

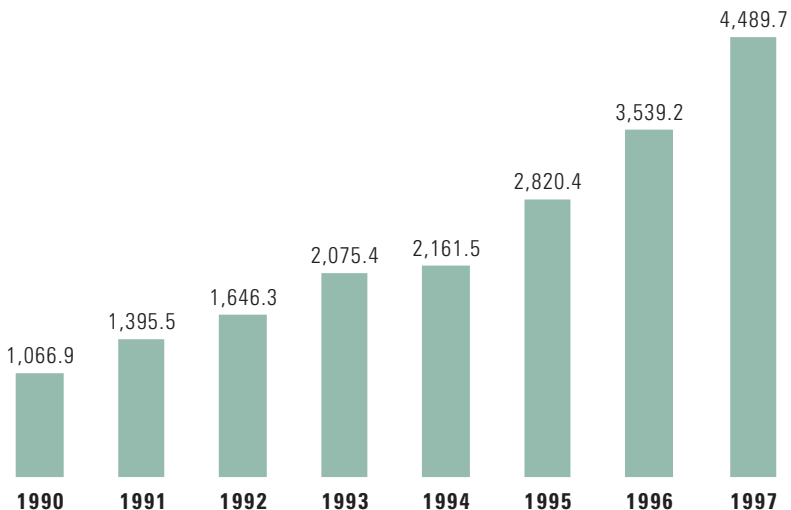
Mutual Fund Developments in 1997

The U.S. economy in 1997 once again provided a favorable setting for mutual funds. During the seventh year of the nation's economic expansion, the unemployment rate fell to its lowest level since 1973, the core rate of inflation dropped to a 30-year low, and corporate earnings were strong. In financial markets, short-term interest rates changed little, long-term rates declined, and stock prices posted strong gains for the third consecutive year.

Assets in mutual funds increased 27 percent—to \$4.5 trillion—in 1997, the third consecutive year of more than 25 percent growth. Investment performance—unrealized capital gains and reinvested distributions—accounted for 56 percent of the increase. Most of the growth was attributable to higher stock prices; in fact, about 80 percent of the investment performance of all funds was concentrated in equity funds and

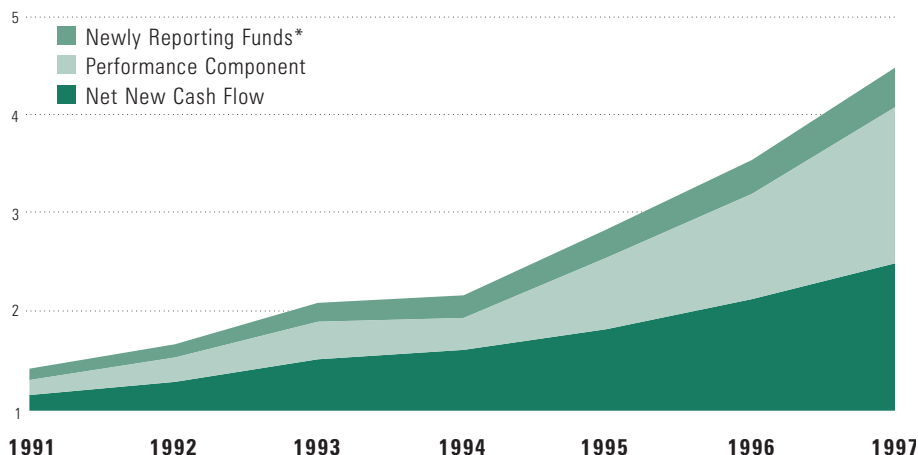
Assets of Mutual Funds

(billions of dollars)



Components of Mutual Fund Asset Growth

(trillions of dollars)



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

Note: See page 106 for data points on this chart.

hybrid funds investing in both stocks and bonds.

New investments by mutual fund owners, or net new cash flow, rose for the third straight year to a record \$378 billion, as all three main fund categories—equity, bond and income, and money market—experienced heavier inflows for the year.

EQUITY FUNDS

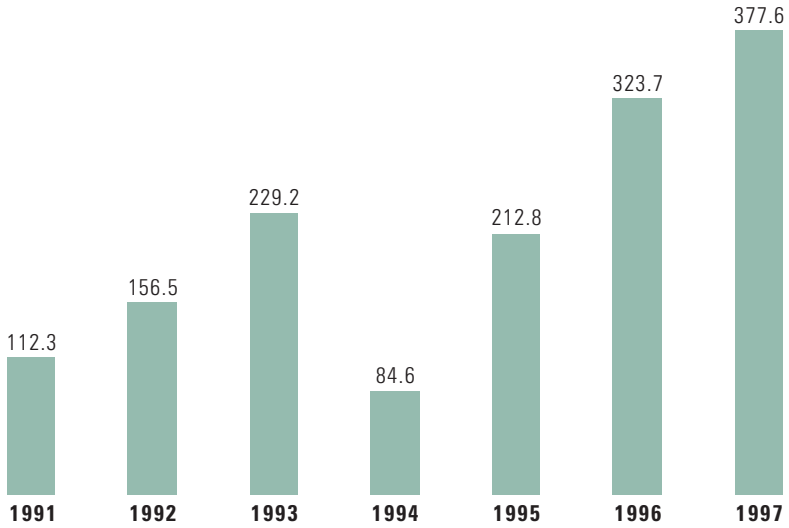
Assets in equity funds increased 37 percent in 1997 to \$2.399 trillion. The performance of these funds accounted for about three-fifths of the increase in assets. Equity funds

posted a record \$231 billion in net new cash flow in 1997, topping the 1996 record of \$222 billion. As a percentage of the 1996 year-end assets, however, the net inflow was at the lowest level since 1990. Stock fund inflows were supported throughout 1997 by higher stock prices and by the ongoing shift of household assets away from direct ownership of equities to indirect ownership through mutual funds. Market sell-offs in March, August and late October temporarily slowed stock fund inflows.

Domestic funds. Domestic equity funds—U.S. mutual funds

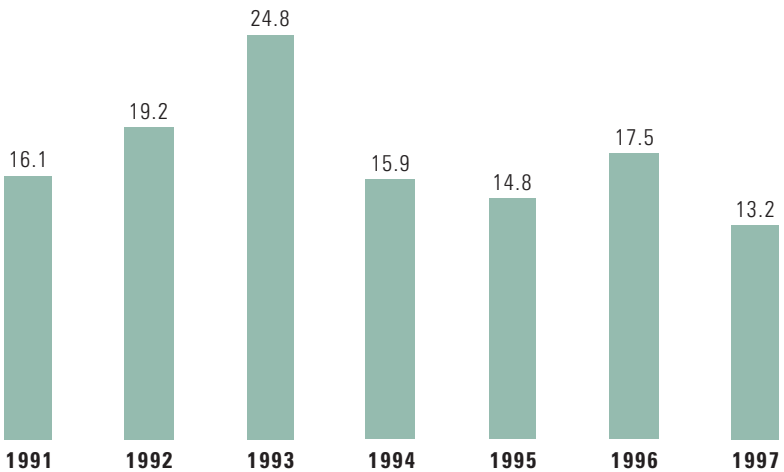
Net New Cash Flow to Mutual Funds

(billions of dollars)



Net New Cash Flow to Equity Funds

(percent of previous year-end assets)



investing mainly in U.S. stocks—registered a \$193.3 billion inflow in 1997, up from \$175 billion in 1996. Growth and income funds led the way, posting a record inflow of \$88 billion. These more conservative stock funds captured 45 percent of all domestic stock fund inflows in 1997, up from 37 percent in 1996. The shift toward growth and income funds and away from higher-risk aggressive growth funds continued a movement that began in mid-1996.

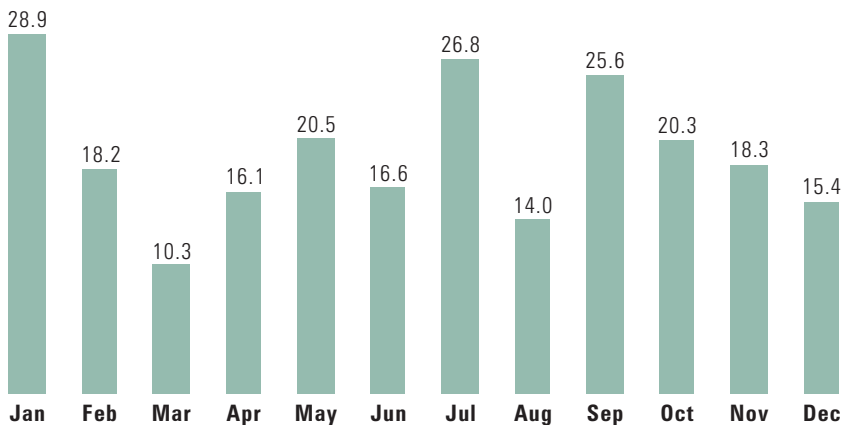
Over this period, investors generally favored stocks of large U.S. companies, largely the investment domain of growth and income funds. As a group, these stocks

outperformed those of smaller U.S. companies in both 1996 and 1997.

Foreign funds. Net inflow to international and global funds slowed to \$38 billion last year from \$46 billion in 1996, as turmoil during the second half of the year in Asian and Latin American financial markets damped inflows to international and global funds generally and led to outflows from emerging market funds. Robust inflows to emerging market funds during the first half of the year, however, enabled these funds to post a net inflow of \$2.0 billion for the year, down from \$4.1 billion in 1996.

Net New Cash Flow to Equity Funds, 1997

(billions of dollars)



Net New Cash Flow to Equity Funds by Investment Objective

(billions of dollars)

Year	Domestic					Foreign	Total	Total Assets
	Aggressive Growth	Growth	Growth & Income	Income	Total			
1984	1.1	0.6	1.4	1.8	4.9	0.9	5.9	83.1
1985	1.4	0.2	2.7	3.4	7.7	0.8	8.5	116.9
1986	1.6	1.6	9.2	5.3	17.7	4.2	21.9	161.5
1987	3.6	3.9	9.5	2.7	19.6	-0.6	19.1	180.7
1988	-2.9	-4.4	-5.2	-1.3	-13.8	-2.4	-16.2	194.8
1989	0.8	-0.9	4.1	0.6	4.6	1.2	5.8	249.0
1990	0.5	3.3	2.9	-0.4	6.3	6.5	12.8	245.8
1991	8.7	14.0	12.5	1.2	36.4	3.2	39.5	411.6
1992	13.4	24.9	27.3	6.4	72.1	7.0	79.2	522.8
1993	20.6	21.6	34.0	14.8	91.1	38.5	129.6	749.0
1994	25.3	22.3	19.4	8.4	75.4	43.9	119.3	866.4
1995	35.7	36.9	37.0	7.0	116.5	11.7	128.2	1,269.0
1996	55.5	46.2	65.0	8.6	175.3	46.3	221.6	1,750.9
1997	36.6	57.4	87.5	11.9	193.3	37.7	231.1	2,399.3

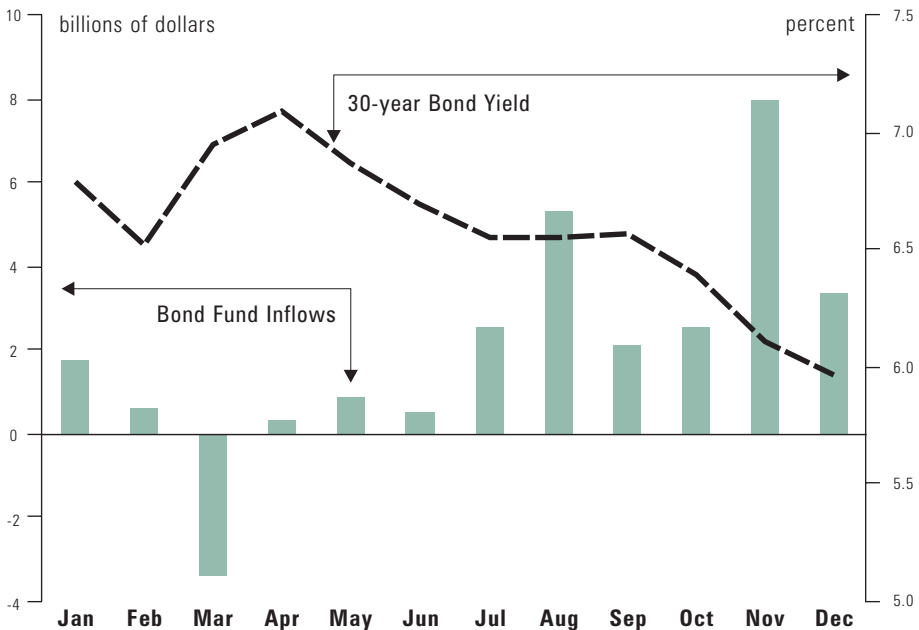
Note: Aggressive growth funds include precious metal funds; income funds include income-equity and option-income funds; and foreign funds include global funds and international funds.

BOND AND INCOME FUNDS

Assets in bond and income funds rose 16 percent in 1997 to a record \$1.031 trillion. About two-thirds of the increase resulted from fund performance, and most of the remaining increase represented a net inflow of \$44.5 billion, the highest since 1993 and well above the \$12.6 billion net inflow in 1996.

Interest rate movements and net flows. The increase in net flow to bond and income funds last year primarily resulted from lower long-term interest rates in the bond market. After rising through early spring, long-term rates declined 1.30 percentage points by year-end. In the past, bond funds have experienced the heaviest net inflows during periods of falling interest rates, and last year proved

Yield on the 30-year Bond and Net New Cash Flow to Bond Funds, 1997



Note: See page 106 for data points on this chart.

Source: Bloomberg and Investment Company Institute

Net New Cash Flow to Bond & Income Funds

(billions of dollars)

Year	Hybrid	U.S. Government and GNMA	Global	Corporate Bond	High- yield	Income- Bond	Municipal	Total	Total Assets
1984	0.3	7.4	(0.0)	0.2	1.2	(0.0)	4.3	13.3	54.0
1985	2.0	42.8	0.0	0.9	4.4	1.2	13.9	65.2	134.8
1986	5.9	57.5	0.4	3.5	9.6	3.5	28.2	108.6	262.6
1987	4.1	2.9	0.7	0.6	0.6	1.1	0.9	10.9	273.2
1988	(2.5)	(13.7)	0.6	(0.2)	3.2	0.5	5.1	(7.0)	277.5
1989	4.3	(12.8)	(0.1)	0.8	(2.9)	1.7	12.0	3.1	304.8
1990	2.3	(7.7)	5.6	0.2	(5.1)	3.2	9.9	8.5	322.7
1991	8.3	17.4	10.2	3.0	1.8	5.2	21.2	67.2	441.4
1992	22.7	29.8	(2.8)	4.5	4.6	6.6	28.4	93.7	577.3
1993	40.4	6.1	4.5	4.3	8.6	11.5	38.3	113.7	761.1
1994	21.1	(39.9)	(4.5)	(1.6)	(0.7)	(2.3)	(15.5)	(43.4)	684.0
1995	5.7	(13.9)	(4.4)	2.0	8.1	4.7	(7.0)	(4.8)	798.3
1996	10.4	(13.8)	(0.9)	2.4	12.3	8.6	(6.3)	12.6	886.5
1997	20.0	(9.8)	(1.1)	1.0	16.8	17.1	0.5	44.5	1,031.5

Note: Hybrid funds include balanced funds, flexible portfolio funds, and income-mixed funds.

no exception. Bond fund inflows averaged \$3.1 billion per month between May and December when interest rates were declining, compared with outflows of \$176 million per month in the first four months when rates were rising.

Bond and income fund inflows in 1997 were also helped by the \$9.5 billion in bank common trust fund conversions. The largest conversions occurred in August and November, amounting to \$3.3 billion and \$4.4 billion, respectively. Smaller-sized conversions, ranging between \$400 million and \$600 million, took place in January, February and April.

The substantial increase in stock market volatility in August and during the fourth quarter of 1997 appeared to have little effect on net flows to bond and income funds. The vast majority of the net inflows to bond and income funds were concentrated among hybrid funds, high-yield bond funds and income-bond funds. These three were among the higher-risk groups of bond and income funds as well as among the better-performing groups. In contrast, the more conservative U.S. Government and Ginnie Mae bond funds continued to post net outflows over the last half of the year, although the pace of net redemptions slowed.

MONEY MARKET FUNDS

Assets in money market funds increased \$157 billion, or 17 percent, in 1997 to a record \$1.059 trillion. Most of the increase in assets came from a record \$102 billion in net new cash flow, which surpassed the previous record of \$91 billion in 1981.

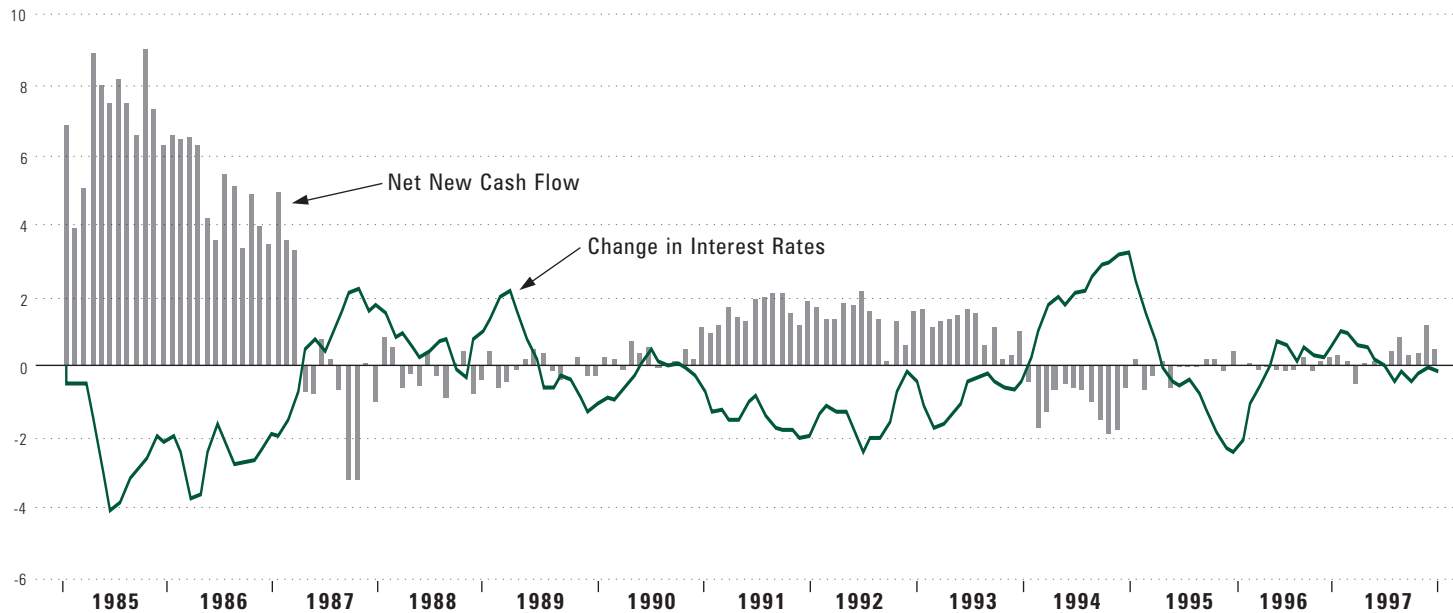
Retail funds. The net inflow to retail money funds—those offered primarily to individuals with small-sized accounts—remained strong last year. Net inflows were supported by a further widening in the already appreciable gap between yields on retail money funds and on bank and thrift saving deposits.

As with bond funds, money fund net flows were not much affected by stock market volatility in the fourth quarter. The pickup in net flow in October, November and early December was in line with normal increases associated with the seasonal buildup in household cash balances in advance of December holiday expenditures.

Institutional funds. The net inflow to institutional money funds—those held primarily by businesses, governments, institutional investors, and high-net worth households—rose for the third straight year to \$46.7 billion in 1997. The strength in institutional net flow was due in part to

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

(percent)



*Net new cash flow is shown as a percentage of the previous month's outstanding assets. Interest rate changes are year-over-year changes in the constant maturity yield on the three-year Treasury note.

Note: See page 107 for data points on this chart.

Source: Federal Reserve Board and Investment Company Institute

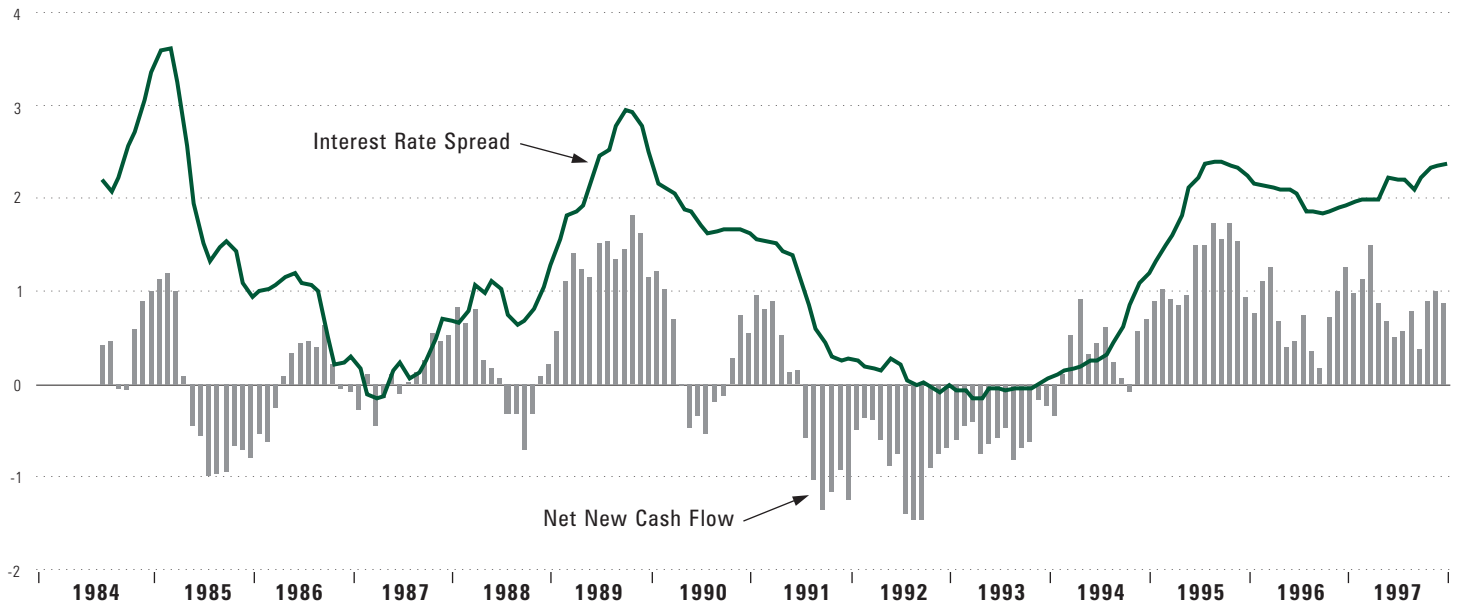
Net New Cash Flow to Retail and Institutional Money Market Funds

(billions of dollars)

Year	Retail			Institutional			Total	Total	Total	Total Assets
	Taxable	Tax-exempt	Total	Taxable	Tax-exempt	Total	Taxable	Tax-exempt		
1984	12.3	5.0	17.3	17.0	1.0	18.0	29.2	5.9	35.1	233.6
1985	-12.9	8.5	-4.4	-2.9	2.0	-0.9	-15.9	10.5	-5.4	243.8
1986	3.3	17.6	20.9	5.7	7.2	12.9	9.0	24.8	33.9	292.2
1987	6.7	-3.0	3.7	6.3	0.2	6.5	13.1	-2.9	10.2	316.1
1988	4.1	2.0	6.1	-5.6	-0.4	-6.0	-1.5	1.6	0.1	338.0
1989	51.1	3.5	54.6	11.5	-2.0	9.5	62.5	1.5	64.1	428.1
1990	4.2	4.5	8.7	13.1	1.2	14.3	17.4	5.8	23.2	498.4
1991	4.2	-1.0	3.2	0.2	2.0	2.2	4.4	1.1	5.5	542.4
1992	-27.9	3.0	-24.9	7.5	1.1	8.6	-20.5	4.2	-16.3	546.2
1993	-14.5	3.8	-10.7	-4.6	1.2	-3.4	-19.1	5.0	-14.1	565.3
1994	22.1	1.6	23.7	-14.3	-0.7	-15.0	7.9	0.9	8.8	611.0
1995	56.7	6.4	63.1	25.4	0.9	26.3	82.1	7.3	89.4	753.0
1996	49.2	7.5	56.7	30.0	2.7	32.7	79.2	10.2	89.4	901.8
1997	45.4	9.7	55.1	41.3	5.6	46.9	86.7	15.3	102.0	1,058.9

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

(percent)



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

Note: See page 111 for data points on this chart.

Source: IBC Financial Data Inc., Federal Reserve Board, and Investment Company Institute

the ongoing outsourcing of cash management services to money market funds by businesses, municipalities and pension funds.

STOCK MARKET VOLATILITY IN OCTOBER

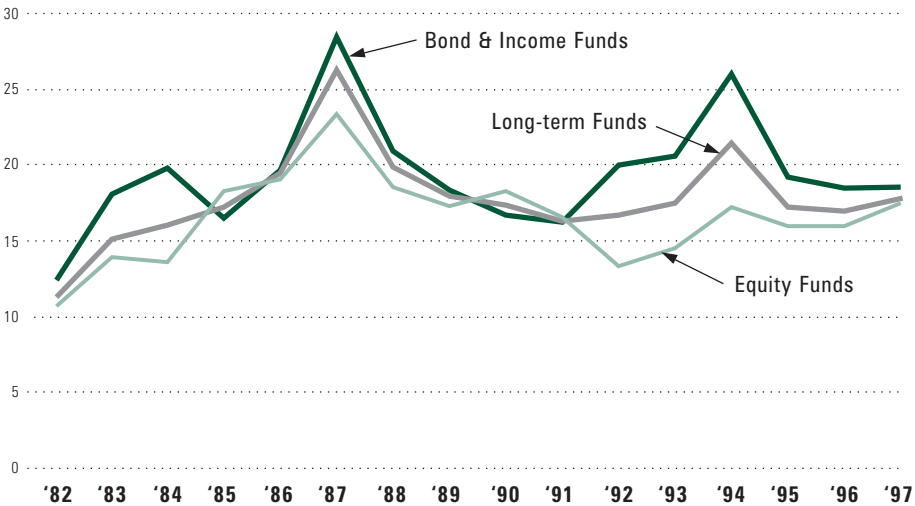
Sparked by extreme weakness in Asian financial markets, the Dow Jones Industrial Average posted its largest one-day point drop of 554 points on October 27, 1997. Coupled with declines over the two previous trading days, the cumulative loss amounted to 10.9 percent—the largest three-day decline since October 1987. The

U.S. stock market also experienced its widest price swings in a decade.

The response of equity mutual fund owners to the sell-off in U.S. stock markets was limited and brief. Net inflows to domestic stock funds were strong through the first three weeks of October but slackened with the onset of the decline in stock prices on October 23. The net flow turned slightly negative on October 27, amounting to no more than one-tenth of 1 percent of domestic stock fund assets. On the following day, net inflows returned with the

Average Annual Redemption Rate for Long-term Mutual Funds

(percent of average assets)

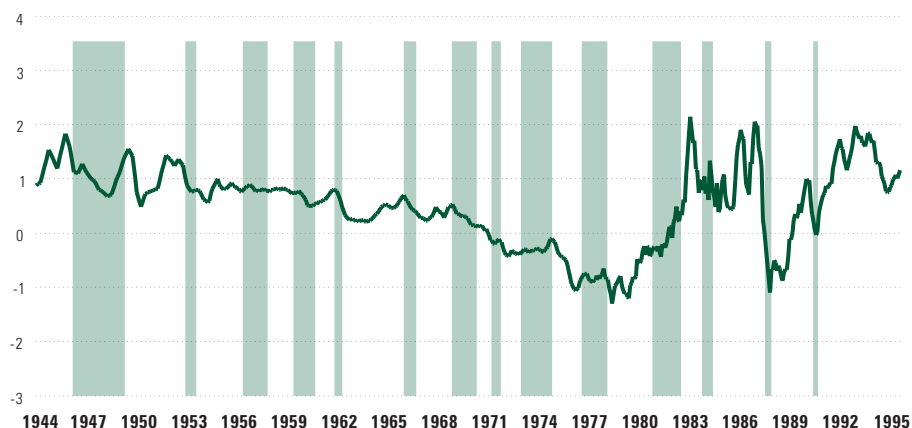


Note: See page 115 for data points on this chart.

Net Flow to Equity Funds, 1944–1995*

(monthly, six-month moving average)

Net cash flow, percent of assets



*Shaded regions represent contraction phase of stock market cycle.

recovery in stock prices and continued thereafter.

The late October turmoil in overseas markets, especially those in Asia, had a more lasting effect on foreign stock funds. After starting the month on a strong note, the net flow to these funds turned negative with the sell-off in Asian markets and continued so in November and December. The magnitude of the net outflow was small, however, cumulating during these two months to less than 0.4 percent of foreign fund assets.

A survey of individual mutual fund owners taken in late

November and early December likewise pointed to a limited response to October's market developments. Awareness of the market decline on October 27 was widespread among fund owners; 56 percent of the survey respondents indicated knowing of the sell-off as it occurred, and another 23 percent learned of the drop that evening. Nonetheless, only 7 percent of respondents conducted a stock fund transaction in response to market volatility, with more than half having made the trade after October 28. The majority of those conducting a transaction purchased rather than redeemed stock fund shares, including those

engaging in transactions on October 27.

The reaction in October 1997 is consistent with prior analyses of shareholder behavior in periods of securities market volatility. An ICI analysis covering more than 50 years, for example, found no evidence of a shareholder run on mutual funds, despite 14 major

stock market contractions and several sharp sell-offs in the stock market. Even the severe market break of October 19, 1987 failed to trigger substantial outflows from mutual funds, according to the study (see the sidebar below for more specific historical findings related to shareholder behavior during market corrections).

Historical Findings on Shareholder Reaction to Market Volatility

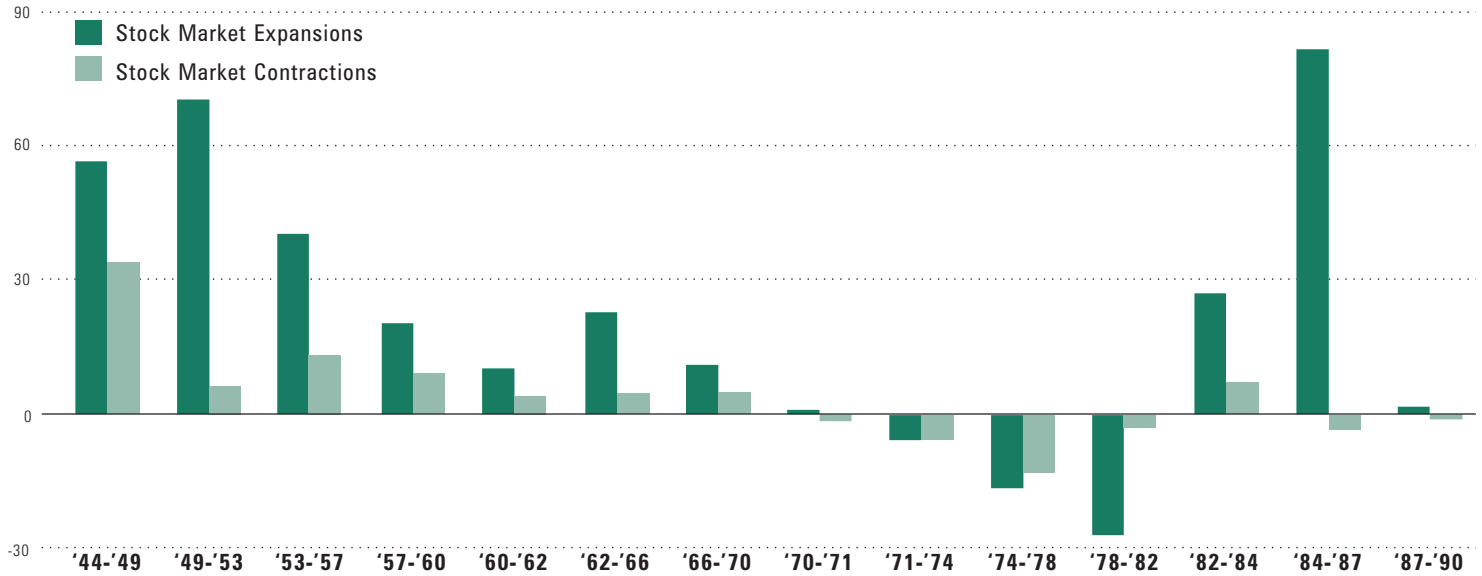
Investment Company Institute (ICI) studies suggest that the shareholder response to movements in stock prices is spread out over time. The rate of redemptions generally has remained unchanged or declined slightly during bear markets, and does not rise until the bear market has ended and stock prices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

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

- ▶ The largest net outflow within a short period occurred during and immediately after the October 1987 stock market break (only 4.5 percent of total equity fund assets).
- ▶ An estimated 95 percent of stock fund owners did not redeem shares immediately after the 1987 stock market break.
- ▶ The responses of shareholders to other sharp drops in stock prices since 1945 were considerably more restrained than the mild reaction in 1987.
- ▶ The vast majority of shareholders are not new to investing in either mutual funds or individual stock and bonds. The typical mutual fund shareholder has invested in mutual funds for about 10 years.
- ▶ Shareholder response to the October 1997 stock market break was considerably more restrained than during the 1987 stock market break.

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

(percent of assets)



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

What Is a Mutual Fund?

A mutual fund is an investment company that pools money from shareholders and invests in a diversified portfolio of securities. An estimated 66 million Americans in 37 million households own mutual fund shares.

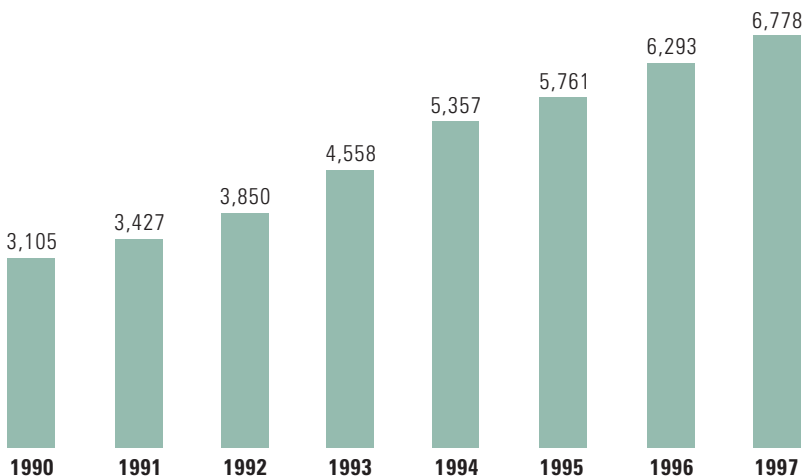
THREE BASIC TYPES OF MUTUAL FUNDS

There are three basic types of mutual funds: stock (also called equity), bond and income, and money market. Money market

funds are referred to as short-term funds because they invest in securities that generally mature in about one year or less, while stock and bond and income funds are known as long-term funds. Of the total \$4.490 trillion invested in mutual funds at the end of 1997, \$2.399 trillion was invested in stock funds, \$1.032 trillion in bond and income funds, and \$1.060 trillion in money market funds.

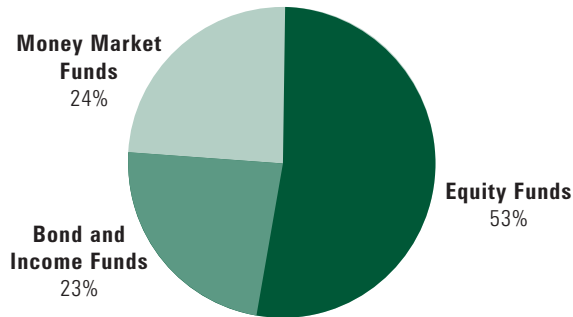
An investor in a mutual fund is a shareholder who buys shares of

Number of Mutual Funds



How Mutual Fund Assets Are Invested

(year-end 1997)



the fund. Each share represents proportionate ownership in all the fund's underlying securities. The securities are selected by a professional investment adviser to meet a specified financial goal, such as growth or income.

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

investment risk, the greater the potential reward.

PROFESSIONAL MANAGEMENT

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

Types of Equity Mutual Funds

Aggressive Growth Funds seek maximum capital growth; current income is not a significant factor. These funds invest in stocks out of the mainstream, such as new companies, companies fallen on hard times, or industries temporarily out of favor. They may use investment techniques involving greater-than-average risk.

Growth Funds seek capital growth; dividend income is not a significant factor. They invest in the common stock of well-established companies.

Growth and Income Funds seek to combine long-term capital growth and current income. These funds invest in the common stock of companies whose share values have increased and that have displayed a solid record of paying dividends.

Precious Metals/Gold Funds seek capital growth. Their portfolios are invested primarily in securities associated with gold and other precious metals.

International Funds seek growth in the value of their investments. Their portfolios are invested primarily in stocks of companies located outside the U.S.

Global Equity Funds seek growth in the value of their investments. They invest in stocks traded worldwide, including the U.S.

Income–Equity Funds seek a high level of income by investing primarily in stocks of companies with good dividend-paying records.

Types of Bond and Income Mutual Funds

Flexible Portfolio Funds allow their money managers to anticipate or respond to changing market conditions by investing in stocks or bonds or money market instruments, depending on economic changes.

Balanced Funds generally seek to conserve investors' principal, pay current income, and achieve long-term growth of principal and income. Their portfolios are a mix of bonds, preferred stocks and common stocks.

Income–Mixed Funds seek a high level of income. These funds invest in income-producing securities, including both stocks and bonds.

Income–Bond Funds seek a high level of current income. These funds invest in a mix of corporate and government bonds.

U.S. Government Income Funds seek current income. They invest in a variety of government securities, including Treasury bonds, federally guaranteed mortgage-backed securities, and other government notes.

GNMA (Ginnie Mae) Funds seek a high level of income. The majority of their portfolios is invested in mortgage securities backed by the Government National Mortgage Association (GNMA).

Global Bond Funds seek a high level of income. These funds invest in debt securities of companies and countries worldwide, including the U.S.

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continued from previous page

Corporate Bond Funds seek a high level of income. The majority of their portfolios is invested in corporate bonds, with the balance in U.S. Treasury bonds or bonds issued by a federal agency.

High-yield Bond Funds seek very high yield, but carry a greater degree of risk than corporate bond funds. The majority of their portfolios is invested in lower-rated corporate bonds.

National Municipal Bond Funds—Long-term seek income that is not taxed by the federal government. They invest in bonds issued by states and municipalities to finance schools, highways, hospitals, bridges and other municipal works.

State Municipal Bond Funds—Long-term seek income that is exempt from both federal tax and state tax for residents of that state. They invest in bonds issued by a single state.

Types of Money Market Mutual Funds

Taxable Money Market Funds seek to maintain a stable net asset value. These funds invest in the short-term, high-grade securities sold in the money market, such as Treasury bills, certificates of deposit of large banks and commercial paper. The average maturity of their portfolios is limited to 90 days or less.

Tax-exempt Money Market Funds—National seek income that is not taxed by the federal government with minimum risk. They invest in municipal securities with relatively short maturities.

Tax-exempt Money Market Funds—State seek income that is exempt from both federal tax and state tax for residents of that state. They invest in municipal securities with relatively short maturities issued by a single state.

DIVERSIFICATION

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

professional money management and diversification of investments that is available to large institutions and wealthy investors.

A VARIETY OF FUND INVESTMENTS

There are more than 6,700 mutual funds representing a wide variety of investment objectives, from conservative to aggressive, and investing in a wide range of securities. The Investment Company Institute

classifies mutual funds into 21 broad categories according to their basic investment objective (see pages 18-19). There are also specialty or sector funds that invest primarily in a specialized segment of the securities markets. Specialty funds include biotechnology funds, small-company growth funds, index funds, funds that invest in other mutual funds, and social criteria funds. The broad selection of funds arose over the years to meet consumer demand for fund products that help meet a variety of financial objectives.

MUTUAL FUND SHARE PRICING

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

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

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

How a Fund Determines Its Share Price

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

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

Fund share prices appear in the financial pages of most major newspapers (see page 22).
A fund's share price can also be found in its semi-annual and annual reports.

than the first calculation of the share price on the next business day.

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

fair value of the security in light of that event.

Pricing process. Mutual fund pricing is an intensive process that takes place in a short time frame at the end of each business day. Generally, a fund's pricing process begins at the close of the New York Stock Exchange, normally 4:00 p.m. Eastern time. Fund accounting agents internally validate the prices received by subjecting them to various control procedures. For example, depending on the nature and extent of its holdings, a fund may use more than one pricing service to ensure accuracy.

Dividends and Reinvestment for All Types of Mutual Funds

(billions of dollars)

Year	Investment Income Dividends	Reinvested Dividends	Percent Reinvested
1980	10.4	8.5	81.3
1981	21.7	19.7	91.7
1982	25.8	22.9	88.8
1983	18.8	15.7	83.5
1984	23.7	18.4	77.6
1985	28.9	20.4	70.6
1986	35.8	25.5	71.2
1987	47.4	30.9	65.2
1988	52.6	33.2	63.1
1989	62.7	43.6	69.5
1990	63.0	47.5	75.4
1991	64.0	47.1	73.6
1992	79.5	45.1	56.7
1993	92.5	49.9	53.9
1994	85.2	56.1	65.8
1995	104.5	74.9	71.7
1996	116.2	85.1	73.2
1997	128.7	96.9	75.3

How to Read Newspaper Fund Quotes

Apzbc:

Axyte	9.95	10.73	...
Bxy Xer	10.37	11.33	-.01
Dar Rppe	7.38	8.07	+.09
Income	3.16	3.45	+.01
Tbq Ratl	9.97	10.47	+.01
Tbqr Dt	10.19	10.70	-.02
Xypr Ap r	10.05	10.98	-.01

Brldk:

Blgr Dfr	15.64	16.46	-.03
Bmo Pnc	8.54	N.L.	-.06
Bto Bmd	7.27	7.65	...

Cmyog:

MIA p	11.86	12.79	+.01
MIX	11.44	12.33	+.03
MIY p	9.70	10.46	-.01
MBF	11.58	12.49	+.04
MBI	14.18	15.92	+.20
MBR	11.99	12.93	+.03
MRI	10.01	10.79	-.02
MII	7.66	8.26	+.02
MDX	10.00	10.50	...
DMX r	9.74	10.23	...
GYI	6.93	7.47	-.03
JAM	13.47	14.18	-.04
JEL	10.09	10.59	-.06
MTNC	10.25	10.76	-.02
MPPS r	10.12	10.62	+.02
Jellies	20.33	N.L.	+.01
Sulter	23.81	N.L.	+.13

Drxpg:

Bakc Jau	8.19	8.53	-.01
Cryl Ba	20.68	22.12	+.05
Gryd 3	12.10	12.60	-.04
Frp Dur p	9.80	10.45	-.11
Fye Pm p	12.61	N.L.	...
Hy Finc	15.45	16.52	+.06
Hx Papie	10.96	11.42	-.06
Lerl Eiy t	10.02	10.95	+.02
Jxt RP	10.90	11.12	-.04
Lante	12.01	13.14	-.02
Mina Si	7.36	7.67	-.01
MsaII p	9.56	9.96	+.01
Nuz Bai	9.85	9.95	...
Oceana	16.49	17.64	+.12
Grxya	15.30	N.L.	+.04
Gsrxab r	12.96	N.L.	-.04
Hilt Ltd	10.54	N.L.	-.02
Holpre r	8.40	N.L.	-.02
Hprl Rd	13.58	N.L.	+.07
Nev Sra	16.65	N.L.	-.01
Ow Nort r	13.53	N.L.	+.17
Sys Run	5.08	N.L.	+.01
Tqr Hyd	8.73	N.L.	+.02
Tuir IS	10.26	N.L.	-.03
Tvsa Ei	5.11	N.L.	+.01
Veersl Yr	9.49	9.87	+.07

Fdrlk:

Uhd Eec	10.18	N.L.	+.03
Rho Qnd p	10.77	N.L.	+.02
Iro Nico t	8.54	N.L.	-.06

Gpprl:

Allist B	24.00	N.L.	+.01
Cuy Nini t	10.76	N.L.	-.03
Egryti	15.87	16.71	+.02
Ginta Ir	12.00	N.L.	+.01
Gvrt Lis	10.18	N.L.	+.03
Heai lec f	10.40	10.51	-.02
Jbd Hld	10.23	10.77	-.04

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

The first column is the abbreviated fund's name. Several funds listed under a single heading indicate a family of funds.

The second column is the Net Asset Value (NAV) per share as of the close of the preceding business day. In some newspapers, the NAV is identified as the sell or the bid price—the amount per share you would receive if you sold your shares (less the deferred sales charge, if any). Each mutual fund determines its net asset value every business day by dividing the market value of its total net assets, less liabilities, by the number of shares outstanding. On any given day, you can determine the value of your holdings by multiplying the NAV by the number of shares you own.

The third column is the offering price or, in some papers, the buy price or the asked price—the price you would pay if you purchased shares. The buy price is the NAV plus any sales charges. If there are no initial sales charges, an "NL" for no-load appears in this column, and the buy price is the same as the NAV. To figure the sales charge percentage, divide the difference between the NAV and the offering price by the offering price. Here, for instance, the sales charge is 5 percent ($\$14.18 - \$13.47 = \$0.71$; $\$0.71 \div \$14.18 = 0.050$).

The fourth column shows the change, if any, in net asset value from the preceding day's quotation—in other words, the change over the most recent one-day trading period. This fund, for example, gained six cents per share.

A "p" following the abbreviated name of the fund denotes a fund that charges an annual fee from assets for marketing and distribution costs, also known as a 12b-1 plan (named after the 1980 Securities and Exchange Commission rule that permits them).

If the fund name is followed by an "r," the fund has either a contingent deferred sales charge (CDSC) or a redemption fee. A CDSC is a charge if shares are sold within a certain period; a redemption charge is a fee applied whenever shares are sold.

A "t" designates a fund that has both a CDSC or a redemption fee and a 12b-1 fee.

An "f" indicates a fund that habitually enters the previous day's prices, instead of the current day's.

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

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

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

REGULATION

All U.S. funds are subject to strict regulation and oversight by the

U.S. Securities and Exchange Commission (SEC). As part of this regulation, all funds must provide investors with full and complete disclosure about the fund in a written prospectus (see *Mutual Fund Disclosure—Informing Investors*, below). In addition, the investor receives a yearly statement detailing the federal tax status of his or her distributions from the fund. Mutual fund shareholders are taxed on the fund's income directly, as if they held the underlying securities themselves. Similarly, any tax-exempt income received by a fund is generally passed on to the shareholders as tax-exempt (see Chapter 6, *Mutual Funds and Taxes*, on page 51).

Mutual funds are regulated under four federal laws designed to protect investors. The Investment

Mutual Fund Disclosure—Informing Investors

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

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

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

Company Act of 1940 requires all funds to register with the SEC and to meet certain operating standards; the Securities Act of 1933 mandates specific disclosures; the Securities Exchange Act of 1934 sets out antifraud rules covering the purchase and sale of fund shares; and the Investment Advisers Act of 1940 regulates fund advisers.

ACCESSIBILITY

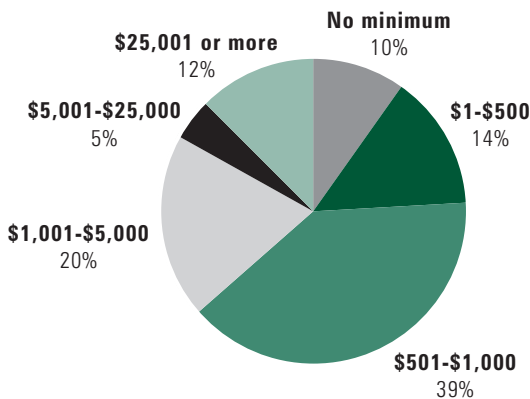
Mutual fund shares are easy to buy. Investors (outside retirement plans) may purchase fund shares either with the help of an investment professional (e.g., a broker, financial planner, bank representative or insurance agent) or directly, based on the investor's own research and

knowledge. Investment professionals provide services to investors—analyzing the client's financial needs and objectives and recommending appropriate funds. They are compensated for those services, generally through sales commissions, or through 12b-1 and/or service fees deducted from the fund's assets.

Direct-marketed funds are sold through the mail, by telephone, or at office locations. They typically offer fund shares to the public with a low sales charge or none at all. Funds that do not charge a sales charge are known as "no-loads." Because direct-marketed funds do not usually offer specific investment advice, investors are required

Mutual Fund Minimum Investment Requirements, 1997

(percent distribution of funds by minimum investment requirement)*



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

Mutual Fund Fees and Expenses

Shareholder transaction expenses are fees charged directly to the investor's account for a specific transaction, such as a purchase, redemption or exchange.

- ▶ A *front-end sales charge* or "load" may be attached to the purchase of mutual fund shares. This fee compensates a financial professional for his or her services. By law, this charge may not exceed 8.5 percent of the investment, although most fund families charge less than the maximum.
- ▶ A *contingent deferred sales charge*, imposed at the time of redemption, is an alternative way to compensate financial professionals for their services. This fee typically applies for the first few years of ownership and then disappears.
- ▶ A *redemption fee* is another type of back-end charge for redeeming shares. It is expressed as a dollar amount or as a percentage of the redemption price.
- ▶ An *exchange fee* is the fee that may be charged when transferring money from one fund to another within the same fund family.
- ▶ An *account maintenance fee* is charged by some funds, for example, to maintain low-balance accounts.

Annual operating expenses reflect the normal costs of operating the fund (e.g., maintaining offices, staff and equipment). Unlike transaction fees, these expenses are not charged directly to an investor's account, but are deducted from fund assets before earnings are distributed to shareholders.

- ▶ *Management fees* are ongoing fees charged by the fund's investment adviser for managing the fund and selecting its portfolio of securities. These fees generally average between 0.5 percent and 1 percent of the fund's assets annually.
- ▶ *12b-1 fees*, if any, are deducted from fund assets to pay marketing and advertising expenses or, more commonly, to compensate sales professionals. By law, 12b-1 fees cannot exceed 1 percent of the fund's average net assets per year. The 12b-1 fee may include a service fee of up to 0.25 percent of average net assets per year to compensate sales professionals for providing services or maintaining shareholder accounts.

to do their own research and determine which funds meet their needs.

Mutual funds may also be offered as investment selections in 401(k) plans and other employee benefit plans.

SHAREHOLDER SERVICES

Mutual funds offer a wide variety of services to meet shareholders' needs. These services include toll-free (800) telephone numbers, 24-hour telephone access, touchtone telephone access to account information and transactions, consolidated account statements,

shareholder cost basis (tax) information, exchanges between funds, automatic investments, check-writing privileges on many money market and some bond funds, automatic reinvestment of fund dividends, and automatic withdrawals. Mutual funds also provide extensive investor education and shareholder communications, including newsletters, brochures, retirement and other planning guides, and websites.

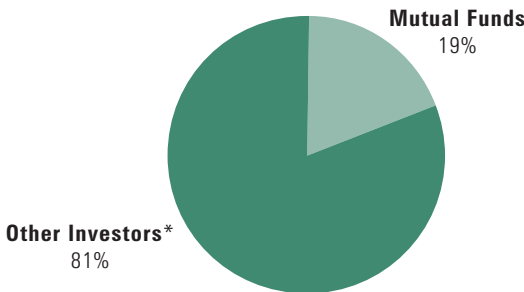
MUTUAL FUND INVESTMENTS IN THE FINANCIAL MARKETS

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

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

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

Mutual Fund Ownership of U.S. Corporate Equity, December 31, 1997

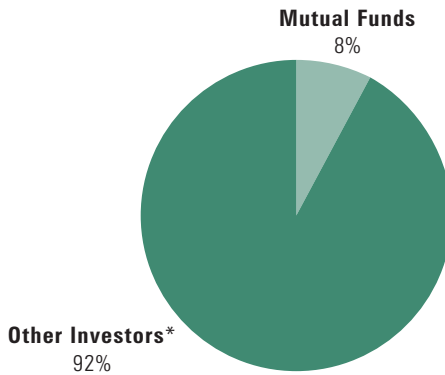


Value of Publicly Held U.S. Equity Outstanding: \$10.9 trillion

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

Source: Investment Company Institute, Nasdaq, AMEX, NYSE

Mutual Fund Ownership of Treasury and Agency Securities, December 31, 1997

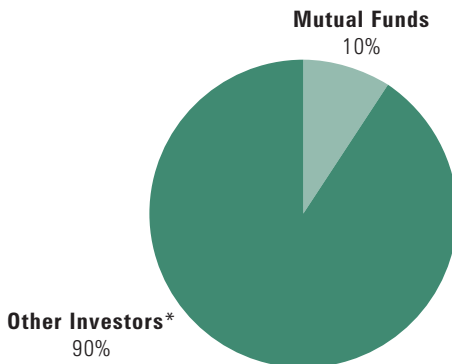


Total Treasury and Agency Securities Outstanding: \$6.6 trillion

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

Source: Federal Reserve Board

Mutual Fund Ownership of Corporate and Foreign Bonds, December 31, 1997

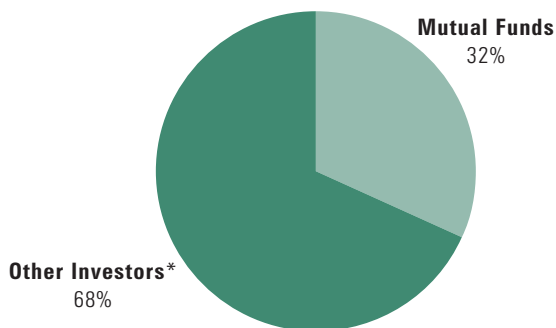


Total Corporate and Foreign Bonds Outstanding: \$3.3 trillion

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

Source: Federal Reserve Board

Mutual Fund Ownership of Municipal Securities, December 31, 1997



Total Municipal Securities Outstanding: \$1.4 trillion

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

Source: Federal Reserve Board

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

mutual funds and other investors help increase the availability of financing for homeowners and lower the cost of home purchases for millions of Americans.

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

The Structure and Regulation of Mutual Funds

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

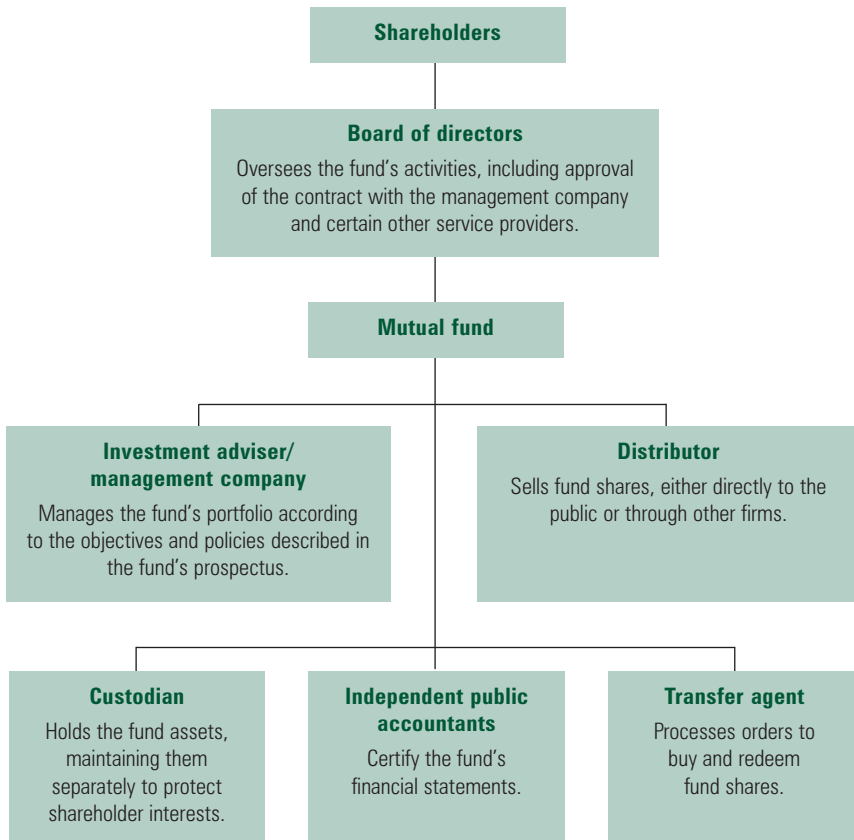
of investment companies—closed-end funds and unit investment trusts.

Virtually all mutual funds are externally managed. They do not have employees of their own. Instead, their operations are conducted by affiliated organizations and independent contractors. The diagram on page 30 depicts a typical mutual fund complex, including its principal service providers.

Four Principal Securities Laws Govern Mutual Funds

- ▶ **The Investment Company Act of 1940** regulates the structure and operations of mutual funds. Among other things, the 1940 Act requires mutual funds to maintain detailed books and records, safeguard their portfolio securities, and file semiannual reports with the U.S. Securities and Exchange Commission (SEC).
- ▶ **The Securities Act of 1933** requires the federal registration of all public offerings of securities, including mutual fund shares. The 1933 Act also requires that all prospective investors receive a current prospectus describing the fund.
- ▶ **The Securities Exchange Act of 1934** regulates broker-dealers, including mutual fund principal underwriters and others who sell mutual fund shares, and requires them to register with the SEC. Among other things, the 1934 Act requires registered broker-dealers to maintain extensive books and records, segregate customer securities in adequate custodial accounts, and file detailed, annual financial reports with the SEC.
- ▶ **The Investment Advisers Act of 1940** requires federal registration of all investment advisers to mutual funds. The Advisers Act contains various antifraud provisions and requires fund advisers to meet recordkeeping, reporting and other requirements.

The Structure of a Mutual Fund



DIRECTORS

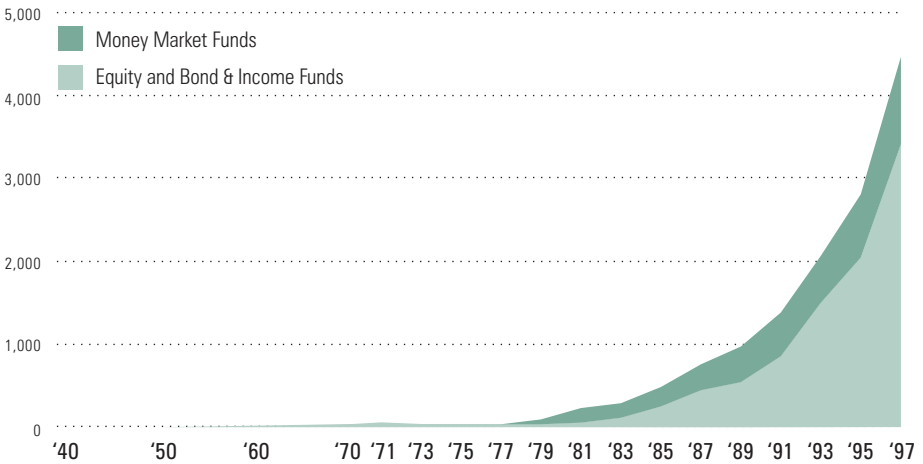
A mutual fund is governed by a board of directors. The directors of a mutual fund have oversight responsibility for the management of the fund's business affairs. They must exercise the care that a reasonably prudent person would take with his or her own business. They are expected to exercise sound business judgment, establish

procedures and undertake oversight and review of the performance of the investment adviser, principal underwriter and others that perform services for the fund.

A provision of the 1940 Act states that at least 40 percent of a fund's board of directors must be independent of the fund's investment adviser or principal

Assets of Mutual Funds

(billions of dollars)



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

underwriter. Independent fund directors serve as watchdogs for shareholder interests and oversee a fund's investment adviser and others closely affiliated with the fund.

SHAREHOLDERS

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

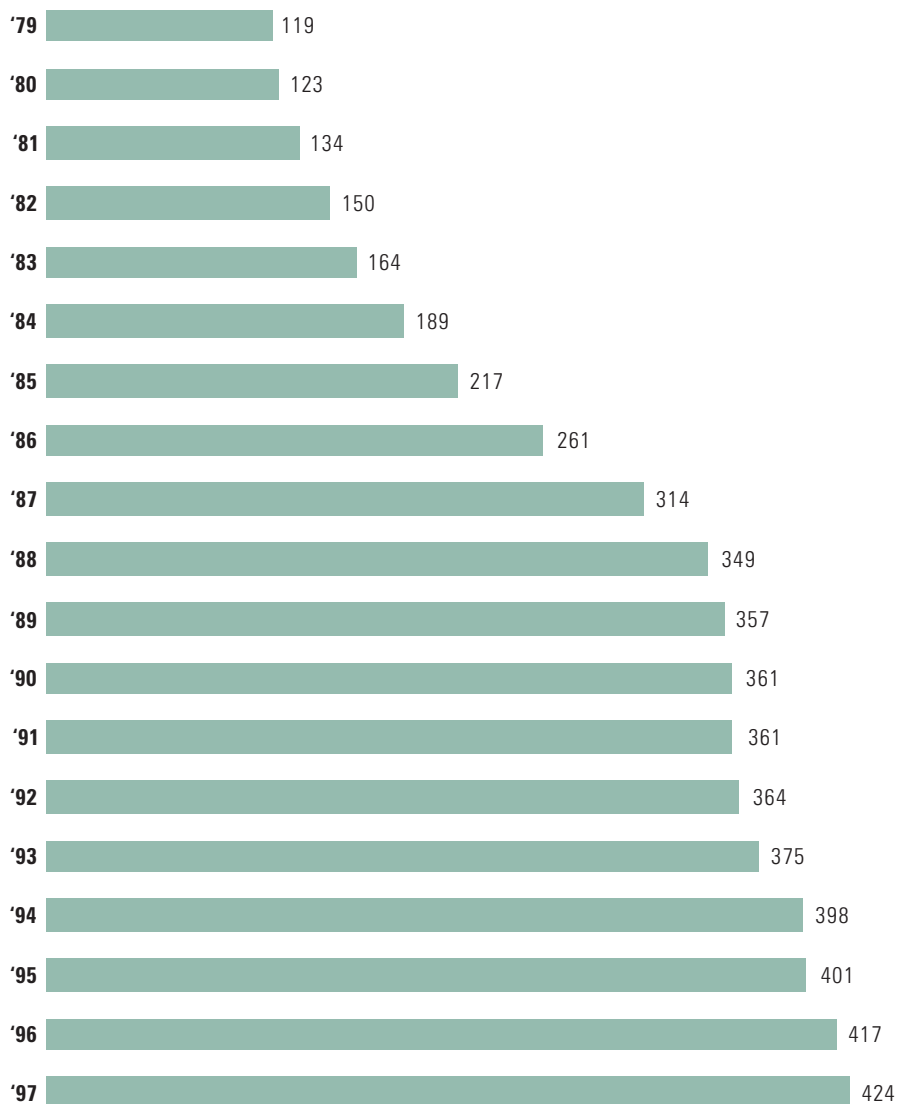
deemed fundamental must also seek shareholder approval.

INVESTMENT ADVISER

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

A written contract between a mutual fund and its investment adviser specifies the services the adviser performs. Most advisory contracts provide for the adviser to

Number of Mutual Fund Complexes*

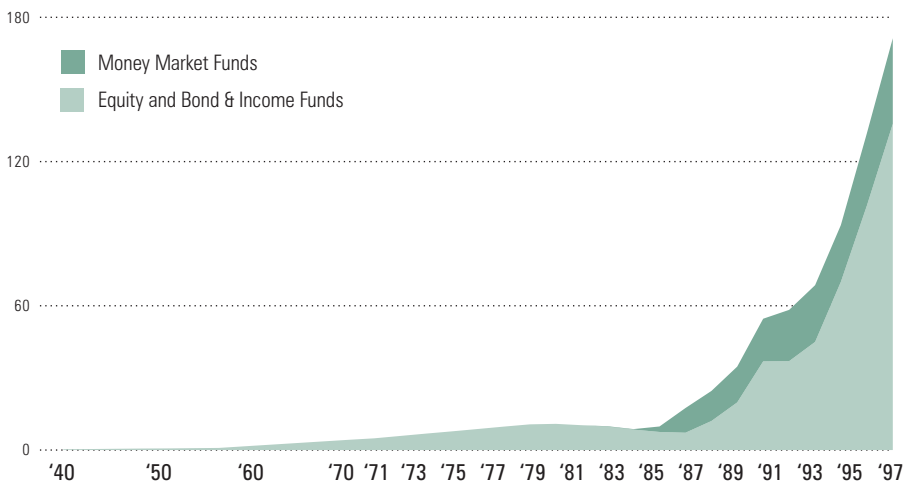


*Investment Company Institute member firms (accounting for 95% of mutual fund industry assets)

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

Mutual Fund Shareholder Accounts

(millions)



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

receive an annual fee based on a percentage of the fund's average net assets.

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

ADMINISTRATOR

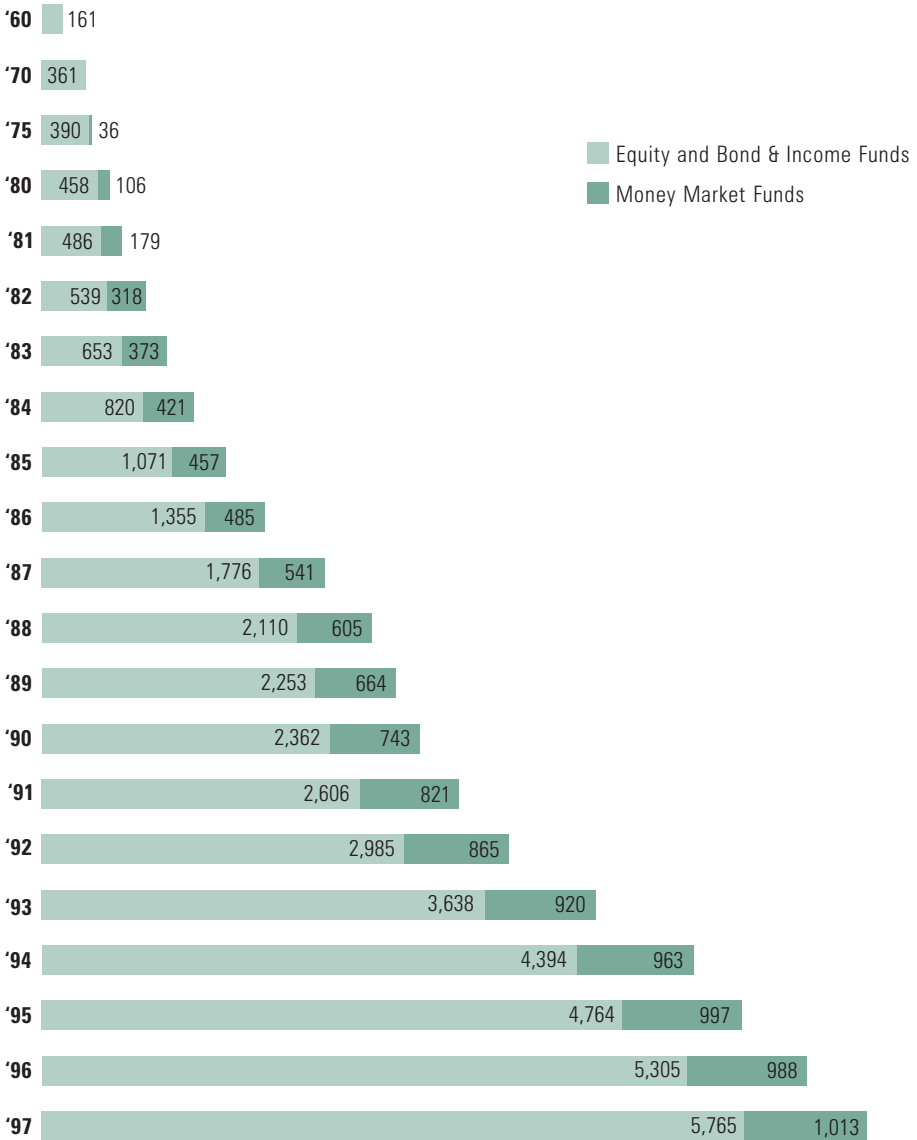
Administrative services may be provided to a fund by an affiliate of the fund, such as the investment adviser, or by an unaffiliated third party. Administrative services include overseeing the performance of other companies that provide services to the fund and ensuring

that the fund's operations comply with federal requirements. Typically, a fund administrator pays for office costs and personnel, provides general accounting services and may also prepare and file SEC, tax, shareholder and other reports.

PRINCIPAL UNDERWRITER

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

Number of Mutual Funds



are subject to National Association of Securities Dealers, Inc. (NASD) rules governing mutual fund sales practices.

CUSTODIAN

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

TRANSFER AGENT

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

Mutual Fund Ownership and Shareholder Characteristics

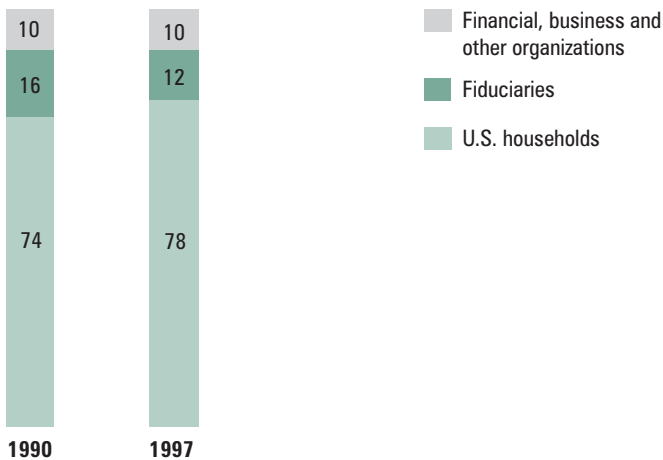
An estimated 66.5 million individuals in 37.4 million U.S. households own the majority of the mutual fund industry's \$4.490 trillion in assets. As of year-end 1997, they held \$3.520 trillion, or 78.4 percent, of mutual fund assets, while fiduciaries—banks and individuals serving as trustees, guardians or administrators—and other institutional investors held the remaining \$970 billion, or 21.6 percent.

U.S. HOUSEHOLD FINANCIAL ASSETS

U.S. households own many financial assets, including mutual funds, stocks, bonds and bank deposits. In 1997, households made \$549 billion of net purchases of financial assets, down slightly from \$551 billion in 1996.

According to the Federal Reserve Board, U.S. households invested \$358.0 billion, or 65.3 percent, of

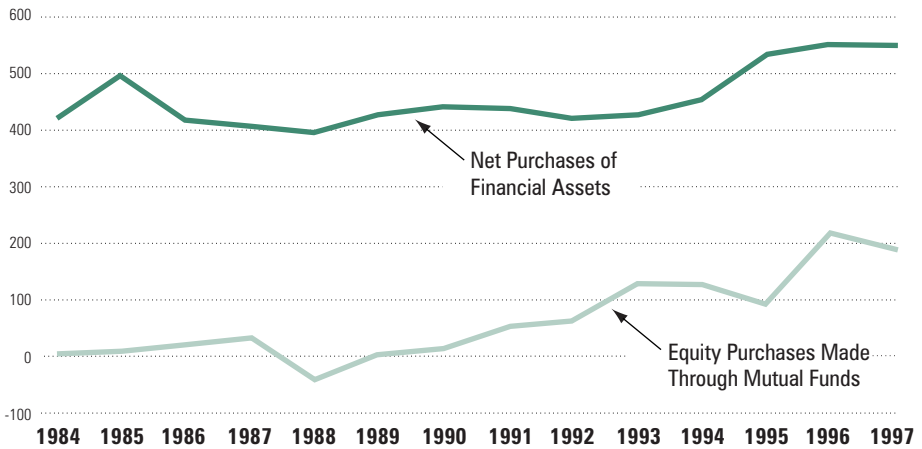
Composition of Mutual Fund Ownership
(percent of total mutual fund assets)



Note: Total assets of mutual funds were \$1.067 trillion at year-end 1990 and \$4.490 trillion at year-end 1997.

Household Net Purchases of Financial Assets, 1984-1997

(billions of dollars)



Note: See page 117 for data points on this chart.

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

their total net purchases of financial assets in mutual funds (including reinvested dividends). Long-term mutual funds—equity and bond and income funds—accounted for \$243 billion, or 44.3 percent; money market funds attracted \$115.0 billion, or 21.0 percent; and other financial assets, such as stocks, bonds and bank deposits, captured the remaining \$190.7 billion, or 34.7 percent.

U.S. HOUSEHOLDS: NET SELLERS IN THE EQUITY MARKET

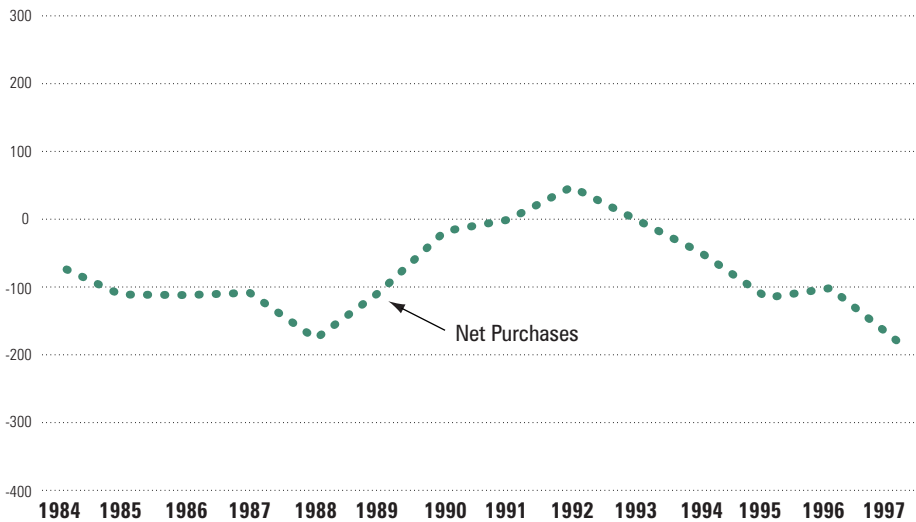
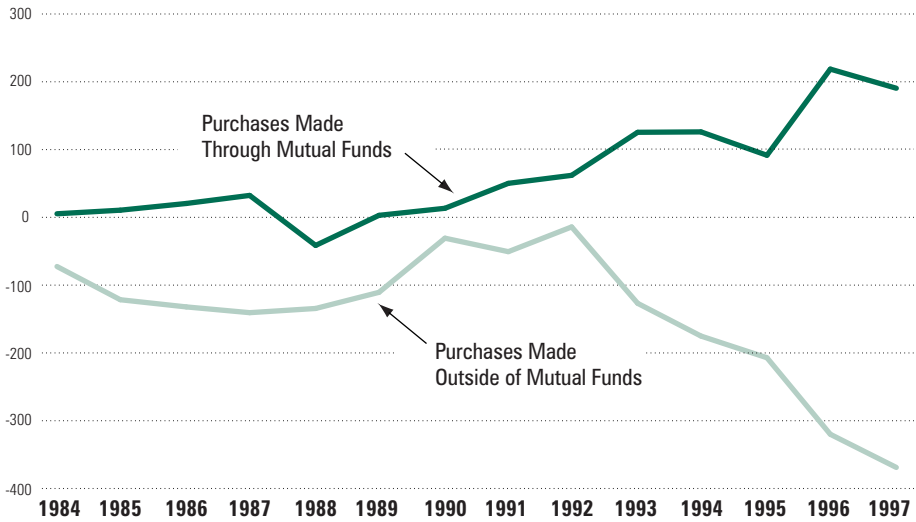
The large inflows to equity funds in 1997—indeed, throughout the

1990s—have occurred at the same time that U.S. households have been net sellers of stock. From 1990 to 1997, U.S. households, on net, sold \$1.2 trillion of equity holdings from sources other than mutual funds while purchasing \$870 billion through mutual funds. In 1990, net equity purchases through mutual funds were \$13 billion; by 1997, that figure had reached \$190 billion.

In 1997 alone, households were net sellers of \$369 billion in stocks through sources other than mutual funds; this marked the fifth straight year that households were net sellers of stock.

Purchases of Equities by Households

(billions of dollars)

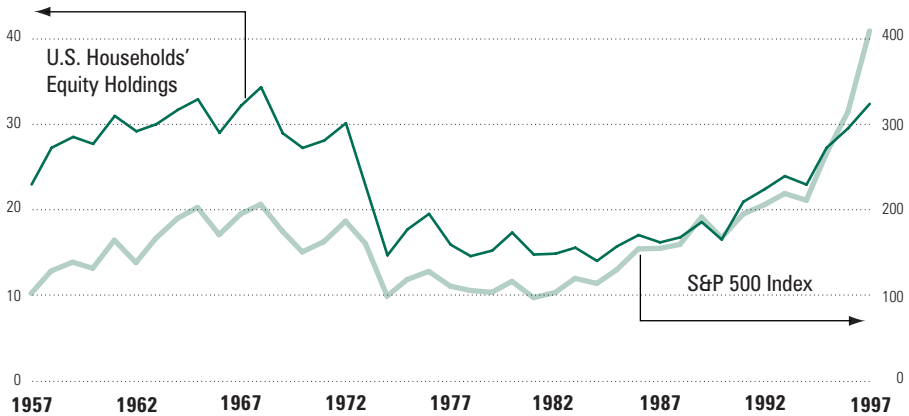


Note: See page 117 for data points for these charts.

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

Total Holdings of Equities* by Households

(percent of total financial assets of households and the real value of the S&P 500 Index)



*Equities held directly or through mutual funds, bank personal trusts and estates, and defined contribution plans.

Note: See page 118 for data points on this chart.

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

STOCK MARKET PERFORMANCE FUELS EQUITY ASSET GROWTH

Even though households have been net sellers of corporate stock, the share of their household financial assets held in equities has actually risen. This occurred because of the appreciation in value of U.S. households' remaining stock holdings, including those held in mutual funds. At year-end 1997, household direct and indirect holdings of equities were \$8.8 trillion and amounted to 32.4 percent of household financial assets. This is up from 29.5 percent at the end of

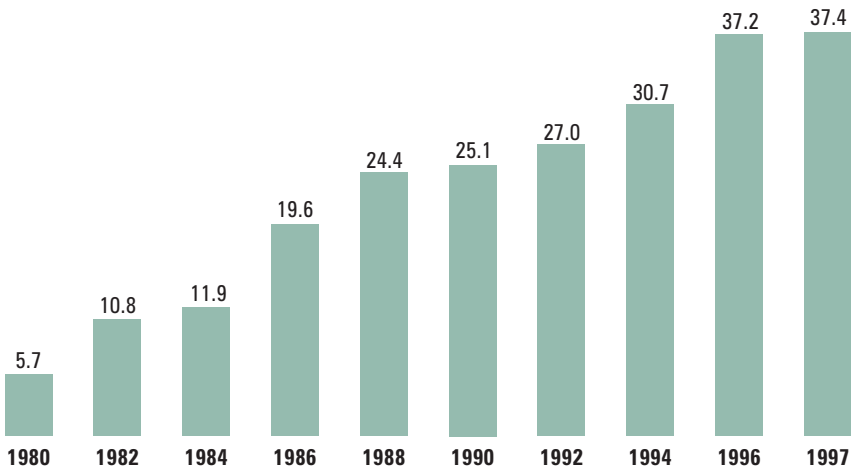
1996 and represents a continuation of the trend that began in 1982 with the upward march in stock prices. The current share of household financial assets held in equities is near the peak reached in 1968 following the extended runup in stock market prices during the 1960s.

U.S. SHAREHOLDER CHARACTERISTICS

The number of U.S. households owning mutual funds rose an estimated 1.8 percent between mid-1996 and mid-1997, increasing from 36.8 million to 37.4 million.

Household Ownership of Mutual Funds

(percent of U.S. households)



Investment Company Institute research released in mid-1996 finds that the average mutual fund investor is middle class, 44 years old, likely to be married and employed, and possesses financial assets of \$50,000. The investment decisionmaker in a fund-owning household is most often solely a man (47 percent compared with 32 percent women). Men and women share investment decisionmaking in 21 percent of households. Shareholders are fairly evenly distributed among age groups, and only 18 percent of shareholders are retired.

The typical mutual fund investor purchased his or her first fund share in 1990 or earlier (68 percent). Among these seasoned fund investors, 57 percent also own individual stocks and 75 percent have Individual Retirement Accounts. Roughly half added money to an existing account in the year preceding the survey.

Investors use funds to achieve long-term investment goals. Eighty-four percent cite retirement as one of their investment goals, and 26 percent list saving for their children's or grandchildren's college education.

The typical mutual fund investor owns more than one kind of fund. For example, investors in equity mutual funds typically hold three different funds, and more than half also hold bond and income funds. About 70 percent of equity fund investors bought their first fund shares in 1990 or earlier; half added money to an existing account in the previous year. In addition, 61 percent of equity fund shareholders and 59 percent of

bond and income fund shareholders own individual stocks. The types of funds owned tend not to differ according to age, financial assets or sex of the investment decisionmaker.

WOMEN INVESTORS

In 32 percent of fund-owning households, the investment decisionmakers are solely women. As a group, they are very similar to male household investment

Household Owners of Mutual Funds Demographic and Financial Characteristics, 1995¹

	First Purchase in 1990 or Earlier	First Purchase in 1991 or Later
Demographic Characteristics		
Median age	46	37
Percent of households:		
Married	73	63
Employed full- or part-time	79	88
Minor children ²	41	48
Four-year college degree or more	60	55
Financial Characteristics		
Median household income	\$60,000	\$50,000
Median household financial assets ³	\$70,000	\$25,000
Percent of households owning: ⁴		
Individual stocks	57	48
Individual bonds	27	19
Annuities	29	18
IRAs	75	60
401(k)s	51	50

¹Characteristics of primary financial decisionmaker in the household.

²Percent of married households.

³Excludes assets in employer-sponsored retirement plans.

⁴Multiple responses included.

Ownership Characteristics of Mutual Fund Households, 1995¹

	First Purchase in 1990 or Earlier	First Purchase in 1991 or Later
Median mutual fund assets	\$25,000	\$7,000
Median number of funds owned	3	2
Percent		
Household assets in mutual funds ²	36	28
Fund types owned ³		
Equity	75	71
Bond and income	50	38
Money market	54	45
Households' use of purchase channels		
Sales force	65	60
Direct market	33	29
Investment goal ³		
Retirement	81	77
Children's education	24	27
Risk tolerance profile		
Willing to take:		
Substantial risk with the expectation of substantial gain	8	10
Above-average risk with the expectation of above-average gain	36	38
Average risk with the expectation of average gain	41	36
Below-average risk with the expectation of below-average gain	10	13
No risk	6	3
Awareness: Agreed that investing in stock and bond funds involves risk	96	100
Evaluations: Assessed risk of most recent stock or bond fund purchase	67	71
Horizon: Assess mutual fund risk in time frame exceeding five years	65	62

¹Excludes mutual funds in employer-sponsored retirement plans.

²Excludes any mutual fund assets held in employer-sponsored retirement plans.

³Multiple responses included.

decisionmakers except that they tend to be slightly older, are less likely to be married (although half of them are married), and are more likely to be widowed. They are also more cautious investors, tolerating a lower level of risk than the average male decisionmaker, and are slightly more likely to use a financial adviser.

GENERATIONAL DIFFERENCES

Generation X (ages 18 to 30) is very interested in mutual fund investing. This group has the lowest level of household assets, yet has the second highest portion of financial assets in mutual funds (38 percent), after those aged 50 to

70. Among the age groups, Generation X also has the highest tolerance for investment risk.

At the time of the survey in 1995, Baby Boomer shareholders (ages 31 to 49) have twice as many financial assets in mutual funds as Generation X investors, yet a smaller percentage of their assets is invested in funds (27 percent). Baby Boomer shareholders also tend to own more types of funds than Generation X fund owners, who typically have more assets in equity funds. Retirement as a goal for fund investing was high for shareholders of all the generations, ranging from 72 to 89 percent.

Mutual Funds and the Retirement Market

Mutual funds accounted for \$1.24 trillion, or 16 percent, of the \$7.9 trillion U.S. retirement market at year-end 1996, the latest year for which data are available. The remaining \$6.66 trillion, or 84 percent, of assets in the retirement market is managed by corporations, pension firms, insurance companies, banks and brokerage firms.

RETIREMENT PLANS COMPRISE ONE-THIRD OF THE INDUSTRY'S ASSETS

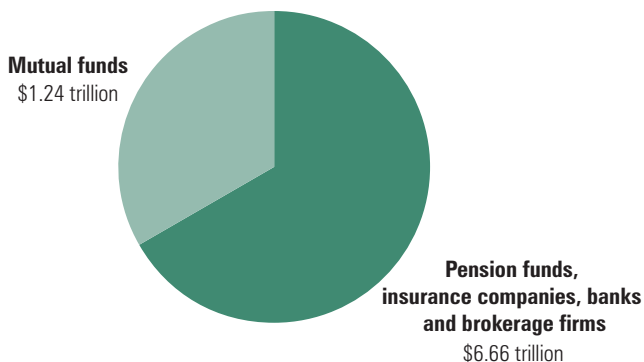
The \$1.24 trillion in mutual fund retirement plan assets represented

35 percent of all mutual fund assets at year-end 1996. Consistent with overall asset growth for the mutual fund industry, mutual fund retirement plan assets grew by \$245 billion, or 25 percent.

Mutual fund asset growth in 1996—indeed, fund asset growth over the past two decades—reflects two main factors: the performance of the underlying investments and new investments by fund shareholders.

Most of the increase is attributable to asset appreciation associated

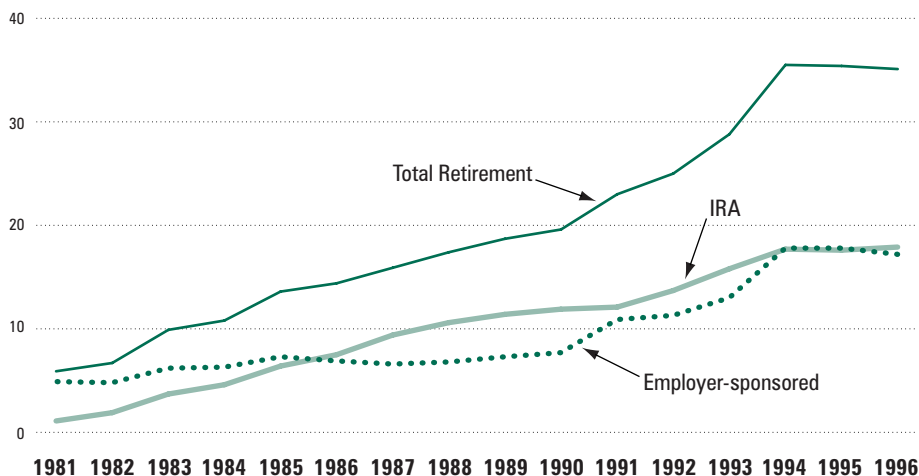
U.S. Retirement Market Assets, 1996



Source: Investment Company Institute and Federal Reserve Board

Mutual Fund Retirement Plan Assets

(percent of total mutual fund assets)



Note: See page 119 for data points on this chart.

with rising securities prices, particularly in the stock market, during the 1980s and 1990s. In 1996, for example, an estimated two-thirds, or \$160 billion, of the \$245 billion increase came from investment performance—unrealized capital gains and reinvested distributions—and newly reporting funds. About one-third of the increase, or \$85 billion, came from net new investment into funds through retirement plans.

SOURCES OF GROWTH FOR MUTUAL FUND RETIREMENT ASSETS

Most of the net new investments in mutual fund retirement assets come from three sources. Most

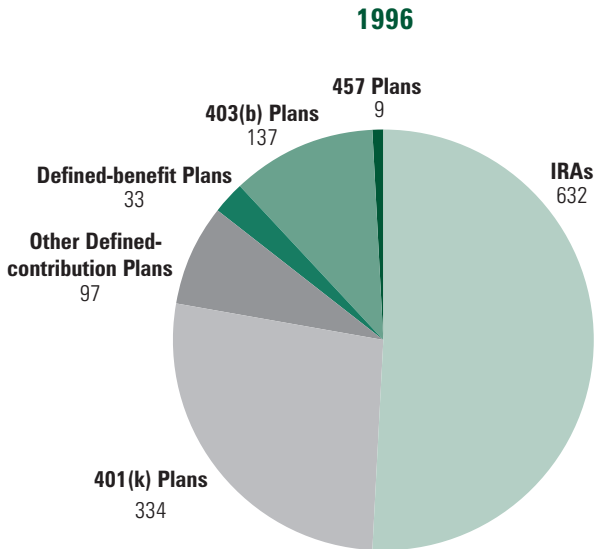
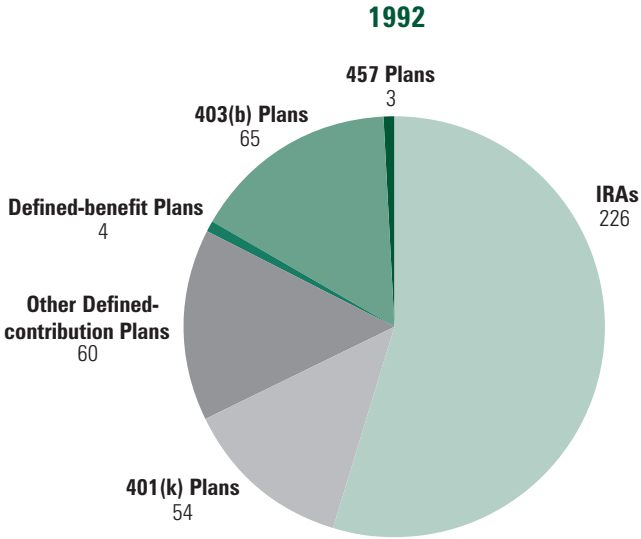
important has been the advent of defined-contribution plans—401(k) plans in particular. Although mutual funds account for only about one-third of the assets in the defined-contribution market, funds' share of the market has steadily grown from less than 10 percent to 32 percent between 1985 and 1996.

The rapid growth of the IRA market has also contributed. The mutual fund industry's share of the IRA market increased from 16 percent in 1985 to 47 percent in 1996.

Another source of growth has been variable annuities outside of retirement plans. Individuals have

Mutual Fund Assets by Type of Retirement Plan

(billions of dollars)



IRA Plan Assets*

(billions of dollars)

	1991	1992	1993	1994	1995	1996
Commercial Bank Deposits	134.4	136.9	134.1	136.1	143.0R	143.7
Thrifts	91.1	85.3	76.6	71.6	72.8R	71.5
Life Insurance Companies	49.7	55.6	69.5	78.7	94.3R	105.6
Credit Unions	32.3	32.5	32.4	32.1	33.5R	33.2
Mutual Funds**	169.1	211.0	283.9	304.9	410.8	510.8
Brokers—Self-directed***	180.6	224.7	271.0	317.5	415.0	482.6
Total	657.2	746.0	867.5	940.9	1169.4R	1347.4

*Includes rollovers and Simplified Employee Pensions (SEPs).

**Does not include IRAs held in "street name" or omnibus accounts such as those that would arise through self-directed IRAs.

***Includes only those self-directed items not included in other categories (including stocks, bonds, CDs sold by brokers, and nonproprietary and other mutual funds not reported to Investment Company Institute for the mutual fund category) and should not be interpreted as the total self-directed universe for IRAs.

Source: Federal Reserve Board, ACLI, CUNA and Investment Company Institute special survey

turned to tax-deferred variable annuities for a variety of long-term purposes, including retirement planning. Variable annuities have grown at nearly a 50 percent annual rate during the 1990s, reaching \$473 billion at the end of 1997.

MUTUAL FUNDS ASSETS IN IRAs AND DEFINED-CONTRIBUTION PLANS

Most mutual fund retirement assets are found in two types of retirement plans: IRAs or defined-contribution plans. Mutual funds accounted for \$632 billion, or 47 percent, of the \$1.3 trillion IRA market, and \$577 billion, or 32

percent, of the \$1.8 trillion defined-contribution market at year-end 1996.

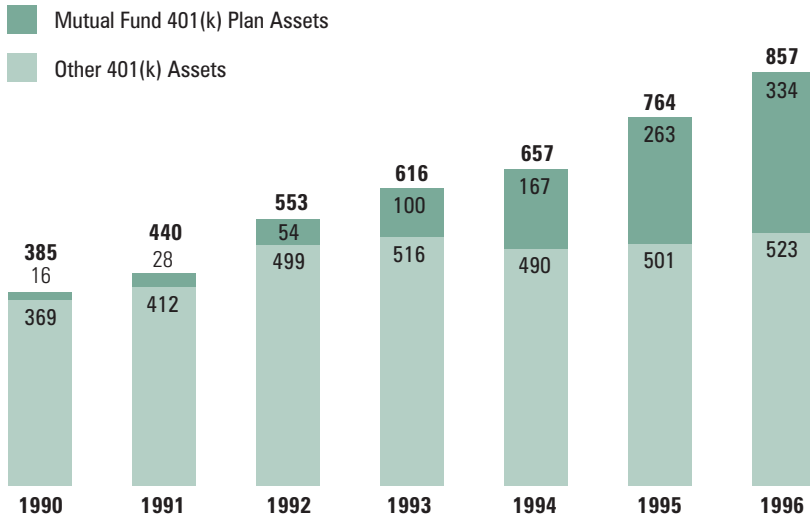
INDIVIDUAL RETIREMENT ACCOUNTS

Although the Tax Reform Act of 1986 scaled back eligibility for tax-deductible contributions in IRAs, the IRA market has continued to grow due to two factors: investment performance and inflows caused by rollovers from employer-sponsored defined-contribution plans.

IRA holdings of mutual fund assets grew 28 percent, or \$137 billion, in 1996. An estimated \$77 billion, or 56 percent, of mutual

401(k) Plan Assets in Mutual Funds

(billions of dollars)



Source: U.S. Department of Labor, Employee Benefits Research Institute and Investment Company Institute

Mutual Fund Retirement Assets by Type of Fund, 1996

(billions of dollars)

	Equity		Bond & Income		Money Market	Total
	Domestic	Global	Hybrid	Bond		
IRAs	325	62	65	88	93	632
Defined-contribution Plans	396	39	46	39	57	577
401(k) Plans	223	17	31	23	39	334
403(b) Plans	111	9	5	5	7	137
457 Plans	7	0	1	0	0	9
Others	55	13	8	10	10	97
Defined-benefit Plans	20	5	2	6	1	33
Total	741	107	112	133	151	1242

Recent Legislation Improves Pension Coverage for Americans

Legislation that went into effect on January 1, 1997 has helped many Americans improve their retirement security. The "Small Business Job Protection Act of 1996" created simplified retirement plans—SIMPLE IRAs and 401(k) plans—for businesses with 100 or fewer employees. A 1997 survey of mutual funds finds that SIMPLE retirement plans are becoming significantly more popular, especially among the smallest of small businesses.

Among the survey findings:

- ▶ Approximately 18,261 SIMPLE IRA plans with 95,431 IRA participant accounts were established as of July 31, 1997;
- ▶ Employers with 10 or fewer employees established the most SIMPLE plans;
- ▶ Employers prefer SIMPLE IRAs over SIMPLE 401(k) plans;
- ▶ More than 97 percent of employers with SIMPLE plans had 25 or fewer employees; and
- ▶ There were an average of five participants per SIMPLE plan.

funds' IRA asset growth was attributable to investment performance and newly reporting funds. An estimated \$60 billion of the asset growth came from net new cash flow, mostly to equity funds (66 percent or \$40 billion).

DEFINED-CONTRIBUTION PLANS

In the U.S. employer-sponsored retirement market, mutual funds are most widely used in defined-contribution plans. Defined-contribution plans make up only about one-quarter of the total U.S. employer-sponsored market, however. At year-end 1996, for example, defined-contribution plans constituted only 27 percent, or \$1.8 trillion, of the \$6.6 trillion employer-sponsored market.

The bulk of employer-sponsored retirement assets is held in defined-benefit plans of federal, state and local governments and through private sources, such as corporate employers and insurance companies. Approximately, \$4.8 trillion, or 73 percent, of the employer-sponsored market was held in defined-benefit plans. Mutual funds account for only \$33 billion, or less than one percent, of these assets.

Overall, mutual funds held an estimated \$610 billion, or 9 percent, of the employer-sponsored retirement plan market at year-end 1996. For the year, fund assets in these plans grew an estimated \$109 billion, or 22 percent, with the bulk of the growth occurring in defined-contribution plans.

As with IRAs, the performance of the investment markets has been a major factor in the growth of mutual fund assets in employer-sponsored plans. In 1996, about three-quarters—or \$84 billion—of the mutual fund industry’s asset growth in the employer-sponsored plan market came from investment performance and newly reporting funds. One-quarter—or \$25 billion—came from net new investments, most of which went to equity funds.

FUND ASSETS IN 401(k) PLANS

Most fund assets in the defined-contribution market are held by 401(k) plans. Of the \$577 billion mutual fund assets in defined-contribution plans at year-end 1996, \$334 billion, or 58 percent, were in 401(k) plans. For the year, mutual fund assets in 401(k) plans rose \$71 billion. Investment performance and newly reporting funds accounted for an estimated \$44 billion, or 62 percent. Net new inflows from investors were an estimated \$27 billion, or 38 percent, of the asset increase.

Mutual Funds and Taxes

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

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

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

At tax time, mutual funds send investors Form 1099-DIV (see page 53), which tells them what earnings, if any, to report on their income tax return. Ordinary dividends are reported as dividend income; capital gain distributions are reported as long-term capital gains—regardless of how long the taxpayer has owned the fund shares.

HOW DIVIDEND AND CAPITAL GAIN DISTRIBUTIONS AFFECT A FUND'S SHARE PRICE

Whenever funds distribute dividends and capital gains to shareholders, the share price or net asset value (NAV) drops by the amount distributed. For example, an

The Chief Federal Statute Governing Mutual Fund Taxation

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

This specialized "pass-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.

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

(billions of dollars)

Year	Capital Gain Distributions	Dividend Distributions		
	Equity and Bond & Income Funds	Equity and Bond & Income Funds	Taxable Money Market Funds	Tax-exempt Money Market Funds
1978	\$0.7	\$2.1	\$0.4	-
1979	0.9	2.5	2.7	-
1980	1.8	2.7	7.7	\$0.1
1981	2.7	3.1	18.5	0.1
1982	2.4	3.8	21.7	0.3
1983	4.4	5.0	13.2	0.6
1984	6.0	7.2	15.4	1.0
1985	5.0	12.9	14.4	1.6
1986	17.5	22.3	11.1	2.4
1987	23.0	31.8	12.8	2.8
1988	6.3	32.0	17.3	3.5
1989	14.8	34.1	24.7	3.9
1990	8.1	32.9	26.3	3.8
1991	14.1	35.3	25.2	3.5
1992	22.3	59.2	17.2	3.1
1993	36.1	73.3	15.9	3.3
1994	30.0	61.5	20.5	3.2
1995	54.6	67.5	32.8	4.2
1996	101.1	73.7	38.3	4.2
1997	184.1	80.0	44.0	4.7

investor buys 10 shares of a fund for \$100 at an NAV of \$10. Later, the fund distributes a capital gain of 50 cents per share and ordinary income of 50 cents per share (\$1 per share). At this point, the shareholder receives a \$10 dividend, the NAV drops to \$9 a share, and the

total value of the shareholder's 10 shares declines to \$90.

Despite the lower post-distribution price, the total value of the shareholder's investment remains unchanged. If the shareholder reinvested the dividend, 1.1 additional shares (with an NAV of \$9) are

How to Read Form 1099-DIV

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

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

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

28% rate gain—capital gain distributions subject to the 28% maximum tax rate. These include assets held by the fund between 12 and 18 months.

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

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

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

PAYER'S name, street address, city, state, ZIP code, and telephone no. Mutual Fund XYZ 555 Investment Street San Francisco, CA 94104		1 Ordinary dividends \$ 986.10	OMB No. 1545-0112	1098 Dividends and Distributions
PAYER'S Federal identification number 12-3456789		2a Total capital gain/ distr. \$ 1,691.03	Form 1099-DIV	
RECIPIENT'S name Jane D. Investor	RECIPIENT'S identification number 234-56-7890	2b 28% rate gain \$ 947.66	2c Unrecap. sec. 1250 gain \$ 0.00	Copy B For Recipient This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
Street address (including apt. no.) 345 Capitol Street	2d Section 1202 gain \$	3 Nontaxable distributions \$ 0.00	4 Federal income tax withheld \$	
City, state, and ZIP code Washington, DC 20002	5 Investment expenses \$	6 Foreign tax paid \$ 0.00	7 Foreign country or U.S. possession	
Account number (optional)	8 Cash liquidation distr. \$	9 Noncash liquidation distr.		
Form 1099-DIV	(Keep for your records.)	Department of the Treasury - Internal Revenue Service		

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

purchased for \$10 and the total value of the 11.1 shares returns to \$100. If the \$10 is retained, the investor has 10 shares worth \$90 and \$10 in cash.

SHARE SALES AND EXCHANGES

An investor who sells mutual fund shares usually incurs a capital gain or loss in the year the shares are sold; an exchange of shares between funds in the same fund family also results in either a capital gain or loss (see page 56, *Tax-deferred Retirement Accounts*, for exceptions to these rules).

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

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

information to shareholders or compute gains and losses for shares sold.

Gains and losses on the sale or exchange of fund shares are reported on Part I of Schedule D (*Short-term Capital Gains and Losses*) if the shares were held for one year or less, and on Part II (*Long-term Capital Gains and Losses*) if held for more than one year. The amount of any redemption gain or loss on a "28 percent rate gain" transaction is reported in the 28 percent rate column (column [g]) of Schedule D.

TAX-EXEMPT FUNDS

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

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

How to Read Form 1099-B

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

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

CUSIP No.—the fund's identification number.

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

PAYER'S name, street address, city, state, ZIP code, and telephone no. Mutual Fund XYZ 555 Investment Street San Francisco, CA 94104		1a Date of sale 4/29/97	OMB No. 1545-0715 1998 Form 1099-B	Proceeds From Broker and Barter Exchange Transactions
		1b CUSIP No. 74148110		
PAYER'S Federal identification number 12-3456789		2 Stocks, bonds, etc. \$ 2,786.94		
RECIPIENT'S identification number 234-56-7890		Reported to IRS <input checked="" type="checkbox"/> Gross proceeds <input type="checkbox"/> Gross proceeds less commissions and option premiums		
RECIPIENT'S name Jane D. Investor		3 Bartering \$		4 Federal income tax withheld \$0.00
Street address (including apt. no.) 345 Capitol Street		5 Description Exchange to International Fund		
City, state, and ZIP code Washington, DC 20002		being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.		
Account number (optional)		6 Profit or (loss) realized in 1998 \$		7 Unrealized profit or (loss) on open contracts 12/31/97 \$
Form 1099-B		8 Unrealized profit or (loss) on open contracts 12/31/98 \$		9 Aggregate profit or (loss) \$
(Keep for your records.)		Department of the Treasury - Internal Revenue Service		

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

Description—a brief description of the transaction or the fund.

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

income earned by tax-exempt funds may also be subject to the federal alternative minimum tax, which can raise the need for an investor to consult a tax adviser.

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

TAX-DEFERRED RETIREMENT ACCOUNTS

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

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

Year-end Distributions from Mutual Funds

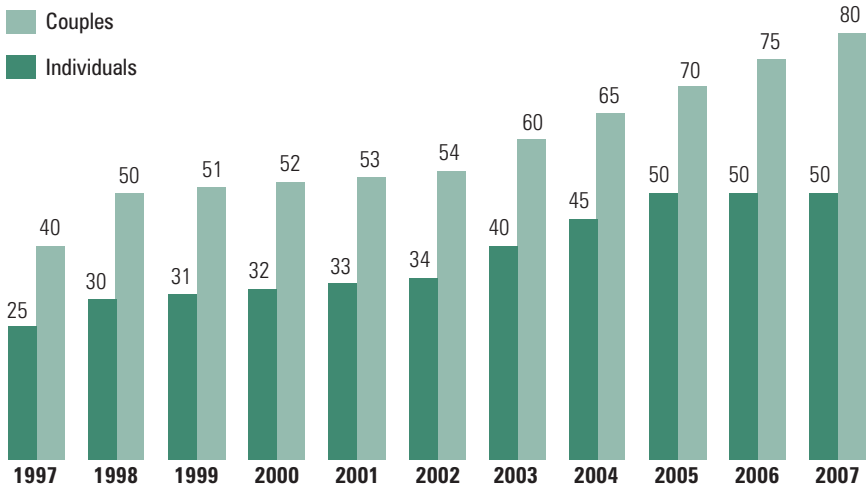
Investors often hear suggestions, around November and December, to postpone large, lump-sum mutual fund share purchases until January. Mutual funds sometimes make large taxable distributions around this time, the argument goes, and an investor can avoid taxes by waiting the few weeks until the new tax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

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

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

Increased Eligibility for Deductible IRAs in Tax-year 1998 and Beyond

(thousands of dollars)



sponsored retirement plan and their adjusted gross income.

Taxes on mutual fund earnings are deferred when they remain in 401(k) plans, IRAs and other 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. (Non-deductible or after-tax contributions to these retirement

accounts are not subject to taxation at distribution, and distributions from the newly created Roth IRA also may not be subject to taxation at distribution.)

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

About this Data Section

KeeP in mind when reviewing the tables in this section that the mutual fund industry usually divides its statistics into two broad categories: long-term funds (stock and bond and income funds) and short-term funds (taxable and tax-exempt money market funds).

The Industry Totals data section (pages 63-64) includes information on shareholder assets, accounts, and numbers of funds. Industry totals are broken down from the short- and long-term categories into four separate ones: equity funds, bond and income funds,

taxable money market funds, and tax-exempt money market funds.

The Industry Totals section does not provide total sales figures that combine long-term and short-term fund sales. Because of the special nature of short-term funds and the huge, continuous inflows and outflows of money they experience, it would be misleading to add their sales figures to those of long-term funds. Tracking periodic changes in total assets is usually the preferred method for following trends of short-term funds.

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Section One: U.S. Industry Totals

Total Industry Net Assets

(billions of dollars)

Year	Equity Funds	Bond & Income Funds	Taxable Money Market Funds	Tax-exempt Money Market Funds	Total
1970	\$45.1	\$2.5	—	—	\$47.6
1971	51.6	3.4	—	—	55.0
1972	55.9	3.9	—	—	59.8
1973	43.0	3.5	—	—	46.5
1974	30.9	3.2	\$1.7	—	35.8
1975	37.5	4.7	3.7	—	45.9
1976	39.2	8.4	3.7	—	51.3
1977	34.0	11.0	3.9	—	48.9
1978	32.7	12.3	10.9	—	55.9
1979	35.9	13.1	45.2	\$0.3	94.5
1980	44.4	14.0	74.5	1.9	134.8
1981	41.2	14.0	181.9	4.3	241.4
1982	53.7	23.2	206.6	13.2	296.7
1983	77.0	36.6	162.5	16.8	292.9
1984	83.1	54.0	209.7	23.8	370.6
1985	116.9	134.8	207.5	36.3	495.5
1986	161.5	262.6	228.3	63.8	716.2
1987	180.7	273.1	254.7	61.4	769.9
1988	194.8	277.5	272.3	65.7	810.3
1989	249.1	304.8	358.7	69.4	982.0
1990	245.8	322.7	414.7	83.6	1,066.8
1991	411.6	441.4	452.6	89.9	1,395.5
1992	522.8	577.3	451.4	94.8	1,646.3
1993	749.0	761.1	461.9	103.4	2,075.4
1994	866.5	684.0	500.4	110.6	2,161.5
1995	1,269.0	798.3	629.7	123.3	2,820.3
1996	1,750.9	886.5	761.8	140.0	3,539.2
1997	2,399.3	1,031.5	898.1	160.8	4,489.7

Section One: U.S. Industry Totals

Total Industry Shareholder Accounts
(millions)

Year	Equity Funds	Bond & Income Funds	Taxable Money Market Funds	Tax-exempt Money Market Funds	Total
1978	6.8	1.4	0.5	-	8.7
1979	6.1	1.4	2.3	-	9.8
1980	5.8	1.5	4.8	-	12.1
1981	5.7	1.5	10.3	-	17.5
1982	6.2	2.0	13.1	0.1	21.4
1983	9.2	2.8	12.3	0.3	24.6
1984	10.0	4.4	13.6	0.3	28.3
1985	11.5	8.3	14.4	0.5	34.7
1986	16.6	13.2	15.6	0.7	46.1
1987	21.4	15.5	16.8	0.8	54.5
1988	20.6	15.6	17.6	0.9	54.7
1989	21.5	15.4	20.2	1.1	58.2
1990	23.0	16.6	21.6	1.4	62.6
1991	26.1	18.9	21.9	1.7	68.6
1992	33.2	23.4	21.8	1.9	80.3
1993	42.5	27.5	21.6	2.0	93.6
1994	59.0	30.5	23.3	2.0	114.8
1995	70.7	30.9	27.9	2.3	131.8
1996	87.1R	31.5	29.9	2.3	150.8R
1997	103.6	32.0	33.0	2.7	171.3

R=Revised

Total Number of Funds

Year	Equity Funds	Bond & Income Funds	Taxable Money Market Funds	Tax-exempt Money Market Funds	Total
1978	294	150	61	-	505
1979	289	159	76	-	524
1980	288	170	96	10	564
1981	306	180	159	20	665
1982	340	199	281	37	857
1983	396	257	307	66	1,026
1984	471	349	326	95	1,241
1985	579	492	346	111	1,528
1986	701	654	359	126	1,840
1987	846	930	388	153	2,317
1988	1,016	1,094	431	174	2,715
1989	1,080	1,173	463	201	2,917
1990	1,127	1,235	508	235	3,105
1991	1,217	1,389	554	267	3,427
1992	1,356	1,629	586	279	3,850
1993	1,615	2,023	628	292	4,558
1994	1,944	2,450	644	319	5,357
1995	2,211	2,553	672	325	5,761
1996	2,626	2,679	665	323	6,293
1997	3,014	2,751	682	331	6,778

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

Year	Number of Reporting Funds	Number of Accounts (thousands)	Net Assets (billions of dollars)	Liquid Assets (billions of dollars)
1970	361	10,690.3	\$47.6	\$3.1
1971	392	10,901.0	55.0	2.6
1972	410	10,635.3	59.8	2.6
1973	421	10,330.9	46.5	3.4
1974	416	9,970.4	34.1	3.4
1975	390	9,667.3	42.2	3.2
1976	404	8,879.4	47.6	2.4
1977	427	8,515.1	45.0	3.3
1978	444	8,190.6	45.0	4.5
1979	446	7,482.2	49.0	4.7
1980	458	7,325.5	58.4	5.3
1981	486	7,175.5	55.2	5.3
1982	539	8,190.3	76.9	6.0
1983	653	12,065.0	113.6	8.3
1984	820	14,423.6	137.1	12.2
1985	1,071	19,845.6	251.7	20.6
1986	1,355	29,790.2	424.1	30.7
1987	1,776	36,855.0	453.8	38.0
1988	2,110	36,212.0	472.3	45.1
1989	2,253	36,968.3	553.9	44.8
1990	2,362	39,614.0	568.5	48.6
1991	2,606	44,974.4	853.1	60.8
1992	2,985	56,567.8	1,100.1	74.4
1993	3,638	70,049.2	1,510.1	100.2
1994	4,394	89,484.2	1,550.5	121.3
1995	4,764	101,597.0	2,067.3	142.6
1996	5,305	118,591.5R	2,637.4	139.4
1997	5,765	135,689.0	3,430.8	176.2

Note: Figures for shareholder accounts represent combined totals for member companies. Duplications have not been eliminated.

R=Revised

Section Two: U.S. Industry Long-term Funds

Type of Shareholder Account
Equity and Bond & Income Funds

Year	Total Shareholder Accounts	Regular Accounts	Contractual Accumulation Plans	Contractual Single Payment Plans	Withdrawal Accounts
Number (thousands)					
1980	7,326	6,598	554	45	129
1981	7,175	6,486	537	30	122
1982	8,190	7,573	471	28	118
1983	12,065	11,326	585	20	134
1984	14,424	13,666	615	17	126
1985	19,846	19,010	647	17	172
1986	29,790	28,919	624	16	231
1987	36,855	35,887	687	17	264
1988	36,212	35,331	605	16	260
1989	36,968	36,108	561	14	285
1990	39,614	38,769	463	4	378
1991	44,974	44,112	497	15	350
1992	56,568	56,218	107	1	242
1993	70,049	69,340	131	0	578
1994	89,484	88,554	300	0	630
1995	101,597	100,988	209	15	385
1996	118,591R	117,106R	293	111	1,081
1997	135,689	135,225	124	0	340
Percent					
1980	100.0%	90.1%	7.6%	0.6%	1.7%
1981	100.0	90.4	7.5	0.4	1.7
1982	100.0	92.5	5.8	0.3	1.4
1983	100.0	93.8	4.9	0.2	1.1
1984	100.0	94.8	4.2	0.1	0.9
1985	100.0	95.8	3.2	0.1	0.9
1986	100.0	97.0	2.1	0.1	0.8
1987	100.0	97.4	1.8	0.1	0.7
1988	100.0	97.6	1.7	0.0	0.7
1989	100.0	97.7	1.5	0.0	0.8
1990	100.0	97.8	1.2	0.0	1.0
1991	100.0	98.1	1.1	0.0	0.8
1992	100.0	99.4	0.2	0.0	0.4
1993	100.0	99.0	0.2	0.0	0.8
1994	100.0	99.0	0.3	0.0	0.7
1995	100.0	99.4	0.2	0.0	0.4
1996	100.0	98.8	0.2	0.1	0.9
1997	100.0	99.7	0.1	0.0	0.2

R=Revised

Total Net Assets of Equity and Bond & Income Funds by Investment Objective

(millions of dollars)

	1996		1997	
	Dollars	Percent	Dollars	Percent
Total Net Assets	\$2,637,398.0	100.0%	\$3,430,794.9	100.0%
Aggressive Growth	274,802.1	10.4	370,208.7	10.8
Growth	482,082.2	18.3	675,507.6	19.7
Growth & Income	589,104.2	22.3	843,284.3	24.6
Precious Metals	4,949.1	0.2	3,090.3	0.1
International	177,414.4	6.7	209,966.7	6.1
Global Equity	106,554.1	4.0	137,207.3	4.0
Income—Equity	116,022.8	4.4	160,057.2	4.7
Flexible Portfolio	63,360.2	2.4	80,416.5	2.3
Balanced	99,202.0	3.8	131,133.9	3.7
Income—Mixed	88,324.6	3.4	105,272.6	3.1
Income—Bond	100,889.4	3.8	128,986.1	3.8
U.S. Government Income	79,507.9	3.0	74,683.2	2.2
Ginnie Mae	51,331.6	2.0	53,833.2	1.6
Global Bond	37,458.4	1.4	41,338.3	1.2
Corporate Bond	35,573.7	1.4	40,430.2	1.2
High-yield Bond	78,260.3	3.0	104,420.8	3.0
National Municipal Bond—Long-term	135,631.4	5.1	144,423.2	4.2
State Municipal Bond—Long-term	116,929.6	4.4	126,534.8	3.7

Liquid Assets of Equity and Bond & Income Funds by Investment Objective

(millions of dollars)

	1996		1997	
	Dollars	Percent	Dollars	Percent
Total Liquid Assets	\$139,395.8	100.0%	\$176,231.1	100.0%
Aggressive Growth	12,687.7	9.1	16,247.0	9.2
Growth	29,074.6	20.9	35,472.3	20.1
Growth & Income	29,234.1	21.0	40,922.3	23.2
Precious Metals	104.5	0.1	228.1	0.1
International	10,922.7	7.8	13,628.9	7.7
Global Equity	9,007.5	6.5	13,380.1	7.6
Income—Equity	5,993.9	4.3	6,540.8	3.7
Flexible Portfolio	4,138.5	3.0	5,554.5	3.2
Balanced	6,413.8	4.6	8,121.9	4.6
Income—Mixed	4,639.6	3.3	7,514.2	4.3
Income—Bond	8,607.1	6.2	10,163.9	5.8
U.S. Government Income	(422.3)	(0.3)	1,467.0	0.8
Ginnie Mae	(355.0)	(0.3)	(462.0)	(0.3)
Global Bond	5,446.3	3.9	4,229.7	2.4
Corporate Bond	1,384.3	1.0	1,548.6	0.9
High-yield Bond	5,229.4	3.7	5,580.8	3.2
National Municipal Bond—Long-term	4,517.1	3.2	3,489.6	2.0
State Municipal Bond—Long-term	2,772.0	2.0	2,603.4	1.5

Section Two: U.S. Industry Long-term Fund

Liquid Asset Ratio—Equity Funds

Year	January	February	March	April	May	June	July	August	September	October	November	December
1970	7.6	7.5	7.3	7.9	8.8	9.9	10.3	9.8	9.0	8.6	7.9	6.6
1971	6.3	6.1	5.4	4.8	4.2	4.6	4.9	4.8	4.0	4.7	5.3	4.7
1972	4.7	5.1	4.7	4.1	3.9	4.4	4.8	4.9	5.0	5.5	5.0	4.2
1973	4.6	5.5	6.2	6.7	7.5	7.6	7.9	8.0	7.7	7.0	7.8	7.5
1974	8.0	8.4	8.6	8.9	9.1	9.3	9.8	10.9	11.8	10.7	10.7	10.1
1975	8.8	9.7	8.2	7.8	7.5	6.8	7.1	7.5	7.8	7.4	7.6	7.6
1976	6.0	5.5	5.1	4.8	5.2	4.8	4.6	4.7	4.5	4.5	5.0	4.9
1977	5.3	6.0	6.5	6.1	6.6	6.2	6.8	7.5	7.9	8.2	8.0	7.5
1978	8.5	10.2	10.3	10.1	9.5	9.2	8.0	6.9	6.5	6.7	7.9	8.2
1979	8.1	8.9	8.3	8.5	8.8	8.7	8.7	8.5	8.2	7.9	8.2	7.9
1980	8.5	9.0	9.2	9.5	10.4	10.1	10.4	10.3	9.8	9.7	9.3	9.1
1981	8.1	8.4	8.3	8.5	9.0	9.0	8.7	9.4	10.4	10.8	11.4	10.5
1982	10.5	10.4	10.8	10.5	11.4	12.2	11.0	10.1	9.2	8.9	8.4	8.6
1983	9.7	9.5	9.9	9.9	9.5	9.4	9.0	7.7	8.6	7.9	8.7	7.8
1984	8.0	8.5	9.1	9.4	9.3	9.7	10.1	9.5	9.3	8.8	9.1	9.2
1985	8.6	9.3	8.3	9.1	8.9	8.8	9.2	9.8	9.9	10.7	9.7	9.4
1986	9.6	8.6	9.1	9.9	9.5	9.2	9.8	9.6	10.1	9.7	9.5	9.6
1987	9.4	9.4	9.0	10.3	9.3	9.3	9.3	8.8	9.2	10.4	11.2	9.2
1988	10.1	9.9	10.3	10.8	10.5	10.1	10.6	10.6	10.6	10.0	9.7	9.4
1989	9.4	9.0	8.7	9.8	9.2	9.8	9.9	10.2	10.2	10.6	11.1	10.4
1990	11.5	11.6	11.9	12.5	11.3	10.8	10.7	11.9	12.7	12.9	12.4	11.5
1991	9.6	9.5	8.8	8.5	8.5	8.0	7.7	7.2	7.4	7.9	8.4	7.5
1992	7.2	7.3	7.8	8.3	8.1	8.8	8.8	9.1	8.5	8.5	8.7	8.2
1993	8.2	8.8	9.1	9.5	8.6	8.4	8.6	8.1	8.0	8.3	8.3	8.0
1994	8.3	8.9	8.1	8.2	8.6	8.4	8.8	8.4	8.4	8.5	9.0	8.5
1995	8.6	8.3	7.6	7.5	7.5	7.2	7.1	7.2	7.0	7.5	7.9	7.9
1996	8.1	7.4	7.0	7.0	6.7	6.6	7.0	7.2	6.7	6.4	5.8	5.5
1997	5.7	5.7	6.0	6.3	6.1	5.6	5.3	5.4	5.4	5.5	5.7	5.3

Liquid Asset Ratio—Bond & Income Funds

Year	January	February	March	April	May	June	July	August	September	October	November	December
1970	7.1	6.8	6.1	6.2	6.2	7.4	6.8	7.2	6.5	8.9	6.8	5.5
1971	4.4	3.5	3.3	2.4	3.0	2.9	2.6	4.1	4.7	6.5	5.6	5.7
1972	5.2	5.2	5.3	4.4	4.6	5.2	5.9	6.0	6.8	6.1	5.8	5.9
1973	3.3	3.9	3.9	4.0	4.6	4.8	5.8	6.2	6.3	5.2	6.3	6.2
1974	6.0	6.3	6.7	7.0	7.4	7.5	8.2	9.4	9.9	8.5	8.3	7.8
1975	9.4	8.5	7.9	7.8	8.3	7.4	7.7	7.8	7.8	6.9	7.2	7.7
1976	6.4	6.4	6.1	6.0	5.7	5.4	5.5	5.6	5.7	5.2	4.8	5.0
1977	6.5	6.9	7.2	6.5	5.9	6.5	6.5	5.1	6.4	7.4	7.4	6.6
1978	8.7	8.9	8.3	8.6	10.4	11.6	11.5	10.6	10.8	13.4	14.4	14.8
1979	14.6	15.3	14.4	14.7	14.1	14.0	13.3	11.3	13.2	12.8	13.5	14.2
1980	16.0	16.7	17.3	15.4	11.5	8.9	10.1	9.6	9.9	9.7	8.4	9.3
1981	8.6	9.3	9.1	9.4	9.4	8.4	9.6	9.2	10.8	10.1	9.4	6.8
1982	8.5	10.7	10.9	11.8	9.8	10.3	10.8	8.8	7.7	7.2	6.9	6.2
1983	6.3	7.0	6.3	5.8	6.0	5.8	7.3	7.9	7.0	7.2	7.4	6.5
1984	7.5	7.9	9.0	9.2	10.6	11.5	10.1	10.6	11.8	8.5	8.0	8.5
1985	8.5	9.0	7.7	9.8	7.8	7.8	8.0	8.0	8.6	9.6	8.8	7.2
1986	7.5	7.7	7.9	7.6	7.1	6.8	6.3	5.8	6.2	6.2	5.5	5.8
1987	6.0	5.6	6.2	7.3	6.7	7.0	6.7	6.6	7.3	8.0	8.1	7.8
1988	7.5	7.7	8.5	8.7	9.0	8.2	8.3	9.1	9.3	9.2	9.0	9.6
1989	10.8	10.6	10.2	10.6	10.0	9.1	8.2	7.5	7.6	7.0	6.8	6.2
1990	7.3	7.7	6.9	8.2	7.4	5.8	6.4	7.1	7.2	7.2	7.3	6.3
1991	7.8	7.2	7.2	7.1	7.3	7.7	7.5	6.9	6.7	7.3	6.9	6.7
1992	7.2	7.2	6.7	6.7	6.4	6.1	6.1	6.7	6.8	6.5	6.5	5.4
1993	5.6	5.2	4.7	4.8	4.9	4.5	5.3	5.3	5.8	6.0	6.0	5.3
1994	5.6	5.7	6.8	7.4	7.0	6.7	6.6	6.3	6.8	7.2	7.0	7.0
1995	7.2	7.1	6.9	6.9	7.0	6.2	6.1	5.9	5.7	5.7	5.4	5.4
1996	5.5	5.3	5.5	5.5	5.3	5.2	5.5	5.3	5.6	5.2	4.8	4.8
1997	5.1	5.2	5.9	6.6	6.2	5.9	5.4	5.6	5.2	5.5	5.4	4.8

Section Two: U.S. Industry Long-term Funds

Distribution of Mutual Fund Assets in Equity and Bond & Income Funds

Year	Total Net Assets	Net Cash & Equivalent	Corporate Bonds	Preferred Stocks	Common Stocks	Municipal Bonds	Long-term U.S. Gov't	Other
Millions of dollars								
1986	\$424,156	\$30,716	\$47,310	\$7,387	\$153,657	\$70,875	\$111,536	\$2,675
1987	453,842	38,006	41,661	5,566	176,372	68,578	119,854	3,805
1988	472,297	45,090	54,441	5,678	173,684	86,136	103,750	3,518
1989	553,866	44,780	52,945	4,582	241,307	85,017	118,108	7,127
1990	568,517	48,324	44,344	2,843	216,605	118,820	128,485	9,096
1991	853,057	60,787	87,007	6,900	377,901	149,626	162,490	8,346
1992	1,100,065	74,381	115,991	10,573	479,328	191,619	225,341	2,832
1993	1,510,047	100,209	169,997	16,241	696,828	249,141	273,915	3,716
1994	1,550,490	121,296	155,243	16,495	812,681	211,093	223,350	10,332
1995	2,067,337	142,572	191,845	16,991	1,203,791	245,360	261,070	5,708
1996	2,637,398	139,396	238,291R	21,343	1,720,368R	245,466	267,709	4,825
1997	3,430,795	176,231	290,905	29,991	2,368,360	266,558	287,343	11,407
Percent								
1986	100.0%	7.3%	11.2%	1.7%	36.2%	16.7%	26.3%	0.6%
1987	100.0	8.4	9.2	1.2	38.9	15.1	26.4	0.8
1988	100.0	9.5	11.5	1.2	36.8	18.2	22.0	0.8
1989	100.0	8.1	9.6	0.8	43.6	15.3	21.3	1.3
1990	100.0	8.5	7.8	0.5	38.1	20.9	22.6	1.6
1991	100.0	7.1	10.2	0.8	44.3	17.5	19.1	1.0
1992	100.0	6.8	10.5	1.0	43.6	17.4	20.4	0.3
1993	100.0	6.6	11.3	1.1	46.1	16.5	18.1	0.3
1994	100.0	7.8	10.0	1.1	52.4	13.6	14.4	0.7
1995	100.0	6.9	9.3	0.8	58.2	11.9	12.6	0.3
1996	100.0	5.3	9.0	0.8	65.2	9.3	10.2	0.2
1997	100.0	5.1	8.5	0.9	69.0	7.8	8.4	0.3

R=Revised

Section Two: U.S. Industry Long-term Funds

Net New Cash Flow* by Investment Objective
(millions of dollars)

	1996	1997
Aggressive Growth	\$55,823.4	\$36,550.5
Growth	46,183.2	57,416.6
Growth & Income	64,990.7	87,464.2
Precious Metals	(330.2)	9.1
International	29,780.2	22,147.4
Global Equity	16,557.9	15,579.8
Income—Equity	8,597.5	11,896.3
Total Equity Funds	\$221,602.7	\$231,063.9
Flexible Portfolio	\$1,165.1	\$3,448.3
Balanced	4,972.5	8,819.0
Income—Mixed	4,223.8	7,741.0
Income—Bond	8,584.4	17,133.2
U.S. Government Income	(9,007.4)	(6,086.0)
Ginnie Mae	(4,803.4)	(3,723.5)
Global Bond	(931.9)	(1,143.7)
Corporate Bond	2,449.4	1,029.3
High-yield Bond	12,319.7	16,797.7
National Municipal Bond—Long-term	(4,352.0)	128.1
State Municipal Bond—Long-term	(1,984.9)	352.1
Total Bond & Income Funds	\$12,635.3	\$44,495.5

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

Net New Cash Flow* and Total Net Assets of Equity Funds
(millions of dollars)

Year	Net New Cash Flow	Total Net Assets
1984	\$5,873.7	\$83,084.0
1985	8,454.5	116,938.6
1986	21,865.9	161,538.8
1987	19,063.3	180,690.9
1988	(16,163.0)	194,820.4
1989	5,788.0	249,045.0
1990	12,790.0	245,788.2
1991	39,535.4	411,619.2
1992	79,154.1	522,776.7
1993	129,550.1	748,953.3
1994	119,293.5	866,448.3
1995	128,222.7	1,269,039.5
1996		
January	\$28,902.0	\$1,332,247.6
February	22,378.2	1,374,177.7
March	21,255.5	1,408,574.6
April	26,066.8	1,473,745.4
May	25,045.5	1,530,672.4
June	14,463.4	1,532,457.3
July	5,752.2	1,466,528.9
August	17,911.2	1,531,340.3
September	17,369.2	1,620,223.1
October	13,548.6	1,650,988.4
November	17,160.9	1,763,253.6
December	11,749.2	1,750,928.9
Total	\$221,602.7	\$1,750,928.9
1997		
January	\$28,883.2	\$1,854,537.3
February	18,152.7	1,865,370.7
March	10,325.1	1,810,084.2
April	16,091.7	1,879,401.9
May	20,536.2	2,027,599.5
June	16,570.3	2,125,738.5
July	26,840.5	2,302,797.3
August	14,014.8	2,228,253.7
September	25,617.9	2,392,192.8
October	20,275.5	2,305,922.1
November	18,310.9	2,360,375.8
December	15,445.1	2,399,322.1
Total	\$231,063.9	\$2,399,322.1

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

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

(millions of dollars)

Year	Net New Cash Flow	Total Net Assets
1984	\$13,320.4	\$54,042.4
1985	65,196.3	134,756.5
1986	108,606.1	262,617.5
1987	10,904.3	273,151.5
1988	(7,004.8)	277,476.2
1989	3,112.3	304,816.8
1990	8,549.2	322,728.7
1991	67,239.2	441,437.5
1992	93,652.0	577,288.0
1993	113,725.9	761,094.1
1994	(43,440.5)	684,042.1
1995	(4,807.5)	798,297.8
1996		
January	\$4,284.4	\$810,456.9
February	1,933.2	807,302.3
March	1,764.5	803,479.1
April	508.5	819,280.1
May	252.1	825,475.6
June	(218.3)	830,553.9
July	(1,007.1)	829,380.0
August	(56.6)	834,580.4
September	1,917.2	853,830.8
October	(515.3)	866,452.2
November	1,426.6	889,534.6
December	2,346.1	886,469.1
Total	\$12,635.3	\$886,469.1
1997		
January	\$3,591.9	\$897,407.5
February	2,280.8	907,168.9
March	(2,021.7)	890,270.2
April	1,363.7	903,516.3
May	2,418.2	924,525.9
June	2,125.8	941,787.6
July	4,207.4	976,486.2
August	7,138.8	971,201.7
September	3,857.6	994,288.0
October	3,672.0	996,208.0
November	10,297.8	1,014,349.4
December	5,563.2	1,031,472.8
Total	\$44,495.5	\$1,031,472.8

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

**An Overview:
Sales, Redemptions and Net Sales of Equity and
Bond & Income Funds**

(millions of dollars)

Year	Sales	Redemptions	Net Sales
1970	\$4,625.8	\$2,987.6	\$1,638.2
1971	5,147.2	4,750.2	397.0
1972	4,892.5	6,562.9	(1,670.4)
1973	4,359.3	5,651.1	(1,291.8)
1974	3,091.5	3,380.9	(289.4)
1975	3,307.2	3,686.3	(379.1)
1976	4,360.5	6,801.2	(2,440.7)
1977	6,399.6	6,026.0	373.6
1978	6,705.3	7,232.4	(527.1)
1979	6,826.1	8,005.0	(1,178.9)
1980	9,993.7	8,200.0	1,793.7
1981	9,710.4	7,470.4	2,240.0
1982	15,738.3	7,571.8	8,166.5
1983	40,325.1	14,677.6	25,647.5
1984	45,856.9	20,030.2	25,826.7
1985	114,313.5	33,763.4	80,550.1
1986	215,847.9	67,012.7	148,835.2
1987	190,628.0	116,224.3	74,403.7
1988	95,292.9	92,474.1	2,818.8
1989	125,711.0	91,655.5	34,055.5
1990	149,512.5	98,250.9	51,261.6
1991	236,633.3	116,325.3	120,308.0
1992	364,402.2	165,506.6	198,895.6
1993	511,578.5	231,356.2	280,222.3
1994	473,975.6	329,735.6	144,240.0
1995	477,233.8	313,582.7	163,651.1
1996	684,813.2	398,719.1	286,094.1
1997	874,263.1	542,762.6	331,500.5

Sales of Equity and Bond & Income Funds by Investment Objective

(millions of dollars)

	1996		1997	
	Dollars	Percent	Dollars	Percent
Total Sales	\$684,813.2	100.0%	\$874,263.1	100.0%
Aggressive Growth	95,308.6	13.9	109,011.7	12.5
Growth	127,831.8	18.7	163,907.7	18.7
Growth & Income	130,213.3	19.0	179,453.5	20.5
Precious Metals	3,289.6	0.5	2,352.3	0.3
International	61,869.4	9.0	86,648.5	9.9
Global Equity	28,812.1	4.2	37,175.2	4.3
Income—Equity	24,028.9	3.5	30,577.9	3.5
Flexible Portfolio	12,201.2	1.8	14,594.2	1.7
Balanced	23,513.8	3.4	29,820.2	3.4
Income—Mixed	25,818.9	3.8	25,285.2	2.9
Income—Bond	38,129.5	5.6	55,914.1	6.4
U.S. Government Income	18,130.6	2.7	19,379.9	2.2
Ginnie Mae	7,754.8	1.1	9,529.0	1.1
Global Bond	10,043.7	1.5	12,007.7	1.4
Corporate Bond	10,373.2	1.5	11,447.4	1.3
High-yield Bond	26,278.8	3.8	37,677.8	4.3
National Municipal Bond—Long-term	22,439.3	3.3	27,187.2	3.1
State Municipal Bond—Long-term	18,775.7	2.7	22,293.6	2.5

Sales and Reinvested Dividends by Investment Objective
(millions of dollars)

1996

	Total Sales	Total Reinvested Dividends	Sales Less Reinvested Dividends
Total	\$684,813.2	\$53,593.3	\$631,219.9
Aggressive Growth	95,308.6	1,909.5	93,399.1
Growth	127,831.8	4,790.4	123,041.3
Growth & Income	130,213.3	8,724.7	121,488.7
Precious Metals	3,289.6	139.2	3,150.3
International	61,869.4	2,266.2	59,603.2
Global Equity	28,812.1	1,472.4	27,339.6
Income—Equity	24,028.9	2,724.1	21,304.8
Flexible Portfolio	12,201.2	1,833.9	10,367.3
Balanced	23,513.8	2,921.1	20,592.8
Income—Mixed	25,818.9	3,232.2	22,586.6
Income—Bond	38,129.5	4,217.5	33,912.1
U.S. Government Income	18,130.6	3,209.9	14,920.7
Ginnie Mae	7,754.8	2,018.9	5,735.9
Global Bond	10,043.7	1,599.7	8,444.0
Corporate Bond	10,373.2	1,525.3	8,847.9
High-yield Bond	26,278.8	3,631.7	22,647.2
National Municipal Bond—Long-term	22,439.3	4,142.7	18,296.6
State Municipal Bond—Long-term	18,775.7	3,233.9	15,541.8

1997

	Total Sales	Total Reinvested Dividends	Sales Less Reinvested Dividends
Total	\$874,263.1	\$58,947.5	\$815,315.6
Aggressive Growth	109,011.7	1,258.1	107,753.6
Growth	163,907.7	4,636.1	159,271.6
Growth & Income	179,453.5	10,507.8	168,945.8
Precious Metals	2,352.3	26.4	2,325.9
International	86,648.5	2,829.9	83,818.6
Global Equity	37,175.2	1,673.6	35,501.6
Income—Equity	30,577.9	3,146.9	27,431.0
Flexible Portfolio	14,594.2	2,164.9	12,429.3
Balanced	29,820.2	3,561.1	26,259.1
Income—Mixed	25,285.2	3,471.6	21,813.6
Income—Bond	55,914.1	5,187.2	50,726.9
U.S. Government Income	19,379.9	2,865.9	16,514.0
Ginnie Mae	9,529.0	2,100.8	7,428.2
Global Bond	12,007.7	1,610.5	10,397.2
Corporate Bond	11,447.4	1,704.2	9,743.2
High-yield Bond	37,677.8	4,787.9	32,889.8
National Municipal Bond—Long-term	27,187.2	4,141.1	23,046.1
State Municipal Bond—Long-term	22,293.6	3,273.5	19,020.1

Section Two: U.S. Industry Long-term Funds

Equity and Bond & Income Funds'
Distributions to Shareholders

(millions of dollars)

Year	Distributions from Net Investment Income	Net Realized Capital Gains
1970	\$1,414.1	\$922.1
1971	1,330.7	775.5
1972	1,286.6	1,402.6
1973	1,300.2	943.3
1974	1,553.2	484.3
1975	1,449.1	219.2
1976	1,580.0	470.9
1977	1,789.7	634.8
1978	2,116.0	710.6
1979	2,451.4	929.9
1980	2,669.0	1,774.2
1981	3,143.0	2,697.2
1982	3,832.9	2,350.1
1983	4,981.0	4,391.6
1984	7,238.4	6,019.2
1985	12,864.2	4,984.6
1986	22,273.4	17,463.8
1987	31,823.7	22,975.6
1988	31,978.3	6,345.3
1989	34,096.1	14,802.8
1990	32,917.7	8,054.6
1991	35,322.2	14,116.1
1992	59,177.0	22,335.6
1993	73,302.4	36,105.3
1994	61,558.3R	29,969.6
1995	67,536.2	54,572.6
1996	73,683.1	101,073.5
1997	80,021.1	184,147.4

R=Revised

Section Two: U.S. Industry Long-term Funds

Annual Redemption Rate for Equity and Bond & Income Funds

(millions of dollars)

Year	Average Total Net Assets	Redemptions	Redemption Rate
1970	\$47,954	\$2,988	6.2%
1971	51,332	4,750	9.3
1972	57,438	6,563	11.4
1973	53,175	5,651	10.6
1974	40,290	3,381	8.4
1975	38,120	3,686	9.7
1976	44,880	6,801	15.2
1977	46,316	6,026	13.0
1978	45,014	7,232	16.1
1979	46,980	8,005	17.0
1980	53,690	8,200	15.3
1981	56,803	7,470	13.2
1982	66,024	7,572	11.5
1983	95,220	14,678	15.4
1984	125,362	20,030	16.0
1985	194,411	33,763	17.4
1986	337,926	67,013	19.8
1987	438,999	116,224	26.5
1988	463,070	92,474	20.0
1989	513,079	91,656	17.9
1990	561,189	98,251	17.5
1991	710,787	116,325	16.4
1992	976,561	165,507	16.9
1993	1,305,056	231,356	17.7
1994	1,530,269	329,736	21.5
1995	1,808,914	313,583	17.3
1996	2,352,368	398,719	16.9
1997	3,034,096	542,763	17.9

Note: "Average Total Net Assets" are an average of values at the beginning of the year and at the end of the year. The redemption rate is the dollar redemption volume as a percent of average assets.

Redemptions of Equity and Bond & Income Funds by Investment Objective

(millions of dollars)

	1996		1997	
	Dollars	Percent	Dollars	Percent
Total Redemptions	\$398,719.1	100.0%	\$542,762.6	100.0%
Aggressive Growth	45,522.9	11.4	72,000.9	13.3
Growth	73,894.1	18.5	104,029.6	19.2
Growth & Income	61,907.8	15.5	90,416.9	16.7
Precious Metals	3,152.9	0.8	2,369.9	0.4
International	31,927.0	8.0	58,737.9	10.8
Global Equity	12,508.0	3.1	20,062.5	3.7
Income—Equity	14,129.4	3.6	16,862.6	3.1
Flexible Portfolio	7,432.1	1.9	8,586.8	1.6
Balanced	14,238.0	3.6	17,455.8	3.2
Income—Mixed	16,801.0	4.2	13,122.4	2.4
Income—Bond	24,429.5	6.1	33,329.8	6.1
U.S. Government Income	20,521.0	5.2	20,180.4	3.7
Ginnie Mae	9,328.1	2.3	10,233.4	1.9
Global Bond	9,095.1	2.3	10,626.1	2.0
Corporate Bond	6,154.2	1.5	8,424.6	1.5
High-yield Bond	11,882.6	3.0	17,640.3	3.3
National Municipal Bond—Long-term	19,663.4	4.9	21,726.4	4.0
State Municipal Bond—Long-term	16,132.0	4.1	16,956.3	3.1

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

(millions of dollars)

Year	Total Purchases	Total Sales	Net Purchases
1970	\$20,405.0	\$18,588.5	\$1,816.5
1971	25,360.2	24,793.8	566.4
1972	24,467.6	25,823.6	(1,356.0)
1973	19,706.6	21,903.0	(2,196.4)
1974	12,299.7	12,213.5	86.2
1975	15,396.9	15,511.4	(114.5)
1976	15,348.2	16,881.2	(1,533.0)
1977	18,168.0	19,420.7	(1,252.7)
1978	20,945.6	23,069.7	(2,124.1)
1979	22,412.1	23,702.5	(1,290.4)
1980	32,987.2	32,080.6	906.6
1981	36,161.7	33,709.2	2,452.5
1982	55,682.0	47,920.7	7,761.3
1983	93,009.5	71,466.5	21,543.0
1984	119,272.4	98,929.6	20,342.8
1985	259,578.5	186,974.6	72,603.9
1986	501,058.5	365,167.6	135,890.9
1987	531,075.8	485,640.1	45,435.7
1988	410,714.2	421,449.7	(10,735.5)
1989	472,218.6	445,730.4	26,488.2
1990	555,699.8	506,547.9	49,151.9
1991	736,771.8	608,908.4	127,863.4
1992	950,632.5	758,972.1	191,660.4
1993	1,337,057.0	1,061,038.5	276,018.5
1994	1,435,130.6	1,330,271.9	104,858.7
1995	1,553,663.1	1,402,986.1	150,677.0
1996	2,023,712.7	1,740,366.7	283,346.0
1997	2,390,469.3	2,112,108.4	278,360.9

Section Two: U.S. Industry Long-term Funds

**Total Purchases, Total Sales and Net Purchases
of Common Stocks by Mutual Funds**

(millions of dollars)

Year	Total Purchases	Total Sales	Net Purchases
1970	\$17,127.6	\$15,900.8	\$1,226.8
1971	21,557.7	21,175.1	382.6
1972	20,943.5	22,552.8	(1,609.3)
1973	15,560.7	17,504.4	(1,943.7)
1974	9,085.3	9,372.1	(286.8)
1975	10,948.7	11,902.3	(953.6)
1976	10,729.1	13,278.3	(2,549.2)
1977	8,704.7	12,211.3	(3,506.6)
1978	12,832.9	14,454.7	(1,621.8)
1979	13,089.0	15,923.0	(2,834.0)
1980	19,893.8	21,799.9	(1,906.1)
1981	20,859.7	21,278.3	(418.6)
1982	27,397.2	24,939.6	2,457.6
1983	54,581.7	40,813.9	13,767.8
1984	56,587.9	50,895.0	5,692.9
1985	80,783.1	72,577.3	8,205.8
1986	134,711.0	118,091.9	16,619.1
1987	199,042.0	176,084.9	22,957.1
1988	112,831.8	128,896.2	(16,064.4)
1989	142,965.5	141,748.3	1,217.2
1990	166,753.5	146,743.9	20,009.6
1991	250,734.7	209,536.1	41,198.6
1992	328,330.0	262,121.7	66,208.3
1993	507,808.7	381,334.1	126,474.6
1994	629,628.8	512,992.1	116,636.7
1995	792,330.5	688,771.4	103,559.1
1996	1,154,990.8	929,870.5	225,120.3
1997	1,460,757.8	1,270,418.4	190,339.4

Section Two: U.S. Industry Long-term Funds

**Total Purchases, Total Sales and Net Purchases
of Securities Other Than Common Stocks by Mutual Funds**

(millions of dollars)

Year	Total Purchases	Total Sales	Net Purchases
1970	\$3,277.4	\$2,687.7	\$589.7
1971	3,802.5	3,618.6	183.9
1972	3,524.1	3,270.9	253.2
1973	4,145.9	4,398.7	(252.8)
1974	3,214.4	2,841.4	373.0
1975	4,448.2	3,609.1	839.1
1976	4,619.1	3,602.9	1,016.2
1977	9,463.3	7,209.4	2,253.9
1978	8,112.7	8,615.0	(502.3)
1979	9,323.1	7,779.5	1,543.6
1980	13,093.4	10,280.7	2,812.7
1981	15,302.0	12,430.9	2,871.1
1982	28,284.8	22,981.1	5,303.7
1983	38,427.7	30,652.6	7,775.1
1984	62,684.6	48,034.6	14,650.0
1985	178,795.3	114,397.3	64,398.0
1986	366,347.5	247,075.7	119,271.8
1987	332,033.8	309,555.2	22,478.6
1988	297,882.5	292,553.5	5,329.0
1989	329,253.2	303,982.1	25,271.1
1990	388,946.3	359,804.0	29,142.3
1991	486,037.1	399,372.3	86,664.8
1992	622,302.5	496,850.4	125,452.1
1993	829,248.3	679,704.4	149,543.9
1994	805,501.8	817,279.8	(11,778.0)
1995	761,332.6	714,214.7	47,117.9
1996	868,721.9	810,496.2	58,225.7
1997	929,711.5	841,690.0	88,021.5

Portfolio Purchases by Investment Objective

(millions of dollars)

	All Securities		Common Stock Only	
	1996	1997	1996	1997
Total	\$2,023,712.7	\$2,390,469.3	\$1,154,990.8	\$1,460,757.8
Aggressive Growth	275,026.0	327,676.4	270,313.8	322,197.9
Growth	371,324.6	444,529.7	356,178.0	434,142.6
Growth & Income	269,570.5	378,084.7	240,068.8	345,867.9
Precious Metals	3,817.0	2,410.8	3,709.9	2,366.3
International	89,222.4	128,401.4	81,277.3	119,056.6
Global Equity	58,740.8	85,664.4	54,135.4	77,348.7
Income—Equity	77,643.1	76,054.9	58,102.2	57,651.5
Flexible Portfolio	69,951.1	76,344.9	28,872.3	34,022.3
Balanced	74,134.7	93,801.6	37,415.8	46,800.7
Income—Mixed	87,992.4	100,908.0	14,618.7	10,656.5
Income—Bond	139,383.5	173,618.3	1,148.0	1,322.7
U.S. Government Income	156,844.8	129,818.9	11.7	0.0
Ginnie Mae	73,685.4	65,471.7	0.0	0.0
Global Bond	54,441.4	53,347.5	5,670.1	5,505.4
Corporate Bond	36,254.3	36,394.0	255.7	924.7
High-yield Bond	71,878.3	107,520.8	3,213.1	2,889.7
National Municipal Bond—Long-term	67,769.7	66,316.8	0.0	4.3
State Municipal Bond—Long-term	46,032.7	44,104.5	0.0	0.0

Portfolio Sales by Investment Objective

(millions of dollars)

	All Securities		Common Stock Only	
	1996	1997	1996	1997
Total	\$1,740,366.7	\$2,112,108.4	\$929,870.5	\$1,270,418.4
Aggressive Growth	226,613.6	299,059.0	221,438.6	294,011.2
Growth	320,536.9	398,439.4	299,913.2	387,280.2
Growth & Income	199,900.1	300,300.3	173,913.5	272,103.4
Precious Metals	4,174.5	2,596.8	4,074.0	2,552.2
International	60,911.4	107,171.7	55,416.4	100,554.5
Global Equity	40,653.4	68,719.4	37,796.8	65,116.0
Income—Equity	67,408.2	64,574.0	51,441.2	49,411.6
Flexible Portfolio	64,255.6	72,558.2	30,317.0	31,649.9
Balanced	65,211.5	83,336.1	34,345.5	44,636.2
Income—Mixed	78,102.0	91,596.1	12,740.3	12,267.9
Income—Bond	124,223.6	154,288.3	1,039.1	1,205.8
U.S. Government Income	157,358.4	129,707.3	11.9	0.2
Ginnie Mae	73,526.4	63,940.3	0.0	0.0
Global Bond	54,158.5	50,741.8	4,666.3	5,828.1
Corporate Bond	33,101.0	33,728.7	177.1	755.7
High-yield Bond	57,404.7	86,627.8	2,577.7	3,035.1
National Municipal Bond—Long-term	67,445.6	63,278.2	1.9	4.7
State Municipal Bond—Long-term	45,381.3	41,445.0	0.0	5.7

Section Three: U.S. Industry Short-term Funds

Total Short-term Funds

(millions of dollars)

Year	Total Sales	Total Redemptions	Net Sales	Net New Cash Flow*	Number of Funds	Total Accounts Outstanding	Total Net Assets
1980	\$237,427.7	\$207,877.7	\$29,550.0	\$24,022.7	106	4,762,103	\$76,361.3
1981	462,422.6	354,972.1	107,450.5	91,143.7	179	10,323,466	186,158.2
1982	611,202.9	580,778.4	30,424.5	9,184.1	318	13,258,143	219,837.5
1983	507,447.0	551,151.3	(43,704.3)	(55,664.9)	373	12,539,688	179,386.5
1984	634,226.7	586,992.4	47,234.3	35,062.4	421	13,844,697	233,553.8
1985	839,498.8	831,121.2	8,377.6	(5,381.8)	457	14,934,631	243,802.4
1986	989,816.0	948,641.3	41,174.7	33,861.8	485	16,313,148	292,151.6
1987	1,060,949.2	1,062,519.7	(1,570.5)	10,191.2	541	17,674,790	316,096.1
1988	1,081,702.0	1,074,373.5	7,328.5	74.7	605	18,569,817	337,956.5
1989	1,319,492.6	1,235,643.0	83,849.6	64,053.4	664	21,314,228	428,093.2
1990	1,415,711.8	1,372,713.4	42,998.4	23,221.5	743	22,970,493	498,374.9
1991	1,800,744.7	1,763,094.9	37,649.8	5,484.4	821	23,556,000	542,441.7
1992	2,386,288.0	2,382,893.3	3,394.7	(16,299.6)	865	23,647,198	546,194.5
1993	2,677,539.5	2,673,456.9	4,082.6	(14,109.7)	920	23,585,346	565,319.1
1994	2,603,330.5	2,598,992.9	4,337.6	8,767.0	963	25,382,690	611,004.5
1995	3,125,209.0	3,001,928.0	123,281.0	89,411.1	997	30,144,344	753,017.8
1996	3,990,534.2	3,868,773.6	121,760.6	89,423.6	988	32,199,937	901,806.9
1997	4,930,566.0	4,782,897.7	147,668.3	102,043.1	1,013	35,624,076	1,058,885.7

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

Section Three: U.S. Industry Short-term Funds

An Overview: Taxable Money Market Funds
(millions of dollars)

Year	Total Sales	Total Redemptions	Net Sales	Net New Cash Flow	Number of Funds	Total Accounts Outstanding	Average Maturity (days)	Total Net Assets
1975	\$6,748.7	\$5,883.9	\$864.8	-	36	208,777	93	\$3,695.7
1976	9,360.9	9,609.2	(248.3)	(\$1,128.5)	48	180,676	110	3,685.8
1977	10,673.0	10,662.7	10.3	(1,124.5)	50	177,522	76	3,887.7
1978	30,452.2	24,294.5	6,157.7	6,382.2	61	467,803	42	10,858.0
1979	111,855.1	78,363.4	33,491.7	31,778.2	76	2,307,852	34	45,214.2
1980	232,172.8	204,068.5	28,104.3	22,527.6	96	4,745,572	24	74,447.7
1981	451,889.5	346,701.5	105,188.0	88,939.7	159	10,282,095	34	181,910.4
1982	581,758.9	559,581.1	22,177.8	1,704.2	281	13,101,347	37	206,607.5
1983	462,978.7	508,729.9	(45,751.2)	(57,437.5)	307	12,276,639	37	162,549.5
1984	571,959.3	531,050.9	40,908.4	29,163.5	329	13,556,180	43	209,731.9
1985	730,073.8	732,343.0	(2,269.2)	15,884.1	346	14,435,386	42	207,535.3
1986	792,349.1	776,303.2	16,045.9	9,028.8	359	15,653,595	40	228,345.8
1987	869,099.1	865,668.4	3,430.7	13,054.6	388	16,832,666	31	254,676.4
1988	903,425.9	899,397.3	4,028.6	(1,512.4)	431	17,630,528	28	272,293.3
1989	1,134,647.8	1,055,142.4	79,505.4	62,537.5	463	20,173,265	38	358,719.2
1990	1,218,936.0	1,183,065.7	35,870.3	17,433.2	508	21,577,559	41	414,733.3
1991	1,569,852.0	1,536,499.7	33,352.3	4,420.8	554	21,863,352	50	452,559.2
1992	2,099,796.8	2,101,327.8	(1,531.0)	(20,468.2)	586	21,770,693	51	451,353.4
1993	2,335,653.0	2,336,932.2	(1,279.2)	(19,122.3)	628	21,586,862	49	461,903.9
1994	2,233,904.8	2,228,905.6	4,999.2	7,890.5	644	23,338,196	34	500,427.8
1995	2,727,886.4	2,616,013.5	111,872.9	82,080.4	672	27,852,374	52	629,729.2
1996	3,522,304.7	3,414,032.4	108,272.3	79,185.4	665	29,901,153	49	761,754.8
1997	4,393,219.9	4,263,918.7	129,301.2	86,707.6	682	32,960,623	46	898,083.1

Section Three: U.S. Industry Short-term Funds

An Overview: Tax-exempt Money Market Funds

(millions of dollars)

Year		Total Sales	Total Redemptions	Net Sales	Net New Cash Flow*	Number of Funds	Total Accounts Outstanding	Total Net Assets
1982		\$29,444.0	\$22,197.3	\$7,246.7	\$7,480.0	37	156,796	\$13,230.0
1983		44,468.3	42,421.4	2,046.9	1,772.6	66	263,049	16,837.0
1984		62,267.4	55,941.5	6,325.9	5,898.9	95	288,517	23,821.9
1985		109,425.0	98,778.2	10,646.8	10,502.3	111	499,245	36,267.1
1986	National	188,017.3	165,329.1	22,688.2	22,240.1	100	604,055	59,367.5
	State	9,449.7	7,009.1	2,440.6	2,592.8	26	55,498	4,438.2
1987	National	179,215.0	185,031.1	(5,816.1)	(4,926.4)	111	731,265	54,555.8
	State	12,635.1	11,820.2	814.9	2,063.0	42	110,859	6,863.9
1988	National	158,085.8	158,120.8	(35.0)	(2,214.3)	120	754,068	54,541.7
	State	20,190.4	16,855.5	3,334.9	3,801.4	54	185,221	11,118.5
1989	National	152,713.4	151,851.4	862.0	(2,053.4)	129	875,626	52,824.7
	State	32,131.3	28,649.2	3,482.1	3,569.4	72	265,337	16,549.4
1990	National	155,956.9	153,363.8	2,593.1	1,162.5	132	984,301	59,200.5
	State	40,818.9	36,283.9	4,535.0	4,625.8	103	408,633	24,441.1
1991	National	181,137.9	178,927.1	2,210.8	474.1	141	1,139,741	62,338.0
	State	49,754.8	47,668.1	2,086.7	589.4	126	552,907	27,544.5
1992	National	223,414.2	220,832.0	2,582.2	2,659.5	139	1,120,747	64,863.3
	State	63,077.0	60,733.5	2,343.5	1,509.1	140	755,758	29,977.8
1993	National	264,920.5	261,742.8	3,177.7	2,773.4	146	1,237,691	70,501.3
	State	76,966.0	74,781.9	2,184.1	2,239.2	146	760,793	32,913.9
1994	National	282,293.5	284,070.6	(1,777.1)	(855.6)	157	1,273,384	73,417.8
	State	87,132.2	86,016.7	1,115.5	1,732.1	162	771,110	37,158.9
1995	National	293,120.5	288,032.3	5,088.2	2,508.8	158	1,384,887	79,639.1
	State	104,202.1	97,882.2	6,319.9	4,821.9	167	907,083	43,649.5
1996	National	342,838.4	336,204.2	6,634.1R	4,451.8	158	1,353,979	89,328.4
	State	125,391.1	118,537.0	6,854.1	5,786.4	165	944,805	50,723.7
1997	National	385,283.0	374,784.7	10,498.3	8,802.1	156	1,557,399	100,911.3
	State	152,063.1	144,194.3	7,868.8	6,533.4	175	1,106,054	59,891.3

R=Revised

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

**Taxable Money Market Fund Monthly Total Net Assets
by Type of Fund**
(thousands of dollars)

	Individual	Institutional	Total
1995			
January	\$357,382,640	\$166,568,603	\$523,951,243
February	358,212,078	164,298,299	522,510,377
March	361,081,603	164,329,410	525,411,013
April	366,154,066	169,245,990	535,400,056
May	378,902,997	174,854,321	553,757,318
June	389,832,858	179,114,476	568,947,334
July	403,114,016	185,871,885	588,985,901
August	409,685,271	185,439,485	595,124,756
September	409,666,331	181,371,778	591,038,109
October	421,734,184	188,573,572	610,307,756
November	429,808,093	195,590,256	625,398,349
December	428,563,762	201,165,388	629,729,150
1996			
January	\$435,556,931	\$214,660,865	\$650,217,796
February	453,346,889	235,565,899	688,912,788
March	458,882,381	228,768,048	687,650,429
April	453,380,107	228,012,833	681,392,940
May	454,965,114	231,060,292	686,025,406
June	457,718,067	227,992,523	685,710,590
July	474,876,778	232,407,957	707,284,735
August	478,434,103	241,709,224	720,143,327
September	475,528,200	241,749,023	717,277,223
October	481,824,413	257,070,511	738,894,924
November	489,426,047	265,526,216	754,952,263
December	497,522,278	264,232,562	761,754,840
1997			
January	\$506,709,297	\$281,817,039	\$788,526,336
February	517,100,488	294,684,796	811,785,284
March	527,692,049	286,975,708	814,667,757
April	520,686,747	283,835,300	804,522,047
May	525,993,431	287,895,976	813,889,407
June	525,820,781	291,451,736	817,272,517
July	536,047,833	297,268,702	833,316,535
August	556,151,852	308,537,263	864,689,115
September	553,686,696	308,591,102	862,277,798
October	564,748,097	318,841,203	883,589,300
November	570,783,408	325,492,770	896,276,178
December	568,878,613	329,204,508	898,083,121

Section Three: U.S. Industry Short-term Funds

**Taxable Money Market Fund
Shareholder Accounts by Type of Fund**

	Individual	Institutional	Total
1995			
January	23,571,930	267,969	23,839,899
February	23,703,905	262,683	23,966,588
March	24,260,028	1,905,168	26,165,196
April	24,618,734	1,861,850	26,480,584
May	24,849,872	1,868,446	26,718,318
June	24,882,418	1,890,559	26,772,977
July	25,229,823	1,910,666	27,140,489
August	25,289,492	1,943,138	27,232,630
September	25,335,138	1,942,867	27,278,005
October	25,663,759	1,959,085	27,622,844
November	25,946,042	2,022,049	27,968,091
December	25,841,223	2,011,151	27,852,374
1996			
January	26,167,616	2,030,701	28,198,317
February	26,589,134	2,078,542	28,667,676
March	27,121,479	2,138,847	29,260,326
April	27,211,629	2,197,920	29,409,549
May	27,104,828	2,370,413	29,475,241
June	27,155,990	2,330,777	29,486,767
July	27,642,944	2,419,802	30,062,746
August	27,740,476	2,386,004	30,126,480
September	27,234,441	2,415,111	29,649,552
October	27,542,132	2,482,649	30,024,781
November	27,273,829	2,492,744	29,766,573
December	27,343,926	2,557,227	29,901,153
1997			
January	27,437,864	2,522,327	29,960,191
February	27,786,010	2,526,569	30,312,579
March	28,069,150	2,602,973	30,672,123
April	28,300,077	2,660,321	30,960,398
May	28,459,943	2,719,135	31,179,078
June	28,544,175	2,684,491	31,228,666
July	28,791,017	2,826,371	31,617,388
August	29,162,371	2,859,561	32,021,932
September	29,393,783	2,849,936	32,243,719
October	29,621,602	2,840,881	32,462,483
November	30,026,046	2,890,105	32,916,151
December	30,038,353	2,922,270	32,960,623

Section Three: U.S. Industry Short-term Funds

Taxable Money Market Fund Asset Composition

(millions of dollars)

	1991	1992	1993	1994	1995	1996	1997
Total Net Assets	\$452,559.1	\$451,353.4	\$461,903.9	\$500,427.8	\$629,729.1	\$761,754.8	\$898,083.1
U.S. Treasury Bills	47,645.5	47,284.4	53,188.7	44,348.2	42,280.8	41,960.6	40,955.2
Other Treasury Securities	32,077.5	32,544.6	28,582.7	23,257.9	29,174.7	49,644.1	47,934.1
U.S. Securities	41,387.8	55,254.1	67,985.0	78,863.6	92,689.9	104,189.2	97,804.1
Repurchase Agreements	68,205.7	67,118.3	67,522.4	70,316.2	89,316.2	105,710.6	128,901.5
Commercial Bank CDs	6,281.1	5,313.3	4,339.7	6,712.9	8,144.8	16,539.1	25,666.4
Other Domestic CDs	27,056.8	25,987.2	20,709.4	15,807.8	31,753.8	52,777.7	69,899.3
Eurodollar CDs	21,841.0	20,610.6	10,130.7	16,020.3	20,066.1	23,569.3	23,951.9
Commercial Paper	189,482.0	173,978.1	164,932.4	188,885.5	237,121.9	276,801.4	339,501.0
Bankers' Acceptances	4,611.0	2,664.8	2,320.9	2,431.8	3,059.6	2,619.9	3,472.6
Cash Reserves	(211.6)	(2,699.9)	(1,224.7)	(2,575.5)	(3,596.9)	(1,159.0)	1,479.5
Other Assets	14,182.3	23,297.9	43,416.7	56,359.1	79,718.2	89,101.9	118,517.5
Average Maturity	50	51	49	34	52	49	46
Number of Funds	554	586	628	644	672	665	682

Section Four: Exchanges for All Funds in the U.S. Industry

Sales Due to Exchanges by Investment Objective

(millions of dollars)

Investment Objective	1996	1997
Aggressive Growth	\$72,065.7	\$87,148.8
Growth	49,955.9	70,005.4
Growth & Income	35,933.3	55,772.7
Precious Metals	13,025.9	11,487.7
International	34,124.0	47,282.9
Global Equity	17,945.7	18,451.3
Income—Equity	10,915.3	13,208.8
Flexible Portfolio	2,501.8	3,089.0
Balanced	3,626.3	5,757.3
Income—Mixed	2,646.6	3,424.0
Income—Bond	6,107.5	7,977.5
U.S. Government Income	5,417.0	6,389.4
Ginnie Mae	2,292.1	3,409.8
Global Bond	3,498.0	4,574.7
Corporate Bond	2,784.2	3,405.7
High-yield Bond	9,793.2	12,594.1
National Municipal Bond—Long-term	24,425.7	19,616.6
State Municipal Bond—Long-term	10,598.6	8,308.8
Tax-exempt Money Market—National	11,359.3	10,008.6
Tax-exempt Money Market—State	4,772.5	4,605.6
Taxable Money Market	181,839.0	218,472.0

Redemptions Due to Exchanges by Investment Objective

(millions of dollars)

Investment Objective	1996	1997
Aggressive Growth	\$64,118.5	\$86,351.0
Growth	52,919.9	67,830.7
Growth & Income	30,523.5	46,837.4
Precious Metals	13,353.5	11,434.7
International	32,020.0	50,216.2
Global Equity	16,219.4	18,310.6
Income—Equity	9,493.2	11,880.8
Flexible Portfolio	4,271.8	3,483.2
Balanced	5,008.5	5,741.5
Income—Mixed	4,208.5	4,374.2
Income—Bond	7,005.7	8,241.4
U.S. Government Income	8,824.0	8,808.9
Ginnie Mae	3,503.3	4,328.0
Global Bond	3,778.8	5,489.5
Corporate Bond	3,028.6	3,695.1
High-yield Bond	8,238.0	11,046.0
National Municipal Bond—Long-term	27,411.0	20,808.1
State Municipal Bond—Long-term	11,993.3	10,020.5
Tax-exempt Money Market—National	11,516.5	9,426.9
Tax-exempt Money Market—State	4,741.2	4,599.4
Taxable Money Market	182,533.7	226,740.5

Net Sales Due to Exchanges by Investment Objective

(millions of dollars)

Investment Objective	1996	1997
Aggressive Growth	\$7,947.1	\$797.8
Growth	(2,964.0)	2,174.6
Growth & Income	5,409.8	8,935.3
Precious Metals	(327.6)	53.0
International	2,104.0	(2,933.3)
Global Equity	1,726.2	140.7
Income—Equity	1,422.1	1,328.0
Flexible Portfolio	(1,770.0)	(394.2)
Balanced	(1,382.2)	15.7
Income—Mixed	(1,561.8)	(950.2)
Income—Bond	(898.2)	(264.0)
U.S. Government Income	(3,407.1)	(2,419.5)
Ginnie Mae	(1,211.2)	(918.3)
Global Bond	(280.8)	(914.8)
Corporate Bond	(244.3)	(289.3)
High-yield Bond	1,555.2	1,548.2
National Municipal Bond—Long-term	(2,985.3)	(1,191.6)
State Municipal Bond—Long-term	(1,394.7)	(1,711.7)
Tax-exempt Money Market—National	(157.2)	581.7
Tax-exempt Money Market—State	31.3	6.2
Taxable Money Market	(694.7)	(8,268.5)

Section Five: Institutional Investors in the U.S. Industry

Assets of Major Institutions and Financial Intermediaries
(millions of dollars)

	1990	1991	1992	1993	1994	1995	1996	1997
Depository Institutions								
Commercial Banks ^a	\$3,315,520.0R	\$3,414,410.0R	\$3,629,530.0R	\$3,875,920.0R	\$4,150,120.0R	\$4,487,580.0R	\$4,705,350.0R	\$5,179,180.0
Credit Unions ^b	217,240.0	239,970.0	264,700.0	281,710.0	293,600.0	310,660.0	330,110.0R	354,880.0
Savings Institutions ^c	1,323,030.0R	1,144,870.0R	1,060,440.0R	1,020,170.0R	1,008,650.0R	1,012,760.0R	1,031,680.0R	1,025,370.0
Life Insurance	\$1,367,370.0	\$1,499,540.0R	\$1,609,630.0R	\$1,780,190.0R	\$1,884,120.0R	\$2,086,760.0R	\$2,271,670.0R	\$2,581,360.0
Investment Institutions								
Bank-administered Trusts ^d	\$1,368,666.0	\$1,585,406.0	\$1,791,526.0	\$2,050,122.0	\$2,043,197.0	\$2,043,197.0R	\$2,684,453.0	N/A
Closed-end Investment Companies	52,453.7R	72,433.4R	92,645.4R	118,793.4R	113,285.1R	135,668.7R	142,299.6R	148,981.7
Mutual Funds ^e	1,066,892.0	1,395,498.0	1,646,259.0	2,075,366.0	2,161,495.0	2,820,355.0	3,539,205.0	4,489,681.0

^aIncludes U.S.-chartered commercial banks, foreign banking offices in the U.S., bank holding companies, and banks in affiliated areas.

^bIncludes only federal or federally insured state credit unions serving natural persons.

^cIncludes mutual savings banks, federal savings banks, and savings & loan associations.

^dReflects only discretionary trusts and agencies.

^eIncludes short-term funds.

N/A=Not available

R=Revised

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

Section Five: Institutional Investors in the U.S. Industry

Assets of Fiduciary, Business and Other Institutional Investors in Equity and Bond & Income Funds

(millions of dollars)

	1991	1992	1993	1994	1995	1996	1997
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians and Administrators)	\$93,635.2	\$127,530.6	\$183,471.4	\$200,383.6	\$253,524.9	\$293,617.7R	\$342,172.4
Business Organizations	125,127.1	222,006.2	342,385.0	359,891.3	550,422.0	769,306.9R	1,107,316.6
Business Corporations	14,828.0	21,148.1	29,776.2	31,061.0	47,440.5	59,852.6R	69,082.9
Retirement Plans	64,420.7	130,148.1	200,350.3	213,014.2	305,154.0	431,290.1R	659,890.7
Insurance Companies and Other Financial Institutions	45,878.4	70,710.0	112,258.5	115,816.1	197,827.5	278,164.2R	378,343.0
Non-profit Organizations	5,805.0	6,688.0	10,632.8	12,498.3	24,009.1	38,704.8R	36,128.7
Other Institutional Investors Not Classified^a	14,923.6	24,398.3	27,515.8	33,599.7	36,814.5	39,744.0R	42,011.6
Total	\$239,490.9	\$380,623.1	\$564,005.1	\$606,372.9	\$864,770.5	\$1,141,373.4R	\$1,527,629.3

^aIncludes institutional assets for which no determination of classification can be made.

Note: Reporters of institutional data represented 80.9% of total net assets in 1991, 85.8% in 1992, 85.0% in 1993, 79.7% in 1994, 79.4% in 1995, 82.1% in 1996 and 86.0% in 1997.

R=Revised

Section Five: Institutional Investors in the U.S. Industry

**Assets of Fiduciary, Business and Other Institutional Investors in
Taxable Money Market Funds**

(millions of dollars)

	1991	1992	1993	1994	1995	1996	1997
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians and Administrators)	\$101,878.9	\$104,973.1	\$118,920.6	\$125,535.5	\$136,394.2	\$157,612.0R	\$169,175.5
Business Organizations	72,511.0	93,466.6	103,025.9	103,625.5	141,606.4	198,797.1R	269,377.2
Business Corporations	27,559.1	41,498.1	37,954.0	45,789.9	70,159.4	78,156.9R	100,148.5
Retirement Plans	21,312.1	22,852.9	30,132.8	35,189.6	41,423.1	53,064.4R	75,374.9
Insurance Companies and Other Financial Institutions	23,639.8	29,115.6	34,939.1	22,646.0	30,023.9	67,575.8	93,853.8
Non-profit Organizations	3,506.3	4,045.1	4,193.2	5,175.6	7,104.7	10,720.8R	10,500.4
Other Institutional Investors Not Classified^a	12,405.9	14,828.5	17,932.7	19,034.6	26,151.0	16,771.1R	11,081.0
Total	\$190,302.1	\$217,313.3	\$244,072.4	\$253,371.2	\$311,256.3	\$383,901.0R	\$460,134.1

^aIncludes institutional assets for which no determination of classification can be made.

Note: Reporters of institutional data represented 70.5% of total net assets in 1991, 64.4% in 1992, 60.2% in 1993, 58.2% in 1994, 52.0% in 1995, 50.8% in 1996 and 58.1% in 1997.

R=Revised

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

	Individual		Institutional	
	1996	1997	1996	1997
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians and Administrators)	\$56,265.2R	\$57,825.7	\$101,346.8R	\$111,349.8
Business Organizations	78,766.7R	105,426.0	120,030.4R	163,951.2
Business Corporations	34,026.8R	43,729.7	44,130.1R	56,418.8
Retirement Plans	27,469.0R	39,715.7	25,595.4R	35,659.2
Insurance Companies and Other Financial Institutions	17,270.9	21,980.6	50,304.9	71,873.2
Non-profit Organizations	5,659.7R	3,622.8	5,061.1R	6,877.6
Other Institutional Investors Not Classified^a	7,727.4R	6,699.9	9,043.7R	4,381.1
Total	\$148,419.0R	\$173,574.4	\$235,482.0R	\$286,559.7

^aIncludes institutional accounts for which no determination of classification can be made.

R=Revised

Section Five: Institutional Investors in the U.S. Industry

**Assets of Fiduciary, Business and Other Institutional Investors
in Tax-exempt Money Market Funds**
(millions of dollars)

	1991	1992	1993	1994	1995	1996	1997
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians and Administrators)	\$22,713.4	\$23,729.6	\$22,830.2	\$25,236.6	\$29,689.0	\$33,432.7R	\$30,537.3
Business Organizations	6,772.4	7,083.8	8,945.3	8,610.3	9,431.9	14,678.2R	21,778.3
Business Corporations	4,755.5	5,848.2	6,858.2	6,418.6	6,838.5	8,717.3R	10,578.4
Retirement Plans	672.1	67.2	309.3	708.9	886.8	198.6R	2,990.8
Insurance Companies and Other Financial Institutions	1,344.8	1,168.4	1,777.8	1,482.8	1,706.6	5,762.3	8,209.1
Non-profit Organizations	38.7	31.0	39.0	74.9	137.8	191.9R	550.2
Other Institutional Investors Not Classified^a	2,638.3	1,910.9	1,124.8	3,161.7	3,467.1	919.9R	1,014.6
Total	\$32,162.8	\$32,755.3	\$32,939.3	\$37,083.5	\$42,725.8	\$49,222.7R	\$53,880.4

^aIncludes institutional assets for which no determination can be made.

Note: Tax-exempt money market fund reporters represented 63.2% of total net assets in 1991, 68.9% in 1992, 60.3% in 1993, 54.4% in 1994, 52.3% in 1995, 50.1% in 1996 and 55.6% in 1997.

R=Revised

Section Five: Institutional Investors in the U.S. Industry

Number of Accounts of Fiduciary, Business and Other Institutional Investors in Equity and Bond & Income Funds

	1991	1992	1993	1994	1995	1996	1997
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians and Administrators)	3,706,706	4,991,566	6,498,972	7,972,672	8,168,461	10,168,735R	11,030,316
Business Organizations	2,507,813	3,345,117	4,678,300	5,549,662	17,098,665	21,956,315R	29,021,948
Business Corporations	145,135	193,906	234,412	296,970	423,761	489,467R	685,566
Retirement Plans	2,332,763	3,108,029	4,373,959	5,161,769	16,565,287	21,072,174R	27,405,084
Insurance Companies and Other Financial Institutions	29,915	43,182	69,929	90,923	109,617	394,674R	931,298
Non-profit Organizations	57,157	62,297	107,899	94,606	250,138	621,381R	235,197
Institutional Investors Not Classified^a	335,288	490,800	701,804	1,188,925	892,619	542,414R	656,158
Total	6,606,964	8,889,780	11,986,975	14,805,865	26,409,883	33,288,845R	40,943,619

^aIncludes institutional accounts for which no determination of classification can be made.

Note: Reporters of institutional data represented 82.4% of total accounts in 1991, 83.5% in 1992, 84.0% in 1993, 78.4% in 1994, 79.4% in 1995, 86.0% in 1996 and 88.1% in 1997.

R=Revised

Section Five: Institutional Investors in the U.S. Industry

Number of Accounts of Fiduciary, Business and
Other Institutional Investors in Taxable Money Market Funds

	1991	1992	1993	1994	1995	1996	1997
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians and Administrators)	950,781	1,021,682	984,959	1,641,291	1,740,108	1,509,326R	1,049,972
Business Organizations	1,068,958	947,393	974,016	1,222,001	2,809,456	3,346,473R	3,688,342
Business Corporations	213,283	280,480	219,491	272,250	356,728	424,344R	379,943
Retirement Plans	828,714	635,911	704,337	851,991	2,327,604	2,754,962R	3,089,977
Insurance Companies and Other Financial Institutions	26,961	31,002	50,188	97,760	125,124	167,167R	218,422
Non-profit Organizations	48,138	52,776	47,622	62,882	77,427	283,478R	78,397
Other Institutional Investors Not Classified^a	71,464	85,103	140,417	249,784	461,680	335,834R	166,404
Total	2,139,341	2,106,954	2,147,014	3,175,958	5,088,671	5,475,111R	4,983,115

^aIncludes institutional accounts for which no determination of classification can be made.

Note: Reporters of institutional data represented 64.4% of total taxable money market fund accounts in 1991, 62.8% in 1992, 58.2% in 1993, 61.5% in 1994, 45.8% in 1995, 49.8% in 1996, and 60.6% in 1997.

R=Revised

Section Five: Institutional Investors in the U.S. Industry

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

	Individual		Institutional	
	1996	1997	1996	1997
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians and Administrators)	1,371,947R	965,852	137,379	84,120
Business Organizations	1,512,626R	1,814,614	1,833,847R	1,873,728
Business Corporations	342,814R	323,859	81,530	56,084
Retirement Plans	1,061,997R	1,373,766	1,692,965R	1,716,211
Insurance Companies and Other Financial Institutions	107,815R	116,989	59,352	101,433
Non-profit Organizations	275,234R	73,554	8,244R	4,843
Other Institutional Investors Not Classified^a	312,907R	151,880	22,927	14,524
Total	3,472,714R	3,005,900	2,002,397	1,977,215

^aIncludes institutional accounts for which no determination of classification can be made.

R=Revised

Section Five: Institutional Investors in the U.S. Industry

Number of Accounts of Fiduciary, Business and
Other Institutional Investors in Tax-exempt Money Market Funds

	1991	1992	1993	1994	1995	1996	1997
Fiduciaries (Banks and Individuals Serving as Trustees, Guardians and Administrators)	129,806	124,996	158,814	242,762	258,100	194,553R	102,432
Business Organizations	32,838	20,121	25,864	28,925	40,285	52,778R	38,348
Business Corporations	16,831	16,573	18,924	19,442	30,887	35,706R	22,222
Retirement Plans	15,035	2,286	3,577	5,487	3,781	3,615R	2,017
Insurance Companies and Other Financial Institutions	972	1,262	3,363	3,996	5,617	13,457	14,109
Non-profit Organizations	409	357	717	866	953	1,544R	1,748
Other Institutional Investors Not Classified^a	6,486	5,146	6,520	10,174	20,491	15,558R	21,535
Total	169,539	150,620	191,915	282,727	319,829	264,433R	164,063

^aIncludes institutional accounts for which no determination of classification can be made.

Note: Tax-exempt money market fund reporters represented 62.8% of total shareholder accounts in 1991, 66.2% in 1992, 59.7% in 1993, 53.3% in 1994, 49.5% in 1995, 48.9% in 1996, and 57.8% in 1997.

R=Revised

Section Six: Worldwide Totals

Worldwide Assets of Open-end Investment Companies

(millions of U.S. dollars)

NON-USA COUNTRIES		1992	1993	1994	1995	1996	1997
Argentina		\$184	\$235	\$389	\$631	\$1,869	\$5,247
Australia		19,280	24,556	44,036	36,505	47,761	50,627
Austria ^a		15,029	18,174	23,492	33,452	39,543	44,930
Belgium		8,954	15,149	18,877	25,553	29,247	35,748
Brazil		18,862	24,007	54,426	63,637	103,786	108,606
Canada ^a		52,921	86,567	90,349	107,812	154,529	197,984
Chile		N/A	1,592	2,503	2,843	2,934	4,549
Denmark		3,658	4,401	5,448	6,455	9,338	13,037
Finland		110	618	1,089	1,211	2,510	3,534
France		447,338	483,327	496,743	519,376	534,145	499,881
Germany	Public	70,196	78,552	112,697	134,543	137,860	146,889
	Special	101,405	133,734	160,335	213,047	241,642 ^d	N/A
Greece		1,018	3,465	6,111	10,303	15,788	25,759
Hong Kong		16,351	31,135	29,522	33,695	41,017	58,456
India		5,835	7,925	11,669	10,107	9,717 ^f	9,353
Ireland ^b		5,905	5,244	7,806	8,461	7,735	N/A
Italy		41,036	64,272	79,402	79,878	129,755	209,410
Japan		346,924	454,608	435,603	469,980	420,103	311,335
Korea		49,183	69,988	81,304	92,405	N/A	N/A
Luxembourg		182,244	247,804	283,020	285,448	338,236	377,087 ^g
Mexico		N/A	N/A	N/A	9,025	N/A	N/A
Netherlands ^a		34,797	48,530	62,100	62,128	67,147	N/A
New Zealand ^a		1,062	1,833	2,471	6,868	7,686	7,519
Norway		2,722	4,737	5,119	6,834	9,930	13,058
Portugal		7,925	9,319	12,854	14,233	17,087	21,392
South Africa		4,524	4,647	7,421	9,226	9,354	12,688
Spain		54,699	72,058	84,877	99,923	144,134	177,192
Sweden		18,108	24,356	20,208	27,388	34,981	45,452
Switzerland		24,304	34,094	38,864	44,638	48,166	53,444
Taiwan		N/A	N/A	3,616	4,388	8,351 ^e	523
United Kingdom ^c		91,153	131,455	133,092	154,452	201,304	235,683
TOTAL NON-USA		1,625,543	2,086,147	2,315,054	2,573,814	2,813,786	2,669,383
USA	(long-term)	1,100,065	1,510,047	1,550,490	2,067,337	2,637,398	3,430,795
	(short-term)	546,195	565,319	611,005	753,018	901,807	1,058,886
TOTAL USA		1,646,259	2,075,366	2,161,495	2,820,355	3,539,205	4,489,681
TOTAL WORLD		\$3,271,802	\$4,161,513	\$4,476,549	\$5,394,169	\$6,352,991	\$7,159,064

^a=Includes real estate funds.

^b=Approximately 95 percent relates to life assurance-linked funds; the other 5 percent are unit investment trusts. International Financial Service Center funds are not included.

^c=Fund-of-fund assets not included.

^d=As of September 30, 1996.

^e=As of June 30, 1996.

^f=As of March 31, 1996.

^g=As of September 30, 1997.

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

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

Section Six: Worldwide Totals

Worldwide Number of Open-end Investment Companies

NON-USA COUNTRIES	1992	1993	1994	1995	1996	1997
Argentina	40	48	86	109	149	195
Australia	404	366	698	752	1,117	571
Austria ^a	313	337	387	452	517	625
Belgium	126	161	211	277	340	472
Brazil	526	667	830	1,172	1,727R	2,254
Canada ^a	549	633	813	916	954	1,023
Chile	38	49	55	64	77	92
Denmark	119	161	158	168	189	222
Finland	16	24	39	44	62	81
France	4,538	4,577	4,826	4,878	5,379	5,836
Germany	412	463	528	583	641	717
Public						
Special	N/A	N/A	N/A	2,609	2,839 ^d	N/A
Greece	39	68	93	119	148	162
Hong Kong	539	566	630	670	708	772
India	N/A	20	33	42	42 ^f	64
Ireland ^b	148	145	293	285	260	N/A
Italy	255	292	354	459	531	626
Japan	5,701	6,086	6,306	6,408	5,879	5,203
Korea	705	1,149	1,404	1,943	N/A	N/A
Luxembourg	860	945	1,007	3,081	3,234	3,881 ^g
Mexico	N/A	N/A	N/A	252	N/A	N/A
Netherlands ^a	136	175	136	159	179	N/A
New Zealand ^a	90	120	162	475	551	629
Norway	100	117	159	185	188	233
Portugal	98	109	129	150	182	204
South Africa	N/A	N/A	69	91	107	149
Spain	477	571	656	743	985	1,456
Sweden	435	467	314	298	316	344
Switzerland	186	201	216	218	251	296
Taiwan	N/A	N/A	43	67	82 ^g	156
United Kingdom ^c	1,373	1,420	1,452	1,490	1,532	1,550
TOTAL NON-USA	18,183	19,889	22,001	29,050	29,017	27,813
USA						
(long-term)	2,985	3,638	4,394	4,764	5,305	5,765
(short-term)	865	920	963	997	988	1,013
TOTAL USA	3,850	4,558	5,357	5,761	6,293	6,778
TOTAL WORLD	22,033	24,447	27,358	34,811	35,310	34,591

^a=Includes real estate funds.

^b=Approximately 95 percent relates to life assurance-linked funds; the other 5 percent are unit investment trusts. International Financial Service Center funds are not included.

^c=Fund-of-fund assets not included.

^d=As of September 30, 1996.

^e=As of June 30, 1996.

^f=As of March 31, 1996.

^g=As of September 30, 1997.

R=Revised

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

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

Data Points

Page 2—Components of Mutual Fund Asset Growth

(trillions of dollars)

	Net New Cash Flow	Performance Component	Newly Reporting Funds
1991	1.1292	0.1617	0.1046
1992	1.2784	0.2333	0.1346
1993	1.5011	0.3907	0.1836
1994	1.5896	0.3326	0.2393
1995	1.7999	0.7423	0.2782
1996	2.1123	1.076	0.3509
1997	2.4765	1.609	0.4033

Page 6—Yield on the 30-year Bond and Net New Cash Flow to Bond Funds, 1997

	Bond Fund Inflows (billions of dollars)	Mid-month 30-Year Bond Yield (percent)
Jan-97	1.73	6.79
Feb-97	0.61	6.52
Mar-97	-3.38	6.94
Apr-97	0.33	7.09
May-97	0.89	6.87
Jun-97	0.49	6.70
Jul-97	2.55	6.54
Aug-97	5.31	6.55
Sep-97	2.07	6.57
Oct-97	2.52	6.40
Nov-97	7.94	6.11
Dec-97	3.34	5.97

Page 9—Interest Rate Changes and Net New Cash Flow to Bond Funds

(percent)

		Change in Interest Rates	Net New Cash Flow
1985	1	-0.50	6.81
	2	-0.50	3.91
	3	-0.54	5.03
	4	-1.49	8.88
	5	-3.00	7.92
	6	-4.13	7.42
	7	-3.90	8.10
	8	-3.19	7.42
	9	-2.97	6.54
	10	-2.60	8.97
	11	-2.02	7.24
	12	-2.16	6.21
1986	1	-2.02	6.54
	2	-2.45	6.41
	3	-3.75	6.44
	4	-3.63	6.23
	5	-2.48	4.19
	6	-1.64	3.52
	7	-2.32	5.45
	8	-2.82	5.10
	9	-2.75	3.33
	10	-2.69	4.86
	11	-2.42	3.96
	12	-1.97	3.45
1987	1	-2.00	4.91
	2	-1.54	3.53
	3	-0.72	3.25
	4	0.46	-0.75
	5	0.75	-0.78
	6	0.41	0.75
	7	0.88	0.19
	8	1.54	-0.66
	9	2.05	-3.27
	10	2.19	-3.28
	11	1.53	0.04
	12	1.70	-1.06
1988	1	1.46	0.82
	2	0.82	0.52
	3	0.92	-0.65
	4	0.51	-0.20
	5	0.22	-0.55

	6	0.40	0.34
	7	0.70	-0.29
	8	0.74	-0.92
	9	-0.10	0.06
	10	-0.32	0.40
	11	0.73	-0.80
	12	0.98	-0.40
1989	1	1.33	0.41
	2	1.94	-0.62
	3	2.11	-0.45
	4	1.57	-0.12
	5	0.74	0.14
	6	0.15	0.44
	7	-0.61	0.35
	8	-0.64	-0.18
	9	-0.31	-0.41
	10	-0.41	0.01
	11	-0.92	0.25
	12	-1.34	-0.26
1990	1	-1.07	-0.26
	2	-0.93	0.23
	3	-0.98	0.15
	4	-0.62	-0.14
	5	-0.29	0.66
	6	0.03	0.36
	7	0.43	0.52
	8	0.09	-0.06
	9	0.01	0.07
	10	0.05	0.13
	11	-0.06	0.45
	12	-0.30	0.18
1991	1	-0.75	1.11
	2	-1.31	0.93
	3	-1.28	1.12
	4	-1.55	1.67
	5	-1.57	1.39
	6	-1.01	1.25
	7	-0.88	1.89
	8	-1.42	1.93
	9	-1.77	2.08
	10	-1.84	2.08
	11	-1.84	1.48
	12	-2.08	1.15
1992	1	-1.98	1.85
	2	-1.36	1.66
	3	-1.17	1.33

	4	-1.30	1.31
	5	-1.31	1.77
	6	-1.79	1.74
	7	-2.47	2.14
	8	-2.08	1.57
	9	-2.08	1.29
	10	-1.59	0.09
	11	-0.76	1.24
	12	-0.18	0.60
1993	1	-0.47	1.56
	2	-1.14	1.62
	3	-1.78	1.07
	4	-1.63	1.25
	5	-1.41	1.29
	6	-1.07	1.44
	7	-0.48	1.58
	8	-0.36	1.50
	9	-0.25	0.59
	10	-0.46	1.08
	11	-0.64	0.16
	12	-0.67	0.30
1994	1	-0.45	0.94
	2	0.25	-0.43
	3	1.00	-1.79
	4	1.69	-1.29
	5	1.94	-0.68
	6	1.74	-0.52
	7	2.05	-0.66
	8	2.14	-0.71
	9	2.52	-1.02
	10	2.86	-1.52
	11	2.94	-1.96
	12	3.17	-1.85
1995	1	3.18	-0.62
	2	2.42	0.19
	3	1.49	-0.70
	4	0.69	-0.31
	5	-0.07	0.11
	6	-0.47	-0.61
	7	-0.59	-0.04
	8	-0.40	-0.04
	9	-0.80	-0.08
	10	-1.27	0.15
	11	-1.87	0.16
	12	-2.32	-0.14
1996	1	-2.46	0.38

	2	-2.11	0.01
	3	-1.10	0.04
	4	-0.57	-0.09
	5	0.00	-0.04
	6	0.69	-0.13
	7	0.56	-0.14
	8	0.11	-0.11
	9	0.52	0.23
	10	0.31	-0.15
	11	0.25	0.12
	12	0.52	0.25
1997	1	0.96	0.27
	2	0.89	0.10
	3	0.59	-0.52
	4	0.50	0.05
	5	0.15	0.14
	6	-0.25	0.08
	7	-0.45	0.39
	8	-0.15	0.79
	9	-0.43	0.31
	10	-0.24	0.37
	11	-0.06	1.14
	12	-0.17	0.47

Page 11—Interest Rate Spread and Net New Cash Flow to Retail Money Market Funds

(percent)

		Interest Rate Spread	Net New Cash Flow
1984	1		
	2		
	3		
	4		
	5		
	6	2.19	0.43
	7	2.08	0.47
	8	2.23	-0.04
	9	2.57	-0.07
	10	2.71	0.60
	11	3.06	0.89
	12	3.36	1.00
1985	1	3.59	1.13
	2	3.61	1.20
	3	3.24	1.00
	4	2.57	0.08
	5	1.94	-0.46
	6	1.51	-0.57
	7	1.32	-0.99
	8	1.48	-0.98
	9	1.54	-0.94
	10	1.42	-0.68
	11	1.09	-0.72
	12	0.94	-0.81
1986	1	0.99	-0.54
	2	1.02	-0.63
	3	1.07	-0.25
	4	1.15	0.08
	5	1.19	0.34
	6	1.09	0.45
	7	1.06	0.47
	8	0.99	0.40
	9	0.50	0.63
	10	0.21	0.22
	11	0.22	-0.04
	12	0.29	-0.10
1987	1	0.16	-0.28
	2	-0.12	0.09
	3	-0.16	-0.46
	4	-0.13	-0.16

	5	0.14	0.10
	6	0.23	-0.12
	7	0.06	0.01
	8	0.13	0.11
	9	0.24	0.24
	10	0.48	0.55
	11	0.69	0.46
	12	0.68	0.52
1988	1	0.65	0.82
	2	0.79	0.65
	3	1.07	0.80
	4	0.98	0.25
	5	1.11	0.16
	6	1.03	0.05
	7	0.74	-0.34
	8	0.63	-0.33
	9	0.67	-0.71
	10	0.80	-0.34
	11	1.05	0.07
	12	1.27	0.20
1989	1	1.55	0.56
	2	1.81	1.11
	3	1.85	1.42
	4	1.92	1.23
	5	2.25	1.15
	6	2.46	1.51
	7	2.53	1.53
	8	2.78	1.35
	9	2.94	1.44
	10	2.92	1.82
	11	2.78	1.63
	12	2.49	1.14
1990	1	2.16	1.21
	2	2.10	1.02
	3	2.05	0.71
	4	1.87	-0.04
	5	1.85	-0.49
	6	1.71	-0.34
	7	1.63	-0.53
	8	1.65	-0.20
	9	1.67	-0.14
	10	1.67	0.27
	11	1.67	0.74
	12	1.63	0.55
1991	1	1.55	0.95
	2	1.54	0.80

	3	1.52	0.89
	4	1.42	0.52
	5	1.39	0.13
	6	1.17	0.13
	7	0.85	-0.59
	8	0.59	-1.03
	9	0.45	-1.36
	10	0.30	-1.17
	11	0.26	-0.93
	12	0.28	-1.26
1992	1	0.25	-0.50
	2	0.19	-0.37
	3	0.16	-0.38
	4	0.14	-0.61
	5	0.28	-0.88
	6	0.20	-0.75
	7	0.03	-1.40
	8	-0.01	-1.47
	9	0.02	-1.46
	10	-0.06	-0.91
	11	-0.09	-0.76
	12	0.00	-0.68
1993	1	-0.08	-0.62
	2	-0.08	-0.46
	3	-0.15	-0.40
	4	-0.15	-0.75
	5	-0.04	-0.66
	6	-0.04	-0.58
	7	-0.08	-0.49
	8	-0.05	-0.83
	9	-0.03	-0.70
	10	-0.04	-0.64
	11	0.02	-0.19
	12	0.05	-0.24
1994	1	0.10	-0.35
	2	0.15	0.10
	3	0.16	0.53
	4	0.19	0.90
	5	0.26	0.31
	6	0.24	0.44
	7	0.32	0.61
	8	0.44	0.23
	9	0.61	0.05
	10	0.86	-0.10
	11	1.08	0.57
	12	1.20	0.70

1995	1	1.33	0.90
	2	1.50	1.02
	3	1.61	0.92
	4	1.82	0.86
	5	2.12	0.95
	6	2.22	1.49
	7	2.37	1.49
	8	2.39	1.72
	9	2.40	1.55
	10	2.34	1.73
	11	2.32	1.53
	12	2.24	0.94
1996	1	2.15	0.77
	2	2.13	1.11
	3	2.11	1.25
	4	2.10	0.68
	5	2.10	0.40
	6	2.05	0.47
	7	1.85	0.74
	8	1.85	0.35
	9	1.84	0.17
	10	1.85	0.73
	11	1.90	1.00
	12	1.93	1.26
1997	1	1.96	0.97
	2	1.99	1.12
	3	1.98	1.50
	4	1.99	0.88
	5	2.22	0.67
	6	2.21	0.51
	7	2.20	0.57
	8	2.09	0.80
	9	2.23	0.38
	10	2.33	0.89
	11	2.36	1.01
	12	2.38	0.88

Page 12—Average Annual Redemption Rate for Long-term Mutual Funds

(percent of average assets)

	Long-term Funds	Equity Funds	Bond & Income Funds
1982	11.5	11.0	12.8
1983	15.4	14.2	18.1
1984	16.0	13.7	20.0
1985	17.4	18.2	16.5
1986	19.8	19.5	20.0
1987	26.5	23.5	28.4
1988	20.0	18.5	20.9
1989	17.9	17.3	18.3
1990	17.5	18.4	16.8
1991	16.4	16.5	16.3
1992	16.9	13.4	20.2
1993	17.7	14.6	20.7
1994	21.5	17.6	26.0
1995	17.3	16.1	19.1
1996	16.9	16.1	18.5
1997	17.9	17.7	18.6

Page 31—Assets of Mutual Funds

(billions of dollars)

Year	Equity and Bond & Income Funds	Money Market Funds	Total
1940	0.4		0.4
1950	2.5		2.5
1960	17.0		17.0
1970	47.6		47.6
1971	55.0		55.0
1973	46.5		46.5
1975	42.2	3.7	45.9
1977	45.0	3.9	48.9
1979	49.0	45.5	94.5
1981	55.3	186.1	241.4
1983	113.6	179.3	292.9
1985	251.7	243.8	495.5
1987	453.8	316.2	770.0
1989	553.8	428.1	981.9
1991	853.0	542.5	1,395.5
1993	1,510.1	565.3	2,075.4
1995	2,067.3	753.0	2,820.3
1997	3,430.8	1,058.9	4,489.7

Page 33—Mutual Fund Shareholder Accounts

(millions)

	Equity and Bond & Income Funds	Money Market Funds
1940	0.3	
1950	0.9	
1960	4.9	
1970	10.7	
1971	10.9	
1973	10.3	
1975	9.7	0.2
1977	8.5	0.2
1979	7.5	2.3
1981	7.2	10.3
1983	12.1	12.5
1985	19.8	14.9
1987	36.9	17.7
1989	37.0	21.3
1991	45.0	23.6
1993	70.0	23.6
1995	101.6	30.1
1997	135.7	35.6

Page 37—Household Net Purchases of Financial Assets, 1984-1997

(billions of dollars)

	Net Purchases of Financial Assets	Equity Purchases Made Through Mutual Funds
1984	419	5
1985	497	10
1986	417	20
1987	409	32
1988	397	(42)
1989	428	3
1990	442	13
1991	439	50
1992	423	62
1993	428	125
1994	452	126
1995	534	91
1996	551	218
1997	549	190

Page 38—Purchases of Equities by Households

(billions of dollars)

	Net Purchases	Purchases Made Through Mutual Funds	Purchases Made Outside of Mutual Funds
1984	(67.8)	5.0	(72.8)
1985	(111.4)	10.3	(121.8)
1986	(112.2)	20.2	(132.4)
1987	(108.8)	32.1	(140.9)
1988	(176.4)	(41.7)	(134.7)
1989	(108.2)	2.7	(110.9)
1990	(17.9)	13.1	(31.0)
1991	(1.0)	49.9	(50.9)
1992	47.3	61.7	(14.4)
1993	(1.9)	125.2	(127.1)
1994	(49.7)	125.8	(175.4)
1995	(116.1)	91.3	(207.4)
1996	(101.9)	218.4	(320.3)
1997	(179.0)	190.2	(369.2)

Page 39—Total Holdings of Equities by Households

(percent of total financial assets of household and the real value of the S&P 500 Index)

	U.S. Households' Equity Holdings	S&P 500 Index
1957	22.96	100.00
1958	27.26	126.42
1959	28.53	136.69
1960	27.71	129.52
1961	30.99	162.38
1962	29.19	136.15
1963	30.02	164.73
1964	31.71	187.98
1965	32.94	200.85
1966	29.01	168.90
1967	32.20	193.23
1968	34.35	204.41
1969	28.97	173.05
1970	27.24	148.68
1971	28.11	160.72
1972	30.14	184.68
1973	22.71	158.30
1974	14.66	96.88
1975	17.69	116.33
1976	19.51	125.85
1977	15.90	108.54
1978	14.56	103.48
1979	15.21	101.34
1980	17.32	114.21
1981	14.75	95.08
1982	14.85	101.15
1983	15.55	117.67
1984	14.00	111.74
1985	15.70	127.79
1986	17.03	152.20
1987	16.17	152.87
1988	16.76	157.45
1989	18.55	189.44
1990	16.51	165.13
1991	20.93	193.05
1992	22.42	204.21
1993	23.94	217.09
1994	22.94	209.27
1995	27.24	263.89
1996	29.54	312.73
1997	32.40	407.73

Page 45— Mutual Fund Retirement Plan Assets

(percent of total mutual fund assets)

Year	Total Retirement	Employer-sponsored	IRA
1981	5.9	4.9	1.1
1982	6.7	4.8	1.9
1983	9.9	6.2	3.7
1984	10.8	6.3	4.6
1985	13.6	7.3	6.4
1986	14.4	6.9	7.5
1987	15.9	6.6	9.4
1988	17.4	6.8	10.6
1989	18.7	7.3	11.4
1990	19.6	7.7	11.9
1991	23.0	10.9	12.1
1992	25.0	11.3	13.7
1993	28.8	13.0	15.8
1994	35.5	17.8	17.7
1995	35.4	17.8	17.6
1996	35.1	17.2	17.9

Glossary of Mutual Fund Terms

For an explanation of fund types, see pages 18-19.

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

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

Appreciation—An increase in an investment's value.

Asked or Offering Price—(As seen in some mutual fund newspaper listings, see page 22.) The price at which a mutual fund's shares can be purchased. The asked or offering price includes the current net asset value per share plus any sales charge.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Depreciation—A decline in an investment's value.

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

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

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

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

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

drop by the amount of the distribution per share.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Issuer—The company, municipality or government agency that issues a security, such as a stock, bond or money market security.

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

Liquidity—The ability to have 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) and bond and income 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 the bond's face value.

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

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

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

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

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

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

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

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

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

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

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

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

Principal—See **Face Value**.

Professional Management—The full-time, experienced team of professionals that decides which 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. You will receive the current share price, called net asset value, minus any deferred sales charge or redemption fee.

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

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

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

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

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

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.

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

Share Classes (e.g., Class A, Class B, etc.)—Represent ownership in the same fund, but charge different fees. This can enable shareholders to choose the type of fee structure that best suits their particular needs.

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

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

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

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

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

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

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

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

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

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

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 the 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.