



“WE MUST DO ALL THAT WE CAN
TO EDUCATE OUR SHAREHOLDERS ABOUT
THE RISKS, AS WELL AS THE REWARDS,
OF MUTUAL FUND INVESTING.”

I N V E S T M E N T C O M P A N Y I N S T I T U T E

“ W E M U S T D O A L L T H A T W E C A N
T O E D U C A T E O U R S H A R E H O L D E R S A B O U T
T H E R I S K S , A S W E L L A S T H E R E W A R D S ,
O F M U T U A L F U N D I N V E S T I N G . ”

M a t t h e w P . F i n k ,
I n s t i t u t e P r e s i d e n t

A N N U A L R E P O R T 1 9 9 7

A B O U T T H E I N V E S T M E N T C O M P A N Y I N S T I T U T E

The Investment Company Institute (ICI) is the national association of the investment company industry. Its mission is to advance the interests of investment companies and their shareholders, to promote public understanding of the investment company business, and to serve the public interest by encouraging adherence to high ethical standards by all elements of the business. As the only association of U.S. investment companies without regard to distribution method or affiliation, the Institute is dedicated to the interests of the entire investment company industry and all of its shareholders. The Institute represents members and their shareholders before legislative and regulatory bodies at both the federal and state levels, disseminates industry information to the public and the media, and provides policy and other research for the benefit of the industry and its shareholders.

Established in New York in 1940 as the National Association of Investment Companies, the association changed its name to the Investment Company Institute in 1961 and, in 1970, relocated to Washington, DC. 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. Over the years, the Institute assumed the responsibilities of working on legislation and regulation affecting investment companies and their shareholders, providing public information, and seeking to maintain high industry standards.

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The Investment Company Institute is the national association of the American investment company industry. Its membership includes 6,987 open-end investment companies (“mutual funds”), 437 closed-end investment companies and 9 sponsors of unit investment trusts. Its mutual fund members have assets of about \$4.747 trillion, accounting for approximately 95% of total industry assets, and have over 62 million individual shareholders.

SECTION I



SUPPORTING STRONG
LEGISLATION AND REGULATION

Supporting Strong Legislation and Regulation



ICI President
Matthew P. Fink

ICI Chairman
Don G. Powell

THE MUTUAL FUND INDUSTRY HAS A LONG HISTORY OF SERVING SHAREHOLDERS RESPONSIBLY.

Over the years, the Institute has strived to promote strong legislation and regulation that advances the interests of investment companies and their shareholders. The industry's commitment to tough standards is reflected in a report released in 1997 by the U.S. General Accounting Office that highlighted the mutual fund industry's support for strong regulation and strict compliance with the federal securities laws, and included U.S. Securities and Exchange Commission (SEC) observations that the industry has been free of scandal.

Financial Services Modernization

Congress continues to seek financial services reform legislation that would modernize the Depression-era Glass-Steagall Act and allow the integration of banks, securities firms, and insurance companies. The Institute has been an active participant in this long-term public policy debate. This past year, the Institute and fund company executives testified before House committees on four occasions in support of financial services reform that would protect investors through functional regulation and provide for competitive fairness. The most recent reform bill (H.R. 10) would allow banking, securities and insurance firms to affiliate under a "bank holding company" framework, subject to consolidated or "umbrella" regulation by the Federal Reserve Board. The legislation also prevents the imposition by the Fed of unsuitable bank-like regulation on mutual funds. The Institute supports H.R. 10 and its enactment into law.

**"SHAREHOLDER
CONFIDENCE IS
THE TRUE CURRENCY
OF OUR INDUSTRY"**

*ICI Chairman
Don Powell*

James S. Riepe, Vice Chairman of T. Rowe Price, testifying before the House Commerce Committee, stated that financial services reform “should embrace a [functional] regulatory structure that respects and accommodates the divergent requirements of each of the business sectors that comprise the financial services marketplace.”

Foreign Securities Regulation

Both U.S. investors and U.S. asset management firms increasingly turn to the global marketplace. Many Americans have diversified their portfolios by investing in mutual funds that invest abroad, and U.S. investment management firms increasingly have sought to offer mutual fund and pension management services abroad. In this global environment, the Institute works with representatives of foreign nations and U.S. government officials to encourage foreign regulatory improvements to provide shareholder protection, and a level playing field of international competition.

For example, the Institute has called for improvements in foreign clearance and settlement systems to benefit investors worldwide. In many emerging markets, securities transactions do not settle with a simultaneous transfer of title and cash, share registration and transfers are complex and lengthy, securities depositories are deficient or nonexistent, and market professionals may not be adequately regulated. In a speech at the recent Mutual Funds and Investment Management Conference, ICI President Fink explained that, if clearance and settlement practices similar to those in the U.S. are adopted, then emerging markets and all their participants—both foreign and domestic—will benefit. “Furthermore, securities markets that improve the settlement process inevitably will attract greater interest by U.S. funds and other institutional investors,” he said.

“ONE OF THE MOST
IMPORTANT
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BEEN MAINTAINING A
SINGLE, STRONG
NATIONAL REGULATOR
FOR ALL MUTUAL
FUNDS”

ICI President

Matthew P. Fink



James Riepe (left), Vice Chairman, T. Rowe Price Associates, Inc., greets Rep. Mike Oxley (R-OH), prior to a financial services reform hearing.



Arnold Scott, Senior Executive Vice President, Massachusetts Financial Services Company, testifies on financial services reform before a House subcommittee.

The Institute also continues to urge foreign nations to open their markets to competition in the sponsoring and management of mutual funds and pension assets. Low barriers to entry are a key reason for the success of the U.S. mutual fund industry, and have fostered a highly competitive environment—one that allows the constant development of new products and services that benefit investors. Institute Chairman Don Powell urged Chinese government officials at an international conference in Beijing not to limit competition and to consider the lessons learned in the U.S. when establishing China’s own mutual fund industry. “Restrictive licensing regimes and high capital requirements or strict staffing requirements are barriers to entry that are not needed for investor protection,” he explained.

Soft Dollar Practices

The SEC began a broad review of “soft dollar” arrangements by three different types of regulated entities—broker-dealers, investment advisers and mutual funds—to ensure that these arrangements are being used to benefit investors, as federal regulation provides. “Soft dollars” refers to a practice under which money managers, including mutual fund managers, may use brokerage commissions generated by their clients’ securities transactions to obtain research and related services from broker-dealers for the benefit of clients.

The Institute supports the SEC’s review of soft dollar practices, and notes that these practices are strictly regulated under the securities laws, and, in the case of mutual funds, also are overseen by funds’ boards of directors. The Institute prepared a written compliance guide for its fund members, and strongly encouraged them to review their practices and to maintain a very high standard in this area of their operations in the interests of fund shareholders.

Electronic Commerce Issues

Issues of electronic commerce and processing are rising in significance with respect to both the overall security of computer systems and individual privacy and safety when conducting business electronically.

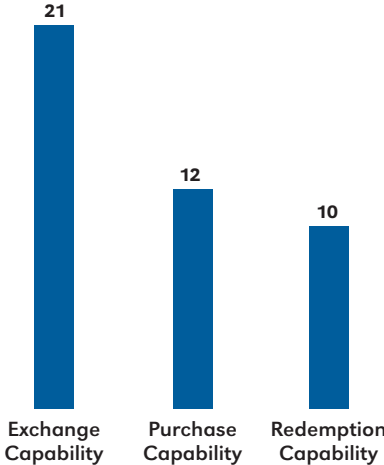
The White House, Congress, the SEC and other federal agencies have focused attention on solving the “Year 2000 problem,” the worldwide computer glitch that, unless corrected, could occur when computers recognize the two-digit “00” year dating as “1900” rather than “2000.”

Speaking at an ICI conference in December, SEC Division of Investment Management Director Barry Barbash told fund executives that the SEC staff recognizes “the seriousness of the Year 2000 problem.” He noted that Chairman Levitt has written to the CEOs of every registered investment adviser to express concern about Year 2000 compliance issues. In addition, the Office of Investment Management has been monitoring the industry’s progress through examinations, and the SEC issued a legal bulletin to mutual funds and advisers on their disclosure obligations relating to anticipated costs, problems and uncertainties associated with the Year 2000 issue.

For several years, the Institute has been monitoring and providing information to members on operational and compliance matters concerning Year 2000 preparedness, with the aim of ensuring investor confidence in the industry and its financial transactions. A task force of members formed to address technology issues has made the Year 2000 issue one of its most urgent agenda items. In other related efforts, the Institute has been monitoring and encouraging participation in a broad-based financial services testing program, and continues to help members ascertain their systems’ preparedness.

Fund Companies Offering Internet Transaction Capabilities

(percent of fund companies with assets greater than \$5 billion, as of June 1997)



The growth of the Internet as a business communications medium has increased industry concern over protecting the privacy of investors' personal and financial information.



Barry Barbash, Director of Investment Management at the SEC, tells fund executives at an ICI conference that the SEC's Office of Compliance Inspections and Examinations is monitoring the industry's progress toward Year 2000 compliance.

Another important electronic commerce issue is data privacy, which affects individuals who use the Internet to conduct financial transactions. The "Data Privacy Act of 1997," introduced in the House, seeks to protect the privacy of personal and financial information on the Internet. The mutual fund industry is concerned with the privacy and safety of shareholder information carried on the Internet. The Institute is monitoring progress in this area and will continue to be involved in the data privacy issue.

The Institute also is monitoring the issue of Internet taxation on behalf of funds and their shareholders. ICI supports legislation introduced in the House and Senate that would place a moratorium on new Internet commerce taxes while Congress, the Administration and the business community work to develop a national electronic commerce tax policy.

Bond Fund Volatility Ratings

In addition to supporting measures that benefit shareholders, the Institute opposes regulation that would harm them. In recent months, the Institute commented on a proposal by the National Association of Securities Dealers Regulation, Inc. (NASDR) to allow bond fund volatility ratings to be used in mutual fund sales literature for the first time. Progress was made when the NASDR's board established a pilot program allowing bond fund volatility ratings to be used in sales literature, subject to various conditions. Institute President Matthew Fink commended the board's decision to "recommend some meaningful safeguards that will help protect investors," such as prohibiting the ratings from being called "risk" ratings, and requiring that the ratings be in narrative form rather than numerical. Both of these measures will help limit the potential for investor confusion. The Institute expects that the 18-month pilot program will benefit from review by the

SEC, which must approve the NASD's proposal. The Institute will continue to participate in the refinement of the bond fund volatility ratings program to serve investor interests.

SEC Funding

The Institute has historically supported appropriate funding for the SEC, and strongly supports the SEC's funding request for the next fiscal year. The Institute believes that adequate financial resources for the SEC are essential for effective regulation and as a means to achieve important investor protection and awareness initiatives.



Rep. Edward Markey (D-MA) was a leader in enacting the "National Securities Markets Improvement Act."

Transitioning to a New Federal-State Regulatory Partnership

In 1997, the Institute worked with the Securities and Exchange Commission and the North American Securities Administrators Association (NASAA) on new rules and rule amendments to implement the landmark "National Securities Markets Improvement Act of 1996" (NSMIA), which eliminated the previously existing system of duplicative and inconsistent federal and state regulation. Under the new system, federal regulators exercise sole jurisdiction over the structure and operation of mutual funds and the review of fund prospectuses and advertising, while the states appropriately retain their ability to prosecute fraud and sales practice abuses, require funds to make notice filings, and collect fees.

The Institute continues to work closely with the individual states as they rewrite their securities acts to comply with the requirements of the NSMIA. Substantial progress has been made. As of year-end 1997, 33 states had updated their securities laws.

SECTION II



IMPROVING DISCLOSURE
AND INVESTOR AWARENESS

Improving Disclosure and Investor Awareness

FULL AND FAIR DISCLOSURE IS A CORNERSTONE OF INVESTOR PROTECTION UNDER THE FEDERAL SECURITIES LAWS. While mutual fund disclosure already is very extensive, the industry recognizes the extreme importance of effective disclosure to potential and existing shareholders and therefore strongly supports ongoing SEC efforts to further improve disclosure and investor understanding of mutual funds.

In addition, the mutual fund industry works to improve investor knowledge about mutual funds and general investing principles. The importance the industry attaches to investor expectations and awareness was reflected in the agenda of the Institute's annual membership meeting in Washington, DC. Three of the mutual fund industry's chief executive officers—John Brennan, President and CEO of The Vanguard Group, Inc.; Lawrence Lasser, President and CEO of Putnam Investments, Inc.; and Arthur Zeikel, President and CEO of Merrill Lynch Asset Management—spoke candidly about helping individuals to have realistic long-term expectations about their investments. Advised Brennan, “You have to be almost contrary in your communications because emotions are momentum-based. People get too despondent after tough times, and too euphoric after good times.” Added Zeikel, “Investors should be in the market and not timing the market.”

“OUR GOALS GOING FORWARD SHOULD INCLUDE...PLAIN TALK TO OUR SHAREHOLDERS ABOUT OUR FUNDS AND INVESTING, DISCLOSING FEES IN A CLEAR AND UNDERSTANDABLE MANNER...AND AVOIDING UNREALISTIC SHAREHOLDER EXPECTATIONS”

*ICI Chairman
Don Powell*

Prospectus Simplification

The Institute has long supported disclosure that is meaningful and understandable to investors. In 1983, for example, the Institute worked successfully with the SEC to simplify the mutual fund prospectus and create a separate Statement of Additional Information. The ICI opposed complex and unnecessary detail (“disclosure creep”) that returned to mutual fund disclosure documents and made them lengthier and more confusing. In

October 1994, SEC Chairman Arthur Levitt drew attention to the problem of “fact-bloated reports and prospectuses” that few investors could read or understand. As a consequence, the SEC undertook a sweeping three-and-a-half-year initiative to overhaul the mutual fund prospectus. The Institute and its members fully supported this effort.

In March 1998, the SEC adopted rule amendments to streamline fund prospectuses. The overall effect of the rule amendments is to focus the prospectus on essential information about the particular fund and to improve risk disclosure. Under the new format, prospectuses will include 1) a standardized summary containing information about the fund’s investment objectives, principal strategies, risks, performance and fees (this summary must include the fund’s best and worst quarter of performance during the last ten years); 2) a bar chart to graphically illustrate the volatility of the fund’s total returns over the past 10 years, and a table comparing the fund’s return figures to those of an appropriate broad-based securities market index; and 3) narrative risk disclosure focusing on the fund’s portfolio as a whole, rather than on the risks associated with individual types of portfolio securities.

ICI President Matthew Fink commended SEC Chairman Arthur Levitt for “spearheading the reforms that will simplify the mutual fund prospectus” and predicted that “mutual fund prospectuses will become clearer and more informative... Millions of American investors will benefit.”

The Profile

Along with prospectus simplification, the SEC adopted a new rule that gives mutual funds the option of using a “profile,” a short, new disclosure document that conveys essential information about a fund. The profile, which may be used by funds as early as July 1, 1998, sets



At an Institute conference on the new prospectus simplification, fund profile, and plain English rules, ICI General Counsel Craig Tyle states that “Each of these changes is highly significant. Together, they represent the most fundamental disclosure reforms for mutual funds since the enactment of the Securities Act of 1933.”

Essential Investor Information

The mutual fund prospectus and the new optional fund profile each provide information investors should know about a fund before investing.

- ▶ What is the fund’s goal?
- ▶ What is the fund’s investment strategy?
- ▶ What are the main risks of investing in the fund?
- ▶ What are the fund’s fees and expenses?
- ▶ Who manages the fund?
- ▶ How do I buy the fund’s shares?
- ▶ How do I sell the fund’s shares?
- ▶ How are the fund’s distributions made and taxed?
- ▶ What services are available from the fund?

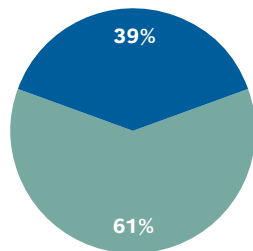
out concise, easy-to-read information in a standardized format. The profile is intended to provide investors with more concise and understandable information than ever before, and help them compare funds. Investors may use the profile to purchase shares or to request a full prospectus. In either event, an investor will receive the fund's prospectus no later than the purchase confirmation. The profile is expected to be particularly useful to 401(k) investors, who need to understand and compare their plans' investment options.

Plain English Requirement

In a related development, the SEC adopted rule amendments that require mutual funds and other securities issuers to write portions of their prospectuses in plain English. The rule amendments require that disclosure be clear, concise and understandable; short sentences and everyday language are encouraged. The Institute supported this initiative to make prospectuses more usable by average investors. New, plain English prospectuses have already been released by many fund companies.

Mutual Fund Assets in 401(k) Plans

Mutual fund assets in 401(k) plans



Other 401(k) plan assets
(including insurance company accounts, bank products, employer stock and other directly held securities)

Almost two-thirds of the \$857 billion 401(k) plan market is comprised of products that do not provide disclosure comparable to mutual funds.

Retirement Plan Disclosure

Today, 44 million employees are active participants in defined-contribution plans. Under a defined-contribution plan, such as a 401(k) plan, employees select investments from a menu of options offered by the employer. Participants in these plans are responsible for their own investment decisions and bear the risks of these investments. Therefore, it is imperative that they receive complete information about their investment choices, including full information about fees and expenses. Current regulation of retirement plans under ERISA does not ensure this.

Testifying at a hearing held by the Department of Labor, ICI President Matthew Fink urged the agency to adopt regulations requiring employers to provide employees with full disclosure regarding all investment options,

including costs, investment objectives, risks and past track records. He pointed out that the only Labor regulations that encourage informed decision-making are those under ERISA section 404(c), which allow for employers to avoid liability for employees' investment decisions and which require employers to provide employees with prospectuses, if available. Because only investments that are registered under the federal securities laws, such as mutual funds, are required to produce prospectuses, employees receive full investment information on some, but not all, of their options.

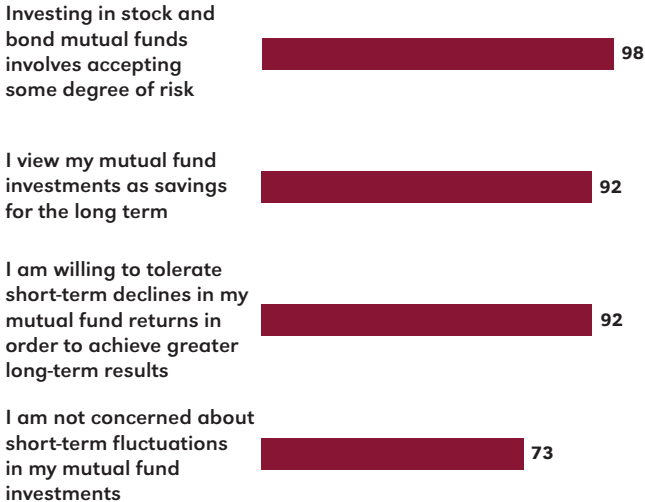
Furthermore, employees receive information about mutual fund fees in the prospectus (the fee table at the front discloses all fund-related fees and expenses), but for other, unregistered investment options, the employee must ask for fee information. "Many employees do not know they should ask for this information, and thus never receive it," Fink stated. He also pointed out that a similar problem exists with respect to plan administrative expenses—employers are required to provide information about transactional fees, but not account maintenance fees assessed by the plan—and recommended that employers be required to disclose to employees all plan-level fees that affect their accounts.

Investor Awareness

The mutual fund industry depends on the confidence of individuals who invest long-term to achieve their financial goals. The industry, therefore, takes very seriously its responsibility to help individuals frame realistic expectations and make well-informed investment decisions. In 1997, fund companies continued to produce an abundance of investor awareness communications. In addition, the Institute and fund executives participated in national events to improve investor understanding of mutual funds. Public interest in this topic is high—Institute research indicates that seven out of 10 fund shareholders want to learn more about mutual funds.

Shareholder Attitudes About Fund Investing

(percent of respondents who agree with survey statements)

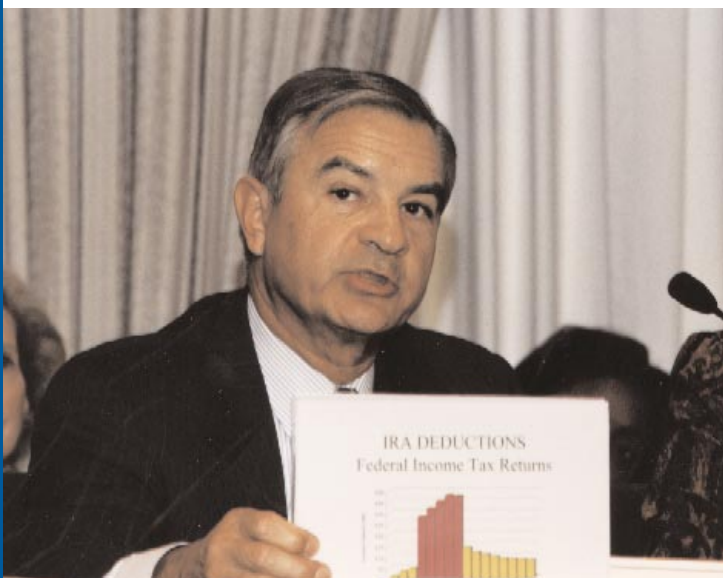


SOURCE: "Shareholders' Assessment of Mutual Fund Risk Measurements" (1995) (unpublished survey results), Investment Company Institute



Kicking off the “Facts on Saving and Investing Campaign,” SEC Chairman Arthur Levitt asserts, “We want people to take action...for their financial security.”

Participating in the SEC’s national roundtable on saving and investing, ICI Chairman Don Powell cites statistical evidence that tax incentives motivate many Americans to save for retirement.



SEC Town Meetings

This past year, ICI President Matthew Fink and members continued to participate in the SEC’s “Town Meetings” held throughout the United States. These meetings, hosted by SEC Chairman Levitt, provided small investors with the opportunity to speak with Chairman Levitt, ICI President Fink, and senior fund representatives, including Arthur Filean of Princi Mutual Funds and Rupert Johnson of Franklin Templeton Group of Funds, about investing.

The Institute developed a presentation that members use to conduct an educational seminar at these meetings, and produced a videotape and companion brochure of the three fund CEOs’ discussion of the importance of developing realistic expectations about market returns (see page 10).

Facts on Saving and Investing Campaign

The Institute and its members also took part in the SEC’s new program, “The Facts on Saving and Investing Campaign,” held from March 29 through April 4, 1998. The week-long series of national and community events was undertaken to focus the public on becoming more financially literate. In announcing the campaign, the SEC indicated its concern that “more Americans than ever depend on financial investments to secure their retirements and to meet other goals, but many lack the basic information they need to save and invest wisely and avoid costly mistakes.” During the week, federal agencies, securities regulators, consumer groups, the financial industry, and the media joined together to conduct educational events in communities and schools around the country.

To launch the week, the SEC selected leading government, industry, and consumer representatives to participate in a national roundtable discussion of the current status of saving in the U.S. and how to better educate Americans on financial matters. ICI Chairman Don Powell pointed out that many segments of the population are not saving enough for retirement, and presented evidence that financial education “can yield positive results.” In addition, he noted that “tax-deferred savings programs, such as IRAs and 401(k) plans, appear to produce higher savings rates.”

The campaign culminated in a National Investors’ Town Meeting, a two-hour panel discussion featuring Chairman Levitt, NASAA President Denise Voigt Crawford, and industry experts, with media sponsorship nationwide by *USA Today*. Lawrence Lasser, President and CEO of Putnam Investments, represented the mutual fund industry. The event was broadcast nationally from Washington, DC, with regional downlink sites around the country. Audience members at these sites and the public (calling in via a toll-free 800 number) were encouraged to query the panel about saving and investing.

In connection with the campaign, the Institute developed a series of educational materials including *A Guide to Understanding Mutual Funds*, a video on saving and investing with an introduction by Chairman Levitt, and three video news releases for use by television stations on the specific topics of stock market expectations, retirement planning, and how to estimate the amount needed for retirement.



Olena Berg, Assistant Secretary for Pension and Welfare Benefits, Department of Labor, describes the agency’s educational efforts at the SEC’s national roundtable on saving and investing.

Participating in the SEC’s National Town Meeting are (from left) ICI President Matthew Fink; NASAA President Denise Voigt Crawford; Lawrence Lasser, President and CEO of Putnam Investments; and ICI Executive Vice President Julie Domenick.





During the year, the Institute also communicated essential information about mutual funds and other investment companies through its website, “Mutual Fund Connection” (www.ici.org), launched in May 1997. Among the investor awareness information offered on the website, “The Informed Investor” is a weekly series that addresses basic investor awareness issues. In addition, a new series of basic guides (in English and Spanish) on mutual funds, closed-end funds and unit investment trusts is available on the website, as well as in print.

For eleven years, the ICI Education Foundation/American University School of Communication Awards for Excellence in Personal Finance Reporting have honored outstanding achievements in financial reporting that help to increase investor knowledge of financial issues and products. The 1997 winners will receive their awards at the Institute’s May 1998 General Membership Meeting. They are Stan Hinden, *The Washington Post*, winner of the Gary Strum Award for Excellence in Retirement Savings Reporting; Anne Willette, *USA Today*, in the category of large circulation newspapers; Gary Weiss, *BusinessWeek*, in the periodicals category; Ray Brady, correspondent, and Christine Weicher, producer, *CBS Evening News*, in the television category; Deborah Clark, producer/writer/editor, David Brancaccio, host/editor, Carla Mozee, assistant producer, Mitchell Hartman, editor, Marketplace Productions, in the radio category; and Martin Wattenberg, *SmartMoney Interactive*, in the online media category.

SECTION III



INCREASING OPPORTUNITIES

TO INVEST FOR RETIREMENT

Increasing Opportunities to Invest for Retirement

“IN THE END, FOCUSING ON YOUR RETIREMENT IS THE BEST INVESTMENT YOU CAN MAKE.”

ICI Executive Vice President Julie Domenick

At the Institute’s annual membership meeting, Treasury Secretary Robert Rubin is greeted by (from left to right) Robert Graham, President of AIM Advisors, Inc.; Terry Glenn, Executive Vice President of Merrill Lynch Asset Management; and Julie Domenick, ICI Executive Vice President. Secretary Rubin’s speech at the meeting highlighted the Administration’s broad economic policies to “increase the savings rate.”



IN WASHINGTON AND ACROSS THE NATION, SAVING FOR RETIREMENT IS A SUBJECT RECEIVING SERIOUS ATTENTION. Tomorrow’s retirees will need to fund their retirements using a combination of sources, including Social Security benefits, employer-sponsored plans, and personal savings. Thus, individuals bear significant personal responsibility to plan for their own future needs.

The Institute has long supported measures to help Americans invest for retirement. In particular, the Institute advocates increasing opportunities to save for retirement through IRAs and employer-sponsored plans. In

1996 and 1997, Congress enacted important IRA enhancements and improved employer-sponsored plans. The Institute continues to focus on the need to expand small employer plans, as small business employees are far less likely to be covered by employer plans.

Individual Retirement Accounts (IRAs)

The Institute has a long history of support for the IRA, which has become an important way for Americans to save for retirement. The Institute advocated the creation of the original IRA in 1974, supported the universal IRA in 1981, and called for IRA expansion after the 1986 tax law restricted the deductibility of these accounts for many Americans. Institute efforts intensified in the mid-1990s as Congress

and the Administration took up expanded tax incentives for saving. Over the past four years, ICI testified numerous times, and fund members urged support for legislative efforts to enhance the IRA. Throughout the public policy debate, the Institute provided its views to the media, policymakers and others on the need to improve saving incentives.

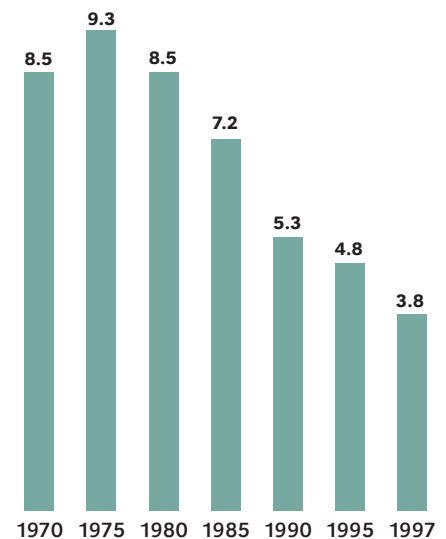
In a major step forward for savers and investors, Congress enacted “The Taxpayer Relief Act of 1997,” which contains significant retirement reforms. In particular, the Act created opportunities for more Americans to save through IRAs. The Institute strongly supports the return to a simple, universal IRA.

Employer-Sponsored Retirement Plans

A generation ago most employer-sponsored retirement plans were defined-benefit plans, where employers made investment decisions. Over the past two decades, most of the growth in plan coverage has been in defined-contribution plans, such as 401(k) plans, where individual employees typically select their own investments from a menu of investment options offered by their employer.

Recognizing the importance of defined-contribution plans as a means by which many Americans save for retirement, the Institute is a strong proponent of policy measures to establish simpler and more accessible retirement plans. For example, in 1996, the Institute supported legislation enacted by Congress that established the Savings Incentive Match Plan for Employees (SIMPLE), a retirement plan for employers with 100 or fewer employees. The legislation also eased the complex and burdensome operational requirements applicable to employee retirement plans. In 1997, the Institute advocated repeal of the “success tax,” the 15-percent excise tax on large distributions from retirement plans and the 15-percent estate tax on large retirement accumulations, as well as additional pension simplification provisions to amend retirement plan limitations and distributions. Both measures were included in the “Taxpayer Relief Act.”

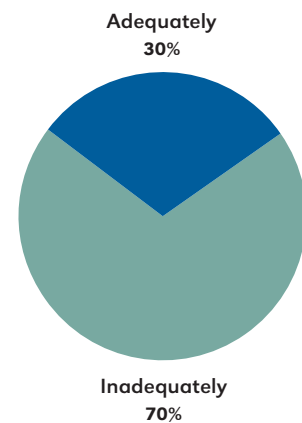
U.S. Personal Saving as a Percent of Disposable Personal Income



Government statistics show that the personal saving rate has declined over time.

SOURCE: Federal Reserve Board

Baby Boomers Inadequately Prepared for Retirement



According to Institute research, the majority of Baby Boomers indicate that current financial concerns prevent them from saving for the long term.

SOURCE: *The Baby Boom Generation: A Financial Portrait* (1991), Investment Company Institute

SIMPLE Success

In 1996, Congress created the SIMPLE program, a simplified defined-contribution plan for employers with fewer than 100 employees. An Institute survey of its largest members found that, in just the first seven months of its availability, 18,250 SIMPLE plans had been established, covering more than 95,000 employees. Almost all (97 percent) were formed by the smallest employers—those with fewer than 25 employees. For the first time, significant numbers of small businesses are able to provide a retirement plan for their employees.

“CONGRESS SHOULD AMEND THE LAW TO PERMIT INDIVIDUALS TO ROLL OVER RETIREMENT ACCOUNT BALANCES AS THEY MOVE FROM EMPLOYER TO EMPLOYER, REGARDLESS OF THE NATURE OF THE EMPLOYER”

ICI testimony to the House Ways and Means Committee

Even with the creation of SIMPLE plans, retirement plan coverage rates remain substantially lower among small employers, and additional measures are needed to make retirement plans more attractive for small businesses to offer and maintain. The Institute supports raising the salary deferral limitation in SIMPLE plans, and eliminating or modifying the “top-heavy” rule applicable to pension plans, which makes it especially costly for small businesses to establish pensions.

Retirement Account Portability

Because the average worker today changes jobs every five years or less, individuals are likely to have several employers over the course of their careers. As a result, the portability of retirement plan assets is an important policy goal. To make these assets more portable, the Institute supports legislation that would enable all workers to move their defined-contribution plan account balances from employer to employer. Under current law, a worker who changes jobs from one private employer with a 401(k) plan to another generally may roll over his or her vested account balance. But a worker who moves from a private employer to a university or hospital with a 403(b) plan, or to a government job with a 457 plan, may not. Legislation to permit portability among these retirement plans would enable workers to take retirement savings with them when they change jobs, consolidate accounts and more easily manage their retirement assets.

Social Security

The mutual fund industry strongly supports the maintenance of Social Security’s fiscal solvency, and believes that Social Security has been, and should be, an integral part of the American retirement system. But, regardless of the means used to address Social Security’s solvency problems, national policy must recognize that government programs alone cannot meet the anticipated retirement needs of the American retiree. Therefore, new ways to help people provide for their retirement must be encouraged. It is imperative that Social Security benefits be supplemented by greater personal retirement savings and by widely and wisely used employer-sponsored pension plans.

ICI President Matthew Fink testified before the Senate Subcommittee on Social Security and Family Policy in support of the Simpson-Kerrey proposal, which would give workers the option of investing 2 percent of their Social Security payroll taxes in their own Personal Investment Plans (PIPs). “This legislation represents a major step in addressing the impending retirement saving crisis ... It is a thoughtful and timely proposal to combine a social insurance system with a system of voluntary private saving, and it offers individuals the possibility of substantially higher retirement income than they are likely to achieve under the current Social Security program.”

Retirement Savings Summits

Along with supporting national policies that enhance opportunities for retirement savings, the Institute seeks to help Americans understand the need to prepare for their own retirement. As a member of the American Savings Education Council, a coalition of concerned private and public sector institutions, the Institute is pleased to have the opportunity to participate in an important new event, the first National Summit on Retirement Savings, to be held at the White House in June 1998. The summit was mandated by Congress in “The Savings Are Vital to Everyone’s Retirement Act of 1997” (SAVER Act) passed late last year. The SAVER Act directs the Department of Labor to convene regular summits to raise the profile of the need for personal saving and to identify barriers to saving. Future summits are mandated for 2001 and 2005. The American Savings Education Council is spearheading the June 1998 summit in partnership with the Department of Labor. The event is expected to advance the public’s knowledge and understanding of retirement savings; facilitate the development of a broad-based public education program; and develop and report to Congress specific recommendations for public and private sector action that would promote retirement savings.

“SAVER IS THE
VITAL FIRST STEP IN
HELPING THE BABY
BOOMERS PREPARE
FOR RETIREMENT”

*Sen. Charles Grassley
(R-IA)*

SECTION IV



PROFILES OF MUTUAL FUND

SHAREHOLDERS AND THE INDUSTRY

Profiles of Mutual Fund Shareholders and the Industry

Mutual Fund Shareholders

AN INSTITUTE SURVEY CONDUCTED IN MID-1997 FOUND THAT NEARLY 66 MILLION INDIVIDUALS OWN MUTUAL FUNDS AND MORE THAN ONE OUT OF THREE U.S. HOUSEHOLDS OWNS FUNDS.

Mutual fund shareholders are average Americans. Institute research finds that the majority of mutual fund shareholders are middle class and middle age. Seventy percent of households owning funds have annual incomes of less than \$75,000.

Mutual Fund Shareholder Characteristics

Median

Age	44
Household income	\$60,000
Household financial assets (excluding assets in employer-sponsored retirement plans and primary residence)	\$50,000

Percent of responding households

Married	71
Widowed	6
Four-year college degree or more	58
Completed graduate school	20
Employed full- or part-time	80
Retired from lifetime occupation	18

Percent of shareholder households

Own individual stocks	54
Own individual bonds	25
Own annuities (fixed and variable)	26
Own real estate (excluding primary residence)	41
Have an IRA	72
Have a Keogh or SEP IRA	17

SOURCE: *Mutual Fund Shareholders: The People Behind the Growth* (1996), Investment Company Institute

Mutual fund shareholders are experienced investors. The median length of time a fund shareholder has owned funds is about 10 years. Nearly two-thirds of shareholders own more than one type of fund. For example, 54 percent of stock fund owners also own bond funds. In addition, most shareholders also own other types of investments besides mutual funds.

Though not insensitive to market movements, shareholders do have a long-term perspective. Several studies have shown that shareholders exhibit patience during stock market breaks and sharp sell-offs. One Institute analysis found no instances of large-scale or panicked selling of mutual fund shares over the past 50 years. Instead, shareholders' response to stock price declines has tended to be spread over time.

Events in late October 1997 were consistent with these findings. Inflows to U.S. stock funds slowed in late October, but were a robust \$18 billion in November. An Institute survey in the aftermath of the October 1997 selloff found that only 7.3 percent of fund-owning households had conducted a stock fund transaction between October 27 and early December in response to the selloff. Of those conducting transactions, buyers substantially outnumbered sellers.

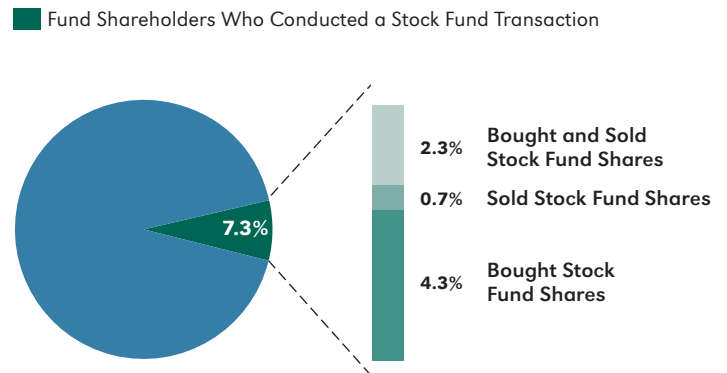
Bond fund shareholders behave similarly in reaction to bond market downturns. Over the past two decades, when interest rates rose sharply and bond prices fell, bond fund shareholders did not massively redeem shares. During the two most recent market contractions, in 1987 and 1994, outflows from bond funds were moderate, and in the three market downturns that occurred before the mid-1980s, net flows were positive.

The Financial Market Environment

A strong U.S. economy in 1997 provided a favorable setting for mutual funds. Although mutual fund assets increased 27 percent—rising from \$3.54 trillion to \$4.49 trillion at the end of 1997—more than half of this increase was due to investment performance (asset appreciation plus reinvested dividends and capital gains distributions), while the rest of the increase was mainly due to new dollars invested in funds (net new cash flow).

Mutual Fund Shareholder Reaction to the Stock Market Events of Late October 1997

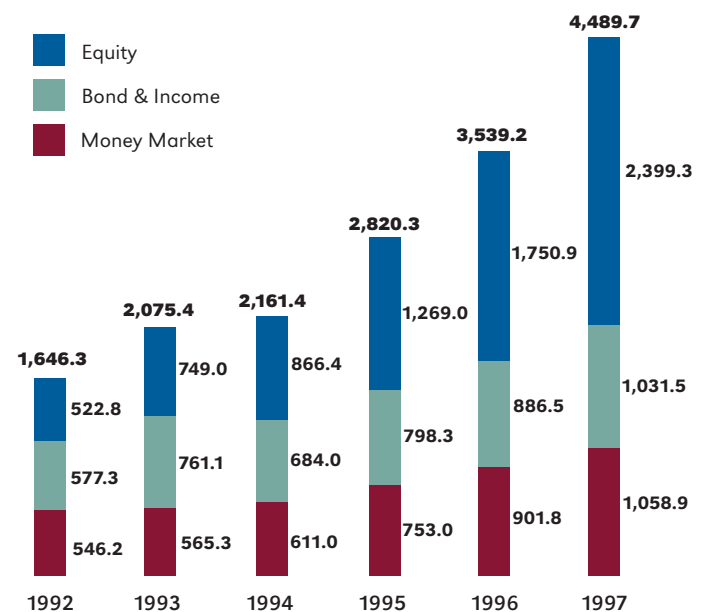
(percent of respondents to an ICI survey)



Shareholder behavior reported during the late October market selloff is consistent with other research showing that fund shareholders have a long-term investment horizon and a basic understanding of risk.

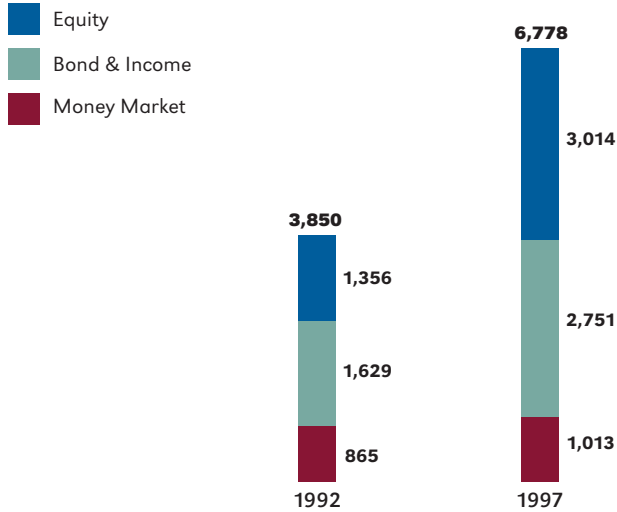
Assets of All Mutual Funds

(billions of dollars)



Assets have almost tripled in the past five years, owing to both investment performance and cash inflows.

Number of Mutual Funds



Many new funds have been brought to market over the past five years in response to investor demand.

Cash Flow into Long-term Funds

(billions of dollars)



Cash flow into stock and bond and income funds was healthy in 1997. Stock fund inflows were supported by higher stock prices and by the ongoing shift by households away from direct ownership of stocks to indirect ownership through mutual funds.

Stock funds contributed most of the industry's asset growth, rising 37 percent to \$2.40 trillion. This increase was largely attributable to higher stock prices and, consequently, robust stock fund investment performance in 1997.

Falling long-term interest rates over most of the year benefited the bond market, and bond and income fund assets reached \$1.03 trillion, an increase of 16 percent over 1996.

Assets in money market funds grew by \$157 billion, or 17 percent, to \$1.06 trillion in 1997. Most of the increase came from record cash flow.

Mutual Fund Cash Flow

Net new cash flow (which is new sales minus redemptions combined with net exchanges) to stock funds totaled \$231.1 billion in 1997, passing the 1996 total of \$221.6 billion. However, stock fund net inflows in 1997 represented only 13 percent of stock fund assets, the lowest percentage since 1990.

Two trends are contributing to the rise in stock fund inflows in this decade: first, U.S. households are shifting away from holding stocks directly to holding them indirectly through mutual funds; second, stock fund sales through tax-deferred investments, such as IRAs, 401(k) plans, and variable annuities are increasing.

In late October, U.S. stock prices fell in reaction to financial conditions in Asian markets. The Dow Jones Industrial Average posted its largest ever one-day point drop of 554 points on October 27. Coupled with

declines over the two previous trading days, the cumulative loss amounted to 10.9 percent, the largest three-day decline since October 1987. The response of stock fund shareholders, however, was muted. Domestic stock funds experienced a very small net outflow on October 27, and relatively strong net inflows thereafter. Although the effect on foreign stock funds was more pronounced, cumulative net outflow from these funds in November and December was less than 0.4 percent of foreign stock fund assets.

Falling interest rates helped to stimulate cash inflows to bond and income funds. Cash flow to these funds totaled \$44.5 billion in 1997, the highest level since 1993. The conversion of \$9.5 billion of bank common trusts into bond and income mutual funds also contributed to the higher net inflow. The effect of the stock market turbulence during the fourth quarter on the net inflow to bond and income funds was minor.

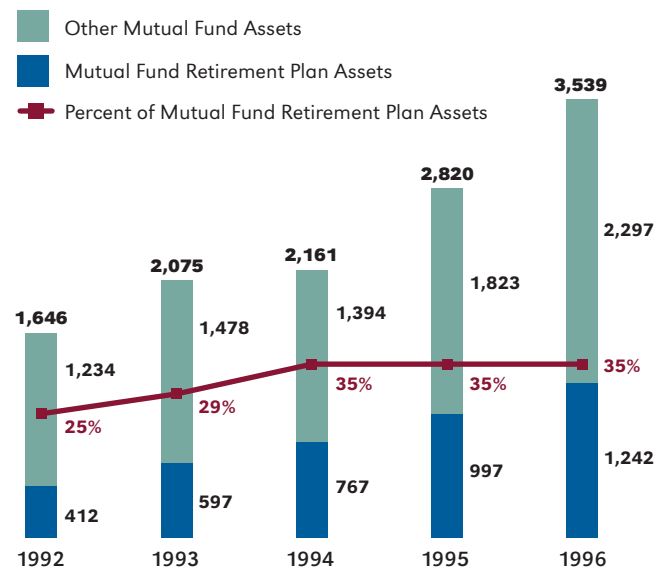
Money market funds also experienced healthy inflows. Net new cash flow of \$102 billion exceeded the 1981 record of \$91 billion. A further widening in the already appreciable gap between yields on money market funds and on bank and thrift saving deposits contributed to the record inflows. Another factor contributing to record inflows was the ongoing outsourcing of cash management services to money market funds by businesses, municipalities and pension funds.

Retirement Savings and Mutual Funds

Investing for retirement is the number one goal for most mutual fund shareholders. Many Americans invest for retirement in mutual funds through IRAs, plans for the self-employed, and corporate pension plans, especially 401(k) and other defined-contribution plans. As of December 1996 (the most recent data available), more than one-third of mutual fund industry assets were attributable to retirement plan assets.

Mutual Fund Assets Attributable to Retirement Plan Accounts

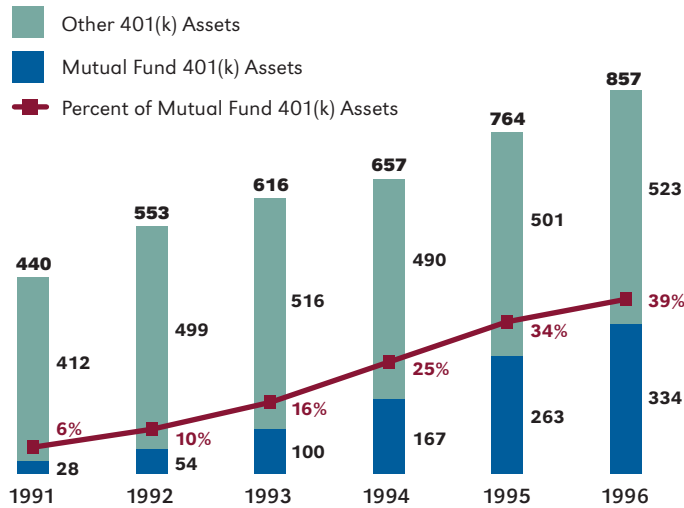
(billions of dollars)



Mutual fund retirement plan assets continue to represent about one-third of total fund assets. These holdings are split about evenly between IRAs and employer-sponsored retirement plans.

401(k) Plan Assets Invested in Mutual Funds

(billions of dollars)



Increasingly, mutual funds serve as an investment medium for 401(k) plans.

Still, mutual funds hold a relatively small percentage of the nation's retirement assets. Total U.S. retirement market assets were an estimated \$7.9 trillion at year-end 1996; mutual funds represented about 16 percent of that total.

Of the \$245 billion increase in mutual fund retirement holdings in 1996, an estimated two-thirds came from asset appreciation, while about one-third came from new investments in mutual funds through retirement plans.

Major contributors to the growth of mutual fund retirement assets have been the expansion of employer-sponsored retirement plans, and, in particular, the increased popularity of defined-contribution plans, for which mutual funds are especially well-suited. Another contributor is the steady develop-

ment of the IRA market—total IRA assets have grown from an estimated \$26 billion in 1981 to \$1.3 trillion at the end of 1996.

Mutual fund assets held in retirement plans are divided almost equally between IRAs and employer-sponsored plans. At year-end 1996, IRAs held \$632 billion, about 51 percent of all mutual fund retirement assets. Employer-sponsored plans held \$610 billion, about 49 percent. Among employer-sponsored plans, defined-contribution plans, including 401(k) plans, held \$577 billion in mutual funds, while defined-benefit plans held \$33 billion.

Although the Tax Reform Act of 1986 scaled back eligibility for tax-deductible contributions, the IRA market has continued to receive inflows, largely through rollovers from employer-sponsored defined contribution plans. IRA holdings of mutual fund assets grew by 28 percent in 1996 to \$632 billion, with net new cash flow accounting for 44 percent of that growth, and asset appreciation accounting for most of the remaining growth. Two-thirds of the net inflow went into stock funds.

SECTION V

INSTITUTE GOVERNING GROUPS

Institute Governing Groups

(as of 12/31/97)

Executive Committee

Don G. Powell (Chair)
Van Kampen American Capital, Inc.

John J. Brennan
The Vanguard Group, Inc.

Matthew P. Fink
Investment Company Institute

Charles A. Fiumefreddo
Dean Witter InterCapital Inc.

Robert H. Graham
AIM Advisors, Inc.

Brent R. Harris
PIMCO Funds

David R. Hubers
American Express Financial Corporation

Rupert H. Johnson Jr.
Franklin Resources, Inc.

Lawrence J. Lasser
Putnam Investment Management, Inc.

Robert C. Pozen
Fidelity Management & Research Company

Richard A. Redeker
Prudential Investments

James S. Riepe
T. Rowe Price Associates, Inc.

Arnold D. Scott
Massachusetts Financial Services Company

Peter S. Voss
New England Investment Companies, L.P.

Mark H. Williamson
NationsBanc Advisors, Inc.

Board of Governors

Don G. Powell (Chair)
Van Kampen American Capital, Inc.

Margo N. Alexander
Mitchell Hutchins Asset Management Inc.

Lynn L. Anderson
Frank Russell Investment Management Company

John J. Brennan
The Vanguard Group, Inc.

John D. Carifa
Alliance Capital Management L.P.

Christopher M. Condron
The Dreyfus Corporation

Anthony T. Dean
The John Nuveen Company

Robert S. Dow
Lord, Abnett & Co.

Stanley Egener
Neuberger & Berman Management Incorporated

Albert H. Elfner, III
Keystone Investments, Inc.

Charles A. Fiumefreddo
Dean Witter InterCapital Inc.

Robert R. Glauber
Independent Director, Dreyfus Funds

Robert H. Graham
AIM Advisors, Inc.

Brent R. Harris
PIMCO Funds

James B. Hawkes
Eaton Vance Corporation

Dan J. Hesser
INVESCO Funds Group, Inc.

David F. Hill
SAFECO Mutual Funds

Robert E. Holley
PaineWebber Incorporated

Stephen H. Hopkins
J.P. Morgan Funds Management

David R. Hubers
American Express Financial Corporation

Rupert H. Johnson, Jr.
Franklin Resources, Inc.

Lawrence J. Lasser
Putnam Investment Management, Inc.

David G. Lee
SEI Financial Services Co.

Kenneth Leibler
Liberty Financial Companies, Inc.

Ann R. Leven
Independent Director, Delaware Group Funds

William M. Lyons
American Century Investments, Inc.

Bridget A. Macaskill
OppenheimerFunds, Inc.

Bruce K. MacLaury
Independent Director, Vanguard Funds
Brookings Institution

Timothy F. McCarthy
Charles Schwab & Co., Inc.

John J. McCormack
TIAA-CREF Investment Management, Inc.

John P. McNulty
Goldman Sachs & Co.

William C. Morris
J. & W. Seligman & Co. Incorporated

William G. Papesh
Composite Research & Management Company

Michael J. Perini
Merrill Lynch Defined Asset Funds

Marguerite A. Piret
Independent Director, Pioneer Funds
Newbury, Piret & Co., Inc.

Robert C. Pozen
Fidelity Management & Research Company

Richard A. Redeker
Prudential Investments

Arnold M. Reichman
Warburg Pincus Asset Management, Inc.

James S. Riepe
T. Rowe Price Associates, Inc.

Arnold D. Scott
Massachusetts Financial Services Company

Leonard M. Spalding, Jr.
Vista Capital Management

Wayne A. Stork
Delaware Management Company, Inc.

Peter S. Voss
New England Investment Companies, L.P.

Mark H. Williamson
NationsBanc Advisors, Inc.

Standing Committees

Accounting/Treasurers Committee

Timothy J. Jacoby, Chair
Colonial Management Associates, Inc.

Audit Committee

Charles A. Fiumefreddo, Chair
Dean Witter InterCapital Inc.

Closed-end Investment Company Committee

James R. Bordewick, Jr., Chair
Massachusetts Financial Services Company

Direct Marketing Committee

Edward C. Bernard, Chair
T. Rowe Price Associates, Inc.

Director Services Committee

Donald Cecil, Chair
Director, Merrill Lynch Funds

Federal Legislation Committee

Paul G. Haaga, Jr., Chair
Capital Research & Management

Industry Statistics Committee

Steven Weifenbach, Chair
T. Rowe Price Associates, Inc.

International Committee

Paul J. Elmlinger, Chair
Scudder Kemper Investments, Inc.

Investment Advisers Committee

Susan Newton, Chair
John Hancock Advisers, Inc.

Marketing Policy Committee

David R. Hubers, Chair
American Express Financial Corporation

Operations Committee

William H. Smith, Jr., Chair
Pioneering Services Corporation

Pension Committee

Leonard P. Larrabee, III, Chair
The Dreyfus Corporation

Public Information Committee

Brian S. Mattes, Chair
The Vanguard Group, Inc.

Research Committee

Harold W. Cogger, Chair
Liberty Financial Companies, Inc.

Sales Force Marketing Committee

Mark P. Freeman, Chair
American Funds Distributors, Inc.

SEC Rules Committee

Henry H. Hopkins, Chair
T. Rowe Price Associates, Inc.

Shareholder Communications Committee

Mary Kay Coleman, Chair
AIM Advisors, Inc.

Small Funds Committee

Lynne M. Cannon, Chair
Stratton Mutual Funds

State Liaison Committee

Steven J. Paggioli, Chair
Wadsworth & Associates

Tax Committee

Eric G. Burns, Chair
Massachusetts Financial Services Company

Unit Investment Trust Committee

Michael J. Perini, Chair
Merrill Lynch Defined Asset Funds

Institute Senior Staff

(as of 5/1/98)

Matthew P. Fink

President

Julie Domenick

Executive Vice President

Lawrence R. Maffia

Senior Vice President—Management

Craig S. Tyle

General Counsel

Donald J. Boteler

Vice President—Operations & Training

Mary D. Kramer

Vice President—Human Resources

Elizabeth Powell

Vice President—Public Information

John D. Rea

Vice President—Research & Chief Economist

Thomas S. Simmons

Vice President—Administration

Leslie Woolley

Vice President—Legislative Affairs

Russell G. Galer

Senior Counsel

Amy B. R. Lancellotta

Senior Counsel

Keith D. Lawson

Senior Counsel

Mary S. Podesta

Senior Counsel

Investment Company Members

Figures appearing next to the member complex name represent the number of member open- and closed-end funds within that complex as of 12/31/97.

A

AAL Funds, (The)—17
Accrued Equities—1
Adams Express Co.—2
Advantage Advisers, Inc.—2
Advantus—11
Advisors Series Trust—4
Aetna—18
AIG Fund Group—3
AIM Group—48
Alamo Growth Fund, Inc.—1
Alger Funds—23
Alliance Capital Management L.P.—126
Allied Capital Advisers, Inc.—3
Allmerica Funds—14
Amelia Earhart—1
American Century Investments—78
American Growth Fund—1
American National—10
American Odyssey Funds, Inc.—6
American Skandia—43
Amerindo Funds Inc.—1
AmeriPrime Funds—9
AmTrust Capital Resources Inc.—1
Amway—1
Anchor Investment Management Corp.—5
Aquila Group of Funds—14
Aquinas Funds, Inc., (The)—4
Ariel Mutual Funds—3
ARM Financial Group—10
Armstrong Associates, Inc.—1
Artisan Partners L.P.—4
ASM Fund, Inc.—1
Aster Capital Management—2
Atlas Funds—16
Atlas Holdings Group—1

B

Bailard, Biehl & Kaiser—3
Baker Fentress—1
Bancroft/Ellsworth—2
Bank of America—21
Bank of New York Funds—14
Barclays Global Investors—12
Barnett Capital Advisors—14
Baron Capital—3
Barr Rosenberg Mutual Funds—5
Battery Park Funds, Inc.—2
Baupost Group, Inc.—1
Baxter Financial Corp.—2
BEA Associates—18
Bear Stearns—6
Berger Funds—14
Bergstrom Capital Corp.—1
Bernstein—11
BISYS Fund Services Group—205
Boberski & Company—2
Boston 1784 Funds—16
Bowes Funds—1
Bramwell Funds, Inc., (The)—1
Brandes Investment Trust—1
Bridges—1
Bridgeway—3
Brinson Funds, (The)—8
Brown Brothers Harriman & Co.—12
Brundage, Story and Rose—3
BSG Funds, (The)—1
BT Alex. Brown—67
Bullfinch Fund, Inc.—1
Burnham Group—1

C

Cadre—2
Calamos Group—5
Caldwell & Orkin Funds, Inc.—1
Calvert Group—26
Canada Life—6
Cancelmo Capital Management, Inc.—1
Capital Mgmt. Associates, Inc.—1
Capital Research & Management—48
Capital Value Corp.—3
Capstone Group of Mutual Funds—4
Cardinal Group—10
Carillon Investments—5
Central Securities Corp.—1
Centurion Counsel, Inc.—2
Century Capital Management, Inc.—1
Chaconia—1
Chapman Company—2
Chicago Trust/Montag & Caldwell Funds—8
Chubb Securities Corporation—16
CIGNA—5
Citibank Funds—42
Citizens Trust—7
Clemente Capital, Inc.—2
Cohen & Steers Capital Management, Inc.—3
Colonial/Liberty Financial—49
Columbia—12
Composite—13
Concorde Funds, Inc.—2
Conseco Capital Management, Inc.—8
CornerCap Group of Funds—2
Countrywide Funds—20
Cowen & Co.—6
Crabbe Huson Funds—12
Crowley Group, (The)—3
Cutler Trust, (The)—2

D

Daruma Funds, Inc.—1
Davis Selected Advisers, L.P.—14
Dean Witter InterCapital Inc.—187
Declaration Investment Advisors—1
Delaware Group/Lincoln National—82
Denver Investment Advisors LLC—9
Dessauer Asset Management—1
Deutsche Funds—26
Directed Services, Inc.—16
Diversified Investors Fund Group—8
DLB Fund Group—6

Dodge & Cox—3
Domini Social Investments, LLC—3
Dresher Funds—2
Dreyfus Corporation, (The)—167
Driehaus Capital Management, Inc.—1

E

Eastcliff Funds—3
Eaton Vance—269
Eclipse Financial Asset Trust—4
Elite Group, (The)—2
Endeavor Management Co.—10
Enterprise Group of Funds, Inc.—18
Equitable Investment Services, Inc.—9
Evergreen Funds—73

F

Farm Bureau—7
Fasciano Company—1
FBR Family of Funds—3
Federated Investors—248
Fenimore—2
FFTW Funds, Inc.—9
Fidelity Investments—249
First Austin Capital Management—1
First Eagle Funds—2
First Investors—51
First Pacific Mutual Fund, Inc.—3
First Variable—10
Fleet Investment Group—29
Fleming Inc., Robert—1
Focus Trust, Inc.—1
Fortis Financial Group—23
Forum Financial Group—23
Founders—11
France Growth Fund—1
Franklin Templeton Group of Funds—186
Frank Russell Investment Company—32
Freedom Capital Management—10
Fremont Mutual Funds—12
Frontier Funds, Inc.—1
Fundamental Family of Funds—5
Funds Distributor, Inc.—18

G

Gabelli Funds—16
Gannett Welsh & Kotler Funds—2
Gateway Trust—4
GE Investments—30
General American Investors—1
Global Asset Management—8
Goldman Sachs & Co.—57
Govett Funds—6
Gradison Mutual Funds—7
Granum Value Fund—1
Great Hall Investment Funds, Inc.—4
Green Century Funds—2
Greenspring Fund—1
Griffin Financial Services—9
Growth Fund of Washington—1
GT Global Group of Funds—43
Guardian Investor Services Corporation—13
Guinness Flight Investment Funds—5

H

Hambrecht & Quist Capital Management—2
Hansberger Global Investors, Inc.—2
Harbor Funds—9
Harris & Harris Group, Inc.—1
Harris Associates Investment Trust—6
Hartford—20
Hawthorne—2
Heartland Group—9
Heritage Funds—12
Herzfeld Advisors—1
Hilliard-Lyons—3
Holland Capital Management, L.P.—1
HomeState Group—2
Homestead Funds, Inc.—4
Horace Mann—7
Hotchkis and Wiley Funds—9
Hough Group of Funds, (The)—2
HSBC Funds—8
Hudson Advisors Inc.—1
Hyperion Capital Management, Inc.—5

I

IAA Trust Mutual Funds—6
IAI Group—19
ICON Funds—17
IDEX Funds—13
IDS Mutual Fund Group—74
Impact Management Investment Trust—1
Integrity Mutual Funds—9
Interactive Investments—1
INVESCO Funds Group—46
Investor Service Center, Inc.—9
Investors Research Fund, Inc.—1
IPS Funds—1
Irish Investment Fund, (The)—1
Ivy Mackenzie Group of Funds—17

J

Jackson National—16
Janus—22
John Hancock Funds—69
Johnson Investment Counsel, Inc.—4
Jones & Babson, Inc.—24
J.P. Morgan—70
Jurika & Voyles Fund Group—3

K

Kaufmann Fund—1
Kenilworth Fund, Inc.—1
Kenwood Funds—1
KeyCorp—34
Kleinwort Benson—1
Kobren Insight Funds—3
Kopp Funds, Inc.—1
KPM Investment Management, Inc.—2

L

Lazard Freres—20
Lebenthal—3
Legg Mason—34
Lexington—17
LKCM Funds—2
London Pacific Life and Annuity Company—8
Lord Abbett—32
Lutheran Brotherhood—22

M

MainStay Funds—37
Mairs and Power, Inc.—2
Managers Funds, (The)—10
Manning & Napier—23
Manulife North America—36
MAP Funds—3
Massachusetts Financial Services Company—129
Matthews International Funds—3
Matthew 25 Fund Inc.—1
Maxus Investment Group—3
Meeder & Associates—15
Mentor Investment Group—22
Mercury Investment Management—2
Merrill Lynch Asset Management—191
Merriman Investment Trust—6
Mexico Fund, Inc., (The)—1
Miller Anderson & Sherrerd, LLP—37
Monetta—7
Monterey Mutual Fund—8
Montgomery Funds, (The)—28
MONY—7
Morgan Grenfell—35
Morgan Keegan—1
Morgan Stanley Asset Management—40
Mosaic Funds—14
Muhlenkamp—1
Munder Capital Management—33
Mutual of America—11
Mutual Selection—1

N

NationsBanc Advisors, Inc.—58
Nationwide Advisory Services, Inc.—12
Navellier Securities Corporation—4
Neuberger & Berman—56
New England Funds—89
Nicholas-Applegate—29
Nomura—4
North American Funds—13
Northern Trust Mutual Funds—41
Northstar—11
Northwestern Mutual—9
Nottingham Company, (The)—14
Numeric Investors L.P.—3
Nuveen—108

O

Oak Ridge Investments—2
Oak Value Capital Management, Inc.—1
Oberweis Asset Management, Inc.—3
OFFITBANK—8
Ohio National Fund—25
Olstein Funds—1
One Group Family of Mutual Funds, (The)—37
Oppenheimer Capital—23
OppenheimerFunds/MassMutual—83
O'Shaughnessy Capital Management, Inc.—4

P

Pacific Advisors Fund Inc.—4
PaineWebber—67
Palladian Trust—5
PanAgora Asset Management, Inc.—2
Papp (L. Roy) & Associates—3
Parnassus Investments—4
Pasadena Group of Mutual Funds—6
Pathfinder Advisers—1
Pax World—2
Payden & Rygel—26
PBHG Funds, (The)—17
PB Series Trust—9
Penn Series Funds, Inc.—9
Peregrine Funds—1
Perritt Capital Management—1
Phillips Capital Investments—1
Phoenix Duff & Phelps—36
Pilgrim America Group—9
PIMCO Advisors, L.P.—50
Pioneer Group, Inc.—33
Piper Capital Management Incorporated—42
PNC Financial Services Group—40
Portico Funds, Inc./Firststar—17
Potomac Funds—7
PRAGMA, Inc.—1
Pratt Wylce & Lords, Ltd.—1
Preferred Group, (The)—8
Primary Trend Funds—3
Principal Preservation Portfolios, Inc.—8
Principled Equity Market Fund—1
Princor—29
Professionally Managed Portfolios—16
Profit Funds Investment Trust—2
Protective Investment Company—7

Providentmutual Investment Mgmt. Co.—6
Prudential Mutual Funds—119
Public Service Investment—1
Purissima Funds, (The)—1
Putnam Funds—102

Q

Quantitative Group of Funds—5

R

Rainier Investment Management—4
Rea-Graham Funds—1
Real Silk Investments, Inc.—1
Republic Funds—17
Righttime Family of Funds—5
RNC Mutual Fund Group—2
Robertson, Stephens & Company—24
Robinson Capital Management, Inc.—1
R.O.C. Taiwan Fund—1
Rodney Square—6
Roulston & Co.—3
Royce Funds, (The)—17
Rydex Series Trust—9

S

SAFECO—34
Salomon Brothers—27
Saturna Capital Corporation—7
Schafer Capital Management—1
Schroder Fund Advisors Inc.—20
SchwabFunds—33
Schwartz Investment Counsel, Inc.—1
SCM Associates—1
Scudder—90
Security Benefit Group—26
SEI Financial Services—290
Seligman—50
Seneca Funds—4
Sentinel—12
Sentry—1
Sheffield Funds, (The)—2
Sierra Trust Funds—35
Sit Mutual Funds—11
Skyline Funds—2
Smith Barney, Inc.—113
Smith Breeden Associates—3

SMITH HAYES Financial Services—15
SoGen Funds, (The)—5
Solon Funds—2
Southeastern Asset—3
SSgA Funds—17
Standish Funds—16
State Farm—4
State Street Research—28
Stein Roe & Farnham Incorporated—40
Stratton Mutual Funds—3
Strong Funds—42
SunAmerica Group—61
Swiss Helvetia Fund, Inc., (The)—1

T

Tax-Free Fund of Vermont—1
Texas Commerce Bank—13
Third Avenue Value Fund—2
Thomas White Funds Family—1
Thompson, Plumb & Associates—3
TIAA-CREF—15
Timothy Partners, Ltd.—1
Tocqueville—4
Torry Fund, (The)—1
Touchstone Family of Funds—22
Transamerica Investment Services—1
Transamerica Investors, Inc.—7
T. Rowe Price—83
Trust Company of West—2
Tweedy, Browne Fund Inc.—2

U

UBS Private Investor Funds—7
Ultra Series Fund—13
Uniplan, Inc.—1
United Asset Management—65
United Funds—36
Universal Capital Investment—1
USAA—42
USF&G Pacholder Fund—1
U.S. Global Investors Funds—16
U.S. Trust Company—36

V

VALIC—13
Value Line—16
Van Eck—12
Vanguard Group, (The)—99
Van Kampen American Capital, Inc.—111
Venture Lending & Leasing, Inc.—1
Vista Mutual Funds—45
Volumetric—1
Vontobel Funds, Inc., (The)—7
Voyageur Funds—2

W

Wade Fund—1
Walnut Street Funds, Inc.—1
Wanger Asset Management, L.P.—5
Warburg Pincus Funds—35
Wasatch Advisors—5
Waterhouse Asset Management, Inc.—3
Wayne Hummer—3
Weiss Peck & Greer—13
Weitz & Company—5
Wells Fargo—62
Weston Financial Group—2
William Blair Mutual Funds, Inc.—5
Williamsburg Investment Trust—11
WNL Series Trust—8
Wood Struthers & Winthrop—11

Y

Yamaichi Funds—1
Yorktown Management—6

Z

Z-Seven Fund—1
Zurich Kemper Investments, Inc.—70
Zweig Mutual Funds—8

“OUR EXCELLENT TRACK RECORD SHOULD NOT BE A
LULLABY THAT ROCKS US TO SLEEP. IT SHOULD BE
REVEILLE THAT WAKES US UP TO CHALLENGES THAT
LIE AHEAD AND THE INNOVATIONS THAT MUST BE
MADE TO MEET SHAREHOLDER NEEDS AND DESIRES.”

Don G. Powell,
Institute Chairman



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