44th Edition

2004
Mutual Fund Fact Book

A guide to ***trends***
and ***statistics*** in the
mutual fund industry

INVESTMENT COMPANY INSTITUTE®

Significant Events
in Mutual Fund History

1924	The first mutual funds are established in Boston.
1933	The Securities Act of 1933 regulates the registration and offering of new securities, including mutual fund shares, to the public.
1934	The Securities Exchange Act of 1934 authorizes the U.S. Securities and Exchange Commission (SEC) to provide for fair and equitable securities markets.
1936	The Revenue Act of 1936 establishes the tax treatment of mutual funds and their shareholders.
1940	The Investment Company Act of 1940 is signed into law, setting the structure and regulatory framework for the modern mutual fund industry. The forerunner to the National Association of Investment Companies (NAIC) is formed. The NAIC will later become the Investment Company Institute (ICI).
1944	The NAIC begins collecting investment company industry statistics.
1951	The total number of mutual funds surpasses 100, and the number of shareholder accounts exceeds one million for the first time.
1954	Households' net purchases of fund shares exceed those of corporate stock for the first time. NAIC initiates a nationwide public information program emphasizing the role of investors in the U.S. economy and explaining the concept of investment companies.
1955	The first U.S.-based international mutual fund is introduced.
1961	The first tax-free unit investment trust is offered. The NAIC changes its name to the Investment Company Institute and welcomes fund advisers and underwriters as members.
1962	The Self-Employed Individuals Tax Retirement Act creates savings opportunities (Keogh plans) for self-employed individuals.
1971	Money market mutual funds are introduced.
1974	The Employee Retirement Income Security Act (ERISA) creates the Individual Retirement Account (IRA) for workers not covered by employer retirement plans.

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About ICI

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

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

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

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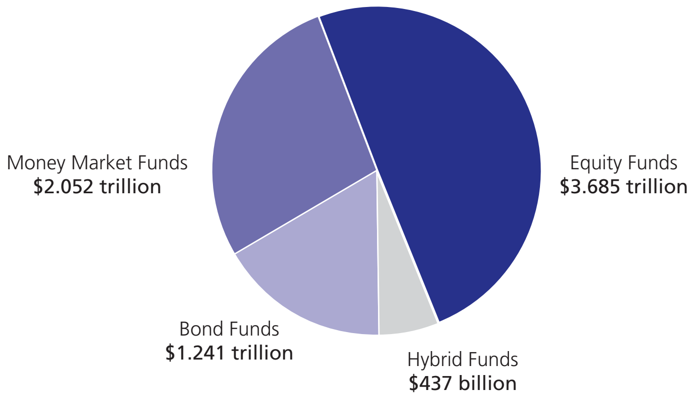
Chapter One

What Is a Mutual Fund?

A mutual fund is a type of investment company that gathers assets from investors and collectively invests those assets in stocks, bonds, or money market instruments.

Individuals and institutions invest in a mutual fund by purchasing shares issued by the fund. It is through these sales of shares that a mutual fund raises the cash used to invest in its portfolio of stocks, bonds, and other securities. Through the collective investments of the mutual fund, each investor shares in the returns from the fund's portfolio while benefiting from professional investment management, diversification, liquidity, and other benefits and services.

Assets of Mutual Funds, 2003



Total: $7.414 trillion

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

Mutual Fund Organization

A mutual fund is organized either as a corporation or a business trust that sells its shares to investors. Mutual funds have officers and directors or trustees. In this way, mutual funds are like any other type of company, such as IBM or General Motors.

Unlike other companies, however, a mutual fund is typically *externally managed*: it is not an operating company with employees in the traditional sense. Instead, a fund relies upon third parties or service providers, either affiliated organizations or independent contractors, to invest fund assets and carry out other business activities. The diagram on page 7 shows the types of service providers usually relied upon by a fund.

How a Fund Is Created

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

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

Broker-dealers and their registered representatives who sell fund shares to the public are also subject to regulation under the Securities Exchange Act of 1934, while investment advisers to funds generally must register under the Investment Advisers Act of 1940.

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

The ongoing operation of a mutual fund is also complicated and costly. In addition to management fees, funds regularly incur transfer agent, custodian, accounting, and other business expenses to continually meet federal and state requirements and to service shareholder accounts.

The 1940 Act requires that a mutual fund register with the SEC as a "registered investment company." Status as a registered investment company allows the fund to be treated as a "pass-through" investment vehicle for tax purposes. In other words, the fund's income flows through to shareholders without being taxed at the fund level.

For more information on fund regulation and taxation, see Chapter 2 on page 23.

The Origins of Mutual Funds

The mutual fund industry traces its roots to England in the mid-1800s. The enactment of two British laws, the Joint Stock Companies Acts of 1862 and 1867, permitted investors, for the first time, to share in the profits of an investment enterprise, and limited investor liability to the amount of investment capital devoted to the enterprise. Shortly thereafter, in 1868, the Foreign and Colonial Government Trust formed in London. This trust resembled a mutual fund in basic structure, providing "the investor of moderate means the same advantages as the large capitalists ... by spreading the investment over a number of different stocks."

This concept of offering the investment potential of financial markets to all individuals spawned additional "investment companies" in Britain and Scotland and, among other things, helped finance the development of the post-Civil War U.S. economy. Most of the early British investment companies or trusts resembled today's closed-end funds by issuing a fixed number of shares to groups of investors whose "pooled" assets were invested in various companies. The Scottish American Investment Trust, formed on February 1, 1873 by fund pioneer Robert Fleming, was significant because it invested in the economic potential of the United States, chiefly through American railroad bonds. Many other trusts followed that not only targeted investment in America, but more importantly, led to the introduction of the investment fund concept on U.S. shores in the late 1800s and early 1900s.

The First "Mutual" Fund

The first mutual, or "open-end," fund—in which new shares are issued as new money is invested—would not emerge until 1924 in Boston. The Massachusetts Investors Trust, considered by most accounts to be the first mutual fund, was introduced in March of that year. Formed as a common law trust, this fund introduced important innovations to the investment company concept by establishing a simplified capital structure, continuous offering of shares, the ability to redeem shares rather than hold them until dissolution of the fund, and a set of clear investment restrictions and policies.

While a handful of mutual funds were formed during the 1920s, funds managed only $140 million by year-end 1929. The Stock Market Crash of 1929 and the Great Depression that followed greatly hampered industry growth until a succession of landmark securities laws, beginning with the Securities Act of 1933 and concluding with the Investment Company Act of 1940, re-invigorated investor confidence in funds. Renewed investor confidence led to relatively steady growth in industry assets for the remainder of the century, and saw fund assets and shareholder accounts grow, respectively, from $448 million and 296 thousand in 1940 to $7.4 trillion and 261 million by year-end 2003.

Shareholders

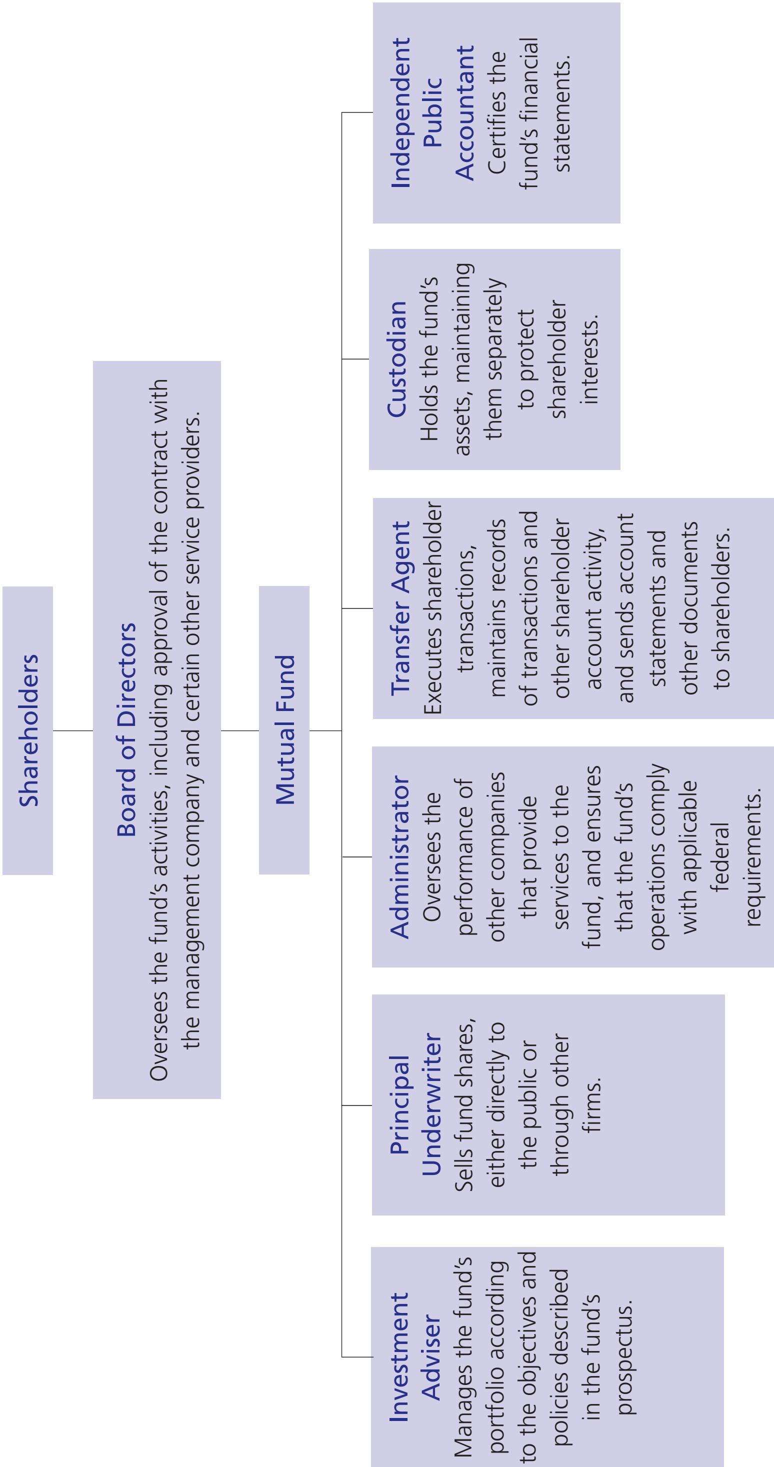
Although a mutual fund is created from the seed money of the fund sponsor, it is managed for the benefit of all those investors who decide to buy shares once the fund is created and offered to the public.

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

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

For more information on fund shareholders, see Chapter 6 on page 79 or visit the Institute's website at www.ici.org/shareholders/index.html.

The Structure of a Mutual Fund



Boards of Directors

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

Because mutual fund directors are looking out for shareholders' interests, the law holds them to a very high standard. Directors must exercise the care that a reasonably prudent person would take with his or her own business. They are expected to exercise sound business judgment, approve policies and procedures to ensure the fund's compliance with the federal securities laws, and undertake oversight and review of the performance of the fund's operations as well as the operations of the fund's service providers (with respect to the services they provide to the fund).

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

Independent Directors. Mutual funds are required by law to have independent directors on their boards: individuals who cannot have any significant relationship with the fund's adviser or underwriter, in order to better enable the board to provide an independent check on the fund's operations. Under current law, a majority of most funds' boards of directors must be independent. A proposal pending in early 2004 would require that 75 percent of each fund's board be composed of independent directors.

For more information on fund directors, see page 27 of Chapter 2 or visit the Institute's website at www.ici.org/issues/dir/index.html.

Investment Advisers

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

A fund's board of directors must approve the fund's contract with the investment adviser to manage its shareholders' assets, including overseeing the investment adviser's compliance with its advisory contract and fund prospectus disclosure.

As a professional money manager, the investment adviser provides a level of money management expertise usually beyond the scope of the average individual investor. Indeed, an investment adviser's service to a mutual fund provides an economical, convenient way for the average investor to benefit from professional money management much like large institutions and wealthy investors receive.

Professional Money Management. The investment adviser employed by a fund has its own employees who work on behalf of the fund's shareholders. For example, the employees of the investment advisers who oversee "actively managed" fund portfolios—typically, a team of experienced investment professionals headed by one or more portfolio managers—select securities based on the fund's investment objectives and extensive research of market conditions. The investment adviser also considers the financial performance of individual companies and specific securities whose investment potential and characteristics are consistent with the fund's investment objectives and risk tolerance.

As economic conditions change, the fund management team may adjust the mix of its investments to a more aggressive or defensive footing to meet its overall investment objectives. In contrast, the investment adviser to a "passively managed" fund—for example, a fund tracking the performance of a market index such as the S&P 500—would buy and hold all, or a large representative sample, of the securities in the market index. An investment adviser adjusts the portfolio of a passively managed fund only to accommodate revisions to the securities that compose the relevant index.

A fund investment adviser and its employees are subject to numerous standards and legal restrictions, especially regarding transactions between the adviser and the fund it advises. The written contract between a mutual fund and its investment adviser specifies the services the adviser performs. Most advisory contracts provide that the adviser receive an annual fee based on a percentage of the fund's average net assets (see *Management Fee* on page 21).

Diversification. One function of the investment adviser is to ensure that the fund's investments are appropriately diversified. An investment portfolio diversified over a variety of securities reduces the risk that the poor performance of any one of a fund's investments will dramatically reduce the value of the fund shareholder's overall assets. The allocation of a fund's investments is constantly monitored and adjusted to protect the interests of shareholders in the fund as dictated by its investment objectives.

Administrators

An affiliate of the fund, typically the investment adviser, or an unaffiliated third party provides administrative services to a fund. These services include overseeing the performance of other companies that provide services to the fund, as well as ensuring that the fund's operations comply with applicable federal requirements. Fund administrators typically pay for office space, equipment, personnel, and facilities; provide general accounting services; and help establish and maintain compliance procedures and internal controls. Often, they also assume responsibility for preparing and filing SEC, tax, shareholder, and other reports.

Principal Underwriters

Most mutual funds continuously offer new shares to the public at a price based on the current value of fund net assets plus any sales charges (see *Liquidity and Fund Pricing* on page 16). Investors buy and redeem fund shares either directly or indirectly through a third party known as a principal underwriter or distributor. Principal underwriters are regulated as broker-dealers, and are subject to strict rules governing how they offer and sell securities to investors.

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

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

To reach investors, a fund's sponsor has many choices for marketing shares of the fund. Historically, a fund sponsor would choose one of two main options to market its shares:

- directly to investors through the principal underwriter, or
- indirectly, through the principal underwriter, but with the underwriter relying on an unaffiliated distributor or group of distributors that may include any combination of brokers, financial planners, life insurance companies, and banks employing sales agents.

In recent years, fund sponsors have looked for new ways to reach prospective investors, leading many to abandon earlier, single-channel distribution strategies in favor of multi-channel distribution. For example, a fund sponsor might offer funds through a fund supermarket as well as through a variety of broker-dealers and other financial intermediaries. See Chapter 4 on page 45 for more information on how investors buy and sell fund shares today.

Custodians

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

Transfer Agents

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

Mutual Funds Versus Other Types of Investment Companies

Mutual funds are "open-end" investment companies, according to the Investment Company Act of 1940, the chief federal law governing funds. Mutual funds are referred to as open-end funds for two main reasons: 1) they are required to redeem (or buy back) outstanding shares at any time upon a shareholder's request, at a price based on the current value of the fund's net assets; and 2) virtually all mutual funds continuously offer new fund shares to the public.

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

A **closed-end fund** is an investment company that issues a fixed number of shares that trade on a stock exchange or in the over-the-counter market. Assets of a closed-end fund are professionally managed in accordance with the fund's investment objectives and policies, and may be invested in stocks, bonds, or a combination of both. Like other publicly traded securities, the market price of closed-end fund shares fluctuates and is determined by supply and demand in the marketplace. For statistical information on closed-end funds, see page 145 or visit the Institute's website at www.ici.org/funds/abt/faqs_closed_end.html.

A **unit investment trust** (UIT) is an investment company that buys and holds a generally fixed portfolio of stocks, bonds, or other securities. "Units" in the trust are sold to investors, or "unit holders," who, during the life of the trust, receive their proportionate share of dividends or interest paid by the UIT investments. Unlike other investment companies, a UIT has a stated date for termination that varies according to the investments held in its portfolio. At termination, investors receive their proportionate share of the UIT's net assets. For statistical information on UITs, see page 146 or visit the Institute's website at www.ici.org/funds/abt/faqs_uits.html.

Another fund available to investors is an **exchange-traded fund** (ETF). An ETF is an investment company, typically a mutual fund or UIT, whose shares are traded intraday on stock exchanges at market-determined prices. As such, an ETF has the features of an investment company (diversified portfolio, professional management) but trades like an equity security. Indeed, investors buy or sell ETF shares through a broker just as they would the shares of any publicly traded company. For statistical information on ETFs, see page 147, or visit the Institute's website at www.ici.org/funds/abt/faqs_etfs.html.

Other Features of Mutual Funds

Variety

At the end of 2003, investors could choose from 8,126 U.S. mutual funds. The wide variety helps fund investors meet almost any personal financial goal, or combination of goals, and helps ensure that fund companies compete vigorously for investor business.

Number of Mutual Funds by Type of Fund, 1984 and 2003

	1984	2003
Equity Funds	**459**	**4,601**
Capital Appreciation	306	2,933
World	29	863
Total Return	124	805
Hybrid Funds	**89**	**509**
Bond Funds	**270**	**2,043**
Corporate	30	290
High-Yield	36	198
World	1	106
Government	45	316
Strategic Income	47	355
State Municipal	37	527
National Municipal	74	251
Money Market Funds	**425**	**973**
Taxable	329	661
Tax-Exempt	96	312
Total	**1,243**	**8,126**

Note: Data for funds that invest in other mutual funds were excluded from the series. For statistical information on funds that invest in other funds, see pages 143 and 144.

There are four basic types of mutual funds: equity (also called stock), bond, hybrid, and money market. Equity funds concentrate their investments in stocks; bond funds primarily invest in bonds. Hybrid funds typically invest in a combination of stocks, bonds, and other securities. Equity, bond, and hybrid funds are called long-term funds. By contrast, money market funds invest in securities that generally mature in about one year or less and are, therefore, referred to as short-term funds. Of the total $7.414 trillion invested in mutual funds at the end of 2003, $3.685 trillion were invested in equity funds, $1.241 trillion in bond funds, $437 billion in hybrid funds, and $2.052 trillion in money market funds.

Mutual Fund Investment Classifications

The Investment Company Institute categorizes U.S. mutual funds according to 13 broad investment classifications. For statistical data on mutual funds and other investment companies, see the data section on pages 99–147 or visit the Institute's website at www.ici.org/stats/index.html.

Equity Funds

- **Capital appreciation funds** seek capital appreciation; dividends are not a primary consideration.
- **Total return funds** seek a combination of current income and capital appreciation.
- **World equity funds** invest primarily in stocks of foreign companies.

Hybrid Funds

- **Hybrid funds** may invest in a mix of equity and fixed-income securities.

Taxable Bond Funds

- **Corporate bond funds** seek current income by investing in high-quality debt securities issued by U.S. corporations.
- **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).
- **Government bond funds** invest in U.S. government bonds of varying maturities. They seek high current income.

- **Strategic income funds** invest in a combination of U.S. fixed-income securities to provide a high level of current income.
- **World bond funds** invest in debt securities offered by foreign companies and governments. They seek the highest level of current income available worldwide.

Tax-Exempt Bond Funds

- **National municipal bond funds** invest primarily in the bonds of various municipal issuers in the United States. These funds seek high current income free from federal tax.
- **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.

Money Market Funds

- **Taxable money market fund**s 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).
- **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.

Liquidity and Fund Pricing

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

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

How a Mutual Fund Determines Its Share Price

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

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

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

The price at which a fund's shares may be purchased is its NAV per share plus any applicable front-end sales charge (the offering price of a fund without a sales charge would be the same as its NAV per share).

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

Funds typically value securities using the closing prices from the exchange on which the securities are principally traded, even if the exchange closes before the fund's daily pricing time (which occurs with many foreign securities). If a material event that will likely affect the value of a security occurs after the exchange closes 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, rather than relying on the market price.

The Investment Company Act of 1940 requires "forward pricing": shareholders purchasing or redeeming shares must receive the next computed share price following the fund's receipt of the transaction order.

Most funds price their securities at 4 pm Eastern time, when the New York Stock Exchange closes. Under forward pricing, orders received prior to 4 pm receive the price determined that same day at 4 pm; orders received after 4 pm receive the price determined at 4 pm on the next business day.

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.

The Mutual Fund Pricing Process

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

The vast majority of mutual funds submit their daily share prices to NASDAQ. A fund's share price may be published in the next day's morning newspapers if the price is delivered by 5:55 pm Eastern time to NASDAQ and if the fund meets other listing criteria. As NASDAQ receives prices, they are instantaneously transmitted to newswire services and other subscribers. Newswire services transmit the prices to their client newspapers. Besides in newspapers, daily fund prices are available from other sources. Many funds offer toll-free telephone service and Internet access that includes the fund share prices along with other current information.

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

Accessibility

Mutual fund shares are available through a variety of sources (see Chapter 4 on page 45). Investors outside retirement plans may purchase fund shares either directly from the fund itself or through an investment professional, such as a discount broker, full-service broker, financial planner, bank, or insurance company. Some of these entities employ investment professionals to assist investors in analyzing their financial needs and determining those investment options best suited to their needs, objectives, and risk tolerance. Investment professionals are compensated for these services, generally through a sales commission or through 12b-1 fees deducted from the fund's assets.

Some mutual funds can be purchased directly from fund companies or other intermediaries without the help of an investment professional. When funds are purchased in this manner, investors must do their own research to 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 7 on page 85 for more information on mutual funds and the retirement market or visit the Institute's website at www.ici.org/issues/ret/index.html.

Shareholder Services

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

Affordability

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

Mutual Fund Fees and Expenses

Mutual fund shareholders benefit from full disclosure of mutual fund fees and expenses. A fund's fees and expenses are required by law to be clearly disclosed to investors in a standardized fee table at the front of the fund's prospectus. Federal law requires each investor to be provided a copy of the fund's prospectus no later than the completion of the transaction (i.e., when the customer receives confirmation of the transaction). The fee table in the prospectus breaks out the fees and expenses shareholders can expect to pay when purchasing fund shares and allows investors to compare easily the cost of investing in different funds.

Shareholder Fees

The following fees are paid directly by an investor.

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

Annual Fund Operating Expenses

Annual fund operating expenses reflect the normal costs of operating a fund. Unlike shareholder fees, these expenses are not charged directly to an investor but are deducted from fund assets before earnings are distributed to shareholders. As such, they are expenses paid by fund shareholders indirectly. These include:

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

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

Chapter Two

Regulation and Taxation of Mutual Funds

Mutual funds and their principal service providers are regulated by federal and state laws and government agencies to ensure that funds are operated in the best interests of fund shareholders.

Mutual funds are chiefly governed by the provisions of the Investment Company Act of 1940, which subjects mutual funds and other investment companies to substantive regulation that goes far beyond the disclosure and anti-fraud provisions characteristic of most federal securities laws. Funds must also comply with the Securities Act of 1933 when registering their shares publicly, and must provide notice filings to those states in which they intend to offer their shares. In addition, when fund sponsors sell fund shares to the public they are subject to regulation as broker-dealers under the Securities Exchange Act of 1934. Furthermore, fund investment advisers are required to register under the Investment Advisers Act of 1940.

All fund service providers and their employees have a business relationship with the fund. Federal regulation defines a fund's investment adviser and certain others as "affiliated persons." Affiliated persons—both the entities providing services to the funds and their employees—are prohibited from certain types of transactions with the funds. For example, affiliated persons generally are not allowed to buy securities from, or sell securities to, the fund with which they are affiliated (other than shares issued by the fund). This prohibition protects the fund and its shareholders from people who might use their positions with the fund to conduct transactions for their own benefit that prove detrimental to the fund and its shareholders.

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

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

Four Principal Securities Laws Govern Mutual Funds

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

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

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

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

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

The System of Fund Regulation: The U.S. Securities and Exchange Commission

The SEC (www.sec.gov) is the main federal agency responsible for regulating mutual fund activities. The SEC monitors fund compliance with the chief federal statute governing mutual funds: the 1940 Act. In particular, the SEC's Division of Investment Management oversees and regulates funds, and also considers changes to the securities laws and rules affecting funds and other investment companies. (Other investment companies include unit investment trusts, closed-end funds, and exchange-traded funds, each of which are registered with the SEC, as well as unregistered hedge funds.)

Working within the guidelines of the 1940 Act, the Division of Investment Management:

- maintains strict standards on leveraging so that funds do not take undue risks with fund assets;
- ensures that funds maintain effective internal governance systems;
- requires understandable and full disclosure to investors and works to eliminate fraud and abuse;
- reviews funds' required filings with the SEC; and
- develops or revises rules and amendments as necessary to adapt regulation to new circumstances.

The SEC's Office of Compliance Inspections and Examinations (OCIE) administers a nationwide examination and inspection program for mutual funds and other investment companies. OCIE inspects funds to foster compliance with the 1940 Act and other securities laws, and to detect possible law violations.

In addition, the SEC's Office of Investor Education and Assistance (OIEA) serves individual investors directly, ensuring that their programs and concerns are known throughout the SEC and considered when the agency takes action. OIEA specialists answer public questions, analyze investor complaints, and seek informal resolutions concerning those complaints. This office also publishes free brochures and other educational materials on numerous investing topics.

Other Regulatory Agencies and Entities

U.S. Department of Labor

The Department of Labor's Employee Benefits Security Administration (EBSA) (www.dol.gov/ebsa) protects the integrity of pension plans, including 401(k) and other plans to which mutual funds often provide services. The EBSA also enforces the relevant provisions of federal pension laws.

NASDR, Inc.

NASDR, Inc. (www.nasdr.com), a "self-regulatory" organization, regulates the securities industry, including mutual funds. Mutual fund communications must comply with NASD rules and regulations. NASD also governs the broker-dealers that sell mutual fund shares.

Internal Revenue Service

Although the IRS (www.irs.gov) does not have direct oversight of mutual funds, its regulations and decisions often affect how mutual funds conduct their business and can impact an individual's fund investments through tax policies. Changes in tax laws made by the IRS have led to the establishment of 401(k) plans, Individual Retirement Accounts, and education and health investment vehicles (e.g., 529 plan securities).

Full and Fair Disclosure

The SEC's role in enforcing the 1940 Act is to ensure effective disclosure to the investing public of information about the fund and its investment objectives, structure, and operations. Both the 1940 Act and the SEC set high standards for mutual fund disclosure. Two main types of fund communications are subject to disclosure requirements: those targeted to prospective investors (e.g., marketing materials, sales literature, and advertisements) and those required to be sent to fund shareholders (e.g., prospectuses, shareholder reports, and other fund documentation). Both funds and fund regulators have embarked on a campaign in recent years to ensure investors are well-informed and educated about funds before and after they purchase fund shares. In particular, the SEC continues to help ensure informed investor decisionmaking and expectations by standardizing the content presented in prospectuses, shareholder reports, advertisements, and sales literature, and by directing funds to employ "plain English" descriptions in fund communications.

Shareholder Reports and Prospectuses. Funds are required to disclose information on a variety of topics in these two important documents provided to fund shareholders, including: information about fees and expenses charged by the fund, investment risk, the fund's performance history, and proxy voting policies and procedures, among other things. Annual and semiannual shareholder reports document the fund's recent performance and include other important information.

The Internal Regulators: Mutual Fund Directors

Although the SEC enforces stringent regulation of the fund industry, the 1940 Act prohibits the SEC from directly supervising the investment decisions or activities of mutual funds or judging the merits of their investments. That oversight responsibility is delegated to the funds' boards of directors. Every mutual fund is governed by a board of directors, which works to ensure that the fund management executes its business affairs in the best interests of fund shareholders.

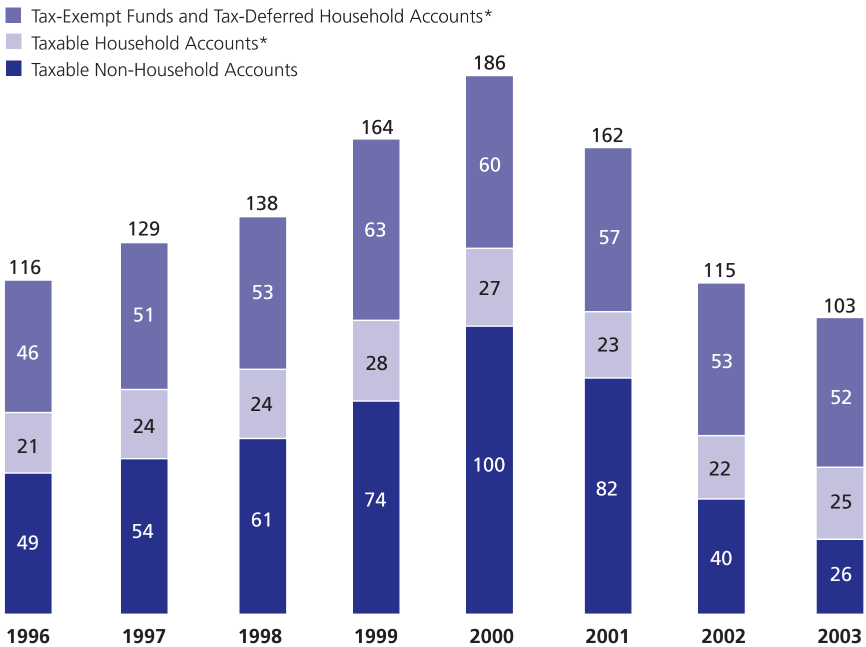
Fund directors must exercise the care that a reasonably prudent person would take with his or her own money. They are expected to obtain adequate information, exercise sound business judgment, approve policies and procedures, and oversee and review the performance of the investment managers and other entities that perform services for the fund.

While the 1940 Act requires that at least 40 percent of a fund's board must be "independent" directors, or individuals who are not affiliated with the fund, its investment adviser, or its principal underwriter, various rules under the Act require virtually all funds to have a majority of independent directors. Recognizing the importance of independent directors, most funds have a "super-majority," or a two-thirds majority, of independent directors. To qualify as an independent director, an individual must meet specific criteria under the 1940 Act.

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

Dividend Distributions Paid by Mutual Funds, 1996–2003

(billions of dollars)



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

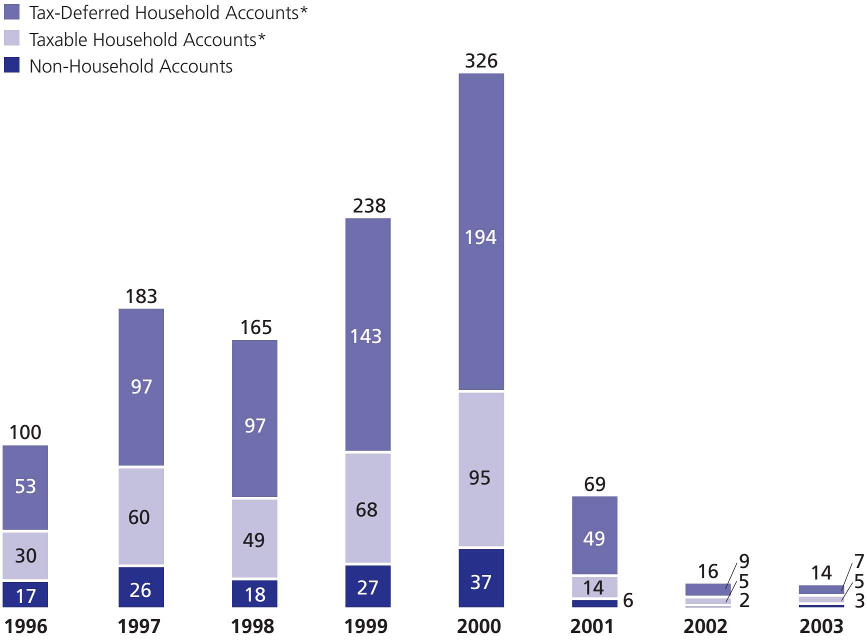
Note: Components may not add to the total because of rounding.

Taxation of Fund Earnings

Unlike most corporations, a mutual fund generally distributes all of its earnings each year and is taxed only on amounts it retains. This specialized "pass-through" tax treatment of mutual fund income and capital gains was established under the Revenue Act of 1936 and endures today under Subchapter M of the Internal Revenue Code of 1986. To qualify for this favorable tax treatment under the Code, mutual funds must meet, among other conditions, various investment diversification standards and pass a test regarding the source of their income. For example, in order to be classified as a "diversified" fund under the Investment Company Act, a fund is required, with respect to 75 percent of its assets, to invest no more than 5 percent of its assets in the securities of any one issuer. The remaining 25 percent of the fund's assets

Capital Gain Distributions Paid by Mutual Funds, 1996–2003

(billions of dollars)



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

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

may be invested in any manner. Fund investors are ultimately responsible for paying tax on a fund's earnings, whether or not they receive the distributions in cash or reinvest them in additional fund shares.

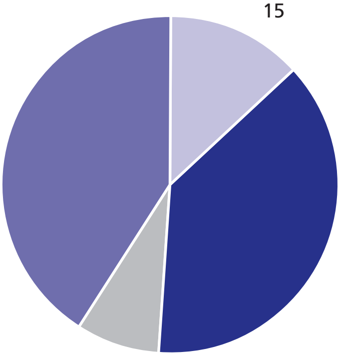
For more information on tax issues affecting mutual fund shareholders, visit the Institute's website at www.ici.org/issues/tax/index.html.

Tax-Exempt Funds and Tax-Deferred Accounts

Investors often try to lessen the impact of taxes on their investments by investing in tax-exempt funds and tax-deferred accounts. As of 2003, more than 50 percent ($3.8 trillion) of all mutual fund assets were invested in tax-exempt funds or tax-deferred household accounts.

Share of Mutual Fund Assets by Tax Status, 2003

(percent)



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

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

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 funds is generally tax-exempt, investors must report it on their income tax returns. Tax-exempt mutual funds provide investors with this information in a year-end statement, and typically explain how to handle tax-exempt dividends on a state-by-state basis. For some taxpayers, portions of income earned by tax-exempt funds may also be subject to the federal alternative minimum tax.

Even though municipal bond dividends and interest may be tax-free, an investor who redeems tax-exempt bond fund shares may realize a taxable capital gain. An investor may also realize a taxable gain from a tax-exempt bond 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 pretax dollars from their salaries to an account in the plan. Similarly, Individual Retirement Account (IRA) contributions may be tax-deductible, depending upon a person's eligibility to participate in an employer-sponsored retirement plan and the individual's adjusted gross income.

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

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

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

Other Tax-Advantaged Savings Vehicles

529 College Savings Plans

529 college savings plans are state-sponsored savings accounts that allow individuals to contribute to an investment account to pay for a student's future qualified higher education expenses. Earnings on 529 savings plans grow tax-free and earnings withdrawn from 529 savings plans to pay for qualified education expenses are free from federal tax. Mutual funds are the most commonly used investment vehicle in college savings plans.

Coverdell Education Savings Accounts

Formerly known as an Education IRA, a Coverdell Education Savings Account (ESA), is a federally sponsored, tax-advantaged trust or custodial account set up to pay qualified education expenses. Coverdell ESA contributions are not tax-deductible, but amounts deposited in the accounts grow tax-free until withdrawn. Withdrawals from Coverdell ESAs generally are tax-free to the extent that the amount of the withdrawal is not more than the beneficiary's qualified education expenses.

Health Savings Accounts

Introduced in 2003, Health Savings Accounts (HSAs) allow individuals to make annual contributions to an account in order to cover current or future health care costs. Contributions made to an HSA are tax-free, the account grows tax-free, and withdrawals from the account are tax-free when used to pay for health care costs. In addition, employers can contribute to their employees' HSAs.

For more information on the tax-deferred and education savings plan markets, see Chapter 7 on page 85 or visit the Institute's website at www.ici.org/issues/edu/index.html.

Types of Distributions

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

Dividend distributions come primarily from the interest and dividends earned by the securities in a fund's portfolio and net short-term gains, if any, after expenses are paid by the fund. These distributions must be reported as dividends on an investor's tax return. Legislation introduced in 2003 lowered the tax on qualified dividend income to 15 percent. In 2003, mutual funds distributed $103 billion in dividends. More than half that amount, $52 billion, was distributed to tax-exempt mutual funds and tax-deferred accounts. Twenty-five billion dollars in dividends was distributed to taxable household accounts.

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. The Jobs and Growth Tax Relief Reconciliation Act of 2003 (H.R. 2) lowered the long-term capital gains tax paid by fund shareholders as well as the tax paid on most dividends received by equity fund shareholders. As a result, distributions of capital gains on assets held by the fund for more than five years were eligible for treatment as "qualified five-year gains"—taxable at an 8 percent rate—to those investors otherwise taxed on these gains at a 10 percent rate.

Mutual funds distributed $14 billion in capital gains to shareholders in 2003. Ten percent of equity fund share classes made a capital gain distribution in 2003, and these share classes distributed an average of 2.7 percent of their assets as capital gains. In comparison, 11 percent of equity fund share classes distributed capital gains in 2002, with the average distribution amounting to nearly 2.8 percent of assets.

To help mutual fund shareholders understand the impact of taxes on the returns generated by their investments, the SEC adopted a rule that requires mutual funds to disclose standardized after-tax returns for one-, five-, and 10-year periods. After-tax returns, which accompany before-tax returns in fund prospectuses, are presented in two ways:

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

Share Sales and Exchanges

An investor who sells mutual fund shares usually incurs a capital gain or loss in the year the shares are sold; an exchange of shares between funds in the same fund family also results in either a capital gain or loss (see *Tax-Deferred Retirement Accounts* on page 31 for exceptions to these rules).

Investors are liable for tax on any capital gain arising from the sale of fund shares, just as they would be if they sold a stock, bond, or any other security. Capital losses from mutual fund share sales and exchanges, like capital losses from other investments, may be used to offset other gains in the current year and thereafter.

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

Chapter Three

How Is the Fund Industry Structured?

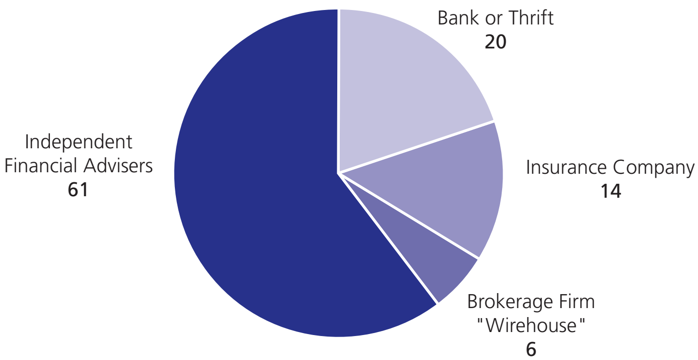
When the first mutual funds were created in the United States in the 1920s, the handful of fund sponsors existing at the time depended on those funds as a sole or primary source of business.

Today, the mutual fund industry landscape is markedly different. A wide range of competitors have entered the fund market: independent financial advisers, banks, insurance companies, securities broker-dealers, and other financial services firms compete aggressively to serve investors, both in the United States and abroad, and mutual funds typically serve as just one of many investment products offered by these intermediaries to meet investor needs.

The Structure of the U.S. Mutual Fund Market

The U.S. mutual fund market, by far the largest in the world, draws a great many competitors domestically and from abroad. As of year-end 2003, U.S. mutual fund assets represented 53 percent of the $14.0 trillion worldwide total (see *The Worldwide Market for Mutual Funds*, on page 42).

Mutual Fund Complexes by Type of Intermediary, January 31, 2004
(percent of fund complexes)



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

Four main types of fund intermediaries sponsor the mutual funds offered to U.S. investors: sponsors affiliated with independent financial advisers, sponsors affiliated with banks, sponsors affiliated with insurance companies, and sponsors affiliated with brokerage firms. Within these broad groups, 85 percent of assets are controlled by U.S.-based companies; the remaining assets are managed by foreign entities.

A Wide Range of Choices for Investors

Mutual fund sponsors continuously adjust their fund offerings to meet ever-changing investor demand. As of December 31, 2003, investors could choose from among 8,126 mutual funds. Of the total $7.414 trillion managed by mutual funds at the end of 2003, $3.685 trillion were invested in 4,601 equity funds, $1.678 trillion in 2,552 bond and hybrid funds, and $2.052 trillion in 973 money market funds.

The number of funds has trended upward since the first funds were created in 1926, with the increase proving particularly dramatic since the 1970s as fund popularity grew, industry competition intensified, and a period of fund innovation ensued.

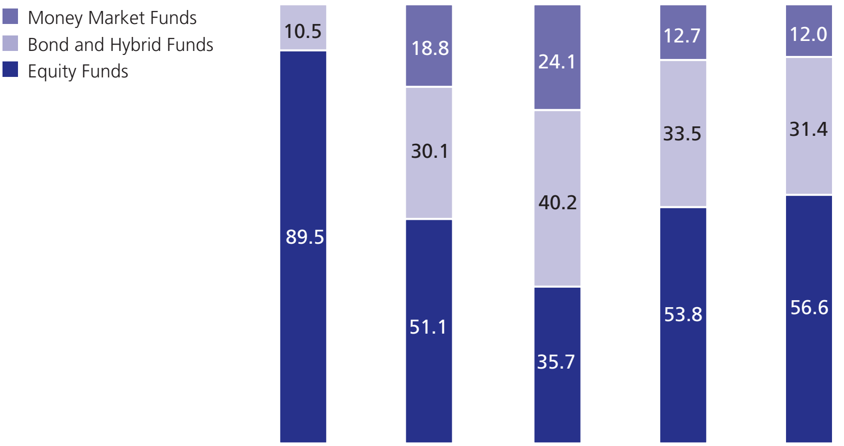
The Rise of the Money Market Fund Era

Up until the 1970s, mutual fund shareholder assets and accounts were predominantly in equity funds. At year-end 1970, 95 percent of all mutual fund assets were invested in 323 equity funds, with the remaining 5 percent in 38 bond and income funds.

The introduction of the first money market fund in 1971 opened up a new short-term asset class to the investor of moderate means, and quickly changed the shape of the fund industry as price declines in the equity markets during the decade combined with rising interest rates to make money market funds an attractive and popular investment. By 1980, 56.7 percent of total fund assets were managed by 106 money market funds; 288 equity funds managed 32.9 percent of total fund assets, and 170 bond and income funds managed the remaining 10.4 percent of industry assets.

Number of Mutual Funds by Type of Fund, Selected Years

(percent of all funds)

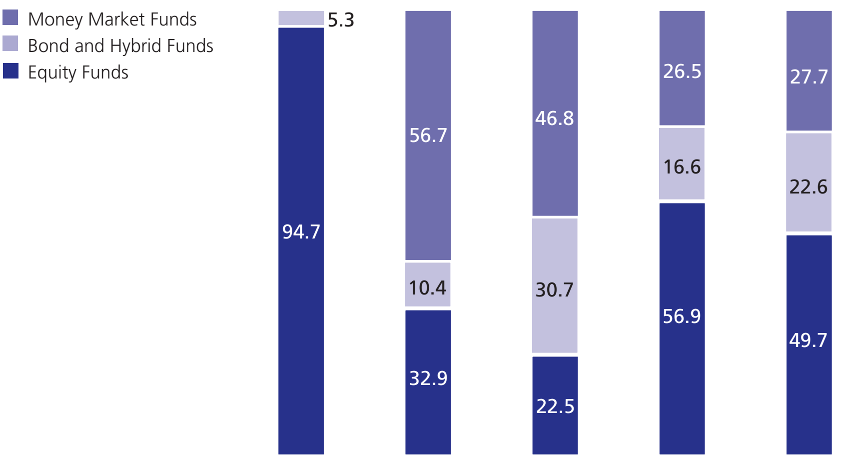


	1970*	1980*	1990	2000	2003
Total Number of Funds	361	564	3,079	8,155	8,126

**Prior to 1984, there was no hybrid fund category. All funds were reclassified in 1984, and a separate category was created for hybrid funds.*

Assets of Mutual Funds by Type of Fund, Selected Years

(percent of total fund assets)



	1970*	1980*	1990	2000	2003
Total Fund Assets (billions of dollars)	$47.6	$134.8	$1,065.2	$6,964.7	$7,414.1

**Prior to 1984, there was no hybrid fund category. All funds were reclassified in 1984, and a separate category was created for hybrid funds.*

The Resurgence of Long-Term Funds

During the 1980s, long-term investing regained favor and the number of long-term funds—equity, bond, and hybrid funds—rose to meet investor demand. Interest rates began a sustained decline in the 1980s, resulting in higher bond prices and sizeable returns in bond funds while reducing the attractiveness of money market funds. The demand for bond, hybrid, and equity funds was also helped along by the growing use of funds in individual retirement planning in the 1980s.

Mutual fund companies responded by creating bond and other long-term, income-producing funds. Between 1980 and 1990, the number of bond and income funds increased from 170 to 1,239, and assets in those funds rose from $14.0 billion to $327.4 billion. Equity investing regained favor during the decade as well, with the number of equity funds rising from 288 in 1980 to 1,099 in 1990 and equity fund assets growing from $44.4 billion to $239.5 billion.

Since 1990: Fund Competition, Specialization Increases

Rising equity markets and the dramatic growth in popularity of 401(k) and other defined contribution plans have helped shape the fund industry landscape since 1990.

In addition, the number of entrants to the fund business expanded considerably during the decade, as did the number of fund offerings, in an effort to develop and retain shareholder loyalty. Providing "one-stop shopping" has proven successful, as judged by the number of large fund complexes with a full slate of fund offerings in all the major asset classes: equity, bond and hybrid, and money market.

Equity funds have accounted for more than two-thirds of the increase in the number of funds since 1990, and the variety of equity funds has also expanded as fund complexes offered specialized funds appealing to diverse investor tastes. The wider range of funds has been most evident among those funds investing primarily in foreign stocks, with the number of both emerging market and foreign regional funds experiencing the most growth.

Domestic funds have increasingly differentiated themselves not only by investment style—growth, value, or a blend of the two—but also by market capitalization of the underlying companies—small-, mid-, and large-capitalization stocks. Specialty or sector funds, which concentrate investments within a particular sector of the market, have further expanded fund diversity.

The number of index funds, which target specific stock and bond market indexes, has risen from 15 in 1990 to 268 in 2003. Furthermore, the variety of index funds has expanded as well, offering investors the ability to invest in mutual funds seeking to match the performance of domestic and international equity market indexes, as well as bond and hybrid fund indexes.

In the early 1990s, index funds were largely the province of fund sponsors selling directly to investors. By 2000, however, fund sponsors selling fund shares through financial advisers increasingly offered index funds, although the majority of index fund assets currently remain in funds offered directly to the public.

In the past three years, the development of new funds slowed and fund liquidations and mergers increased. As a result, the total number of funds has declined since 2001. The industry's development of new funds does not coincide exactly with changes in market and investor sentiment, as it takes time for the formation and rollout of new funds.

Offerings of new equity funds have slowed in recent years as investor demand slackened during the 2000–2002 bear market. Similarly, new bond fund offerings slowed in the middle-to-late 1990s as investors favored equity funds.

Historically, many fund mergers and liquidations result from new fund offerings not garnering enough cash flow to remain viable. For example, the median size of equity funds liquidated or merged in 2003 was $15 million.

Asset Concentration and Fund Formation Levels

Low barriers to entry in the U.S. fund industry allow new sponsors to easily offer funds to vie for investor attention and loyalty, and has kept industry concentration from rising. Indeed, the share of industry assets held by the largest fund complexes has changed little since 1990. For example, the largest 25 fund complexes in 1990 managed 76 percent of mutual fund assets; in 2003, the 25 largest complexes managed 72 percent of fund assets. In addition, the composition of the list of the 25 largest fund organizations has changed, with seven of the largest fund complexes in 2003 not among the largest 25 in 1990.

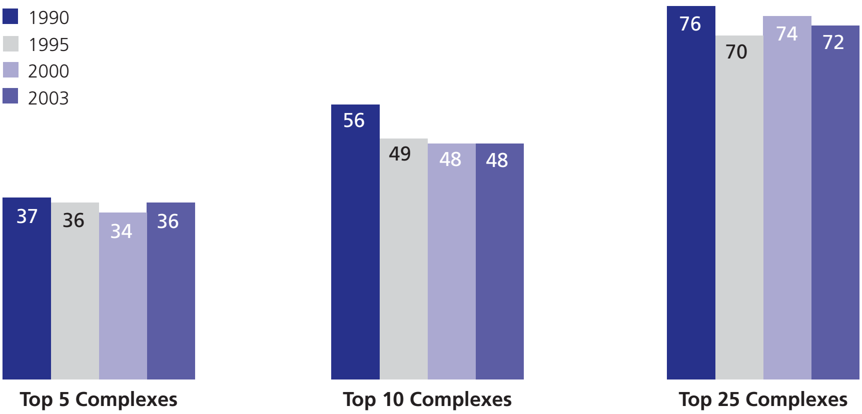
Average Size of Merged and Liquidated Funds by Median Fund Assets, 1996–2003

(millions of dollars)

Type of Fund	1996	1997	1998	1999	2000	2001	2002	2003
Equity	$36	$47	$23	$31	$15	$16	$15	$15
Hybrid	23	35	30	71	22	41	38	57
Bond	10	23	18	34	22	36	40	55
Money Market	94	195	155	411	106	189	96	64

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

(percent of industry total)



**Variable annuities are excluded from the calculation of concentration ratios.*

The growth in investor demand and low barriers to entry in the fund business has prompted the formation of many new funds. For example, 81 percent of all equity and hybrid funds, and 60 percent of all bond funds, were formed after 1991. Because many of these newly created funds have remained small, they have not achieved the savings from scale economies that older, larger funds have experienced. Nevertheless, shareholders pay much lower expenses than what the average fund charges because shareholders are predominantly invested in lower-than-average cost funds.

For more information, see "The Cost of Buying and Owning Mutual Funds" (www.ici.org/pdf/fm-v13n1.pdf).

The Worldwide Market for Mutual Funds

Mutual fund assets worldwide reached $14.0 trillion by year-end 2003. This figure includes $7.4 trillion in the U.S. fund market, and $6.5 trillion in 38 other reporting nations.

Fifty-seven percent of worldwide mutual fund assets, or $8.0 trillion, are held in nations in the Americas, with U.S. assets composing 93 percent of the total for the region. Approximately $555 billion are held by mutual fund markets in Argentina, Brazil, Canada, Chile, Costa Rica, and Mexico.

Europe, if considered as one unified market, would represent $4.6 trillion, or 33 percent of the total worldwide mutual fund assets as of year-end 2003. France and Luxembourg, with fund assets of $1.1 trillion each, constituted the second and third largest mutual fund markets in the world and the largest in Europe. Investors in the Asia/Pacific and Africa regions held 10 percent of worldwide mutual fund assets. Australia and Japan, with fund assets of $518 billion and $349 billion, respectively, were the largest Asia/Pacific and Africa mutual fund markets and among the top 10 markets worldwide.

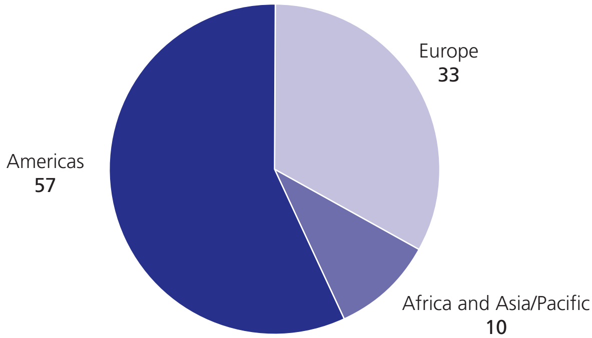
Access to Foreign Markets

Although U.S. mutual fund intermediaries sponsor funds abroad, barriers to entry overseas are typically higher than in the United States. The U.S. fund industry has worked to lower the barriers that prevent U.S. asset management firms from marketing their services more widely and to improve competition in the often diverse fund markets around the world. The U.S. industry has, for example, worked to achieve a true cross-border market for investment companies in Europe and to ensure that publicly offered investment companies can be used as funding vehicles in the defined contribution market in Europe and Japan. The industry has also sought to reduce barriers for U.S. fund sponsors seeking to offer investment company products in China and other Asian countries.

For more information, see pages 141 and 142 and *Global and International Developments* on ICI's website (www.ici.org/issues/glo/index.html).

Composition of Worldwide Mutual Fund Assets by Region, 2003

(percent of total assets)



Sources: European Federation of Investment Funds and Companies, Investment Company Institute, and other national mutual fund associations

Chapter Four

Where Investors Purchase Mutual Fund Shares

Individual investors purchase and sell mutual funds through four principal sources: directly from fund companies, through investment advisers such as securities brokers and financial planners, through retirement plan sponsors, and through fund supermarkets. A fifth channel is available to institutional investors such as businesses, endowments, and state and local governments.

Buying and Selling Direct

As of 2001, an estimated 10 percent of U.S. individual investors primarily bought and sold fund shares directly from funds. The fund company sponsoring a fund does not provide investment advice as part of the cost of operating the fund, so investors must undertake their own research to choose funds. Fund companies selling directly to investors often provide a variety of products and tools to assist in decisionmaking. Some fund companies that primarily sell directly to investors provide advice services to investors for an additional charge.

When investors purchase fund shares directly, the fund company provides ongoing services to the fund shareholder such as quarterly statements, recordkeeping, and transaction processing. These firms typically maintain websites and telephone servicing centers that their direct customers may use. Because of the relatively fixed cost of providing these services, funds selling directly to investors often require higher minimum balances than funds offering shares through third parties, and they frequently assess fees to those investors who do not maintain the minimum balance levels in their accounts.

Buying Fund Shares Through Financial Advisers and Planners

As of 2001, 37 percent of mutual fund shareholders primarily purchased and sold fund shares relying on the guidance, assistance, and advice of financial professionals. Advice channel distributors, which typically sell funds along with other securities, include full-service brokers at national wirehouses, independent financial planners and advisers, registered sales representatives at banks and savings institutions, and insurance agents. Representatives of these distributors help fund shareholders identify financial goals such as retirement security, tax

Principal Features of Mutual Fund Distribution Channels

Channel	Principal Investors Using the Channel	Companies or Organizations Providing Transaction Services	Mutual Funds Offered in the Channel	Investor Services
Direct	Individual investors	Mutual fund companies	Mutual funds of the fund company offering direct transactions	Investment information
Advice	Individual investors	Full-service securities firms, registered investment adviser firms, and insurance agencies	Mutual funds from a large number of fund companies	Investment information, advice, and ongoing assistance; access to funds from different companies within one account
Retirement Plan	Participants in defined contribution plans	Plan sponsors or employers	Limited number of mutual funds selected by plan sponsor	Investment information
Supermarket	Individual investors and registered investment advisers acting on behalf of individual investors	Discount brokers	Mutual funds from a large number of fund companies	Investment information, access to funds from different fund companies within one account
Institutional	Trusts, businesses, financial institutions, endowments, and and other institutional investors	Mutual fund companies	Mutual funds of the fund companies offering direct transactions	Investment information

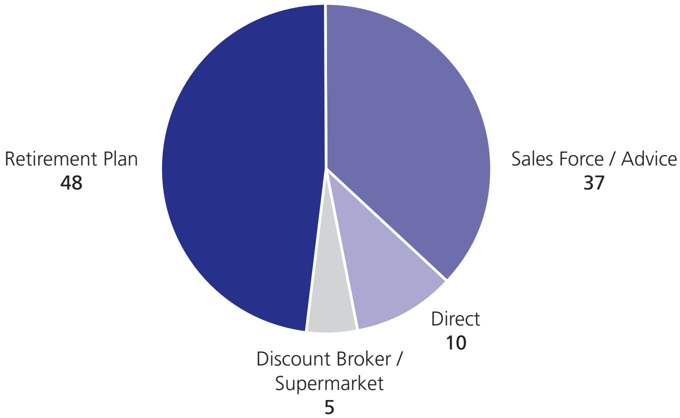
Source: "Mutual Fund Distribution Channels and Distribution Costs," Perspective *(Vol. 9, No. 3, July 2003), www.ici.org/pdf/per09-03.pdf* management, education savings, and estate planning. They assess the risk tolerance of their clients and select mutual funds and other investments to meet these goals.

As an intermediary between investors and funds, financial professionals also conduct transactions for the shareholder, maintain the financial records for the investments under their management, send periodic financial statements to shareholders, and coordinate the distribution of prospectuses, financial reports, and proxy statements to shareholders on behalf of the funds. Shareholder questions about personal fund holdings and accounts often are handled by the financial professionals rather than by the fund companies themselves.

How Investors Pay for Advice and Services Provided by Financial Professionals

Fund shareholders buying and selling shares through financial professionals compensate these agents for their personalized services with payments over and above the fees and expenses that they pay for the fund's management. This compensation can be in the form of one-time sales charges or annual 12b-1 and service fees. These annual fees, along with the fund's management fees, constitute the expense ratio of share classes sold through financial professionals.

Primary Mutual Fund Purchase Channel Used by Households, 2001
(percent of households)



Source: "Mutual Fund Distribution Channels and Distribution Costs," Perspective *(Vol. 9, No. 3, July 2003), www.ici.org/pdf/per09-03.pdf*

Alternatively, some financial professionals charge their clients directly for their services. These advisers typically assess a fee amounting to a percentage of an investor's assets managed by the financial professional. This fee might range from 1 to 2 percent of assets per year, depending on the size of the account.

A Historical Look at How Funds Are Bought and Sold

Traditionally, mutual fund investors purchased fund shares through financial advisers. In 1975, for example, 81 percent of all long-term mutual fund sales were transacted with the assistance of investment advisers, such as a broker. By 1990, an estimated two-thirds of all long-term fund sales to households—not including purchases made through employer-sponsored pension plans—were still made through an adviser.

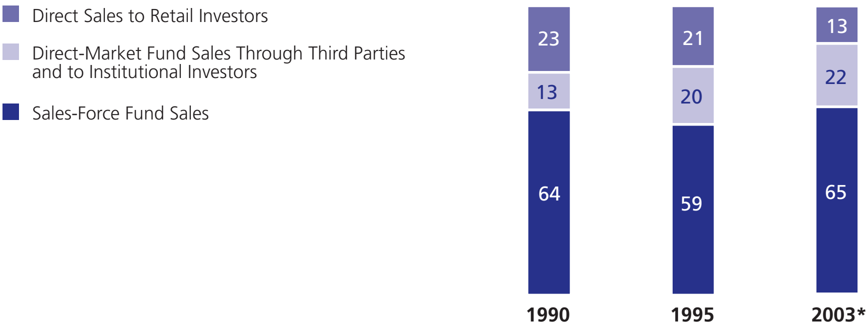
With the rising demand for mutual funds in the 1980s and 1990s, funds and fund distributors (such as fund supermarkets) cultivated new ways to reach investors and expanded traditional sales channels. Overall, the estimated share of new long-term fund sales made directly to retail investors—after growing during the 1980s—decreased from 23 percent in 1990 to 13 percent in 2003. Meanwhile, the new sales of long-term funds made through third parties to retail investors or to institutional investors rose from 77 percent in 1990 to 87 percent in 2003.

Many fund complexes that primarily sell directly to investors have turned increasingly to supermarkets, pension plan sponsors, and other third parties and intermediaries for distribution. For example, in 1990, an estimated 64 percent of new sales of direct-marketed funds were direct sales to retail investors—via mail, by telephone or the Internet, or at office locations. By year-end 2003, the percentage of direct-marketed fund sales made directly to retail investors had fallen to 37 percent.

Likewise, funds that were traditionally sold through a sales force of brokers shifted increasingly to nontraditional sources of sales, such as employer-sponsored pension plans, banks, and life insurance companies. By year-end 2003, the share of new sales of sales-force funds through nontraditional sources rose to 50 percent from 25 percent in 1990.

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

(percent)



**Preliminary data*

Retirement Plan Sponsors

In the 1990s, investors increasingly chose to invest in mutual funds through defined contribution retirement plans, such as 401(k) plans, where they found a unique combination of investment ease, tax benefits, and professional investment management. Employers sponsoring defined contribution plans rely upon third parties to administer the plans and provide plan investments to employees. A third-party administrator (TPA) typically handles the recordkeeping and other administrative services, and assists the employer in selecting the investment options offered to employees. Investment options in these plans vary, but can include mutual funds, guaranteed investment contracts, stable value funds, and company stock.

Among the services provided by TPAs are educational materials and seminars that explain to plan participants and prospective participants the retirement plan, investment options, and investment principles. TPAs often provide other services to employees participating in defined contribution retirement plans. These services include staffing telephone call centers to answer questions, developing and maintaining automated telephone voice-response systems, building and maintaining websites with information specific to the employees' particular retirement plan, and producing participant account statements, daily transaction recordkeeping, and annual tax reporting.

How Investors Pay Pension Plan Administrators for Services

Some employers assume the cost of TPA services. In these cases, employees receive all of the education and service associated with the retirement plan as an employee benefit. Other employers do not subsidize the full cost of the plan. In these cases, the portion of TPA services not covered by employers is paid by employer subsidies, direct charges to employees, or fees included in mutual fund expenses. TPA services charged directly to the fund, often in the form of 12b-1 fees and service fees, are included in the expense ratio of the share class along with the annual fees and expenses that shareholders pay for the management of the fund.

Fund Supermarkets

The first mutual fund supermarket was introduced in 1992 by a discount broker, and many other discount brokers, some affiliated with mutual fund companies, have since organized these one-stop shopping services for funds from an extensive range of fund companies.

The most important feature of a fund supermarket is its non-transaction-fee (NTF) program, whereby an investor may purchase mutual funds with no transaction fees from a large number of fund companies. The NTF offerings at a discount broker often number in the thousands, providing an investor the convenience of purchasing "no-load" funds from different families at a single location.

Supermarkets generally do not provide investment advice, and investors must undertake their own research when choosing funds. However, supermarkets provide a variety of products and tools to assist shareholders' decisionmaking. In addition, supermarkets provide a convenient vehicle through which investors can research funds, obtain fund literature, and purchase fund shares. A supermarket not only provides fund sponsors with access to a national retail distribution channel, but it also promotes competition among funds because investors can readily compare fund fees, expenses, and returns. Some fund supermarkets provide advice services to investors for an additional charge.

The fund supermarket holds a single account with each fund and maintains shareholder transaction records for the mutual fund. The supermarket also provides consolidated reports to fund shareholders and distributes mutual fund proxy statements, financial reports, prospectuses, and tax reports. In addition, because the supermarket maintains the relationship with the investor rather than the fund itself, fund shareholders rely on the supermarket's telephone representatives and website for account information, reducing the fund's direct cost for providing these services.

How Investors Pay for Supermarket Services

Some funds pay for services provided by supermarkets through a 12b-1 fee. In addition, funds can pay for nondistribution services, such as shareholder recordkeeping, using fund assets rather than a 12b-1 fee. Alternatively, some fund advisers use their own revenues to pay the supermarket for servicing their shareholders. The total amount of fees that a supermarket charges the fund is typically based on the fund's level of assets with the supermarket.

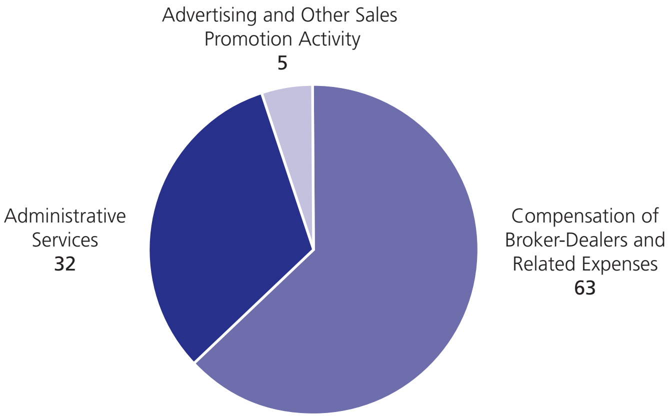
Investors can also purchase funds that do not participate in the NTF program through the supermarket. The supermarket recoups the costs of providing services to shareholders in these funds by charging commissions on fund transactions, including reinvestment of dividends and capital gain distributions. In addition, some supermarkets have a special program whereby financial advisers can purchase funds without transaction fees for their clients.

How Rule 12b-1 Fees Pay for Broker Advice and Services

The way fund shareholders pay for advice and service from brokers and other financial advisers has changed significantly over the years. Today, fund shareholders rely less on sales loads and more on annual 12b-1 fees to pay for these services than even 10 years ago. Rule 12b-1 fees are included in the expense ratio: the fees and expenses not charged directly to investors but which are instead deducted from fund assets before earnings are distributed. Virtually all 12b-1 fees are used to compensate financial advisers for service provided to fund shareholders at the time of a purchase of fund shares or for administrative and advice services provided to the shareholder after the initial purchase.

Fund Use of 12b-1 Income, 1999

(percent of total 12b-1 fees)



Source: "Use of Rule 12b-1 Fees by Mutual Funds in 1999," Fundamentals *(Vol. 9, No. 1, April 2000), www.ici.org/pdf/fm-v9n1.pdf*

Institutional Funds

Fund sponsors often create special share classes or funds expressly for institutional investors that include businesses, financial institutions, endowments, foundations, and other similar entities. These investors often purchase fund shares directly from fund companies. In addition, brokers, banks, and other third parties create "platforms" through which many institutional investors can buy mutual fund shares. These arrangements allow institutional investors, which are often restricted as to the portion of their cash holdings that can be held in any particular mutual fund, to easily diversify their holdings across funds. For example, a bank helping institutions manage their cash holdings might create "platforms" including a variety of money market funds that permit institutional investors to move money easily between the funds.

Because institutional investors typically maintain large average account balances, the cost of managing a fund or share class with institutional accounts is lower than that for funds with a large number of small accounts. Consequently, the expense ratios for institutional funds and share classes tend to be lower than for comparable funds and share classes sold to individual investors.

More on Fund Distribution and Distribution Costs

For more information on fund distribution and distribution costs, see "Mutual Fund Distribution Channels and Distribution Costs." This ICI research paper (available at www.ici.org/pdf/per09-03.pdf) examines in greater detail the changing capital structure of mutual funds, including the movement from a single- to multiple-share-class structure.

Related ICI Publications

Other publications that discuss aspects of fund distribution and shareholder use of distribution channels include:

- *2001 Profile of Mutual Fund Shareholders,* October 2001 (www.ici.org/pdf/rpt_profile01.pdf).
- "The 1990s: A Decade of Expansion and Change in the U.S. Mutual Fund Industry," *Perspective,* Vol. 6, No. 3, July 2000 (www.ici.org/pdf/per06-03.pdf).
- "Total Shareholder Cost of Bond and Money Market Mutual Funds," *Perspective,* Vol. 5. No. 3, March 1999 (www.ici.org/pdf/per05-03.pdf).
- "Trends in the Ownership Cost of Equity Mutual Funds," *Perspective,* Vol. 4, No. 3, November 1998 (www.ici.org/pdf/per04-03.pdf).
- "Use of Rule 12b-1 Fees by Mutual Funds in 1999," *Fundamentals,* Vol. 9, No. 1, April 2000 (www.ici.org/pdf/fm-v9n1.pdf).
- *Understanding Shareholders' Use of Information and Advisers,* April 1997 (www.ici.org/pdf/rpt_undstnd_share.pdf).

The Institute devotes a section of its website to these and other ICI research publications and statistical releases (www.ici.org/stats/index.html).

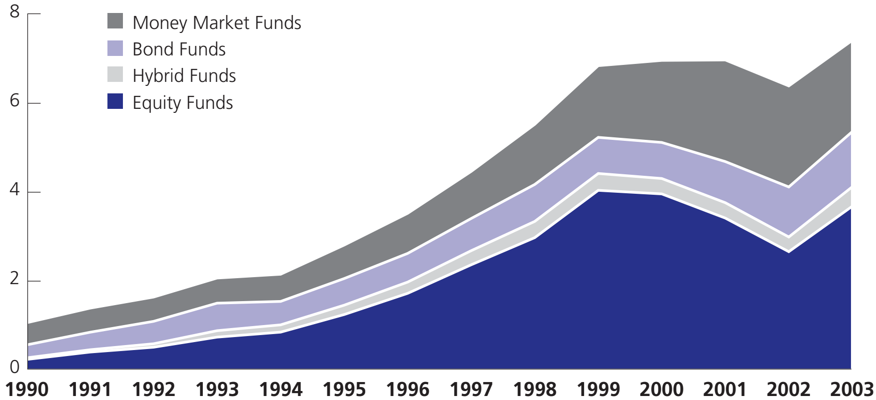
Chapter Five

U.S. Mutual Fund and Economic Developments in 2003

U.S. mutual fund assets rose by more than $1 trillion in 2003 to $7.4 trillion, just shy of the record $7.5 trillion reached in August 2000. Strong returns on long-term funds—equity, bond, and hybrid funds—were responsible for most of the increase in assets. Equity fund assets rose 38 percent to $3.68 trillion, and assets of hybrid funds, which invest in a mixture of stocks and bonds, rose 32 percent to $437 billion. Bond fund assets reached $1.24 trillion by year-end, a 10 percent increase. Only money market fund assets posted a decline, falling by 10 percent to $2.05 trillion.

Assets of Mutual Funds, 1990–2003

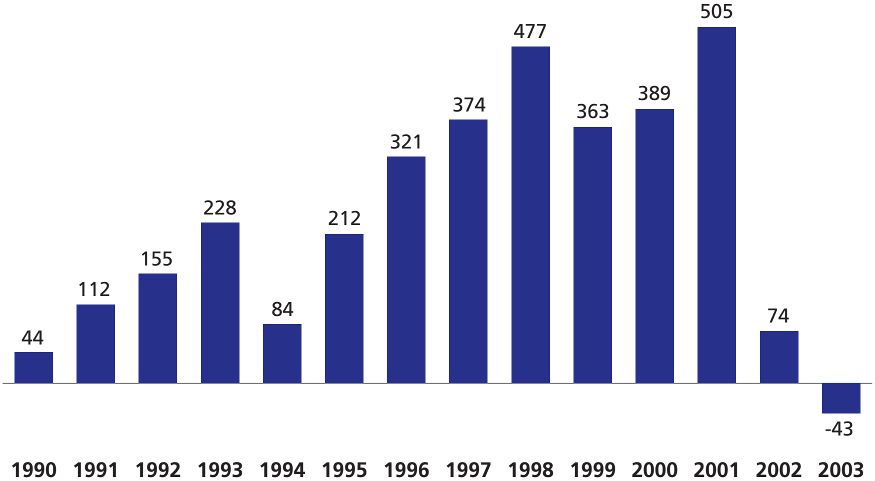
(trillions of dollars)



Note: See page 149 for data points on this chart.

Net New Cash Flow to Mutual Funds, 1990–2003

(billions of dollars)



Despite fund assets rising to near record levels, the industry had a net cash outflow of $43 billion, the first annual outflow since 1988. Long-term funds experienced their largest net cash flow in three years, totaling $216 billion, but this inflow was more than offset by a record net cash outflow—$258 billion—from money market funds. The large outflow from money market funds continued a two-year trend, resulting from a period of low interest rates stretching from 2001 through 2003. Many individuals and institutional investors moved assets from money market funds into bank and thrift deposits as well as open market instruments.

Financial Markets and Investor Demand for Mutual Funds

Interest rates fell to their lowest levels in nearly 50 years in 2003. The low rates, large increases in government spending, and the cumulative effects of several years of tax cuts spurred economic growth, leading to a 17 percent rise in U.S. corporate profits by year-end.

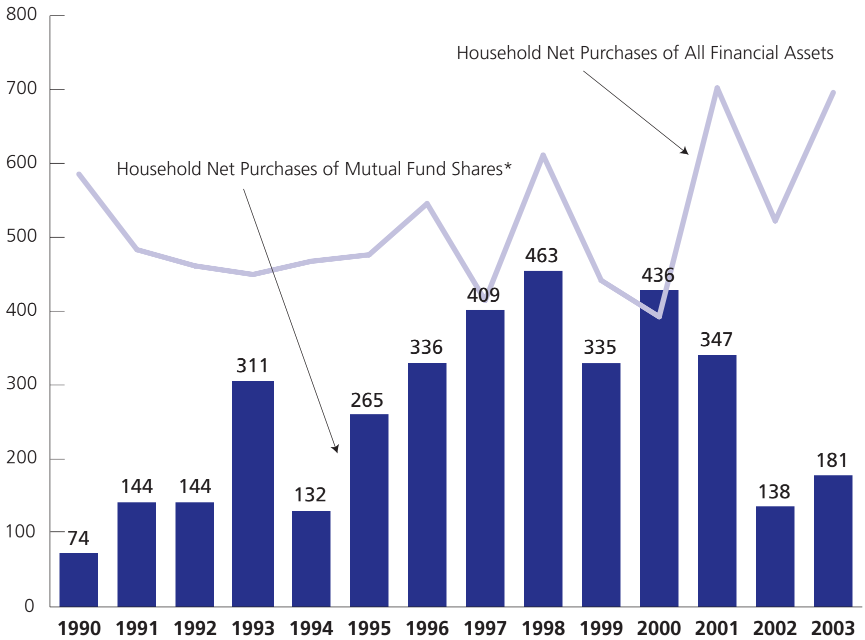
Higher corporate profits and the growing strength of the U.S. economy boosted stock prices worldwide during the second half of the year, and rekindled U.S. investor demand for equity and hybrid funds. Demand for bond funds was strong in the first half of 2003 when interest rates declined, producing strong inflows to these funds. As interest rates rose during the second half of the year, growth in investor demand for bond funds slowed.

Households purchased a near record amount of financial assets in 2003—$696 billion—and purchases of mutual funds accounted for $181 billion of these purchases. The increase in fund purchases, from $138 billion in 2002, reflected stronger demand for long-term funds. Household net purchases of long-term mutual fund shares, including purchases through reinvested dividends, rose to $261 billion from $167 billion in 2002.

Households' increased demand for long-term funds was offset by a reduction in their holdings of money market funds. Low interest rates eliminated the yield advantage that money market funds typically hold over bank and thrift deposits. Consequently, households pulled an estimated $81 billion out of money market funds in 2003, and increased their holdings of savings deposits and CDs by $280 billion.

Household Net Purchases of Mutual Fund Shares and All Financial Assets, 1990–2003

(billions of dollars)



**Household net purchases of mutual fund shares, as defined by the Federal Reserve, include reinvested dividends.*

Note: See page 150 for data points on this chart.

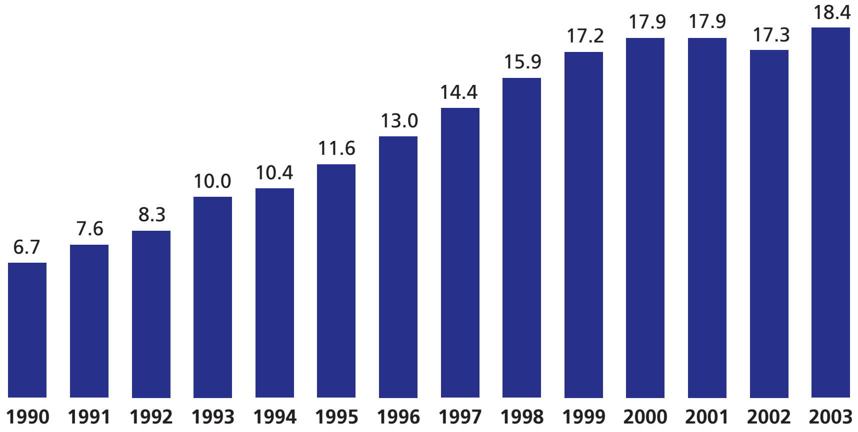
Sources: Federal Reserve Board and Investment Company Institute

The mutual fund portion of household financial assets (18 percent) rose slightly in 2003. Households continued to hold the largest portion of their financial assets (25 percent) in direct holdings of stocks, bonds, and other securities. These securities are typically held in accounts managed by private money managers, brokerage firms, and bank trust departments. Pension funds (20 percent), banks and savings associations (12 percent), and life insurance companies (6 percent) also managed significant portions of household financial assets in 2003.

Mutual funds, mostly equity and hybrid funds, held 22 percent of outstanding U.S. corporate stocks at year-end 2003. Pension funds, insurance companies, households' direct holdings, and foreign investors accounted for most of the remaining holdings.

Share of Household Financial Assets Held in Mutual Funds, 1990–2003

(percent of total household financial assets)

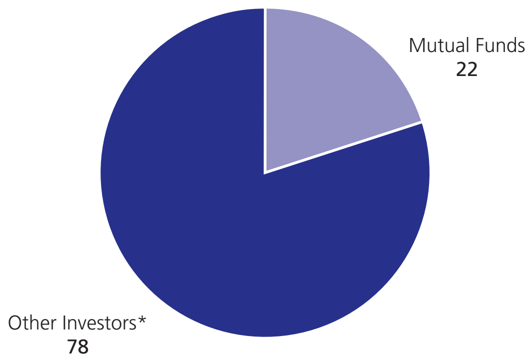


Note: Includes mutual funds held through employer-sponsored pension plans, bank personal trusts, and variable annuities.

Sources: Federal Reserve Board and Investment Company Institute

Mutual Fund Ownership of U.S. Corporate Equity, December 31, 2003

(percent)



Value of Publicly Traded U.S. Equity Outstanding: $14.0 trillion

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

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

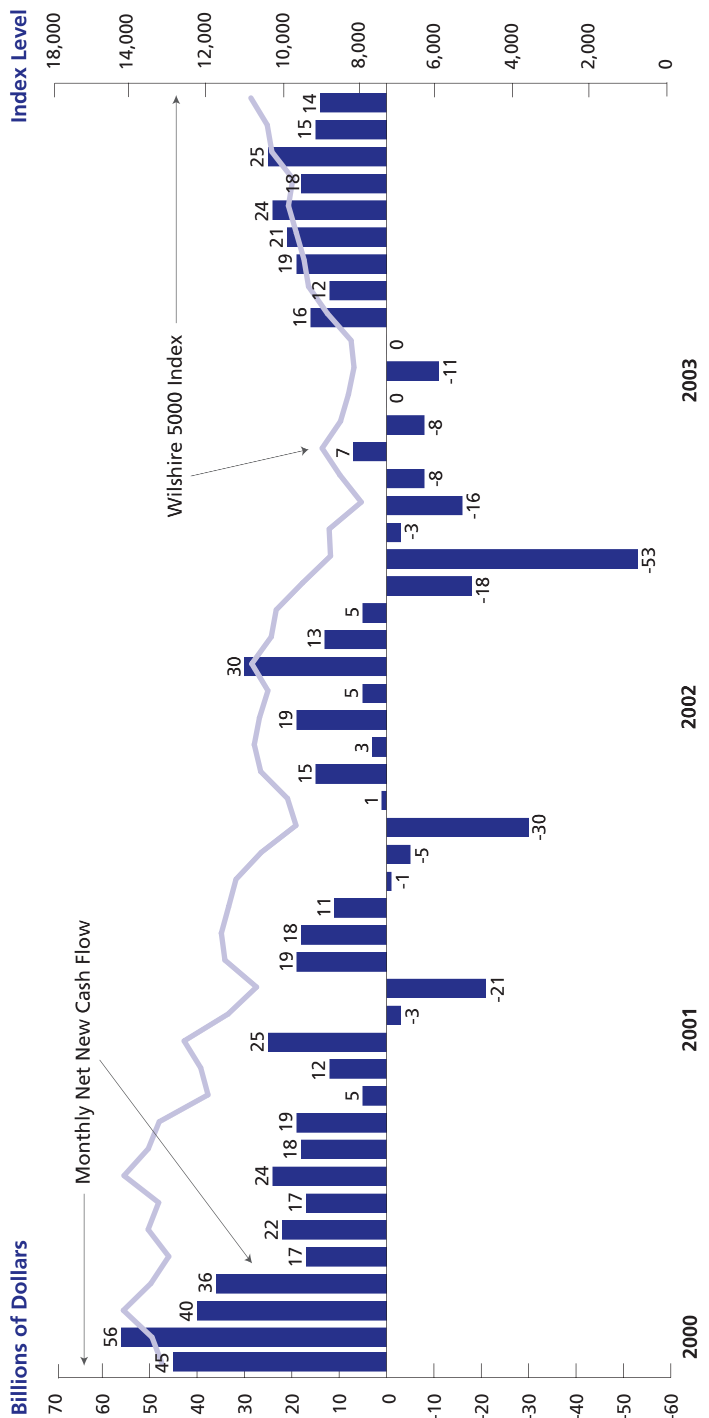
Equity Funds

As the U.S. stock market began to rebound in spring 2003, shareholder demand for equity funds strengthened after nearly a year of net outflows from these funds. The revival followed a period, beginning in June 2002, when investors began to consistently pull money from their equity funds. Net outflows continued into the first quarter of 2003, when investors removed another $11 billion from equity funds as the stock market neared lows reached in 2002.

The spring recovery in equity fund demand persisted for the year: by the end of 2003, equity funds had received a net inflow of $152 billion, the largest inflow of new cash since 2000. Furthermore, the turnaround in net flow occurred in both domestic and foreign equity funds. Domestic funds attracted $129 billion in new investments in 2003, compared with an outflow of $25 billion in 2002. The inflow to foreign equity funds totaled $23 billion, reversing an outflow of $3 billion in 2002.

Equity fund shareholders showed an increased demand for all types of equity funds investing in foreign stocks, but the largest inflows went to those funds investing in a broad range of international stock markets. The increased demand for foreign equity funds reflected the strong performance in many foreign stock markets during 2003, boosted by the weakening of the U.S. dollar. Indeed, when measured in dollars, many foreign markets outperformed the U.S. stock market by a wide margin.

Net New Cash Flow to Equity Funds, Wilshire 5000 Index, 2000–2003

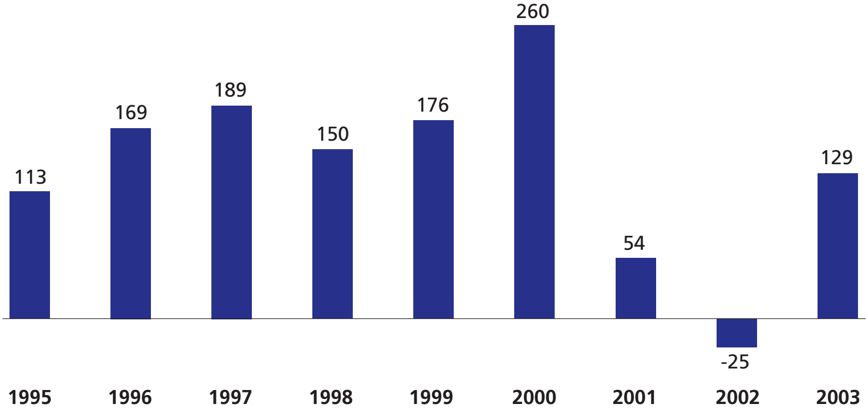


Sources: Investment Company Institute and Wilshire Associates

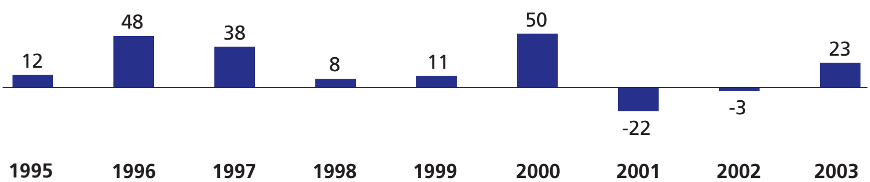
Net New Cash Flow to Domestic and Foreign Equity Funds, 1995–2003

(billions of dollars)

Domestic Equity Funds



Foreign Equity Funds



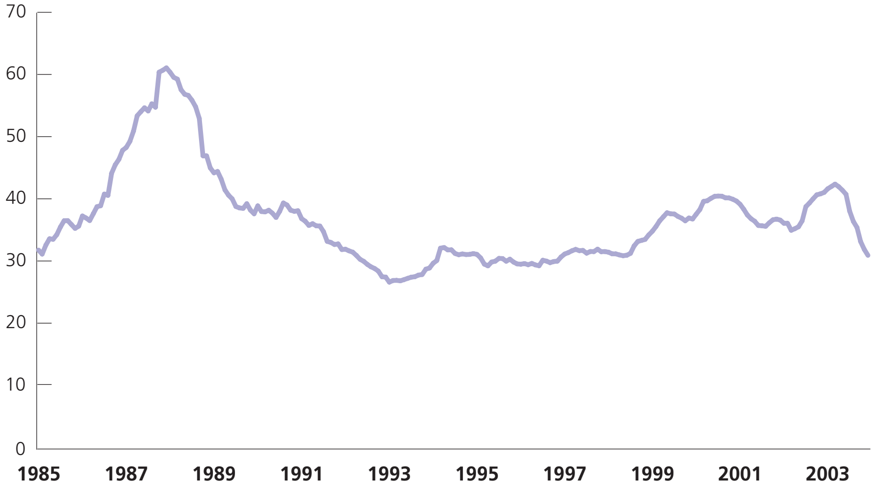
Note: Data for funds that invest in other mutual funds were excluded from the series.

Equity Fund Redemptions

Equity fund redemptions (including exchange redemptions), measured as a percent of average equity fund assets, declined sharply in 2003. This redemption rate peaked in late 2002 and declined throughout 2003 in both foreign and domestic equity funds. Nevertheless, a large portion of the decline in redemption activity occurred in foreign equity funds. In particular, the redemption rate for these funds peaked in 2002 at 77 percent and fell to 53 percent in 2003.

Redemption Rates* of Equity Funds, 1985–2003

(percent of assets)



*The redemption rate is calculated as the sum of redemptions and exchange redemptions for the 12 months ending in the month plotted, divided by monthly total net assets averaged during the same period.

Note: See page 151 for data points on this chart.

Average Shareholder Holding Period

Available evidence suggests that most investors make no redemptions in any given year, suggesting that shareholder redemptions are concentrated among a relatively small portion of fund investors. High frequency traders can and have produced high redemption rates. Consequently, using the inverse of the redemption rate as an estimate of the holding period of the average shareholder significantly understates the actual equity fund investor's holding period. For more information, see *Equity Ownership in America* (www.ici.org/pdf/rpt_02_equity_owners.pdf) and "Redemption Activity of Mutual Fund Owners" (www.ici.org/pdf/fm-v10n1.pdf).

Equity Fund Portfolio Turnover

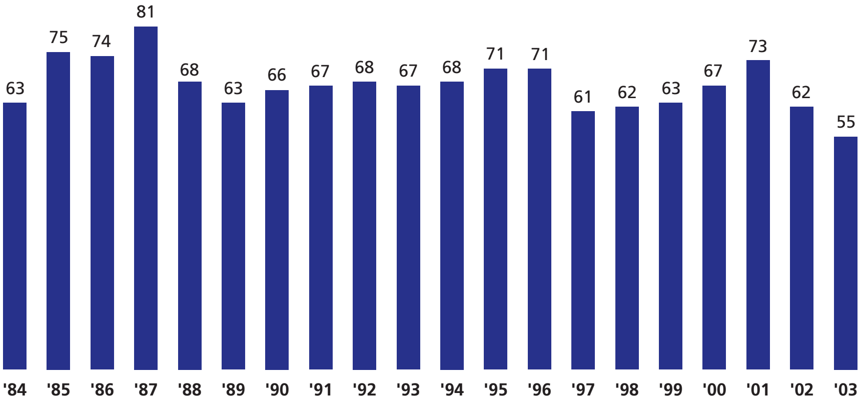
The drop in equity fund redemptions coincided with a fall in the pace that equity fund portfolio managers turned over the securities held in their funds. The average portfolio turnover rate for equity funds, weighted by fund assets, fell to 55 percent in 2003, down from 62 percent in 2002. The turnover rate in 2003 was the lowest in more than 20 years. The asset-weighted turnover rate provides an indication of potential trading costs borne by the average dollar invested in an equity fund. In 2003, 61 percent of equity mutual fund assets were held in funds with turnover rates of less than 50 percent.

Equity Fund Flows and Assets by Expense Ratios

Several factors affect the expense ratios of mutual funds, including the investment objective, the amount of assets in a fund, and the average account size of the fund. Another important factor is 12b-1 fees. These fees are used to compensate brokers and other financial planners that provide advice and assistance to fund shareholders. Investors in funds without 12b-1 fees either purchase fund shares without the assistance of a financial adviser or pay for this assistance directly.

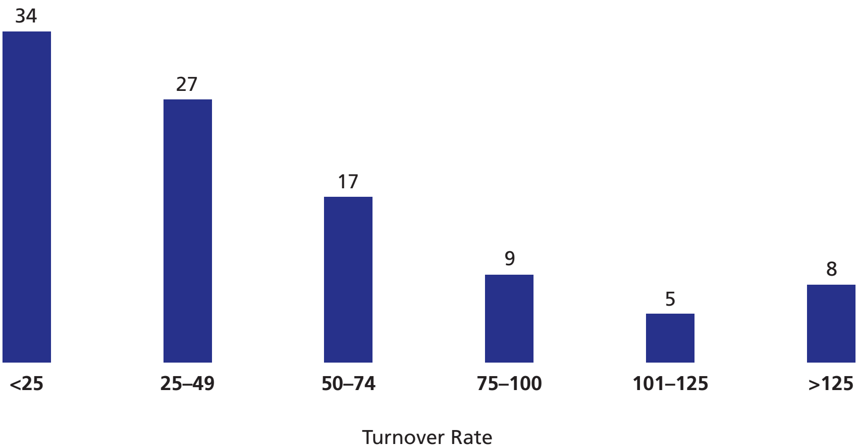
Annual Turnover Rate* of Equity Funds, 1984–2003

(percent of assets)



Equity Fund Assets by Turnover Rate,* 2003

(percent of assets)



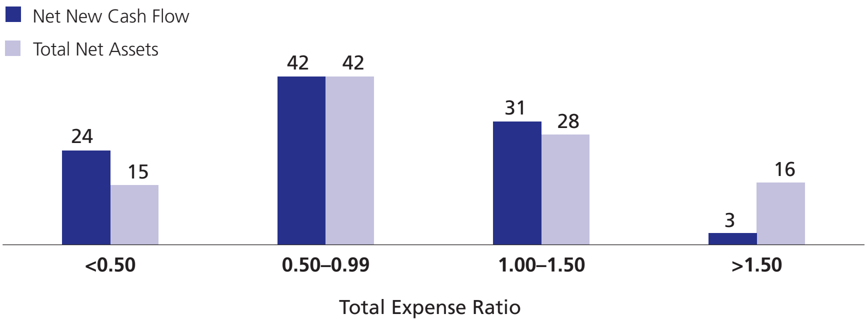
**The annual turnover rate is a measure of the pace at which portfolio managers buy and sell securities in their portfolio. A fund's portfolio turnover rate measures securities transactions as a percentage of fund assets.*

Sources: © CRSP University of Chicago, used with permission, all rights reserved (773.702.7467/www.crsp.com) and Lipper, Inc.

Shareholders tend to invest in funds with expense ratios that are well below average. For example, in 2003, two-thirds of the net new cash flow went to equity funds with expense ratios under 1 percent, and 57 percent of assets were in equity funds with expense ratios below 1 percent. Meanwhile, based on preliminary data, the average equity fund share class had an expense ratio of 1.66 percent in 2003.

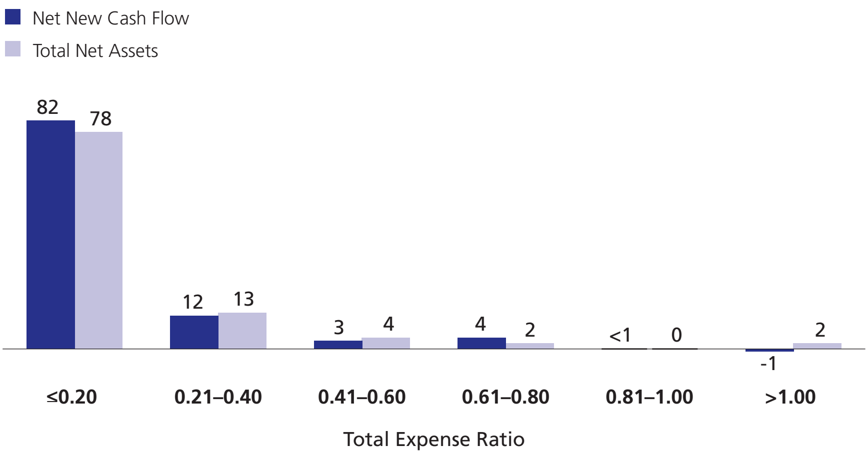
Net New Cash Flow and Total Net Assets of Equity Funds by Total Expense Ratio,* 2003

(percent)



Net New Cash Flow and Total Net Assets of S&P 500 Index Funds by Total Expense Ratio,* 2003

(percent)



**Fund expenses were based on preliminary 2003 data.*

Sources: Lipper Associates, Strategic Insight, and Investment Company Institute

Investors in index funds also concentrate their holdings and purchases in the lowest cost funds. For example, among the S&P 500 index funds, more than 80 percent of the new cash went to funds with an expense ratio of 0.20 percent or less in 2003. Virtually all new cash went to S&P 500 index funds with an expense ratio of 0.40 percent or less. Similarly, most S&P 500 index fund assets are in funds with expense ratios of 0.40 percent or less.

Bond and Hybrid Funds

Bond funds had net inflows of $31 billion in 2003, down from $140 billion in 2002. Taxable bond funds experienced a net inflow of $38 billion; tax-exempt bond funds recorded an outflow of $7 billion. Hybrid funds had an inflow of $33 billion, the largest for these funds since 1993.

Net New Cash Flow to Bond and Hybrid Funds, 1990–2003

(billions of dollars)

	Bond Funds		
Year	Taxable	Tax-Exempt	Hybrid
1990	-$3	$10	$1
1991	38	21	7
1992	43	28	22
1993	32	38	44
1994	-47	-15	23
1995	1	-7	4
1996	9	-6	12
1997	28	1	16
1998	59	15	10
1999	8	-12	-14
2000	-36	-14	-31
2001	76	12	10
2002	124	16	8
2003	38	-7	33

Taxable Bond Funds

Investors made net purchases of $38 billion of taxable bond funds in 2003, marking the third straight year of strong investor demand for taxable bond funds. Cash flows into bond funds are highly correlated with the performance of bonds. Falling interest rates caused bond prices to rise substantially in 2002, producing high bond fund returns. The yield on the 5-year Treasury note fell to its lowest level in nearly 50 years during the first half of 2003, pushing bond prices higher, and yields on high-grade corporate bonds dropped to 40-year lows. The inflow of new cash to taxable bond funds during the first half of 2003 totaled $65 billion.

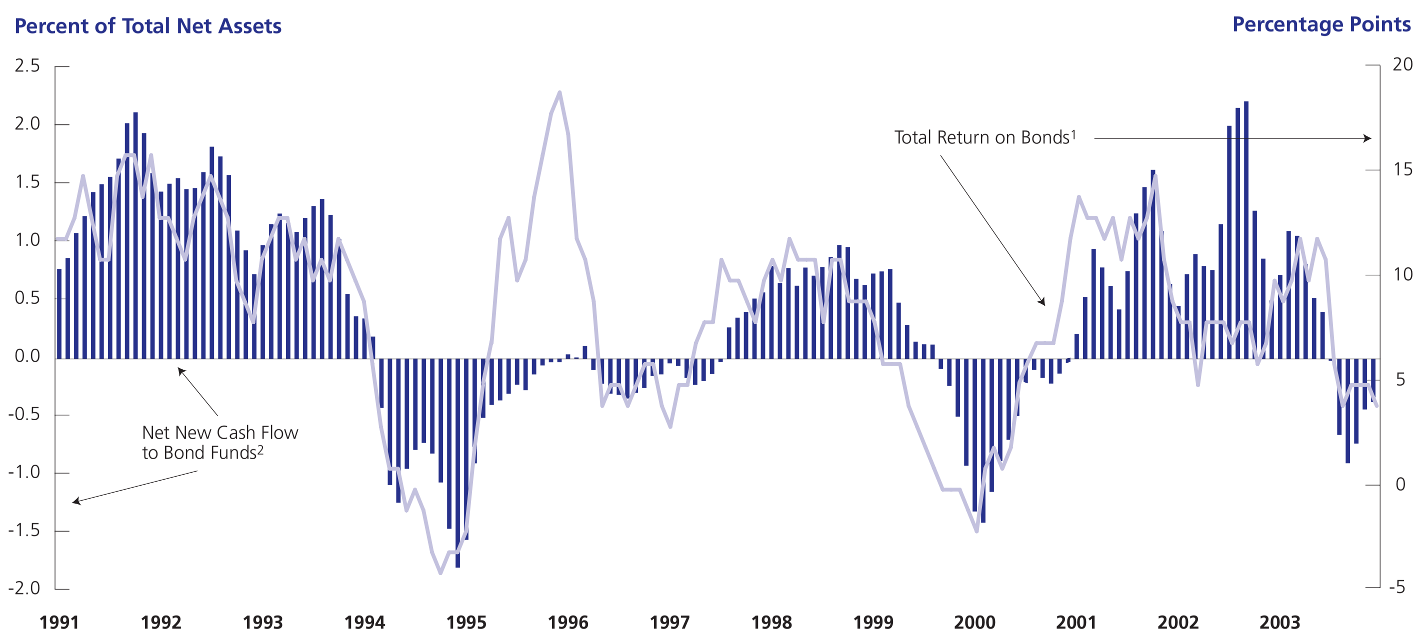
As the U.S. economy began to pick up steam in the second half of the year, interest rates started to rise causing bond prices to fall, reducing returns on bonds and bond funds. Investor demand weakened along with bond returns, and taxable bond funds posted a $27 billion outflow during the second half of the year.

Investor demand for taxable bond funds also depends on the type of bonds held by a fund and its resultant performance. For example, bond funds investing in Treasury securities had strong inflows during the first half of 2003 as yields on Treasury securities fell more than on other types of bonds. During the second half of the year, the yield on Treasury bonds rose more than those on corporate bonds, and outflows were the heaviest for bond funds investing in Treasury securities.

Tax-Exempt Bond Funds

Municipal bond funds had weak inflows during the first half of the year, totaling about $3 billion. Yields on municipal bonds were fairly flat during 2003, so tax-exempt bond fund returns, unlike taxable bonds, were not helped by appreciating bond prices. The lower returns on these funds created less investor demand, and during the second half of the year, they had outflows totaling $10 billion. For the year as a whole, tax-exempt bond funds had $7 billion in outflows.

Bond Returns and Net New Cash Flow to Bond Funds, 1991–2003



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

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

Note: See page 154 for data points on this chart.

Sources: Investment Company Institute and Citigroup

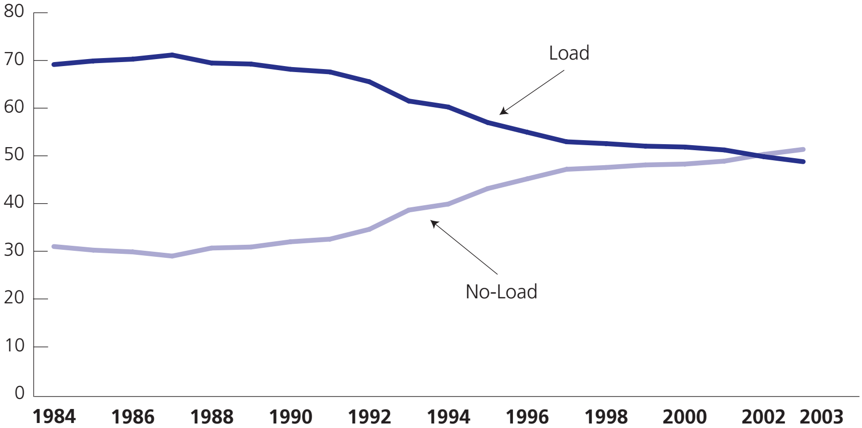
Long-Term Fund Assets and Flows by Share Class

The growing reliance of shareholders on employer-sponsored pension plans and mutual fund supermarkets when investing in mutual funds has increased the percentage of assets invested in no-load funds. These funds have no sales charges and have 12b-1 fees of 25 basis points or less. The trend toward no-load funds continued in 2003.

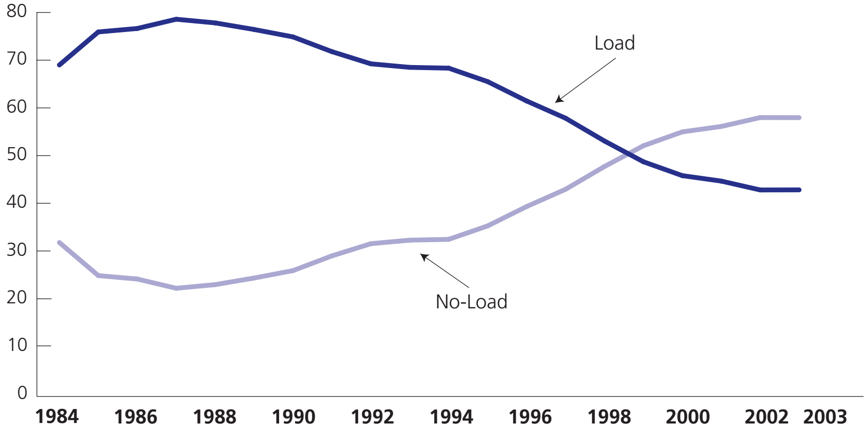
Load and No-Load Fund Assets as a Share of Fund Assets, 1984–2003

(percent)

Equity Funds



Bond Funds



Note: See page 156 for data points on this chart.

Sources: Investment Company Institute; Lipper, Inc.; Value Line Publishing, Inc.; CDA/Wiesenberger Investment Companies Service; © CRSP University of Chicago, used with permission, all rights reserved (773.702.7467/www.crsp.com); Primary datasource & © Standard & Poor's Micropal, Inc. 1998 (617.451.1585/www.micropal.com); and Strategic Insight Mutual Fund Research and Consulting, LLC

Long-term fund flows to no-load fund share classes totaled $124 billion in 2003, accounting for nearly 60 percent of the net new cash flow into equity, bond, and hybrid funds. Load fund share classes, which are generally sold through brokers and other financial advisers, had a net new cash flow of $51 billion in 2003. A-class fund shares and C-class fund shares received most of the net new cash, while B-class fund shares had net outflows for the second straight year. The net new cash flow to variable annuities rose to $42 billion, up from a net outflow of $2 billion in 2002.

Net New Cash Flow to Long-Term Funds by Share Class, 2000–2003

(billions of dollars)

	2000	2001	2002	2003[2]
All Long-Term Funds[1]	$229	$129	$121	$216
Load	**80**	**44**	**20**	**51**
A Shares	35	25	16	40
B Shares	25	0	-16	-18
C Shares	26	20	23	27
Other Load	-6	-1	-3	2
No-Load	**96**	**71**	**103**	**124**
Retail	68	38	53	76
Institutional	28	33	49	48
Variable Annuities	**51**	**13**	**-2**	**42**

[1]Components may not add to total because of rounding.

[2] Share class designations for 2003 are based on preliminary fund expense data.

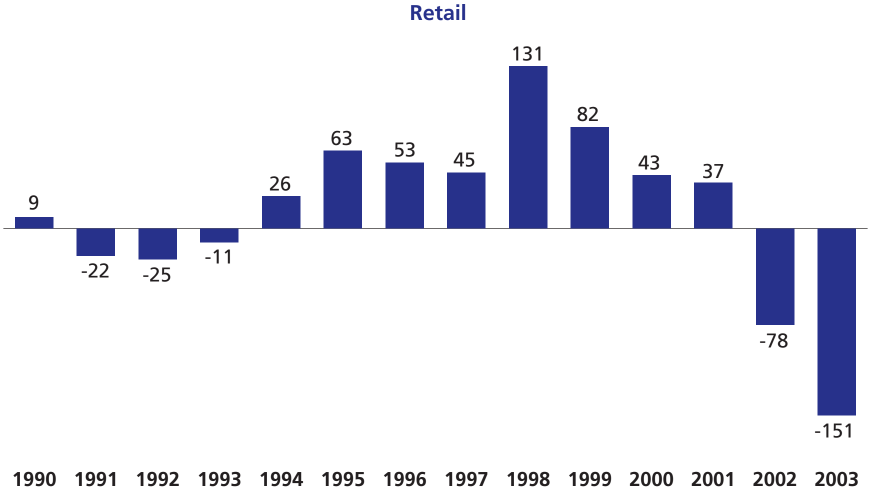
Sources: Investment Company Institute; Lipper, Inc.; Value Line Publishing, Inc.; CDA/Wiesenberger Investment Companies Service; © CRSP University of Chicago, used with permission, all rights reserved (773.702.7467/ www.crsp.com); Primary datasource & © Standard & Poor's Micropal, Inc. 1998 (617.451.1585/www.micropal.com); and Strategic Insight Mutual Fund Research and Consulting, LLC

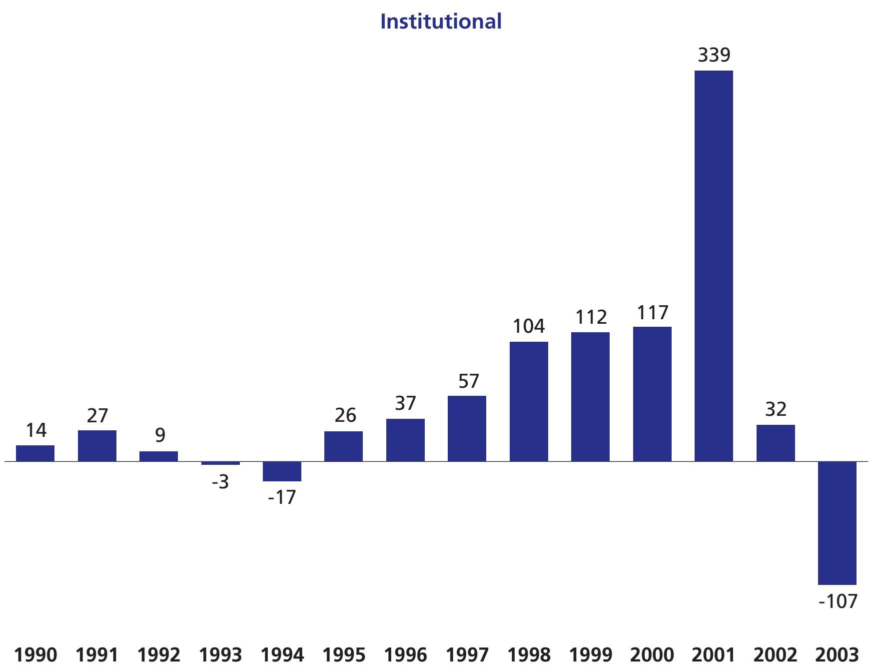
Money Market Funds

Money market funds had a net outflow of $258 billion in 2003, as both households and institutions shifted short-term assets out of money funds and into bank deposits and other competing investment options. The shift resulted from the low interest rates that prevailed throughout 2003. The year began with short-term interest rates at their lowest level since the 1958 and, after the Federal Reserve cut its target interest rate by another 25 basis points in June, short-term interest rates dropped to around 1.00 percent. In this environment, interest rates paid on bank deposits were at or above those offered on money market funds, removing the yield premium that money market funds traditionally pay to investors in comparison with other short-term investment options.

Net New Cash Flow to Money Market Funds, 1990–2003

(billions of dollars)





Note: The data contain a series break in 1996 when some funds were reclassified by their method of sale.

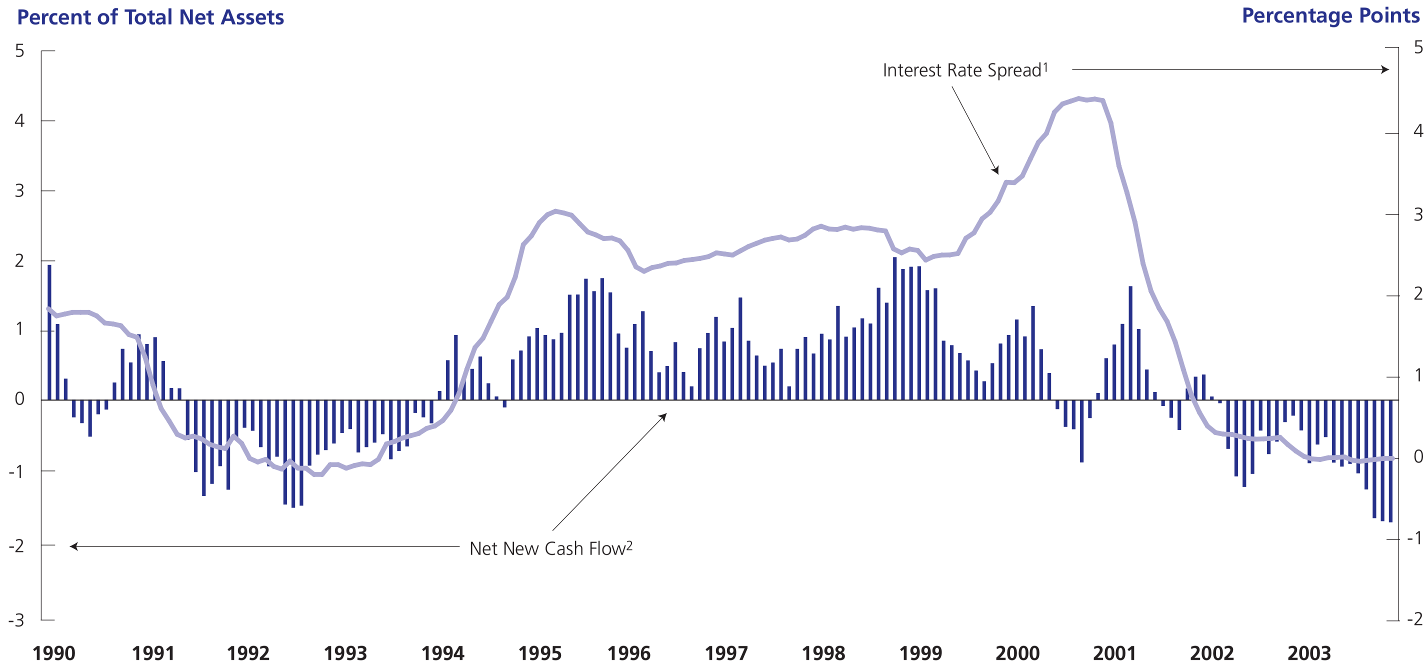
Retail Money Market Funds

Retail money market funds, which are principally sold to individual investors, had net outflows totaling $151 billion for 2003. Retail investors shifted toward bank deposits as the difference between money market fund yields and those on bank savings deposits fell to its lowest level since the early 1990s.

The low interest rate environment led many retail money market funds to waive a portion of their fees in order to remain competitive with bank deposits and to avoid having negative yields. Fee waivers were larger and more common for investors in money market funds with the B- and C-class shares, as more than 80 percent of these fund share classes waived a portion of their fees. These share classes generally have higher fees than A-class shares and no-load funds because their expense ratio includes a higher 12b-1 fee to pay brokers and other financial advisers for the advice and service that they provide to fund shareholders.

Generally, investors hold very few money market fund assets in B- and C-class shares; funds offer these share classes primarily to permit investors to move assets out of B- and C-class shares of long-term funds so that investors can avoid paying back-end loads. Nearly all retail money market fund assets are invested in no-load funds and A-class shares, and the A-class shares typically do not charge front-end loads.

Interest Rate Spread and Net New Cash Flow to Taxable Retail Money Market Funds, 1990–2003



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

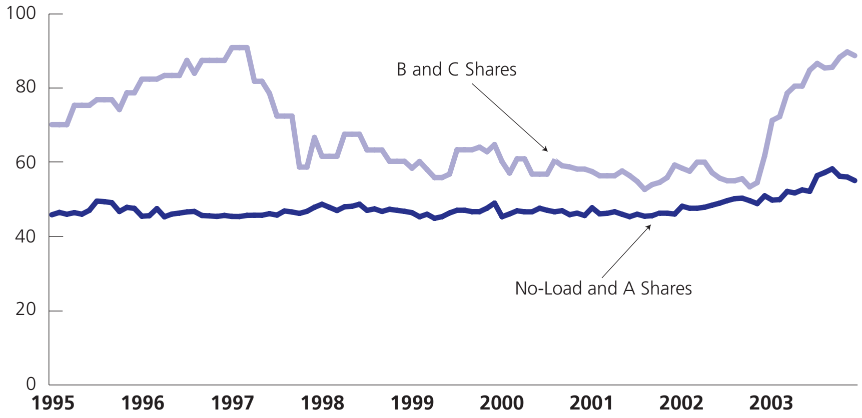
[2]Net new cash flow is measured as a percent of previous month-end taxable retail money market fund assets and is shown as a six-month moving average.

Note: See page 157 for data points on this chart.

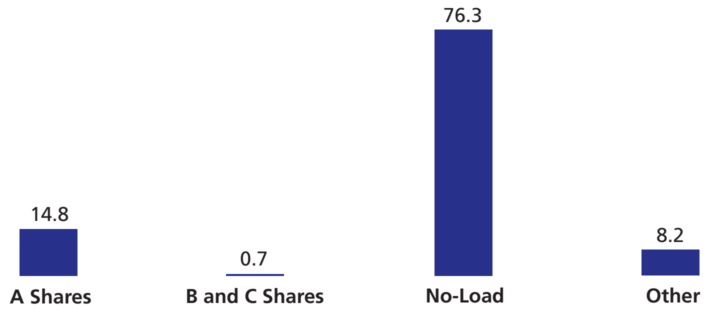
Sources: Investment Company Institute, iMoneyNet, and Bank Rate Monitor

Fee Waivers and Assets of Taxable Retail Money Market Funds by Share Class

Percent of Share Classes with Fee Waiver, 1995–2003



Percent of Assets by Share Class, December 2003

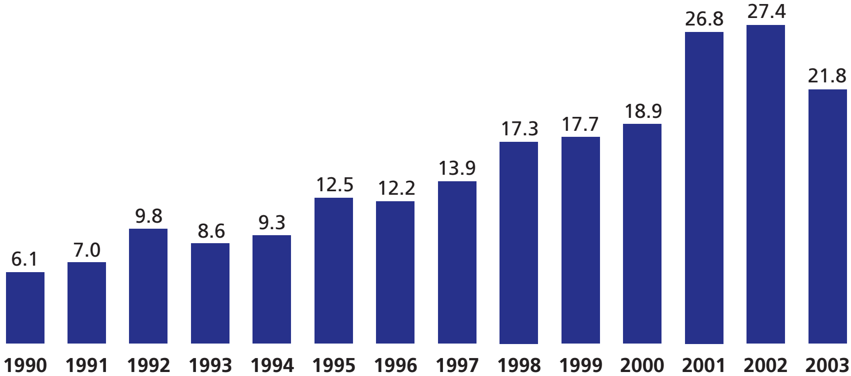


Note: See page 159 for data points on the top panel of this chart.

Sources: Investment Company Institute and iMoneynet

Share of U.S. Nonfinancial Business Short-Term Assets* Held Through Money Market Funds, 1990–2003

(percent of total)



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

Sources: Federal Reserve Board and Investment Company Institute

Institutional Money Market Funds

Institutional money market funds, used by businesses, pension funds, state and local governments, and other large investors, had an outflow of $107 billion in 2003. Institutional money market fund yields were below open-market rates, prompting some institutional investors to purchase money market instruments directly. Institutional money market funds tend to earn returns slightly below money market interest rates for money market securities. The somewhat lower yield reflects the cost of managing the fund. In falling interest rate environments, the yield on money market funds falls more slowly than market interest rates, temporarily making the returns on money market funds more attractive relative to other short-term investments and attracting new cash from institutional investors. As money market fund yields return to their normal relationship to market rates, much of this new cash will leave money market funds again.

Institutional money market funds saw significant outflows at the beginning of 2003. In November 2002, the Federal Reserve cut short-term interest rates, and money market funds received sizeable inflows. As the yield difference between money market funds and money market rates returned to normal levels, cash flowed back out of the funds. Outflows persisted throughout most of 2003, except for a brief period after the Federal Reserve cut short-term interest rates in June.

Money market funds' share of short-term business assets declined for the first time in 7 years in 2003, to 21.8 percent by year-end. The decline reflected the movement of assets out of money market funds and into bank products.

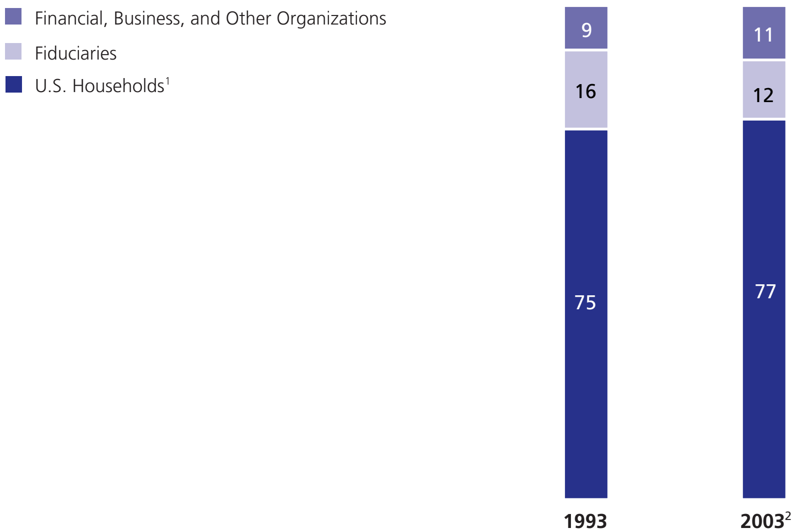
Chapter Six

Mutual Fund Ownership and Shareholder Characteristics

An estimated 91 million individuals in 53.3 million U.S. households owned mutual funds in 2003. These individuals held 77 percent of mutual fund assets, while fiduciaries—banks and individuals serving as trustees, guardians, administrators, or bank nominees—and other institutional investors held the remaining 23 percent.

Mutual Fund Assets by Type of Owner, 1993 and 2003

(percent of total mutual fund assets)



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

[2]Preliminary data

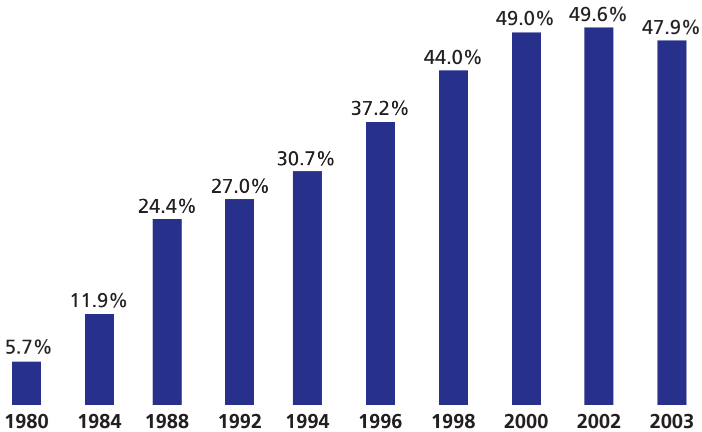
Note: Total assets of mutual funds were $2.1 trillion at year-end 1993 and $7.4 trillion at year-end 2003. Components may not add to 100 percent because of rounding.

Growth of U.S. Fund Ownership

Through all types of economic conditions, stock market volatility, currency crises, and interest rate changes, U.S. household ownership of mutual funds grew strongly between 1980 and 2002. On the heels of a bear market that lasted from 2000 to 2002, however, mutual fund ownership declined slightly in the 12-month period that ended in July 2003. Household mutual fund owners represented 47.9 percent of all U.S. households in July 2003, down from 49.6 percent in 2002.

U.S. Household Ownership of Mutual Funds, 1980–2003*

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



	1980	1984	1988	1992	1994	1996	1998	2000	2002	2003
Millions of U.S. Households	4.6	10.2	22.2	25.8	30.2	36.8	44.4	51.7	54.2	53.3

**Households owning mutual funds in 1980 and 1984 were estimated from data on the number of accounts held by individual shareholders and the number of funds owned by fund-owning households; data for 1980 through 1992 exclude households owning mutual funds only through employer-sponsored retirement plans; data for 1994 through 2003 include households owning mutual funds only through employer-sponsored retirement plans. Data for 1998 through 2003 include fund ownership through variable annuities.*

Source: Fundamentals, *"U.S. Household Ownership of Mutual Funds in 2003" (www.ici.org/pdf/fm-v12n4.pdf)*

Characteristics of Household Owners of Mutual Funds

The median age of financial decisionmakers in households owning mutual funds was 48 years, as of 2004. Seventy-one percent of these decisionmakers were married or living with a partner, and 57 percent had college or postgraduate degrees. Seventy-seven percent were employed, and 75 percent who were married or living with a partner had a spouse or partner who was employed. The median income of mutual fund-owning households was $68,700 and median household financial assets were $125,000.

More than 80 percent of all mutual fund-owning households participated in employer-sponsored defined contribution retirement plans. Sixty-three percent of fund-owning households owned mutual funds in their defined contribution plans, and nearly 70 percent had Individual Retirement Accounts.

Four-fifths of fund households held equity funds among their holdings. On average, equity fund investments represented 56 percent of shareholders' mutual fund portfolios. Nearly one-half of all household fund owners made their first mutual fund purchase before 1990, and 41 percent bought their first fund between 1990 and 1999.

As of 2004, investment decisionmaking was shared in 56 percent of fund-owning households. Males were the sole financial decisionmakers in 23 percent of fund-owning households, females in 21 percent. Members of the Baby Boom Generation (individuals born between 1946 and 1964) made up the greatest percentage of mutual fund shareholders, at 49 percent. Twenty-three percent of fund shareholders were members of the Silent Generation (born before 1946), 24 percent were members of Generation X (born between 1965 and 1976), and 4 percent were members of Generation Y (born in 1977 or later).

U.S. Mutual Fund Shareholder Characteristics[1]

Median	
Age[2]	48 years
Household income	$68,700
Household financial assets[3]	$125,000
Household mutual fund assets	$48,000
Number of mutual funds owned	4
Percent	
Household investment decisionmaker:	
Male is sole decisionmaker	23
Female is sole decisionmaker	21
Co-decisionmakers	56
Married or living with a partner[2]	71
Four-year college degree or more[2]	57
Employed[2]	77
Spouse or partner employed[4]	75
Own:[5]	
Equity funds	80
Bond funds	44
Hybrid funds	34
Money market funds	49
Own mutual funds bought:[5]	
Outside defined contribution retirement plan(s) (total)	66
Sales force[6]	54
Direct market[7]	31
Inside defined contribution retirement plan(s) (total)	63

[1] *As of 2004. Based on preliminary data.*

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

[3] *Exclude primary residence but include assets in employer-sponsored retirement plans.*

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

[5] *Multiple responses included.*

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

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

Note: Number of respondents varies.

Source: 2004 Profile of Mutual Fund Shareholders *(forthcoming)*

For More Information on Fund Shareholders

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

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

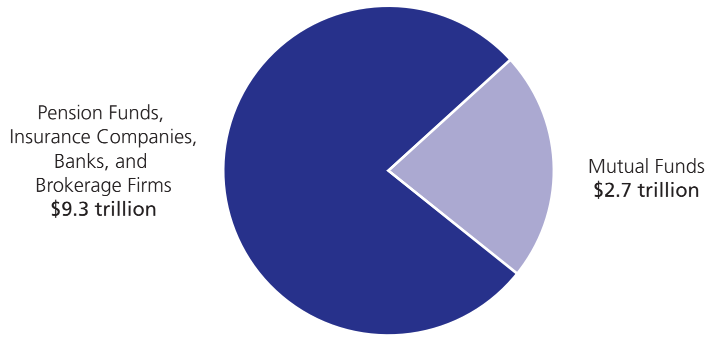
Chapter Seven

Retirement and Education Savings Markets

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

At year-end 2003, mutual funds accounted for $2.7 trillion, or 22 percent, of the $12.0 trillion U.S. retirement market. The remaining $9.3 trillion of year-end 2003 retirement market assets were managed by pension funds, insurance companies, banks, and brokerage firms. In the education savings market, mutual funds accounted for an estimated 97 percent of the $35.1 billion Section 529 savings plan market at year-end 2003. Funds also managed $3 billion in Coverdell Education Savings Account (ESA)—formerly Education IRA—assets at year-end 2003.

U.S. Retirement Market Assets, 2003*



Total: $12.0 trillion

**Preliminary data*

Sources: Investment Company Institute and Federal Reserve Board

Mutual Fund Retirement Assets, 1991–2003[1]

(billions of dollars)

	Total Retirement	Employer-Sponsored Accounts[2]	IRAs
1991	$333	$147	$187
1992	434	199	235
1993	604	285	319
1994	685	339	346
1995	938	468	470
1996	1,197	607	590
1997	1,573	803	770
1998	1,988	1,020	968
1999	2,584	1,325	1,259
2000	2,527	1,294	1,233
2001	2,388	1,227	1,161
2002	2,124	1,092	1,032
2003	2,687	1,395	1,292

[1]*Preliminary data*

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

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

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

Retirement Accounts Hold About One-Third of Fund Assets

The $2.7 trillion in mutual fund retirement assets represented about one-third of all mutual fund assets at year-end 2003. Mutual fund retirement assets primarily come from two sources: Individual Retirement Accounts (IRAs) and employer-sponsored defined contribution plans, such as 401(k) plans. Funds hold roughly the same amount of assets in IRAs and employer-sponsored defined contribution plans.

Mutual Funds and the IRA Market

IRAs have been one of the fastest growing components of the U.S. retirement market between 1990 and 2003, and the mutual fund industry's share of the IRA market has increased from 22 percent in 1990 to 43 percent at year-end 2003.

Since 1990, assets in IRAs have grown primarily due to the investment performance of the securities held in IRA portfolios and rollovers into IRAs from employer-sponsored plans. In addition, various laws enacted since 1996 introduced new types of IRAs. Furthermore, the Economic Growth and Tax Relief Reconciliation Act (EGTRRA), enacted in 2001, increased the amount investors—especially those age 50 and older—can contribute to IRAs.

Assets in the IRA Market, 1990–2003

(billions of dollars)

	Bank and Thrift Deposits[1]	Life Insurance Companies[2,3]	Mutual Funds[3]	Securities Held Directly Through Brokerage Accounts[3,4]	Total IRA Assets
1990	$266	$40	$139	$191	$637
1991	282	45	187	262	776
1992	275	50	235	314	873
1993	263	61	319	350	993
1994	255	69	346	386	1,056
1995	261	81	470	477	1,288
1996	258	92	590	527	1,467
1997	254	135	770	569	1,728
1998	249	156	968	776	2,150
1999	244	202	1,259	947	2,651
2000	252	202	1,233	943	2,629
2001	255	210	1,161	994[e]	2,619[3]
2002	263	267	1,032	883[e]	2,445[e]
2003	268	315[e]	1,292	1,104[e]	2,979[e]

[1]Bank and thrift deposits include Keogh deposits.

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

[3]Preliminary data

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

[e]Estimated

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

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

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

Approximately four out of 10 U.S. households, or 45.2 million, owned IRAs as of mid-2003. IRA households generally are headed by middle-aged individuals with moderate household income who are more likely to hold mutual funds, especially long-term mutual funds, in their IRA portfolios than any other type of investment.

As of mid-2003, approximately 36.4 million U.S. households owned "traditional" IRAs—the first type of IRA created (under the Employee Retirement Income Security Act of 1974)—while about 16.0 million U.S. households owned Roth IRAs, first available in 1998. An estimated 8.2 million U.S. households owned employer-sponsored IRAs (SIMPLE IRAs, SEP IRAs, or SAR-SEP IRAs).

Nearly two-thirds of IRA households included mutual funds in their IRAs, with 54 percent investing in equity funds, 26 percent in bond funds, 18 percent in hybrid funds, and 28 percent in money market funds. Thirty-eight percent of IRA households held individual stocks, 12 percent held individual bonds, 27 percent held annuities, and 25 percent held bank savings accounts, money market deposit accounts, or certificates of deposits.

Types of IRAs and Their Owners

	Year Created	Number of U.S. Households with Type of IRA, 2003	Percent of U.S. Households with Type of IRA, 2003
Traditional IRA	1974 (Employee Retirement Income Security Act)	36.4 million	33.3%
Roth IRA	1997 (Taxpayer Relief Act)	16.0 million	14.6%
SEP IRA	1978 (Revenue Act)		
SAR-SEP IRA	1986 (Tax Reform Act)	8.2 million	7.5%
SIMPLE IRA	1996 (Small Business Job Protection Act)		

Sources: Investment Company Institute and U.S. Census Bureau (Fundamentals*, "IRA Ownership in 2003," www.ici.org/pdf/fm-v12n3.pdf)*

Types of Assets Held in IRAs, 2003*

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

Mutual funds (total)	64
Equity mutual funds	54
Bond mutual funds	26
Hybrid mutual funds	18
Money market mutual funds	28
Individual stocks	38
Annuities (total)	27
Variable annuities	19
Fixed annuities	16
Bank savings accounts, money market deposit accounts, or certificates of deposit	25
Individual bonds	12
Other	5

**Multiple responses included.*

Source: Fundamentals, *"IRA Ownership in 2003" (www.ici.org/pdf/fm-v12n3.pdf)*

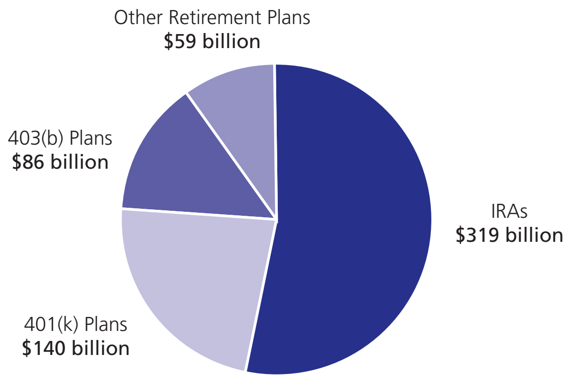
Traditional IRA households held a median of $30,000 in their traditional IRAs in 2003, typically in two accounts. Forty-five percent of these households had traditional IRA accounts that included assets "rolled over" from employer-sponsored retirement plans, and 33 percent also owned Roth IRAs. Traditional IRA households tended to have greater financial assets but lesser income than other types of IRA households. Individuals heading traditional IRA households generally were older and more likely to be retired than individuals heading Roth or employer-sponsored IRA households.

The majority of Roth IRA households owned one Roth IRA account with a median balance of $10,000 in 2003. About one in three Roth IRA households opened a Roth IRA as their first IRA account. Individuals heading Roth IRA households had a median age of 45 years, and 83 percent were employed.

Households with employer-sponsored IRAs had a median of $22,200 invested in all types of IRAs in 2003. Fifty-eight percent of these households also owned traditional IRAs and 29 percent also owned Roth IRAs. Nearly four in 10 individuals heading households with employer-sponsored IRAs were self-employed.

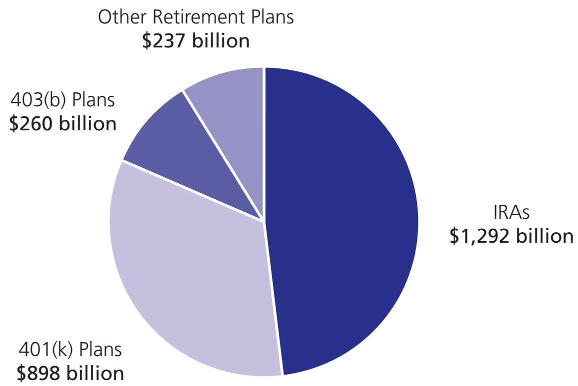
Mutual Fund Assets by Type of Retirement Plan, 1993 and 2003*

1993



Total: $604 billion

2003*



Total: $2,687 billion

**Preliminary data*

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

Assets in 401(k) Plans, 1990–2003*

(billions of dollars)

	Mutual Fund 401(k) Plan Assets	Other 401(k) Plan Assets	Total
1990	$35	$350	$385
1991	46	394	440
1992	82	471	553
1993	140	476	616
1994	184	491	675
1995	266	598	864
1996	350	711	1,061
1997	479	785	1,264
1998	618	923	1,541
1999	813	977	1,790
2000	819	966[e]	1,785[e]
2001	792	923[e]	1,715[e]
2002	697	823[e]	1,521[e]
2003	898	970[e]	1,867[e]

**Preliminary data*

[e]*Estimated*

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

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

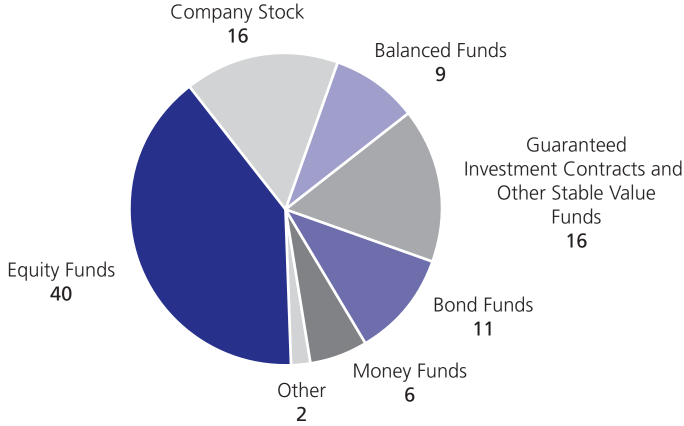
Mutual Funds and the Employer-Sponsored Pension Market

The mutual fund industry's share of the employer-sponsored pension plan market increased from 2 percent in 1990 to 16 percent at year-end 2003. Mutual fund assets held in employer-sponsored retirement accounts totaled $1.4 trillion in 2003, an increase of $303 billion, or 28 percent, from 2002. At the end of 2003, the employer-sponsored pension market held an estimated $9.0 trillion in assets.

The employer-sponsored pension market includes $1.9 trillion in assets in private defined benefit pension plans, $2.5 trillion in private defined contribution pension plans (and 457 plans), $2.3 trillion in state and local government employee retirement plans, $1.3 trillion in annuity reserves, and nearly $1.0 trillion in federal government defined benefit plans and the federal employees' Thrift Savings Plan.

Average Asset Allocation for All 401(k) Plan Balances, 2002

(percent)



Note: Funds include mutual funds and other pooled investments.

Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project (Perspective, *"401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2002," www.ici.org/pdf/per09-05.pdf)*

Mutual Funds and the Defined Contribution Market

The most important source of mutual fund assets in the employer-sponsored pension plan market is defined contribution plans, especially 401(k) plans. At year-end 2003, 67 percent, or $898 billion, of mutual fund defined contribution plan assets were held in 401(k) plans. Mutual funds' share of the 401(k) market increased from 9 percent in 1990 to an estimated 48 percent at year-end 2003. Nineteen percent, or $260 billion, of mutual fund assets in defined contribution plans at year-end 2003 were held in 403(b) plans. The remaining mutual fund assets in defined contribution plans were in 457 plans, Keoghs, and other defined contribution plans without 401(k) features.

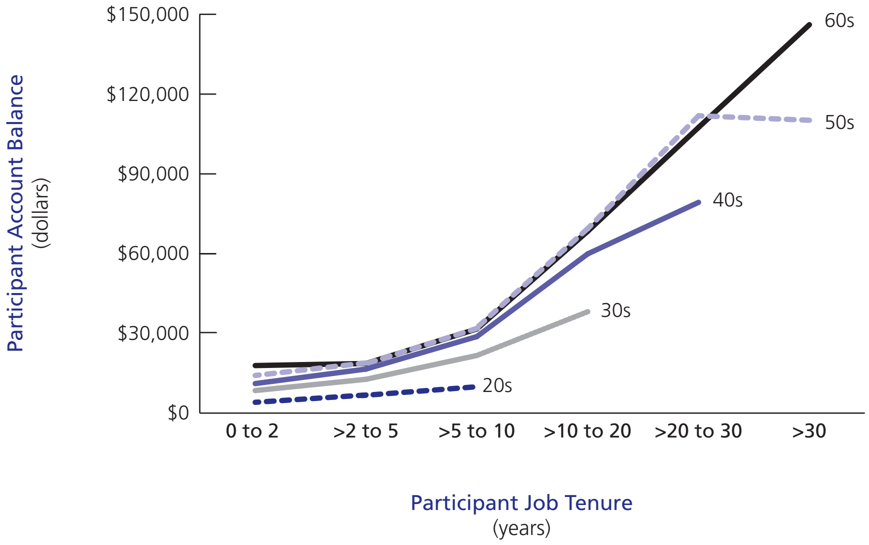
401(k) Participants: Asset Allocations, Balances, and Loans

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

According to research conducted by ICI and the Employee Benefit Research Institute (EBRI), asset allocation behavior among 401(k) plan participants can vary widely, depending on a variety of factors. For example, younger participants tend to allocate a larger portion of their account balances to equity funds (which include equity mutual funds and other pooled equity investments), while older participants are more likely to invest in guaranteed investment contracts (GICs) and bond funds. On average, at year-end 2002, individuals in their twenties invested 50.5 percent of their assets in equity funds, 11.0 percent in balanced funds, 7.3 percent in GICs and other stable value funds, 9.1 percent in bond funds, 6.9 percent in money funds, and 13.6 percent in company stock. By comparison, individuals in their sixties invested 30.3 percent of their assets in equity funds, 8.0 percent in balanced funds, 26.7 percent in GICs and other stable value funds, 13.7 percent in bond funds, 7.3 percent in money funds, and 12.7 percent in company stock.

The average 401(k) account balance, excluding plan loans, was $39,885 at year-end 2002. Workers in their sixties with at least 30 years of job tenure at their current employer had an average 401(k) account balance of $146,211.

Average 401(k) Account Balance by Age and Tenure, 2002



Note: See page 162 for data points on this chart.

Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project (Perspective, *"Appendix: Additional Figures for the EBRI/ICI Participant-Directed Retirement Plan Data Collection Project for Year-End 2002," www.ici.org/pdf/per09-05_appendix.pdf)*

Most 401(k) participants do not borrow from their plans. At year-end 2002, only 17 percent of those eligible for loans had loans outstanding. The average unpaid loan balance for these participants represented about 16 percent of their remaining account balances (net of the unpaid loan balances).

Types of Funds Used by Retirement Plan Investors

Of the $2.7 trillion in mutual fund retirement assets at year-end 2003, $1.8 trillion, or 68 percent, were invested in domestic or foreign equity funds. Domestic equity funds alone constituted $1.6 trillion, or 59 percent, of mutual fund retirement assets. By comparison, about half of overall fund industry assets—including retirement and nonretirement accounts—were invested in domestic and foreign equity funds at year-end 2003.

At year-end 2003, approximately $583 billion, or 22 percent, of mutual fund retirement assets were invested in fixed-income funds: bond or money market funds. Bond funds held $307 billion, or 11 percent, of mutual fund retirement assets, and money market funds accounted for $276 billion, or 10 percent. The remaining $287 billion, or approximately 11 percent, of mutual fund retirement assets were held in hybrid funds, which invest in a mix of equity and fixed-income securities.

Mutual Fund Retirement Assets by Type of Fund, 2003[1]

(billions of dollars)

	Equity				Money	
	Domestic	Foreign	Bond	Hybrid	Market	Total
IRAs	$724	$113	$157	$138	$160	$1,292
401(k) Plans	549	83	77	112	77	898
403(b) Plans	194	17	17	19	14	260
Other Employer-Sponsored Plans[2]	119	18	57	19	25	237
Total	1,585	232	307	287	276	2,687

[1] *Preliminary data*

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

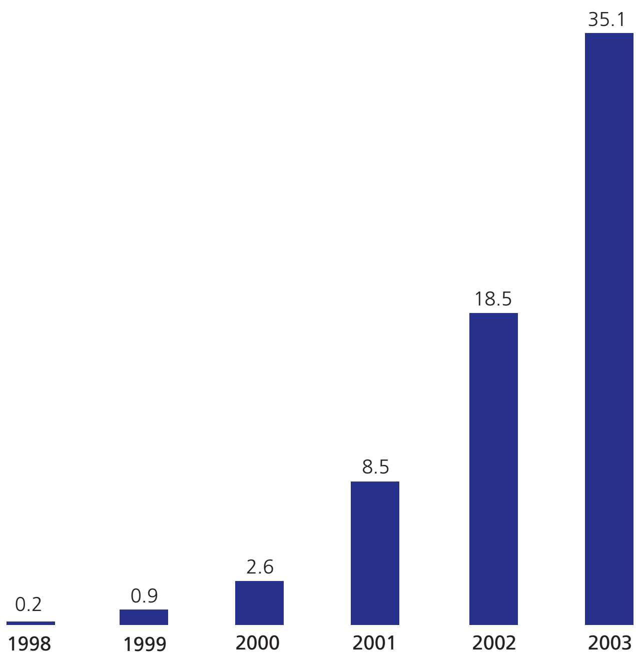
Note: Components may not add to totals because of rounding.

Education Saving: Section 529 Plans and Coverdell Education Savings Accounts

According to the Federal Reserve Board's 2001 Survey of Consumer Finances, about 11 percent of all U.S. households considered education as their most important motivation for saving. In addition, ICI research in 2004 finds that 30 percent of households owning mutual funds cited education as a financial goal for their mutual fund investments. Nevertheless, the demand for education savings vehicles has been historically modest since their introduction in the 1990s, partly attributable to investors' lack of familiarity with them and because of their limited availability. More recently, the enactment of EGTRRA in 2001 enhanced the attractiveness of both Section 529 plans and Coverdell ESAs—two education savings vehicles—by allowing greater contributions and flexibility in the plans.

Section 529 Savings Plan Assets, 1998–2003

(billions of dollars)



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

Sources: Investment Company Institute and College Savings Plans Network

Assets in Section 529 savings plans almost doubled in 2003, increasing from $18.5 billion at year-end 2002 to $35.1 billion by year-end 2003. The number of accounts rose to more than four million, and the average account size was approximately $8,200.

Households Saving for College

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

The characteristics of households saving for college using education-targeted savings programs differed from those of households not using these programs. Parents who were using these programs were more likely to have four-year college or postgraduate degrees than parents not using these programs. In addition, households that were using education-targeted savings programs generally had greater household incomes, household financial assets, and college savings. Parents not using these programs were more likely to expect to rely on scholarships, student loans, or income or savings earned by their child to pay for college than were parents using these programs.

Investments Used to Save for College, 2003[1]

(percent of respondents saving for college)

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

[1]*Multiple responses included. Number of respondents varies.*

[2]*Include state-sponsored 529 prepaid tuition plans, state-sponsored 529 college savings plans, and Coverdell ESAs.*

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

Characteristics of Responding Households Saving for College by Use of Education-Targeted Savings Programs,[1] 2003

	Using Education-Targeted Savings Programs	Not Using Education-Targeted Savings Programs
Median		
Age[2]	41 years	42 years
Household income	$99,200	$74,500[a]
Household financial assets[3]	$129,100	$70,000[a]
Current college savings	$15,000	$10,000
Years saving for college	6 years	6 years
Age of oldest or only child	9 years	12 years
Percent		
Married or living with a partner[2]	94	90[a]
College or postgraduate degree[2]	73	51[a]
Employed[2]	89	84
Number of children age 18 or younger in the household:		
One	29	33
Two	51	44
Three or more	20	23
Very or somewhat likely to rely on college funding from:[4]		
Academic or athletic scholarships	62	72[a]
Student loans	57	68[a]
Income/savings earned by child	53	63[a]

[a]*Responses of respondents not using education-targeted savings programs to save for college are statistically different at the 95 percent confidence level from those of respondents who are using education-targeted savings programs to save for college.*

[1]*Include state-sponsored 529 prepaid tuition plans, state-sponsored 529 college savings plans, and Coverdell ESAs.*

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

[3]*Include assets in employer-sponsored retirement plans but exclude primary residence.*

[4]*Multiple responses included.*

Note: Number of respondents varies.

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

About ICI Data

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

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

On the following pages, you will find historical data on investment companies. The first four sections of data represent aggregate mutual fund statistics reported to ICI from individual U.S. mutual funds representing 95 percent of the U.S. industry's assets. Section Five provides data on mutual funds from around the world, and Section Six features data on funds that invest exclusively in other mutual funds and data on other U.S. investment products: closed-end funds, unit investment trusts, and exchange-traded funds.

U.S. Mutual Fund Data

The U.S. mutual fund data section begins with a breakdown of U.S. industry totals in Section One, including information on fund assets, accounts, share classes, and the number of funds. U.S. industry totals are broken down by fund type—equity funds, hybrid funds, bond funds, and money market funds—and further broken down into 13 investment classifications.

In Sections Two and Three, U.S. mutual fund data are classified according to two broad categories: long-term funds and short-term, or money market, funds. Long-term fund data are classified according to three broad fund categories—equity, hybrid, and bond—and further categorized into 11 more specific investment classifications. Money market funds are categorized into two investment classifications: taxable and tax-exempt.

Section Four looks at institutional investors in the U.S. industry.

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Table 1

Industry Total Net Assets, Number of Funds, Number of Share Classes, and Number of Shareholder Accounts
(end of year)

Year	Total Net Assets (billions of dollars)	Number of Funds	Number of Share Classes	Number of Shareholder Accounts* (thousands)
1940	$0.45	68	–	296
1945	1.28	73	–	498
1950	2.53	98	–	939
1955	7.84	125	–	2,085
1960	17.03	161	–	4,898
1965	35.22	170	–	6,709
1970	47.62	361	–	10,690
1971	55.05	392	–	10,901
1972	59.83	410	–	10,635
1973	46.52	421	–	10,331
1974	35.78	431	–	10,074
1975	45.87	426	–	9,876
1976	51.28	452	–	9,060
1977	48.94	477	–	8,693
1978	55.84	505	–	8,658
1979	94.51	526	–	9,790
1980	134.76	564	–	12,088
1981	241.37	665	–	17,499
1982	296.68	857	–	21,448
1983	292.99	1,026	–	24,605
1984	370.68	1,243	1,243	27,636
1985	495.39	1,528	1,528	34,098
1986	715.67	1,835	1,835	45,374
1987	769.17	2,312	2,312	53,717
1988	809.37	2,737	2,737	54,056
1989	980.67	2,935	2,935	57,560
1990	1,065.19	3,079	3,177	61,948
1991	1,393.19	3,403	3,587	68,332
1992	1,642.54	3,824	4,208	79,931
1993	2,069.96	4,534	5,562	93,214
1994	2,155.32	5,325	7,697	114,383
1995	2,811.29	5,725	9,007	131,219
1996	3,525.80	6,248	10,352	150,042
1997	4,468.20	6,684	12,002	170,264
1998	5,525.21	7,314	13,720	194,074
1999	6,846.34	7,791	15,262	226,413
2000	6,964.67	8,155	16,738	244,768
2001	6,974.95	8,305	18,023	248,804
2002	6,390.36	8,244	18,985	251,224
2003	7,414.08	8,126	19,317	260,650

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

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

Table 2

Industry Total Sales, New Sales, Exchange Sales, Redemptions, and Exchange Redemptions

(billions of dollars, annual)

Year	Total Sales[1]	New Sales	Exchange Sales[2]	Redemptions	Exchange Redemptions[3]
1945	$0.29	–	–	$0.11	–
1950	0.52	–	–	0.28	–
1955	1.21	–	–	0.44	–
1960	2.10	–	–	0.84	–
1965	4.36	$3.93	–	1.96	–
1970	4.63	3.84	–	2.99	–
1971	5.15	4.40	–	4.75	–
1972	4.89	4.20	–	6.56	–
1973	4.36	3.65	–	5.65	–
1974	5.32	4.43	–	3.94	–
1975	10.06	8.94	–	9.57	–
1976	13.72	11.92	$1.52	16.41	$1.44
1977	17.07	14.75	2.24	16.69	2.31
1978	37.16	35.40	3.97	31.53	3.94
1979	119.32	115.66	5.83	86.74	5.89
1980	247.42	238.96	10.10	216.08	9.94
1981	472.13	452.42	14.44	362.44	14.59
1982	626.94	604.09	28.25	588.35	27.86
1983	547.77	532.04	35.67	565.83	36.03
1984	680.09	661.73	34.64	607.02	37.11
1985	953.74	933.33	42.94	864.88	46.84
1986	1,205.16	1,179.69	100.36	1,015.63	107.96
1987	1,251.16	1,220.26	190.28	1,178.60	207.35
1988	1,176.81	1,143.62	125.21	1,166.67	134.24
1989	1,444.79	1,401.21	122.23	1,327.05	131.95
1990	1,564.79	1,517.41	138.79	1,470.79	140.98
1991	2,037.10	1,990.02	155.69	1,879.69	154.31
1992	2,749.44	2,704.49	197.34	2,548.28	198.15
1993	3,187.43	3,137.72	248.61	2,904.44	253.95
1994	3,075.75	3,019.87	317.27	2,928.21	325.00
1995	3,600.62	3,526.00	351.52	3,314.82	351.08
1996	4,671.44	4,586.71	504.73	4,266.20	503.94
1997	5,799.61	5,703.25	613.42	5,324.09	618.49
1998	7,230.40	7,126.91	742.86	6,649.27	743.37
1999	9,043.58	8,922.96	949.94	8,562.10	947.39
2000	11,109.43	10,970.39	1,149.75	10,586.21	1,145.42
2001	12,866.20	12,747.53	797.34	12,241.95	798.08
2002	13,195.23	13,110.71	747.34	13,038.49	745.65
2003	12,451.72	12,373.44	572.49	12,414.81	573.73

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

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

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

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

Table 3

Industry Total Net Assets
(billions of dollars, end of year)

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

Year	Total	Long-Term Funds: Equity Funds	Long-Term Funds: Hybrid Funds	Long-Term Funds: Bond Funds	Money Market Funds
1984	$370.68	$79.74	$11.15	$46.24	$233.55
1985	495.39	111.33	17.61	122.65	243.80
1986	715.67	154.45	25.76	243.31	292.15
1987	769.17	175.45	29.25	248.37	316.10
1988	809.37	189.38	26.35	255.69	337.95
1989	980.67	245.04	35.64	271.90	428.09
1990	1,065.19	239.48	36.12	291.25	498.34
1991	1,393.19	404.73	52.23	393.78	542.44
1992	1,642.54	514.09	78.04	504.21	546.19
1993	2,069.96	740.67	144.50	619.48	565.32
1994	2,155.32	852.76	164.40	527.15	611.00
1995	2,811.29	1,249.08	210.33	598.87	753.02
1996	3,525.80	1,726.01	252.58	645.41	901.81
1997	4,468.20	2,368.02	317.11	724.18	1,058.89
1998	5,525.21	2,978.23	364.71	830.59	1,351.68
1999	6,846.34	4,041.89	378.81	812.49	1,613.15
2000	6,964.67	3,961.92	346.28	811.19	1,845.28
2001	6,974.95	3,418.16	346.32	925.12	2,285.35
2002	6,390.36	2,663.01	330.49	1,124.90	2,271.96
2003	7,414.08	3,684.80	436.68	1,240.92	2,051.68

Note: The data contain a series break beginning in 1984. All funds were reclassified in 1984 and a separate category was created for hybrid funds.

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

Components may not add to the total because of rounding.

Table 4

Industry Total Net Assets by Investment Classification

(billions of dollars, end of year)

	Equity Funds			Hybrid Funds	Bond Funds							Money Market Funds	
Year	Capital Appreciation	World	Total Return		Corporate	High Yield	World	Government	Strategic Income	State Muni	National Muni	Taxable	Tax-Exempt
1984	$41.68	$5.19	$32.86	$11.15	$3.30	$7.40	$0.03	$10.63	$4.09	$4.78	$16.01	$209.73	$23.82
1985	56.85	7.94	46.55	17.61	4.98	13.48	0.06	58.32	6.36	11.52	27.92	207.54	36.27
1986	70.53	15.47	68.45	25.76	9.08	24.59	0.52	122.06	11.37	25.81	49.86	228.35	63.81
1987	79.31	17.43	78.71	29.25	9.47	24.16	2.14	123.11	12.53	27.79	49.17	254.68	61.42
1988	83.09	17.98	88.31	26.35	10.46	33.43	3.02	111.40	10.65	32.41	54.32	272.29	65.66
1989	107.23	23.59	114.22	35.64	11.68	28.49	3.06	109.60	13.41	41.21	64.45	358.72	69.37
1990	113.37	28.30	97.81	36.12	25.80	19.15	13.02	104.43	8.61	49.55	70.70	414.73	83.61
1991	178.73	39.52	186.48	52.23	36.60	26.33	27.71	134.24	14.70	65.81	88.39	452.56	89.88
1992	235.06	45.68	233.34	78.04	48.16	34.47	31.02	172.68	21.63	85.48	110.78	451.35	94.84
1993	321.18	114.13	305.36	144.50	68.29	48.97	32.91	188.67	26.05	113.59	141.01	461.90	103.42
1994	361.62	161.19	329.95	164.40	64.78	45.08	23.60	140.44	25.95	104.82	122.49	500.64	110.37
1995	572.34	196.51	480.23	210.33	84.75	59.70	24.83	143.00	33.30	117.30	135.99	629.99	123.03
1996	781.72	285.20	659.10	252.58	100.61	78.90	25.74	130.63	56.47	116.96	136.10	761.99	139.82
1997	1,075.27	346.37	946.39	317.11	119.35	104.91	25.99	128.89	73.15	126.54	145.35	898.08	160.80
1998	1,405.00	391.64	1,181.59	364.71	143.51	117.44	24.64	144.35	102.05	139.96	158.63	1,163.17	188.51
1999	2,115.06	585.25	1,341.58	378.81	157.68	116.90	22.94	138.58	104.90	127.89	143.59	1,408.73	204.41
2000	2,153.72	542.67	1,265.54	346.28	140.64	90.28	19.94	133.34	149.15	132.72	145.12	1,607.25	238.03
2001	1,797.35	428.80	1,192.02	346.32	160.97	94.28	19.07	164.24	191.55	140.99	154.03	2,012.95	272.40
2002	1,341.30	358.00	963.71	330.49	178.27	100.40	21.08	237.91	258.72	154.14	174.38	1,997.18	274.78
2003	1,858.84	517.70	1,308.26	436.68	200.06	153.70	27.56	224.71	300.79	150.94	183.16	1,763.31	288.37

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

Table 5

Industry Number of Funds

(end of year)

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

Year	Total	Long-Term Funds: Equity Funds	Long-Term Funds: Hybrid Funds	Long-Term Funds: Bond Funds	Money Market Funds
1984	1,243	459	89	270	425
1985	1,528	562	103	403	460
1986	1,835	678	121	549	487
1987	2,312	824	164	781	543
1988	2,737	1,006	179	942	610
1989	2,935	1,069	189	1,004	673
1990	3,079	1,099	193	1,046	741
1991	3,403	1,191	212	1,180	820
1992	3,824	1,325	235	1,400	864
1993	4,534	1,586	282	1,746	920
1994	5,325	1,886	361	2,115	963
1995	5,725	2,139	412	2,177	997
1996	6,248	2,570	466	2,224	988
1997	6,684	2,951	501	2,219	1,013
1998	7,314	3,513	525	2,250	1,026
1999	7,791	3,952	532	2,262	1,045
2000	8,155	4,385	523	2,208	1,039
2001	8,305	4,716	483	2,091	1,015
2002	8,244	4,748	474	2,033	989
2003	8,126	4,601	509	2,043	973

Note: The data contain a series break beginning in 1984. All funds were reclassified in 1984 and a separate category was created for hybrid funds.

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

Table 6

Industry Number of Funds by Investment Classification

(end of year)

	Equity Funds			Hybrid Funds	Bond Funds							Money Market Funds	
Year	Capital Appreciation	World	Total Return		Corporate	High Yield	World	Government	Strategic Income	State Muni	National Muni	Taxable	Tax-Exempt
1984	306	29	124	89	30	36	1	45	47	37	74	329	96
1985	365	43	154	103	33	43	1	93	59	75	99	348	112
1986	439	57	182	121	35	57	4	139	67	122	125	360	127
1987	514	81	229	164	42	70	16	201	86	217	149	389	154
1988	578	109	319	179	58	103	28	248	85	245	175	434	176
1989	597	128	344	189	59	105	30	266	101	260	183	470	203
1990	621	155	323	193	120	106	41	252	64	272	191	506	235
1991	645	206	340	212	144	95	61	281	76	331	192	553	267
1992	717	239	369	235	183	89	89	335	76	414	214	585	279
1993	850	306	430	282	251	90	115	405	89	531	265	628	292
1994	994	423	469	361	304	95	138	457	109	707	305	646	317
1995	1,110	528	501	412	358	104	159	429	116	710	301	674	323
1996	1,325	668	577	466	386	119	173	422	143	686	295	666	322
1997	1,538	768	645	501	372	134	186	407	187	649	284	682	331
1998	1,895	890	728	525	350	183	188	395	234	615	285	685	341
1999	2,208	950	794	532	336	208	175	374	282	605	282	702	343
2000	2,542	1,005	838	523	305	214	144	351	326	594	274	703	336
2001	2,853	1,014	849	483	293	211	131	320	323	556	257	689	326
2002	2,957	946	845	474	297	200	116	315	336	519	250	679	310
2003	2,933	863	805	509	290	198	106	316	355	527	251	661	312

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

Table 7

Industry Number of Share Classes

(end of year)

Year	Total	Equity Funds	Hybrid Funds	Bond Funds	Money Market Funds
1984	1,243	459	89	270	425
1985	1,528	562	103	403	460
1986	1,835	678	121	549	487
1987	2,312	824	164	781	543
1988	2,737	1,006	179	942	610
1989	2,935	1,069	189	1,004	673
1990	3,177	1,128	200	1,087	762
1991	3,587	1,248	224	1,244	871
1992	4,208	1,452	258	1,584	914
1993	5,562	1,945	349	2,259	1,009
1994	7,697	2,656	517	3,263	1,261
1995	9,007	3,287	637	3,703	1,380
1996	10,352	4,211	753	3,935	1,453
1997	12,002	5,309	877	4,267	1,549
1998	13,720	6,642	968	4,483	1,627
1999	15,262	7,785	1,031	4,716	1,730
2000	16,738	9,079	1,024	4,780	1,855
2001	18,023	10,324	998	4,753	1,948
2002	18,985	11,006	1,048	4,924	2,007
2003	19,317	10,958	1,178	5,152	2,029

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

Table 8

Industry Number of Share Classes by Investment Classification

(end of year)

Year	Equity Funds: Capital Appreciation	Equity Funds: World	Equity Funds: Total Return	Hybrid Funds	Bond Funds: Corporate	Bond Funds: High Yield	Bond Funds: World	Bond Funds: Government	Bond Funds: Strategic Income	Bond Funds: State Muni	Bond Funds: National Muni	Money Market Funds: Taxable	Money Market Funds: Tax-Exempt
1984	306	29	124	89	30	36	1	45	47	37	74	329	96
1985	365	43	154	103	33	43	1	93	59	75	99	348	112
1986	439	57	182	121	35	57	4	139	67	122	125	360	127
1987	514	81	229	164	42	70	16	201	86	217	149	389	154
1988	578	109	319	179	58	103	28	248	85	245	175	434	176
1989	597	128	344	189	59	105	30	266	101	260	183	470	203
1990	632	166	330	200	121	109	45	258	64	291	199	523	239
1991	666	227	355	224	146	100	70	293	77	352	206	592	279
1992	785	263	404	258	201	100	111	382	82	466	242	616	298
1993	1,033	385	527	349	307	115	152	522	109	708	346	673	336
1994	1,362	630	664	517	434	135	205	679	150	1,187	473	853	408
1995	1,660	845	782	637	557	172	248	697	167	1,341	521	949	431
1996	2,099	1,155	957	753	637	202	289	711	207	1,352	537	1,000	453
1997	2,704	1,449	1,156	877	647	264	335	743	300	1,415	563	1,070	479
1998	3,464	1,770	1,408	968	648	378	348	762	392	1,365	590	1,133	494
1999	4,231	1,969	1,585	1,031	669	452	334	760	503	1,380	618	1,226	504
2000	5,167	2,203	1,709	1,024	655	479	287	731	601	1,407	620	1,324	531
2001	6,159	2,371	1,794	998	682	491	271	698	655	1,342	614	1,397	551
2002	6,765	2,338	1,903	1,048	728	498	270	733	757	1,297	641	1,465	542
2003	6,832	2,197	1,929	1,178	752	502	257	767	837	1,344	693	1,461	568

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

Table 9

Industry Number of Shareholder Accounts*
(thousands, end of year)

Year	Total	Long-Term Funds: Equity Funds	Long-Term Funds: Hybrid Funds	Long-Term Funds: Bond Funds	Money Market Funds
1984	27,636	9,623	983	3,186	13,845
1985	34,098	11,061	1,323	6,780	14,935
1986	45,374	15,509	2,101	11,450	16,313
1987	53,717	20,371	2,732	12,939	17,675
1988	54,056	19,658	2,575	13,253	18,570
1989	57,560	20,348	2,727	13,170	21,314
1990	61,948	22,157	3,203	13,619	22,969
1991	68,332	25,648	3,620	15,509	23,556
1992	79,931	32,730	4,532	19,023	23,647
1993	93,214	42,260	6,854	20,514	23,585
1994	114,383	57,948	10,251	20,806	25,379
1995	131,219	69,340	10,926	20,816	30,137
1996	150,042	85,410	12,026	20,406	32,200
1997	170,264	101,728	12,866	20,046	35,624
1998	194,074	119,605	14,138	21,482	38,847
1999	226,413	147,525	14,252	21,020	43,616
2000	244,768	164,081	13,066	19,483	48,138
2001	248,804	165,763	14,257	21,548	47,236
2002	251,224	164,452	15,643	25,747	45,382
2003	260,650	174,065	17,784	27,599	41,202

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

Table 10

Industry Number of Shareholder Accounts* by Investment Classification

(thousands, end of year)

	Equity Funds			Hybrid Funds	Bond Funds							Money Market Funds	
Year	Capital Appreciation	World	Total Return		Corporate	High Yield	World	Government	Strategic Income	State Muni	National Muni	Taxable	Tax-Exempt
1984	5,976	713	2,934	983	414	698	4	788	337	198	745	13,556	288
1985	6,736	806	3,519	1,323	485	1,073	6	3,279	418	381	1,139	14,435	499
1986	8,240	1,631	5,638	2,101	659	1,744	47	5,985	603	722	1,691	15,654	660
1987	10,557	2,171	7,644	2,732	708	1,974	156	6,666	694	874	1,866	16,833	842
1988	10,312	2,034	7,312	2,575	772	2,488	255	6,293	508	1,000	1,938	17,631	939
1989	10,172	2,062	8,114	2,727	810	2,409	237	5,847	584	1,147	2,138	20,173	1,141
1990	11,427	3,077	7,653	3,203	1,389	2,204	680	5,394	310	1,323	2,318	21,578	1,391
1991	13,628	3,478	8,542	3,620	1,678	1,992	1,306	5,846	432	1,631	2,624	21,863	1,693
1992	17,842	4,203	10,685	4,532	2,073	2,041	1,725	7,181	799	2,163	3,041	21,771	1,876
1993	21,812	6,946	13,502	6,854	2,272	2,343	1,628	7,202	922	2,533	3,614	21,587	1,998
1994	28,407	12,162	17,379	10,251	2,849	2,440	1,435	6,359	1,010	3,232	3,482	23,340	2,039
1995	35,758	13,195	20,387	10,926	3,160	2,816	1,283	6,395	1,132	2,621	3,409	27,859	2,278
1996	44,840	15,651	24,919	12,026	3,632	3,189	1,214	5,559	1,152	2,473	3,187	29,907	2,292
1997	53,137	17,925	30,666	12,866	3,694	3,716	1,091	4,918	1,347	2,285	2,995	32,961	2,663
1998	63,308	18,500	37,798	14,138	4,329	4,168	844	4,984	1,651	2,487	3,020	36,442	2,405
1999	83,225	21,832	42,468	14,252	4,755	4,128	795	4,877	1,448	2,263	2,754	41,177	2,438
2000	100,121	22,759	41,202	13,066	3,844	3,532	667	4,523	2,238	2,115	2,564	45,480	2,659
2001	100,015	22,038	43,709	14,257	4,813	3,605	632	5,117	2,822	2,044	2,515	44,415	2,822
2002	98,520	21,890	44,042	15,643	5,523	3,818	713	7,050	3,947	2,060	2,636	42,726	2,656
2003	102,433	23,952	47,680	17,784	5,514	4,780	907	7,020	4,978	1,841	2,559	38,396	2,806

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

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

Table 11

Liquid Assets and Liquidity Ratio of Long-Term Funds
(end of year)

Year	Liquid Assets (millions of dollars)				Liquidity Ratio* (percent)			
	Total	Equity Funds	Hybrid Funds	Bond Funds	Total	Equity Funds	Hybrid Funds	Bond Funds
1984	$12,181	$7,296	$878	$4,007	8.9%	9.1%	7.9%	8.7%
1985	20,593	10,452	1,413	8,728	8.2	9.4	8.0	7.1
1986	30,611	14,612	2,514	13,485	7.2	9.5	9.8	5.5
1987	37,930	16,319	2,730	18,881	8.4	9.3	9.3	7.6
1988	44,980	17,742	2,986	24,253	9.5	9.4	11.3	9.5
1989	44,603	25,602	5,747	13,253	8.1	10.4	16.1	4.9
1990	48,440	27,344	4,225	16,872	8.5	11.4	11.7	5.8
1991	60,385	30,657	3,318	26,410	7.1	7.6	6.4	6.7
1992	73,984	42,417	6,595	24,972	6.7	8.3	8.5	5.0
1993	99,436	57,539	16,774	25,123	6.6	7.8	11.6	4.1
1994	120,430	70,885	20,093	29,453	7.8	8.3	12.2	5.6
1995	141,755	97,743	19,494	24,518	6.9	7.8	9.3	4.1
1996	151,988	107,667	18,067	26,254	5.8	6.2	7.2	4.1
1997	198,826	145,565	24,761	28,500	5.8	6.1	7.8	3.9
1998	191,393	143,517	25,569	22,307	4.6	4.8	7.0	2.7
1999	219,098	174,692	20,656	23,750	4.2	4.3	5.5	2.9
2000	277,159	227,961	23,769	25,429	5.4	5.8	6.9	3.1
2001	222,053	172,056	25,505	24,492	4.7	5.0	7.4	2.6
2002	208,599	122,740	23,574	62,284	5.1	4.6	7.1	5.5
2003	258,594	156,968	29,048	72,578	4.8	4.3	6.7	5.8

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

Table 12

Liquidity Ratio* of Long-Term Funds by Investment Classification
(percent, end of year)

Year	Equity Funds: Capital Appreciation	Equity Funds: World	Equity Funds: Total Return	Hybrid Funds	Bond Funds: Corporate	Bond Funds: High Yield	Bond Funds: World	Bond Funds: Government	Bond Funds: Strategic Income	Bond Funds: State Muni	Bond Funds: National Muni
1984	9.9%	10.7%	8.0%	7.9%	5.7%	5.8%	10.5%	14.2%	10.1%	3.4%	8.1%
1985	8.2	11.5	10.5	8.0	4.8	5.7	-4.5	10.5	6.7	1.8	3.5
1986	8.7	9.4	10.2	9.8	6.3	5.0	21.1	6.7	10.8	2.5	3.0
1987	10.2	11.5	7.9	9.3	7.9	7.3	22.2	8.2	11.2	4.3	6.5
1988	10.5	7.1	8.8	11.3	13.1	7.0	17.3	11.5	17.8	4.4	7.2
1989	11.0	7.2	10.7	16.1	8.6	6.9	14.8	4.3	13.5	2.4	3.5
1990	12.0	11.7	10.6	11.7	8.6	11.4	43.7	1.3	8.0	2.8	4.7
1991	8.6	8.7	6.3	6.4	7.9	5.4	30.5	5.5	7.0	2.8	3.8
1992	10.3	9.6	5.9	8.5	8.4	5.7	22.8	2.3	6.5	2.8	3.8
1993	8.5	10.6	6.0	11.6	8.8	4.6	17.9	0.9	7.5	2.1	3.5
1994	9.1	10.8	6.2	12.2	10.2	7.9	20.0	2.8	8.6	2.8	4.5
1995	8.5	8.6	6.7	9.3	6.3	7.0	12.3	1.5	7.3	2.1	3.5
1996	6.6	7.0	5.4	7.2	5.3	6.7	9.0	-0.6	11.2	2.4	3.6
1997	6.4	8.0	5.1	7.8	4.8	5.3	8.7	0.8	9.8	2.1	2.8
1998	5.0	5.8	4.3	7.0	3.2	4.6	6.1	-3.0	8.7	1.7	2.4
1999	4.5	5.3	3.6	5.5	5.5	4.3	6.9	-4.6	8.2	2.1	2.5
2000	6.0	7.7	4.5	6.9	4.7	8.4	4.3	-2.6	3.1	3.1	3.5
2001	5.3	6.3	4.3	7.4	5.7	6.9	3.3	-0.3	0.4	2.3	3.1
2002	4.9	5.8	3.8	7.1	4.1	6.8	3.6	0.6	13.5	2.6	4.1
2003	4.1	5.7	3.9	6.7	6.3	5.3	3.7	1.1	12.7	2.2	3.7

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

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

Table 13

Net New Cash Flow* of Long-Term Funds
(millions of dollars, annual)

Year	Total	Equity Funds	Hybrid Funds	Bond Funds
1984	$19,194	$4,336	$1,801	$13,058
1985	73,490	6,643	3,720	63,127
1986	129,991	20,386	6,988	102,618
1987	29,776	19,231	3,748	6,797
1988	-23,119	-14,948	-3,684	-4,488
1989	8,731	6,774	3,183	-1,226
1990	21,211	12,915	1,483	6,813
1991	106,213	39,888	7,089	59,236
1992	171,696	78,983	21,833	70,881
1993	242,049	127,261	44,229	70,559
1994	75,160	114,525	23,105	-62,470
1995	122,208	124,392	3,899	-6,082
1996	231,874	216,937	12,177	2,760
1997	272,030	227,107	16,499	28,424
1998	241,796	157,032	10,154	74,610
1999	169,780	187,666	-13,805	-4,081
2000	228,874	309,365	-30,728	-49,763
2001	129,188	31,966	9,518	87,704
2002	120,583	-27,665	7,970	140,278
2003	215,837	152,278	32,581	30,978

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

Table 14

Net New Cash Flow* and Components of Net New Cash Flow of Equity Funds
(millions of dollars, annual)

Year	Net New Cash Flow	Sales			Redemptions		
		New + Exchange	New	Exchange	Regular + Exchange	Regular	Exchange
1984	$4,336	$28,705	$16,586	$12,119	$24,369	$10,669	$13,700
1985	6,643	40,608	25,046	15,562	33,965	17,558	16,406
1986	20,386	87,997	50,774	37,224	67,612	26,051	41,561
1987	19,231	139,596	65,093	74,502	120,365	38,601	81,764
1988	-14,948	68,827	25,641	43,186	83,775	33,247	50,528
1989	6,774	89,345	46,817	42,528	82,571	37,229	45,342
1990	12,915	104,334	62,872	41,462	91,419	44,487	46,931
1991	39,888	146,618	90,192	56,427	106,730	53,394	53,336
1992	78,983	201,720	134,309	67,411	122,738	61,465	61,272
1993	127,261	307,356	213,639	93,717	180,095	91,944	88,151
1994	114,525	366,659	252,887	113,772	252,134	141,097	111,037
1995	124,392	433,853	282,937	150,915	309,461	170,402	139,059
1996	216,937	674,323	442,372	231,951	457,386	240,531	216,854
1997	227,107	880,286	579,064	301,222	653,180	362,022	291,158
1998	157,032	1,065,455	699,669	365,786	908,422	534,269	374,154
1999	187,666	1,411,013	918,680	492,333	1,223,347	744,153	479,194
2000	309,365	1,975,880	1,321,836	654,044	1,666,515	1,038,573	627,943
2001	31,966	1,330,685	953,197	377,488	1,298,720	892,879	405,841
2002	-27,665	1,220,214	898,447	321,768	1,247,880	878,969	368,911
2003	152,278	1,086,421	847,672	238,750	934,143	710,642	223,501

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

Table 15

Net New Cash Flow* and Components of Net New Cash Flow of Hybrid Funds
(millions of dollars, annual)

Year	Net New Cash Flow	Sales			Redemptions		
		New + Exchange	New	Exchange	Regular + Exchange	Regular	Exchange
1984	$1,801	$4,118	$3,842	$277	$2,318	$2,017	$301
1985	3,720	7,502	6,976	526	3,782	3,161	621
1986	6,988	13,535	12,342	1,194	6,548	5,162	1,386
1987	3,748	14,948	12,420	2,529	11,200	7,848	3,353
1988	-3,684	6,259	4,601	1,658	9,943	7,521	2,422
1989	3,183	11,139	9,334	1,805	7,956	5,780	2,176
1990	1,483	9,722	8,021	1,700	8,238	5,619	2,619
1991	7,089	16,912	13,789	3,122	9,823	7,030	2,792
1992	21,833	32,955	26,586	6,369	11,122	7,265	3,858
1993	44,229	62,391	50,866	11,525	18,162	11,828	6,334
1994	23,105	60,434	50,436	9,998	37,329	25,761	11,568
1995	3,899	43,851	36,038	7,813	39,952	28,241	11,711
1996	12,177	58,089	48,494	9,595	45,912	31,915	13,997
1997	16,499	70,279	56,856	13,423	53,780	38,926	14,854
1998	10,154	84,225	68,738	15,487	74,071	54,637	19,434
1999	-13,805	82,826	68,501	14,324	96,631	71,068	25,563
2000	-30,728	71,823	58,350	13,473	102,551	74,510	28,041
2001	9,518	87,770	70,290	17,480	78,252	61,037	17,215
2002	7,970	95,568	78,218	17,350	87,598	69,677	17,921
2003	32,581	111,495	93,161	18,334	78,914	65,332	13,582

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

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

Components may not add to the total because of rounding.

Table 16

Net New Cash Flow* and Components of Net New Cash Flow of Bond Funds
(millions of dollars, annual)

Year	Net New Cash Flow	Sales			Redemptions		
		New + Exchange	New	Exchange	Regular + Exchange	Regular	Exchange
1984	$13,058	$25,554	$20,774	$4,780	$12,497	$7,344	$5,152
1985	63,127	83,359	74,485	8,874	20,232	13,095	7,137
1986	102,618	158,874	138,240	20,634	56,256	35,776	20,480
1987	6,797	123,528	93,725	29,803	116,731	69,628	47,104
1988	-4,488	72,174	47,378	24,796	76,662	51,558	25,103
1989	-1,226	71,770	48,602	23,168	72,996	48,517	24,480
1990	6,813	80,608	57,074	23,534	73,795	47,959	25,837
1991	59,236	141,623	108,059	33,563	82,387	56,158	26,228
1992	70,881	217,680	171,868	45,812	146,799	96,573	50,226
1993	70,559	260,519	207,265	53,254	189,960	127,201	62,759
1994	-62,470	185,015	129,959	55,057	247,485	162,360	85,125
1995	-6,082	165,610	109,797	55,814	171,693	114,252	57,441
1996	2,760	202,037	136,827	65,210	199,277	124,984	74,293
1997	28,424	240,377	174,682	65,695	211,953	140,245	71,708
1998	74,610	312,638	229,375	83,263	238,028	158,775	79,253
1999	-4,081	298,122	216,467	81,655	302,202	205,968	96,234
2000	-49,763	245,865	184,020	61,845	295,628	217,154	78,474
2001	87,704	389,128	297,243	91,885	301,424	222,933	78,491
2002	140,278	507,076	395,067	112,010	366,799	279,509	87,290
2003	30,978	513,005	422,166	90,840	482,028	371,941	110,087

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

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

Components may not add to the total because of rounding.

Table 17

Net New Cash Flow* of Long-Term Funds by Investment Classification

(millions of dollars, annual)

Year	Equity Funds: Capital Appreciation	Equity Funds: World	Equity Funds: Total Return	Hybrid Funds	Bond Funds: Corporate	Bond Funds: High Yield	Bond Funds: World	Bond Funds: Government	Bond Funds: Strategic Income	Bond Funds: State Muni	Bond Funds: National Muni
1984	$1,694	$949	$1,694	$1,801	$175	$1,215	-$3	$7,367	-$37	$1,882	$2,460
1985	1,575	770	4,299	3,720	935	4,366	19	42,762	1,200	5,652	8,194
1986	3,071	4,200	13,115	6,988	3,468	9,618	429	57,450	3,416	12,105	16,132
1987	7,432	-568	12,368	3,748	608	610	673	2,892	1,114	1,864	-965
1988	-7,210	-2,402	-5,336	-3,684	-200	3,209	609	-13,655	464	2,878	2,209
1989	-64	1,210	5,628	3,183	774	-2,876	-84	-12,812	1,738	6,484	5,550
1990	4,610	6,812	1,493	1,483	1,269	-5,229	7,615	-7,574	791	6,192	3,750
1991	23,509	3,959	12,421	7,089	6,016	1,682	10,282	17,337	2,685	11,112	10,121
1992	43,171	7,044	28,768	21,833	6,881	4,604	-3,003	29,643	4,389	13,205	15,162
1993	48,247	38,441	40,573	44,229	11,958	8,467	750	6,186	4,867	18,998	19,333
1994	42,853	44,248	27,424	23,105	715	-972	-6,800	-39,862	-102	-6,242	-9,208
1995	72,452	11,512	40,428	3,899	6,366	8,258	-4,248	-13,670	4,101	-2,221	-4,670
1996	99,511	47,516	69,910	12,177	6,368	12,486	-2,203	-13,771	5,773	-1,953	-3,940
1997	94,495	37,846	94,766	16,499	11,077	16,851	-1,287	-9,494	10,405	353	520
1998	82,748	7,527	66,757	10,154	20,121	13,602	-1,166	8,899	17,955	7,999	7,200
1999	160,290	11,224	16,151	-13,805	6,195	-2,546	-2,179	-2,201	8,802	-4,583	-7,568
2000	310,707	49,793	-51,136	-30,728	-7,737	-12,306	-2,208	-16,344	2,968	-5,513	-8,625
2001	17,179	-21,764	36,551	9,518	11,149	7,196	-1,022	27,872	30,919	6,631	4,961
2002	-36,899	-2,819	12,052	7,970	8,953	10,580	167	59,456	44,718	5,720	10,684
2003	66,816	23,405	62,058	32,581	8,073	26,324	3,142	-18,585	19,103	-8,056	977

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

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

Table 18

New Sales* of Long-Term Funds by Investment Classification

(millions of dollars, annual)

	Equity Funds			Hybrid Funds	Bond Funds						
Year	Capital Appreciation	World	Total Return		Corporate	High Yield	World	Government	Strategic Income	State Muni	National Muni
1984	$9,024	$1,480	$6,083	$3,842	$658	$1,939	$4	$8,571	$759	$2,347	$6,496
1985	13,736	1,698	9,613	6,976	1,357	5,162	24	48,267	1,809	6,433	11,433
1986	21,395	7,076	22,303	12,342	4,066	12,645	432	78,991	4,873	14,505	22,728
1987	30,529	6,829	27,736	12,420	3,224	8,285	1,073	51,019	4,574	9,909	15,642
1988	12,417	2,206	11,018	4,601	1,738	7,856	1,348	15,940	2,923	7,104	10,470
1989	19,943	4,245	22,629	9,334	2,514	7,607	740	10,966	3,679	10,046	13,050
1990	27,234	11,274	24,364	8,021	5,545	3,373	8,639	13,206	2,093	11,430	12,789
1991	44,081	9,860	36,251	13,789	13,242	4,546	14,556	37,187	4,028	16,571	17,931
1992	68,960	13,225	52,124	26,586	24,014	9,362	12,664	70,148	7,167	21,554	26,958
1993	99,309	40,651	73,679	50,866	37,045	14,375	14,193	65,850	9,058	29,828	36,917
1994	112,064	68,396	72,428	50,436	37,167	11,853	8,324	27,386	6,581	16,677	21,971
1995	142,591	53,554	86,792	36,038	28,686	15,415	4,889	21,993	9,477	13,355	15,983
1996	221,530	88,669	132,173	48,494	36,433	22,989	6,441	20,757	15,936	15,588	18,684
1997	275,013	120,065	183,986	56,856	42,472	33,312	7,773	24,106	24,104	19,029	23,886
1998	345,095	132,747	221,827	68,738	53,039	41,872	7,533	38,607	33,863	25,406	29,056
1999	501,019	181,670	235,992	68,501	51,509	32,360	5,620	38,138	38,372	22,931	27,536
2000	769,432	330,281	222,123	58,350	43,763	23,171	5,911	26,450	43,706	17,152	23,868
2001	481,878	247,123	224,196	70,290	60,866	33,747	6,127	63,180	77,281	25,701	30,341
2002	438,500	241,195	218,751	78,218	66,718	40,269	7,566	103,967	109,717	27,578	39,251
2003	423,359	200,157	224,155	93,161	79,282	66,308	13,522	84,028	117,153	21,967	39,906

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

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

Table 19

Exchange Sales* of Long-Term Funds by Investment Classification
(millions of dollars, annual)

Year	Equity Funds: Capital Appreciation	Equity Funds: World	Equity Funds: Total Return	Hybrid Funds	Bond Funds: Corporate	Bond Funds: High Yield	Bond Funds: World	Bond Funds: Government	Bond Funds: Strategic Income	Bond Funds: State Muni	Bond Funds: National Muni
1984	$6,878	$245	$4,996	$277	$235	$750	$1	$299	$255	$353	$2,888
1985	8,039	434	7,089	526	435	1,411	4	1,718	588	742	3,975
1986	20,019	3,619	13,585	1,194	1,192	2,792	37	4,096	1,197	2,242	9,079
1987	47,383	4,434	22,686	2,529	1,595	3,398	438	6,002	1,898	3,903	12,569
1988	31,041	1,451	10,693	1,658	1,650	4,364	605	4,979	1,451	3,077	8,670
1989	30,650	1,676	10,202	1,805	1,748	3,396	367	4,575	1,463	3,360	8,259
1990	29,022	3,804	8,635	1,700	2,108	2,279	816	5,370	535	3,429	8,998
1991	39,712	4,357	12,357	3,122	3,874	3,392	1,280	10,356	935	3,814	9,913
1992	45,976	6,327	15,108	6,369	6,008	6,228	2,475	11,784	1,184	5,021	13,113
1993	57,079	18,074	18,563	11,525	6,690	6,694	4,179	9,795	1,435	6,121	18,340
1994	62,488	33,316	17,968	9,998	5,466	7,875	3,355	7,808	2,067	9,424	19,063
1995	95,586	30,313	25,017	7,813	6,777	6,995	2,016	7,279	1,868	10,808	20,071
1996	138,835	52,450	40,666	9,595	6,920	9,773	2,996	7,667	2,507	10,599	24,748
1997	172,140	65,594	63,488	13,423	7,977	12,588	3,323	9,757	3,770	8,309	19,971
1998	217,577	77,381	70,828	15,487	13,106	13,920	2,924	20,792	8,178	7,485	16,858
1999	304,807	111,442	76,084	14,324	13,505	13,000	1,367	23,142	6,602	6,985	17,056
2000	440,123	149,077	64,844	13,473	9,193	10,268	1,333	16,715	8,161	5,309	10,865
2001	242,090	75,707	59,692	17,480	17,686	11,093	1,162	26,695	16,216	5,367	13,666
2002	211,506	57,568	52,693	17,350	16,486	11,262	1,799	40,646	22,589	5,654	13,573
2003	144,106	38,134	56,510	18,334	15,622	16,948	2,856	22,684	18,224	4,312	10,194

**Exchange sales are the dollar value of mutual fund shares switched into funds within the same fund group.*
Note: Data for funds that invest in other mutual funds were excluded from the series.

Table 20

Redemptions* of Long-Term Funds by Investment Classification

(millions of dollars, annual)

Year	Equity Funds: Capital Appreciation	Equity Funds: World	Equity Funds: Total Return	Hybrid Funds	Bond Funds: Corporate	Bond Funds: High Yield	Bond Funds: World	Bond Funds: Government	Bond Funds: Strategic Income	Bond Funds: State Muni	Bond Funds: National Muni
1984	$6,804	$589	$3,277	$2,017	$356	$848	$5	$1,243	$635	$517	$3,741
1985	11,396	1,122	5,040	3,161	436	1,179	7	6,479	690	985	3,318
1986	14,004	2,958	9,089	5,162	872	3,128	28	21,045	1,645	2,677	6,381
1987	19,892	5,044	13,665	7,848	2,233	5,900	489	40,407	3,176	5,733	11,689
1988	16,268	3,663	13,316	7,521	1,891	5,527	731	28,056	2,687	4,290	8,377
1989	17,859	2,895	16,476	5,780	2,000	8,134	768	22,889	2,398	4,248	8,080
1990	19,810	4,198	20,480	5,619	4,366	6,798	1,326	20,314	1,288	5,143	8,724
1991	23,982	5,646	23,766	7,030	8,387	3,856	4,476	22,883	1,446	6,030	9,081
1992	29,209	6,730	25,526	7,265	17,633	5,653	12,462	37,589	2,343	8,310	12,583
1993	47,885	10,183	33,876	11,828	24,966	7,255	11,190	52,251	3,487	10,647	17,404
1994	68,498	28,854	43,745	25,761	32,827	10,506	13,016	56,835	5,512	18,399	25,265
1995	81,950	37,830	50,622	28,241	23,342	9,390	7,912	33,731	5,198	15,209	19,470
1996	126,349	44,950	69,233	31,915	29,487	12,096	8,194	29,956	9,326	16,145	19,782
1997	183,157	79,102	99,763	38,926	30,745	18,013	8,220	30,288	13,747	16,965	22,267
1998	261,503	119,842	152,924	54,637	35,368	27,247	8,010	31,552	17,445	17,204	21,949
1999	367,682	171,238	205,233	71,068	44,569	32,126	7,091	36,639	28,068	25,176	32,299
2000	521,452	282,214	234,907	74,510	49,098	30,805	7,536	37,690	38,719	22,077	31,229
2001	446,398	259,106	187,375	61,037	53,531	26,799	6,762	39,908	50,531	18,921	26,482
2002	446,858	238,726	193,385	69,677	60,835	29,877	7,798	58,800	70,093	21,733	30,374
2003	362,053	179,606	168,983	65,332	71,705	43,665	10,781	87,667	94,100	26,861	37,163

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

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

Table 21

Exchange Redemptions* of Long-Term Funds by Investment Classification
(millions of dollars, annual)

Year	Equity Funds: Capital Appreciation	Equity Funds: World	Equity Funds: Total Return	Hybrid Funds	Bond Funds: Corporate	Bond Funds: High Yield	Bond Funds: World	Bond Funds: Government	Bond Funds: Strategic Income	Bond Funds: State Muni	Bond Funds: National Muni
1984	$7,404	$187	$6,109	$301	$362	$626	$4	$260	$417	$301	$3,184
1985	8,804	240	7,363	621	422	1,027	3	744	507	538	3,896
1986	24,341	3,537	13,684	1,386	918	2,691	13	4,592	1,009	1,964	9,294
1987	50,587	6,787	24,389	3,353	1,979	5,173	349	13,721	2,182	6,215	17,486
1988	34,400	2,396	13,732	2,422	1,697	3,484	614	6,519	1,223	3,013	8,554
1989	32,799	1,817	10,726	2,176	1,488	5,745	424	5,465	1,006	2,674	7,679
1990	31,837	4,068	11,027	2,619	2,018	4,082	515	5,836	549	3,524	9,313
1991	36,302	4,613	12,422	2,792	2,712	2,399	1,078	7,323	831	3,243	8,642
1992	42,556	5,778	12,938	3,858	5,508	5,334	5,680	14,700	1,619	5,060	12,326
1993	60,257	10,101	17,793	6,334	6,810	5,347	6,432	17,208	2,138	6,305	18,520
1994	63,200	28,610	19,227	11,568	9,091	10,193	5,463	18,220	3,238	13,944	24,977
1995	83,775	34,525	20,759	11,711	5,754	4,762	3,241	9,211	2,045	11,174	21,254
1996	134,505	48,653	33,696	13,997	7,498	8,180	3,446	12,239	3,345	11,995	27,590
1997	169,502	68,712	52,945	14,854	8,627	11,036	4,163	13,070	3,722	10,021	21,069
1998	218,421	82,759	72,974	19,434	10,656	14,944	3,613	18,947	6,641	7,688	16,764
1999	277,853	110,650	90,692	25,563	14,250	15,781	2,074	26,842	8,104	9,322	19,861
2000	377,396	147,350	103,197	28,041	11,595	14,940	1,915	21,818	10,181	5,897	12,128
2001	260,390	85,488	59,962	17,215	13,872	10,846	1,550	22,095	12,048	5,517	12,564
2002	240,047	62,857	66,008	17,921	13,416	11,075	1,400	26,358	17,495	5,780	11,766
2003	138,597	35,280	49,624	13,582	15,127	13,267	2,455	37,630	22,174	7,475	11,960

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

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

Table 22

Annual Redemption Rates of Long-Term Funds
(percent)

	Narrow Redemption Rate[1]				Broad Redemption Rate[2]			
Year	Total	Equity Funds	Hybrid Funds	Bond Funds	Total	Equity Funds	Hybrid Funds	Bond Funds
1985	17.4%	18.4%	22.0%	15.5%	29.8%	35.6%	26.3%	24.0%
1986	19.8	19.6	23.8	19.6	38.6	50.9	30.2	30.7
1987	26.5	23.4	28.5	28.3	56.7	73.0	40.7	47.5
1988	20.0	18.2	27.1	20.5	36.9	45.9	35.8	30.4
1989	17.9	17.1	18.7	18.4	31.9	38.0	25.7	27.7
1990	17.5	18.4	15.7	17.0	31.0	37.7	23.0	26.2
1991	16.4	16.6	15.9	16.4	28.1	33.1	22.2	24.1
1992	17.0	13.4	11.2	21.5	28.8	26.7	17.1	32.7
1993	17.8	14.7	10.6	22.6	29.9	28.7	16.3	33.8
1994	21.6	17.7	16.7	28.3	35.2	31.6	24.2	43.2
1995	17.4	16.2	15.1	20.3	28.9	29.4	21.3	30.5
1996	17.0	16.2	13.8	20.1	30.0	30.7	19.8	32.0
1997	17.9	17.7	13.7	20.5	30.5	31.9	18.9	31.0
1998	19.7	20.0	16.0	20.4	32.2	34.0	21.7	30.6
1999	21.7	21.2	19.1	25.1	34.5	34.9	26.0	36.8
2000	25.7	26.0	20.6	26.7	39.9	41.6	28.3	36.4
2001	24.0	24.2	17.6	25.7	34.2	35.2	22.6	34.7
2002	27.9	28.9	20.6	27.3	38.7	41.0	25.9	35.8
2003	24.2	22.4	17.0	31.4	31.5	29.4	20.6	40.7

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

Table 23

Portfolio Holdings of Long-Term Mutual Funds
(millions of dollars, end of year)

Year	Total Net Assets	Common & Preferred Stocks	Long-Term U.S. Government Bonds	Corporate Bonds	Municipal Bonds	Liquid Assets	Other
1984	$137,126	$83,140	$9,661	$14,929	$16,882	$12,181	$333
1985	251,583	113,551	53,449	24,987	38,174	20,593	829
1986	423,516	160,826	111,384	47,246	70,778	30,611	2,671
1987	453,076	181,636	119,655	41,592	68,464	37,930	3,799
1988	471,417	179,110	103,605	54,364	86,016	44,980	3,342
1989	552,578	245,352	117,850	52,830	84,831	44,603	7,112
1990	566,849	216,451	128,153	45,365	117,084	48,440	11,356
1991	850,744	381,310	163,098	87,577	149,538	60,385	8,836
1992	1,096,342	485,285	225,281	115,441	191,779	73,984	4,572
1993	1,504,644	712,254	272,248	165,589	249,164	99,436	5,953
1994	1,544,320	823,713	223,070	155,158	211,127	120,430	10,822
1995	2,058,275	1,215,210	259,076	190,879	245,331	141,755	6,024
1996	2,623,994	1,718,100	265,110	237,988	245,182	151,988	5,626
1997	3,409,315	2,358,344	282,061	292,903	266,326	198,826	10,855
1998	4,173,531	3,004,200	286,537	389,135	292,505	191,393	9,761
1999	5,233,194	4,059,506	294,270	387,681	267,438	219,098	5,201
2000	5,119,386	3,910,304	309,648	349,100	269,179	277,159	3,996
2001	4,689,603	3,424,511	379,415	372,201	289,649	222,053	1,774
2002	4,118,402	2,688,468	481,001	417,844	320,622	208,599	1,868
2003	5,362,399	3,760,654	506,596	501,427	332,074	258,594	3,055

Share of Total Net Assets
(percent, end of year)

Year	Total Net Assets	Common & Preferred Stocks	Long-Term U.S. Government Bonds	Corporate Bonds	Municipal Bonds	Liquid Assets	Other
1984	100.0%	60.6%	7.0%	10.9%	12.3%	8.9%	0.2%
1985	100.0	45.1	21.2	9.9	15.2	8.2	0.3
1986	100.0	38.0	26.3	11.2	16.7	7.2	0.6
1987	100.0	40.1	26.4	9.2	15.1	8.4	0.8
1988	100.0	38.0	22.0	11.5	18.2	9.5	0.7
1989	100.0	44.4	21.3	9.6	15.4	8.1	1.3
1990	100.0	38.2	22.6	8.0	20.7	8.5	2.0
1991	100.0	44.8	19.2	10.3	17.6	7.1	1.0
1992	100.0	44.3	20.5	10.5	17.5	6.7	0.4
1993	100.0	47.3	18.1	11.0	16.6	6.6	0.4
1994	100.0	53.3	14.4	10.0	13.7	7.8	0.7
1995	100.0	59.0	12.6	9.3	11.9	6.9	0.3
1996	100.0	65.5	10.1	9.1	9.3	5.8	0.2
1997	100.0	69.2	8.3	8.6	7.8	5.8	0.3
1998	100.0	72.0	6.9	9.3	7.0	4.6	0.2
1999	100.0	77.6	5.6	7.4	5.1	4.2	0.1
2000	100.0	76.4	6.0	6.8	5.3	5.4	0.1
2001	100.0	73.1	8.1	7.9	6.2	4.7	0.0
2002	100.0	65.3	11.7	10.1	7.8	5.1	0.0
2003	100.0	70.1	9.4	9.4	6.2	4.8	0.0

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

Table 24

Portfolio Holdings of Long-Term Mutual Funds as a Share of Total Net Assets by Type of Fund

(end of year)

Year	Total Net Assets	Common & Preferred Stocks	Long-Term U.S. Government Bonds	Corporate Bonds	Municipal Bonds	Liquid Assets	Other	Total Net Assets (millions of dollars)
Equity Funds								
1991	100.0%	86.0%	2.3%	2.8%	0.1%	7.6%	1.3%	$404,732
1992	100.0	86.1	2.6	2.6	0.1	8.3	0.3	514,087
1993	100.0	86.8	2.7	2.3	0.1	7.8	0.4	740,667
1994	100.0	87.1	2.3	2.0	0.0	8.3	0.3	852,765
1995	100.0	88.4	2.1	1.5	0.0	7.8	0.2	1,249,077
1996	100.0	91.3	1.1	1.2	0.0	6.2	0.2	1,726,010
1997	100.0	91.8	0.9	0.9	0.0	6.1	0.2	2,368,024
1998	100.0	93.6	0.5	1.0	0.0	4.8	0.1	2,978,227
1999	100.0	94.7	0.2	0.7	0.0	4.3	0.0	4,041,890
2000	100.0	93.4	0.2	0.6	0.0	5.8	0.0	3,961,922
2001	100.0	94.1	0.2	0.7	0.0	5.0	0.0	3,418,164
2002	100.0	93.7	0.5	1.1	0.0	4.6	0.0	2,663,012
2003	100.0	94.7	0.2	0.7	0.0	4.3	0.0	3,684,798
Hybrid Funds								
1991	100.0%	53.3%	19.8%	19.6%	0.1%	6.4%	0.9%	$52,230
1992	100.0	48.9	20.1	22.0	0.1	8.5	0.5	78,042
1993	100.0	45.0	20.9	21.3	0.7	11.6	0.6	144,501
1994	100.0	46.8	19.9	20.9	0.2	12.2	0.1	164,404
1995	100.0	50.2	19.8	19.7	0.3	9.3	0.7	210,332
1996	100.0	53.0	18.3	21.1	0.2	7.2	0.3	252,576
1997	100.0	54.2	16.1	20.7	0.3	7.8	0.9	317,111
1998	100.0	55.6	12.8	23.7	0.4	7.0	0.5	364,714
1999	100.0	57.8	13.6	22.6	0.4	5.5	0.1	378,809
2000	100.0	57.7	13.9	21.2	0.3	6.9	0.1	346,276
2001	100.0	58.5	12.4	21.6	0.2	7.0	0.2	346,315
2002	100.0	56.5	12.3	23.7	0.2	7.1	0.2	330,490
2003	100.0	60.2	11.0	21.7	0.3	6.6	0.2	436,684
Bond Funds								
1991	100.0%	1.3%	36.5%	16.8%	37.9%	6.7%	0.8%	$393,781
1992	100.0	0.9	39.0	16.8	37.9	5.0	0.5	504,213
1993	100.0	0.8	35.9	19.0	39.9	4.1	0.3	619,476
1994	100.0	0.9	32.3	19.7	40.0	5.6	1.5	527,152
1995	100.0	0.8	32.0	21.9	40.9	4.1	0.3	598,865
1996	100.0	1.3	30.9	25.5	37.9	4.1	0.3	645,407
1997	100.0	1.7	28.9	28.4	36.6	3.9	0.4	724,179
1998	100.0	1.7	27.2	32.8	35.0	2.7	0.5	830,590
1999	100.0	1.7	28.7	33.5	32.7	2.9	0.4	812,494
2000	100.0	1.3	31.3	30.9	33.0	3.1	0.3	811,188
2001	100.0	0.9	35.7	29.4	31.2	2.6	0.0	925,124
2002	100.0	0.5	37.8	27.7	28.4	5.6	0.0	1,124,900
2003	100.0	0.6	36.3	30.6	26.6	5.9	0.0	1,240,917

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

Table 25

Paid and Reinvested Dividends of Long-Term Funds
(millions of dollars, annual)

	Paid Dividends				Reinvested Dividends			
Year	Total	Equity Funds	Hybrid Funds	Bond Funds	Total	Equity Funds	Hybrid Funds	Bond Funds
1984	$7,238	$2,613[e]	$583[e]	$4,042[e]	$4,656	$1,882	$432	$2,342
1985	12,719	3,229	1,098	8,392	7,731	2,321	768	4,642
1986	22,689	6,328	1,499	14,862	13,991	3,706	1,087	9,197
1987	31,708	7,246	1,934	22,528	18,976	4,841	1,476	12,659
1988	31,966	6,554	1,873	23,539	17,494	4,476	1,217	11,801
1989	34,102	10,235	2,165	21,702	20,584	7,119	1,383	12,082
1990	33,156	8,787	2,350	22,018	21,124	6,721	1,725	12,678
1991	35,145	9,007	2,337	23,801	24,301	7,255	1,907	15,139
1992	58,608	17,023	4,483	37,102	30,393	8,845	2,937	18,611
1993	73,178	20,230	6,810	46,137	38,116	12,174	4,270	21,672
1994	61,321	17,337	6,898	37,086	39,136	12,971	5,043	21,122
1995	67,229	22,567	9,052	35,610	46,635	18,286	6,929	21,421
1996	73,282	25,061	9,844	38,378	53,213	21,345	8,196	23,672
1997	79,896	27,971	11,607	40,318	58,423	23,100	9,602	25,721
1998	81,011	25,495	11,456	44,060	60,041	22,377	9,528	28,135
1999	95,443	32,543	12,821	50,078	69,973	27,332	10,746	31,894
2000	88,214	27,987	10,681	49,545	66,276	24,590	9,276	32,410
2001	82,967	22,325	10,161	50,481	62,306	20,090	8,960	33,256
2002	82,065	21,403	9,579	51,082	62,413	19,382	8,473	34,559
2003	85,926	25,381	9,630	50,916	66,870	23,005	8,412	35,453

[e]A portion of the breakdown of 1984 data was estimated.

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

Components may not add to the total because of rounding.

Table 26

Paid and Reinvested Capital Gains of Long-Term Funds
(millions of dollars, annual)

Year	Paid Capital Gains: Total	Paid Capital Gains: Equity Funds	Paid Capital Gains: Hybrid Funds	Paid Capital Gains: Bond Funds	Reinvested Capital Gains: Total	Reinvested Capital Gains: Equity Funds	Reinvested Capital Gains: Hybrid Funds	Reinvested Capital Gains: Bond Funds
1984	$6,019	$5,247[e]	$553[e]	$219[e]	$5,122	$4,655	$338	$129
1985	4,895	3,699	739	457	3,751	3,091	398	261
1986	17,661	13,942	1,240	2,478	14,274	11,850[e]	778	1,646
1987	22,926	18,603	1,605	2,718	17,811	15,443[e]	1,056	1,312
1988	6,354	4,785	620	948	4,769	3,883	364	522
1989	14,766	12,665	540	1,562	9,710	8,744	348	617
1990	8,017	6,833	443	742	5,515	4,975	255	285
1991	13,917	11,961	861	1,095	9,274	8,213	485	576
1992	22,089	17,294	1,488	3,306	14,906	12,233	1,134	1,538
1993	35,905	27,705	3,496	4,704	25,485	19,925	2,697	2,862
1994	29,825	26,432	2,413	981	24,846	22,020	2,093	733
1995	54,271	50,204	3,343	724	46,866	43,550	2,845	471
1996	100,489	88,212	10,826	1,451	87,416	76,638	9,769	1,009
1997	183,385	161,365	19,080	2,941	164,916	145,358	17,360	2,198
1998	164,989	138,681	21,572	4,737	151,105	127,473	19,698	3,935
1999	237,624	219,484	16,841	1,299	206,508	190,300	15,229	979
2000	325,841	307,586	17,808	446	298,429	281,339	16,719	371
2001	68,628	60,718	5,488	2,421	64,820	57,564	5,198	2,059
2002	16,097	10,795	639	4,663	14,749	10,102	614	4,033
2003	14,397	7,728	813	5,856	12,955	7,142	748	5,065

[e]A portion of the breakdown of 1984, 1986, and 1987 data was estimated.

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

Components may not add to the total because of rounding.

Table 27

Total Portfolio, Common Stock, and Other Securities Purchases, Sales, and Net Purchases by Long-Term Funds

(millions of dollars, annual)

	Total Portfolio			Common Stock			Other Securities		
Year	Purchases	Sales	Net Purchases	Purchases	Sales	Net Purchases	Purchases	Sales	Net Purchases
1984	$119,273	$98,934	$20,338	$56,588	$50,900	$5,688	$62,685	$48,035	$14,650
1985	259,496	186,985	72,511	80,719	72,577	8,142	178,777	114,408	64,369
1986	500,597	365,087	135,509	134,446	118,026	16,421	366,150	247,062	119,089
1987	530,601	485,271	45,330	198,859	176,004	22,855	331,741	309,267	22,474
1988	410,509	421,224	-10,715	112,742	128,815	-16,073	297,767	292,408	5,358
1989	471,744	445,453	26,291	142,771	141,694	1,077	328,973	303,759	25,214
1990	554,720	505,780	48,940	166,398	146,580	19,817	388,322	359,199	29,123
1991	735,674	608,111	127,563	250,289	209,276	41,013	485,386	398,835	86,551
1992	949,366	758,475	190,891	327,518	261,857	65,661	621,848	496,618	125,230
1993	1,335,506	1,060,360	275,145	506,713	380,855	125,858	828,793	679,505	149,288
1994	1,433,739	1,329,324	104,414	628,668	512,346	116,321	805,071	816,978	-11,907
1995	1,550,510	1,400,702	149,809	790,017	686,756	103,260	760,494	713,946	46,548
1996	2,018,253	1,736,884	281,370	1,151,262	927,266	223,996	866,991	809,618	57,373
1997	2,384,639	2,108,981	275,659	1,457,384	1,268,983	188,401	927,255	839,997	87,258
1998	2,861,562	2,560,074	301,487	1,762,565	1,597,311	165,255	1,098,997	962,764	136,233
1999	3,437,180	3,224,301	212,878	2,262,505	2,088,544	173,962	1,174,674	1,135,757	38,917
2000	4,923,152	4,698,519	224,633	3,560,899	3,330,714	230,185	1,362,253	1,367,805	-5,552
2001	4,688,803	4,393,429	295,374	2,737,099	2,609,814	127,285	1,951,704	1,783,616	168,089
2002	4,019,470	3,807,990	211,480	2,176,706	2,142,154	34,552	1,842,764	1,665,836	176,928
2003	4,282,064	3,999,208	282,856	2,054,528	1,885,047	169,481	2,227,536	2,114,161	113,375

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

Components may not add to the total because of rounding.

Table 28

Total Portfolio, Common Stock, and Other Securities Purchases, Sales, and Net Purchases by Equity Funds
(millions of dollars, annual)

	Total Portfolio			Common Stock			Other Securities		
Year	Purchases	Sales	Net Purchases	Purchases	Sales	Net Purchases	Purchases	Sales	Net Purchases
1984	$54,933	$49,853	$5,080	$49,098	$44,213	$4,885	$5,835	$5,640	$195
1985	77,327	70,685	6,642	66,762	61,599	5,163	10,565	9,086	1,479
1986	129,723	111,233	18,491	110,016	96,512	13,504	19,708	14,721	4,987
1987	196,902	175,292	21,611	170,715	150,705	20,009	26,188	24,586	1,601
1988	119,861	130,822	-10,961	100,888	113,635	-12,747	18,973	17,187	1,787
1989	148,346	144,753	3,593	128,998	127,026	1,973	19,348	17,728	1,621
1990	187,592	169,373	18,218	151,907	133,630	18,277	35,684	35,743	-59
1991	251,775	207,946	43,829	224,117	186,785	37,333	27,658	21,162	6,496
1992	339,002	268,868	70,134	300,712	242,319	58,393	38,290	26,549	11,741
1993	500,197	382,432	117,765	451,485	345,357	106,128	48,712	37,075	11,637
1994	618,004	508,389	109,615	564,380	456,708	107,672	53,623	51,681	1,942
1995	785,867	678,060	107,807	718,298	621,699	96,599	67,569	56,361	11,208
1996	1,116,906	896,644	220,262	1,050,884	832,486	218,397	66,022	64,157	1,865
1997	1,421,211	1,223,463	197,748	1,352,085	1,166,649	185,436	69,126	56,814	12,312
1998	1,723,752	1,557,212	166,540	1,635,842	1,475,384	160,458	87,909	81,827	6,082
1999	2,232,821	2,049,539	183,282	2,126,853	1,941,504	185,349	105,968	108,035	-2,067
2000	3,537,574	3,286,380	251,193	3,396,973	3,152,784	244,189	140,601	133,597	7,004
2001	2,730,970	2,615,592	115,377	2,576,109	2,468,568	107,541	154,861	147,025	7,837
2002	2,155,373	2,125,282	30,091	2,021,028	2,004,760	16,269	134,344	120,523	13,822
2003	1,989,037	1,837,210	151,827	1,909,395	1,758,671	150,724	79,642	78,539	1,103

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

Components may not add to the total because of rounding.

Table 29

Total Portfolio, Common Stock, and Other Securities Purchases, Sales, and Net Purchases by Hybrid Funds
(millions of dollars, annual)

	Total Portfolio			Common Stock			Other Securities		
Year	Purchases	Sales	Net Purchases	Purchases	Sales	Net Purchases	Purchases	Sales	Net Purchases
1984	$11,589	$9,258	$2,331	$7,129	$5,822	$1,308	$4,459	$3,436	$1,023
1985	19,647	14,915	4,732	13,378	10,513	2,865	6,269	4,402	1,867
1986	34,746	28,007	6,739	21,894	19,451	2,443	12,853	8,556	4,297
1987	48,335	44,168	4,168	26,282	23,989	2,293	22,053	20,179	1,874
1988	28,070	31,455	-3,384	10,628	13,833	-3,205	17,442	17,622	-179
1989	26,747	24,864	1,883	12,459	13,598	-1,139	14,288	11,266	3,022
1990	31,003	27,042	3,961	13,329	11,849	1,480	17,674	15,192	2,481
1991	42,937	34,656	8,281	18,658	15,435	3,223	24,279	19,221	5,058
1992	64,429	43,855	20,574	23,966	17,200	6,766	40,463	26,655	13,809
1993	116,821	74,135	42,686	49,689	30,490	19,200	67,131	43,645	23,486
1994	141,268	114,962	26,306	54,812	46,429	8,383	86,456	68,533	17,923
1995	189,989	180,066	9,923	67,628	60,612	7,016	122,360	119,454	2,907
1996	233,471	211,094	22,377	92,495	88,487	4,008	140,976	122,607	18,370
1997	266,438	245,278	21,160	98,115	94,990	3,125	168,323	150,288	18,036
1998	290,682	266,334	24,347	115,714	111,414	4,300	174,967	154,920	20,047
1999	303,946	304,642	-696	128,313	138,952	-10,639	175,633	165,690	9,943
2000	317,663	339,196	-21,533	156,128	168,550	-12,422	161,535	170,646	-9,111
2001	361,033	338,197	22,836	152,996	132,764	20,232	208,037	205,433	2,604
2002	357,526	337,542	19,984	144,229	126,228	18,002	213,297	211,314	1,982
2003	375,970	332,545	43,425	132,426	114,964	17,462	243,544	217,581	25,963

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

Table 30

Total Portfolio, Common Stock, and Other Securities Purchases, Sales, and Net Purchases by Bond Funds

(millions of dollars, annual)

	Total Portfolio			Common Stock			Other Securities		
Year	Purchases	Sales	Net Purchases	Purchases	Sales	Net Purchases	Purchases	Sales	Net Purchases
1984	$52,751	$39,823	$12,928	$361	$865	-$504	$52,390	$38,958	$13,432
1985	162,522	101,385	61,137	579	465	114	161,943	100,919	61,024
1986	336,127	225,848	110,279	2,537	2,062	475	333,590	223,785	109,805
1987	285,363	265,812	19,551	1,862	1,310	553	283,501	264,502	18,999
1988	262,577	258,947	3,630	1,226	1,347	-121	261,351	257,600	3,751
1989	296,651	275,836	20,815	1,314	1,071	243	295,337	274,765	20,572
1990	336,125	309,364	26,761	1,161	1,101	60	334,964	308,264	26,700
1991	440,962	365,509	75,453	7,514	7,056	457	433,449	358,453	74,996
1992	545,934	445,752	100,182	2,840	2,338	502	543,095	443,414	99,680
1993	718,488	603,793	114,694	5,538	5,009	529	712,950	598,785	114,165
1994	674,467	705,973	-31,506	9,475	9,209	266	664,991	696,764	-31,773
1995	574,655	542,576	32,079	4,091	4,445	-354	570,564	538,131	32,433
1996	667,876	629,146	38,730	7,884	6,292	1,591	659,992	622,854	37,139
1997	696,990	640,240	56,750	7,184	7,344	-160	689,806	632,896	56,910
1998	847,129	736,529	110,600	11,009	10,512	496	836,120	726,016	110,104
1999	900,413	870,121	30,292	7,339	8,088	-749	893,074	862,033	31,041
2000	1,067,916	1,072,943	-5,027	7,797	9,380	-1,582	1,060,118	1,063,563	-3,445
2001	1,596,800	1,439,640	157,160	7,994	8,482	-488	1,588,806	1,431,158	157,648
2002	1,506,571	1,345,166	161,406	11,448	11,167	281	1,495,123	1,333,999	161,124
2003	1,917,057	1,829,453	87,604	12,708	11,412	1,295	1,904,350	1,818,041	86,309

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

Components may not add to the total because of rounding.

Table 31

Total Net Assets, Number of Funds, Number of Share Classes, and Number of Shareholder Accounts of Money Market Funds

(end of year)

	Total Net Assets (millions of dollars)			Number of Funds			Number of Share Classes			Number of Shareholder Accounts* (thousands)		
Year	Total	Taxable	Tax-Exempt	Total	Taxable	Tax-Exempt	Total	Taxable	Tax-Exempt	Total	Taxable	Tax-Exempt
1974	$1,715	$1,715	–	15	15	–	–	–	–	104	104	–
1975	3,696	3,696	–	36	36	–	–	–	–	209	209	–
1976	3,686	3,686	–	48	48	–	–	–	–	181	181	–
1977	3,888	3,888	–	50	50	–	–	–	–	178	178	–
1978	10,858	10,858	–	61	61	–	–	–	–	468	468	–
1979	45,532	45,214	$318	78	76	2	–	–	–	2,308	2,308	–
1980	76,361	74,448	1,914	106	96	10	–	–	–	4,762	4,746	17
1981	186,158	181,910	4,248	179	159	20	–	–	–	10,323	10,282	41
1982	219,838	206,608	13,230	318	281	37	–	–	–	13,258	13,101	157
1983	179,387	162,550	16,837	373	307	66	–	–	–	12,540	12,277	263
1984	233,554	209,732	23,822	425	329	96	425	329	96	13,845	13,556	288
1985	243,802	207,535	36,267	460	348	112	460	348	112	14,935	14,435	499
1986	292,152	228,346	63,806	487	360	127	487	360	127	16,313	15,654	660
1987	316,096	254,676	61,420	543	389	154	543	389	154	17,675	16,833	842
1988	337,954	272,293	65,660	610	434	176	610	434	176	18,570	17,631	939
1989	428,093	358,719	69,374	673	470	203	673	470	203	21,314	20,173	1,141
1990	498,341	414,733	83,608	741	506	235	762	523	239	22,969	21,578	1,391
1991	542,442	452,559	89,883	820	553	267	871	592	279	23,556	21,863	1,693
1992	546,194	451,353	94,841	864	585	279	914	616	298	23,647	21,771	1,876
1993	565,319	461,904	103,415	920	628	292	1,009	673	336	23,585	21,587	1,998
1994	611,005	500,636	110,369	963	646	317	1,261	853	408	25,379	23,340	2,039
1995	753,018	629,986	123,032	997	674	323	1,380	949	431	30,137	27,859	2,278
1996	901,807	761,989	139,818	988	666	322	1,453	1,000	453	32,200	29,907	2,292
1997	1,058,886	898,083	160,803	1,013	682	331	1,549	1,070	479	35,624	32,961	2,663
1998	1,351,678	1,163,167	188,512	1,026	685	341	1,627	1,133	494	38,847	36,442	2,405
1999	1,613,146	1,408,731	204,415	1,045	702	343	1,730	1,226	504	43,616	41,177	2,438
2000	1,845,281	1,607,248	238,033	1,039	703	336	1,855	1,324	531	48,138	45,480	2,659
2001	2,285,348	2,012,949	272,399	1,015	689	326	1,948	1,397	551	47,236	44,415	2,822
2002	2,271,959	1,997,175	274,784	989	679	310	2,007	1,465	542	45,382	42,726	2,656
2003	2,051,685	1,763,312	288,373	973	661	312	2,029	1,461	568	41,202	38,396	2,806

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

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

Components may not add to the total because of rounding.

Table 32

Total Net Assets, Net New Cash Flow, and Number of Shareholder Accounts of Money Market Funds by Type of Fund

	All Money Market Funds			Retail Money Market Funds			Institutional Money Market Funds		
Year	Total	Taxable	Tax-Exempt	Total	Taxable	Tax-Exempt	Total	Taxable	Tax-Exempt
Total Net Assets (millions of dollars, end of year)									
1996	$901,807	$761,989	$139,818	$592,604	$482,123	$110,481	$309,203	$279,866	$29,337
1997	1,058,886	898,083	160,803	663,408	540,379	123,029	395,478	357,704	37,774
1998	1,351,678	1,163,167	188,512	835,255	692,724	142,531	516,424	470,443	45,981
1999	1,613,146	1,408,731	204,415	964,686	808,377	156,308	648,460	600,354	48,106
2000	1,845,281	1,607,248	238,033	1,059,187	879,526	179,661	786,093	727,722	58,372
2001	2,285,348	2,012,949	272,399	1,131,804	941,486	190,318	1,153,544	1,071,463	82,081
2002	2,271,959	1,997,175	274,784	1,062,833	870,809	192,025	1,209,125	1,126,366	82,759
2003	2,051,685	1,763,312	288,373	936,581	745,969	190,612	1,115,104	1,017,343	97,761
Net New Cash Flow (millions of dollars, annual)									
1996	$89,422	$79,186	$10,236	$52,886	$45,627	$7,259	$36,536	$33,559	$2,977
1997	102,069	86,650	15,420	45,300	35,624	9,676	56,769	51,026	5,743
1998	235,335	212,408	22,927	130,862	116,026	14,836	104,473	96,382	8,091
1999	193,630	182,796	10,835	81,955	72,089	9,866	111,675	110,706	969
2000	159,636	133,120	26,515	43,089	24,388	18,700	116,547	108,732	7,815
2001	375,647	349,426	26,221	36,563	26,353	10,210	339,084	323,073	16,011
2002	-46,674	-62,409	15,735	-78,445	-79,774	1,328	31,772	17,365	14,407
2003	-258,457	-267,775	9,318	-151,132	-146,225	-4,908	-107,325	-121,551	14,226
Number of Shareholder Accounts* (end of year)									
1996	32,199,937	29,907,471	2,292,466	29,554,874	27,324,224	2,230,650	2,645,063	2,583,247	61,816
1997	35,624,081	32,960,628	2,663,453	32,759,609	30,132,691	2,626,918	2,864,472	2,827,937	36,535
1998	38,847,345	36,442,150	2,405,195	35,527,735	33,172,632	2,355,103	3,319,610	3,269,518	50,092
1999	43,615,576	41,177,138	2,438,438	39,402,434	37,008,204	2,394,230	4,213,147	4,168,939	44,208
2000	48,138,495	45,479,697	2,658,798	43,772,500	41,159,614	2,612,886	4,366,000	4,320,088	45,912
2001	47,236,474	44,414,701	2,821,773	42,129,007	39,347,593	2,781,414	5,107,472	5,067,113	40,359
2002	45,381,958	42,725,526	2,656,432	40,178,687	37,571,851	2,606,836	5,203,276	5,153,680	49,596
2003	41,201,591	38,395,940	2,805,651	35,352,597	32,609,419	2,743,178	5,848,994	5,786,521	62,473

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

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

Components may not add to the total because of rounding.

Table 33

Asset Composition of Taxable Money Market Funds as a Percent of Total Net Assets

(end of year)

Year	Total Net Assets (millions of dollars)	U.S. Treasury Bills	Other Treasury Securities	U.S. Securities	Repurchase Agreements	Certificates of Deposit	Eurodollar CDs	Commercial Paper	Bank Notes[1]	Banker's Acceptances	Corporate Notes[2]	Cash Reserves	Other Assets	Average Maturity (days)
1980	$74,448	3.9%	0.7%	6.4%	7.6%	28.2%	9.1%	33.6%	–	8.8%	–	0.2%	1.4%	24
1981	181,910	10.7	1.1	5.7	8.0	24.1	10.4	31.2	–	7.5	–	-0.3	1.6	34
1982	206,608	18.4	2.3	5.8	7.9	19.7	11.5	24.4	–	9.1	–	0.1	0.9	37
1983	162,550	12.6	1.4	8.2	8.0	14.8	13.5	28.8	–	12.0	–	-0.2	0.8	37
1984	209,732	9.6	2.5	8.1	10.9	11.3	10.1	37.4	–	9.3	–	-0.6	1.4	43
1985	207,535	9.8	2.1	8.7	12.6	8.1	9.2	42.2	–	5.6	–	0.1	1.7	42
1986	228,346	8.9	3.3	6.6	14.1	8.4	9.7	41.6	–	4.6	–	0.0	2.8	40
1987	254,676	1.9	3.7	10.6	15.4	13.2	8.5	39.5	–	4.2	–	-0.1	3.1	31
1988	272,293	1.9	2.4	6.7	15.3	12.0	10.9	43.0	–	4.4	–	0.2	3.1	28
1989	358,719	2.1	2.1	5.9	15.3	11.5	7.4	49.9	–	2.1	–	0.0	3.8	38
1990	414,733	6.1	4.8	8.9	14.2	5.1	6.5	48.3	–	1.6	–	2.7	1.8	41
1991	452,559	10.5	7.1	9.1	15.1	7.4	4.8	41.9	–	1.0	–	0.0	3.1	50
1992	451,353	10.5	7.2	12.2	14.9	6.9	4.6	38.5	–	0.6	–	-0.6	5.2	51
1993	461,904	11.5	6.2	14.7	14.6	5.4	2.2	35.7	–	0.5	–	-0.3	9.4	49
1994	500,636	8.9	4.7	15.8	14.0	4.5	3.2	37.7	1.7%	0.5	–	-0.5	9.6	34
1995	629,986	6.7	4.6	14.7	14.2	6.3	3.2	37.6	2.7	0.5	–	-0.6	10.0	52
1996	761,989	5.5	6.5	13.7	13.9	9.1	3.1	36.3	1.6	0.3	–	-0.2	10.1	54
1997	898,083	4.6	5.3	10.9	14.4	10.6	2.7	37.8	2.3	0.4	–	0.2	10.9	55
1998	1,163,167	4.1	5.3	15.1	12.2	9.6	2.6	36.2	2.9	0.2	4.3%	-0.1	7.4	56
1999	1,408,731	4.3	3.3	13.9	10.2	9.9	3.0	38.0	2.4	0.2	6.7	-0.2	8.4	49
2000	1,607,248	3.4	2.4	11.8	11.6	7.6	5.8	38.6	2.9	0.1	7.4	0.1	8.4	51
2001	2,012,949	4.6	2.3	16.2	11.5	9.7	6.3	32.3	1.3	0.2	7.0	0.2	8.4	58
2002	1,997,175	5.5	1.7	16.6	14.0	9.1	5.9	30.4	1.1	0.1	7.6	-0.1	8.0	53
2003	1,763,312	5.6	1.9	18.9	14.6	7.4	4.3	26.5	1.6	0.0	9.1	-0.1	10.2	57

[1]Prior to 1994, bank notes are included in the "Other Assets" category.

[2]Prior to 1998, corporate notes are included in the "Other Assets" category.

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

Table 34

Assets of Mutual Funds Held in Individual and Institutional Accounts
(billions of dollars, end of year)

Year	Total	Equity Funds	Hybrid Funds	Bond Funds	Money Market Funds
Total					
1996	$3,526	$1,726	$253	$645	$902
1997	4,468	2,368	317	724	1,059
1998	5,525	2,978	365	831	1,352
1999	6,846	4,042	379	812	1,613
2000	6,965	3,962	346	811	1,845
2001	6,975	3,418	346	925	2,285
2002	6,390	2,663	330	1,125	2,272
2003[p]	7,414	3,685	437	1,241	2,052
Individual Accounts					
1996	$1,937	$919	$133	$431	$454
1997	2,514	1,290	166	494	563
1998	3,055	1,615	188	547	705
1999	3,718	2,175	190	523	830
2000	3,799	2,146	171	512	969
2001	3,744	1,876	173	583	1,112
2002	3,371	1,418	171	710	1,073
2003[p]	3,969	1,971	245	790	964
Institutional Accounts*					
1996	$1,589	$807	$119	$214	$448
1997	1,954	1,078	151	230	496
1998	2,470	1,363	177	284	647
1999	3,128	1,867	189	289	783
2000	3,166	1,816	176	299	876
2001	3,231	1,542	173	342	1,173
2002	3,019	1,245	159	415	1,199
2003[p]	3,445	1,714	192	451	1,088

[p]Preliminary data

**Institutional accounts include accounts purchased by or through an institution, such as an employer, trustee, or fiduciary, on behalf of its clients, employees, or owners.*

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

Components may not add to the total because of rounding.

Table 35

Assets of Institutional Investors by Type of Institution

(billions of dollars, end of year)

Year		Total	Fiduciaries[1]	Business Corporations	Retirement Plans	Financial Institutions[2]	Nonprofit Organizations	Other[3]
1996	All Funds	$1,589	$498	$158	$490	$344	$51	$49
	Equity	807	171	41	352	196	24	23
	Hybrid	119	19	4	43	47	3	3
	Bond	214	101	18	41	34	12	7
	Money Market	448	206	95	53	67	11	15
1997	All Funds	1,954	480	194	715	479	49	36
	Equity	1,078	181	47	524	293	20	14
	Hybrid	151	18	5	68	56	3	2
	Bond	230	90	23	58	41	13	5
	Money Market	496	192	119	67	90	13	15
1998	All Funds	2,470	601	260	936	572	65	36
	Equity	1,363	215	64	708	342	24	12
	Hybrid	177	20	6	77	70	2	2
	Bond	284	110	28	75	48	18	4
	Money Market	647	256	162	77	112	21	18
1999	All Funds	3,128	711	325	1,200	763	76	53
	Equity	1,867	278	93	948	495	32	20
	Hybrid	189	20	6	87	73	2	1
	Bond	289	106	28	78	48	21	7
	Money Market	783	306	197	87	148	21	25
2000	All Funds	3,166	763	331	1,151	785	82	53
	Equity	1,816	277	90	898	501	33	17
	Hybrid	176	16	6	81	70	2	1
	Bond	299	112	28	82	47	24	6
	Money Market	876	358	208	91	167	23	29
2001	All Funds	3,231	833	423	1,028	788	110	47
	Equity	1,542	241	74	751	434	32	11
	Hybrid	173	17	7	82	65	2	1
	Bond	342	121	30	93	58	33	7
	Money Market	1,173	455	312	103	231	43	29
2002	All Funds	3,019	846	412	919	692	112	39
	Equity	1,245	203	55	618	335	25	10
	Hybrid	159	15	7	79	55	2	1
	Bond	415	141	35	116	78	39	6
	Money Market	1,199	487	314	106	224	46	21
2003[p]	All Funds	3,445	892	408	1,167	816	118	44
	Equity	1,714	271	77	841	474	34	17
	Hybrid	192	21	10	95	62	2	2
	Bond	451	153	34	129	91	38	7
	Money Market	1,088	447	287	102	189	44	19

[1]Fiduciaries include banks and individuals serving as trustees, guardians, administrators, and bank nominees.

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

[3]Other institutional investors include assets of all remaining institutional accounts not classified.

[p]Preliminary data

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

Components may not add to the total because of rounding.

Table 36

Assets of Institutional Investors in Taxable Money Market Funds by Type of Institution and Type of Fund[1]

(millions of dollars, end of year)

Year		Total	Fiduciaries[2]	Business Corporations	Retirement Plans	Financial Institutions[3]	Nonprofit Organizations	Other[4]
1996	All Funds	$397,075	$169,995	$87,053	$52,892	$61,959	$10,579	$14,596
	Institutional Funds	234,305	111,581	46,676	19,465	42,535	5,434	8,613
	Retail Funds	162,771	58,414	40,378	33,426	19,424	5,145	5,983
1997	All Funds	444,221	161,468	109,495	65,599	81,722	11,763	14,175
	Institutional Funds	272,144	108,969	62,840	25,947	58,905	7,535	7,949
	Retail Funds	172,077	52,498	46,655	39,652	22,816	4,228	6,226
1998	All Funds	585,051	216,839	150,989	75,997	104,508	18,988	17,730
	Institutional Funds	358,385	139,964	91,368	28,242	77,004	11,741	10,065
	Retail Funds	226,666	76,875	59,621	47,755	27,505	7,246	7,664
1999	All Funds	719,811	263,483	186,153	86,061	140,429	19,615	24,070
	Institutional Funds	447,859	165,486	118,384	34,388	101,967	11,814	15,820
	Retail Funds	271,952	97,998	67,769	51,673	38,462	7,801	8,249
2000	All Funds	797,868	304,574	195,074	90,559	158,831	21,358	27,472
	Institutional Funds	527,527	195,396	137,743	41,369	120,240	13,830	18,949
	Retail Funds	270,341	109,179	57,331	49,190	38,591	7,528	8,523
2001	All Funds	1,076,469	394,667	296,035	102,605	220,925	34,835	27,404
	Institutional Funds	777,632	280,147	232,116	47,377	173,895	25,393	18,705
	Retail Funds	298,837	114,520	63,919	55,228	47,030	9,442	8,698
2002	All Funds	1,103,105	423,190	298,670	105,414	216,862	38,694	20,275
	Institutional Funds	826,788	313,773	245,050	51,191	171,542	30,927	14,306
	Retail Funds	276,317	109,417	53,621	54,223	45,320	7,766	5,969
2003[p]	All Funds	981,994	380,716	266,036	101,542	179,710	35,825	18,165
	Institutional Funds	735,750	283,099	216,950	50,412	144,366	29,172	11,751
	Retail Funds	246,244	97,617	49,086	51,130	35,344	6,653	6,414

[1]Institutional funds include funds sold primarily to institutional investors or institutional accounts. This includes accounts that are purchased by or through an institution, such as an employer, trustee, or fiduciary, on behalf of its clients, employees, or owners.

[2]Fiduciaries include banks and individuals serving as trustees, guardians, administrators, and bank nominees.

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

[4]Other institutional investors include assets of all remaining institutional accounts not classified.

[p]Preliminary data

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

Components may not add to the total because of rounding.

Table 37

Worldwide Total Net Assets of Mutual Funds[1]
(millions of U.S. dollars, end of year)

	1998	1999	2000	2001	2002	2003
World	**$9,343,272**	**$11,391,138**	**$11,871,061**	**$11,654,904**	**$11,324,131**	**$13,957,564**
Americas	**5,867,187**	**7,264,471**	**7,424,146**	**7,433,144**	**6,776,291**	**7,969,224**
Argentina	6,930	6,990	7,425	3,751	1,021	1,916
Brazil	118,687	117,758	148,538	148,189	96,729	171,596
Canada	213,451	269,825	279,511	267,863	248,979	338,369
Chile	2,910	4,091	4,597	5,090	6,705	8,552
Costa Rica	N/A	N/A	919	1,577	1,738	2,754
Mexico	N/A	19,468	18,488	31,723	30,759	31,953
United States	5,525,209	6,846,339	6,964,667	6,974,951	6,390,360	7,414,084
Europe	**2,743,228**	**3,203,401**	**3,296,015**	**3,167,963**	**3,463,000**	**4,592,582**
Austria	57,447	56,254	56,549	55,211	66,877	87,982
Belgium	56,339	65,461	70,313	68,661	74,983	98,724
Czech Republic	556	1,473	1,990	1,778	3,297	4,083
Denmark[2]	19,521	27,558	32,485	33,831	40,153	49,533
Finland	5,695	10,318	12,698	12,933	16,516	29,967
France	626,154	656,132	721,973	713,378	845,147	1,148,446
Germany	190,520	237,312	238,029	213,662	209,168	276,319
Greece	32,122	36,397	29,154	23,888	26,621	38,394
Hungary	1,476	1,725	1,953	2,260	3,992	3,936
Ireland	50,337	95,174	137,024	191,840	250,116	360,425
Italy	439,701	475,661	424,014	359,879	378,259	478,734
Liechtenstein	N/A	N/A	N/A	N/A	3,847	8,936
Luxembourg	508,441	661,084	747,117	758,720	803,869	1,104,112
Netherlands	80,120	94,539	93,580	79,165	84,211	N/A
Norway	11,148	15,107	16,228	14,752	15,471	21,994
Poland	506	762	1,546	2,970	5,468	8,576
Portugal	22,574	19,704	16,588	16,618	19,969	26,985
Romania	N/A	N/A	8	10	27	36
Russia	29	177	177	297	372	851
Spain	238,917	207,603	172,438	159,899	179,133	255,344
Sweden	54,923	83,250	78,085	65,538	57,992	87,746
Switzerland	69,151	82,512	83,059	75,973	82,622	90,772
Turkey	N/A	N/A	N/A	N/A	6,002	14,164
United Kingdom	277,551	375,199	361,008	316,702	288,887	396,523
Asia and Pacific	**720,697**	**905,031**	**1,133,979**	**1,039,236**	**1,063,857**	**1,361,298**
Australia	44,124[a]	N/A	341,955	334,016	356,304	518,411
Hong Kong	98,767	182,265	195,924	170,073	164,322	255,811
India	8,685	13,065	13,507	15,284	20,364	29,800
Japan	376,533	502,752	431,996	343,907	303,191	349,148
Korea, Rep. of	165,028	167,177	110,613	119,439	149,544	121,488
New Zealand	7,250	8,502	7,802	6,564	7,505	9,641
Philippines	N/A	117	108	211	474	792
Taiwan	20,310	31,153	32,074	49,742	62,153	76,205
Africa	**12,160**	**18,235**	**16,921**	**14,561**	**20,983**	**34,460**
South Africa	12,160	18,235	16,921	14,561	20,983	34,460

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

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

[a]Data as of 09/30/1998.

N/A=Not available

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

Sources: European Federation of Investment Funds and Companies, Investment Company Institute, and other national mutual fund associations

Table 38

Worldwide Number of Mutual Funds[1]
(end of year)

	1998	1999	2000	2001	2002	2003
World	**50,835**	**52,746**	**51,692**	**52,849**	**54,110**	**54,015**
Americas	**10,376**	**11,499**	**12,676**	**13,449**	**13,884**	**13,921**
Argentina	229	224	226	219	211	186
Brazil	1,601	1,760	2,097	2,452	2,755	2,805
Canada	1,130	1,328	1,627	1,831	1,956	1,887
Chile	102	116	144	177	226	414
Costa Rica	N/A	N/A	122	115	128	129
Mexico	N/A	280	305	350	364	374
United States	7,314	7,791	8,155	8,305	8,244	8,126
Europe	**20,107**	**22,095**	**25,524**	**26,821**	**28,972**	**27,987**
Austria	704	693	760	769	808	833
Belgium	631	784	918	1,041	1,141	1,224
Czech Republic	56	62	70	65	76	58
Denmark[2]	226	292	394	451	485	400
Finland	114	176	241	275	312	329
France	6,274	6,511	7,144	7,603	7,773	7,902
Germany	793	895	987	1,077	1,092	1,050
Greece	179	208	265	269	260	265
Hungary	66	87	86	89	90	96
Ireland	851	1,060	1,344	1,640	1,905	1,978
Italy	703	816	967	1,059	1,073	1,012
Liechtenstein	N/A	N/A	N/A	N/A	111	137
Luxembourg	4,524	5,023	6,084	6,619	6,874	6,578
Netherlands	334	348	494	N/A	680	N/A
Norway	264	309	380	400	419	375
Poland	38	62	77	94	107	112
Portugal	189	214	195	202	170	160
Romania	N/A	N/A	16	24	20	21
Russia	28	27	37	51	57	132
Spain	1,866	2,150	2,422	2,524	2,466	2,471
Sweden	366	412	509	507	512	485
Switzerland	325	348	368	313	512	441
Turkey	N/A	N/A	N/A	N/A	242	236
United Kingdom	1,576	1,618	1,766	1,749	1,787	1,692
Asia and Pacific	**20,161**	**18,892**	**13,158**	**12,153**	**10,794**	**11,641**
Australia	569[a]	N/A	N/A	N/A	N/A	N/A
Hong Kong	712	832	976	952	942	963
India	97	155	234	297	312	350
Japan	4,534	3,444	2,793	2,867	2,718	2,617
Korea, Rep. of	13,442	13,606	8,242	7,117	5,873	6,726
New Zealand	633	622	607	588	577	563
Philippines	N/A	15	18	20	21	21
Taiwan	174	218	288	312	351	401
Africa	**191**	**260**	**334**	**426**	**460**	**466**
South Africa	191	260	334	426	460	466

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

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

[a]Data as of 09/30/1998.

N/A=Not available

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

Sources: European Federation of Investment Funds and Companies, Investment Company Institute, and other national mutual fund associations

Table 39

Total Net Assets, Net New Cash Flow, Number of Funds, and Number of Share Classes of Funds That Invest Exclusively in Other Mutual Funds

Year	Total Net Assets (millions of dollars, end of year)			Net New Cash Flow* (millions of dollars, annual)			Number of Funds (end of year)			Number of Share Classes (end of year)		
	Total	Equity	Hybrid and Bond	Total	Equity	Hybrid and Bond	Total	Equity	Hybrid and Bond	Total	Equity	Hybrid and Bond
1989	$1,284	$204	$1,080	$169	$4	$165	18	11	7	18	11	7
1990	1,426	211	1,215	131	-21	152	20	11	9	20	11	9
1991	2,313	403	1,910	475	97	378	20	10	10	20	10	10
1992	3,722	651	3,072	1,134	205	929	21	10	11	21	10	11
1993	5,403	900	4,503	1,160	154	1,006	24	12	12	24	12	12
1994	6,170	1,367	4,803	567	342	225	32	15	17	32	15	17
1995	9,063	2,288	6,774	1,135	633	502	36	19	17	37	19	18
1996	13,404	4,596	8,808	2,457	1,572	885	45	24	21	56	28	28
1997	21,480	7,580	13,900	3,380	1,617	1,763	94	41	53	148	58	90
1998	35,368	12,212	23,156	6,376	2,006	4,370	175	75	100	305	112	193
1999	48,310	18,676	29,634	6,572	3,392	3,180	212	83	129	394	137	257
2000	56,911	16,206	40,704	10,402	5,103	5,299	215	86	129	414	143	271
2001	63,385	15,756	47,629	8,929	1,858	7,072	213	85	128	450	154	296
2002	68,960	14,458	54,502	11,593	2,152	9,441	268	104	164	625	197	428
2003	123,091	28,646	94,445	29,900	4,864	25,036	301	112	189	720	217	503

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

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

Table 40

Components of Net New Cash Flow* of Funds That Invest Exclusively in Other Mutual Funds

(millions of dollars, annual)

	Sales									Redemptions								
	New + Exchange			New			Exchange			Regular + Exchange			Regular			Exchange		
Year	Total	Equity	Hybrid and Bond	Total	Equity	Hybrid and Bond	Total	Equity	Hybrid and Bond	Total	Equity	Hybrid and Bond	Total	Equity	Hybrid and Bond	Total	Equity	Hybrid and Bond
1989	$368	$75	$293	$314	$74	$241	$54	$2	$52	$199	$72	$128	$130	$71	$59	$69	$1	$68
1990	416	68	348	351	58	293	65	10	55	285	89	196	186	87	99	100	3	97
1991	772	192	580	579	142	437	194	50	143	298	95	203	185	79	105	113	16	97
1992	1,617	371	1,246	1,255	294	961	362	76	286	483	166	318	303	130	174	180	36	144
1993	1,953	358	1,594	1,533	293	1,240	419	65	354	793	205	588	453	156	297	340	49	291
1994	1,781	583	1,197	1,341	389	952	439	194	245	1,213	241	972	682	166	517	531	75	456
1995	2,362	987	1,376	1,750	692	1,059	612	295	317	1,227	354	873	768	233	535	459	121	338
1996	4,522	2,321	2,201	3,621	1,847	1,774	901	474	428	2,066	749	1,317	1,290	519	771	776	230	546
1997	6,317	2,858	3,459	4,753	2,017	2,736	1,565	842	723	2,937	1,241	1,696	1,749	774	975	1,189	468	721
1998	12,931	4,398	8,532	9,938	3,578	6,360	2,993	821	2,172	6,554	2,392	4,162	3,766	1,541	2,225	2,788	850	1,938
1999	16,749	6,861	9,888	12,759	5,575	7,184	3,990	1,287	2,703	10,177	3,469	6,708	6,638	2,553	4,084	3,540	916	2,624
2000	24,095	9,348	14,747	18,610	7,542	11,068	5,485	1,807	3,678	13,693	4,245	9,448	9,253	3,199	6,054	4,440	1,047	3,394
2001	22,577	5,735	16,842	17,606	4,893	12,712	4,971	842	4,129	13,647	3,877	9,770	9,546	3,111	6,435	4,101	766	3,335
2002	28,193	6,837	21,356	23,063	5,827	17,235	5,131	1,010	4,121	16,600	4,685	11,915	12,209	3,866	8,343	4,391	819	3,572
2003	46,962	8,908	38,054	38,444	7,415	31,029	8,518	1,493	7,025	17,062	4,044	13,019	12,785	3,338	9,447	4,277	706	3,571

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

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

Table 41

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

(end of year)

Year	Total	Equity Funds: Total Equity	Equity Funds: Domestic	Equity Funds: Global/ International	Bond Funds: Total Bond	Bond Funds: Domestic Taxable	Bond Funds: Domestic Municipal	Bond Funds: Global/ International
Assets (millions of dollars)								
1996	$146,991	$46,987	$19,830	$27,157	$100,004	$28,418	$59,540	$12,046
1997	151,845	49,625	20,536	29,089	102,220	28,315	61,992	11,912
1998	155,814	47,606	22,529	25,077	108,208	34,127	63,628	10,454
1999	147,016	41,267	24,696	16,571	105,749	30,888	64,513	10,348
2000	143,134	36,611	24,557	12,054	106,523	28,581	68,266	9,676
2001	141,251	31,075	22,261	8,814	110,176	26,606	74,467	9,102
2002	158,805	33,724	26,596	7,128	125,081	25,643	90,024	9,414
2003	213,973	51,863	41,835	10,028	162,110	56,438	94,133	11,539
Number of Funds								
1996	498	142	50	92	356	118	205	33
1997	488	135	45	90	353	115	205	33
1998	493	128	44	84	365	123	211	31
1999	512	124	49	75	388	117	241	30
2000	482	123	53	70	359	109	220	30
2001	493	116	51	65	377	109	240	28
2002	545	123	63	60	422	105	292	25
2003	586	130	74	56	456	131	298	27

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

Table 42

Assets and New Deposits of Unit Investment Trusts by Type of Trust
(millions of dollars)

Year	Total Trusts	Equity Trusts	Taxable Debt Trusts	Tax-Free Debt Trusts
Assets (end of year)				
1990	$105,390	$4,192	$9,456	$91,742
1991	102,828	4,940	9,721	88,167
1992	97,925	6,484	9,976	81,465
1993	87,574	8,494	8,567	70,513
1994	73,682	9,285	7,252	57,144
1995	73,125	14,019	8,094	51,013
1996	72,204	22,922	8,485	40,796
1997	84,761	40,747	6,480	37,533
1998	93,943	56,413	5,380	32,151
1999	91,970	62,128	4,283	25,559
2000	74,161	48,060	3,502	22,599
2001	49,249	26,467	3,784	18,999
2002	36,016	14,651	4,020	17,345
2003	35,826	19,024	3,311	13,491
New Deposits (annual)				
1990	$7,489	$495	$1,349	$5,644
1991	8,195	900	1,687	5,609
1992	8,909	1,771	2,385	4,752
1993	9,359	3,206	1,598	4,555
1994	8,915	3,265	1,709	3,941
1995	11,264	6,743	1,154	3,367
1996	21,662	18,316	800	2,546
1997	38,546	35,855	771	1,919
1998	47,675	45,947	562	1,166
1999	52,046	50,629	343	1,074
2000	43,649	42,570	196	883
2001	19,049	16,927	572	1,550
2002	11,600	9,131	862	1,607
2003	12,731	10,067	935	1,729

Table 43

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

Year	Total	Domestic Equity	Global/International Equity	Bond
Assets (millions of dollars, end of year)				
1993	$464	$464	–	–
1994	424	424	–	–
1995	1,052	1,052	–	–
1996	2,411	2,159	$252	–
1997	6,707	6,200	506	–
1998	15,568	14,542	1,026	–
1999	33,873	31,881	1,992	–
2000	65,585	63,544	2,041	–
2001	82,993	79,977	3,016	–
2002	102,143	92,904	5,324	$3,915
2003	150,983	132,332	13,984	4,667
Net Issuance (millions of dollars, annual)				
1993	$442	$442	–	–
1994	-28	-28	–	–
1995	443	443	–	–
1996	1,108	842	$266	–
1997	3,466	3,160	306	–
1998	6,195	5,642	553	–
1999	11,929	11,816	112	–
2000	42,472	41,752	720	–
2001	31,012	29,646	1,366	–
2002	45,302	37,781	3,792	$3,729
2003	15,810	9,325	5,764	721
Number of Funds (end of year)				
1993	1	1	–	–
1994	1	1	–	–
1995	2	2	–	–
1996	19	2	17	–
1997	19	2	17	–
1998	29	12	17	–
1999	30	13	17	–
2000	80	55	25	–
2001	102	68	34	–
2002	113	66	39	8
2003	119	72	41	6

Note: Components may not add to the total because of rounding.
Sources: Strategic Insight and Investment Company Institute

Page 55—Assets of Mutual Funds, 1990–2003

(trillions of dollars)

	Equity Funds	Hybrid Funds	Bond Funds	Money Market Funds	Total
1990	$0.24	$0.04	$0.29	$0.50	$1.07
1991	0.40	0.05	0.39	0.54	1.39
1992	0.51	0.08	0.50	0.55	1.64
1993	0.74	0.14	0.62	0.57	2.07
1994	0.85	0.16	0.53	0.61	2.16
1995	1.25	0.21	0.60	0.75	2.81
1996	1.73	0.25	0.65	0.90	3.53
1997	2.37	0.32	0.72	1.06	4.47
1998	2.98	0.36	0.83	1.35	5.53
1999	4.04	0.38	0.81	1.61	6.85
2000	3.96	0.35	0.81	1.85	6.96
2001	3.42	0.35	0.93	2.29	6.97
2002	2.66	0.33	1.12	2.27	6.39
2003	3.68	0.44	1.24	2.05	7.41

Page 58—Household Net Purchases of Mutual Fund Shares and All Financial Assets, 1990–2003

(billions of dollars)

	Household Net Purchases of All Financial Assets	Household Net Purchases of Mutual Fund Shares*
1990	$585.44	$74
1991	483.18	144
1992	461.25	144
1993	449.59	311
1994	467.44	132
1995	476.25	265
1996	545.51	336
1997	414.38	409
1998	611.19	463
1999	441.62	335
2000	392.33	436
2001	702.14	347
2002	522.20	138
2003	695.85	181

**Household net purchases of mutual fund shares, as defined by the Federal Reserve, include reinvested dividends.*

Sources: Federal Reserve Board and Investment Company Institute

Page 63—Redemption Rates* of Equity Funds, 1985–2003

(percent of assets)

Date	Equity Funds	Date	Equity Funds
Jan-85	31.76	Oct-88	46.92
Feb-85	31.11	Nov-88	46.90
Mar-85	32.56	Dec-88	44.97
Apr-85	33.57	Jan-89	44.18
May-85	33.50	Feb-89	44.40
Jun-85	34.25	Mar-89	43.16
Jul-85	35.48	Apr-89	41.45
Aug-85	36.48	May-89	40.58
Sep-85	36.50	Jun-89	39.99
Oct-85	35.86	Jul-89	38.76
Nov-85	35.24	Aug-89	38.53
Dec-85	35.61	Sep-89	38.47
Jan-86	37.24	Oct-89	39.22
Feb-86	36.92	Nov-89	38.17
Mar-86	36.50	Dec-89	37.59
Apr-86	37.62	Jan-90	38.87
May-86	38.74	Feb-90	37.96
Jun-86	38.89	Mar-90	37.90
Jul-86	40.77	Apr-90	38.16
Aug-86	40.55	May-90	37.69
Sep-86	44.11	Jun-90	37.00
Oct-86	45.48	Jul-90	37.99
Nov-86	46.35	Aug-90	39.33
Dec-86	47.80	Sep-90	39.00
Jan-87	48.25	Oct-90	38.17
Feb-87	49.24	Nov-90	37.99
Mar-87	50.90	Dec-90	38.08
Apr-87	53.36	Jan-91	36.81
May-87	54.02	Feb-91	36.39
Jun-87	54.64	Mar-91	35.72
Jul-87	54.13	Apr-91	36.00
Aug-87	55.28	May-91	35.65
Sep-87	54.73	Jun-91	35.63
Oct-87	60.37	Jul-91	34.71
Nov-87	60.67	Aug-91	33.15
Dec-87	61.06	Sep-91	32.99
Jan-88	60.36	Oct-91	32.65
Feb-88	59.54	Nov-91	32.75
Mar-88	59.25	Dec-91	31.84
Apr-88	57.54	Jan-92	31.89
May-88	56.81	Feb-92	31.62
Jun-88	56.63	Mar-92	31.42
Jul-88	55.84	Apr-92	30.89
Aug-88	54.79	May-92	30.27
Sep-88	52.90	Jun-92	29.94

Jul-92	29.45	Aug-96	29.99
Aug-92	29.06	Sep-96	29.73
Sep-92	28.79	Oct-96	29.91
Oct-92	28.37	Nov-96	29.98
Nov-92	27.46	Dec-96	30.64
Dec-92	27.42	Jan-97	31.12
Jan-93	26.60	Feb-97	31.35
Feb-93	26.86	Mar-97	31.65
Mar-93	26.89	Apr-97	31.87
Apr-93	26.81	May-97	31.67
May-93	27.00	Jun-97	31.70
Jun-93	27.20	Jul-97	31.26
Jul-93	27.40	Aug-97	31.53
Aug-93	27.47	Sep-97	31.51
Sep-93	27.74	Oct-97	31.90
Oct-93	27.82	Nov-97	31.50
Nov-93	28.69	Dec-97	31.52
Dec-93	28.87	Jan-98	31.41
Jan-94	29.63	Feb-98	31.15
Feb-94	30.08	Mar-98	31.14
Mar-94	32.06	Apr-98	30.97
Apr-94	32.17	May-98	30.85
May-94	31.78	Jun-98	30.93
Jun-94	31.79	Jul-98	31.22
Jul-94	31.21	Aug-98	32.42
Aug-94	31.01	Sep-98	33.14
Sep-94	31.14	Oct-98	33.31
Oct-94	31.04	Nov-98	33.47
Nov-94	31.06	Dec-98	34.19
Dec-94	31.19	Jan-99	34.78
Jan-95	31.06	Feb-99	35.55
Feb-95	30.50	Mar-99	36.46
Mar-95	29.49	Apr-99	37.10
Apr-95	29.22	May-99	37.76
May-95	29.84	Jun-99	37.59
Jun-95	29.96	Jul-99	37.56
Jul-95	30.42	Aug-99	37.17
Aug-95	30.39	Sep-99	36.88
Sep-95	29.96	Oct-99	36.46
Oct-95	30.30	Nov-99	36.92
Nov-95	29.83	Dec-99	36.75
Dec-95	29.53	Jan-00	37.53
Jan-96	29.49	Feb-00	38.28
Feb-96	29.59	Mar-00	39.58
Mar-96	29.40	Apr-00	39.69
Apr-96	29.61	May-00	40.06
May-96	29.37	Jun-00	40.39
Jun-96	29.24	Jul-00	40.44
Jul-96	30.12	Aug-00	40.42

Sep-00	40.16
Oct-00	40.14
Nov-00	39.94
Dec-00	39.64
Jan-01	39.13
Feb-01	38.33
Mar-01	37.40
Apr-01	36.80
May-01	36.39
Jun-01	35.71
Jul-01	35.66
Aug-01	35.58
Sep-01	36.15
Oct-01	36.63
Nov-01	36.74
Dec-01	36.58
Jan-02	36.07
Feb-02	36.06
Mar-02	34.94
Apr-02	35.20
May-02	35.50
Jun-02	36.47
Jul-02	38.73
Aug-02	39.33
Sep-02	40.01
Oct-02	40.64
Nov-02	40.80
Dec-02	41.02
Jan-03	41.62
Feb-03	41.98
Mar-03	42.36
Apr-03	41.95
May-03	41.38
Jun-03	40.72
Jul-03	38.01
Aug-03	36.37
Sep-03	35.39
Oct-03	33.12
Nov-03	31.86
Dec-03	30.91

**The redemption rate is calculated as the sum of redemptions and exchange redemptions for the 12 months ending in the month plotted, divided by monthly total net assets averaged during the same period.*

Page 69—Bond Returns and Net New Cash Flow to Bond Funds, 1991–2003

Date	Total Return on Bonds[1] (percentage points)	Net New Cash Flow to Bond Funds[2] (percent of total net assets)	Date	Total Return on Bonds[1] (percentage points)	Net New Cash Flow to Bond Funds[2] (percent of total net assets)
Jan-91	12	0.76	Jul-94	0	-0.77
Feb-91	12	0.86	Aug-94	-1	-0.71
Mar-91	13	1.07	Sep-94	-3	-0.81
Apr-91	15	1.22	Oct-94	-4	-1.06
May-91	13	1.43	Nov-94	-3	-1.45
Jun-91	11	1.49	Dec-94	-3	-1.79
Jul-91	11	1.56	Jan-95	-2	-1.55
Aug-91	15	1.71	Feb-95	2	-0.91
Sep-91	16	2.02	Mar-95	5	-0.50
Oct-91	16	2.11	Apr-95	7	-0.39
Nov-91	14	1.93	May-95	12	-0.35
Dec-91	16	1.59	Jun-95	13	-0.29
Jan-92	13	1.43	Jul-95	10	-0.21
Feb-92	13	1.50	Aug-95	11	-0.26
Mar-92	12	1.55	Sep-95	14	-0.12
Apr-92	11	1.45	Oct-95	16	-0.07
May-92	13	1.46	Nov-95	18	-0.02
Jun-92	14	1.60	Dec-95	19	-0.04
Jul-92	15	1.82	Jan-96	17	0.03
Aug-92	14	1.73	Feb-96	12	0.00
Sep-92	13	1.57	Mar-96	11	0.10
Oct-92	10	1.10	Apr-96	9	-0.09
Nov-92	9	0.92	May-96	4	-0.20
Dec-92	8	0.72	Jun-96	5	-0.29
Jan-93	11	0.97	Jul-96	5	-0.30
Feb-93	12	1.15	Aug-96	4	-0.33
Mar-93	13	1.24	Sep-96	5	-0.28
Apr-93	13	1.16	Oct-96	6	-0.24
May-93	11	1.08	Nov-96	6	-0.14
Jun-93	12	1.20	Dec-96	4	-0.12
Jul-93	10	1.31	Jan-97	3	-0.03
Aug-93	11	1.37	Feb-97	5	-0.05
Sep-93	10	1.23	Mar-97	5	-0.15
Oct-93	12	1.02	Apr-97	7	-0.21
Nov-93	11	0.55	May-97	8	-0.18
Dec-93	10	0.36	Jun-97	8	-0.12
Jan-94	9	0.34	Jul-97	11	-0.02
Feb-94	6	0.18	Aug-97	10	0.26
Mar-94	3	-0.41	Sep-97	10	0.35
Apr-94	1	-1.08	Oct-97	9	0.39
May-94	1	-1.23	Nov-97	8	0.51
Jun-94	-1	-0.94	Dec-97	10	0.56

Jan-98	11	0.79	Jan-01	14	0.21
Feb-98	10	0.64	Feb-01	13	0.52
Mar-98	12	0.77	Mar-01	13	0.94
Apr-98	11	0.62	Apr-01	12	0.78
May-98	11	0.78	May-01	13	0.62
Jun-98	11	0.71	Jun-01	11	0.42
Jul-98	8	0.78	Jul-01	13	0.74
Aug-98	11	0.87	Aug-01	12	1.24
Sep-98	11	0.97	Sep-01	13	1.47
Oct-98	9	0.95	Oct-01	15	1.62
Nov-98	9	0.68	Nov-01	11	1.09
Dec-98	9	0.63	Dec-01	9	0.63
Jan-99	8	0.73	Jan-02	8	0.45
Feb-99	6	0.74	Feb-02	8	0.72
Mar-99	6	0.76	Mar-02	5	0.89
Apr-99	6	0.47	Apr-02	8	0.79
May-99	4	0.28	May-02	8	0.75
Jun-99	3	0.14	Jun-02	8	1.15
Jul-99	2	0.12	Jul-02	7	2.00
Aug-99	1	0.11	Aug-02	8	2.15
Sep-99	0	-0.08	Sep-02	8	2.21
Oct-99	0	-0.22	Oct-02	6	1.27
Nov-99	0	-0.49	Nov-02	7	0.85
Dec-99	-1	-0.91	Dec-02	10	0.49
Jan-00	-2	-1.30	Jan-03	9	0.71
Feb-00	1	-1.40	Feb-03	10	1.09
Mar-00	2	-1.14	Mar-03	12	1.05
Apr-00	1	-0.87	Apr-03	10	0.81
May-00	2	-0.69	May-03	12	0.52
Jun-00	5	-0.48	Jun-03	11	0.39
Jul-00	6	-0.20	Jul-03	6	-0.01
Aug-00	7	-0.08	Aug-03	4	-0.65
Sep-00	7	-0.15	Sep-03	5	-0.89
Oct-00	7	-0.20	Oct-03	5	-0.72
Nov-00	9	-0.12	Nov-03	5	-0.43
Dec-00	12	-0.03	Dec-03	4	-0.36

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

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

Sources: Investment Company Institute and Citigroup

Page 70—Load and No-Load Fund Assets as a Share of Fund Assets, 1984–2003

(percent)

	Equity Funds		Bond Funds	
	Load	No-Load	Load	No-Load
1984	69	31	69	31
1985	70	30	76	24
1986	70	30	77	23
1987	71	29	79	21
1988	69	30	78	22
1989	69	31	77	23
1990	68	32	75	25
1991	68	32	72	28
1992	65	35	69	31
1993	61	39	68	32
1994	60	40	68	32
1995	57	43	65	35
1996	55	45	61	39
1997	53	47	58	42
1998	53	48	53	47
1999	52	48	48	52
2000	52	48	45	55
2001	51	49	44	56
2002	50	50	42	58
2003	49	51	42	58

Sources: Investment Company Institute; Lipper, Inc.; Value Line Publishing, Inc.; CDA/Wiesenberger Investment Companies Service; © CRSP University of Chicago, used with permission, all rights reserved (773.702.7467/www.crsp.com); Primary datasource & © Standard & Poor's Micropal, Inc. 1998 (617.451.1585/www.micropal.com); and Strategic Insight Mutual Fund Research and Consulting, LLC.

Page 74—Interest Rate Spread and Net New Cash Flow to Taxable Retail Money Market Funds, 1990–2003

Date	Interest Rate Spread[1] (percentage points)	Net New Cash Flow[2] (percent of total net assets)	Date	Interest Rate Spread[1] (percentage points)	Net New Cash Flow[2] (percent of total net assets)
Jan-90	1.71	2.85	Jul-93	0.19	-0.48
Feb-90	1.63	1.92	Aug-93	0.22	-0.84
Mar-90	1.65	1.08	Sep-93	0.26	-0.72
Apr-90	1.67	0.30	Oct-93	0.29	-0.65
May-90	1.67	-0.24	Nov-93	0.31	-0.18
Jun-90	1.67	-0.33	Dec-93	0.37	-0.21
Jul-90	1.63	-0.52	Jan-94	0.39	-0.32
Aug-90	1.55	-0.20	Feb-94	0.46	0.12
Sep-90	1.54	-0.13	Mar-94	0.57	0.56
Oct-90	1.52	0.25	Apr-94	0.76	0.92
Nov-90	1.42	0.72	May-94	1.03	0.31
Dec-90	1.39	0.53	Jun-94	1.28	0.44
Jan-91	1.17	0.93	Jul-94	1.38	0.61
Feb-91	0.85	0.79	Aug-94	1.57	0.23
Mar-91	0.59	0.89	Sep-94	1.76	0.05
Apr-91	0.45	0.55	Oct-94	1.84	-0.10
May-91	0.30	0.17	Nov-94	2.07	0.57
Jun-91	0.26	0.16	Dec-94	2.43	0.70
Jul-91	0.28	-0.56	Jan-95	2.53	0.90
Aug-91	0.25	-1.02	Feb-95	2.68	1.02
Sep-91	0.19	-1.36	Mar-95	2.77	0.92
Oct-91	0.16	-1.19	Apr-95	2.81	0.86
Nov-91	0.14	-0.94	May-95	2.79	0.95
Dec-91	0.28	-1.27	Jun-95	2.76	1.50
Jan-92	0.20	-0.53	Jul-95	2.67	1.50
Feb-92	0.03	-0.39	Aug-95	2.57	1.72
Mar-92	-0.01	-0.43	Sep-95	2.54	1.55
Apr-92	0.02	-0.67	Oct-95	2.50	1.73
May-92	-0.06	-0.94	Nov-95	2.50	1.53
Jun-92	-0.09	-0.80	Dec-95	2.47	0.94
Jul-92	0.00	-1.48	Jan-96	2.37	0.74
Aug-92	-0.08	-1.53	Feb-96	2.18	1.08
Sep-92	-0.08	-1.50	Mar-96	2.13	1.26
Oct-92	-0.15	-0.93	Apr-96	2.17	0.69
Nov-92	-0.15	-0.77	May-96	2.19	0.39
Dec-92	-0.04	-0.71	Jun-96	2.22	0.48
Jan-93	-0.04	-0.61	Jul-96	2.22	0.82
Feb-93	-0.08	-0.46	Aug-96	2.25	0.39
Mar-93	-0.05	-0.41	Sep-96	2.26	0.19
Apr-93	-0.03	-0.74	Oct-96	2.28	0.73
May-93	-0.04	-0.66	Nov-96	2.30	0.95
Jun-93	0.02	-0.60	Dec-96	2.34	1.18

Jan-97	2.33	0.83	Jul-00	4.01	-0.37
Feb-97	2.31	1.02	Aug-00	4.04	-0.40
Mar-97	2.36	1.45	Sep-00	4.07	-0.88
Apr-97	2.41	0.84	Oct-00	4.05	-0.24
May-97	2.45	0.63	Nov-00	4.06	0.10
Jun-97	2.48	0.48	Dec-00	4.05	0.59
Jul-97	2.50	0.53	Jan-01	3.80	0.79
Aug-97	2.52	0.73	Feb-01	3.32	1.08
Sep-97	2.48	0.19	Mar-01	3.02	1.62
Oct-97	2.49	0.72	Apr-01	2.68	1.01
Nov-97	2.54	0.89	May-01	2.22	0.43
Dec-97	2.61	0.66	Jun-01	1.91	0.11
Jan-98	2.64	0.94	Jul-01	1.72	-0.07
Feb-98	2.61	0.86	Aug-01	1.57	-0.24
Mar-98	2.60	1.34	Sep-01	1.34	-0.41
Apr-98	2.63	0.90	Oct-01	1.03	0.16
May-98	2.60	1.03	Nov-01	0.74	0.33
Jun-98	2.62	1.16	Dec-01	0.55	0.36
Jul-98	2.61	1.09	Jan-02	0.39	0.05
Aug-98	2.60	1.59	Feb-02	0.32	-0.04
Sep-98	2.58	1.38	Mar-02	0.30	-0.69
Oct-98	2.38	2.03	Apr-02	0.30	-1.08
Nov-98	2.34	1.86	May-02	0.28	-1.23
Dec-98	2.38	1.89	Jun-02	0.26	-1.04
Jan-99	2.37	1.90	Jul-02	0.25	-0.43
Feb-99	2.26	1.56	Aug-02	0.25	-0.76
Mar-99	2.30	1.59	Sep-02	0.26	-0.58
Apr-99	2.31	0.84	Oct-02	0.27	-0.31
May-99	2.32	0.78	Nov-02	0.19	-0.21
Jun-99	2.33	0.66	Dec-02	0.11	-0.42
Jul-99	2.50	0.56	Jan-03	0.05	-0.89
Aug-99	2.56	0.41	Feb-03	0.03	-0.62
Sep-99	2.72	0.26	Mar-03	0.02	-0.52
Oct-99	2.79	0.52	Apr-03	0.04	-0.88
Nov-99	2.92	0.80	May-03	0.04	-0.94
Dec-99	3.13	0.92	Jun-03	0.05	-0.90
Jan-00	3.13	1.14	Jul-03	0.01	-1.03
Feb-00	3.20	0.90	Aug-03	0.00	-1.26
Mar-00	3.39	1.33	Sep-03	0.01	-1.67
Apr-00	3.58	0.72	Oct-03	0.02	-1.72
May-00	3.68	0.38	Nov-03	0.03	-1.73
Jun-00	3.92	-0.12	Dec-03	0.03	-2.08

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

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

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

Page 75—Fee Waivers and Assets of Taxable Retail Money Market Funds by Share Class

	Percent of Share Classes with Fee Waiver, 1995–2003	
Date	No-Load and A Shares	B and C Shares
Jan-95	46.59	70.00
Feb-95	47.20	70.00
Mar-95	46.73	70.00
Apr-95	47.14	75.00
May-95	46.74	75.00
Jun-95	47.74	75.00
Jul-95	50.14	76.47
Aug-95	50.00	76.47
Sep-95	49.72	76.47
Oct-95	47.44	73.91
Nov-95	48.51	78.26
Dec-95	48.24	78.26
Jan-96	46.22	81.82
Feb-96	46.35	81.82
Mar-96	48.19	81.82
Apr-96	46.07	82.76
May-96	46.77	82.76
Jun-96	47.03	82.76
Jul-96	47.33	86.67
Aug-96	47.45	83.33
Sep-96	46.40	86.67
Oct-96	46.30	86.67
Nov-96	46.15	86.67
Dec-96	46.42	86.67
Jan-97	46.15	90.00
Feb-97	46.13	90.00
Mar-97	46.43	90.00
Apr-97	46.47	81.25
May-97	46.47	81.25
Jun-97	46.87	78.13
Jul-97	46.51	72.22
Aug-97	47.58	72.22
Sep-97	47.31	72.22
Oct-97	46.95	58.97
Nov-97	47.48	58.97
Dec-97	48.54	66.67
Jan-98	49.32	61.76
Feb-98	48.51	61.76
Mar-98	47.70	61.76
Apr-98	48.66	67.50
May-98	48.79	67.50
Jun-98	49.33	67.50

Jul-98	47.73	63.41
Aug-98	48.12	63.41
Sep-98	47.45	63.41
Oct-98	48.01	60.47
Nov-98	47.75	60.47
Dec-98	47.48	60.47
Jan-99	47.14	58.70
Feb-99	46.07	60.42
Mar-99	46.74	58.33
Apr-99	45.68	56.25
May-99	46.09	56.25
Jun-99	47.06	57.14
Jul-99	47.76	63.46
Aug-99	47.77	63.46
Sep-99	47.40	63.46
Oct-99	47.40	64.15
Nov-99	48.31	62.96
Dec-99	49.61	64.81
Jan-00	46.09	60.38
Feb-00	46.81	57.41
Mar-00	47.62	61.11
Apr-00	47.35	61.11
May-00	47.35	57.14
Jun-00	48.28	57.14
Jul-00	47.76	57.14
Aug-00	47.37	60.71
Sep-00	47.64	59.32
Oct-00	46.61	59.02
Nov-00	47.01	58.46
Dec-00	46.39	58.46
Jan-01	48.40	57.81
Feb-01	46.83	56.72
Mar-01	46.97	56.72
Apr-01	47.37	56.72
May-01	46.72	57.97
Jun-01	46.09	56.76
Jul-01	46.74	55.26
Aug-01	46.21	53.16
Sep-01	46.35	54.43
Oct-01	47.00	55.00
Nov-01	47.00	56.25
Dec-01	46.77	59.52
Jan-02	48.81	58.67
Feb-02	48.28	57.89
Mar-02	48.28	60.26
Apr-02	48.55	60.26
May-02	49.09	57.50
Jun-02	49.61	56.10
Jul-02	50.26	55.42

Aug-02	50.77	55.42
Sep-02	50.90	55.95
Oct-02	50.25	53.85
Nov-02	49.49	54.95
Dec-02	51.52	61.96
Jan-03	50.40	71.08
Feb-03	50.53	72.09
Mar-03	52.65	78.16
Apr-03	52.25	80.00
May-03	53.05	80.00
Jun-03	52.67	84.15
Jul-03	56.76	85.88
Aug-03	57.56	84.71
Sep-03	58.51	84.88
Oct-03	56.58	87.50
Nov-03	56.40	88.89
Dec-03	55.46	87.91

Sources: Investment Company Institute and iMoneynet

Page 93—Average 401(k) Account Balance by Age and Tenure, 2002
(dollars)

	Participant Job Tenure (years)					
Age Cohort	**0 to 2**	**>2 to 5**	**>5 to 10**	**>10 to 20**	**>20 to 30**	**>30**
20s	$4,063	$6,814	$10,006			
30s	8,484	12,728	21,687	$38,165		
40s	11,112	16,579	28,805	59,938	$79,333	
50s	14,166	18,893	32,182	69,446	111,920	$110,234
60s	17,892	18,674	31,679	68,437	107,539	146,211

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

Glossary of Mutual Fund Terms

For an explanation of fund classifications, see pages 14–15.

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).

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

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

Appreciation–An increase in an investment's value.

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

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

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

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

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

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

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

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

Broker-Dealer–A firm that buys and sells mutual fund shares and other securities from and to investors.

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

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

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

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

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

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

Coverdell Education Savings Account (ESA)–This type of account, formerly known as an Education IRA, is a federally sponsored, tax-advantaged trust or custodial account set up to pay for qualified education expenses.

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

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

Depreciation–A decline in an investment's value.

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

Diversification–The practice of investing broadly across a number of securities to reduce risk, and a key benefit of investing in mutual funds and other investment companies.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Principal–See *Face Value*.

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

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

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

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

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

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

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

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

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

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

Share Classes (e.g., Class A, Class B, etc.)–Distinct groups of fund share offerings representing ownership in the same fund while offering different fee charges. This feature of fund ownership enables shareholders to choose the type of fee structure that best suits their particular needs.

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

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

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

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

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

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

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

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

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

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

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

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

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

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1976	The Tax Reform Act of 1976 permits the creation of municipal bond funds. The first retail index fund is offered.
1978	The Revenue Act of 1978 permits the creation of 401(k) retirement plans and simplified employee pensions (SEPs).
1979	Tax-exempt money market funds are introduced. The SEC permits mutual funds to advertise performance. Mutual fund shareholder accounts total 9.8 million in 524 funds.
1981	The Economic Recovery Tax Act establishes "universal" IRAs for all workers.
1986	The Tax Reform Act of 1986 reduces IRA deductibility.
1987	ICI welcomes closed-end funds as members.
1988	The SEC adopts a mutual fund fee table rule standardizing presentation of fund fees in prospectuses.
1990	Mutual fund assets top $1 trillion.
1993	The first exchange-traded fund shares are issued.
1994	ICI publishes *Report on Personal Investing* by fund personnel, including recommendations to address potential conflicts of interest.
1996	The Small Business Job Protection Act creates SIMPLE plans for employees of small businesses.
1997	The Taxpayer Relief Act of 1997 creates the Roth IRA and eliminates restrictions on portfolio management that disadvantage fund shareholders.
1998	The SEC approves the most significant disclosure reforms in the history of U.S. mutual funds, encompassing "plain English," fund profiles, and improved risk disclosure.
1999	The Gramm-Leach-Bliley Act modernizes financial services regulation and enhances financial privacy. ICI publishes *Best Practices for Fund Directors*.
2001	The enactment of the Economic Growth and Tax Relief Reconciliation Act of 2001 significantly expands retirement savings opportunities for millions of working Americans.
2003	Investigations uncover instances of late trading and market timing involving mutual funds. The SEC undertakes a wide-ranging action plan to reexamine and reform relevant fund rules to strengthen investor protection and confidence.

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