)
1981	20,859.7	21,278.3	(418.6)
1982	27,397.2	24,939.6	2,457.6
1983	54,581.7	40,813.9	13,767.8
1984	56,584.5	50,892.1	5,692.4
1985	80,721.0	72,574.2	8,146.8
1986	134,459.8	118,033.4	16,426.4
1987	198,875.9	176,011.6	22,864.3
1988	112,742.3	128,821.7	(16,079.4)
1989	142,770.9	141,694.3	1,076.5
1990	166,397.6	146,580.2	19,817.5
1991	250,290.4	209,278.4	41,012.0
1992	327,517.7	261,853.8	65,663.9
1993	506,730.4	380,868.2	125,862.2
1994	628,680.0	512,353.0	116,327.0
1995	790,119.0	686,803.9	103,315.1
1996	1,151,439.8	927,441.0	223,998.8
1997	1,457,384.4	1,268,983.5	188,400.9
1998	1,762,565.3	1,597,310.7	165,254.6

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

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

(millions of dollars)

Year	Total Purchases	Total Sales	Net Purchases
1970	$3,277.4	$2,687.7	$589.7
1971	3,802.5	3,618.6	183.9
1972	3,524.1	3,270.9	253.2
1973	4,145.9	4,398.7	(252.8)
1974	3,214.4	2,841.4	373.0
1975	4,448.2	3,609.1	839.1
1976	4,619.1	3,602.9	1,016.2
1977	9,463.3	7,209.4	2,253.9
1978	8,112.7	8,615.0	(502.3)
1979	9,323.1	7,779.5	1,543.6
1980	13,093.4	10,280.7	2,812.7
1981	15,302.0	12,430.9	2,871.1
1982	28,284.8	22,981.1	5,303.7
1983	38,427.7	30,652.6	7,775.1
1984	63,793.9	48,850.1	14,943.8
1985	181,751.3	115,965.1	65,786.2
1986	368,476.1	247,896.3	120,579.8
1987	339,219.9	315,416.6	23,803.3
1988	298,088.7	292,693.3	5,395.4
1989	328,989.4	303,765.2	25,224.2
1990	388,322.1	359,199.5	29,122.7
1991	485,405.5	398,858.1	86,547.4
1992	621,831.2	496,617.9	125,213.4
1993	828,807.5	679,524.7	149,282.8
1994	805,126.4	817,049.8	(11,923.5)
1995	760,595.1	714,015.2	46,579.8
1996	867,453.5	809,892.9	57,560.6
1997	927,255.0	839,997.1	87,257.9
1998	1,098,996.6	962,763.7	136,232.9

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

Portfolio Purchases by Investment Objective

(millions of dollars)

	All Securities		Common Stock Only	
	1997	1998	1997	1998
Total	**$2,384,639.4**	**$2,861,561.9**	**$1,457,384.4**	**$1,762,565.3**
Aggressive Growth	$284,043.0	$350,334.9	$278,535.7	$339,872.7
Growth	441,931.3	563,423.2	433,470.2	547,049.6
Sector	78,781.0	77,704.0	76,864.1	75,016.2
World Equity–Emerging Markets	13,153.6	10,574.7	11,926.5	9,344.0
World Equity–Global	84,075.9	96,493.5	76,817.8	85,906.5
World Equity–International	93,327.6	98,247.6	87,572.2	92,639.8
World Equity–Regional	21,452.8	32,471.0	19,608.3	31,258.8
Growth and Income	347,618.3	434,433.0	319,502.9	403,573.2
Income Equity	56,827.5	60,292.1	47,787.5	51,403.9
Total Equity Funds	**$1,421,211.0**	**$1,723,974.0**	**$1,352,085.2**	**$1,636,064.7**
Asset Allocation	$33,886.9	$32,610.5	$15,557.6	$16,916.9
Balanced	104,659.2	130,364.9	49,605.7	63,945.1
Flexible Portfolio	66,578.1	68,245.1	26,909.1	27,906.0
Income–Mixed	61,314.0	59,238.8	6,042.6	6,724.1
Total Hybrid Funds	**$266,438.2**	**$290,459.3**	**$98,115.0**	**$115,492.1**
Corporate Bond–General	$44,372.9	$56,430.6	$218.1	$1,644.2
Corporate Bond–Intermediate-term	71,125.2	102,199.4	1,474.6	2,823.0
Corporate Bond–Short-term	32,551.6	35,800.3	124.4	125.4
High-yield Bond	107,798.8	121,433.1	2,886.0	2,371.4
World Bond–Global General	29,412.1	25,947.6	773.9	1,187.6
World Bond–Global Short-term	8,276.9	6,678.1	693.0	852.1
World Bond–Other	7,519.9	6,564.7	327.6	406.2
Government Bond–General	73,815.0	68,920.5	0.0	0.0
Government Bond–Intermediate-term	18,474.6	30,285.2	0.0	0.0
Government Bond–Short-term	33,802.0	37,275.7	6.2	1.5
Government Bond–Mortgage-backed	69,337.9	98,452.4	0.0	0.0
Strategic Income	89,683.4	132,145.9	680.4	1,597.1
State Municipal–General	41,130.4	48,277.2	0.0	0.0
State Municipal–Short-term	2,986.3	3,973.6	0.0	0.0
National Municipal Bond–General	55,109.1	57,337.8	0.0	0.0
National Municipal Bond–Short-term	11,594.1	15,406.5	0.0	0.0
Total Bond Funds	**$696,990.2**	**$847,128.6**	**$7,184.2**	**$11,008.5**

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

Portfolio Sales by Investment Objective

(millions of dollars)

	All Securities		Common Stock Only	
	1997	**1998**	**1997**	**1998**
Total	**$2,108,980.6**	**$2,560,074.4**	**$1,268,983.5**	**$1,597,310.7**
Aggressive Growth	$259,149.6	$337,857.1	$254,265.6	$327,374.4
Growth	400,566.0	500,228.5	391,365.6	485,690.0
Sector	69,834.1	71,327.7	67,673.4	68,550.0
World Equity–Emerging Markets	9,650.3	10,370.6	8,553.8	9,052.9
World Equity–Global	68,185.0	84,576.1	65,340.4	78,078.0
World Equity–International	74,096.5	95,177.7	70,916.1	89,239.4
World Equity–Regional	22,949.4	29,444.8	21,170.5	28,418.7
Growth and Income	273,088.4	372,534.3	248,269.3	341,983.4
Income Equity	45,943.4	55,733.3	39,094.4	47,036.0
Total Equity Funds	**$1,223,462.7**	**$1,557,250.1**	**$1,166,649.1**	**$1,475,422.8**
Asset Allocation	$29,747.2	$33,363.5	$14,377.4	$18,717.9
Balanced	94,814.3	114,363.1	48,855.7	57,629.5
Flexible Portfolio	62,858.9	64,616.1	24,509.2	27,165.9
Income–Mixed	57,857.5	53,953.1	7,248.0	7,862.3
Total Hybrid Funds	**$245,277.9**	**$266,295.8**	**$94,990.3**	**$111,375.6**
Corporate Bond–General	$41,896.1	$50,288.2	$88.8	$1,604.9
Corporate Bond–Intermediate-term	62,402.7	87,257.9	1,304.7	2,544.4
Corporate Bond–Short-term	27,559.9	27,287.5	165.5	99.6
High-yield Bond	86,780.8	101,685.7	3,026.3	2,706.1
World Bond–Global General	30,017.4	26,620.4	1,084.8	1,329.4
World Bond–Global Short-term	7,513.1	5,939.0	745.1	898.4
World Bond–Other	7,088.2	6,250.5	262.0	281.5
Government Bond–General	74,712.6	65,180.9	0.2	0.0
Government Bond–Intermediate-term	18,772.8	26,847.2	0.0	0.0
Government Bond–Short-term	31,871.0	33,604.2	8.5	3.4
Government Bond–Mortgage-backed	68,721.0	89,630.8	0.0	0.0
Strategic Income	78,025.9	111,757.1	652.5	1,044.6
State Municipal–General	39,135.1	39,523.4	2.2	0.0
State Municipal–Short-term	2,321.8	2,690.4	3.5	0.0
National Municipal Bond–General	55,045.6	50,834.4	0.0	0.0
National Municipal Bond–Short-term	8,376.0	11,130.9	0.0	0.0
Total Bond Funds	**$640,240.0**	**$736,528.5**	**$7,344.1**	**$10,512.3**

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

Total Short-term Funds

(millions of dollars)

Year	Total Sales	Total Redemptions	Net Sales	Net New Cash Flow*	Number of Funds	Total Accounts Outstanding	Total Net Assets
1980	$237,427.7	$207,877.7	$29,550.0	$24,022.7	106	4,762,103	$76,361.3
1981	462,422.6	354,972.1	107,450.5	91,143.7	179	10,323,466	186,158.2
1982	611,202.9	580,778.4	30,424.5	9,184.1	318	13,258,143	219,837.5
1983	507,447.0	551,151.3	(43,704.3)	(55,664.9)	373	12,539,688	179,386.5
1984	634,226.7	586,992.4	47,234.3	35,062.4	421	13,844,697	233,553.8
1985	839,498.8	831,121.2	8,377.6	(5,381.8)	457	14,934,631	243,802.4
1986	989,816.0	948,641.3	41,174.7	33,861.8	485	16,313,148	292,151.6
1987	1,060,949.2	1,062,519.7	(1,570.5)	10,191.2	541	17,674,790	316,096.1
1988	1,081,702.0	1,074,373.5	7,328.5	74.7	605	18,569,817	337,956.5
1989	1,319,492.6	1,235,643.0	83,849.6	64,053.4	664	21,314,228	428,093.2
1990	1,415,711.8	1,372,713.4	42,998.4	23,221.5	743	22,970,493	498,374.9
1991	1,800,744.7	1,763,094.9	37,649.8	5,484.4	821	23,556,000	542,441.7
1992	2,386,288.0	2,382,893.3	3,394.7	(16,299.6)	865	23,647,198	546,194.5
1993	2,677,539.5	2,673,456.9	4,082.6	(14,109.7)	920	23,585,346	565,319.1
1994	2,603,330.5	2,598,992.9	4,337.6	8,767.0	963	25,382,690	611,004.5
1995	3,125,209.0	3,001,928.0	123,281.0	89,411.1	997	30,144,344	753,017.8
1996	3,990,530.5	3,868,771.7	121,758.8	89,421.8	988	32,199,937	901,807.0
1997	4,930,566.0	4,782,897.7	147,668.3	102,052.5	1,013	35,624,081	1,058,885.7
1998	6,172,560.2	5,901,591.3	270,968.9	235,335.2	1,026	38,847,130	1,351,678.3

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

An Overview: Taxable Money Market Funds

(millions of dollars)

Year	Total Sales	Total Redemptions	Net Sales	Net New Cash Flow	Number of Funds	Total Accounts Outstanding	Average Maturity (Days)	Total Net Assets
1975	$6,748.7	$5,883.9	$864.8	-	36	208,777	93	$3,695.7
1976	9,360.9	9,609.2	(248.3)	($1,128.5)	48	180,676	110	3,685.8
1977	10,673.0	10,662.7	10.3	(1,124.5)	50	177,522	76	3,887.7
1978	30,452.2	24,294.5	6,157.7	6,382.2	61	467,803	42	10,858.0
1979	111,855.1	78,363.4	33,491.7	31,778.2	76	2,307,852	34	45,214.2
1980	232,172.8	204,068.5	28,104.3	22,527.6	96	4,745,572	24	74,447.7
1981	451,889.5	346,701.5	105,188.0	88,939.7	159	10,282,095	34	181,910.4
1982	581,758.9	559,581.1	22,177.8	1,704.2	281	13,101,347	37	206,607.5
1983	462,978.7	508,729.9	(45,751.2)	(57,437.5)	307	12,276,639	37	162,549.5
1984	571,959.3	531,050.9	40,908.4	29,163.5	329	13,556,180	43	209,731.9
1985	730,073.8	732,343.0	(2,269.2)	15,884.1	346	14,435,386	42	207,535.3
1986	792,349.1	776,303.2	16,045.9	9,028.8	359	15,653,595	40	228,345.8
1987	869,099.1	865,668.4	3,430.7	13,054.6	388	16,832,666	31	254,676.4
1988	903,425.9	899,397.3	4,028.6	(1,512.4)	431	17,630,528	28	272,293.3
1989	1,134,647.8	1,055,142.4	79,505.4	62,537.5	463	20,173,265	38	358,719.2
1990	1,218,936.0	1,183,065.7	35,870.3	17,433.2	508	21,577,559	41	414,733.3
1991	1,569,852.0	1,536,499.7	33,352.3	4,420.8	554	21,863,352	50	452,559.2
1992	2,099,796.8	2,101,327.8	(1,531.0)	(20,468.2)	586	21,770,693	51	451,353.4
1993	2,335,653.0	2,336,932.2	(1,279.2)	(19,122.3)	628	21,586,862	49	461,903.9
1994	2,233,904.8	2,228,905.6	4,999.2	7,890.5	644	23,338,196	34	500,427.8
1995	2,727,886.4	2,616,013.5	111,872.9	82,080.4	672	27,852,374	52	629,729.2
1996	3,523,786.6	3,415,494.5	108,292.1	79,186.0	666	29,907,471	49	761,989.0
1997	4,394,564.7	4,265,341.8	129,222.9	86,632.8	682	32,960,628	46	898,083.1
1998	5,533,550.7	5,289,265.9	244,284.8	212,408.3	685	36,442,139	46	1,163,166.7

An Overview: Tax-exempt Money Market Funds

(millions of dollars)

Year		Total Sales	Total Redemptions	Net Sales	Net New Cash Flow*	Number of Funds	Total Accounts Outstanding	Total Net Assets
1984		$62,267.4	$55,941.5	$6,325.9	$5,898.9	95	288,517	$23,821.9
1985		109,425.0	98,778.2	10,646.8	10,502.3	111	499,245	36,267.1
1986	National	188,017.3	165,329.1	22,688.2	22,240.1	100	604,055	59,367.5
	State	9,449.7	7,009.1	2,440.6	2,592.8	26	55,498	4,438.2
1987	National	179,215.0	185,031.1	(5,816.1)	(4,926.4)	111	731,265	54,555.8
	State	12,635.1	11,820.2	814.9	2,063.0	42	110,859	6,863.9
1988	National	158,085.8	158,120.8	(35.0)	(2,214.3)	120	754,068	54,541.7
	State	20,190.4	16,855.5	3,334.9	3,801.4	54	185,221	11,118.5
1989	National	152,713.4	151,851.4	862.0	(2,053.4)	129	875,626	52,824.7
	State	32,131.3	28,649.2	3,482.1	3,569.4	72	265,337	16,549.4
1990	National	155,956.9	153,363.8	2,593.1	1,162.5	132	984,301	59,200.5
	State	40,818.9	36,283.9	4,535.0	4,625.8	103	408,633	24,441.1
1991	National	181,137.9	178,927.1	2,210.8	474.1	141	1,139,741	62,338.0
	State	49,754.8	47,668.1	2,086.7	589.4	126	552,907	27,544.5
1992	National	223,414.2	220,832.0	2,582.2	2,659.5	139	1,120,747	64,863.3
	State	63,077.0	60,733.5	2,343.5	1,509.1	140	755,758	29,977.8
1993	National	264,920.5	261,742.8	3,177.7	2,773.4	146	1,237,691	70,501.3
	State	76,966.0	74,781.9	2,184.1	2,239.2	146	760,793	32,913.9
1994	National	282,293.5	284,070.6	(1,777.1)	(855.6)	157	1,273,384	73,417.8
	State	87,132.2	86,016.7	1,115.5	1,732.1	162	771,110	37,158.9
1995	National	293,120.5	288,032.3	5,088.2	2,508.8	158	1,384,887	79,639.1
	State	104,202.1	97,882.2	6,319.9	4,821.9	167	907,083	43,649.5
1996	National	340,669.6	334,148.6	6,521.0	4,359.5	155	1,346,220	88,845.7
	State	126,074.3	119,128.6	6,945.8	5,876.3	167	946,246	50,972.3
1997	National	383,863.2	373,233.5	10,629.7	8,939.7	156	1,557,399	100,911.3
	State	152,138.1	144,322.4	7,815.7	6,480.0	175	1,106,054	59,891.3
1998	National	452,774.4	437,679.8	15,094.5	13,100.6	155	1,284,196	117,374.0
	State	186,235.1	174,645.6	11,589.5	9,826.3	186	1,120,795	71,137.6

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

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

(thousands of dollars)

	Individual	Institutional	Total
1996			
January	$408,676,858	$241,808,372	$650,485,230
February	424,876,641	264,304,604	689,181,245
March	429,708,150	258,262,932	687,971,082
April	424,117,154	257,550,994	681,668,148
May	425,889,625	260,436,558	686,326,183
June	428,073,210	257,891,355	685,964,565
July	444,611,221	262,963,326	707,574,547
August	447,568,003	272,826,123	720,394,126
September	444,448,201	273,044,558	717,492,759
October	453,221,165	285,872,205	739,093,370
November	461,134,369	294,027,834	755,162,203
December	466,930,052	295,058,914	761,988,966
1997			
January	$475,576,870	$313,177,712	$788,754,582
February	486,086,677	325,938,593	812,025,270
March	494,461,348	320,444,166	814,905,514
April	486,338,949	318,384,981	804,723,930
May	488,314,395	325,757,877	814,072,272
June	486,668,931	330,785,622	817,454,553
July	497,454,579	336,017,784	833,472,363
August	514,192,177	350,496,938	864,689,115
September	510,896,659	351,381,139	862,277,798
October	521,372,282	362,217,018	883,589,300
November	527,427,504	368,848,674	896,276,178
December	523,905,239	374,177,882	898,083,121
1998			
January	$541,736,108	$386,851,460	$928,587,568
February	558,096,614	395,267,596	953,364,210
March	571,446,356	395,975,981	967,422,337
April	566,224,539	404,786,101	971,010,640
May	580,637,625	414,139,292	994,776,917
June	582,274,631	412,897,380	995,172,011
July	594,941,847	420,653,673	1,015,595,520
August	626,401,648	441,589,555	1,067,991,203
September	632,259,350	453,794,810	1,086,054,160
October	654,352,422	477,132,799	1,131,485,221
November	663,366,187	501,843,017	1,165,209,204
December	668,870,385	494,296,330	1,163,166,715

Taxable Money Market Fund Shareholder Accounts by Type of Fund

	Individual	Institutional	Total
1996			
January	26,155,575	2,049,754	28,205,329
February	26,575,586	2,097,904	28,673,490
March	27,036,004	2,230,126	29,266,130
April	27,124,092	2,291,167	29,415,259
May	27,018,435	2,462,506	29,480,941
June	27,063,126	2,429,493	29,492,619
July	27,589,958	2,478,535	30,068,493
August	27,683,577	2,448,710	30,132,287
September	27,186,589	2,468,013	29,654,602
October	27,497,405	2,533,013	30,030,418
November	27,236,583	2,535,656	29,772,239
December	27,307,081	2,600,390	29,907,471
1997			
January	27,407,500	2,558,275	29,965,775
February	27,746,877	2,571,239	30,318,116
March	28,039,880	2,637,784	30,677,664
April	28,261,398	2,704,431	30,965,829
May	28,469,399	2,715,019	31,184,418
June	28,553,949	2,679,994	31,233,943
July	28,893,844	2,728,794	31,622,638
August	29,225,424	2,796,508	32,021,932
September	29,461,689	2,782,030	32,243,719
October	29,691,688	2,770,795	32,462,483
November	30,087,986	2,828,165	32,916,151
December	30,048,083	2,912,545	32,960,628
1998			
January	29,835,970	2,942,434	32,778,404
February	30,228,820	2,942,808	33,171,628
March	30,389,255	3,010,853	33,400,108
April	30,715,289	3,062,307	33,777,596
May	31,353,479	3,044,806	34,398,285
June	32,765,377	3,071,555	35,836,932
July	31,830,339	3,206,041	35,036,380
August	32,722,981	3,268,267	35,991,248
September	32,638,562	3,316,897	35,955,459
October	33,014,433	3,248,164	36,262,597
November	33,370,818	3,229,880	36,600,698
December	33,144,688	3,297,451	36,442,139

Taxable Money Market Fund Asset Composition

(millions of dollars)

	1996	1997	1998
Total Net Assets	**$761,989.0**	**$898,083.1**	**$1,163,166.7**
U.S. Treasury Bills	42,195.0	40,955.2	48,115.7
Other Treasury Securities	49,644.1	47,934.1	62,005.4
U.S. Securities	104,189.2	97,804.1	176,043.0
Repurchase Agreements	105,710.6	128,901.5	141,710.8
Certificates of Deposits	69,316.8	95,565.7	111,908.4
Eurodollar CDs	23,569.3	23,951.8	30,713.8
Commercial Paper	276,801.4	339,501.0	420,975.0
Bank Notes	12,398.3	21,017.4	33,668.5
Bankers Acceptances	2,619.9	3,472.6	2,860.5
Corporate Notes	0.0	0.0	50,255.0
Cash Reserves	(1,159.2)	1,479.5	(1,046.9)
Other Assets	76,703.6	97,500.2	85,957.5
Average Maturity	49	46	46
Number of Funds	666	682	685

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

Sales Due to Exchanges by Investment Objective

(millions of dollars)

	1996	1997	1998
Total	**$504,736.4**	**$613,425.9**	**$742,870.1**
Aggressive Growth	$59,985.9	$71,669.2	$84,596.3
Growth	44,252.4	61,093.9	91,807.7
Sector	34,596.7	39,376.9	41,172.7
World Equity–Emerging Markets	2,813.8	2,571.6	1,510.1
World Equity–Global	16,125.9	18,275.7	24,477.1
World Equity–International	14,330.8	27,330.1	31,455.4
World Equity–Regional	19,179.7	17,416.7	19,937.9
Growth and Income	33,342.2	53,066.3	60,457.5
Income Equity	7,323.5	10,421.6	10,370.8
Total Equity Funds	**$231,950.9**	**$301,222.0**	**$365,785.5**
Asset Allocation	$1,949.0	$2,912.0	$2,554.2
Balanced	4,454.6	6,520.7	7,558.1
Flexible Portfolio	1,565.7	2,029.5	2,635.3
Income–Mixed	1,635.7	1,960.7	2,739.5
Total Hybrid Funds	**$9,605.0**	**$13,422.9**	**$15,487.1**
Corporate Bond–General	$1,551.0	$1,703.5	$3,067.0
Corporate Bond–Intermediate-term	3,625.3	3,562.2	6,188.7
Corporate Bond–Short-term	1,743.6	2,711.1	3,849.9
High-yield Bond	9,773.0	12,588.2	13,919.6
World Bond–Global General	1,778.6	1,793.0	1,799.2
World Bond–Global Short-term	296.6	765.1	649.6
World Bond–Other	921.2	765.0	491.6
Government Bond–General	2,357.8	2,097.0	6,078.5
Government Bond–Intermediate-term	1,152.3	1,813.6	4,670.3
Government Bond–Short-term	1,840.6	2,456.4	3,882.3
Government Bond–Mortgage-backed	2,315.8	3,390.1	6,160.7
Strategic Income	2,507.1	3,770.1	8,162.0
State Municipal–General	10,202.8	7,957.7	6,971.7
State Municipal–Short-term	395.8	351.1	513.3
National Municipal Bond–General	22,464.3	17,999.8	14,828.1
National Municipal Bond–Short-term	2,283.8	1,970.9	2,030.1
Total Bond Funds	**$65,209.6**	**$65,694.8**	**$83,262.6**
Taxable Money Market–Government	$24,862.5	$27,994.5	$29,338.1
Taxable Money Market–Non-government	156,978.3	190,477.5	232,970.5
National Tax-exempt Money Market	11,356.4	10,008.6	11,541.2
State Tax-exempt Money Market	4,773.7	4,605.6	4,485.1
Total Money Market Funds	**$197,970.9**	**$233,086.2**	**$278,334.9**

Note: All funds were reclassified in 1996 and a separate category was created for hybrid funds. At the same time, data for funds that invest in other mutual funds were excluded from the series.

Redemptions Due to Exchanges by Investment Objective

(millions of dollars)

	1996	1997	1998
Total	**$503,952.4**	**$618,485.4**	**$743,365.6**
Aggressive Growth	52,085.1	71,509.9	89,914.6
Growth	47,462.8	60,161.1	86,971.0
Sector	34,957.5	37,829.7	41,535.0
World Equity–Emerging Markets	2,512.8	2,704.2	1,851.2
World Equity–Global	14,453.7	18,059.2	26,795.6
World Equity–International	12,617.6	28,322.7	34,621.3
World Equity–Regional	19,068.5	19,625.5	19,490.7
Growth and Income	27,353.6	43,664.3	61,117.0
Income Equity	6,342.6	9,280.2	11,857.3
Total Equity Funds	**$216,854.2**	**$291,156.8**	**$374,153.7**
Asset Allocation	$2,154.6	$2,920.6	$4,483.2
Balanced	6,049.0	6,531.5	8,458.5
Flexible Portfolio	2,891.7	2,407.6	3,031.3
Income–Mixed	2,918.9	2,994.0	3,461.3
Total Hybrid Funds	**$14,014.2**	**$14,853.7**	**$19,434.3**
Corporate Bond–General	$1,845.7	$2,070.7	$2,594.2
Corporate Bond–Intermediate-term	3,241.4	3,505.0	4,415.2
Corporate Bond–Short-term	2,411.2	3,051.7	3,646.3
High-yield Bond	8,180.3	11,036.4	14,943.5
World Bond–Global General	2,119.6	2,623.2	2,328.6
World Bond–Global Short-term	395.3	744.6	695.8
World Bond–Other	930.9	794.9	621.8
Government Bond–General	3,748.8	3,087.9	5,249.2
Government Bond–Intermediate-term	1,843.7	2,054.5	3,394.9
Government Bond–Short-term	2,949.2	3,611.4	4,459.4
Government Bond–Mortgage-backed	3,696.5	4,316.1	5,843.8
Strategic Income	3,344.6	3,721.7	6,607.3
State Municipal–General	11,557.9	9,655.0	7,284.6
State Municipal–Short-term	437.1	365.6	403.1
National Municipal Bond–General	24,851.5	18,977.6	14,866.5
National Municipal Bond–Short-term	2,738.9	2,091.7	1,897.4
Total Bond Funds	**$74,292.6**	**$71,708.0**	**$79,251.6**
Taxable Money Market–Government	$23,692.7	$27,256.2	$26,875.9
Taxable Money Market–Non-government	158,849.8	199,484.4	227,799.1
National Tax-exempt Money Market	11,507.6	9,426.9	11,037.6
State Tax-exempt Money Market	4,741.3	4,599.4	4,813.4
Total Money Market Funds	**$198,791.4**	**$240,766.9**	**$270,526.0**

Note: All funds were reclassified in 1996 and a separate category was created for hybrid funds. At the same time, data for funds that invest in other mutual funds were excluded from the series.

Net Sales Due to Exchanges by Investment Objective

(millions of dollars)

	1996	1997	1998
Total	**$784.0**	**($5,059.5)**	**($495.5)**
Aggressive Growth	$7,900.8	$159.3	($5,318.3)
Growth	(3,210.4)	932.8	4836.7
Sector	(360.8)	1,547.2	(362.3)
World Equity–Emerging Markets	301.0	(132.6)	(341.1)
World Equity–Global	1,672.2	216.5	(2318.5)
World Equity–International	1,713.2	(992.6)	(3165.9)
World Equity–Regional	111.2	(2,208.8)	447.2
Growth and Income	5,988.6	9,402.0	(659.5)
Income Equity	980.9	1,141.4	(1486.5)
Total Equity Funds	**$15,096.7**	**$10,065.2**	**($8,368.2)**
Asset Allocation	($205.6)	($8.6)	($1,929.0)
Balanced	(1,594.4)	(10.8)	(900.4)
Flexible Portfolio	(1,326.0)	(378.1)	(396.0)
Income–Mixed	(1,283.2)	(1,033.3)	(721.8)
Total Hybrid Funds	**($4,409.2)**	**($1,430.8)**	**($3,947.2)**
Corporate Bond–General	($294.70)	($367.20)	$472.70
Corporate Bond–Intermediate-term	383.9	57.2	1773.5
Corporate Bond–Short-term	(667.6)	(340.6)	203.6
High-yield Bond	1,592.7	1,551.8	(1023.8)
World Bond–Global General	(341.0)	(830.2)	(529.4)
World Bond–Global Short-term	(98.8)	20.5	(46.2)
World Bond–Other	(9.6)	(29.9)	(130.2)
Government Bond–General	(1,391.0)	(990.9)	829.3
Government Bond–Intermediate-term	(691.4)	(240.9)	1275.4
Government Bond–Short-term	(1,108.6)	(1,155.0)	(577.1)
Government Bond–Mortgage-backed	(1,380.7)	(926.0)	316.9
Strategic Income	(837.5)	48.4	1554.7
State Municipal–General	(1,355.1)	(1,697.3)	(312.9)
State Municipal–Short-term	(41.3)	(14.5)	110.2
National Municipal Bond–General	(2,387.2)	(977.8)	(38.4)
National Municipal Bond–Short-term	(455.1)	(120.8)	132.7
Total Bond Funds	**($9,083.0)**	**($6,013.2)**	**$4,011.0**
Taxable Money Market–Government	$1,169.8	$738.3	$2,462.2
Taxable Money Market–Non-government	(1,871.5)	(9,006.9)	5171.4
National Tax-exempt Money Market	(151.2)	581.7	503.6
State Tax-exempt Money Market	32.4	6.2	(328.3)
Total Money Market Funds	**($820.5)**	**($7,680.7)**	**$7,808.9**

Note: All funds were reclassified in 1996 and a separate category was created for hybrid funds. At the same time, data for funds that invest in other mutual funds were excluded from the series.

Assets of Major Institutions and Financial Intermediaries

(millions of dollars)

	1992	1993	1994	1995	1996	1997	1998
Depository Institutions							
Commercial Banks[a]	$3,654,930.0R	$3,891,810.0R	$4,159,760.0R	$4,493,800.0R	$4,710,400.0R	$5,174,550.0R	$5,635,460.0
Credit Unions[b]	264,700.0	281,710.0	293,600.0	310,660.0	330,110.0	353,830.0R	394,490.0
Savings Institutions[c]	1,060,440.0	1,020,170.0	1,008,650.0	1,012,760.0	1,031,680.0	1,028,630.0R	1,088,060.0
Life Insurance	**1,586,990.0R**	**1,754,880.0R**	**1,862,890.0R**	**2,063,610.0R**	**2,246,290.0R**	**2,514,920.0R**	**2,819,460.0R**
Investment Institutions							
Bank-administered Trusts[d]	1,791,526.0	2,050,122.0	2,043,197.0	2,444,822.9R	2,684,453.4R	3,364,446.6	N/A
Closed-end Investment Companies	92,645.4	118,793.4	113,285.1	135,668.7	142,299.6	150,107.5R	151,612.4
Mutual Funds[e]	1,642,571.0	2,070,069.1	2,155,434.8	2,811,537.2	3,526,270.0	4,468,200.6	5,525,209.3

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

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

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

[d] *Reflects only discretionary trusts and agencies.*

[e] *Includes short-term funds. Excludes funds of funds.*

N/A=Not available

R=Revised

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

Assets of Fiduciary, Business and Other Institutional Investors*

(millions of dollars)

Equity, Hybrid and Bond Funds

	1996R	1997R	1998
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians and Administrators)	**$293,247.7**	**$342,426.2**	**$397,109.9**
Business Organizations	**766,741.3**	**1,115,380.9**	**1,413,034.3**
Business Corporations	59,628.5	68,725.6	90,976.0
Retirement Plans	429,059.5	666,382.1	852,270.8
Insurance Companies and Other Financial Institutions	278,053.3	380,273.2	469,787.5
Non-profit Organizations	**38,548.4**	**33,651.1**	**36,635.1**
Other Institutional Investors Not Classified**	**39,729.3**	**22,720.3**	**19,974.1**
Total	**$1,138,266.7**	**$1,514,178.5**	**$1,866,753.4**

Note: Reporters of institutional data represented 82.1% of total assets in 1996, 86.0% in 1997 and 82.4% in 1998.

Taxable Money Market Funds

	1996R	1997R	1998
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians and Administrators)	**$157,684.6**	**$169,747.2**	**$204,196.4**
Business Organizations	**198,826.0**	**267,312.7**	**341,469.3**
Business Corporations	78,166.6	100,185.3	145,566.9
Retirement Plans	53,064.9	70,950.8	76,741.9
Insurance Companies and Other Financial Institutions	67,594.5	96,176.6	119,160.5
Non-profit Organizations	**10,721.1**	**10,518.5**	**14,989.9**
Other Institutional Investors Not Classified**	**16,771.4**	**11,123.9**	**12,755.2**
Total	**$384,003.1**	**$458,702.3**	**$573,410.8**

Note: Reporters of institutional data represented 50.8% of total assets in 1996, 58.1% in 1997 and 56.5% in 1998.

Tax-exempt Money Market Funds

	1996R	1997R	1998
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians and Administrators)	**$33,360.1**	**$30,987.4**	**$40,366.2**
Business Organizations	**14,649.3**	**20,550.4**	**21,319.2**
Business Corporations	8,707.6	10,632.2	10,255.4
Retirement Plans	198.1	1,015.7	859.7
Insurance Companies and Other Financial Institutions	5,743.6	8,902.5	10,204.1
Non-profit Organizations	**191.6**	**551.2**	**1,724.2**
Other Institutional Investors Not Classified**	**919.6**	**1,016.2**	**776.8**
Total	**$49,120.6**	**$53,105.2**	**$64,186.4**

Note: Tax-exempt money market fund reporters represented 50.1% of total net assets in 1996, 55.6% in 1997 and 58.6% in 1998.

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

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

R=Revised

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

	Individual			Institutional		
	1996R	1997R	1998	1996R	1997R	1998
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians and Administrators)	**$83,122.9**	**$82,055.2**	**$93,940.0**	**$74,561.6**	**$87,692.0**	**$110,256.5**
Business Organizations	**105,147.4**	**142,519.4**	**170,090.5**	**93,678.6**	**124,793.2**	**171,378.8**
Business Corporations	48,365.9	55,239.4	66,561.6	29,800.7	44,945.8	79,005.3
Retirement Plans	30,254.8	40,633.5	44,376.4	22,810.1	30,317.3	32,365.5
Insurance Companies and Other Financial Institutions	26,526.7	46,646.5	59,152.5	41,067.8	49,530.1	60,008.0
Non-profit Organizations	**6,857.5**	**4,538.6**	**7,131.7**	**3,863.6**	**5,980.0**	**7,858.2**
Other Institutional Investors Not Classified*	**8,973.8**	**7,494.6**	**7,700.6**	**7,797.7**	**3,629.3**	**5,054.7**
Total	**$204,101.6**	**$236,607.8**	**$278,862.8**	**$179,901.5**	**$222,094.5**	**$294,548.2**

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

R=Revised

Worldwide Assets of Open-end Investment Companies

(millions of U.S. dollars)

NON-USA COUNTRIES		1993	1994	1995	1996	1997	1998[a]
Argentina		$235	$389	$631	$1,869	$5,247	$5,610
Australia		24,556	44,036	36,505	47,761	50,627	44,124
Austria[b]		18,174	23,492	33,452	39,543	44,930	57,195
Belgium		15,149	18,877	25,553	29,247	35,748	49,264
Brazil		24,007	54,426	63,637	103,786	108,606	113,441
Canada[b]		86,567	90,349	107,812	154,529	197,984	189,210
Chile		1,592	2,503	2,843	2,934	4,549	2,502
Czech Republic		N/A	N/A	N/A	N/A	361	456
Denmark		4,401	5,448	6,455	9,338	13,037	17,023
Finland		618	1,089	1,211	2,510	3,534	4,974
France		483,327	496,743	519,376	534,145	499,881	604,381
Germany	Public	78,552	112,697	134,543	137,860	146,889	175,375
	Special	133,734	160,335	213,047	241,642[c]	N/A	N/A
Greece		3,465	6,111	10,303	15,788	25,759	30,760
Hong Kong		31,135	29,522	33,695	41,017	58,456	75,760
Hungary		N/A	N/A	N/A	N/A	713	1,277
India		7,925	11,669	10,107	9,717[d]	9,353	9,726
Ireland[e]		5,244	7,806	8,461	7,735	22,729R	22,520[f]
Italy		64,272	79,402	79,878	129,755	209,410	394,486
Japan		454,608	435,603	469,980	420,103	311,335	310,810
Korea		69,988	81,304	92,405	N/A	N/A	N/A
Luxembourg		247,804	283,020	285,448	338,236	390,623R	N/A
Mexico		N/A	N/A	9,025	N/A	N/A	N/A
Netherlands[b]		48,530	62,100	62,128	67,147	70,373R	N/A
New Zealand[b]		1,833	2,471	6,868	7,686	7,519	6,448
Norway		4,737	5,119	6,834	9,930	13,058	11,086
Poland		N/A	N/A	N/A	N/A	N/A	574[f]
Portugal		9,319	12,854	14,233	17,087	21,392	21,969
Russia		N/A	N/A	N/A	6	41	29
South Africa		4,647	7,421	9,226	9,354	12,688	10,433
Spain		72,058	84,877	99,923	144,134	177,192	223,507
Sweden		24,356	20,208	27,388	34,981	45,452	48,411
Switzerland		34,094	38,864	44,638	48,166	53,444	63,507
Taiwan		N/A	3,616	4,388	8,351[g]	12,365	17,850
United Kingdom[h]		131,455	133,092	154,452	201,304	235,683	249,030
TOTAL NON-USA		**2,086,382**	**2,315,443**	**2,574,445**	**2,815,661**	**2,788,978**	**2,761,738**
USA[h]	(long-term)	1,504,750	1,544,430	2,058,519	2,624,463	3,409,315	3,622,978
	(short-term)	565,319	611,005	753,018	901,807	1,058,886	1,266,902
TOTAL USA		**2,070,069**	**2,155,435**	**2,811,537**	**3,526,270**	**4,468,201**	**4,889,880**
TOTAL WORLD		**$4,156,451**	**$4,470,878**	**$5,385,982**	**$6,341,931**	**$7,257,179**	**$7,651,618**

[a]As of September 30, 1998.
[b]Includes real estate funds.
[c]As of September 30, 1996.
[d]As of March 31, 1996.
[e]Approximately 95 percent relates to life assurance-linked funds; the other 5 percent are unit investment trusts. International Financial Service Center funds are not included.
[f]As of March 31, 1998.
[g]As of June 30, 1996.
[h]Fund-of-fund assets not included.
R=Revised

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

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

Worldwide Number of Open-end Investment Companies

NON-USA COUNTRIES		1993	1994	1995	1996	1997	1998[a]
Argentina		48	86	109	149	195	228
Australia		366	698	752	1,117	571	569
Austria[b]		337	387	452	517	625	756
Belgium		161	211	277	340	472	608
Brazil		667	830	1,172	1,727	2,254	1,568
Canada[b]		633	813	916	954	1,023	1,086
Chile		49	55	64	77	92	99
Czech Republic		N/A	N/A	N/A	N/A	47	53
Denmark		161	158	168	189	222	234
Finland		24	39	44	62	81	99
France		4,577	4,826	4,878	5,379	5,836	6,267
Germany	Public	463	528	583	641	717	754
	Special	N/A	N/A	2,609	2,839[c]	N/A	N/A
Greece		68	93	119	148	162	181
Hong Kong		566	630	670	708	772	763
Hungary		N/A	N/A	N/A	N/A	37	56
India		20	33	42	42[d]	64	89
Ireland[e]		145	293	285	260	260	260[f]
Italy		292	354	459	531	626	656
Japan		6,086	6,306	6,408	5,879	5,203	4,584
Korea		1,149	1,404	1,943	N/A	N/A	N/A
Luxembourg		945	1,007	3,081	3,234	4,064	N/A
Mexico		N/A	N/A	252	N/A	N/A	N/A
Netherlands[b]		175	136	159	179	289	N/A
New Zealand[b]		120	162	475	551	629	637
Norway		117	159	185	188	233	238
Poland		N/A	N/A	N/A	N/A	N/A	32[f]
Portugal		109	129	150	182	204	204
Russia		N/A	N/A	N/A	4	18	28
South Africa		N/A	69	91	107	149	174
Spain		571	656	743	985	1,456	1,763
Sweden		467	314	298	316	344	351
Switzerland		201	216	218	251	296	321
Taiwan		N/A	43	67	82[g]	156	164
United Kingdom[h]		1,420	1,452	1,490	1,532	1,550	1,500
TOTAL NON-USA		**19,937**	**22,087**	**29,159**	**29,170**	**28,647**	**24,322**
USA[h]	(long-term)	3,617	4,366	4,732	5,266	5,671	6,225
	(short-term)	920	963	997	988	1,013	1,023
TOTAL USA		**4,537**	**5,329**	**5,729**	**6,254**	**6,684**	**7,248**
TOTAL WORLD		**24,474**	**27,416**	**34,888**	**35,424**	**35,331**	**31,570**

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

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

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

Data Points

Page 5—Interest Rate Changes and Net New Cash Flow to Bond Funds

		Change in Interest Rates (percent)	Net New Cash Flow (billions of dollars)
1985	1	(0.50)	3.15
	2	(0.50)	1.98
	3	(0.54)	2.62
	4	(1.49)	4.88
	5	(3.00)	4.82
	6	(4.13)	5.05
	7	(3.90)	5.97
	8	(3.19)	6.04
	9	(2.97)	5.76
	10	(2.60)	8.39
	11	(2.02)	7.49
	12	(2.16)	7.03
1986	1	(2.02)	8.02
	2	(2.45)	8.52
	3	(3.75)	9.45
	4	(3.63)	9.82
	5	(2.48)	6.99
	6	(1.64)	6.10
	7	(2.32)	9.85
	8	(2.82)	9.77
	9	(2.75)	6.84
	10	(2.69)	10.28
	11	(2.42)	8.90
	12	(1.97)	8.08
1987	1	(2.00)	11.94
	2	(1.54)	9.14
	3	(0.72)	8.76
	4	0.46	(2.08)
	5	0.75	(2.09)
	6	0.41	1.96
	7	0.88	0.51
	8	1.54	(1.80)
	9	2.05	(8.77)

	10	2.19	(8.25)
	11	1.53	0.11
	12	1.70	(2.62)
1988	1	1.46	2.04
	2	0.82	1.34
	3	0.92	(1.71)
	4	0.51	(0.52)
	5	0.22	(1.42)
	6	0.40	0.85
	7	0.70	(0.75)
	8	0.74	(2.35)
	9	(0.10)	0.14
	10	(0.32)	1.01
	11	0.73	(2.10)
	12	0.98	(1.03)
1989	1	1.33	1.04
	2	1.94	(1.61)
	3	2.11	(1.17)
	4	1.57	(0.32)
	5	0.74	0.37
	6	0.15	1.17
	7	(0.61)	0.94
	8	(0.64)	(0.51)
	9	(0.31)	(1.10)
	10	(0.41)	0.01
	11	(0.92)	0.67
	12	(1.34)	(0.72)
1990	1	(1.07)	(0.71)
	2	(0.93)	0.62
	3	(0.98)	0.39
	4	(0.62)	(0.38)
	5	(0.29)	1.74
	6	0.03	0.97
	7	0.43	1.44
	8	0.09	(0.16)
	9	0.01	0.19
	10	0.05	0.36
	11	(0.06)	1.24
	12	(0.30)	0.51
1991	1	(0.75)	3.15
	2	(1.31)	2.70
	3	(1.28)	3.33
	4	(1.55)	5.03
	5	(1.57)	4.32
	6	(1.01)	3.94
	7	(0.88)	6.04

	8	(1.42)	6.34
	9	(1.77)	7.08
	10	(1.84)	7.34
	11	(1.84)	5.39
	12	(2.08)	4.24
1992	1	(1.98)	7.13
	2	(1.36)	6.50
	3	(1.17)	5.35
	4	(1.30)	5.32
	5	(1.31)	7.34
	6	(1.79)	7.42
	7	(2.47)	9.45
	8	(2.08)	7.21
	9	(2.08)	6.04
	10	(1.59)	0.43
	11	(0.76)	5.89
	12	(0.18)	2.90
1993	1	(0.47)	7.71
	2	(1.14)	8.17
	3	(1.78)	5.59
	4	(1.63)	6.59
	5	(1.41)	6.96
	6	(1.07)	7.90
	7	(0.48)	8.94
	8	(0.36)	8.68
	9	(0.25)	3.52
	10	(0.46)	6.49
	11	(0.64)	0.97
	12	(0.67)	1.79
1994	1	(0.45)	5.79
	2	0.25	(2.71)
	3	1.00	(10.99)
	4	1.69	(7.49)
	5	1.94	(3.88)
	6	1.74	(2.97)
	7	2.05	(3.70)
	8	2.14	(4.01)
	9	2.52	(5.72)
	10	2.86	(8.47)
	11	2.94	(10.65)
	12	3.17	(9.77)
1995	1	3.18	(3.23)
	2	2.42	0.98
	3	1.49	(3.79)
	4	0.69	(1.69)

	5	(0.07)	0.59
	6	(0.47)	(3.43)
	7	(0.59)	(0.21)
	8	(0.40)	(0.23)
	9	(0.80)	(0.46)
	10	(1.27)	0.86
	11	(1.87)	0.90
	12	(2.32)	(0.84)
1996	1	(2.46)	2.25
	2	(2.11)	0.42
	3	(1.10)	0.65
	4	(0.57)	(0.73)
	5	0.00	(0.45)
	6	0.69	(0.63)
	7	0.56	(1.22)
	8	0.11	(0.64)
	9	0.52	1.27
	10	0.31	(0.91)
	11	0.25	0.93
	12	0.52	1.84
1997	1	0.96	1.83
	2	0.89	1.02
	3	0.59	(3.10)
	4	0.50	0.38
	5	0.15	1.18
	6	(0.25)	0.80
	7	(0.45)	2.70
	8	(0.15)	5.77
	9	(0.43)	2.54
	10	(0.24)	2.63
	11	(0.06)	8.59
	12	(0.17)	4.08
1998	1	(0.78)	9.10
	2	(0.60)	6.32
	3	(0.81)	6.43
	4	(1.03)	4.22
	5	(0.81)	8.75
	6	(0.72)	4.14
	7	(0.53)	6.82
	8	(0.82)	5.88
	9	(1.36)	5.64
	10	(1.66)	5.27
	11	(1.19)	8.69
	12	(1.26)	3.35

Page 7—Interest Rate Spread and Net New Cash Flow to Retail Money Market Funds

(percent)

		Net New Cash Flow	Interest Rate Spread
1985	1	1.13	3.59
	2	1.20	3.61
	3	1.00	3.24
	4	0.08	2.57
	5	(0.46)	1.94
	6	(0.57)	1.51
	7	(0.99)	1.32
	8	(0.98)	1.48
	9	(0.94)	1.54
	10	(0.68)	1.42
	11	(0.72)	1.09
	12	(0.81)	0.94
1986	1	(0.54)	0.99
	2	(0.63)	1.02
	3	(0.25)	1.07
	4	0.08	1.15
	5	0.34	1.19
	6	0.45	1.09
	7	0.47	1.06
	8	0.40	0.99
	9	0.63	0.50
	10	0.22	0.21
	11	(0.04)	0.22
	12	(0.10)	0.29
1987	1	(0.28)	0.16
	2	0.09	(0.12)
	3	(0.46)	(0.16)
	4	(0.16)	(0.13)
	5	0.10	0.14
	6	(0.12)	0.23
	7	0.01	0.06
	8	0.11	0.13
	9	0.24	0.24
	10	0.55	0.48
	11	0.46	0.69
	12	0.52	0.68
1988	1	0.82	0.65
	2	0.65	0.79
	3	0.80	1.07
	4	0.25	0.98
	5	0.16	1.11

	6	0.05	1.03
	7	(0.34)	0.74
	8	(0.33)	0.63
	9	(0.71)	0.67
	10	(0.34)	0.80
	11	0.07	1.05
	12	0.20	1.27
1989	1	0.56	1.55
	2	1.11	1.81
	3	1.42	1.85
	4	1.23	1.92
	5	1.15	2.25
	6	1.51	2.46
	7	1.53	2.53
	8	1.35	2.78
	9	1.44	2.94
	10	1.82	2.92
	11	1.63	2.78
	12	1.14	2.49
1990	1	1.21	2.16
	2	1.02	2.10
	3	0.71	2.05
	4	(0.04)	1.87
	5	(0.49)	1.85
	6	(0.34)	1.71
	7	(0.53)	1.63
	8	(0.20)	1.65
	9	(0.14)	1.67
	10	0.27	1.67
	11	0.74	1.67
	12	0.55	1.63
1991	1	0.95	1.55
	2	0.80	1.54
	3	0.89	1.52
	4	0.52	1.42
	5	0.13	1.39
	6	0.13	1.17
	7	(0.59)	0.85
	8	(1.03)	0.59
	9	(1.36)	0.45
	10	(1.17)	0.30
	11	(0.93)	0.26
	12	(1.26)	0.28
1992	1	(0.50)	0.25
	2	(0.37)	0.19
	3	(0.38)	0.16

	4	(0.61)	0.14
	5	(0.88)	0.28
	6	(0.75)	0.20
	7	(1.40)	0.03
	8	(1.47)	(0.01)
	9	(1.46)	0.02
	10	(0.91)	(0.06)
	11	(0.76)	(0.09)
	12	(0.68)	0.00
1993	1	(0.63)	(0.08)
	2	(0.46)	(0.08)
	3	(0.40)	(0.15)
	4	(0.73)	(0.15)
	5	(0.66)	(0.04)
	6	(0.60)	(0.04)
	7	(0.48)	(0.08)
	8	(0.84)	(0.05)
	9	(0.72)	(0.03)
	10	(0.65)	(0.04)
	11	(0.18)	0.02
	12	(0.21)	0.05
1994	1	(0.32)	0.10
	2	0.12	0.15
	3	0.56	0.16
	4	0.92	0.19
	5	0.31	0.26
	6	0.44	0.24
	7	0.61	0.32
	8	0.23	0.44
	9	0.05	0.61
	10	(0.10)	0.86
	11	0.57	1.08
	12	0.70	1.20
1995	1	0.90	1.33
	2	1.02	1.50
	3	0.92	1.61
	4	0.86	1.82
	5	0.95	2.12
	6	1.49	2.22
	7	1.49	2.37
	8	1.72	2.39
	9	1.55	2.40
	10	1.73	2.34
	11	1.53	2.32
	12	0.94	2.24

1996	1	0.77	2.15
	2	1.09	2.13
	3	1.26	2.11
	4	0.69	2.10
	5	0.39	2.10
	6	0.46	2.05
	7	0.73	1.85
	8	0.34	1.85
	9	0.16	1.84
	10	0.70	1.85
	11	0.94	1.90
	12	1.16	1.93
1997	1	0.87	1.96
	2	1.04	1.99
	3	1.42	1.98
	4	0.78	1.99
	5	0.59	2.22
	6	0.47	2.21
	7	0.53	2.20
	8	0.70	2.09
	9	0.24	2.23
	10	0.78	2.33
	11	0.92	2.36
	12	0.70	2.38
1998	1	0.96	2.37
	2	0.91	2.36
	3	1.36	2.36
	4	0.90	2.43
	5	0.99	2.52
	6	1.14	2.53
	7	1.06	2.49
	8	1.47	2.47
	9	1.25	2.50
	10	1.95	2.48
	11	1.87	2.50
	12	1.86	2.49

Page 10—Net Flow to Equity Funds During Stock Market Expansions and Contractions, 1944-1990

(percent of assets)

Stock Market Expansions			Stock Market Contractions		
Dec-43	May-46	57.0	May-46	Jun-49	34.8
Jun-49	Jan-53	74.0	Jan-53	Sep-53	6.5
Sep-53	Jul-56	43.7	Jul-56	Dec-57	13.5
Dec-57	Jul-59	20.5	Jul-59	Oct-60	9.3
Oct-60	Dec-61	10.4	Dec-61	Jun-62	4.2
Jun-62	Jan-66	23.0	Jan-66	Oct-66	4.8
Oct-66	Dec-68	11.3	Dec-68	Jun-70	5.0
Jun-70	Apr-71	1.0	Apr-71	Nov-71	(1.3)
Nov-71	Jan-73	(5.8)	Jan-73	Dec-74	(3.3)
Dec-74	Sep-76	(14.9)	Sep-76	Mar-78	(13.1)
Mar-78	Nov-80	(27.2)	Nov-80	Jul-82	(3.1)
Jul-82	Oct-83	27.4	Oct-83	Jul-84	7.3
Jul-84	Aug-87	82.1	Aug-87	Dec-87	(3.5)
Dec-87	Jun-90	1.9	Jun-90	Oct-90	(0.9)

Page 35—Assets of Mutual Funds

(billions of dollars)

	Equity, Hybrid and Bond Funds	Money Market Funds	Total
'40	0.4		0.4
'50	2.5		2.5
'60	17.0		17.0
'70	47.6		47.6
'72	59.8		59.8
'74	34.1	1.7	35.8
'76	47.6	3.7	51.3
'78	45.0	10.9	55.9
'80	58.4	76.4	134.8
'82	76.9	219.8	296.7
'84	137.1	233.6	370.7
'86	423.5	292.2	715.7
'88	471.4	338.0	809.4
'90	567.1	498.4	1,065.5
'92	1,096.4	546.2	1,642.6
'94	1,544.4	611.0	2,155.4
'96	2,624.5	901.8	3,526.3
'98	4,173.5	1,351.7	5,525.2

Page 39—Mutual Fund Shareholder Accounts

(millions)

	Equity, Hybrid and Bond Funds	Money Market Funds
'40	0.3	
'50	0.9	
'60	4.9	
'70	10.7	
'72	10.6	
'74	10.0	0.1
'76	8.9	0.2
'78	8.2	0.5
'80	7.3	4.8
'82	8.2	13.3
'84	14.4	13.9
'86	29.7	16.3
'88	36.1	18.6
'90	39.0	23.0
'92	56.3	23.6
'94	89.0	25.4
'96	118.0	32.2
'98	155.0	38.8

Page 42—Household Net Purchases of Financial Assets

(billions of dollars)

	Net Purchases of Financial Assets
1984	416.5
1985	509.8
1986	407.0
1987	411.2
1988	405.8
1989	439.5
1990	448.3
1991	434.1
1992	407.6
1993	389.3
1994	418.9
1995	450.9
1996	463.2
1997	423.8
1998	402.5

Page 43—Purchases of Equities by Households

(billions of dollars)

	Purchases Made Through Mutual Funds	Purchases Made Outside Mutual Funds	Net Purchases
1984	5.04	(73.45)	(68.41)
1985	10.35	(122.28)	(111.94)
1986	20.25	(125.35)	(105.10)
1987	32.06	(134.07)	(102.02)
1988	(41.65)	(125.76)	(167.41)
1989	2.70	(102.51)	(99.81)
1990	13.07	(21.65)	(8.58)
1991	49.90	(41.22)	8.68
1992	61.70	(3.25)	58.45
1993	125.23	(114.68)	10.55
1994	125.75	(157.64)	(31.88)
1995	91.34	(185.21)	(93.87)
1996	214.72	(297.87)	(83.15)
1997	211.34	(428.96)	(217.62)
1998	178.78	(442.46)	(263.68)

Page 44—Total Holdings of Equities by Households

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

	U.S. Households' Equity Holdings	S&P 500 Index
1957	22.96	100.00
1958	27.26	135.59
1959	28.53	144.02
1960	27.71	138.23
1961	30.99	168.01
1962	29.20	146.45
1963	30.03	171.39
1964	31.79	191.04
1965	33.02	205.61
1966	29.09	172.74
1967	32.28	200.38
1968	34.44	205.06
1969	29.06	171.73
1970	27.32	161.47
1971	28.21	172.95
1972	30.24	194.29
1973	22.59	153.53
1974	14.60	97.24
1975	17.63	119.65
1976	19.46	133.98
1977	15.86	111.66
1978	14.54	104.05
1979	15.20	105.56
1980	17.23	118.37
1981	14.63	96.93
1982	14.74	105.75
1983	15.43	119.00
1984	13.84	114.96
1985	15.41	139.30
1986	16.71	153.71
1987	15.85	150.31
1988	16.49	161.61
1989	18.25	196.98
1990	16.25	174.79
1991	20.60	211.39
1992	22.07	213.44
1993	23.57	221.57
1994	22.42	212.28
1995	26.72	276.26
1996	29.10	323.84
1997	32.21	415.16
1998	34.24	513.67

Glossary of Mutual Fund Terms

For an explanation of fund types, see pages 13-15.

Adviser– An organization employed by a mutual fund to give professional advice on the fund's investments and asset management practices (also called the investment adviser).

Annual and Semiannual Reports– Summaries that a mutual fund sends to its shareholders that discuss the fund's performance over a certain time period and identify the securities in the fund's portfolio on a specific date.

Appreciation– An increase in an investment's value.

Asked or Offering Price–(As seen in some mutual fund newspaper listings, see page 18.) The price at which a mutual fund's shares can be purchased. The asked or offering price includes the current net asset value per share plus any sales charge.

Assets–The current dollar value of the pool of money shareholders have invested in a fund.

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

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

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

Bid or Sell Price–The price at which a mutual fund's shares are redeemed, or bought back, by the fund. The bid or redemption price is usually the current net asset value per share.

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

Broker/Dealer (or Dealer)–A firm that buys and sells mutual fund shares and other securities from and to investors.

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

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

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

Commission– A fee paid by an investor to a broker or other sales agent for investment advice and assistance.

Compounding–Earnings on an investment's earnings. Over time, compounding can produce significant growth in the value of an investment.

Contingent Deferred Sales Charge (CDSC)–A fee imposed when shares are redeemed (sold back to the fund) during the first few years of ownership.

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

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

Depreciation–A decline in an investment's value.

Distribution–1) The payment of dividends and capital gains, or 2) a term used to describe a method of selling to the public.

Diversification–The practice of investing broadly across a number of securities to reduce risk.

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

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

Ex-dividend Date–With regard to mutual funds, this is the day on which declared distributions (dividends or capital gains) are deducted from the fund's assets before it calculates its net asset value (NAV). The NAV per share will drop by the amount of the distribution per share.

Expense Ratio–A fund's cost of doing business—disclosed in the prospectus—expressed as a percentage of its assets.

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

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

401(k) Plan–An employer-sponsored retirement plan that enables employees to make tax-deferred contributions from their salaries to the plan.

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

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

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

Income–Dividends, interest and/or short-term capital gains paid to a mutual fund's shareholders. Income is earned on a fund's investment portfolio after deducting operating expenses.

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

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

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

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

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

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

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

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

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

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

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

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

Mutual Fund–An investment company that stands ready to buy back its shares at their current net asset value, which is the total market value of the fund's investment portfolio divided by the number of shares outstanding. Most mutual funds continuously offer new shares to investors.

National Association of Securities Dealers, Inc. (NASD)–A self-regulatory organization with authority over firms that distribute mutual fund shares as well as other securities.

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

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

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

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

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

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

Portfolio–A collection of securities owned by an individual or an institution (such as a mutual fund) that may include stocks, bonds and money market securities.

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

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

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

Principal–See Face Value.

Professional Management–The full-time, experienced team of professionals that decides what securities to buy, hold and sell for a mutual fund portfolio.

Prospectus–The official document that describes a mutual fund to prospective investors. The prospectus contains information required by the U.S. Securities and Exchange Commission, such as investment objectives and policies, risks, services and fees.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Variable Annuity–An investment contract sold by an insurance company; capital is accumulated, often through mutual fund investments, and converted to an income stream later, often at an investor's retirement.

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

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