2014 Investment Company Fact Book

A Review of Trends and Activities in the U.S. Investment Company Industry

54th edition

WWW.ICIFACTBOOK.ORG

INVESTMENT COMPANY INSTITUTE®

2013 Facts at a Glance

Total worldwide assets invested in mutual funds	**$30.0 trillion**
U.S. investment company total net assets	**$17.1 trillion**
Mutual funds	$15.0 trillion
Exchange-traded funds	$1.7 trillion
Closed-end funds	$279 billion
Unit investment trusts	$87 billion
U.S. investment companies' share of:	
U.S. corporate equity	29%
U.S. municipal securities	25%
Commercial paper	45%
U.S. government securities	11%
U.S. household ownership of mutual funds	
Number of households owning mutual funds	56.7 million
Number of individuals owning mutual funds	96.2 million
Percentage of households owning mutual funds	46.3%
Median mutual fund assets of fund-owning households	$100,000
Median number of mutual funds owned	3
U.S. retirement market	
Total retirement market assets	$23.0 trillion
Percentage of households with tax-advantaged retirement savings	67%
IRA and DC plan assets invested in mutual funds	$6.5 trillion

2014 Investment Company Fact Book

2014 Investment Company Fact Book

A Review of Trends and Activities in the U.S. Investment Company Industry

54th edition

WWW.ICIFACTBOOK.ORG

INVESTMENT
COMPANY
INSTITUTE®

The Investment Company Institute (ICI) is the national association of U.S. investment companies. ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. As of December 2013, members of ICI managed total assets of $16.5 trillion and served more than 90 million shareholders.

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

Fifty-fourth edition

ISBN 1-878731-55-6

Contents

LETTER FROM THE CHIEF ECONOMIST

Brian Reid

Chief Economist of the Investment Company Institute

One of my responsibilities as chief economist is to speak to member firms, fund boards, regulators, Capitol Hill staff, and reporters. During such meetings I am often asked, "Why does ICI spend so much time and effort on research?" It's a good question, because our members support a robust research operation through ICI.

When answering, I usually give several examples of our work and how it benefits funds and their shareholders. But for these examples to leave a lasting impression, I needed a unifying theme to answer the "why" in the question. Then, last fall, a member of the ICI Board of Governors and I were discussing the importance of good data and analysis at his firm. In a turn of phrase reminiscent of the classical physics postulate that "nature abhors a vacuum," he said that he often reminds his colleagues: "When there's an information vacuum, emotion fills the void."

And there I had it: a nine-word answer that contained the essence of why ICI strives to provide quality data and information about investment companies—mutual funds, ETFs, closed-end funds, and UITs—and their investors. Without hard data and fact-based evidence, humans can be quite creative in constructing emotionally charged explanations of the unknown.

The *Investment Company Fact Book* is one of the most visible products of our efforts to fill the information void. Each of the chapters, as well as the extensive set of data tables, provides insights about funds and their investors. The *Fact Book*'s comprehensive summary of our work provides the public and policymakers a reliable, ongoing source for data and analysis.

But we constantly face the need to increase and improve the store of knowledge. To that end, ICI made two significant changes to its data releases this winter and spring. In January, we began releasing a monthly summary covering the portfolio holdings of taxable money market funds. This summary is compiled from data that money market funds also provide to the Securities and Exchange Commission (SEC). ICI and its members supported the SEC's initiative to gather this information, knowing that this collection would lead to less speculation about money market funds and better public policies. Similarly, we believe that our releasing a summary of the information in an easily accessible report will better inform the public discussion and understanding of money market funds.

In March, we released a major update of our mutual fund classification system, which assigns an investment style to each fund. The first wholesale redesign since 1998, this modernized classification system gives ICI members, the media, and the public the ability to track investor flows and changes in fund portfolios for alternative strategy, inflation protected, and other types of funds that have grown rapidly in recent years. This was a multiyear project involving our member firms and staff from ICI's Research, Information Technology, and Public Communications departments. All told, we reviewed the prospectuses of more than 18,000 funds that have been active at some point since 2000, rewrote dozens of programs associated with our data-collection and processing efforts, and provided webinars, press releases, and online resources to help members, the media, and data subscribers understand the nature of the changes.

We also seek new ways to deploy our information to fill the void. For example, when interest rates began to rise in the spring and summer of 2013, after Federal Reserve officials signaled that they would begin to scale back their purchases of Treasury and agency bonds, market observers and the media often pointed to fund investors as a source of the selling pressure. In a series of blog postings, we demonstrated through data and analysis that neither funds nor their investors were the primary source of volatility in the U.S. Treasury market. Indeed, mutual funds themselves accounted for only a tiny fraction of the overall trading volume in government securities, indicating that other market participants were behind most of the trading.

Providing timely and accurate data and analysis is critical to ensuring that facts—and not emotion—drive commentary and public policy about regulated funds and their investors. We dedicate months of effort each year to publishing the *Fact Book* as part of our mission to facilitate sound, well-informed public policies affecting investment companies, their investors, and the retirement markets. This mission is the essential focus of every member of the ICI Research Department throughout the year.

ICI Research Staff and Publications

ICI Senior Research Staff

Chief Economist

Brian Reid leads the Institute's Research Department. The department serves as a source for statistical data on the investment company industry and conducts public policy research on fund industry trends, shareholder demographics, the industry's role in U.S. and international financial markets, and the retirement market. Prior to joining ICI in 1996, Reid served as an economist at the Federal Reserve Board of Governors. He has a PhD in economics from the University of Michigan and a BS in economics from the University of Wisconsin–Madison.

Senior Director of Industry and Financial Analysis

Sean Collins heads ICI's research on the structure of the mutual fund industry, industry trends, and the broader financial markets. Collins, who joined ICI in 2000, is responsible for research on the flows, assets, and fees of mutual funds, as well as a research initiative to better understand the costs and benefits of laws and regulations governing mutual funds. Prior to joining ICI, Collins was an economist at the Federal Reserve Board of Governors and at the Reserve Bank of New Zealand. He has a PhD in economics from the University of California, Santa Barbara, and a BA in economics from Claremont McKenna College.

Senior Director of Retirement and Investor Research

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

Senior Director of Statistical Research

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

ICI Research Department Staff

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

2013 ICI Research and Statistical Publications

ICI is the primary source of analysis and statistical information on the investment company industry. In 2013, the Institute's Research Department released more than 170 statistical reports examining the broader investment company industry as well as specific segments of the industry. In addition to the annual *Investment Company Fact Book*, ICI released 20 research and policy publications in 2013, examining the industry and its shareholders.

Industry and Financial Analysis Research Publications

» "Money Market Mutual Funds, Risk, and Financial Stability in the Wake of the 2010 Reforms," *ICI Research Perspective*, January 2013

» "Trends in the Expenses and Fees of Mutual Funds, 2012," *ICI Research Perspective*, April 2013

» *Overview of Fund Governance Practices, 1994–2012*, September 2013

Investor Research Publications

» *America's Commitment to Retirement Security: Investor Attitudes and Actions, 2013*, February 2013

» "Ownership of Mutual Funds Through Investment Professionals, 2012," *ICI Research Perspective,* February 2013

» "Profile of Mutual Fund Shareholders, 2012," *ICI Research Report*, February 2013

» "The Closed-End Fund Market, 2012," *ICI Research Perspective*, July 2013

» "401(k) Participants in the Wake of the Financial Crisis: Changes in Account Balances, 2007–2011," *ICI Research Perspective*, October 2013

» *The IRA Investor Profile: Traditional IRA Investors' Activity, 2007–2011*, October 2013

» "Characteristics of Mutual Fund Investors, 2013," *ICI Research Perspective*, October 2013

» "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2013," *ICI Research Perspective*, October 2013

Retirement Research Publications

- "Defined Contribution Plan Participants' Activities, 2012," *ICI Research Report*, April 2013
- "The Economics of Providing 401(k) Plans: Services, Fees, and Expenses, 2012," *ICI Research Perspective*, June 2013
- "Defined Contribution Plan Participants' Activities, First Quarter 2013," *ICI Research Report*, July 2013
- "Who Gets Retirement Plans and Why, 2012," *ICI Research Perspective*, October 2013
- "A Look at Private-Sector Retirement Plan Income After ERISA, 2012," *ICI Research Perspective*, October 2013
- "Defined Contribution Plan Participants' Activities, First Half 2013," *ICI Research Report*, November 2013
- "The Role of IRAs in U.S. Households' Saving for Retirement, 2013," *ICI Research Perspective*, November 2013
- "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2012," *ICI Research Perspective*, December 2013
- *Our Strong Retirement System: An American Success Story*, December 2013

ICI's research is available at ***www.ici.org/research****. Find further analysis and commentary by ICI economists at* ICI Viewpoints *(****www.ici.org/viewpoints****).*

Statistical Releases

Trends in Mutual Fund Investing

- A monthly report that includes mutual fund sales, redemptions, assets, cash positions, exchange activity, and portfolio transactions for the period.

Estimated Long-Term Mutual Fund Flows

- A weekly report that provides aggregate estimates of net new cash flows to equity, hybrid, and bond mutual funds.

Money Market Fund Assets

- A weekly report that provides money market fund assets by type of fund.

Monthly Taxable Money Market Fund Portfolio Data

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

Retirement Market Data

» A quarterly report that includes individual retirement account and defined contribution plan assets and mutual fund assets held in those accounts by type of fund.

Closed-End Fund Data

» A quarterly report that provides closed-end fund assets, number of funds, issuance, and number of shareholders.

Exchange-Traded Fund Data

» A monthly report that includes assets, number of funds, issuance, and redemptions of ETFs.

Unit Investment Trust Data

» A monthly report that includes the value and number of new trust deposits by type and maturity.

Worldwide Mutual Fund Market Data

» A quarterly report that includes assets, number of funds, and net sales of mutual funds in countries worldwide.

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

Acknowledgments

Publication of the *2014 Investment Company Fact Book* was directed by Chris Plantier, Senior Economist, and Judy Steenstra, Senior Director of Statistical Research, working with Miriam Bridges, Editorial Director; Candice Gullett, Senior Copyeditor; and Nicole Daughters, Web Designer.

PART ONE

Analysis and Statistics

Figures

Chapter 1

Overview of U.S.-Registered Investment Companies

Chapter 2

Recent Mutual Fund Trends

Chapter 3

Exchange-Traded Funds

Chapter 4

Closed-End Funds

Chapter 5

Mutual Fund Expenses and Fees

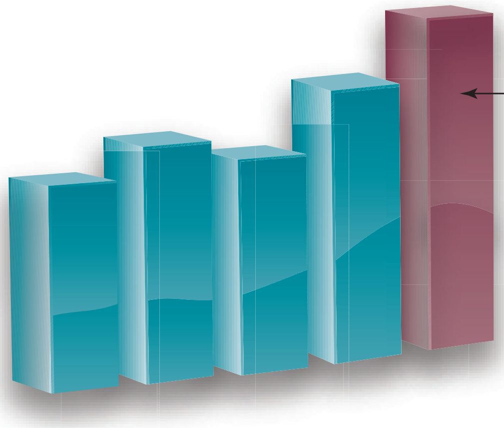
Chapter 6

Characteristics of Mutual Fund Owners

Chapter 7

Retirement and Education Savings

U.S. mutual fund assets reached $15 trillion for the first time in 2013



$15 trillion
at year-end 2013

CHAPTER ONE

Overview of U.S.-Registered Investment Companies

U.S.-registered investment companies play a major role in the U.S. economy and world financial markets, managing more than $17 trillion in assets at year-end 2013 for nearly 98 million U.S. investors. Funds supplied investment capital in securities markets around the world and were among the largest groups of investors in the U.S. stock, commercial paper, and municipal securities markets.

This chapter provides a broad overview of U.S.-registered investment companies—mutual funds, closed-end funds, exchange-traded funds, and unit investment trusts—and their sponsors.

Investment Company Assets in 2013

U.S.-registered investment companies* managed $17.1 trillion in assets at year-end 2013 (Figure 1.1), $2.3 trillion more than at year-end 2012. Major U.S. stock indexes rose 30 percent or more over the year, contributing to the growth in total net assets of funds invested in domestic equity markets. International stock markets also rallied, gaining nearly 20 percent on average and increasing the assets of funds invested in international equities. In addition, the U.S. dollar weakened against the euro—raising the dollar value of euro-denominated securities and thus the dollar value of equity and bond funds holding euro-denominated assets.

LEARN MORE

Monthly Trends in Mutual Fund Investing. Available at www.ici.org/research/stats.

Mutual funds reported $167 billion in net inflows in 2013; other registered investment companies also recorded positive net inflows. On net, investors added $152 billion to long-term mutual funds. Money market funds accounted for the other $15 billion. Mutual fund shareholders reinvested $189 billion in income dividends and $228 billion in capital gains distributions that mutual funds paid out during the year. Investor demand for exchange-traded funds (ETFs) continued to thrive, with net share issuance (including reinvested dividends) totaling $180 billion. Unit investment trusts (UITs) had new deposits of $56 billion, up 28 percent from 2012, and closed-end funds issued $10 billion in new shares.

* The term *investment companies* or *U.S. investment companies* will be used at times throughout this book in place of *U.S.-registered investment companie*s. U.S.-registered investment companies are open-end mutual funds, closed-end funds, exchange-traded funds, and unit investment trusts.

FIGURE 1.1

Investment Company Total Net Assets by Type

Billions of dollars; year-end, 1996–2013

	Mutual funds[1]	Closed-end funds[2]	ETFs[3]	UITs	Total[4]
1996	$3,526	$147	$2	$72	$3,747
1997	4,468	152	7	85	4,712
1998	5,525	156	16	94	5,790
1999	6,846	147	34	92	7,119
2000	6,965	143	66	74	7,247
2001	6,975	141	83	49	7,248
2002	6,383	159	102	36	6,680
2003	7,402	214	151	36	7,803
2004	8,095	253	228	37	8,614
2005	8,891	276	301	41	9,509
2006	10,398	297	423	50	11,167
2007	12,000	312	608	53	12,974
2008	9,603	184	531	29	10,347
2009	11,113	223	777	38	12,152
2010	11,831	238	992	51	13,112
2011	11,626	243	1,048	60	12,978
2012	13,044	264	1,337	72	14,717
2013	15,018	279	1,675	87	17,058

[1] Mutual fund data include only mutual funds that report statistical information to the Investment Company Institute. The data do not include mutual funds that invest primarily in other mutual funds.

[2] Closed-end fund data include preferred share classes.

[3] ETF data prior to 2001 were provided by Strategic Insight Simfund. ETF data include investment companies not registered under the Investment Company Act of 1940 and exclude ETFs that primarily invest in other ETFs.

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

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

Sources: Investment Company Institute and Strategic Insight Simfund

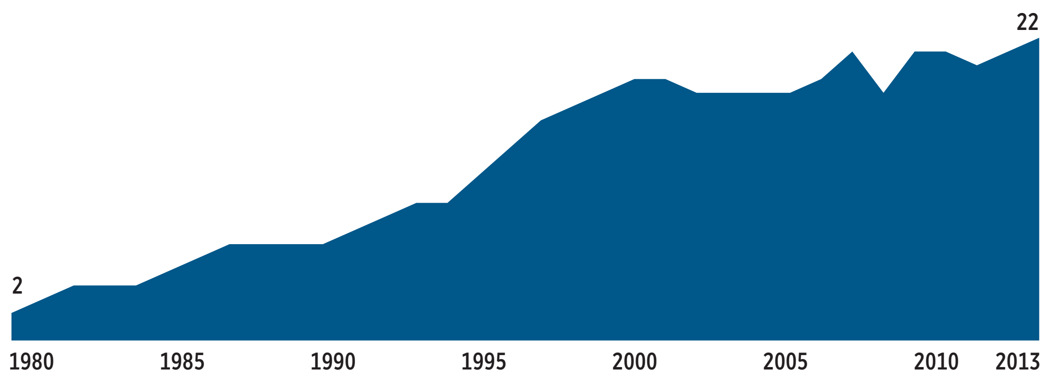
Americans' Continued Reliance on Investment Companies

The greatest share of registered investment company assets is held by households, and registered investment companies managed 22 percent of household financial assets at year-end 2013 (Figure 1.2). As households have come to rely more on funds over the past decade, their demand for directly held equities has fallen (Figure 1.3). Household demand for directly held bonds has been weak since the financial crisis. Directly held bonds experienced a record outflow of $239 billion in 2013. Recent strong inflows to bond funds reversed somewhat in 2013, with investors withdrawing $80 billion. Overall, households invested an additional $430 billion in long-term registered investment companies in 2013. From 2003 to 2013, households invested an annual average of $368 billion, on net, in long-term registered investment companies, with net investments each year except 2008. In contrast, directly held equities and bonds had average annual net sales of $323 billion.

FIGURE 1.2

Share of Household Financial Assets Held in Investment Companies

Percentage of household financial assets; year-end, 1980–2013



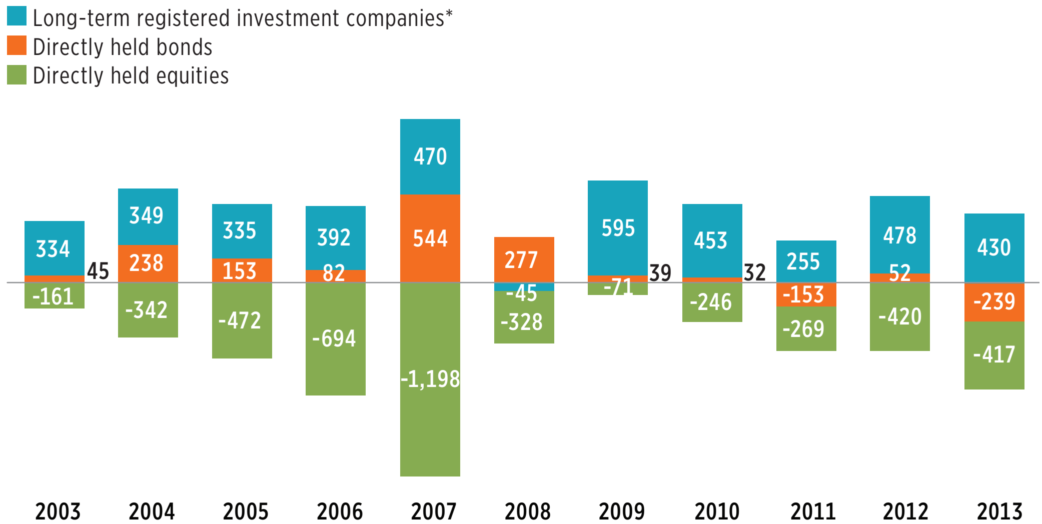
Note: Household financial assets held in registered investment companies include household holdings of ETFs, closed-end funds, UITs, and mutual funds. Mutual funds held in employer-sponsored DC plans, IRAs, and variable annuities are included.

Sources: Investment Company Institute and Federal Reserve Board

FIGURE 1.3

Household Net Investments in Funds, Bonds, and Equities

Billions of dollars, 2003–2013



* Data for long-term registered investment companies include mutual funds, variable annuities, ETFs, and closed-end funds.

Note: Household net investments include net new cash flow and reinvested interest and dividends.

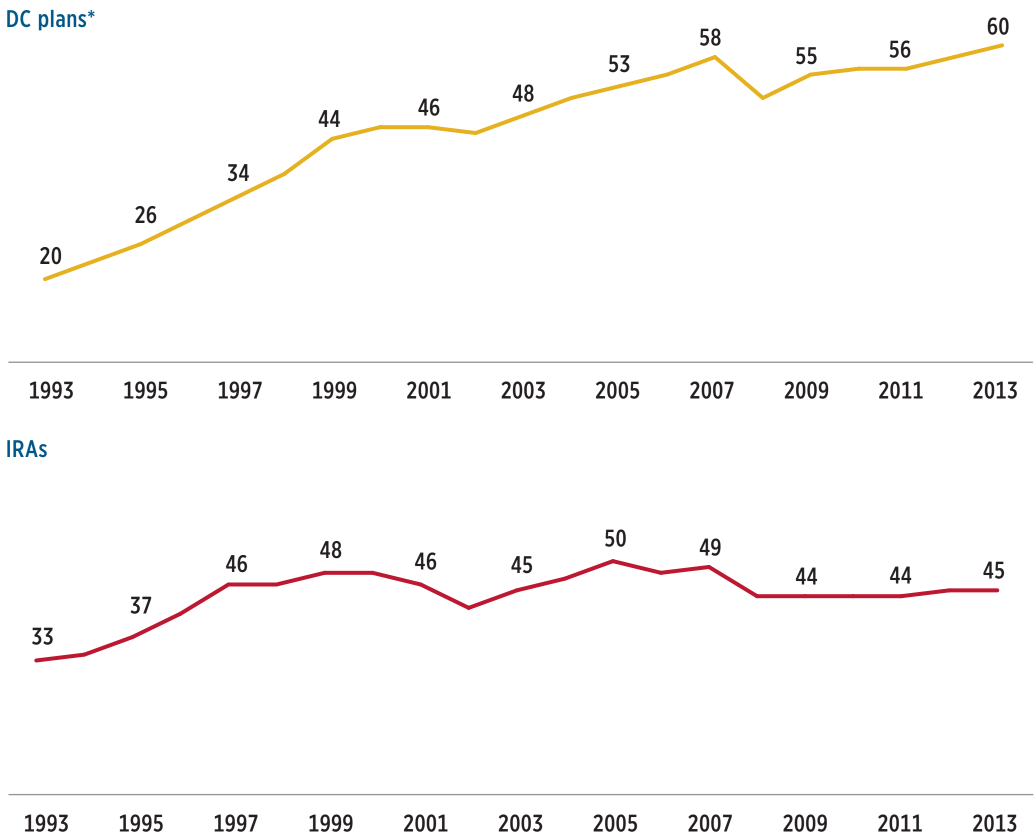
Sources: Investment Company Institute and Federal Reserve Board

The growth of individual retirement accounts (IRAs) and defined contribution (DC) plans, particularly 401(k) plans, explains some of households' increased reliance on investment companies during the past two decades. At year-end 2013, households had 8.8 percent of their financial assets in 401(k) and other DC retirement plans, up from 6.7 percent in 1993. Mutual funds managed 60 percent of the assets in these plans in 2013, triple the 20 percent in 1993 (Figure 1.4). IRAs made up 9.7 percent of household financial assets at year-end 2013, with mutual funds managing 45 percent of IRA assets that year. Mutual funds also managed $1.2 trillion in variable annuities outside retirement accounts, as well as $5.1 trillion of assets in taxable household accounts.

FIGURE 1.4

Mutual Funds in Household Retirement Accounts

Percentage of retirement assets in mutual funds by type of retirement vehicle, 1993–2013



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

Sources: Investment Company Institute, Federal Reserve Board, Department of Labor, National Association of Government Defined Contribution Administrators, American Council of Life Insurers, and Internal Revenue Service Statistics of Income Division

Businesses and other institutional investors also rely on funds. Many institutions use money market funds to manage some of their cash and short-term assets. Nonfinancial businesses held 20 percent of their cash in money market funds at year-end 2013. Institutional investors also have contributed to the growing demand for ETFs. Investment managers, including mutual funds and pension funds, use ETFs to manage liquidity—helping them manage their investor flows and remain fully invested in the market. Asset managers also use ETFs as part of their investment strategies, including as a hedge against their exposure to equity markets.

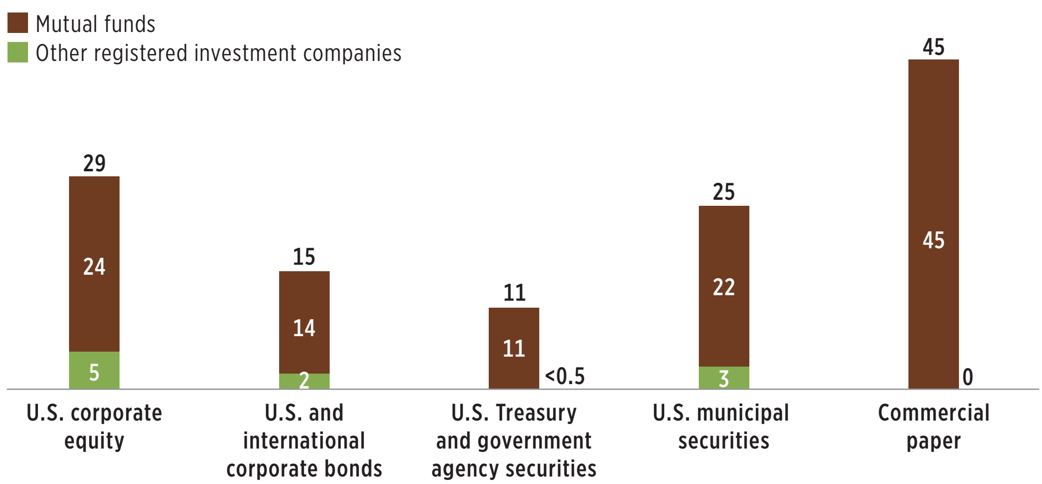
Role of Investment Companies in Financial Markets

Investment companies have been among the largest investors in the domestic financial markets for much of the past 20 years. They held a large portion of the outstanding shares of U.S.-issued equities and money market securities at year-end 2013. Investment companies as a whole were one of the largest groups of investors in U.S. companies that year, holding 29 percent of their outstanding stock at year-end (Figure 1.5).

FIGURE 1.5

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

Percentage of total market securities held by investment companies, year-end 2013



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

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

LEARN MORE

Money Market Fund Resource Center. Available at www.ici.org/mmfs.

Mutual funds remained the largest investors in the U.S. commercial paper market—an important source of short-term funding for major corporations around the world. Mutual funds' share of outstanding commercial paper increased slightly, from 42 percent at year-end 2012 to 45 percent at year-end 2013. Money market funds accounted for most of mutual funds' commercial paper holdings, and the share of outstanding commercial paper that mutual funds held fluctuated with investor demand for prime money market funds and the supply of commercial paper. Mutual funds saw an increase in prime money market fund holdings and in other mutual fund holdings of commercial paper, even though 2013 marked the seventh straight year that outstanding commercial paper contracted in dollar terms.

At year-end 2013, investment companies held 25 percent of tax-exempt debt issued by U.S. municipalities (Figure 1.5), a fairly stable share over the past few years. Funds held 11 percent of U.S. Treasury and government agency securities at year-end 2013, and their role in the corporate bond market shrunk by a small amount in 2013. Indeed, investment companies held 15 percent of outstanding corporate debt securities at year-end 2013, down from 16 percent at year-end 2012.

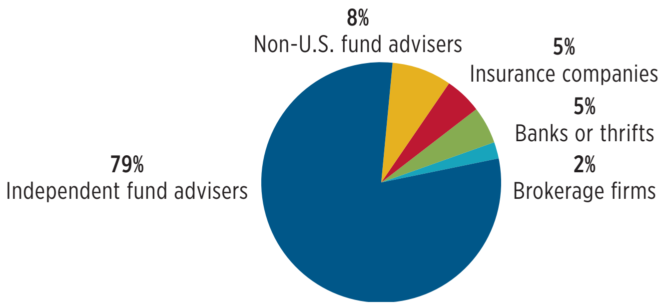
Types of Intermediaries and Number of Investment Companies

A variety of financial services companies offer registered funds in the United States. At year-end 2013, 79 percent of fund complexes were independent fund advisers (Figure 1.6), and these firms managed 64 percent of investment company assets. Non-U.S. fund advisers, banks, thrifts, insurance companies, and brokerage firms are other types of fund complexes in the U.S. market.

FIGURE 1.6

More Than Three-Quarters of Fund Complexes Were Independent Fund Advisers

Percentage of investment company complexes by type of intermediary, year-end 2013



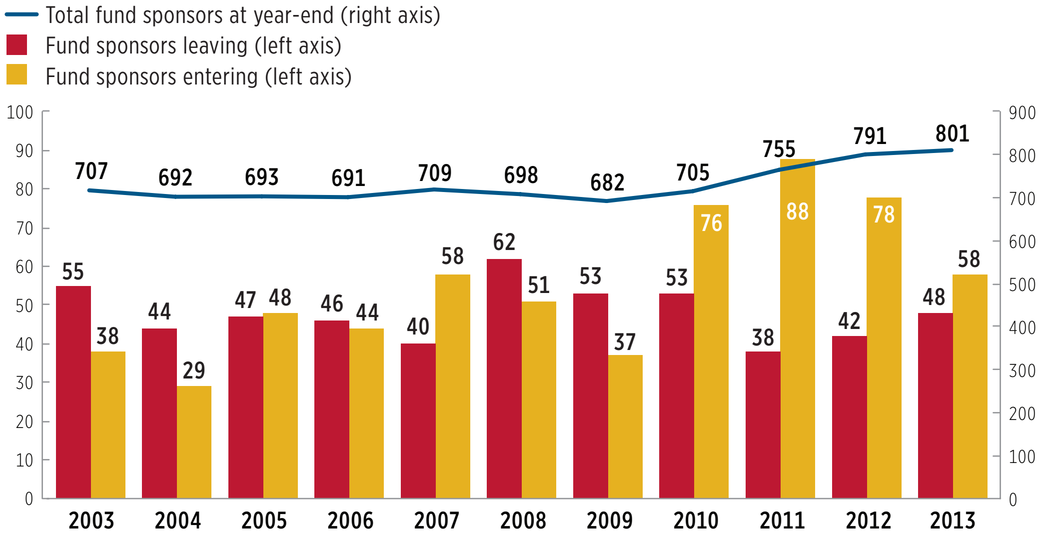
Note: Components do not add to 100 percent because of rounding.

In 2013, 801 financial firms from around the world competed in the U.S. market to provide investment management services to fund investors (Figure 1.7). In the 1980s and 1990s, low barriers to entry attracted many new fund sponsors. But in the early 2000s, increased competition among these sponsors and pressure from other financial products reversed these gains. From year-end 2003 to year-end 2009, 292 fund sponsors left the business but just 267 entered, for a net loss of 25 sponsors. Larger fund sponsors acquiring smaller ones, fund sponsors liquidating funds and leaving the business, and several large sponsors selling their fund advisory businesses played a major role in the decline. The number of fund companies retaining assets and attracting new investments generally has been lower since 2000 than in the 1990s (Figure 1.8).

FIGURE 1.7

Number of Fund Sponsors

2003–2013



But in recent years, the number of sponsors has risen once again, with a net increase of 119 from year-end 2009 to year-end 2013 (300 entering and 181 leaving) (Figure 1.7). Many of the entering firms took advantage of the series trust—a cost-effective management solution in which the fund's sponsor arranges for a third party to provide certain services (e.g., audit, trustee, some legal) through a turnkey setup. The series trust allows the sponsor to focus more on managing portfolios and gathering assets, and allows the operating costs to be spread across the funds in the trust.

Competitive dynamics also affect the number of funds offered in any given year. Fund sponsors create new funds to meet investor demand, and they merge or liquidate those that do not attract sufficient investor interest. A total of 660 funds opened in 2013, slightly fewer than the year before and below the 2007 peak of 726—but near the 2003–2013 average (Figure 1.9). The rate of fund mergers and liquidations declined a significant amount to 424 in 2013 from 501 in 2012.

FIGURE 1.8

Fund Complexes with Positive Net New Cash Flow to Equity, Bond, and Hybrid Funds

Percentage of fund complexes, selected years

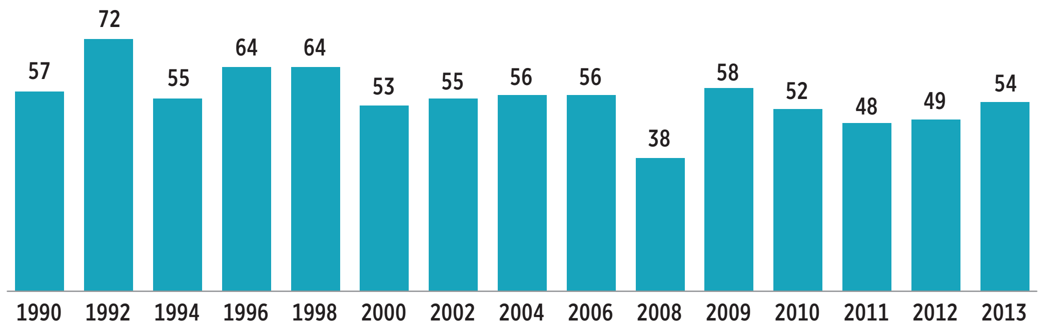
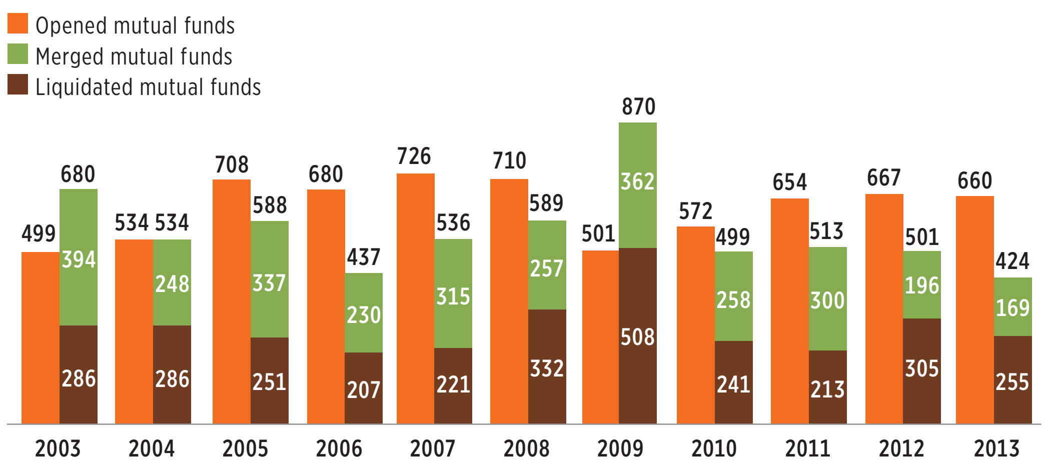


FIGURE 1.9

Number of Mutual Funds Leaving and Entering the Industry

2003–2013



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

Unit Investment Trusts

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

UITs fall into two main categories: bond trusts and equity trusts. Bond trusts are either taxable or tax-free. Equity trusts are either domestic or international/global. The first UIT, introduced in 1961, held tax-free bonds, and, historically, most UIT assets were invested in bonds. Since 1998, assets in equity UITs have exceeded the combined assets in taxable and tax-free bond UITs for each year except 2002 (Figure 1.10). The number of trusts outstanding fell in the late 1990s through the mid-2000s, as sponsors created fewer trusts and existing trusts reached their preset termination dates.

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

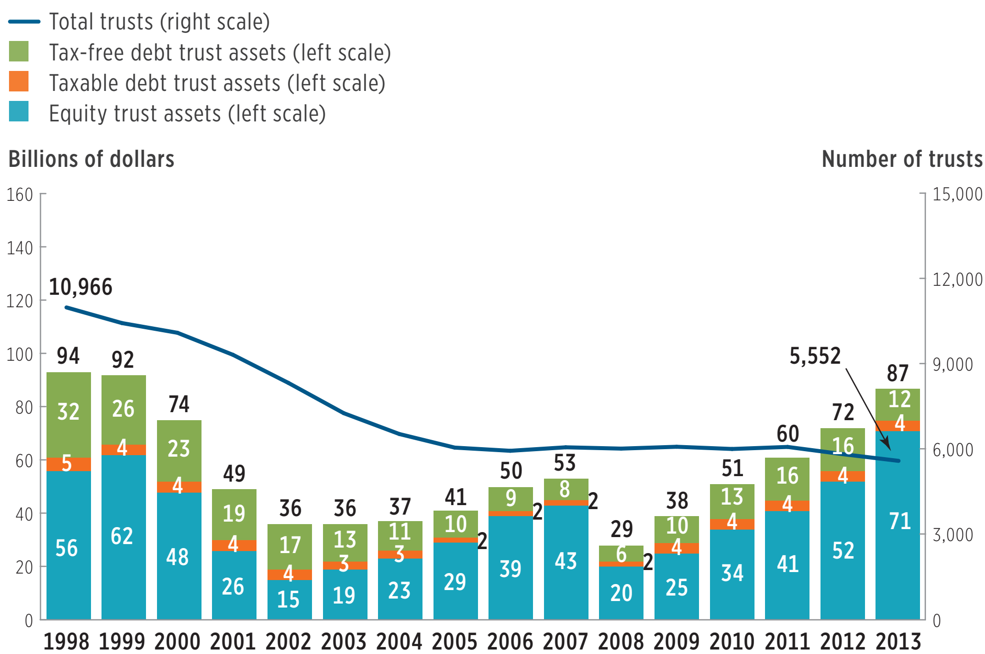
Investors can obtain UIT price quotes from brokerage or investment firms and investment company websites, and some but not all UITs list their prices on NASDAQ's Mutual Fund Quotation Service. Some broker-dealers offer their own trusts or sell trusts offered by nationally recognized independent sponsors.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

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

FIGURE 1.10

Total Net Assets and Number of UITs

Year-end, 1998–2013



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

The total number of investment companies has increased since 2005 (the recent low point), but it remains well below the peak at year-end 2000 (Figure 1.11). Many attribute this decline to UIT sponsors creating far fewer new trusts between 2000 and 2005 and UITs reaching their preset termination dates. The number of UITs continued to decline, falling to 5,552 at year-end 2013 from 5,787 at year-end 2012. The total number of closed-end funds dipped below 600 for the first time since 2004, with 599 at year-end 2013. ETFs have continued to open at a fair pace, with 93 new funds on net in 2013. There were 1,332 ETFs at year-end 2013, more than 16 times the year-end 2000 total.

FIGURE 1.11

Number of Investment Companies by Type

Year-end, 1996–2013

	Mutual funds[1]	Closed-end funds	ETFs[2]	UITs	Total
1996	6,293	496	19	11,764	18,572
1997	6,778	486	19	11,593	18,876
1998	7,489	491	29	10,966	18,975
1999	8,003	511	30	10,414	18,958
2000	8,370	481	80	10,072	19,003
2001	8,518	491	102	9,295	18,406
2002	8,511	544	113	8,303	17,471
2003	8,426	583	119	7,233	16,361
2004	8,417	619	152	6,499	15,687
2005	8,449	635	204	6,019	15,307
2006	8,721	646	359	5,907	15,633
2007	8,745	663	629	6,030	16,067
2008	8,879	642	743	5,984	16,248
2009	8,612	627	820	6,049	16,108
2010	8,536	624	950	5,971	16,081
2011	8,674	632	1,166	6,043	16,515
2012	8,745	602	1,239	5,787	16,373
2013	8,974	599	1,332	5,552	16,457

[1] Data include mutual funds that invest primarily in other mutual funds.

[2] ETF data prior to 2001 were provided by Strategic Insight Simfund. ETF data include investment companies not registered under the Investment Company Act of 1940 and ETFs that invest primarily in other ETFs.

Note: Investment company data include only investment companies that report statistical information to the Investment Company Institute.

Sources: Investment Company Institute and Strategic Insight Simfund

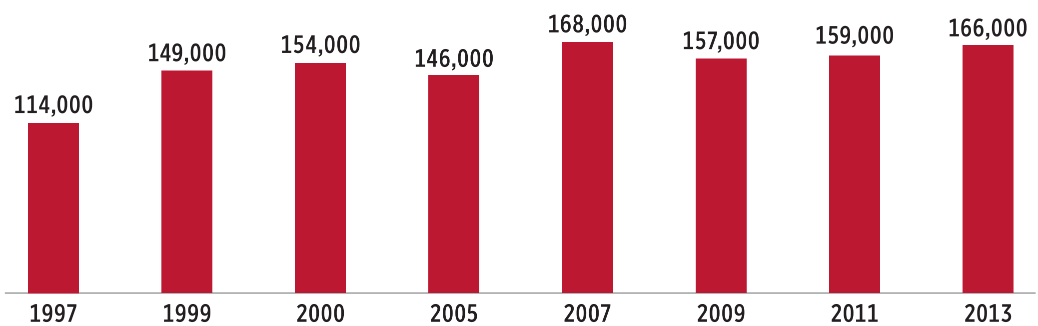
Investment Company Employment

Fund sponsors and third-party service providers offer advisory, recordkeeping, administrative, custody, and other services to a growing number of funds and their investors. Fund industry employment in the United States has grown 46 percent since 1997, from 114,000 workers to 166,000 in 2013 (Figure 1.12).

FIGURE 1.12

Investment Company Industry Employment

*Estimated number of employees of fund sponsors and their service providers, selected years**



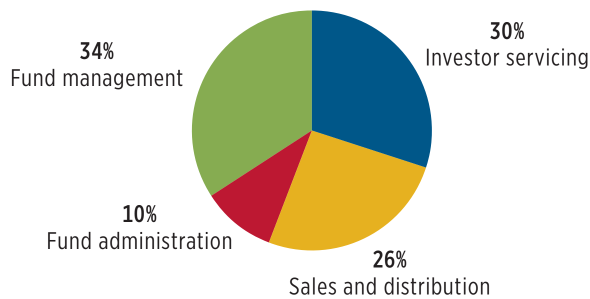
* Years are those in which ICI conducted its employment survey.

In March 2013, the largest group of workers, 34 percent of the industry, worked in support of fund management functions like investment research, trading and security settlement, information systems and technology, and other corporate management functions (Figure 1.13). Fund administration, including financial and portfolio accounting and regulatory compliance duties, accounted for 10 percent of industry employment. Distribution and sales force personnel together accounted for 26 percent of the workforce. Employees in these areas may work in marketing, product development and design, or investor communications and can include sales support staff, registered representatives, and supermarket representatives.

FIGURE 1.13

Investment Company Industry Employment by Job Function

Percentage of employees of fund sponsors and their service providers, March 2013



Total employment: 166,000 employees

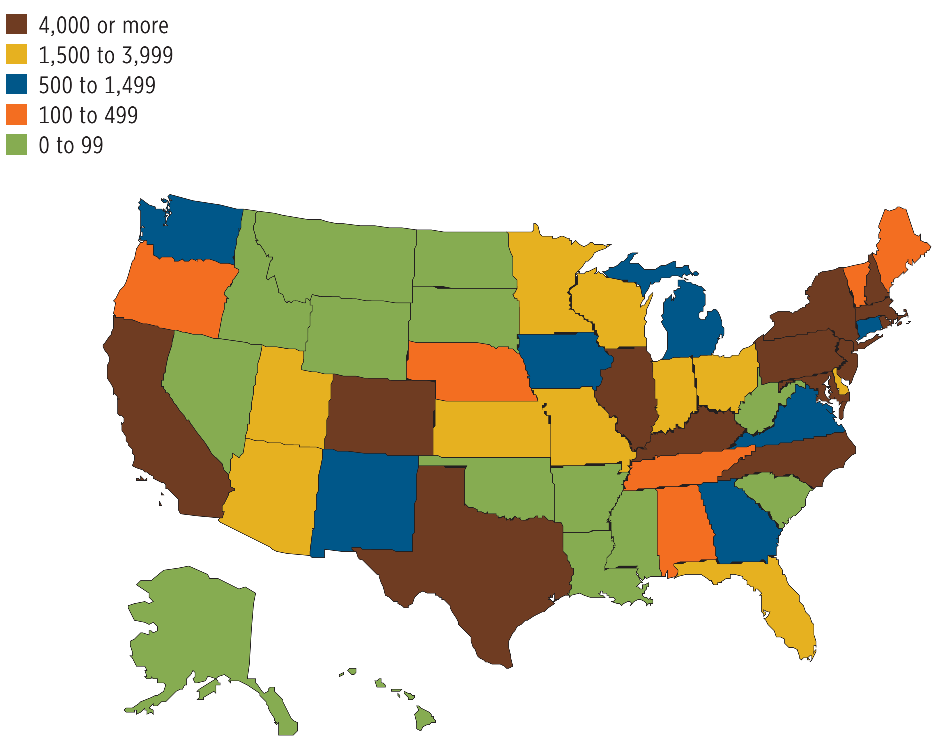
The second-largest group of workers (30 percent of the workforce) provides services to fund investors and their accounts. Shareholder account servicing encompasses a wide range of activities to help investors monitor and update their accounts. These employees work in call centers and help shareholders and their financial advisers with questions about investor accounts. They also process applications for account openings and closings. Other services include retirement plan transaction processing, retirement plan participant education, participant enrollment, and plan compliance.

For many industries, employment tends to be concentrated in places where the industry originally began, and investment companies are no exception. Massachusetts and New York were early hubs of investment company operations and remain so today (Figure 1.14), employing 27 percent of fund industry workers. As the industry has grown, other states have become major centers of fund employment—including California, Pennsylvania, and Texas. Fund companies in these three states employed one-quarter of U.S. fund industry employees as of March 2013.

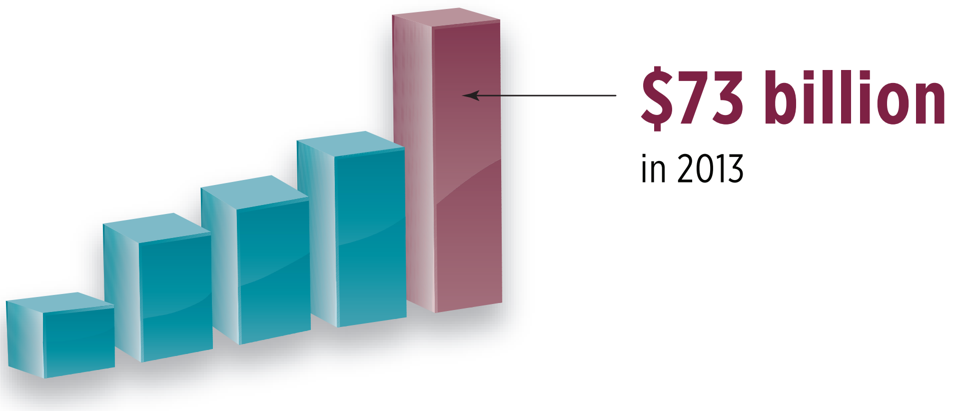
FIGURE 1.14

Investment Company Industry Employment by State

Estimated number of employees of fund sponsors and their service providers by state, March 2013



Hybrid mutual funds had record inflows of $73 billion in 2013



CHAPTER TWO

Recent Mutual Fund Trends

With $15 trillion in assets, the U.S. mutual fund industry remained the largest in the world at year-end 2013. Total net assets increased by nearly $2 trillion from the level at year-end 2012, boosted primarily by growth in equity fund assets. Net new cash flow into all types of mutual funds totaled $167 billion in 2013. Investor demand for certain types of mutual funds appeared to be driven, in large part, by improving economic conditions in the United States and Europe, strong stock market performance, rising long-term interest rates, continued popularity of index funds, and the demographics of the U.S. population. Reversing five years of consecutive withdrawals, equity funds experienced strong inflows in 2013. In contrast, investors redeemed, on net, from bond funds for the first time since 2004. Hybrid funds remained popular, with inflows increasing again in 2013. After four years of outflows, money market funds experienced modest net inflows of $15 billion.

This chapter describes recent U.S. mutual fund developments and examines the market factors that affect the demand for equity, bond, hybrid, and money market funds.

Investor Demand for U.S. Mutual Funds

Investor demand for mutual funds is influenced by a variety of factors, not least of which is funds' ability to assist investors in achieving their investment objectives. For example, U.S. households rely on equity, bond, and hybrid mutual funds to meet long-term personal financial objectives such as preparing for retirement. U.S. households, as well as businesses and other institutional investors, use money market funds as cash management tools because they provide a high degree of liquidity and competitive short-term yields. Changing demographics and investors' reactions to U.S. and worldwide economic and financial conditions play important roles in determining how demand for specific types of mutual funds—and for mutual funds in general—evolves.

U.S. Mutual Fund Assets

The U.S. mutual fund market—with $15 trillion in assets under management at year-end 2013—remained the largest in the world, accounting for half of the $30 trillion in mutual fund assets worldwide (Figure 2.1).

The majority of U.S. mutual fund assets were in long-term funds. Equity funds made up 52 percent of U.S. mutual fund assets at year-end 2013 (Figure 2.1). Domestic equity funds (those that invest primarily in shares of U.S. corporations) held 38 percent of total industry assets. World equity funds (those that invest primarily in non-U.S. corporations) accounted for another 14 percent. Bond funds accounted for 22 percent of U.S. mutual fund assets. Money market funds (18 percent) and hybrid funds (8 percent) held the remainder.

More than 800 sponsors managed mutual fund assets in the United States in 2013. Long-run competitive dynamics have prevented any single firm or group of firms from dominating the market. For example, of the largest 25 fund complexes in 2000, only 13 remained in this top group in 2013. Another

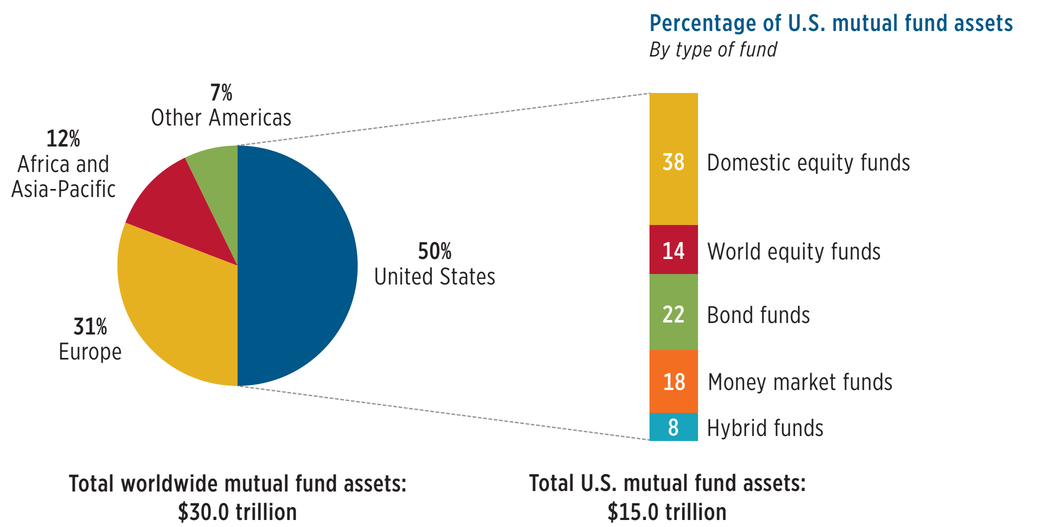
LEARN MORE

Money Market Fund Resource Center. Available at www.ici.org/mmfs.

FIGURE 2.1

The United States Has the World's Largest Mutual Fund Market

Percentage of total net assets, year-end 2013



Source: International Investment Funds Association

measure of market concentration is the Herfindahl-Hirschman Index, which weighs both the number and relative size of firms in the industry. Index numbers below 1,000 indicate that an industry is unconcentrated. The mutual fund industry had a Herfindahl-Hirschman Index number of 481 as of December 2013.

Nevertheless, the percentage of industry assets at larger fund complexes has increased since 2000. The share of assets managed by the largest 10 firms in 2013 was 53 percent, up from the 44 percent share managed by the largest 10 firms in 2000 (Figure 2.2). In addition, the share of assets managed by the largest 25 firms was 72 percent in 2013 compared with 68 percent in 2000.

FIGURE 2.2

Share of Assets at the Largest Mutual Fund Complexes

Percentage of total net mutual fund assets; year-end, selected years

	1995	2000	2005	2010	2011	2012	2013
Largest 5 complexes	34	32	37	40	40	40	40
Largest 10 complexes	47	44	48	53	53	53	53
Largest 25 complexes	70	68	70	74	73	73	72

Several factors likely contributed to this development. One factor is the acquisition of smaller fund complexes by larger ones. In addition, actively managed domestic equity mutual funds incurred outflows for eight consecutive years, while index domestic equity funds had inflows in each of these years. The 10 largest fund complexes manage most of the assets of index mutual funds. Also, strong inflows over the decade to bond funds, which are fewer in number and have fewer fund sponsors than equity mutual funds, helped boost the share of assets managed by those large fund complexes that offer bond funds. Finally, total returns on bonds* averaged 5.3 percent annually in the past 13 years.

* Measured by the Citigroup Broad Investment Grade Bond Index.

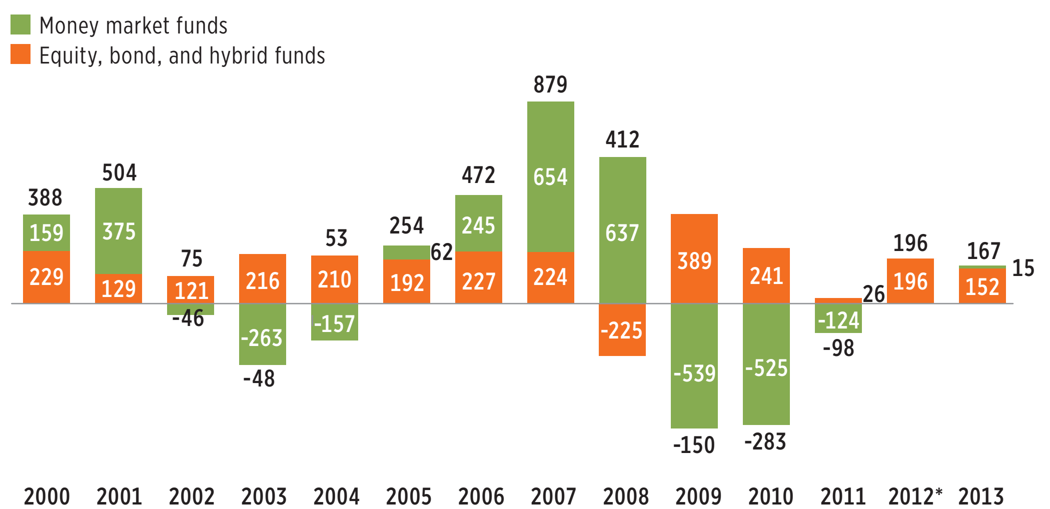
Developments in Mutual Fund Flows

Overall demand for mutual funds as measured by net new cash flow—new fund sales less redemptions combined with net exchanges—slowed in 2013. Increased demand for equity, hybrid, and money market mutual funds was more than offset by lower demand for bond funds. Overall, mutual funds had a net cash inflow of $167 billion in 2013, down from $196 billion in 2012 (Figure 2.3). Investors added $152 billion, on net, to long-term funds, and $15 billion, on net, to money market funds. Actions by the Federal Reserve, global economic conditions, evolving investment preferences, and ongoing demographic trends appeared to influence mutual fund flows in 2013.

FIGURE 2.3

Net New Cash Flow to Mutual Funds

Billions of dollars, 2000–2013



* In 2012, investors withdrew less than $500 million from money market funds.
Note: Components may not add to the total because of rounding.

The Global Economy and Financial Markets in 2013

Economic conditions in the United States improved significantly in 2013, as what had been a sluggish and uneven economic recovery began to show signs of durable improvement. Although 2013 began with a significant fiscal consolidation through tax increases and weaker government spending, the U.S. economy expanded at a 1.9 percent average annual growth rate in 2013. Growth was particularly strong during the third quarter, when real GDP increased at a 4.1 percent annual rate. Gains in inventory, consumer spending, and exports helped the U.S. economic expansion continue into the fourth quarter despite a 16-day government shutdown and debt ceiling impasse in October. Overall, annualized real GDP growth averaged 3.3 percent over the second half of 2013. In addition, the unemployment rate fell from 7.9 percent at the end of 2012 to 6.7 percent at the end of 2013 and corporate profits continued to rise. Home prices* rose 13.6 percent in 2013, the largest 12-month gain since 2006, and stock indexes registered record highs. In particular, prices of S&P 500 companies rose by 30 percent over the year. Gains in stocks and home values helped lift household net worth to record levels.

In the second half of 2013, prices on bonds declined and long-term interest rates rose. From April 30 to early July 2013, yields on long-term bonds (as measured by the yield on the 10-year Treasury note) jumped more than 100 basis points. This rise in rates largely reflected perceptions that the economy was strengthening and that the Federal Reserve might soon reduce its program of large-scale purchases of bonds (known as QE3). Market participants' expectations solidified in late May to mid-June following comments by Federal Reserve officials, which market participants interpreted as confirming QE3 would soon be scaled back. Consequently, from April 30, 2013, to August 30, 2013, total returns on bonds† fell 3.6 percent, the largest four-month decline since the bond market rout in 1994.

* Measured by the S&P/Case-Shiller home price index.

† Measured by the Citigroup Broad Investment Grade Bond Index.

Economic and financial conditions in emerging market economies hit a speed bump in 2013. In recent years, rapid industrialization in parts of the developing world, particularly in Asia, stoked demand for commodities, many of which come from emerging markets. Meanwhile, low interest rates in the developed world encouraged foreign investment in emerging market economies, fueling further economic expansion. In 2013, however, slower rates of economic growth, particularly in China, lowered demand for commodities and higher long-term interest rates in the United States increased the attractiveness of U.S. fixed-income securities, putting upward pressure on the U.S. dollar. In turn, for emerging market borrowers, the rising value of the U.S. dollar raised the cost in local currency of servicing U.S. dollar–denominated debt. Interest rates in developing countries climbed and prices on emerging markets stocks* fell by 5 percent in 2013 after rising at an average annual rate of nearly 9 percent during the last decade.

LEARN MORE

Understanding the Risks of Bond Mutual Funds: Are They Right for Me? Available at www.ici.org/faqs.

Economic and financial conditions in the eurozone continued to improve in 2013. The overall eurozone economy emerged from recession and began to grow in the second quarter of 2013, boosted by a rebound in two of the region's largest economies—Germany and France—and an easing of the recessions in Italy and Spain. Bond credit spreads in the euro-area periphery declined and European stock prices† were up 20 percent for the year. Nonetheless, high unemployment and fiscal austerity in the eurozone continued to hold GDP growth in check.

Long-Term Mutual Fund Flows

Global economic conditions, market returns, and the Federal Reserve's actions had an important impact on mutual fund flows in 2013. Investors added $152 billion in net new cash flow to equity, bond, and hybrid funds in 2013. The composition of these flows differed substantially from recent years, however, with equity funds experiencing net inflows of $160 billion and bond funds experiencing net outflows of $80 billion. Hybrid funds, which invest in a mix of stocks and bonds, recorded positive net new cash flows for the fifth straight year.

* Measured by the MSCI Emerging Markets Index.

† Measured by the MSCI Europe Index.

Equity Mutual Funds

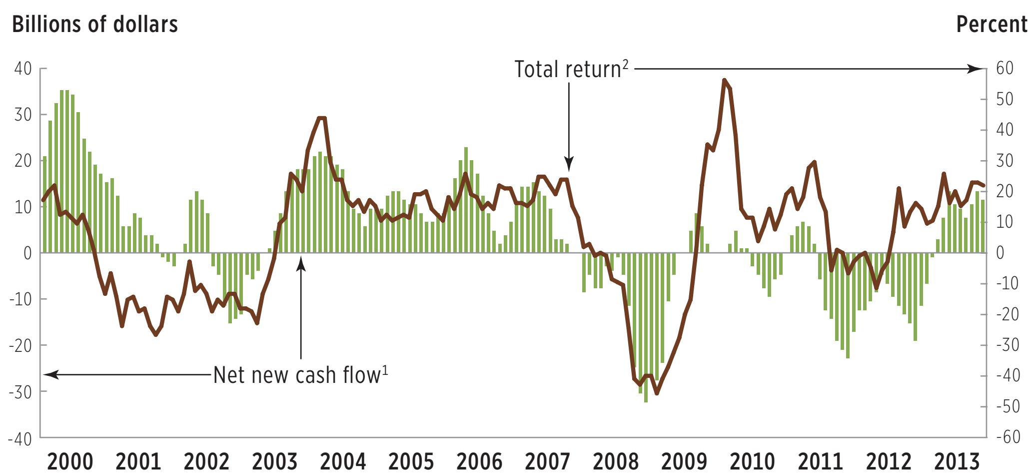
Relative outperformance of equities, coupled with lower stock market volatility, helped bolster steady demand for equity mutual funds throughout 2013.

Demand for equity funds is generally positively correlated with stock market performance (Figure 2.4). Net flows to equity funds tend to rise with stock prices and the opposite tends to occur when stock prices fall. In 2013, flows to equity mutual funds appeared to have resumed this historical relationship with global stock returns after five years of weak demand despite strong equity returns over most of that period. In 2013, the return on the MSCI All Country World Daily Total Return Index, a measure of returns (including dividend payments) on global stock markets, was 23 percent and equity mutual funds received net inflows totaling $160 billion. Indeed, equity funds received positive net new cash flows in each month of 2013 except for December, although the strength of the flow varied throughout the year (Figure 2.5). This development is in contrast to the previous five years, 2008 to 2012, in which equity mutual funds experienced cumulative outflows of $537 billion, an average of $107 billion per year.

FIGURE 2.4

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

Monthly, 2000–2013



[1] Net new cash flow is plotted as a six-month moving average.

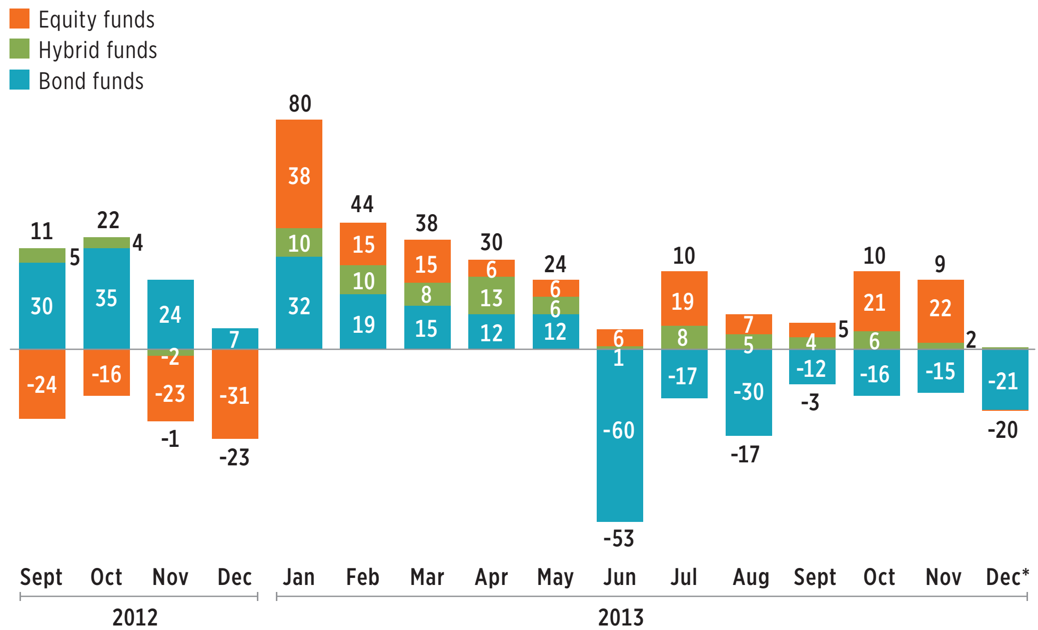
[2] The total return on equities is measured as the year-over-year percent change in the MSCI All Country World Daily Total Return Index.

Sources: Investment Company Institute and Morgan Stanley Capital International

FIGURE 2.5

Net New Cash Flow to Long-Term Mutual Funds

Billions of dollars, September 2012–December 2013



* In December 2013, investors added $406 million to hybrid funds and withdrew $182 million from equity funds.
Note: Components may not add to the total because of rounding.

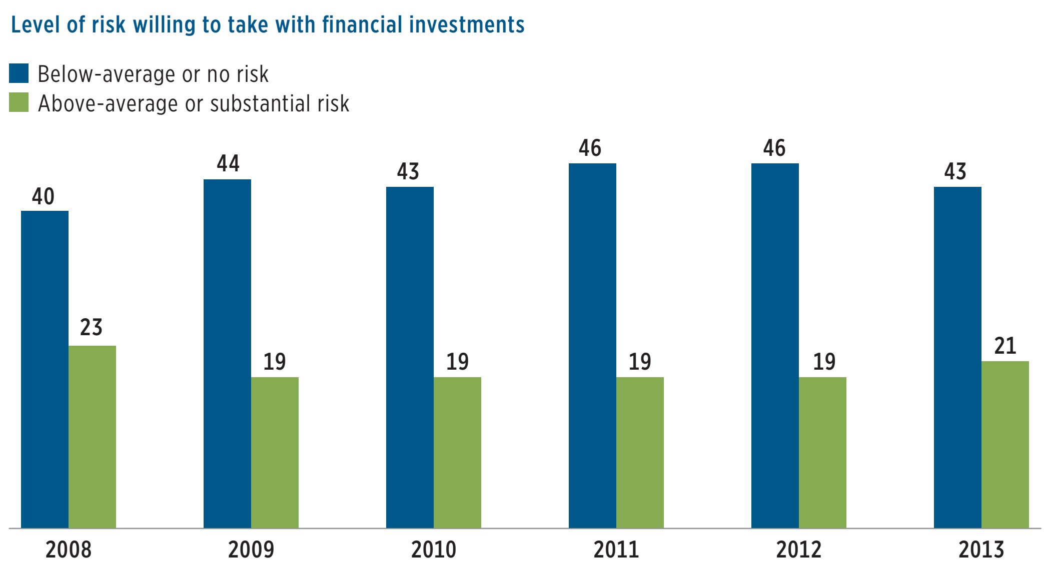
Lower stock market volatility also likely served to strengthen demand for equity mutual funds. The Chicago Board Options Exchange Volatility Index (VIX), which tracks the volatility of the S&P 500 index, is a widely used measure of market risk. Values above 30 typically reflect a high degree of investor fear and values below 20 are associated with a period of market calm. In 2013, the VIX averaged 14 and peaked at 20. These levels are well below those of recent years. For example, in 2011 and 2012, the VIX averaged 24 and 18, respectively, and peaked at levels of 48 and 27, respectively.

Lower stock market volatility also may have had a positive impact on investors' willingness to take above-average or substantial investment risk in 2013. In the wake of the 2007–2008 financial crisis, U.S. household surveys taken each May showed a decline in willingness to take above-average or substantial investment risk for equivalent levels of financial gain (Figure 2.6). In 2008, 23 percent of households were willing to take above-average or substantial investment risk. From 2009 through 2012, this level dropped to 19 percent. In contrast, the percentage of households willing to take below-average or no risk rose over this same period, from 40 percent in 2008 to 46 percent in 2012. In 2013, households' willingness to take above-average or substantial investment risk increased to 21 percent, while risk aversion (as measured by the percentage of households willing to take only below-average or no risk) declined to 43 percent.

FIGURE 2.6

Willingness to Take Investment Risk

Percentage of U.S. households, 2008–2013



Note: This figure measures willingness to take investment risk for equivalent gain—for example, willingness to take above-average or substantial risk for above-average or substantial gain.

Investors in the United States increasingly have diversified their portfolios toward equity mutual funds that invest significantly or primarily in foreign markets (world equity funds). Over the past 10 years, world equity funds received cumulative inflows of $626 billion, while domestic equity mutual funds experienced outflows totaling $487 billion over the same period. In 2013, while world equity funds received the bulk ($142 billion) of the net new cash to equity mutual funds, domestic equity funds received $18 billion, their first inflow after seven consecutive years of outflows. Also, despite higher interest rates and a stronger U.S. dollar, equity mutual funds that specialize in emerging markets attracted $33 billion in new cash in 2013.

The strong demand for world equity funds over the past decade also likely reflects the high returns that have been realized in overseas markets. Both international and domestic stocks have returned an average of 8 percent annually over the past 10 years. However, between 2003 and 2012, international stocks, on average, performed better than domestic stocks. In 2013, U.S. stocks significantly outperformed international stocks. The total return on the Wilshire 5000 index, an index of U.S. stock market performance, was 34 percent, while the total return on international stocks* was 16 percent. These relative rates of return contributed, in part, to the turnaround in domestic equity mutual fund flows in 2013.

* Measured by the MSCI All Country World ex-U.S. Index.

Asset-Weighted Turnover Rate

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

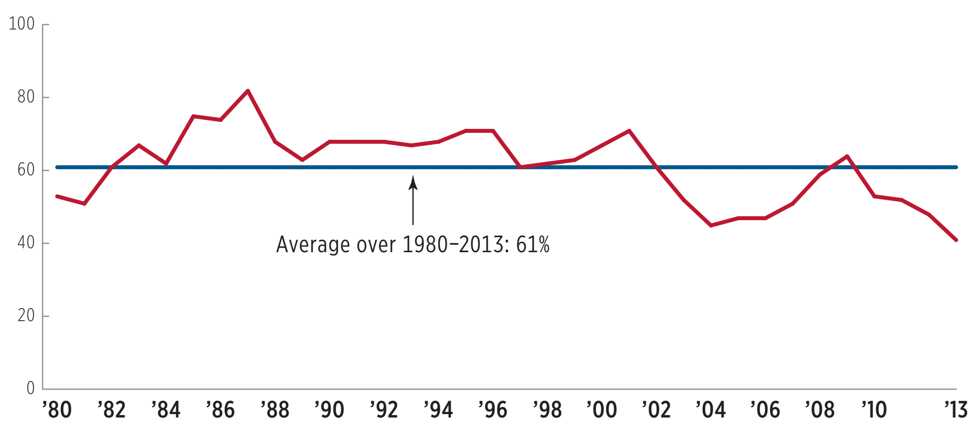
To analyze the turnover rate that shareholders actually experience in their funds, it is important to identify those funds in which shareholders are most heavily invested. Neither a simple average nor a median takes into account where fund assets are concentrated. An asset-weighted average gives more weight to funds with large amounts of assets, and accordingly, indicates the average portfolio turnover actually experienced by fund shareholders. In 2013, the asset-weighted annual turnover rate experienced by equity fund investors was 41 percent, well below the average of the past 34 years.

Investors tend to own equity funds with relatively low turnover rates. In 2013, about half of equity fund assets were in funds with portfolio turnover rates of less than 29 percent. This reflects the propensity for funds with below-average turnover to attract shareholder dollars.

FIGURE 2.7

Turnover Rate Experienced by Equity Fund Investors

1980–2013



Note: The turnover rate is an asset-weighted average. Data exclude mutual funds available as investment choices in variable annuities.

Sources: Investment Company Institute, Center for Research in Security Prices, and Strategic Insight Simfund

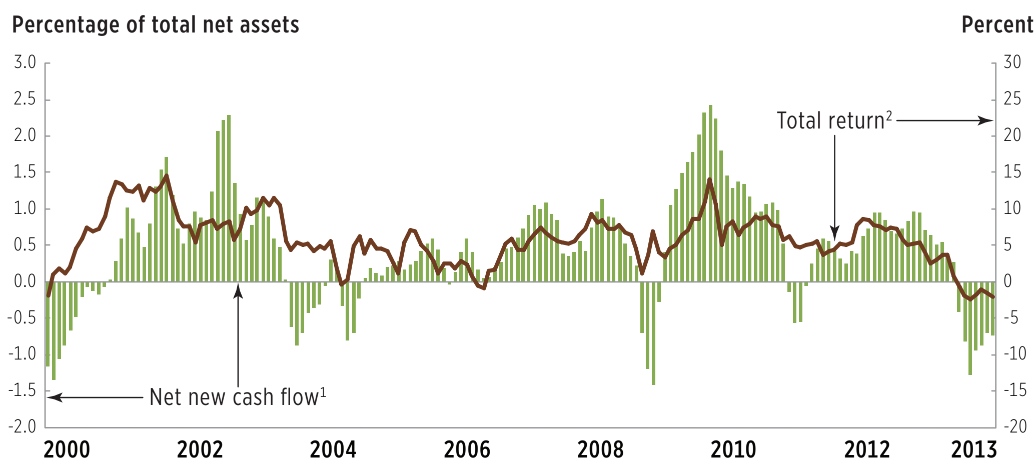
Bond Mutual Funds

In 2013, bond fund flows were heavily influenced by developments related to monetary policy. Bond fund flows are typically highly correlated with the performance of bonds (Figure 2.8), which, in turn, is primarily driven by the U.S. interest rate environment. Throughout 2013, the Federal Reserve continued to hold short-term interest rates at a very low level and also continued to make large-scale purchases of fixed-income securities under QE3. In the second half of May, however, comments by Federal Reserve officials were interpreted by the markets as an indication that the Federal Reserve might begin to curtail its asset purchases. Following those comments, long-term interest rates rose sharply, depressing returns in the U.S. fixed-income market.

FIGURE 2.8

Net New Cash Flow to Bond Funds Is Related to Bond Returns

Monthly, 2000–2013



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

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

Sources: Investment Company Institute and Citigroup

Demand for bond funds fell in the second half of 2013 in response to negative returns on bonds from higher long-term interest rates (Figure 2.5). In the first five months of 2013, bond funds received net cash inflows totaling $90 billion. But from June through December, investors redeemed $170 billion, on net, from bond funds (both taxable and tax-exempt). For 2013 as a whole, bond funds experienced net cash outflows of $80 billion—the first annual outflow since 2004. This outflow, however, is relatively small—representing only 2.4 percent of bond fund total net assets as of December 2012. This experience is in contrast to 1994 when a similar decline in bond fund returns resulted in outflows of 10.1 percent of bond funds' assets. In addition, putting the $80 billion outflow in 2013 in further perspective, from 2005 to 2012, bond funds received cumulative inflows of $1.2 trillion. In 2012 alone, bond funds received $302 billion in net inflows.

Several factors, such as demand for shorter duration fixed-income securities, demographics, and the increasing use of target date funds, likely tempered aggregate outflows from bond funds in 2013.

Investors sought to mitigate capital losses associated with rising long-term interest rates by moving into bond funds with shorter durations. Bond funds most susceptible to increases in long-term interest rates, namely those that invest primarily in longer-term bond funds with higher durations—such as those whose investment mandates focus on mid- to long-term Treasury bonds, corporate bonds, or mortgage-backed securities—had outflows of $41 billion. These outflows, however, were partially offset by strong investor demand for short-term bond funds, which are less likely to experience significant capital losses in response to rising long-term interest rates. In 2013, corporate and government short-term bond funds accumulated net cash inflows of $33 billion. Overall, taxable bond funds had net outflows of $22 billion in 2013.

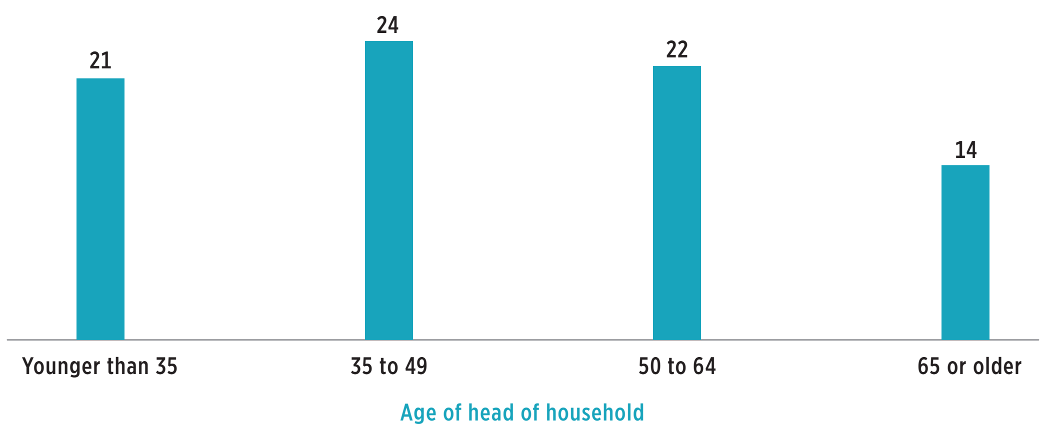
The changing interest rate environment in 2013 also influenced the demand for tax-exempt bond funds. However, redemptions from tax-exempt bond funds in 2013 were likely exacerbated by investor concerns about the finances of state and local governments. In 2013, tax-exempt bond funds had $58 billion in outflows. By comparison, these funds had inflows of $50 billion in 2012. Large bankruptcies have been rare in the municipal bond market. However, the fiscal position of many state and local governments deteriorated during the past several years, in part because of lower tax revenues following the collapse of the housing market during the financial crisis. In addition, the extremely low interest rates maintained by the Federal Reserve in the wake of the financial crisis raised the cost to municipalities of funding defined benefit plans. In July 2013, Detroit filed for bankruptcy protection, the largest municipality in U.S. history to do so. This raised concerns that these events might affect other municipalities in Michigan and that there might be legal implications for municipalities in other states.

Nevertheless, the aging of the U.S. population may have served to moderate bond fund outflows in 2013, just as it likely helped to boost bond inflows in the past decade. Surveys indicate that as investors age, their willingness to take investment risk tends to decline. In 2013, for example, 24 percent of households in which the head was aged 35 to 49 indicated that they were willing to take above-average or substantial investment risk (Figure 2.9). In comparison, for households headed by someone aged 65 or older, only 14 percent were willing to take such investment risks.

FIGURE 2.9

Willingness to Take Above-Average or Substantial Investment Risk by Age Group

Percentage of U.S. households by age of head of household, 2013



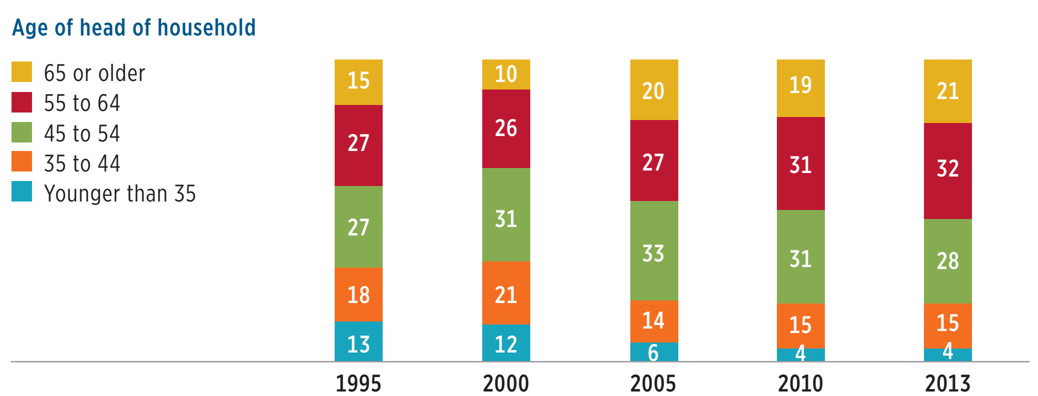
Note: Age is based on the age of the sole or co-decisionmaker for household saving and investing. This figure measures willingness to take investment risk for equivalent gain—for example, willingness to take above-average or substantial risk for above-average or substantial gain.

Older investors also tend to have higher account balances because they have had more time to accumulate savings and take advantage of compounding. For example, in 2013, households in which the head was younger than 35 held just 4 percent of mutual fund assets, whereas households in which the head was 55 to 64 held 32 percent of mutual fund assets (Figure 2.10). Larger mutual fund holdings of older age groups, combined with the tendency of investors to shift toward fixed-income products as they approach retirement, implies an underlying demand for bond funds by older investors. This could partly offset a decline in demand for bond funds by other investors as a result of rising interest rates.

FIGURE 2.10

Mutual Fund Assets by Age Group

Percentage of households' mutual fund assets, selected years



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

The continued popularity of target date mutual funds also likely helped to reduce outflows from bond funds in 2013. Target date mutual funds invest in a changing mix of equities and bonds (and possibly other types of investments, such as commodities). As the fund approaches and passes its target date (which is usually specified in the fund's name), the fund gradually reallocates assets away from equities toward bonds. Target date mutual funds usually invest through a fund-of-funds approach, meaning they primarily hold and invest in shares of other stock and bond mutual funds. In 2013, target date mutual funds had inflows of $53 billion and ended the year with assets of $618 billion, up from $481 billion in 2012. The growing investor interest in these funds likely reflects their automatic rebalancing features as well as their inclusion as an investment option in many defined contribution plans. Also, following the adoption of the Pension Protection Act of 2006, many defined contribution plans have selected target date funds as a default option for the investments of newly enrolled plan participants (see chapter 7).

Hybrid Mutual Funds

With the exception of 2008, hybrid funds have seen inflows every year in the past decade. Hybrid funds, also called asset allocation funds or balanced funds, invest in a mix of stocks and bonds. The fund's prospectus may specify the asset allocation that the fund seeks to maintain, such as investing approximately 65 percent of the fund's assets in equities and 35 percent in bonds. This approach offers a way to balance the potential capital appreciation of common stocks with the income and relative stability of bonds over the long term. The fund's portfolio may be periodically rebalanced to bring the fund's asset allocation more in line with prospectus objectives, which could be necessary following capital gains or losses in the stock or bond markets.

Hybrid funds have become an increasingly popular way to help investors achieve a managed, balanced portfolio of stocks and bonds. Over the past seven years, investors have added $384 billion in net new cash and reinvested dividends to these funds (Figure 2.11). In 2013 alone, investors added a record $73 billion in net new cash flow to hybrid funds, up from $47 billion in 2012.

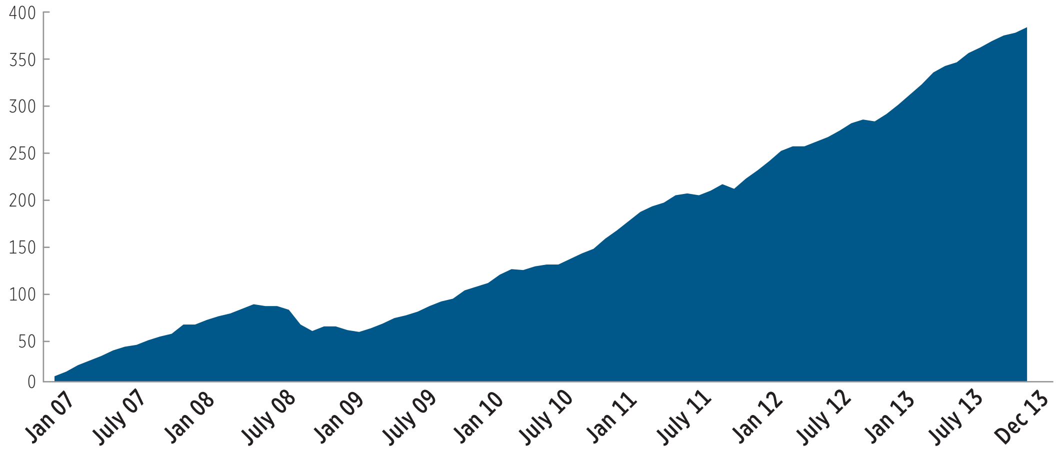
LEARN MORE

"Trends in the Expenses and Fees of Mutual Funds, 2012," *ICI Research Perspective.* Available at www.ici.org/pdf/per19-03.pdf.

FIGURE 2.11

Investors Are Gravitating Toward Hybrid Funds

Cumulative flows to hybrid mutual funds, billions of dollars; monthly, 2007–2013



Note: Hybrid mutual fund flows include net new cash flow and reinvested dividends. Data exclude mutual funds that invest primarily in other mutual funds.

The Growing Popularity of Index Funds

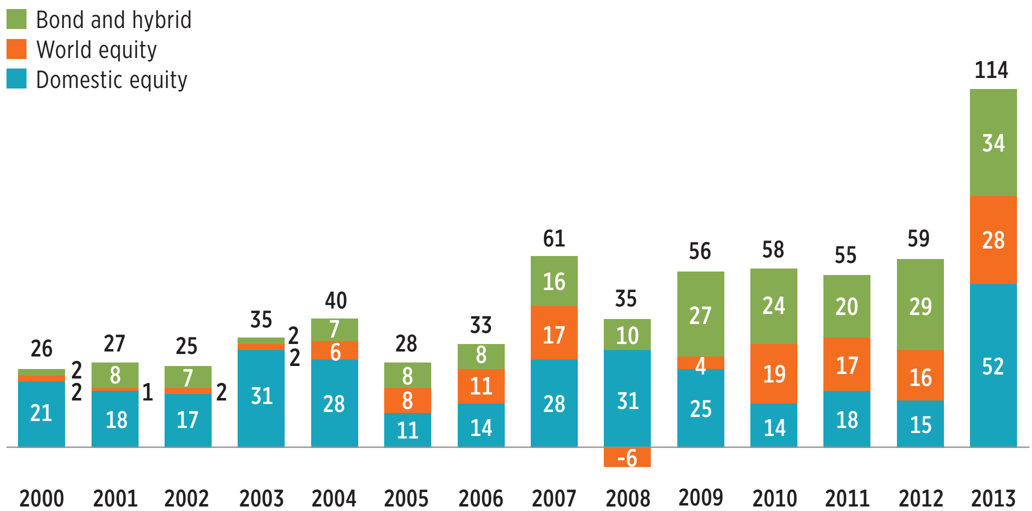
Index funds also remained popular with investors. Of households that owned mutual funds, 30 percent owned at least one index mutual fund in 2013. As of year-end 2013, 372 index funds managed total net assets of $1.7 trillion. Demand for index mutual funds remained strong in 2013, with investors adding $114 billion in net new cash flow to these funds (Figure 2.12). Of the new money that flowed to index mutual funds, 46 percent was invested in funds tied to domestic stock indexes, 25 percent went to funds tied to world stock indexes, and another 30 percent was invested in funds tied to bond or hybrid indexes, such as those commonly used to benchmark target date mutual fund performance. Demand for index domestic equity mutual funds more than tripled in 2013, with these funds experiencing an aggregate inflow of $52 billion.

Index equity mutual funds accounted for the bulk of index mutual fund assets at year-end 2013. Eighty-two percent of index mutual fund assets were invested in funds that track the S&P 500 or other domestic and international stock indexes (Figure 2.13). Mutual funds indexed to the S&P 500 managed 33 percent of all assets invested in index mutual funds. The share of assets invested in index equity mutual funds relative to all equity mutual funds' assets moved up to 18.4 percent in 2013 (Figure 2.14).

FIGURE 2.12

Net New Cash Flow to Index Mutual Funds

Billions of dollars, 2000–2013



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

FIGURE 2.13

Funds Indexed to the S&P 500 Held 33 Percent of Index Mutual Fund Assets

Percent, year-end 2013

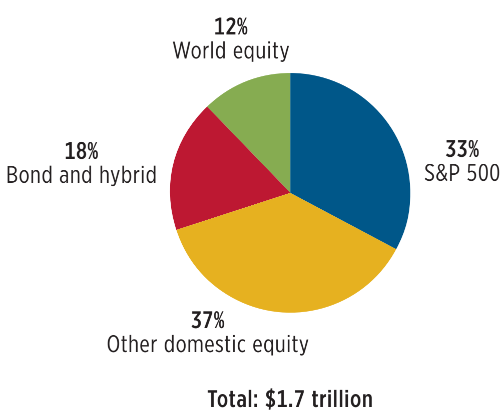
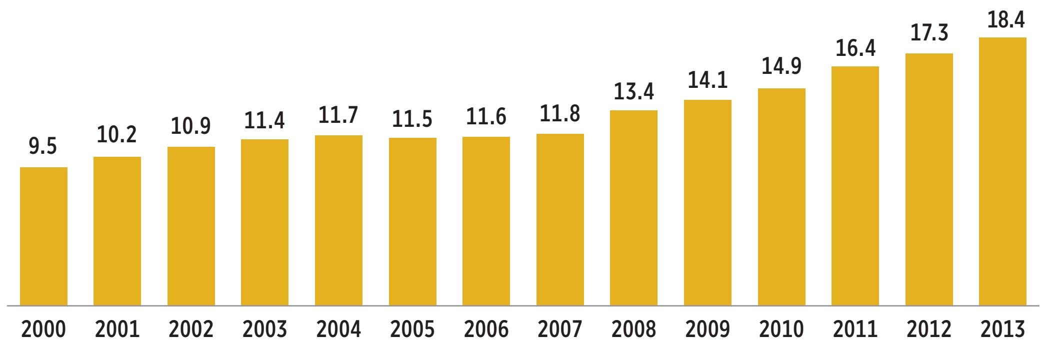


FIGURE 2.14

Index Equity Mutual Funds' Share Continued to Rise

Percentage of equity mutual funds' total net assets, 2000–2013

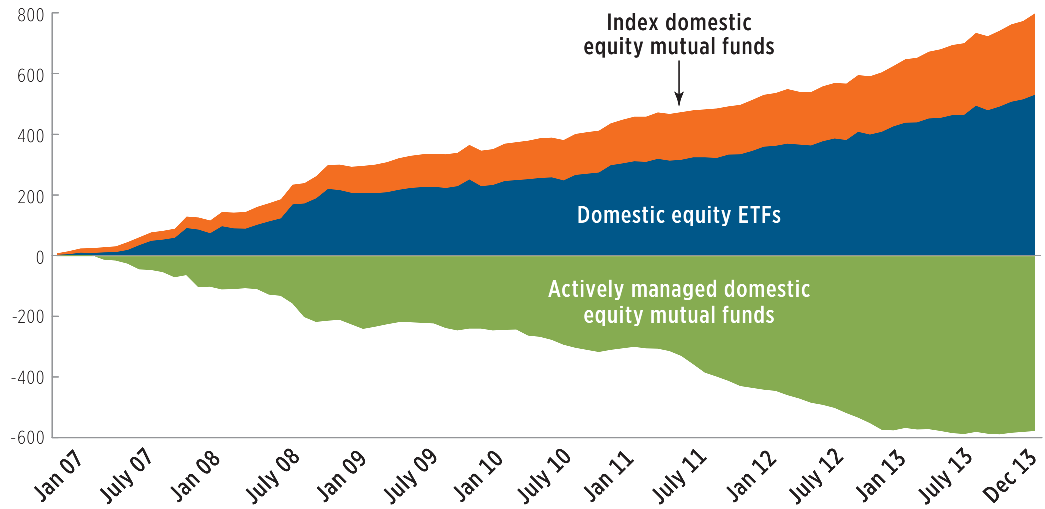


Index domestic equity mutual funds and index-based exchange-traded funds (ETFs), which are discussed in detail in chapter 3, have benefited from this trend toward more index-oriented investment products. From 2007 through 2013, index domestic equity mutual funds and ETFs received $795 billion in cumulative net new cash and reinvested dividends (Figure 2.15). Index-based domestic equity ETFs have grown particularly quickly—attracting roughly twice the flows of index domestic equity mutual funds since 2007. In contrast, actively managed domestic equity mutual funds experienced a net outflow of $575 billion, including reinvested dividends, from 2007 to 2013. Although redemptions from actively managed equity funds slowed significantly in 2013, likely due to strong U.S. stock returns, money continued to flow into index domestic equity mutual funds and ETFs at a fast pace.

FIGURE 2.15

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

Cumulative flows to and net share issuance of domestic equity mutual funds and ETFs, billions of dollars; monthly, 2007–2013



Note: Equity mutual fund flows include net new cash flow and reinvested dividends.

Demand for Money Market Funds

In 2013, money market funds received a modest $15 billion—the first annual inflow since 2008. Demand for money market funds was not uniform throughout 2013, however. Various factors, including tax events, rising long-term interest rates, and a U.S. debt ceiling standoff, influenced money market fund flows during 2013.

LEARN MORE

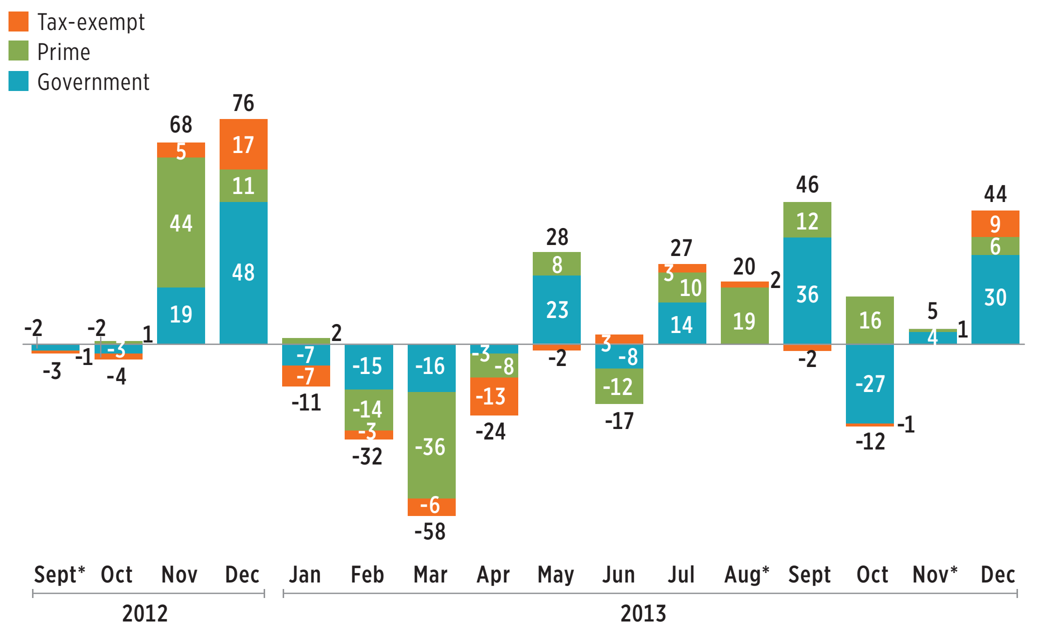
"Pricing of U.S. Money Market Funds," *ICI Research Report.* Available at www.ici.org/pubs/research.

Outflows from money market funds were concentrated in the first four months of 2013, during which investors redeemed $125 billion, on net (Figure 2.16). Tax payments by corporations in mid-March and individuals in mid-April were likely key drivers behind these redemptions. In addition, in early 2013, investors appeared to have unwound money market fund investments made near year-end 2012 as a result of uncertainties surrounding the fiscal cliff. In the last two months of 2012, money market funds received $145 billion in new cash as some investors sold equity mutual funds to lock in capital gains tax liabilities in anticipation that capital gains tax rates would increase in 2013. Also, in advance of increases in tax rates at the end of 2012, some corporations paid out hefty special dividends to stockholders and part of this cash was funneled to money market funds.

FIGURE 2.16

Net New Cash Flow to Money Market Funds

Billions of dollars, September 2012–December 2013



* In September 2012, investors withdrew $106 million from prime money market funds; in August 2013, investors withdrew $202 million from government money market funds; and in November 2013, investors withdrew $414 million from tax-exempt money market funds.

After these tax-related influences waned in early 2013, outflows abated and money market funds received inflows of $129 billion over the second half of the year (Figure 2.16). Rising long-term interest rates over this period likely caused investors to divert some cash to money market funds to avoid capital losses in long-term bond funds by shifting toward shorter-horizon investments.

Net inflow into money market funds during the second half of 2013 was briefly interrupted in October by a prolonged U.S. government shutdown and a congressional stalemate over whether to raise the U.S. borrowing limit. Concern regarding the implications of a temporary suspension of debt payments on maturing short-dated Treasury securities by the U.S. government prompted investors to redeem $57 billion from government money market funds, which invest almost exclusively in U.S. Treasury and agency securities, in the first 16 days of October.

2014 Fund Reclassification

To reflect changes in the marketplace, ICI has modernized its investment objective (IOB) classifications for open-end mutual funds.

ICI reports data on open-end mutual funds at several levels. At the macro level, the ICI data categories—domestic equity, world equity, taxable bond, municipal bond, hybrid, taxable money market, and tax-exempt money market funds—have remained the same.

The update reclassified the categories at a more detailed level. This means that there is a break in the time series for some of the data in *Fact Book*.

For more information

» See page 156 in the data table section

» 2014 Open-End Mutual Fund Reclassification FAQs, available at **www.ici.org/research/stats/iob_update/iob_faqs**

» New Open-End Investment Objective Definitions, available at **www.ici.org/research/stats/iob_update/iob_definitions**

LEARN MORE

Frequently Asked Questions About Money Market Funds. Available at www.ici.org/faqs.

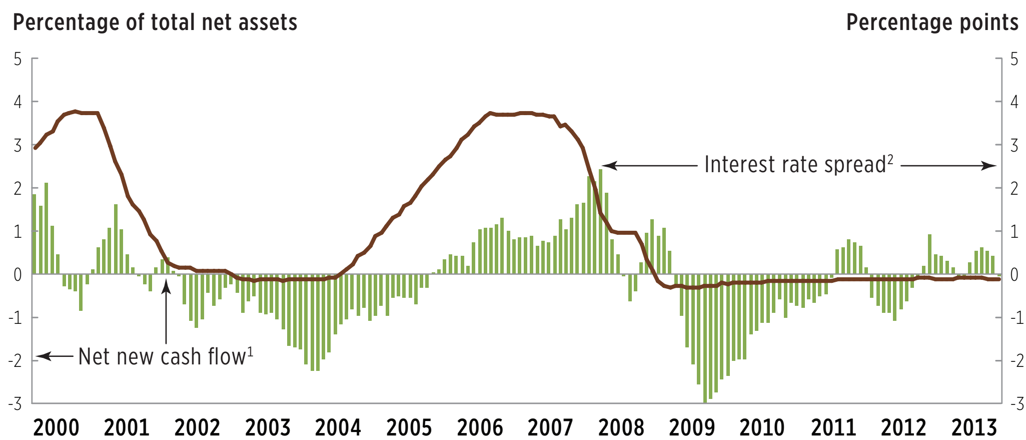
Retail Money Market Funds

Because of Federal Reserve monetary policy, short-term interest rates continued to remain near zero in 2013. Yields on money market funds, which track short-term open market instruments such as Treasury bills, also hovered near zero and remained below yields on money market deposit accounts offered by banks (Figure 2.17). Individual investors tend to withdraw cash from money market funds when the difference between yields on money market funds and interest rates on bank deposits narrows or becomes negative. Retail money market funds, which principally are sold to individual investors, saw an outflow of a little more than $12 billion in 2013, following an outflow of $1 billion in 2012 (Figure 2.18).

FIGURE 2.17

Net New Cash Flow to Taxable Retail Money Market Funds Is Related to Interest Rate Spread

Monthly, 2000–2013



[1] Net new cash flow is the percentage of previous month-end taxable retail money market fund assets, plotted as a six-month moving average.

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

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

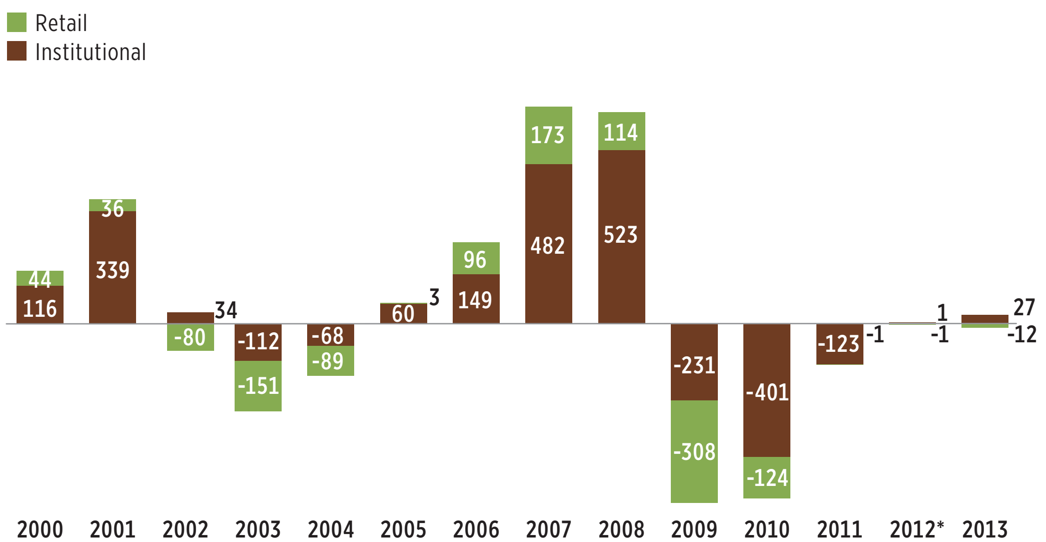
Institutional Money Market Funds

Institutional money market funds—used by businesses, pension funds, state and local governments, and other large-account investors—had a net inflow of $27 billion in 2013, following an inflow of $1 billion in 2012 (Figure 2.18). Some of the cash generated by rising corporate profits in 2013 was likely held in money market funds as well as in bank deposits.

FIGURE 2.18

Net New Cash Flow to Retail and Institutional Money Market Funds

Billions of dollars, 2000–2013



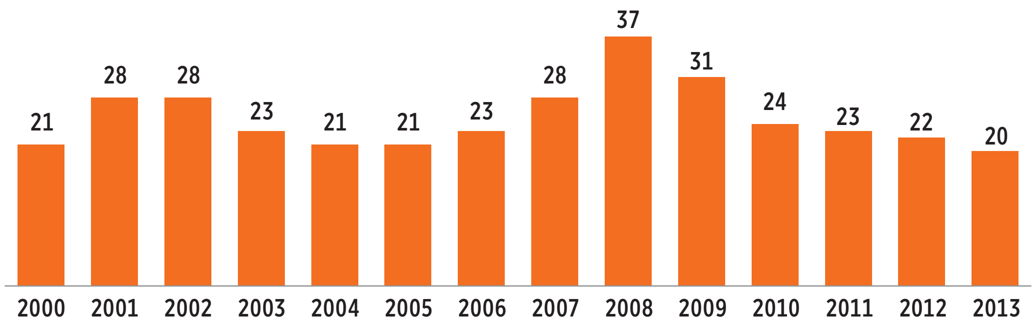
* In 2012, investors added $1 billion to institutional money market funds and withdrew $1 billion from retail money market funds.

U.S. nonfinancial businesses are important users of institutional money market funds. In 2013, U.S. nonfinancial businesses' portion of cash balances held in money market funds was 20 percent (Figure 2.19). This portion reached a peak of 37 percent in 2008 and has declined since then.

FIGURE 2.19

Money Market Funds Managed 20 Percent of U.S. Businesses' Short-Term Assets in 2013

Percent; year-end, 2000–2013



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

Sources: Investment Company Institute and Federal Reserve Board

Recent Reforms to Money Market Funds

In 2010, the U.S. Securities and Exchange Commission (SEC) significantly reformed Rule 2a-7, a regulation governing money market funds. Among other things, the reforms required money market funds to hold a certain amount of liquidity and imposed stricter maturity limits. One outcome of these provisions is that prime funds have become more like government money market funds. To a significant degree, prime funds adjusted to the SEC's 2010 amendments to Rule 2a-7 by adding to their holdings of Treasury and agency securities. They also boosted their assets in repurchase agreements (repos). A repo can be thought of as a short-term collateralized loan, such as to a bank or other financial intermediary. Repos are collateralized—typically by Treasury and agency securities—to ensure that the loan is repaid. Prime funds' holdings of Treasury and agency securities and repos have risen substantially as a share of the funds' portfolios, from 12 percent in May 2007 to a peak of 36 percent in November 2012. In December 2013, this share was 28 percent of prime fund assets, still more than double the value prior to the financial crisis and subsequent reforms (Figure 2.20).

For more complete data on money market funds, see section 4 in the data tables on pages 196–203.

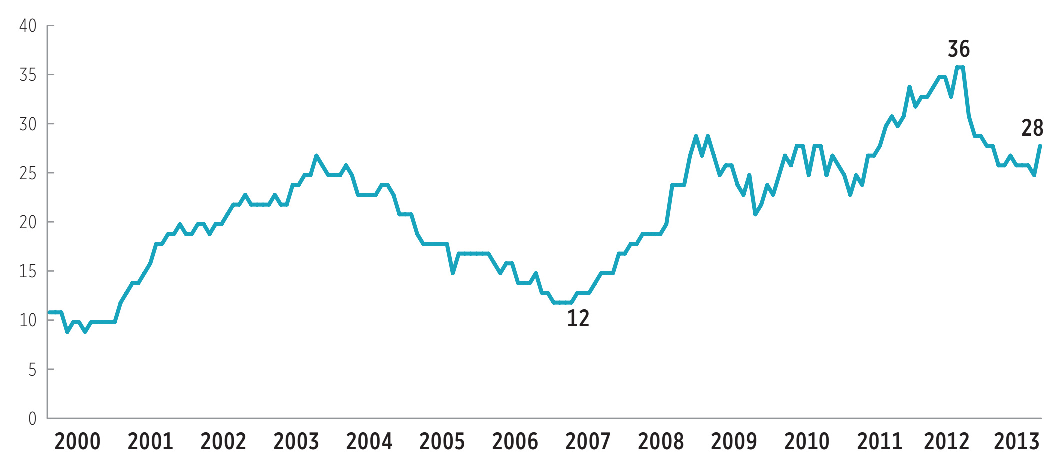
LEARN MORE

"Money Market Funds, Risk, and Financial Stability in the Wake of the 2010 Reforms," *ICI Research Perspective.* Available at www.ici.org/pdf/per19-01.pdf.

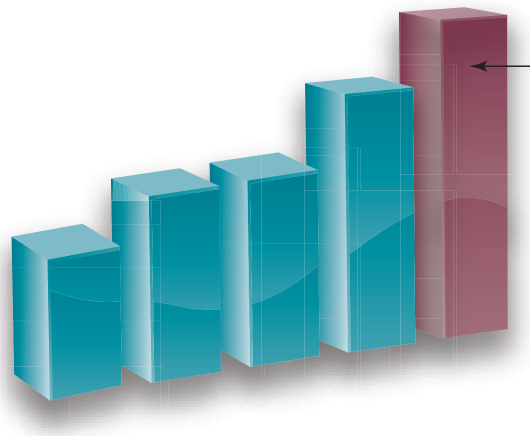
FIGURE 2.20

Prime Money Market Fund Holdings of Treasury and Agency Securities and Repurchase Agreements

Percentage of prime funds' total net assets; month-end, 2000–2013



Total net assets of ETFs reached nearly $1.7 trillion at year-end 2013



Nearly

$1.7 trillion

at year-end 2013

CHAPTER THREE

Exchange-Traded Funds

Over the past decade, demand for ETFs has grown markedly as investors—both institutional and retail—increasingly turn to them as investment options. In the past 10 years, more than $1.2 trillion of net new ETF shares have been issued. With the increase in demand, sponsors have offered more ETFs with a greater variety of investment objectives. With nearly $1.7 trillion in assets, the U.S. ETF industry remained the largest in the world at year-end 2013. While ETFs share some basic characteristics with mutual funds, there are key operational and structural differences between the two types of investment products.

This chapter provides an overview of exchange-traded funds (ETFs)—how they are created, how they differ from mutual funds, how they trade, the demand by investors for ETFs, and the characteristics of ETF-owning households.

What Is an ETF?

An ETF is an investment company whose shares are traded intraday on stock exchanges at market-determined prices. Investors may buy or sell ETF shares through a broker or in a brokerage account just as they would the shares of any publicly traded company. In the United States, most ETFs are structured as open-end investment companies (open-end funds) or unit investment trusts, but other structures also exist—primarily for ETFs investing in commodities, currencies, and futures.

LEARN MORE

Frequently Asked Questions About ETF Basics and Structure. Available at www.ici.org/faqs.

ETFs have been available as an investment product for a little more than 20 years in the United States. The first ETF—a broad-based domestic equity fund tracking the S&P 500 index—was introduced in 1993 after a fund sponsor received U.S. Securities and Exchange Commission (SEC) exemptive relief from various provisions of the Investment Company Act of 1940 that would not otherwise allow the ETF structure. Until 2008, SEC exemptive relief was granted only to ETFs that tracked designated indexes. These ETFs, commonly referred to as index-based ETFs, are designed to track the performance of their specified indexes or, in some cases, a multiple of or an inverse (or a multiple of an inverse) of their indexes.

In early 2008, the SEC first granted exemptive relief to several fund sponsors to offer fully transparent, actively managed ETFs meeting certain requirements. Each business day, these actively managed ETFs must disclose on their publicly available websites the identities and weightings of the component securities and other assets held by the ETF. Actively managed

ETFs do not seek to track the return of a particular index. Instead, an actively managed ETF's investment adviser, like that of an actively managed mutual fund, creates a unique mix of investments to meet a particular investment objective and policy.

U.S. ETF Assets

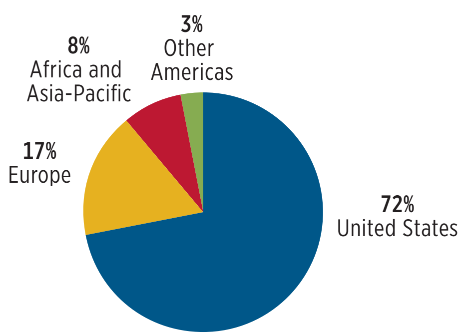
The U.S. ETF market—with 1,294 funds and nearly $1.7 trillion in assets under management at year-end 2013—remained the largest in the world, accounting for 72 percent of the $2.3 trillion in ETF assets worldwide (Figure 3.1 and Figure 3.2).

The vast majority of assets in U.S. ETFs are in funds registered with and regulated by the SEC under the Investment Company Act of 1940 (Figure 3.2). At year-end 2013, about 4 percent of assets were held in ETFs that are not registered with or regulated by the SEC under the Investment Company Act of 1940; these ETFs invest primarily in commodities, currencies, and futures. Non–1940 Act ETFs that invest in commodity or currency futures are regulated by the Commodity Futures Trading Commission (CFTC) under the Commodity Exchange Act and by the SEC under the Securities Act of 1933. Those that invest solely in physical commodities or currencies are regulated by the SEC under the Securities Act of 1933.

FIGURE 3.1

The United States Has the Largest ETF Market

Percentage of total net assets, year-end 2013



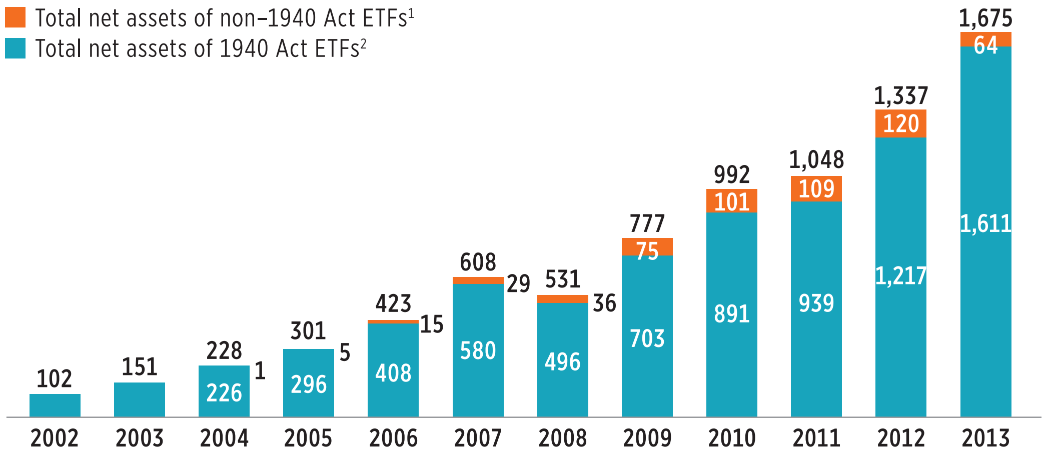
Total worldwide ETF assets: $2.3 trillion

Sources: Investment Company Institute and ETFGI

FIGURE 3.2

Total Net Assets and Number of ETFs

Billions of dollars; year-end, 2002–2013



Number of ETFs

113	119	152	204	359	629	728	797	923	1,134	1,194	1,294

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

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

Note: Data for ETFs that invest primarily in other ETFs are excluded from the totals. Components may not add to the total because of rounding.

Creation of an ETF

An ETF originates with a sponsor, the company or financial institution that chooses the investment objective of the ETF. In the case of an index-based ETF, the sponsor chooses both an index and a method of tracking its target index. Index-based ETFs track their target index in one of two ways. A replicate index-based ETF holds every security in the target index and invests its assets proportionately in all the securities in the target index. A sample index-based ETF does not hold every security in the target index; instead, the sponsor chooses a representative sample of securities in the target index in which to invest. Representative sampling is a practical solution for an ETF that has a target index with thousands of securities. In the case of an actively managed ETF, the sponsor also determines the investment objective of the fund and may trade securities at its discretion, much like an actively managed mutual fund.

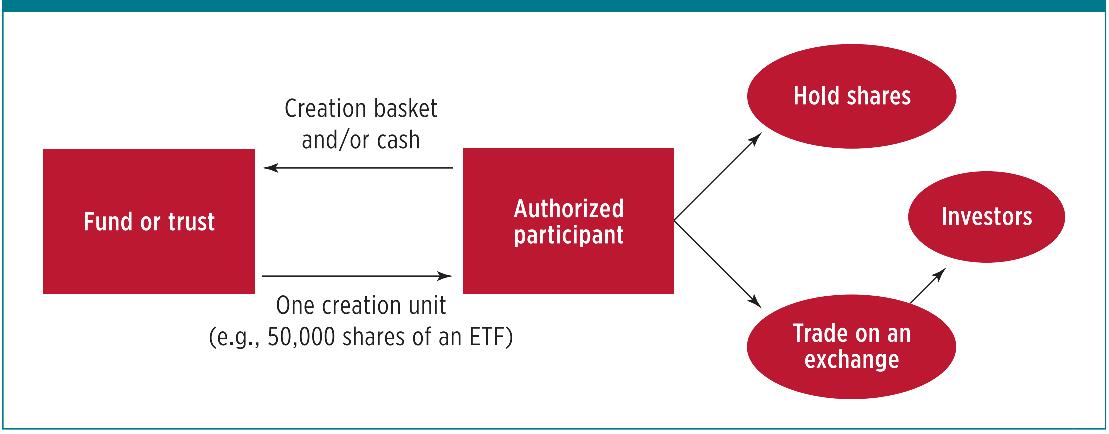
LEARN MORE

ETF Basics: The Creation and Redemption Process and Why It Matters. Available at www.ici.org/etf_resources.

ETFs are required to publish information about their portfolio holdings daily. Each business day, the ETF publishes a “creation basket,” a specific list of names and quantities of securities and/or other assets. The creation basket is either a replicate or a sample of the ETF’s portfolio. Actively managed ETFs and certain types of index-based ETFs are required to publish their complete portfolio holdings in addition to their creation basket.

ETF shares are created when an “authorized participant”—typically a large institutional investor, such as a market maker or broker-dealer—deposits the daily creation basket and/or cash with the ETF (Figure 3.3). The ETF may require or permit an authorized participant to substitute cash for some or all of the securities or assets in the creation basket. For instance, if a security in the creation basket is difficult to obtain or may not be held by certain types of investors (as is the case with certain foreign securities), the ETF may allow the authorized participant to pay that security’s portion of the basket in cash. An authorized participant also may be charged a transaction fee to offset any transaction expenses the fund undertakes. In return for the creation basket and/or cash, the ETF issues to the authorized participant a “creation unit” that consists of a specified number of ETF shares. Creation units are large blocks of shares that generally range in size from 25,000 to 200,000 shares.

FIGURE 3.3
Creation of an ETF



The authorized participant can either keep the ETF shares that make up the creation unit or sell all or part of them on a stock exchange. ETF shares are listed on a number of exchanges where investors can purchase them as they would shares of a publicly traded company.

A creation unit is liquidated when an authorized participant returns the specified number of shares in the creation unit to the ETF. In return, the authorized participant receives the daily "redemption basket," a set of specific securities and/or other assets contained within the ETF's portfolio. The composition of the redemption basket typically mirrors that of the creation basket.

ETFs and Mutual Funds

A 1940 Act ETF is similar to a mutual fund in that it offers investors a proportionate share in a pool of stocks, bonds, and other assets. It is most commonly structured as an open-end investment company and is governed by the Investment Company Act of 1940. Like a mutual fund, an ETF is required to post the mark-to-market net asset value (NAV) of its portfolio at the end of each trading day and must conform to the main investor protection mechanisms of the Investment Company Act, including limitations on leverage, daily valuation and liquidity requirements, prohibitions on transactions with affiliates, and rigorous disclosure obligations. Despite these similarities, key features differentiate ETFs from mutual funds.

Key Differences

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

LEARN MORE

Frequently Asked Questions About How ETFs Compare with Other Investments. Available at www.ici.org/etf_resources.

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

How ETFs Trade

The price of an ETF share on a stock exchange is influenced by the forces of supply and demand. While imbalances in supply and demand can cause the price of an ETF share to deviate from its underlying value (i.e., the market value of the underlying instruments, also known as the intraday indicative value or IIV), substantial deviations tend to be short-lived for many ETFs. Two primary features of an ETF's structure promote trading of an ETF's shares at a price that approximates the ETF's underlying value: portfolio transparency and the ability for authorized participants to create or redeem ETF shares at the NAV at the end of each trading day.

LEARN MORE

Frequently Asked Questions About ETFs and Retail Investors. Available at www.ici.org/etf_resources.

The transparency of an ETF's holdings enables investors to observe, and attempt to profit from, discrepancies between the ETF's share price and its underlying value during the trading day. ETFs contract with third parties (typically market data vendors) to calculate an estimate of an ETF's IIV, using the portfolio information an ETF publishes daily. IIVs are disseminated at regular intervals during the trading day (typically every 15 to 60 seconds). Some market participants for whom a 15- to 60-second latency is too long will use their own computer programs to estimate the underlying value of the ETF on a more real-time basis.

If the ETF is trading at a discount to its underlying value, investors may buy ETF shares and/or sell the underlying securities. The increased demand for the ETF should raise its share price and the sales of the underlying securities should lower their share prices, narrowing the gap between the ETF and its underlying value. If the ETF is trading at a premium to its underlying value, investors may choose to sell the ETF and/or buy the underlying securities. These actions should reduce the ETF share price and/or raise the price of the underlying securities, bringing the price of the ETF and the market value of its underlying securities closer together.

LEARN MORE

Frequently Asked Questions About the U.S. ETF Market. Available at www.ici.org/etf_resources.

The ability of authorized participants to create or redeem ETF shares at the end of each trading day also helps an ETF trade at market prices that approximate the underlying market value of the portfolio. When a deviation between an ETF's market price and its underlying value occurs, authorized participants may engage in trading strategies similar to those described above, and also may purchase or sell creation units directly with the ETF. For example, when an ETF is trading at a discount, authorized participants may find it profitable to buy the ETF shares and sell short the underlying securities. At the end of the day, authorized participants return ETF shares to the fund in exchange for the ETF's redemption basket of securities which they use to cover their short positions. When an ETF is trading at a premium, authorized participants may find it profitable to sell short the ETF during the day while simultaneously buying the underlying securities. At the end of the day, the authorized participant will deliver the creation basket of securities to the ETF in exchange for ETF shares that they use to cover their short sales. These actions by authorized participants, commonly described as arbitrage opportunities, help keep the market-determined price of an ETF's shares close to its underlying value.

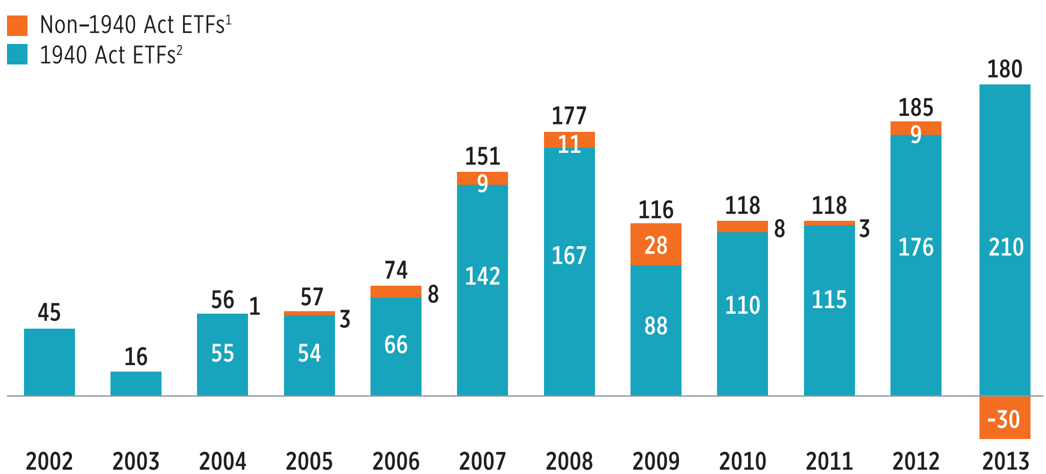
Demand for ETFs

In the past seven years, demand for ETFs has increased as institutional investors have found ETFs a convenient vehicle for participating in, or hedging against, broad movements in the stock market. Increased awareness of these investment vehicles by retail investors and their financial advisers also has influenced demand for ETFs. Assets in ETFs accounted for about 10 percent of total net assets managed by investment companies at year-end 2013. Net issuance of ETF shares in 2013 amounted to $180 billion, just shy of the record $185 billion in issuance in 2012 (Figure 3.4).

FIGURE 3.4

Net Issuance of ETF Shares

Billions of dollars, 2002–2013



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

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

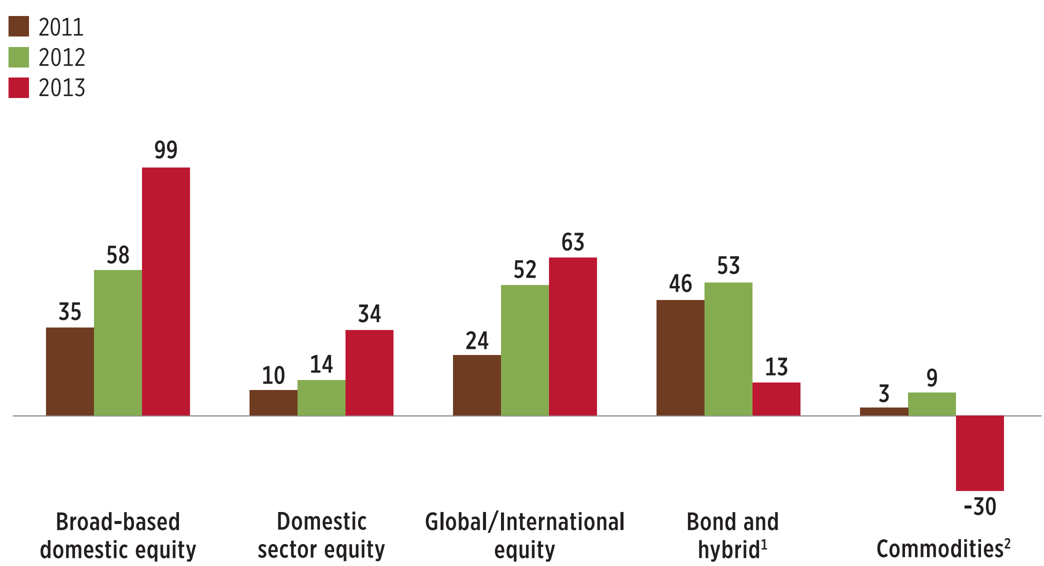
Note: Data for ETFs that invest primarily in other ETFs are excluded from the totals. Components may not add to the total because of rounding.

In 2013, changes in investor demand for specific types of ETFs were likely related to relative performance across the stock, bond, and commodity markets. Considerable gains in major U.S. stock indexes spurred demand for domestic equity ETFs, while rising long-term interest rates in the United States and tumbling commodity prices dampened demand for bond and commodity ETFs (Figure 3.5). Net issuance of broad-based domestic equity ETFs increased to $99 billion in 2013 from $58 billion in 2012 and domestic sector equity ETFs experienced net issuance of $34 billion in 2013, up from $14 billion in 2012. Demand for global and international equity ETFs remained strong in 2013 with $63 billion in net issuance, up from $52 billion in 2012. In contrast, bond and hybrid ETFs saw net issuance of $13 billion in 2013, down from $53 billion in 2012, and commodity ETFs had net redemptions of $30 billion in 2013 compared with net issuance of $9 billion in 2012.

FIGURE 3.5

Net Issuance of ETF Shares by Investment Classification

Billions of dollars, 2011–2013



[1] Bond ETFs represented 93.63 percent of flows in the bond and hybrid category in 2013.

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

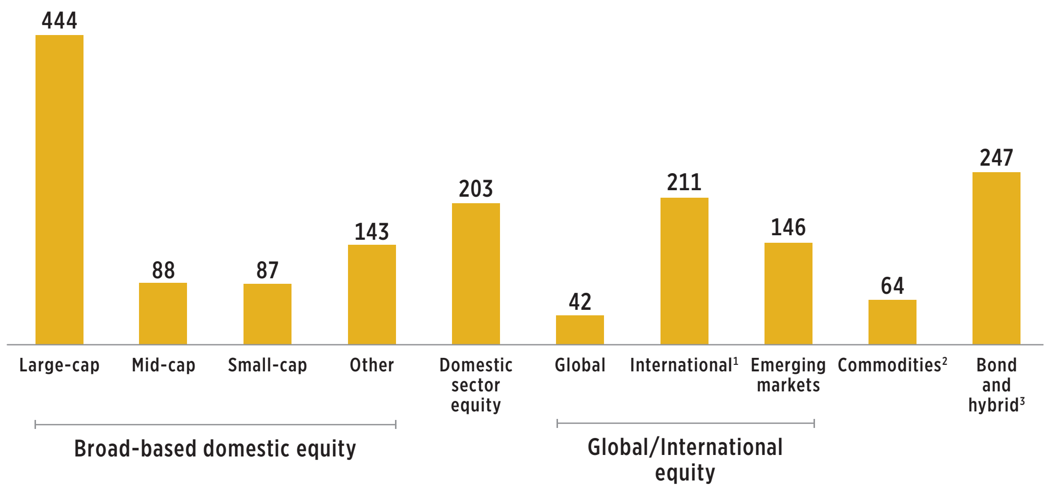
Note: Data for ETFs that invest primarily in other ETFs are excluded from the totals.

ETFs have been available for the past 20 years, and in that time, large-cap domestic equity ETFs have accounted for the largest proportion of all ETF assets—26 percent, or $444 billion, at year-end 2013 (Figure 3.6). Solid performance in international stock markets and strong investor demand over the past five years has propelled global/international equity ETFs to the second-largest category with 24 percent ($399 billion) of all ETF assets. Despite negative performance and slowing demand in 2013, bond and hybrid ETFs accounted for 15 percent ($247 billion) of all ETF assets.

FIGURE 3.6

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

Billions of dollars, year-end 2013



[1] This category includes international, regional, and single country ETFs.

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

[3] Bond ETFs represented 99.41 percent of the assets in the bond and hybrid category in 2013.

Note: Data for ETFs that invest primarily in other ETFs are excluded from the totals.

Increased investor demand for ETFs led to a rapid increase in the number of ETFs created by fund sponsors in the past decade (Figure 3.7). From year-end 2003 to year-end 2013, 1,469 ETFs were created—the peak years came in 2007, with 270 new funds, and 2011, with 226 new funds. In 2013, 143 ETFs were created. Few ETFs had been liquidated until 2008 when market pressures appeared to come into play and sponsors began liquidating ETFs that had failed to gather sufficient assets. Liquidations occurred primarily among ETFs tracking virtually identical indexes, those focusing on specialty or niche indexes, or those using alternative weighting methodologies. In 2012, the number of liquidations jumped to 81 as two sponsors exited the index-based ETF market. In 2013, 46 ETFs were liquidated. On net, there were 97 more ETFs at year-end 2013 compared with year-end 2012, bringing the total number of ETFs to 1,294.

FIGURE 3.7

Number of ETFs

2002–2013

	Created	Liquidated	Total at year-end
2002	14	3	113
2003	10	4	119
2004	35	2	152
2005	52	0	204
2006	156	1	359
2007	270	0	629
2008	149	50	728
2009	120	49	797*
2010	177	51	923
2011	226	15	1,134
2012	141	81	1,194
2013	143	46	1,294*

* The difference between the number of ETFs created and liquidated may not equal the difference between the total number of ETFs at year-end because of conversions. In 2009, two ETFs converted from holding securities directly to investing primarily in other ETFs. In 2013, three ETFs converted from investing primarily in other ETFs to holding securities directly.

Note: ETF data include ETFs not registered under the Investment Company Act of 1940 but exclude ETFs that invest primarily in other ETFs.

As demand for ETFs has grown, ETF sponsors have offered not only a greater number of funds, but a greater variety, including ETFs investing in particular market sectors, industries, or commodities (either directly or through the futures market). At year-end 2013, there were 311 commodity and sector ETFs, with commodity ETFs representing the largest category at 24 percent (Figure 3.8). The second-largest category, natural resource ETFs, which hold securities of publicly traded companies involved in mining or production of natural resources, accounted for 16 percent of the total number of sector and commodity ETFs. Commodity and sector ETFs altogether held $267 billion in assets (Figure 3.9). Although commodity ETFs remained the largest category in this group with 24 percent of net assets at year-end 2013, their share was down substantially from 47 percent at year-end 2012. Net redemptions and declining gold and silver prices were the primary drivers behind the drop in commodity ETF assets in 2013.

ETF sponsors continued building on recent innovations by launching additional actively managed ETFs. During 2013, 19 actively managed ETFs were launched, bringing the total number of actively managed ETFs to 61, with more than $14 billion in total net assets at year-end.

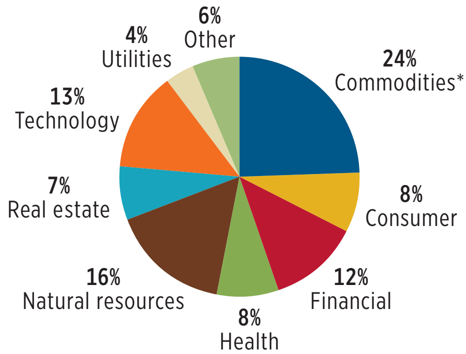
LEARN MORE

Exchange-Traded Funds Resource Center. Available at www.ici.org/etf_resources.

FIGURE 3.8

Number of Commodity and Sector ETFs

Percent, year-end 2013



Total: 311 commodity and sector ETFs

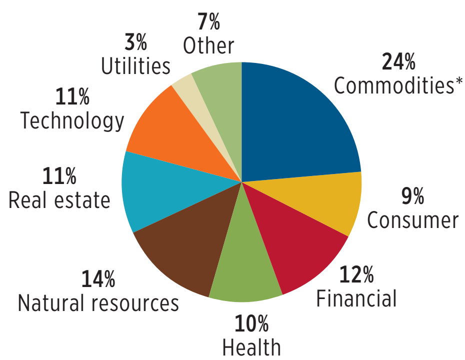
* This category includes funds—both registered and not registered under the Investment Company Act of 1940—that invest primarily in commodities, currencies, and futures.

Note: Data for ETFs that invest primarily in other ETFs are excluded from the totals. Components do not add to 100 percent because of rounding.

FIGURE 3.9

Total Net Assets of Commodity and Sector ETFs

Percent, year-end 2013



Total: $267 billion

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

Note: Data for ETFs that invest primarily in other ETFs are excluded from the totals. Components do not add to 100 percent because of rounding.

Characteristics of ETF-Owning Households

An estimated 5.7 million, or 5 percent of, U.S. households held ETFs in 2013. Of households that owned mutual funds, an estimated 10 percent also owned ETFs. ETF-owning households tended to include affluent, experienced investors who owned a range of equity and fixed-income investments. In 2013, 97 percent of ETF-owning households also owned stocks, either directly or through equity mutual funds or variable annuities (Figure 3.10). Seventy-two percent of households that owned ETFs also held bond mutual funds, bonds, or fixed annuities. In addition, 48 percent of ETF-owning households owned investment real estate.

LEARN MORE

"Nine Questions Every ETF Investor Should Ask Before Investing." Available at www.understandETFs.org.

FIGURE 3.10

ETF-Owning Households Held a Broad Range of Investments

Percentage of ETF-owning households holding each type of investment, May 2013

Equity mutual funds, individual equities, or variable annuities (total)	**97**
Bond mutual funds, individual bonds, or fixed annuities (total)	**72**
Mutual funds (total)	**96**
Equity mutual funds	92
Bond mutual funds	60
Hybrid mutual funds	35
Money market funds	65
Individual equities	**74**
Individual bonds	**21**
Fixed or variable annuities	**33**
Investment real estate	**48**

Note: Multiple responses are included.

Some characteristics of retail ETF owners are similar to those of households that own mutual funds and those that own stocks directly. For instance, households that owned ETFs—like households owning mutual funds and those owning individual equities—tended to have household incomes above the national median and to own at least one defined contribution (DC) retirement plan account (Figure 3.11). However, ETF-owning households also exhibit some characteristics that distinguish them from other households. For example, ETF-owning households tended to have higher incomes, greater household financial assets, and were more likely to own an individual retirement account (IRA) than households that own mutual funds and those that own individual equities.

FIGURE 3.11

Characteristics of ETF-Owning Households

May 2013

	All U.S. households	Households owning ETFs	Households owning mutual funds	Households owning individual equities
Median				
Age of head of household[1]	51	49	52	52
Household income[2]	$50,000	$96,800	$80,000	$90,000
Household financial assets[3]	$75,000	$450,000	$200,000	$300,000
Percentage of households				
Household primary or co-decisionmaker for saving and investing				
Married or living with a partner	63	80	76	75
Widowed	11	6	7	8
Four-year college degree or more	33	60	47	52
Employed (full- or part-time)	57	71	69	67
Retired from lifetime occupation	30	32	28	32
Household owns				
IRA(s)	38	78	63	65
DC retirement plan account(s)	53	77	85	76

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

[2] Total reported is household income before taxes in 2012.

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

ETF-owning households also exhibit more willingness to take investment risk (Figure 3.12). Forty-five percent of ETF-owning households are willing to take substantial or above-average investment risk for substantial or above-average gain compared with 21 percent of all U.S. households and 30 percent of mutual fund–owning households. This result may be explained by the predominance of equity ETFs, which make up 81 percent of ETF total net assets. Investors who are more willing to take investment risk may be more likely to invest in equities.

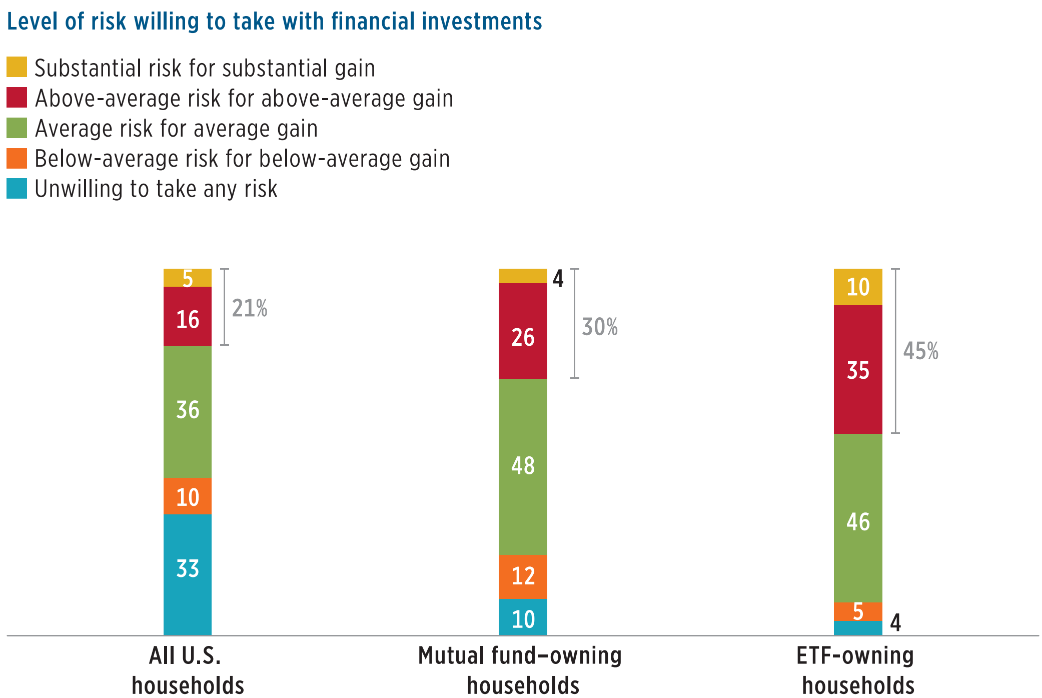
LEARN MORE

For analysis on exchange-traded funds, visit www.ici.org/viewpoints/etfs.

FIGURE 3.12

ETF-Owning Households Are Willing to Take More Investment Risk

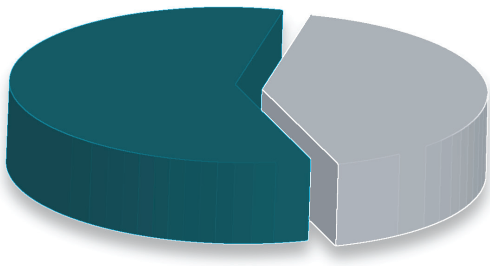
Percentage of all U.S. households, mutual fund–owning households, and ETF-owning households, May 2013



More than half of closed-end fund total assets were in bond funds at year-end 2013

59 percent

in bond closed-end funds



CHAPTER FOUR

Closed-End Funds

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

This chapter describes recent closed-end fund developments in the United States and provides a profile of the U.S. households that own them.

What Is a Closed-End Fund?

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

LEARN MORE

Closed-End Fund Resource Center. Available at www.ici.org/cef.

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

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

Total Assets of Closed-End Funds

At year-end 2013, 599 closed-end funds had total assets of $279 billion (Figure 4.1). The number of closed-end funds available to investors remains below its peak of 663 at the end of 2007 due to the effects of mergers, liquidations, and conversions. Although total assets at year-end 2013 were up nearly 6 percent ($15 billion) from year-end 2012, they have not fully recovered to the 2007 peak of $312 billion. Three factors have limited the growth in both the assets and the number of closed-end funds in recent years. First, several closed-end funds have repurchased shares through tender offers over the past few years, reducing the number of outstanding shares and the size of assets under management. Second, a few closed-end funds have liquidated each year and others have converted into open-end mutual funds or ETFs. Third, closed-end fund preferred share assets have declined since the financial crisis of 2008.

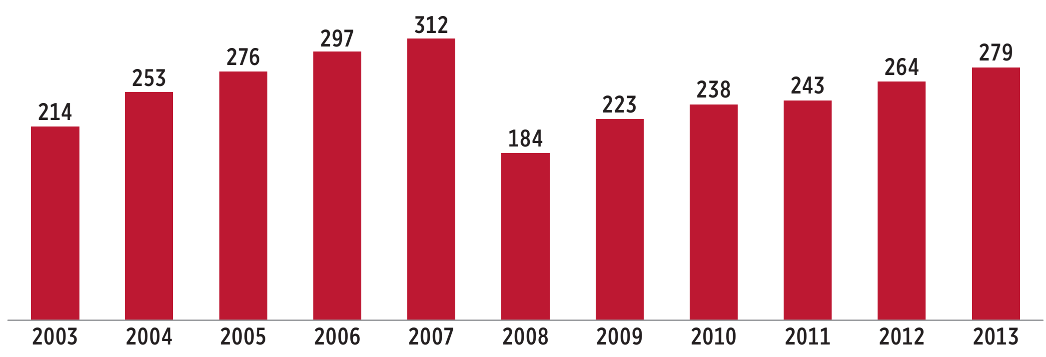
LEARN MORE

"The Closed-End Fund Market, 2013." Available at www.ici.org/pdf/per20-01.pdf.

FIGURE 4.1

Total Assets of Closed-End Funds Increased to $279 Billion at Year-End 2013

Billions of dollars; year-end, 2003–2013



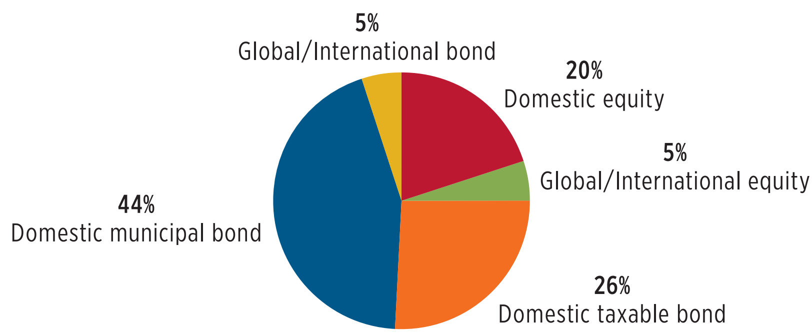
Number of funds										
583	619	635	646	663	642	627	624	632	602	599

Historically, bond funds have accounted for a large share of assets in closed-end funds. A decade ago, 75 percent of all closed-end fund assets were held in bond funds, and the remaining 25 percent were held in equity funds (Figure 4.2). At year-end 2013, assets in bond closed-end funds were $165 billion, or 59 percent of closed-end fund assets. Equity closed-end fund assets totaled $114 billion, or 41 percent of closed-end fund assets. These relative shares have shifted, in part because cumulative net issuance of equity closed-end fund shares has exceeded that of bond fund shares over the past seven years. In addition, total returns on U.S. stocks* averaged 8.1 percent annually from year-end 2003 to year-end 2013, while total returns on bonds† averaged 4.7 percent annually.

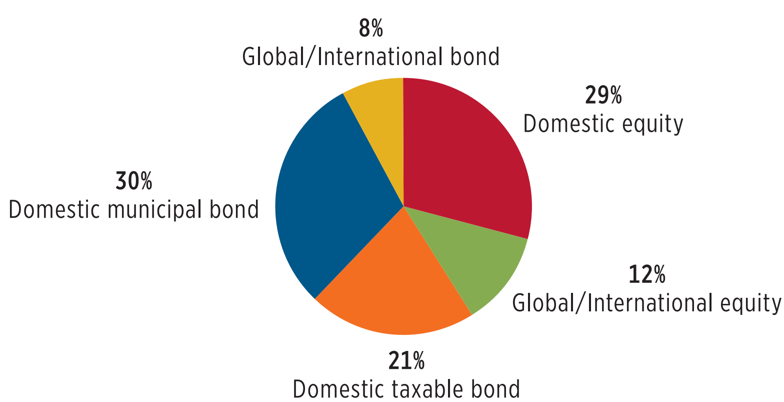
FIGURE 4.2

Equity Funds' Growing Share of the Closed-End Fund Market

Percentage of closed-end fund total assets, year-end 2003 and 2013



2003 total assets: $214 billion



2013 total assets: $279 billion

* Measured by the Wilshire 5000 Total Market Index.

† Measured by the Citigroup Broad Investment Grade Bond Index.

Net Issuance of Closed-End Funds

In the past four years, net issuance of closed-end funds has been bolstered by increased investor demand for new shares and a slowdown in redemptions of preferred shares. Net issuance of closed-end fund shares was $10.1 billion for 2013, about the same as in the previous year, but substantially more than in 2010 and 2011 (Figure 4.3).

FIGURE 4.3

Closed-End Fund Net Share Issuance[1]

Millions of dollars, 2007–2013[2]

		Equity			Bond			
	Total	Total	Domestic	Global/ International	Total	Domestic taxable	Domestic municipal	Global/ International
2007	$28,369	$24,608	$4,949	$19,659	$3,761	$1,966	-$880	$2,675
2008	-22,298	-8,739	-7,052	-1,687	-13,560	-6,770	-6,089	-700
2009	-2,759	-2,020	-1,866	-154	-739	-788	-238	287
2010	5,520	2,054	1,995	59	3,466	1,990	1,119	357
2011	6,018	4,466	3,206	1,260	1,551	724	825	2
2012	10,492	2,936	2,840	96	7,556	3,249	2,226	2,081
2013	10,107	3,355	3,898	-543	6,752	3,933	-159	2,978

[1] Dollar value of gross issuance (proceeds from initial and additional public offerings of shares) minus gross redemptions of shares (share repurchases and fund liquidations). A positive number indicates that gross issuance exceeded gross redemptions. A negative number indicates that gross redemptions exceeded gross issuance.

[2] Data are not available for years prior to 2007.

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

Net issuance of bond closed-end funds, most of which occurred in the first half of the year, accounted for two-thirds ($6.8 billion) of total net issuance in 2013. Bond closed-end fund net issuance fell off in the second half of the year as investors started pulling back from fixed-income securities. Bond prices fell and long-term interest rates rose, as market participants anticipated that the Federal Reserve was contemplating tapering back its large-scale monthly bond buying program. Domestic taxable bond funds were popular, with $3.9 billion in net issuance, followed by global/international bond funds with $3.0 billion. Domestic municipal bond funds had net redemptions of $159 million.

Net issuance of closed-end equity funds amounted to $3.4 billion in 2013, up from $2.9 billion in the previous year. As in the previous four years, net issuance of domestic equity closed-end funds accounted for the bulk of the equity fund net issuance.

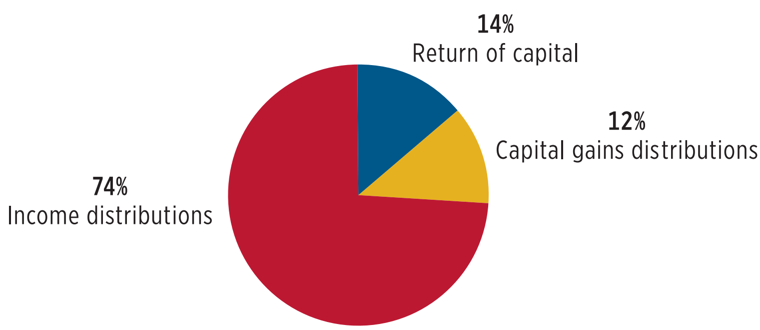
Closed-End Fund Distributions

In 2013, closed-end funds distributed $16.3 billion to shareholders (Figure 4.4). Closed-end funds may make distributions to shareholders from three possible sources: income from interest and dividends, realized capital gains, and return of capital. Income from interest and dividends made up 74 percent of closed-end fund distributions, with the majority of income distributions paid by bond closed-end funds. Return of capital comprised 14 percent of closed-end fund distributions, and capital gains distributions accounted for 12 percent.

FIGURE 4.4

Closed-End Fund Distributions

Percentage of closed-end fund distributions, 2013



Total closed-end fund distributions: $16.3 billion

Note: Income distributions include payments from interest and dividends.

Closed-End Fund Leverage

Closed-end funds have the ability, subject to strict regulatory limits, to use leverage as part of their investment strategy. The use of leverage by a closed-end fund can allow it to achieve higher long-term returns, but also increases risk and the likelihood of share price volatility. Closed-end fund leverage can be classified as either structural leverage or portfolio leverage. At year-end 2013, at least 391 funds, accounting for 65 percent of closed-end funds, were using structural leverage, certain types of portfolio leverage (tender option bonds or reverse repurchase agreements), or both as a part of their investment strategy (Figure 4.5).

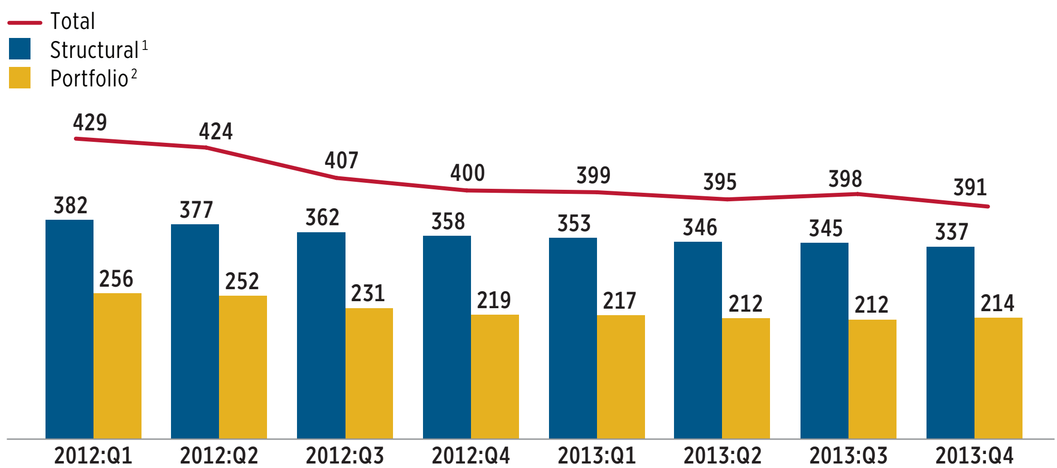
LEARN MORE

Frequently Asked Questions About Closed-End Funds and Their Use of Leverage. Available at www.ici.org/cef.

FIGURE 4.5

Closed-End Funds Employing Structural and Certain Types of Portfolio Leverage

Number of funds; quarterly, 2012–2013



[1] Structural leverage affects the closed-end fund's capital structure by increasing the fund's portfolio assets through borrowing and issuing debt and preferred stock.

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

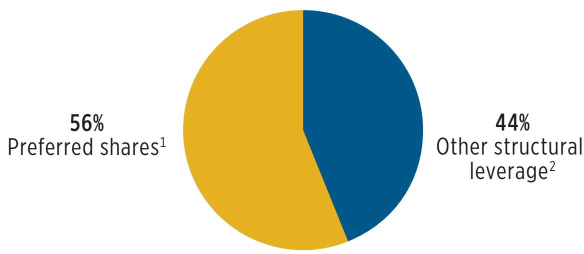
Note: Components do not add to the total because funds may employ both structural and portfolio leverage.

Structural leverage, the most common type of leverage, affects the closed-end fund's capital structure by increasing the fund's portfolio assets. Types of closed-end fund structural leverage include borrowing and issuing debt and preferred shares. At the end of 2013, 337 funds had a total of $48.6 billion in structural leverage, with a little more than half (56 percent) of those assets from preferred shares (Figure 4.6). Forty-four percent of closed-end fund structural leverage was other structural leverage. The average leverage ratio* across those closed-end funds employing structural leverage was 27.2 percent at year-end 2013. Among bond funds employing structural leverage, the average leverage ratio was somewhat higher (29.3 percent) than that of equity funds (19.8 percent) employing structural leverage.

FIGURE 4.6

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

Percentage of closed-end fund structural leverage, year-end 2013



Total closed-end fund structural leverage: $48.6 billion

[1] A closed-end fund may issue preferred shares to raise additional capital, which can be used to purchase more securities for its portfolio. Preferred stock differs from common stock in that preferred shareholders are paid income and capital gains distributions, but do not share in the gains and losses in the value of the fund's shares.

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

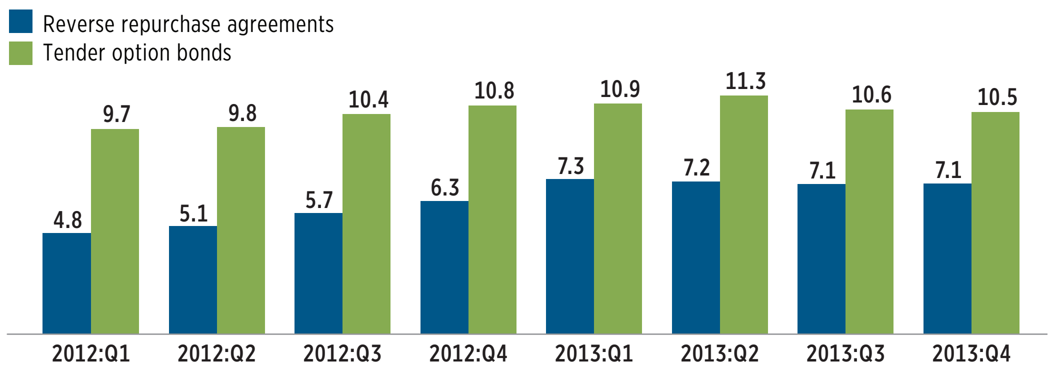
* The *leverage ratio* is the ratio of the amount of preferred shares and other structural leverage to the sum of the amount of common assets, preferred shares, and other structural leverage.

Portfolio leverage is leverage that results from particular portfolio investments, such as certain types of derivatives, reverse repurchase agreements, and tender option bonds. At the end of 2013, 214 closed-end funds had $17.6 billion outstanding in reverse repurchase agreements and tender option bonds (Figure 4.7).

FIGURE 4.7

Use of Portfolio Leverage

Billions of dollars; quarterly, 2012–2013



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

Characteristics of Households Owning Closed-End Funds

An estimated 3.8 million U.S. households owned closed-end funds in 2013. These households tended to include affluent, experienced investors who owned a range of equity and fixed-income investments. In 2013, 96 percent of households owning closed-end funds also owned equities, either directly or through equity mutual funds or variable annuities (Figure 4.8).

FIGURE 4.8

Closed-End Fund Investors Owned a Broad Range of Investments

Percentage of closed-end fund–owning households holding each type of investment, May 2013

Equity mutual funds, individual equities, or variable annuities (total)	**96**
Bond mutual funds, individual bonds, or fixed annuities (total)	**68**
Mutual funds (total)	**91**
Equity mutual funds	88
Bond mutual funds	50
Hybrid mutual funds	40
Money market funds	60
Individual equities	**77**
Individual bonds	**23**
Fixed or variable annuities	**43**
Investment real estate	**43**

Note: Multiple responses are included.

LEARN MORE

A Guide to Closed-End Funds. Available at www.ici.org/cef.

Sixty-eight percent of households that owned closed-end funds also held bonds, bond mutual funds, or fixed annuities. In addition, 43 percent of these households owned investment real estate. Because a large number of households that owned closed-end funds also owned equities and mutual funds, the characteristics of closed-end fund owners were similar in many respects to those of equity and mutual fund owners. For instance, households that owned closed-end funds (like equity- and mutual fund–owning households) tended to be headed by college-educated individuals and had household incomes above the national median (Figure 4.9).

Nonetheless, households that owned closed-end funds exhibited certain characteristics distinguishing them from equity- and mutual fund–owning households. For example, households owning closed-end funds tended to be slightly older (median age 54) than households owning either individual equities or mutual funds (both with a median age of 52) (Figure 4.9). Households with closed-end funds tended to have significantly greater household financial assets than either equity or mutual fund investors. Nearly 40 percent of closed-end fund–owning households were retired from their lifetime occupations, making them more likely to be retired than households owning either individual equities or mutual funds.

FIGURE 4.9

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

May 2013

	All U.S. households	Households owning closed-end funds	Households owning mutual funds	Households owning individual equities
Median				
Age of head of household[1]	51	54	52	52
Household income[2]	$50,000	$94,000	$80,000	$90,000
Household financial assets[3]	$75,000	$500,000	$200,000	$300,000
Percentage of households				
Household primary or co-decisionmaker for saving and investing				
Married or living with a partner	63	77	76	75
Widowed	11	8	7	8
Four-year college degree or more	33	50	47	52
Employed (full- or part-time)	57	67	69	67
Retired from lifetime occupation	30	38	28	32
Household owns				
IRA(s)	38	80	63	65
DC retirement plan account(s)	53	76	85	76

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

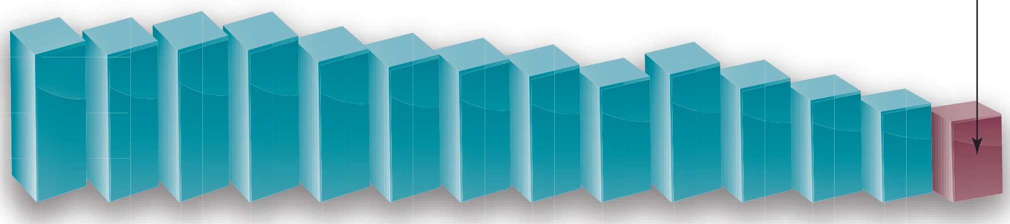
[2] Total reported is household income before taxes in 2012.

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

Expenses paid by equity fund investors have dropped 25 percent since year-end 2000

74 basis points

in average expenses paid on equity funds in 2013



CHAPTER FIVE

Mutual Fund Expenses and Fees

Mutual funds provide investors with many investment-related services, and for those services investors incur two primary types of expenses and fees: ongoing expenses and sales loads. Average expenses paid by mutual fund investors have fallen substantially. For example, on an asset-weighted basis, average expense ratios for equity funds fell from 99 basis points in 2000 to 74 basis points in 2013, a 25 percent decline.

Mutual fund investors, like investors in all financial products, pay for services they receive. This chapter provides an overview of mutual fund expenses and fees.

Trends in Mutual Fund Expenses

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

On an asset-weighted basis, average expense ratios* incurred by mutual fund investors have fallen substantially (Figure 5.1). In 2000, equity fund investors incurred expense ratios of 99 basis points, on average, or 99 cents for every $100 invested.† By 2013, that average had fallen to 74 basis points, a decline of 25 percent. Hybrid and bond fund ratios also have declined. The average hybrid fund expense ratio fell from 89 basis points in 2000 to 80 basis points in 2013, a reduction of 10 percent. In addition, the average bond fund expense ratio fell from 76 basis points in 2000 to 61 basis points in 2013, a decline of nearly 20 percent.

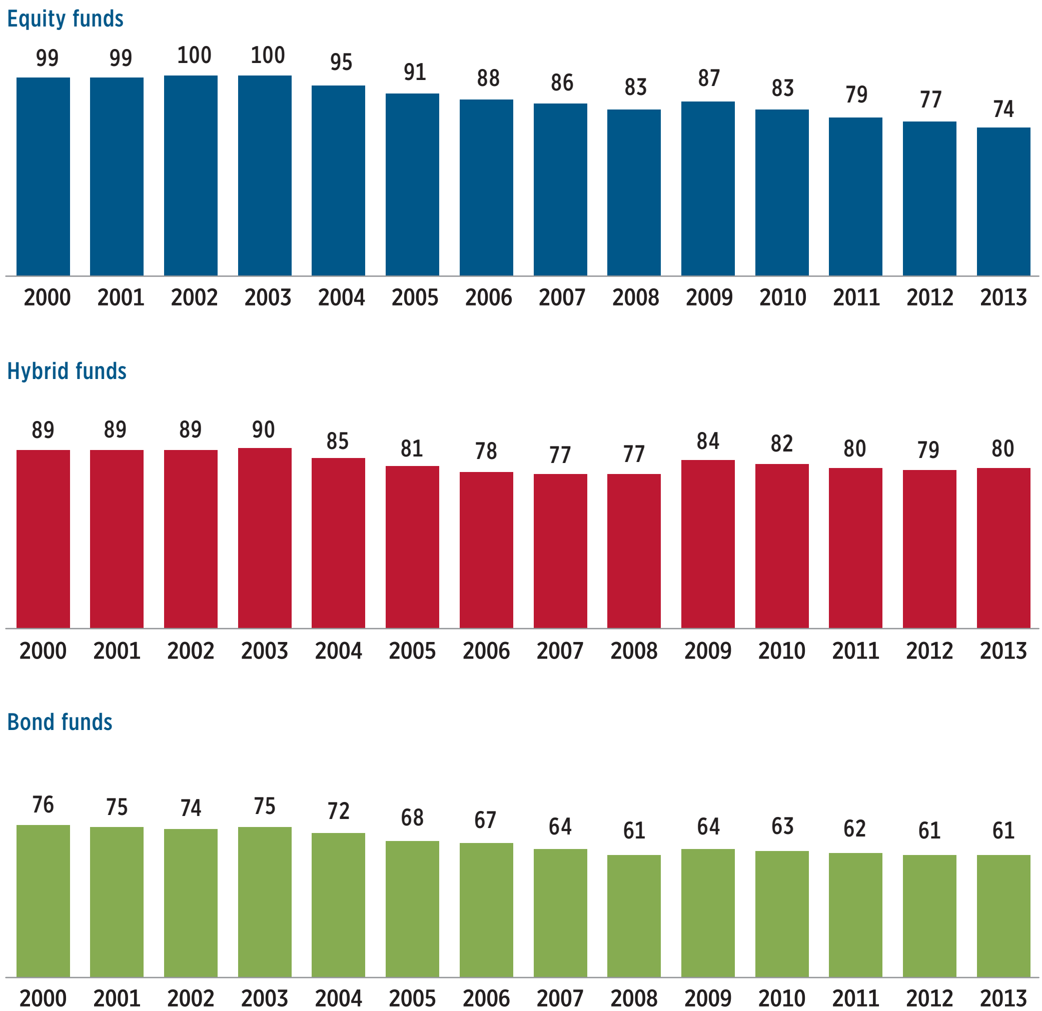
* In this chapter, unless otherwise noted, average expenses are calculated on an asset-weighted basis.

† Basis points simplify percentages written in decimal form. A basis point equals one-hundredth of 1 percent (0.01 percent), so 100 basis points equals 1 percentage point. When applied to $1.00, 1 basis point equals $0.0001; 100 basis points equals one cent ($0.01).

FIGURE 5.1

Expenses Incurred by Mutual Fund Investors Have Declined Substantially Since 2000

Basis points, 2000–2013



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

Sources: Investment Company Institute and Lipper

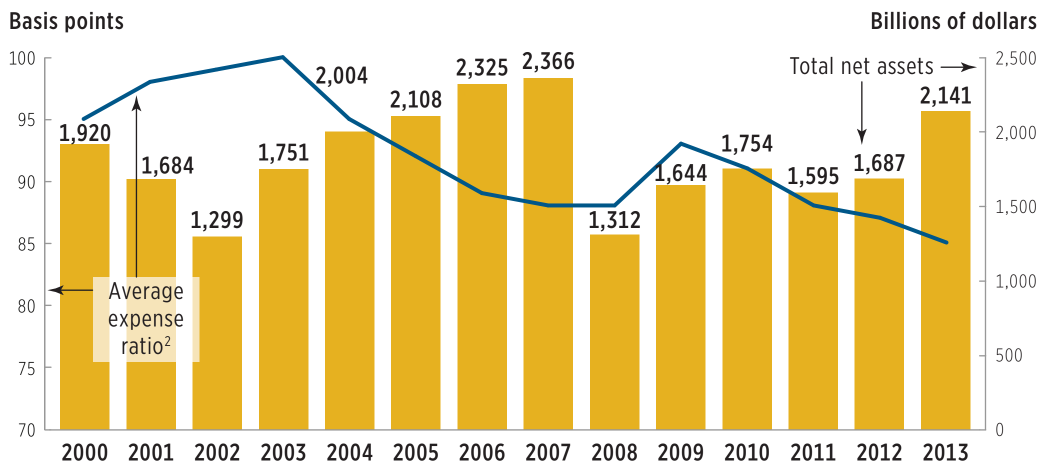
Understanding the Decline in Fund Expense Ratios

Several factors account for the steep drop in expense ratios. First, expense ratios often vary inversely with fund assets. Some fund costs included in expense ratios—such as transfer agency fees, accounting and audit fees, and directors' fees—are more or less fixed in dollar terms regardless of fund size. That means that when a fund's assets rise, these relatively fixed costs make up a smaller proportion of the fund's assets. But when a fund's assets fall, these fixed costs make up a greater proportion of a fund's assets. Thus, if the assets of a fixed sample of funds rise over time, the sample's average expense ratio tends to fall (Figure 5.2).

FIGURE 5.2

Mutual Fund Expense Ratios Tend to Fall as Fund Total Net Assets Rise

Share classes of domestic equity mutual funds continuously in existence since 2000[1]



[1] Calculations are based on a fixed sample of share classes. Data exclude mutual funds available as investment choices in variable annuities and mutual funds that invest primarily in other mutual funds.

[2] Expense ratios are measured as asset-weighted averages.

Sources: Investment Company Institute and Lipper

Another factor in the decline of the average expenses of long-term funds is the shift toward no-load share classes,* particularly institutional no-load share classes, which tend to have below-average expense ratios. In part, this is because of a change in how investors pay for services from brokers and other financial professionals (see Mutual Fund Load Fees on page 96).

Mutual fund expenses also have fallen because of economies of scale and competition. Investor demand for mutual fund services has increased dramatically in recent years. From 1990 to 2013, the number of households owning mutual funds more than doubled—from 23.4 million to 56.7 million. Over the same period, the number of shareholder accounts more than quadrupled—from 61.9 million to 264.8 million. Such sharp increases in demand would, by themselves, tend to boost fund expense ratios. Any such tendency, however, was mitigated by downward pressure on expense ratios—from competition among existing fund sponsors, new fund sponsors entering the industry, competition from products like exchange-traded funds (ETFs) (see chapter 3), and economies of scale resulting from the growth in fund assets.

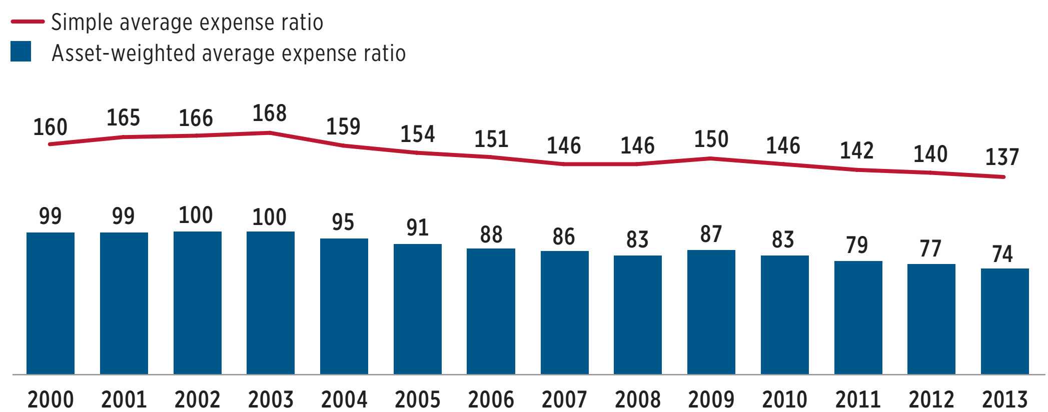
LEARN MORE

"Trends in the Expenses and Fees of Mutual Funds, 2012," *ICI Research Perspective.* Available at www.ici.org/pdf/per19-03.pdf.

FIGURE 5.3

Fund Shareholders Paid Below-Average Expenses for Equity Funds

Basis points, 2000–2013



Note: Data exclude mutual funds available as investment choices in variable annuities and mutual funds that invest primarily in other mutual funds.

Sources: Investment Company Institute and Lipper

* See page 95 for a description of no-load share classes.

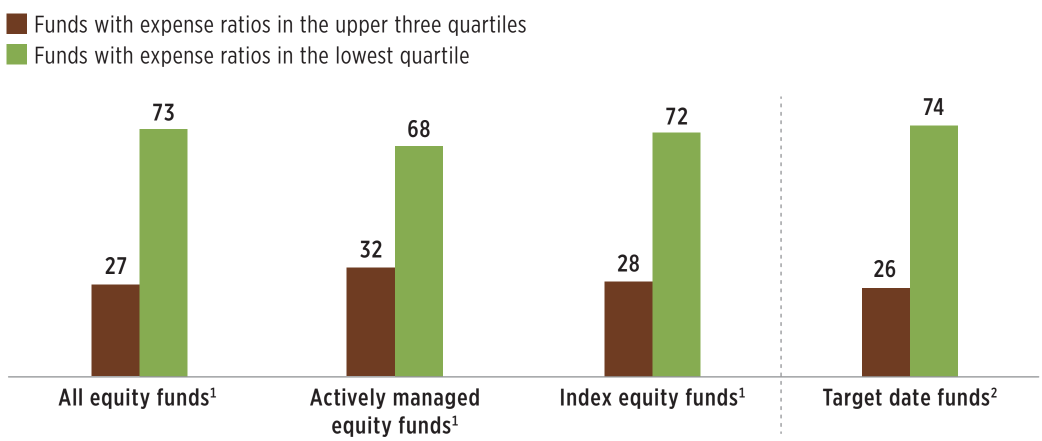
Finally, shareholders tend to invest in funds with below-average expense ratios (Figure 5.3). The simple average expense ratio of equity funds (the average for all equity funds offered for sale) was 137 basis points in 2013. The asset-weighted average expense ratio for equity funds (the average shareholders actually paid) was far lower—just 74 basis points.

Another way to illustrate this tendency is to examine how investors allocate their assets across funds. At year-end 2013, equity funds with expense ratios in the lowest quartile held 73 percent of equity funds' total net assets, while those with expense ratios in the upper three quartiles held only 27 percent (Figure 5.4). This pattern holds for actively managed equity funds, index equity funds, and target date funds (funds that adjust their portfolios, typically more toward fixed income, as the fund approaches and passes its "target date"). Index equity funds with expense ratios in the lowest quartile held 72 percent of index equity fund assets at year-end 2013. Similarly, target date funds with expense ratios in the lowest quartile held 74 percent of target date fund assets.

FIGURE 5.4

Assets Are Concentrated in Lower-Cost Funds

Percentage of total net assets, 2013



[1] Data exclude mutual funds available as investment choices in variable annuities and mutual funds that invest primarily in other mutual funds.

[2] Data include the full universe of target date funds, 97 percent of which invest primarily in other mutual funds.

Sources: Investment Company Institute and Lipper

Index Mutual Fund Expenses

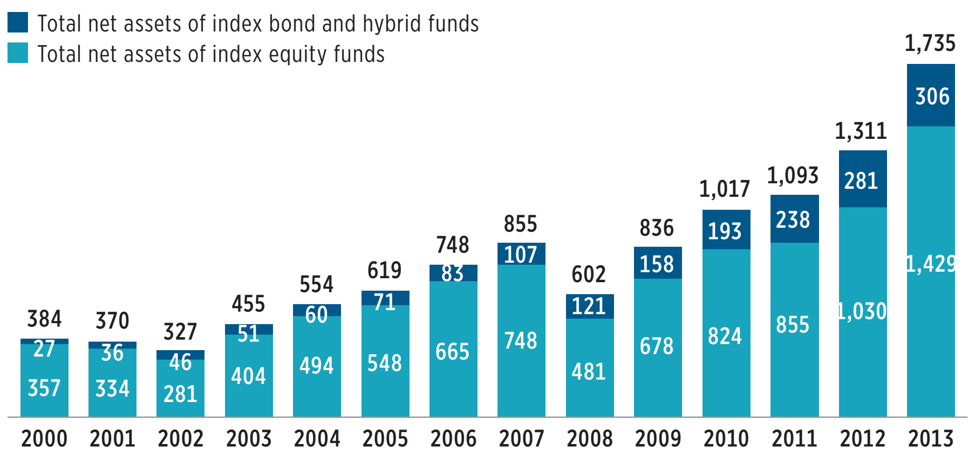
Growth in index mutual funds has contributed to the decline in equity and bond fund expense ratios.* Index fund assets have grown substantially in recent years—indeed, more than quadrupled—from $384 billion in 2000 to $1.7 trillion in 2013 (Figure 5.5). Investor demand for index bond and hybrid funds has grown in the past few years, but 82 percent of index fund assets are invested in index equity funds.

Index funds tend to have lower-than-average expense ratios for several reasons. The first is their approach to portfolio management. An index fund generally seeks to mimic the returns on a given index. Under this approach, often referred to as passive management, portfolio managers buy and hold all, or a representative sample of, the securities in their target indexes.

FIGURE 5.5

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

Billions of dollars, 2000–2013



Number of index funds

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
271	286	313	321	328	322	342	354	359	357	365	382	372	372

Note: Data exclude mutual funds that invest primarily in other mutual funds.

* Unless otherwise noted, the discussion and figures in this section exclude exchange-traded funds (ETFs), which are examined separately in chapter 3.

By contrast, under an active management approach, managers have more discretion to increase or reduce their exposure to the sectors or securities in their investment mandates. This approach offers investors the chance to enjoy superior returns. However, it also entails more-intensive analysis of securities or sectors, which can be costly.

A second reason index funds tend to have below-average expense ratios is their investment focus. Historically, the assets of index equity funds have been concentrated most heavily in "large-cap blend" funds that target U.S. large-cap indexes, notably the S&P 500. Assets of actively managed funds, on the other hand, have been more spread across stocks of varying levels of market-cap, international regions, or specialized business sectors. Managing portfolios of mid- or small-cap, international, or sector stocks is generally acknowledged to be more expensive than managing portfolios of U.S. large-cap stocks.

Third, index funds are larger on average than actively managed funds, which helps reduce fund expense ratios through economies of scale. In 2013, the average index equity fund had more than $4.4 billion in assets, nearly triple the $1.5 billion for the average actively managed equity fund.

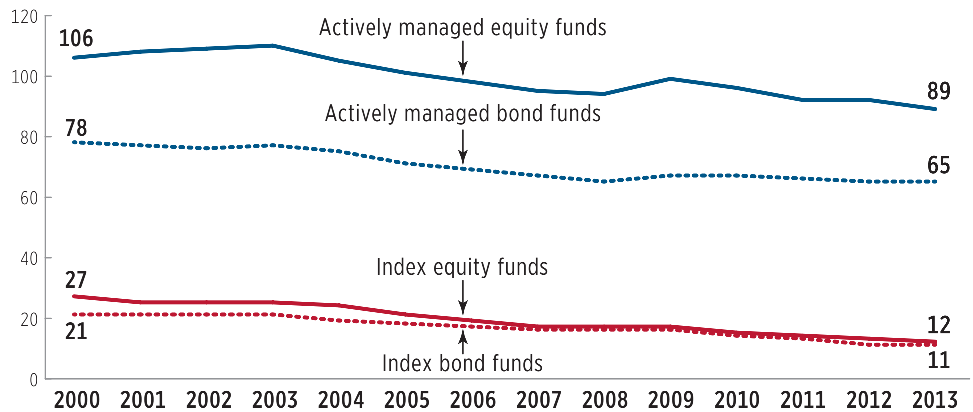
Finally, index fund investors who hire financial professionals might pay for that service out of pocket, rather than through the fund's expense ratio. Actively managed funds more commonly bundle those costs in the fund's expense ratio.

These reasons, among others, help explain why index funds generally have lower expense ratios than actively managed funds (Figure 5.6). Note, however, that both index and actively managed funds have contributed to the decline in mutual funds' overall average expense ratios shown in Figure 5.1. The average expense ratios incurred by investors in both index and actively managed funds have fallen—and by roughly the same amount. Indeed, from 2000 to 2013 the average expense ratio of index equity funds fell 15 basis points, similar to the decline of 17 basis points in the expenses of actively managed equity funds (Figure 5.6). Over the same period, the average expense ratio of index bond funds and actively managed bond funds fell 10 basis points and 13 basis points, respectively.

FIGURE 5.6

Expense Ratios of Actively Managed and Index Funds

Basis points, 2000–2013



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

Sources: Investment Company Institute and Lipper

In part, the downward trend in the average expense ratios of both index and actively managed funds reflects investors' tendency to buy lower-cost funds. Investor demand for index funds is disproportionately concentrated in the very lowest-cost funds. In 2013, for example, 66 percent of index equity fund assets were held in funds with expense ratios that were among the lowest 10 percent of all index equity funds. This phenomenon is not unique to index funds, however. The proportion of assets in the lowest-cost actively managed funds is also high.

Understanding Differences in the Expense Ratios of Mutual Funds

Like the prices of most goods and services, the expenses of individual mutual funds differ considerably across the array of available products. The expense ratios of individual funds depend on many factors, including investment objective, fund assets, balances in shareholder accounts, and payments to intermediaries.

Fund Investment Objective

Fund expenses vary by investment objective (Figure 5.7). For example, bond and money market funds tend to have lower expense ratios than equity funds. Among equity funds, expense ratios tend to be higher for funds that specialize in sectors—such as healthcare or real estate—or those that invest in international stocks, because such funds tend to cost more to manage.

FIGURE 5.7

Expense Ratios for Selected Investment Objectives

Basis points, 2013

Investment objective	10th percentile	Median	90th percentile	Asset-weighted average	Simple average
Equity funds[1]	**74**	**129**	**213**	**74**	**137**
Growth	77	125	204	85	132
Sector	80	137	221	83	144
Alternative strategies	125	177	276	135	188
Value	75	121	200	83	129
Blend	47	111	194	50	116
World	90	142	225	90	151
Hybrid funds[1]	**64**	**116**	**198**	**80**	**125**
Bond funds[1]	**49**	**88**	**167**	**61**	**100**
Taxable	48	90	173	62	102
Municipal	50	80	157	57	95
Money market funds[1]	**10**	**16**	**27**	**17**	**17**
Target date funds[2]	**50**	**101**	**167**	**58**	**104**

[1] Data exclude mutual funds available as investment choices in variable annuities and mutual funds that invest primarily in other mutual funds.

[2] Data include the full universe of target date funds, 97 percent of which invest primarily in other mutual funds.

Note: Data include index mutual funds but exclude exchange-traded funds.

Sources: Investment Company Institute and Lipper

Even within a particular investment objective, fund expense ratios can vary considerably. For example, 10 percent of equity funds that focus on growth stocks have expense ratios of 77 basis points or less, while another 10 percent have expense ratios of 204 basis points or more. This variation reflects, among other things, the fact that some growth funds focus more on small- or mid-cap stocks and others focus more on large-cap stocks. This is important because portfolios of small- and mid-cap stocks tend to cost more to manage.

LEARN MORE

"The Economics of Providing 401(k) Plans: Services, Fees, and Expenses, 2012," *ICI Research Perspective.* Available at www.ici.org/pdf/per19-04.pdf.

Fund Size and Fund Average Account Size

Fund size and fund average account size also help explain differences in fund expense ratios. These two factors vary widely across the industry. In 2013, the median long-term mutual fund had assets of $310 million (Figure 5.8). Twenty-five percent of all long-term funds had assets of $77 million or less, while another 25 percent had about $1.2 billion or more. Average account balances show similar variation. In 2013, 50 percent of long-term funds had average account balances of $73,660 or less, 25 percent had average account balances of $27,815 or less, and 25 percent had average account balances of $256,082 or more.

FIGURE 5.8

Fund Sizes and Average Account Balances Varied Widely in 2013

Equity, hybrid, and bond funds,[1] 2013

	Fund assets *Millions of dollars*	**Average account balance[2]** *Dollars*
10th percentile	$21	$14,794
25th percentile	77	27,815
Median	310	73,660
75th percentile	1,194	256,082
90th percentile	3,584	1,790,944

[1] Data exclude mutual funds available as investment choices in variable annuities and mutual funds that invest primarily in other mutual funds.

[2] The average account balance is calculated at the fund level as total fund assets divided by the total number of shareholder accounts, which include a mix of individual and omnibus accounts.

Larger mutual funds tend to have below-average expense ratios because of economies of scale. Funds with higher average account balances also tend to have lower expense ratios than other funds. This reflects the fact that each account, regardless of its size, requires some of the same basic services (such as mailing account statements to account holders). Funds that cater primarily to institutional investors—who typically invest large amounts of money—tend to have higher average account balances. Funds that primarily serve retail investors typically have lower average account balances.

Mutual Fund Fee Structures

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

12b-1 Fees

Since 1980, when the U.S. Securities and Exchange Commission adopted Rule 12b-1 under the Investment Company Act of 1940, funds and their shareholders have had the flexibility to compensate financial professionals and other financial intermediaries through asset-based fees. These distribution fees, known as 12b-1 fees, enable investors to pay indirectly for some or all of the services they receive from financial professionals (such as their broker) and other financial intermediaries (such as retirement plan recordkeepers and discount brokerage firms). 12b-1 fees also can be used to pay for a fund's advertising and marketing, but these uses are minimal in practice.

Load Share Classes

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

Front-end load shares, which are predominantly Class A shares, were the traditional way investors compensated financial professionals for assistance. These shares generally charge a sales load—a percentage of the sales price or offering price—at the time of purchase. They also generally have a 12b-1 fee, often 0.25 percent (25 basis points). Front-end load shares are sometimes used in employer-sponsored retirement plans, but fund sponsors typically waive the sales load for purchases made through such retirement plans. Additionally, front-end load fees often decline as the size of an investor's initial purchase rises (called *breakpoint discounts*), and many fund providers offer discounted load fees when an investor has total balances exceeding a given amount in that provider's funds (called *rights of accumulation*).

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

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

No-Load Share Classes

No-load share classes have no front-end load or CDSL, and have a 12b-1 fee of 0.25 percent (25 basis points) or less. Originally, no-load share classes were sold directly by mutual fund sponsors to investors. Now, investors can purchase no-load funds through employer-sponsored retirement plans, mutual fund supermarkets, discount brokerage firms, and bank trust departments, as well as directly from mutual fund sponsors. Some financial professionals who charge investors separately for their services, rather than through a load or 12b-1 fee, use no-load share classes.

Mutual Fund Load Fees

Many mutual fund investors engage an investment professional, such as a broker, an investment adviser, or a financial planner. Among households owning mutual fund shares outside employer-sponsored retirement plans, 81 percent own fund shares through investment professionals. These professionals can provide many benefits to investors, such as helping them identify financial goals, analyzing an existing financial portfolio, determining an appropriate asset allocation, and (depending on the type of financial professional) providing investment advice or recommendations to help investors achieve their financial goals. The investment professional also may provide ongoing services, such as responding to investors' inquiries or periodically reviewing and rebalancing their portfolios.

Thirty years ago, fund shareholders usually compensated financial advisers through a front-end load—a one-time, up-front payment for current and future services. That structure has since changed significantly.

One important element in the changing distribution structure has been a marked decline in load fees paid by mutual fund investors. The maximum front-end load fee that shareholders might pay for investing in mutual funds has changed little since 1990 (Figure 5.9). But front-end load fees that investors actually paid have declined markedly, from nearly 4 percent in 1990 to 1 percent or less in 2013. This in part reflects the increasing role of mutual funds in helping investors save for retirement. Funds that normally charge front-end load fees often waive load fees on purchases made through defined contribution plans, such as 401(k) plans. Also, front-end load funds offer volume discounts, waiving or reducing load fees for large initial or cumulative purchases (see Mutual Fund Fee Structures on page 94).

FIGURE 5.9

Front-End Sales Loads That Investors Pay Are Well Below the Maximum Front-End Sales Loads That Funds Charge

Percentage of purchase amount, selected years

	Maximum front-end sales load[1]			Average front-end sales load that investors actually paid[2]		
	Equity	Hybrid	Bond	Equity	Hybrid	Bond
1990	5.0	5.0	4.6	3.9	3.8	3.5
1995	4.8	4.7	4.1	2.5	2.4	2.1
2000	5.2	5.1	4.2	1.4	1.4	1.1
2005	5.3	5.3	4.0	1.3	1.3	1.0
2010	5.4	5.2	3.9	1.0	1.0	0.8
2013	5.3	5.2	3.8	1.0	1.0	0.7

[1] The maximum front-end sales load is a simple average of the highest front-end load that funds may charge as set forth in their prospectuses.

[2] The average front-end sales load that investors actually paid is the total front-end sales loads that funds collected divided by the total maximum loads that the funds could have collected based on their new sales that year. This ratio is then multiplied by each fund's maximum sales load. The resulting value is then averaged (simple average) across all funds.

Note: Data exclude mutual funds available as investment choices in variable annuities and mutual funds that invest primarily in other mutual funds.

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

Another important element in the changing distribution structure of mutual funds has been a shift toward asset-based fees, which are assessed as a percentage of the assets that the financial professional helps an investor manage. Over time, brokers and other financial professionals who sell mutual funds have increasingly been compensated through these fees. An investor may pay an asset-based fee indirectly through a fund's 12b-1 fee, which is included in the fund's expense ratio, or directly (out-of-pocket) to the financial professional.

In part because of the shift toward asset-based fees (either through the fund or out-of-pocket), the market shares of front-end and back-end load share classes have declined in recent years, while those in level load and no-load share classes have increased substantially. For example, front-end and back-end load share classes saw net outflows totaling $559 billion (Figure 5.10) and saw their share of long-term mutual fund assets fall from 31 percent to 18 percent from year-end 2004 to year-end 2013 (Figure 5.11).

By contrast, level load and no-load share classes have seen net inflows and rising assets over the past 10 years. Although demand for level load share classes, which have a 12b-1 fee of at least 0.25 percent of assets, has weakened in recent years, these funds have seen modest inflows over the last decade. No-load share classes have accumulated the bulk of the inflows to long-term funds in the past 10 years. In 2013, no-load share classes accounted for 64 percent of long-term fund assets, up from 49 percent in 2004.

FIGURE 5.10

Nearly All Net New Cash Flow Was in No-Load Institutional Share Classes

Billions of dollars, 2004–2013

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
All long-term mutual funds	**$210**	**$192**	**$227**	**$224**	**-$225**	**$389**	**$241**	**$26**	**$196**	**$152**
Load	**42**	**22**	**30**	**10**	**-151**	**15**	**-60**	**-133**	**-83**	**-71**
Front-end load[1]	48	41	44	18	-105	2	-57	-101	-67	-58
Back-end load[2]	-40	-47	-47	-42	-39	-24	-27	-23	-16	-11
Level load[3]	32	29	34	37	-9	36	22	-10	1	-8
Other load[4]	1	0	0	0	1	0	2	0	-1	0
Unclassified	1	-1	-1	-2	0	0	0	0	0	6
No-load[5]	**132**	**152**	**173**	**190**	**-48**	**345**	**293**	**181**	**307**	**277**
Retail	103	80	89	84	-77	159	86	-30	32	58
Institutional	29	72	84	106	29	186	208	211	275	219
Variable annuities	**36**	**18**	**24**	**25**	**-26**	**29**	**8**	**-21**	**-28**	**-53**

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

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

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

[4] All other load share classes not classified as front-end load, back-end load, or level load. Primarily includes retirement share classes, known as Class R shares.

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

Note: Components may not add to the totals because of rounding. Data exclude mutual funds that invest primarily in other mutual funds.

Sources: Investment Company Institute and Lipper

FIGURE 5.11

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

Billions of dollars, 2004–2013

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
All long-term mutual funds	**$6,194**	**$6,864**	**$8,059**	**$8,914**	**$5,770**	**$7,797**	**$9,027**	**$8,935**	**$10,350**	**$12,299**
Load	**2,197**	**2,347**	**2,683**	**2,864**	**1,770**	**2,253**	**2,440**	**2,254**	**2,435**	**2,769**
Front-end load[1]	1,570	1,728	2,026	2,190	1,374	1,749	1,881	1,749	1,890	2,144
Back-end load[2]	334	271	241	204	102	98	78	50	39	32
Level load[3]	275	322	392	448	284	396	459	438	493	568
Other load[4]	16	17	15	10	8	8	18	16	11	16
Unclassified	2	9	8	13	2	2	4	2	2	8
No-load[5]	**3,056**	**3,478**	**4,152**	**4,705**	**3,147**	**4,413**	**5,297**	**5,431**	**6,519**	**7,917**
Retail	2,199	2,452	2,875	3,205	2,030	2,820	3,280	3,203	3,733	4,484
Institutional	857	1,026	1,276	1,500	1,117	1,592	2,016	2,228	2,787	3,433
Variable annuities	**941**	**1,039**	**1,225**	**1,346**	**854**	**1,131**	**1,291**	**1,250**	**1,396**	**1,614**

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

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

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

[4] All other load share classes not classified as front-end load, back-end load, or level load. Primarily includes retirement share classes, known as Class R shares.

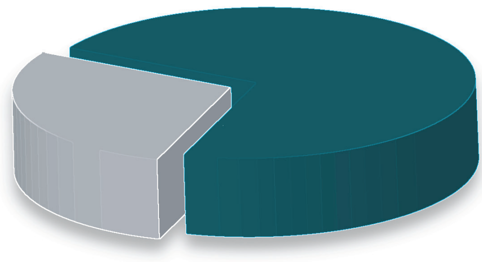
[5] Front-end load = 0 percent, CDSL = 0 percent, and 12b-1 fee ≤ 0.25 percent.

Note: Components may not add to the totals because of rounding. Data exclude mutual funds that invest primarily in other mutual funds.

Sources: Investment Company Institute and Lipper

Some of the shift toward no-load share classes can be attributed to "do-it-yourself" investors. However, much of the shift represents sales through defined contribution plans as well as sales of no-load share classes through sales channels that compensate financial professionals with asset-based fees outside of funds (for example, mutual fund supermarkets, discount brokers, fee-based advisers, full-service brokerage platforms).

More than seven in 10 mutual fund–owning households said that retirement saving was the household's primary financial goal in 2013



72 percent

saving primarily for retirement

CHAPTER SIX

Characteristics of Mutual Fund Owners

Ownership of mutual funds by U.S. households grew significantly in the 1980s and 1990s and has remained steady over the past decade. On average, the household ownership rate of mutual funds has been 45 percent since 2000. In 2013, 46 percent of all U.S. households owned mutual funds. The estimated 96 million individuals who owned mutual funds in 2013 included many different types of people across all age and income groups with a variety of financial goals. These fund investors purchase and sell mutual funds through four principal sources: investment professionals (e.g., registered investment advisers, full-service brokers, independent financial planners), employer-sponsored retirement plans, fund companies directly, and fund supermarkets.

This chapter looks at the characteristics of individual and institutional owners of U.S. mutual funds and examines how these investors purchase fund shares.

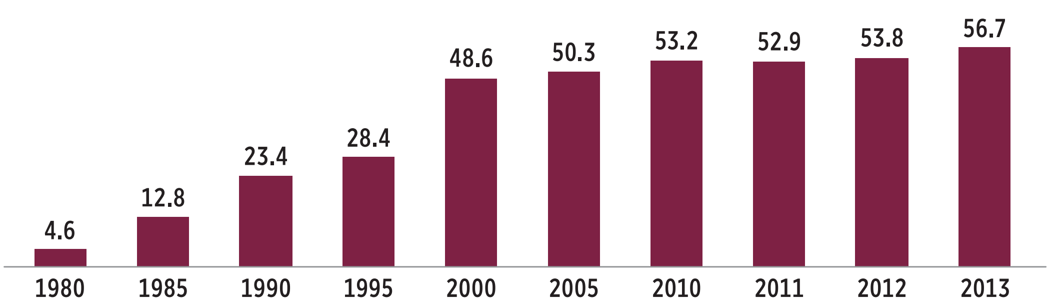
Individual and Household Ownership of Mutual Funds

In 2013, an estimated 96 million individual investors owned mutual funds and held 90 percent of total mutual fund assets directly or through retirement plans at year-end. Altogether, 56.7 million households, or 46 percent of all U.S. households, owned mutual funds (Figure 6.1). Household ownership of mutual funds has remained steady over the past decade. Mutual funds represented a significant component of many U.S. households' financial holdings in 2013. Among households owning mutual funds, the median amount invested in mutual funds was $100,000 (Figure 6.2). More than three-quarters of individuals heading households that owned mutual funds

FIGURE 6.1

46 Percent of U.S. Households Owned Mutual Funds in 2013

Millions of U.S. households owning mutual funds, selected years



Percentage of U.S. households owning mutual funds

5.7	14.7	25.1	28.7	45.7	44.4	45.3	44.1	44.4	46.3

Sources: Investment Company Institute and U.S. Census Bureau. See *ICI Research Perspective*, "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2013."

FIGURE 6.2

Characteristics of Mutual Fund Investors

May 2013

How many people own mutual funds?
96.2 million individuals
56.7 million U.S. households
Who are they?
52 is the median age of the head of household
76 percent are married or living with a partner
47 percent are college graduates
69 percent are employed (full- or part-time)
14 percent are Silent or GI Generation (born 1904 to 1945)
45 percent are Baby Boomers (born 1946 to 1964)
25 percent are Generation X (born 1965 to 1976)
16 percent are Generation Y (born 1977 to 2001)
$80,000 is the median household income
What do they own?
$200,000 is the median household financial assets
$100,000 is the median mutual fund assets
66 percent hold more than half of their financial assets in mutual funds
63 percent own IRAs
85 percent own DC retirement plan accounts
3 mutual funds is the median number owned
86 percent own equity funds
When and how did they make their first mutual fund purchase?
50 percent bought their first mutual fund before 1995
62 percent purchased their first mutual fund through an employer-sponsored retirement plan
Why do they invest?
92 percent are saving for retirement
51 percent are saving for emergencies
47 percent hold mutual funds to reduce taxable income
25 percent are saving for education

Sources: Investment Company Institute and U.S. Census Bureau. See *ICI Research Perspective,* "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2013"; *ICI Research Perspective,* "Characteristics of Mutual Fund Investors, 2013"; and *ICI Research Report,* "Profile of Mutual Fund Shareholders, 2013."

were married or living with a partner, and 47 percent were college graduates. Sixty-nine percent of these individuals worked full- or part-time.

Mutual Fund Ownership by Age and Income

The incidence of mutual fund ownership in 2013 was greatest among households in their peak earning and saving years, that is, between the ages of 35 and 64 (Figure 6.3). Fifty-six percent of all households in this age group owned mutual funds. Thirty-one percent of households younger than 35 owned mutual funds, and for households aged 65 or older, 37 percent owned mutual funds.

LEARN MORE

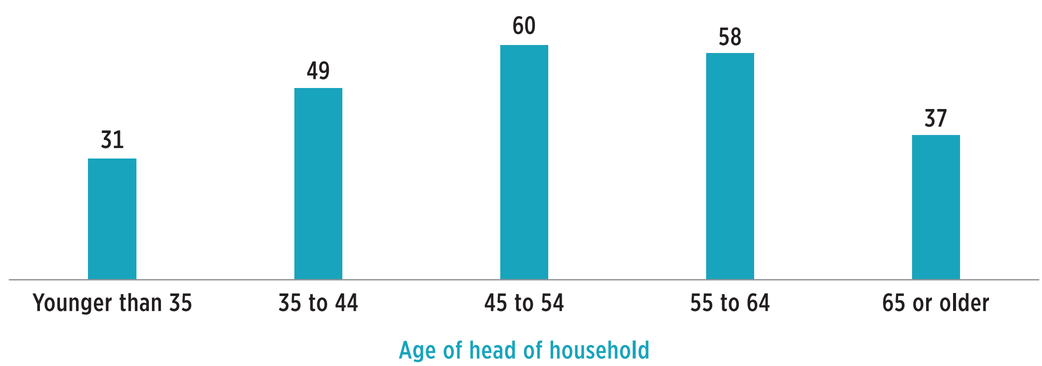
"Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2013," *ICI Research Perspective.* Available at www.ici.org/pdf/per19-09.pdf.

Among mutual fund–owning households in 2013, 67 percent were headed by individuals between the ages of 35 and 64 (Figure 6.4). Fifteen percent of mutual fund–owning households were headed by individuals younger than 35, and 18 percent were headed by individuals 65 or older. The median age of individuals heading households that owned mutual funds was 52 (Figure 6.2). Like the U.S. population as a whole, the population of mutual fund–owning households is aging. Forty-one percent of mutual fund–owning households were headed by individuals 55 or older in 2013 compared with 26 percent in 1994 (Figure 6.4).

FIGURE 6.3

Mutual Fund Ownership Is Greatest Among 35- to 64-Year-Olds

Percentage of U.S. households within each age group, May 2013



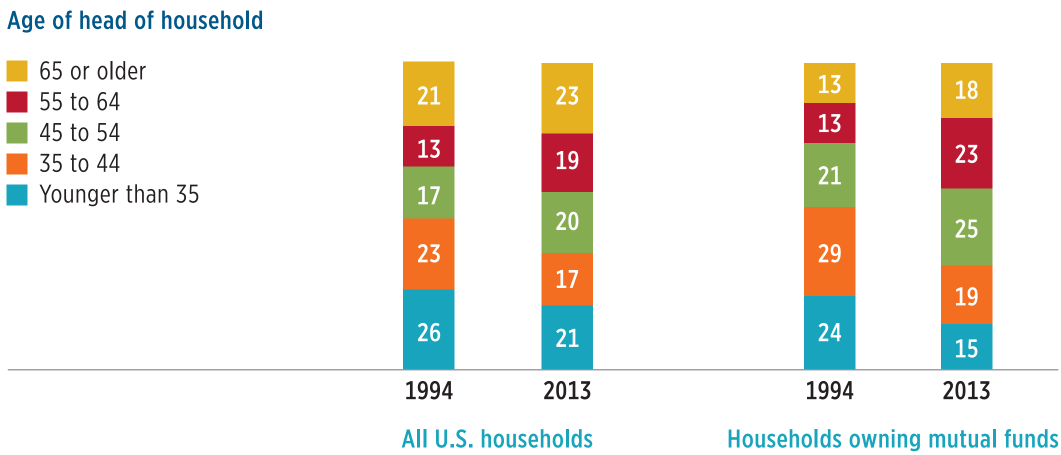
Note: Age is based on the age of the sole or co-decisionmaker for household saving and investing.

Source: *ICI Research Perspective,* "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2013"

FIGURE 6.4

The U.S. Population and Mutual Fund Shareholders Are Getting Older

Percent distribution of all U.S. households and households owning mutual funds by age group, May 1994 and May 2013



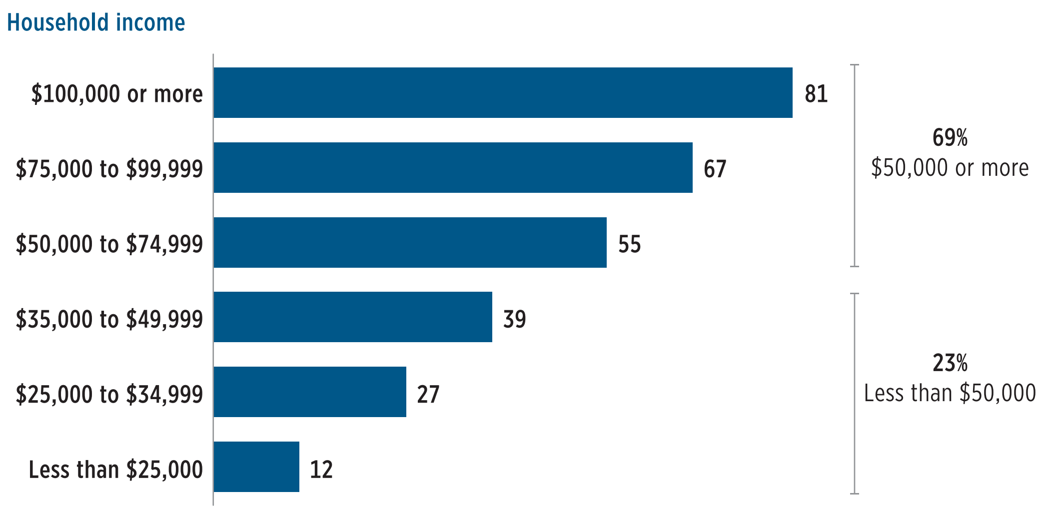
Note: Age is based on the age of the sole or co-decisionmaker for household saving and investing.

Sources: Investment Company Institute and U.S. Census Bureau. See *ICI Research Perspective*, "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2013."

FIGURE 6.5

Ownership of Mutual Funds Increases with Household Income

Percentage of U.S. households within each income group, May 2013



Note: Total reported is household income before taxes in 2012.

Source: *ICI Research Perspective*, "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2013"

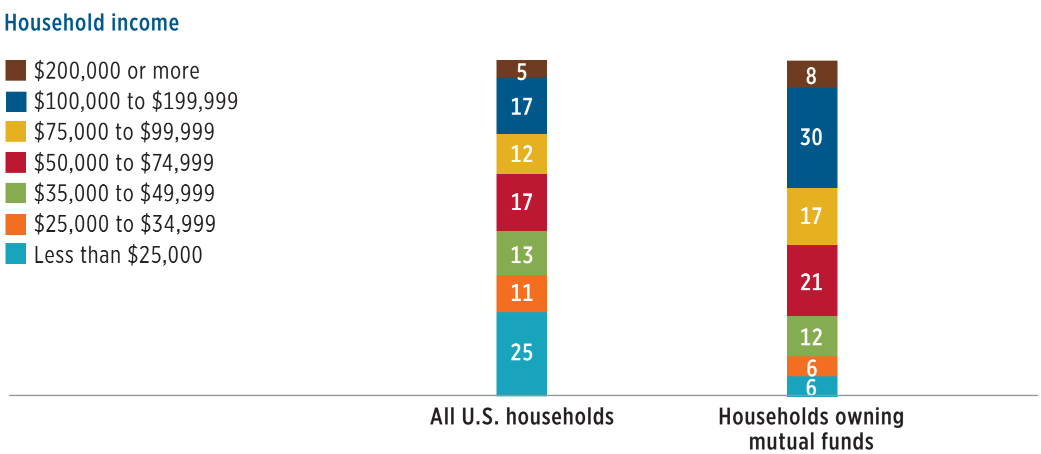
Although individuals across all income groups own mutual funds, households with higher incomes are more likely to own mutual funds than lower-income households. In 2013, 69 percent of all U.S. households with incomes of $50,000 or more owned mutual funds, compared with 23 percent of households with incomes of less than $50,000 (Figure 6.5). In fact, lower-income households are less likely to have any type of savings. The typical household with income less than $50,000 had $7,500 in savings and investments, while the typical household with income of $50,000 or more held $200,000 in savings and investments.

U.S. households owning mutual funds represent a range of incomes. Twenty-four percent of mutual fund–owning households had household incomes of less than $50,000; 21 percent had household incomes between $50,000 and $74,999; 17 percent had incomes between $75,000 and $99,999; and the remaining 38 percent had incomes of $100,000 or more (Figure 6.6). The median household income of mutual fund–owning households was $80,000 (Figure 6.2).

FIGURE 6.6

Most Households That Own Mutual Funds Have Moderate Incomes

Percent distribution of all U.S. households and households owning mutual funds by household income, May 2013



Note: Total reported is household income before taxes in 2012.

Sources: Investment Company Institute and U.S. Census Bureau. See *ICI Research Perspective*, "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2013."

Savings Goals of Mutual Fund Investors

Mutual funds play a key role in achieving both the long- and short-term savings goals of U.S. households. In 2013, 92 percent of mutual fund–owning households indicated that saving for retirement was one of their household's financial goals (Figure 6.2). Seventy-two percent indicated that retirement saving was their household's primary financial goal. However, retirement is not the only financial goal for households' mutual fund investments. Fifty-one percent of mutual fund–owning households listed saving for emergencies as a goal; nearly half of mutual fund–owning households reported that reducing their taxable income was a goal; and 25 percent reported saving for education among their goals (Figure 6.2).

Where Investors Own Mutual Funds

The importance of retirement saving among mutual fund investors also is reflected in where they own their funds. Ninety-three percent of households that owned mutual funds held shares inside workplace retirement plans, individual retirement accounts (IRAs), and other tax-deferred accounts. Households were more likely to invest their retirement assets in long-term mutual funds than in money market funds. Defined contribution (DC) retirement plans and IRA assets held in equity, bond, and hybrid mutual funds totaled $6.1 trillion in 2013 and accounted for 50 percent of those funds' assets industrywide, whereas retirement account assets in money market funds were $379 billion, or 14 percent, of those funds' assets industrywide.

LEARN MORE

"Characteristics of Mutual Fund Investors, 2013," *ICI Research Perspective.* Available at www.ici.org/pdf/per19-10.pdf.

As 401(k) and other employer-sponsored DC retirement plans have become increasingly popular in the workplace, the fraction of households that make their first foray into mutual fund investing inside their employer-sponsored retirement plans has increased. Among those households that made their first mutual fund purchase in 2005 or later, 63 percent did so inside an employer-sponsored retirement plan (Figure 6.7). Among those households that made their first purchase before 1990, 52 percent did so inside an employer-sponsored retirement plan.

In 2013, 81 percent of mutual fund–owning households owned funds inside employer-sponsored retirement plans, with 39 percent owning funds only inside such plans (Figure 6.8). Sixty-one percent of mutual fund–owning households owned funds outside of employer-sponsored retirement accounts, with 19 percent owning funds only outside such plans. For mutual fund–owning households without funds in workplace retirement accounts, 56 percent held funds in traditional or Roth IRAs, and in many cases, these IRAs held assets rolled over from 401(k)s or other employer-sponsored retirement plans (either defined benefit or DC plans).

FIGURE 6.7

Employer-Sponsored Retirement Plans Are Often the Source of First Mutual Fund Purchase

Percentage of U.S. households owning mutual funds, May 2013

	Year of household's first mutual fund purchase					Memo: all mutual fund–owning households
	Before 1990	1990 to 1994	1995 to 1999	2000 to 2004	2005 or later	
Source of first mutual fund purchase						
Inside employer-sponsored retirement plans	52	68	73	67	63	62
Outside employer-sponsored retirement plans	48	32	27	33	37	38

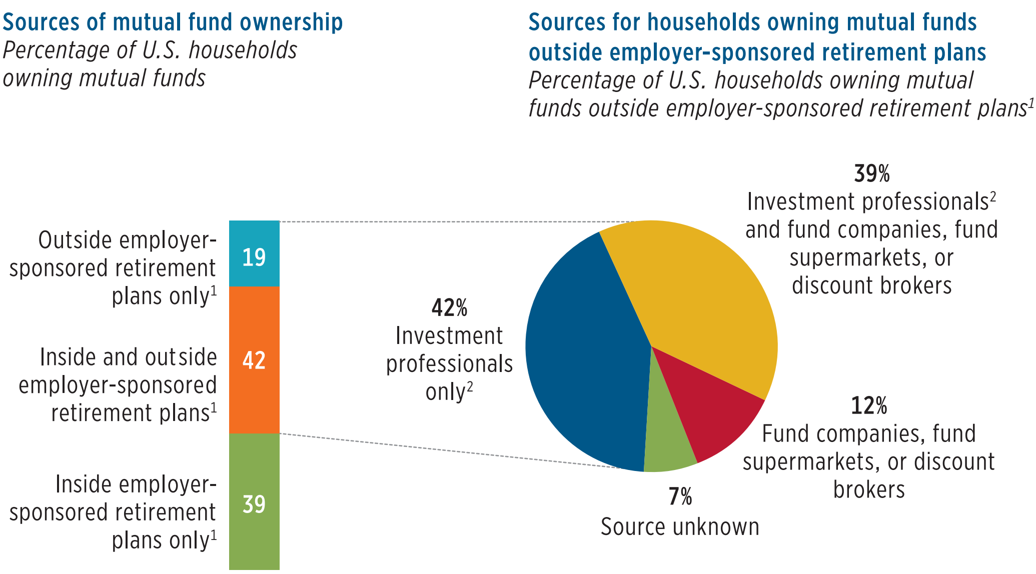
Note: Employer-sponsored retirement plans include DC plans (such as 401(k), 403(b), or 457 plans) and employer-sponsored IRAs (SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs).

Source: *ICI Research Perspective*, "Characteristics of Mutual Fund Investors, 2013"

FIGURE 6.8

81 Percent of Mutual Fund–Owning Households Held Shares Inside Employer-Sponsored Retirement Plans

May 2013



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

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

Source: *ICI Research Perspective*, "Characteristics of Mutual Fund Investors, 2013"

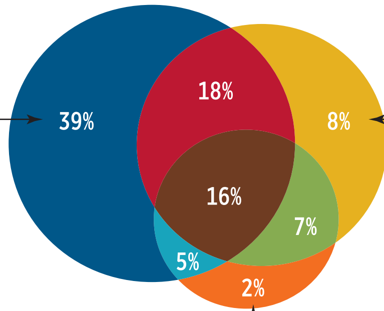
Sources of Mutual Fund Purchases

Households owning mutual funds outside of workplace retirement plans purchased their funds through a variety of sources. Eighty-one percent of those that owned mutual funds outside workplace retirement plans held funds purchased with the help of an investment professional (Figure 6.8). Investment professionals include registered investment advisers, full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, and accountants. Forty-two percent of investors who owned funds outside employer-sponsored retirement plans purchased their funds solely with professional financial help, while another 39 percent owned funds purchased from investment professionals and fund companies directly, fund supermarkets, or discount brokers. Twelve percent solely owned funds purchased directly from fund companies, fund supermarkets, or discount brokers.

FIGURE 6.9

Nearly Half of Mutual Fund–Owning Households Held Shares Through Multiple Sources

Percentage of U.S. households owning mutual funds, May 2013



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

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

Note: Figure does not add to 100 percent because 5 percent of households owning mutual funds outside of employer-sponsored retirement plans did not indicate which source was used to purchase funds. Of this 5 percent, 3 percent owned funds both inside and outside employer-sponsored retirement plans and 2 percent owned funds only outside of employer-sponsored retirement plans.

Source: *ICI Research Perspective*, "Characteristics of Mutual Fund Investors, 2013"

Nearly half (49 percent) of mutual fund–owning households held mutual funds through multiple sources. In May 2013, 18 percent of mutual fund–owning households held mutual funds both inside employer-sponsored retirement plans and through investment professionals; 5 percent owned mutual funds both inside employer-sponsored retirement plans and directly through fund companies, fund supermarkets, or discount brokers; and 7 percent held mutual funds through investment professionals and fund companies, fund supermarkets, or discount brokers (Figure 6.9). Another 16 percent owned mutual funds through all three source categories. When owning funds through only one source category, the most common was employer-sponsored retirement plans: 39 percent of mutual fund–owning households owned funds only through their employer-sponsored retirement plans.

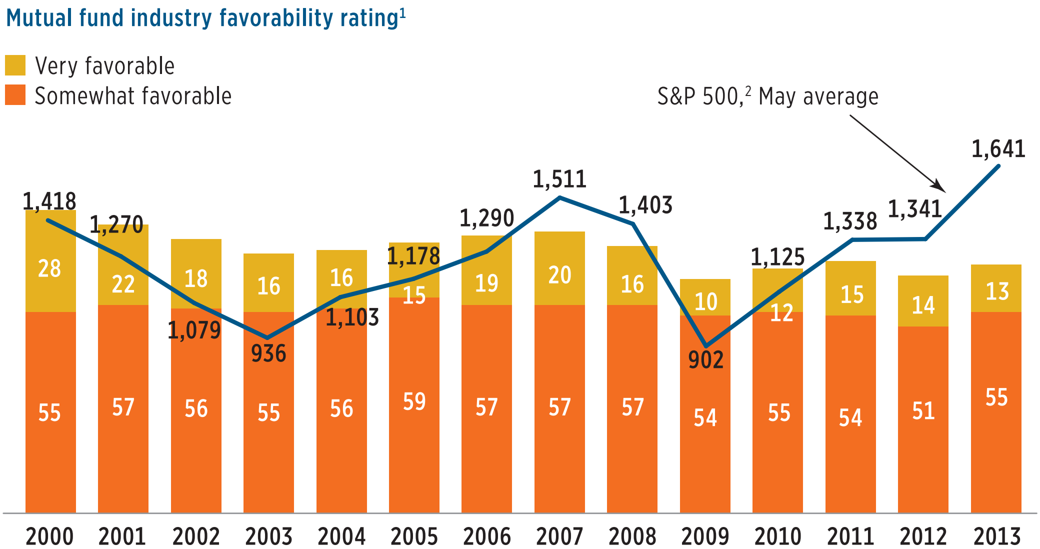
Shareholder Sentiment, Willingness to Take Investment Risk, and Confidence

Each spring, ICI surveys U.S. households about a variety of topics, including shareholder sentiment. Shareholder sentiment generally moves with stock market performance, largely because of the impact on mutual fund returns. For example, mutual fund companies' favorability rose in the late 1990s along with stock prices (measured by the S&P 500), declined between 2000 and 2003 as stock prices fell, increased between 2003 and 2007 as the stock market gained, and fell following the market decline in 2008 and 2009 (Figure 6.10). Although still below the prerecession peak, mutual fund favorability generally has moved up with the stock market since 2009.

FIGURE 6.10

Mutual Fund Industry Favorability Rises and Falls with Stock Market Performance

Percentage of mutual fund shareholders familiar with mutual fund companies, 2000–2013



Total percentage with positive opinions[1]

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
83	79	74	71	72	74	76	77	73	64	67	69	65	68

[1] The mutual fund industry favorability rating is the percentage of mutual fund shareholders familiar with the mutual fund industry who have a "very" or "somewhat" favorable impression of the fund industry. The survey question on mutual fund industry favorability had five choices; the other three possible responses were "somewhat unfavorable," "very unfavorable," and "no opinion."

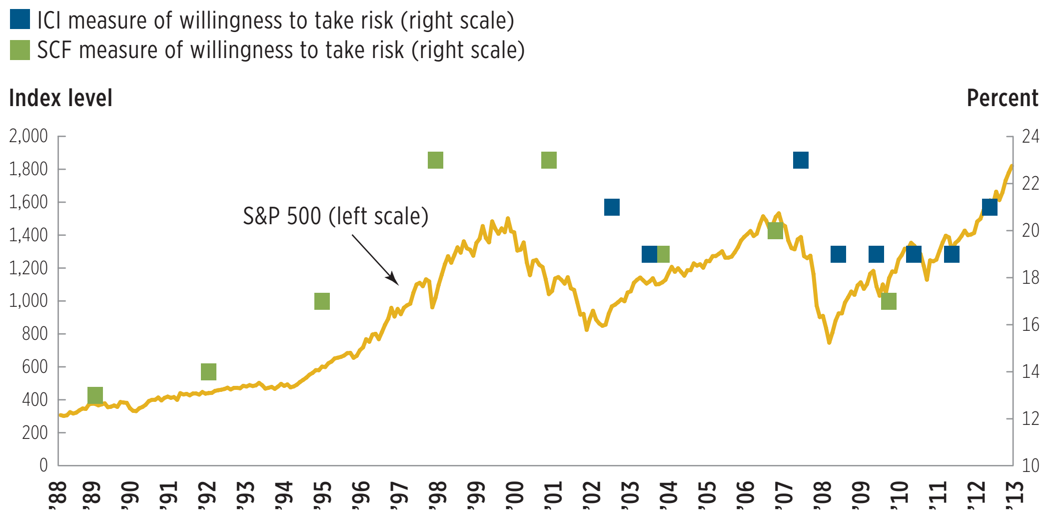
[2] The S&P 500 is an index of 500 stocks chosen for market size, liquidity, and industry group representation.

Sources: Investment Company Institute and Standard & Poor's. See *ICI Research Perspective*, "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2013."

FIGURE 6.11

Households' Willingness to Take Investment Risk Tends to Move with the Stock Market

Percentage of U.S. households willing to take above-average or substantial investment risk and S&P 500, 1988–2013



Note: The S&P 500 is an index of 500 stocks chosen for market size, liquidity, and industry group representation.

Sources: ICI Annual Mutual Fund Shareholder Tracking Survey, Federal Reserve Board Survey of Consumer Finances (SCF), and Standard & Poor's

Among all U.S. households, the percentage willing to take above-average or substantial investment risk also tends to move with stock market performance. U.S. households tend to become less tolerant of investment risk following periods of poor stock market performance. For example, among all U.S. households, willingness to take investment risk fell in 2008 and remained low until the most recent survey, more than four years after the stock market bottomed out (Figure 6.11).

LEARN MORE

"Profile of Mutual Fund Shareholders, 2013," *ICI Research Report.* Available at www.ici.org/pdf/rpt_14_profiles.pdf.

In any given year, households owning mutual funds are more willing to take risk than other households. For example, in 2013, 30 percent of households owning mutual funds were willing to accept above-average or substantial investment risk, compared with 11 percent of households not owning mutual funds (Figure 6.12).

Investors' confidence that mutual funds are helping them reach their financial goals has a similar pattern to shareholder sentiment. For instance, investor confidence declined in the wake of the financial crisis. In 2009, 72 percent of mutual fund shareholders said they were confident in mutual funds' ability

FIGURE 6.12

Households' Willingness to Take Investment Risk

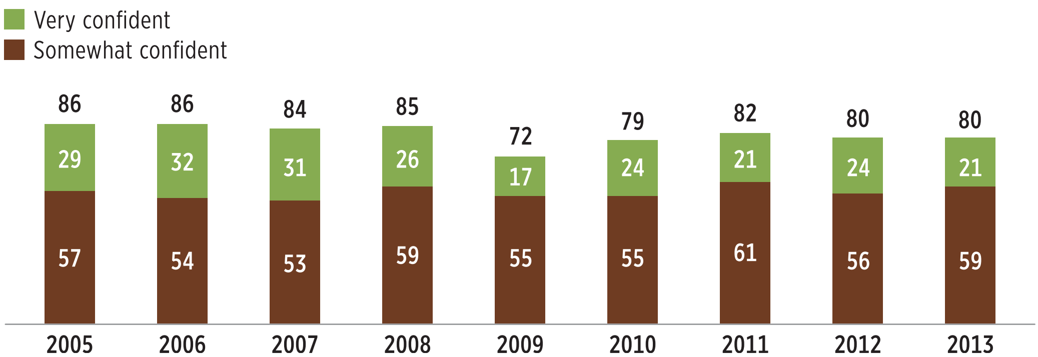
Percentage of U.S. households by mutual fund ownership status; May, 2008–2013

Source: *ICI Research Perspective*, "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2013"

FIGURE 6.13

Eight in 10 Mutual Fund–Owning Households Have Confidence in Mutual Funds

Percentage of all mutual fund shareholders by level of confidence that mutual funds can help them meet their investment goals; May, 2005–2013



Note: This question was not included in the survey prior to 2005. The question has four choices; the other two possible responses are "not very confident" and "not at all confident."

Source: *ICI Research Perspective*, "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2013"

to help them achieve their financial goals, compared with 85 percent in 2008 (Figure 6.13). From 2010 through 2013, about eight in 10 mutual fund–owning households said they were confident in mutual funds' ability to help them achieve their financial goals. Indeed, more than one-fifth of fund investors from 2010 to 2013 were "very" confident that mutual funds could help them meet their financial goals.

Shareholders' Use of the Internet

A vast majority of shareholders use the Internet to access financial accounts and other investment information. In 2013, 92 percent of U.S. households owning mutual funds had Internet access (Figure 6.14), up from 68 percent in 2000 (the first year that ICI measured shareholders' access to the Internet). The incidence of Internet access traditionally has been greatest among younger people—both among mutual fund–owning households and the general population. Expansion of Internet access among older shareholder segments, however, has narrowed the generational gap considerably. In addition, more than eight in 10 mutual fund–owning households with Internet access used the Internet daily.

FIGURE 6.14

Internet Access Is Widespread Among Mutual Fund–Owning Households

Percentage of households with Internet access, May 2013

	All U.S. households	Mutual fund–owning households	Households with DC plans[1]
Age of head of household[2]			
Younger than 35	93	93	95
35 to 49	91	96	96
50 to 64	84	93	92
65 or older	57	79	75
Education level			
High school graduate or less	66	80	80
Some college or associate's degree	89	94	92
College or postgraduate degree	93	96	97
Household income[3]			
Less than $50,000	69	78	77
$50,000 to $99,999	92	95	96
$100,000 to $149,999	94	96	96
$150,000 or more	96	97	97
Total	**82**	**92**	**91**

[1] DC plans include 401(k) plans, 403(b) plans, 457 plans, Keoghs, and other DC plans without 401(k) features.

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

[3] Total reported is household income before taxes in 2012.

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

Source: *ICI Research Perspective*, "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2013"

In 2013, 82 percent of shareholders with Internet access went online for financial purposes, most often to obtain investment information or to check their bank or investment accounts (Figure 6.15). Mutual fund–owning households were much more likely than households not owning mutual funds to engage in common online activities, such as accessing email, obtaining information about products and services other than investments, or purchasing products and services other than investments. Younger shareholders, shareholders with higher education levels, and shareholders with higher household incomes all reported the highest levels of Internet use (Figure 6.16). Within these groups, about nine in 10 used the Internet for financial and nonfinancial purposes.

FIGURE 6.15

Most Mutual Fund Shareholders Used the Internet for Financial Purposes

Percentage of U.S. households with Internet access by mutual fund ownership and online activities in the past 12 months,[1, 2] May 2013

	Households owning mutual funds	Households not owning mutual funds
Accessed email	**94**	**86**
Used Internet for a financial purpose (total)	**82**	**56**
Accessed any type of financial account, such as bank or investment accounts	77	53
Obtained investment information	54	17
Bought or sold investments online	19	6
Used Internet for a nonfinancial purpose (total)	**90**	**71**
Obtained information about products and services other than investments	75	58
Bought or sold something other than investments online	83	61

[1] Online activities are based on the sole or co-decisionmaker for household saving and investing.

[2] For this survey, the past 12 months were June 2012 through May 2013.

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

Source: *ICI Research Perspective*, "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2013"

FIGURE 6.16

Mutual Fund Shareholders' Use of the Internet by Age, Education, and Income

Percentage of U.S. households with Internet access by mutual fund ownership and online activities in past 12 months,[1, 2] May 2013

	Accessed email	Used Internet for a financial purpose	Used Internet for a nonfinancial purpose
Age of head of household[3]			
Younger than 35	98	86	91
35 to 49	95	85	93
50 to 64	94	83	90
65 or older	87	70	82
Education level			
High school graduate or less	85	67	82
Some college or associate's degree	94	79	89
College or postgraduate degree	97	90	94
Household income[4]			
Less than $50,000	88	66	82
$50,000 to $99,999	93	82	87
$100,000 to $149,999	98	91	95
$150,000 or more	97	88	97
Total	**94**	**82**	**90**

[1] Online activities are based on the household's sole or co-decisionmaker for saving and investing.

[2] For this survey, the past 12 months were June 2012 through May 2013.

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

[4] Total reported is household income before taxes in 2012.

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

Source: *ICI Research Perspective*, "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2013"

Institutional Ownership of Mutual Funds

Nonfinancial businesses, financial institutions, nonprofit organizations, and other institutional investors held 10 percent of mutual fund assets at year-end 2013 (Figure 6.17). Institutional investor data exclude mutual fund holdings by fiduciaries, retirement plans, and variable annuities, which are considered to be held primarily by individual investors (households).

FIGURE 6.17

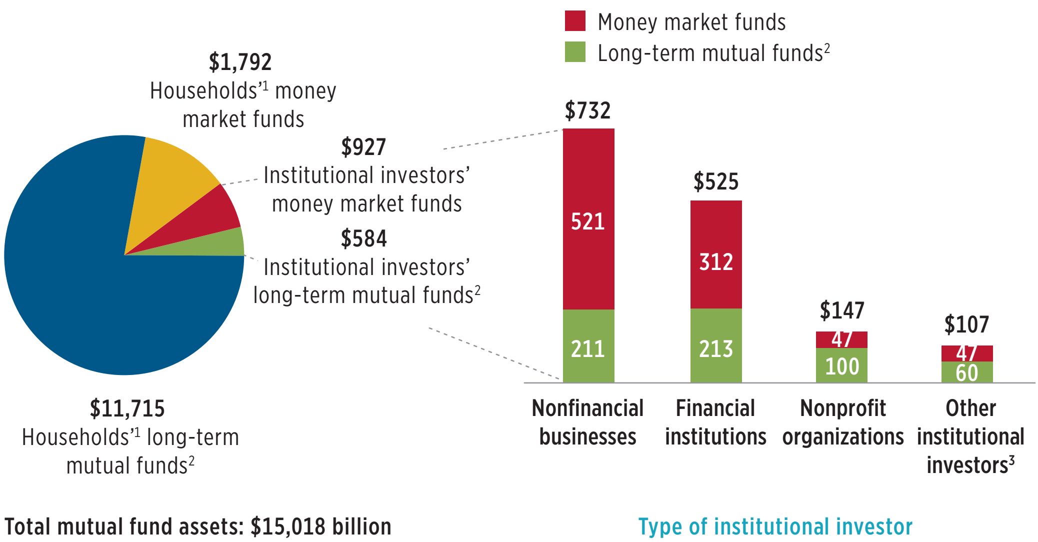
Institutional and Household Ownership of Mutual Funds

Billions of dollars, year-end 2013

Households held the majority (90 percent) of mutual fund assets

Nonfinancial businesses are the largest type of institutional investor

Assets in long-term and money market funds by type of institution



Total mutual fund assets: $15,018 billion
Total long-term[2] mutual fund assets: $12,299 billion
Total money market fund assets: $2,718 billion

[1] Mutual funds held as investments in variable annuities and 529 plans are counted as household holdings of mutual funds.

[2] Long-term mutual funds include equity, hybrid, and bond mutual funds.

[3] This category includes state and local governments and other institutional accounts not classified.

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

As of year-end 2013, nonfinancial businesses were the largest segment of institutional investors in mutual funds, holding $732 billion in corporate and similar accounts (Figure 6.17). These firms primarily use mutual funds as a cash management tool, and 71 percent of their mutual fund holdings were money market funds. Business investments in funds do not include assets held by funds in retirement plans on behalf of employees in employer-sponsored retirement plans, since those assets are considered employee assets rather than employer assets.

Financial institutions—which include credit unions, investment clubs, banks, and insurance companies—were the second-largest component of institutional investors in mutual funds. Financial institutions held $525 billion in mutual fund assets at year-end 2013 (Figure 6.17). Nonprofit organizations and other institutional investors held $147 billion and $107 billion, respectively, in mutual fund accounts. Institutional investors overwhelmingly held money market funds as their primary type of mutual fund. Across all types of institutional investors, 61 percent of investments in mutual funds were in money market funds at year-end 2013.

LEARN MORE

For analysis on fund investors, visit www.ici.org/viewpoints/inv_research.

U.S. retirement assets were $23.0 trillion at year-end 2013

CHAPTER SEVEN

Retirement and Education Savings

National policies that have created or enhanced tax-advantaged savings accounts have proven integral to helping Americans prepare for retirement and other long-term savings goals. Because many Americans use mutual funds in tax-advantaged accounts to reach these goals, ICI studies the U.S. retirement market; the investors who use IRAs, 401(k) plans, 529 plans, and other tax-advantaged savings vehicles; and the role of funds in the retirement and education savings markets.

This chapter analyzes the U.S. retirement market; describes the investors who use IRAs, 401(k) plans, 529 plans, and other tax-advantaged savings vehicles; and explores the role of mutual funds in U.S. households' efforts to save for retirement and education.

The U.S. Retirement System

American households rely on a combination of resources in retirement, and the role each type of resource plays has changed over time and varies across households. The traditional analogy compares retirement resources to a three-legged stool, with resources divided equally among the legs—Social Security, employer-sponsored pension plans, and private savings. But this picture of Americans' retirement resources is inaccurate—a five-layer pyramid paints a clearer one.

Retirement Resource Pyramid

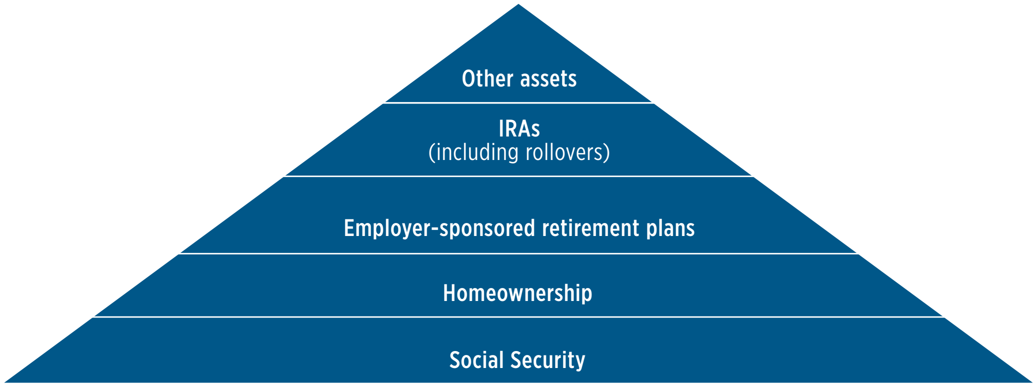
The retirement resource pyramid has five layers, which draw from government programs, compensation deferred until retirement, and other savings: (1) Social Security; (2) homeownership; (3) employer-sponsored retirement plans (private-sector and government employer plans, including both defined benefit [DB] and defined contribution [DC] plans); (4) individual retirement accounts (IRAs), including rollovers; and (5) other assets (Figure 7.1). While the importance of each layer differs by household, together they have enabled recent generations of retirees, on average, to maintain their standard of living in retirement.

LEARN MORE

For analysis on key 401(k) issues, visit www.ici.org/viewpoints/401k.

FIGURE 7.1

Retirement Resource Pyramid



Source: Investment Company Institute, *The Success of the U.S. Retirement System*

Social Security, the base of the U.S. retirement resource pyramid, is the largest component of retiree income and the primary source of income for lower-income retirees. Social Security benefits are funded through a payroll tax equal to 12.4 percent of earnings of covered workers (6.2 percent paid by employees and 6.2 percent paid by employers) up to a maximum taxable earnings amount ($113,700 in 2013). The benefit formula is highly progressive, with benefits representing a much higher percentage of earnings for workers with lower lifetime earnings. By design, Social Security is the primary means of support for retirees with low lifetime earnings and a substantial source of income for all retired workers. For individuals born in the 1940s, the Congressional Budget Office (CBO) projects that median first-year Social Security benefits will replace 77 percent of average lifetime earnings for the bottom 20 percent of retired workers ranked by lifetime household earnings (Figure 7.2). The median replacement rate drops to 51 percent for the second quintile of households, and then declines more slowly as lifetime household earnings increase. For even the top 20 percent of lifetime earners, Social Security benefits are projected to replace a considerable portion (32 percent) of earnings.

LEARN MORE

The Success of the U.S. Retirement System. Available at www.ici.org/pubs/white_papers.

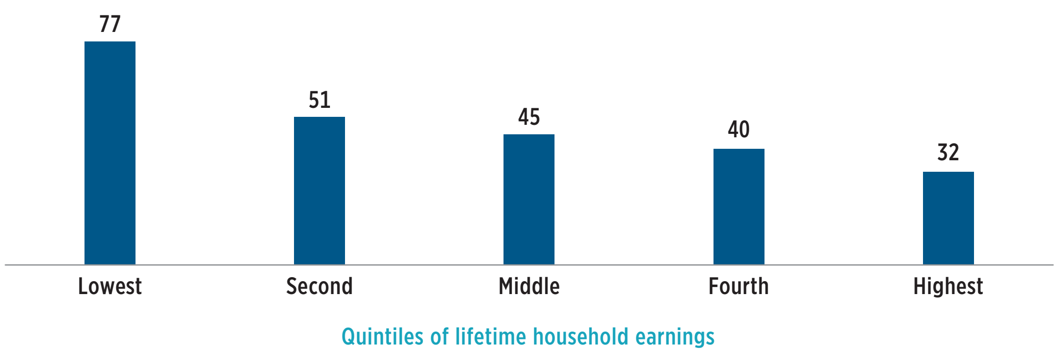
For many near-retiree households, homeownership is the second most important retirement resource after Social Security. Older households are more likely to own their homes; more likely to own their homes without mortgage debt; and, if they still have mortgages, more likely to have small mortgages relative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

Employer-sponsored retirement plans and IRAs, which complement Social Security benefits and are important resources for households regardless of income or wealth, increase in importance for households for whom Social Security replaces a smaller share of earnings. In 2010, about 80 percent of near-retiree households had accrued benefits in employer-sponsored retirement plans—DB and DC plans sponsored by private-sector and government employers—or IRAs (Figure 7.3).

FIGURE 7.2

Social Security Benefit Formula Is Highly Progressive

2013 CBO estimates of median first-year benefits relative to average indexed earnings by lifetime household earnings, 1940s birth cohort, percent

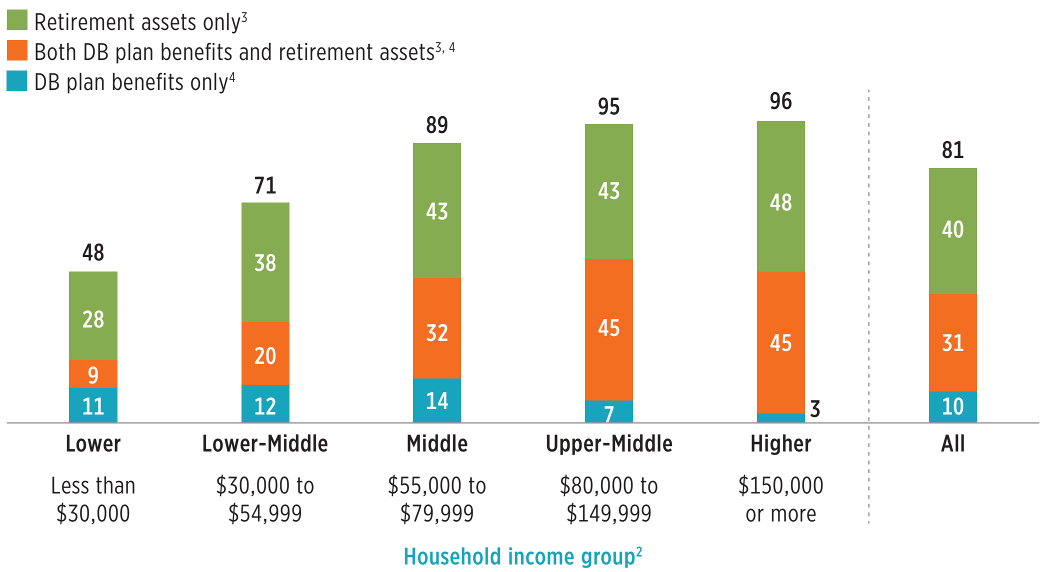


Source: Congressional Budget Office *(The 2013 Long-Term Projections for Social Security: Additional Information)*

FIGURE 7.3

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

Percentage of near-retiree households[1] by income group,[2] 2010



[1] Near-retiree households are those with a working head of household aged 55 to 64, excluding the top and bottom 1 percent of the income distribution.

[2] Total is household income before taxes in 2009.

[3] Retirement assets include DC plan assets (401(k), 403(b), 457, thrift, and other DC plans) and IRAs (traditional, Roth, SEP, SAR-SEP, and SIMPLE), whether from private-sector or government employers.

[4] DB plan benefits include households currently receiving DB plan benefits and households with the promise of future DB plan benefits, whether from private-sector or government employers.

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

Source: Investment Company Institute tabulations of the Federal Reserve Board Survey of Consumer Finances. See *The Success of the U.S. Retirement System.*

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

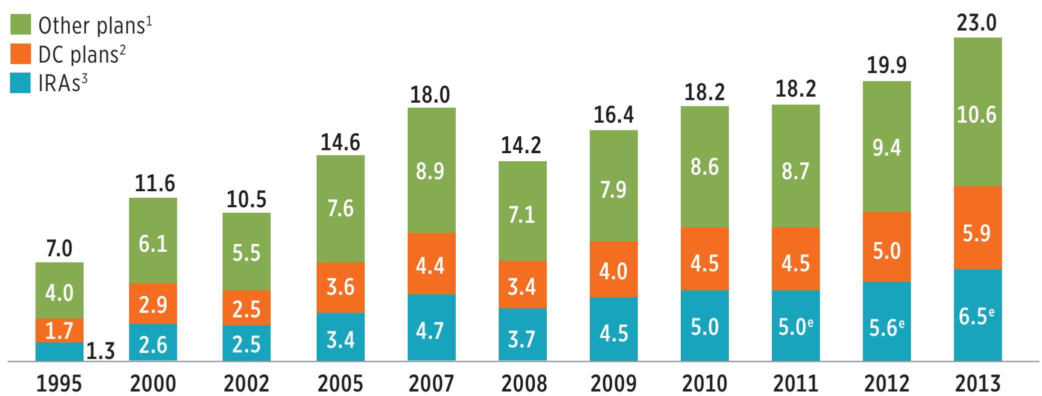
Snapshot of U.S. Retirement Market Assets

Employer-sponsored retirement plans (DB and DC plans sponsored by private-sector and government employers), IRAs (including rollovers), and annuities play an important role in the U.S. retirement system, with assets totaling $23.0 trillion at year-end 2013, up from year-end 2012 (Figure 7.4). The largest components of retirement assets were IRAs and employer-sponsored DC plans, holding $6.5 trillion and $5.9 trillion, respectively, at year-end 2013. Other employer-sponsored plans include private-sector DB pension funds ($3.0 trillion), state and local government employee retirement plans ($3.9 trillion), and federal government plans—which include both federal employees' DB plans and the Thrift Savings Plan ($1.8 trillion). In addition, annuity reserves outside of retirement plans were $2.0 trillion at year-end 2013.

FIGURE 7.4

U.S. Retirement Assets Rose in 2013

Trillions of dollars; year-end, selected years



[1] *Other plans* include private-sector DB plans; federal, state, and local pension plans; and all fixed and variable annuity reserves at life insurance companies less annuities held by IRAs, 403(b) plans, 457 plans, and private pension funds. Federal pension plans include U.S. Treasury security holdings of the civil service retirement and disability fund, the military retirement fund, the judicial retirement funds, the Railroad Retirement Board, and the foreign service retirement and disability fund. These plans also include securities held in the National Railroad Retirement Investment Trust and Federal Employees Retirement System (FERS) Thrift Savings Plan (TSP).

[2] DC plans include 401(k) plans, 403(b) plans, 457 plans, Keoghs, and other DC plans without 401(k) features.

[3] IRAs include traditional IRAs, Roth IRAs, and employer-sponsored IRAs (SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs).

[e] Data are estimated.

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

Sources: Investment Company Institute, Federal Reserve Board, Department of Labor, National Association of Government Defined Contribution Administrators, American Council of Life Insurers, and Internal Revenue Service Statistics of Income Division. See "The U.S. Retirement Market, Fourth Quarter 2013."

Sixty-seven percent of U.S. households (or 82 million) reported that they had employer-sponsored retirement plans, IRAs, or both in May 2013 (Figure 7.5). More than six in 10 U.S. households reported that they had employer-sponsored retirement plans—that is, they had assets in DC plan accounts, were receiving or expecting to receive benefits from DB plans, or both. Nearly four out of 10 households reported having assets in IRAs, and 32 percent had both IRAs and employer-sponsored retirement plans.

Ownership of IRA and DC plan assets has tended to increase with each successive generation of workers, although recent data suggest that ownership rates have stabilized. For example, in 1983, when they were 44 to 53 years of age, 32 percent of households born in the 1930s owned IRAs or DC plan accounts (Figure 7.6). By comparison, households born a decade later had a 60 percent ownership rate when they were 44 to 53 years old in 1993; and, among households born in the 1950s, 73 percent had IRAs or DC plan accounts when they were 44 to 53 years old, in 2003. Earlier in

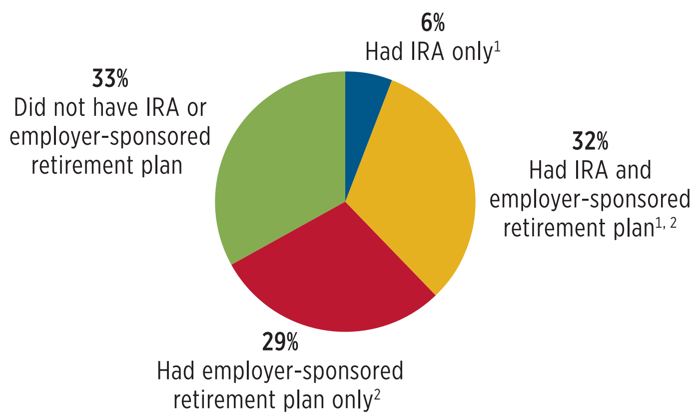
LEARN MORE

"The Role of IRAs in U.S. Households' Saving for Retirement, 2013," *ICI Research Perspective.* Available at www.ici.org/pdf/per19-11.pdf.

FIGURE 7.5

Many U.S. Households Have Tax-Advantaged Retirement Savings

Percentage of U.S. households, May 2013



Total number of U.S. households: 122.5 million

[1] IRAs include traditional IRAs, Roth IRAs, and employer-sponsored IRAs (SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs).

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

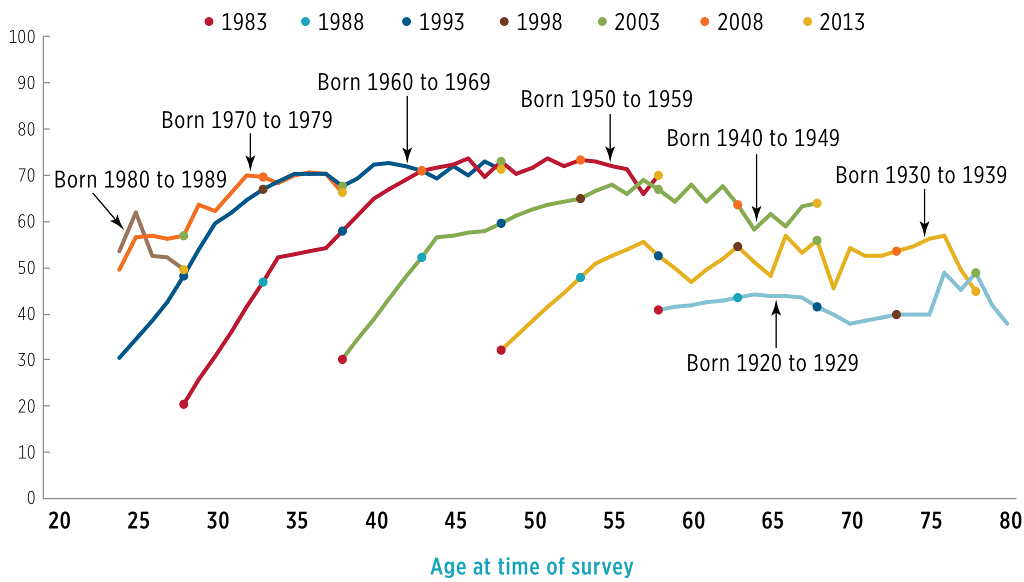
Sources: Investment Company Institute and U.S. Census Bureau. See *ICI Research Perspective*, "The Role of IRAs in U.S. Households' Saving for Retirement, 2013."

their careers, the 1960s birth cohort appeared to be continuing the trend of increased ownership. However, in 2013, when they were 44 to 53 years old, 71 percent of households born in the 1960s owned IRAs or DC plan accounts, almost the same as the 1950s birth cohort a decade earlier. Recent experience could indicate that long-term growth in ownership has stabilized, or it could just reflect a temporary pause in the long-term trend caused by the weak economy.

FIGURE 7.6

Younger Households Tend to Have Higher Rates of IRA or Defined Contribution Plan Ownership

Percentage of U.S. households owning IRAs or DC plans by decade in which household heads were born, 1983–2013



Note: Age is the average age of the 10-year birth cohort at the time of the survey. The 10-year birth cohorts are defined using the age of the head of household. Data from 2000 to 2013 are from annual household surveys conducted by ICI. Growth for the period 1983 to 2000 is estimated using the Federal Reserve Board Survey of Consumer Finances.

Sources: ICI Annual Mutual Fund Shareholder Tracking Surveys and ICI tabulations of Federal Reserve Board Survey of Consumer Finances

Defined Contribution Retirement Plans

DC plans provide employees with a retirement account funded with employer contributions, employee contributions, or both, plus investment earnings or losses on those contributions, less withdrawals. Assets in employer-sponsored DC plans have grown faster than assets in other types of employer-sponsored retirement plans over the past quarter century, increasing from 26 percent of employer plan assets in 1985 to 40 percent at year-end 2013. At the end of 2013, employer-sponsored DC plans—which include 401(k) plans, 403(b) plans, 457 plans, Keoghs, and other DC plans—held an estimated $5.9 trillion in assets (Figure 7.7). With $4.2 trillion in assets at year-end 2013, 401(k) plans held the largest share of employer-sponsored DC plan assets. Two types of plans similar to 401(k) plans—403(b) plans, which allow employees of education institutions and certain nonprofit organizations to receive deferred compensation, and 457 plans, which allow employees of state and local governments and certain tax-exempt organizations to receive deferred compensation—held another $1.1 trillion in assets. DC plans without 401(k) features held the remaining $525 billion.

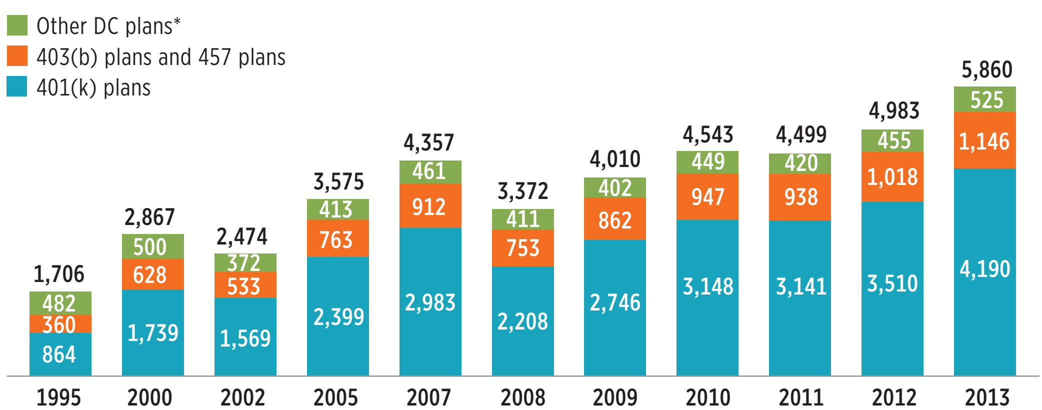
LEARN MORE

"The U.S. Retirement Market, Fourth Quarter 2013." Available at www.ici.org/research/stats.

FIGURE 7.7

Defined Contribution Plan Assets by Type of Plan

Billions of dollars; year-end, selected years



* *Other DC plans* include Keoghs and other DC plans (profit-sharing, thrift-savings, stock bonus, and money purchase) without 401(k) features.

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

Sources: Investment Company Institute, Federal Reserve Board, Department of Labor, National Association of Government Defined Contribution Administrators, and American Council of Life Insurers

LEARN MORE

"401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2012," *ICI Research Perspective.* Available at www.ici.org/pdf/per19-12.pdf.

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

Asset Allocation

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

On average, younger participants allocate more of their portfolios to equities (which include equity mutual funds and other pooled equity investments; the equity portion of balanced funds, including target date funds; and company stock of their employers). According to research conducted by ICI and the Employee Benefit Research Institute (EBRI), at year-end 2012, individuals in their twenties had 36 percent of their 401(k) assets in equity funds and company stock; 46 percent in target date funds and non–target date balanced funds; and only 11 percent in guaranteed investment contracts (GICs), stable value funds, money funds, and bond funds (Figure 7.8). All told, participants in their twenties had 73 percent of their 401(k) assets in equities. By comparison, at year-end 2012, participants in their sixties had 48 percent of their 401(k) assets in equities. At year-end 2012, individuals in their sixties had 36 percent of their 401(k) account assets in GICs, stable value funds, money funds, and bond funds; only 19 percent in target date funds and non–target date balanced funds; and 39 percent in equity funds and company stock.

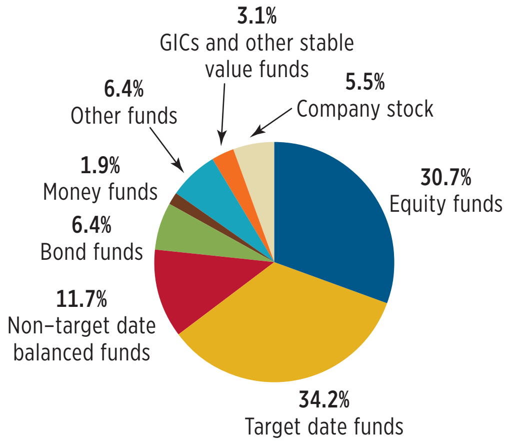
Portfolio allocation also varies widely within age groups. At year-end 2012, 64 percent of 401(k) participants in their twenties held more than 80 percent of their account in equities, and 10 percent of these participants held 20 percent or less (Figure 7.9). Of 401(k) participants in their sixties, 20 percent held more than 80 percent of their account in equities, and 23 percent held 20 percent or less.

FIGURE 7.8

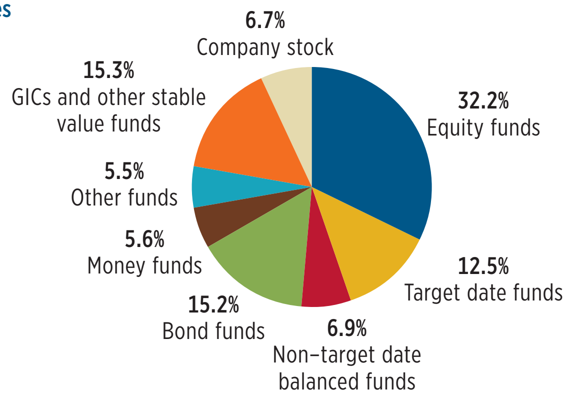
401(k) Asset Allocation Varied with Participant Age

Average asset allocation of 401(k) account balances, percentage of assets, year-end 2012

Participants in their twenties



Participants in their sixties



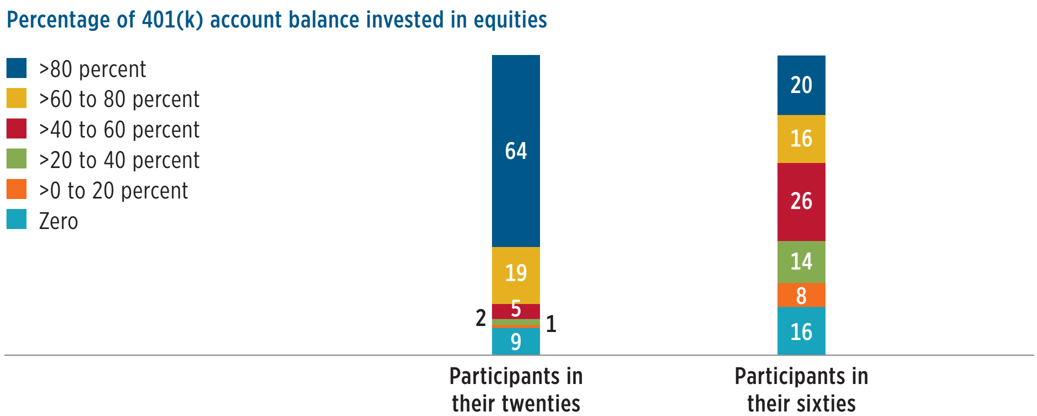
Note: Funds include mutual funds, bank collective trusts, life insurance separate accounts, and any pooled investment product primarily invested in the security indicated. Percentages are dollar-weighted averages. Components do not add to 100 percent because of rounding.

Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project. See *ICI Research Perspective,* "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2012."

FIGURE 7.9

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

Asset allocation distribution of 401(k) participant account balance to equities, percentage of participants, year-end 2012



Note: Equities include equity funds, company stock, and the equity portion of balanced funds. Funds include mutual funds, bank collective trusts, life insurance separate accounts, and any pooled investment product invested primarily in the security indicated.

Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project. See *ICI Research Perspective,* "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2012."

Target Date Funds

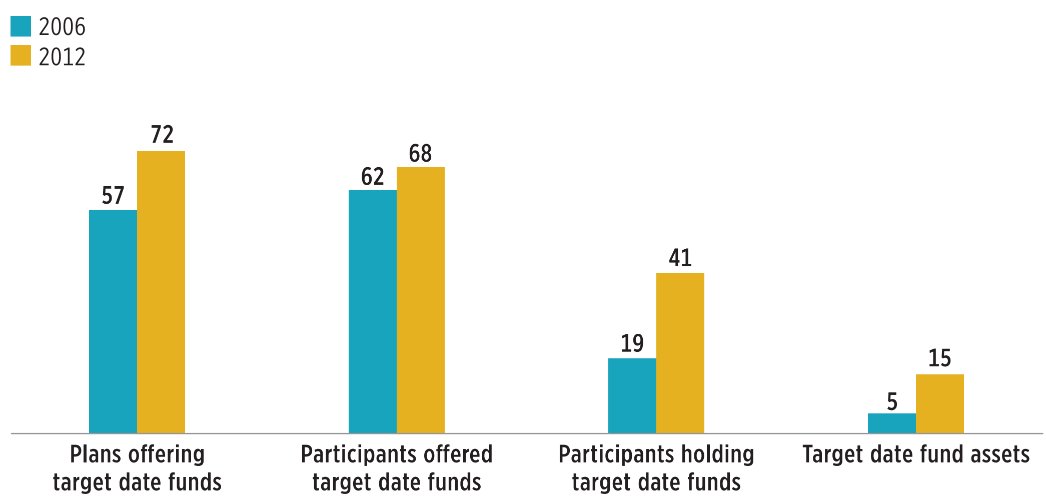
Target date funds, introduced in the mid-1990s, have grown rapidly in recent years. A target date fund (including both target date mutual funds and other pooled target date investments) follows a predetermined reallocation of assets over time based on a specified target retirement date. Typically the fund rebalances its portfolio to become less focused on growth and more focused on income as it approaches and passes the target date, which is usually indicated in the fund's name. Since 2006, the share of 401(k) plans that offer target date funds, the share of 401(k) plan participants offered target date funds, and the share of 401(k) participants holding target date funds have all increased (Figure 7.10). At year-end 2012, target date funds accounted for 15 percent of 401(k) assets, up from 5 percent at year-end 2006.

In 2012, 72 percent of 401(k) plans offered target date funds, and 68 percent of 401(k) plan participants were offered target date funds (Figure 7.10). Because not all plan participants choose to allocate assets to these funds, the percentage of 401(k) participants with target date fund assets was lower than the percentage of participants who were offered the option. At year-end 2012, 41 percent of 401(k) participants held at least some plan assets in target date funds. In addition, because not all participants with assets in target date funds allocated 100 percent of their holdings to these funds, and because participants with assets in these funds were more likely to be younger or recently hired and have lower account balances, the share of 401(k) assets invested in target date funds was lower than the share of participants invested in these funds.

FIGURE 7.10

Target Date Funds' 401(k) Market Share

Percentage of total 401(k) market; year-end, 2006 and 2012



Note: Funds include mutual funds, bank collective trusts, life insurance separate accounts, and pooled investment products.
Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project. See *ICI Research Perspective,* "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2012."

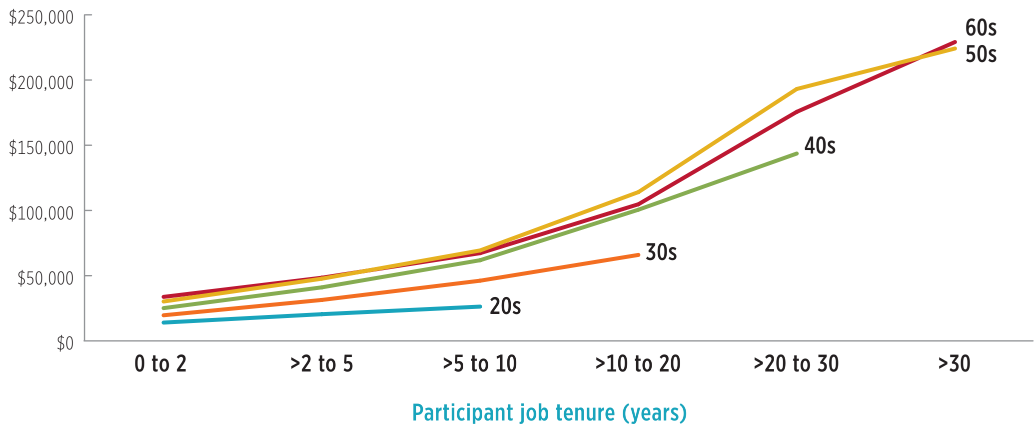
Account Balances

Account balances tended to be higher the longer 401(k) plan participants had been working for their current employers and the older the participant. Participants in their sixties with more than 30 years of tenure at their current employer had an average 401(k) account balance of $224,287 at year-end 2012 (Figure 7.11). Participants in their forties with five to 10 years of tenure at their current employer had an average 401(k) balance of $53,060. The median 401(k) plan participant was 45 years old at year-end 2012, and the median job tenure was eight years.

FIGURE 7.11

401(k) Balances Tend to Increase with Participant Age and Job Tenure

Average 401(k) participant account balance, year-end 2012



Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project. See *ICI Research Perspective,* "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2012."

Loan Activity

Most 401(k) participants do not borrow from their plans, though in recent years loan activity has edged up. At year-end 2012, 21 percent of participants eligible for loans had loans outstanding. However, not all participants have access to 401(k) plan loans—factoring in all 401(k) participants with and without loan access in the EBRI/ICI 401(k) database, only 18 percent had loans outstanding at year-end 2012. The average unpaid loan balances among participants with loans represented about 13 percent of their 401(k) account balances (net of the unpaid loan balances). In aggregate, U.S. Department of Labor data indicate that outstanding loan amounts were less than 2 percent of 401(k) plan assets in 2011.

Services and Expenses in 401(k) Plans

Employers are confronted with two competing economic pressures: the need to attract and retain quality workers with competitive compensation packages and the need to keep their products and services competitively priced. In deciding whether to offer 401(k) plans to their workers, employers must decide if the benefits of offering a plan (in attracting and retaining quality workers) outweigh the costs of providing the plan and plan services—both the compensation paid to the worker and any other costs associated with maintaining the plan and each individual plan participant account.

To provide and maintain 401(k) plans, employers are required to obtain a variety of administrative, participant-focused, regulatory, and compliance services. Employers offering 401(k) plans typically hire service providers to operate these plans, and these providers charge fees for their services.

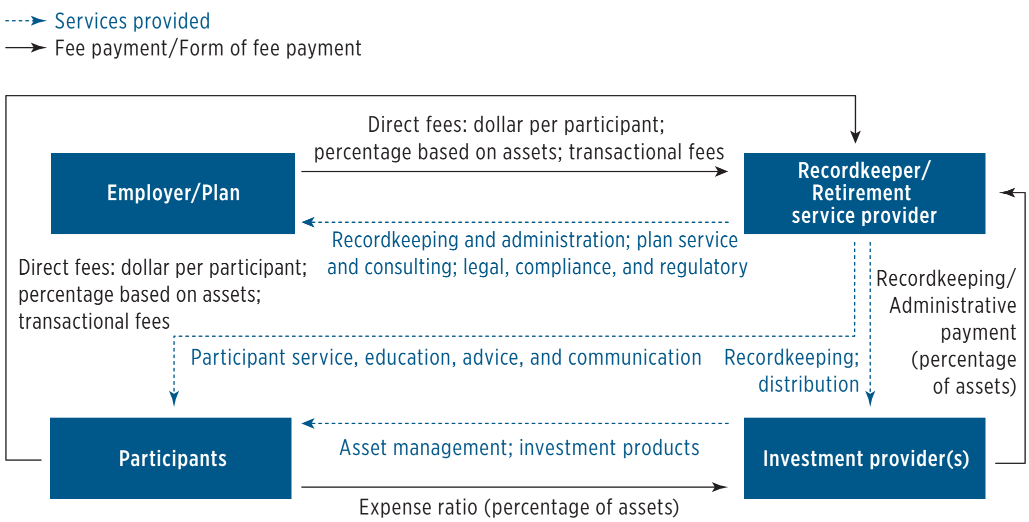
As with any employee benefit, the employer generally determines how the costs will be shared between the employer and employee. Fees can be paid directly by the plan sponsor (the employer), directly by the plan participant (the employee), indirectly by the participant through fees or other reductions in returns paid to the investment provider, or by some combination of these methods (Figure 7.12).

LEARN MORE

"The Economics of Providing 401(k) Plans: Services, Fees, and Expenses, 2012," *ICI Research Perspective.* Available at www.ici.org/pdf/per19-04.pdf.

FIGURE 7.12

A Variety of Arrangements May Be Used to Compensate 401(k) Service Providers



Note: In selecting the service provider(s) and deciding the cost-sharing for the 401(k) plan, the employer/plan sponsor will determine which combinations of these fee arrangements will be used in the plan.

Source: *ICI Research Perspective,* "The Economics of Providing 401(k) Plans: Services, Fees, and Expenses, 2012"

One key driver of 401(k) plan fees is plan size. A Deloitte/ICI study of 525 DC plans in 2011 created and analyzed a comprehensive plan fee measure, the "all-in fee." The study found that plans with more participants and larger average account balances tended to have lower all-in fees than plans with fewer participants and smaller average account balances. This observed effect likely results in part from fixed costs required to start up and run the plan, much of which is driven by legal and regulatory requirements. It appears that economies of scale are gained as a plan grows because these fixed costs can be spread across more participants, a larger asset base, or both. In addition, plans with higher participant contribution rates or automatic enrollment tended to have lower all-in fees. Plans with a higher percentage of their assets in equity investments tended to have higher all-in fees, reflecting the higher expense ratios associated with equity investing compared with fixed-income investing. Plans with a higher number of investment options also tended to have higher all-in fees. The study also examined types of service providers and variables relating to plans' relationships with their service providers—but found little impact on fees.

LEARN MORE

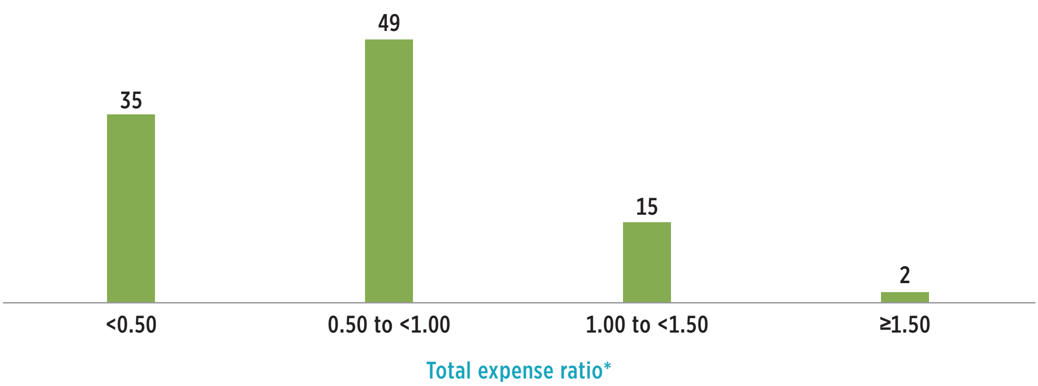
Inside the Structure of Defined Contribution/401(k) Plan Fees: A Study Assessing the Mechanics of the "All-In" Fee. Available at www.ici.org/pubs/research/reports.

Participants in 401(k) plans holding mutual funds tend to invest in lower-cost funds and funds with below-average portfolio turnover. Both characteristics help to keep down the costs of investing in mutual funds through 401(k) plans. For example, at year-end 2012, 35 percent of 401(k) equity mutual fund assets were in funds that had total annual expense ratios of less than 0.50 percent of fund assets, and another 49 percent had expense ratios between 0.50 percent and 1.00 percent (Figure 7.13). On an asset-weighted basis, the average total expense ratio incurred on 401(k) participants' holdings of equity mutual funds through their 401(k) plans was 0.63 percent in 2012, less than the asset-weighted average total expense ratio of 0.77 percent for equity mutual funds industrywide. Similarly, equity mutual funds held in 401(k) accounts tend to have lower turnover in their portfolios. The asset-weighted average turnover rate of equity funds held in 401(k) accounts was 36 percent in 2012, less than the industrywide asset-weighted average of 48 percent. More than 60 percent of 401(k) assets at year-end 2013 were invested in mutual funds.

FIGURE 7.13

401(k) Equity Mutual Fund Assets Are Concentrated in Lower-Cost Funds

Percentage of 401(k) equity mutual fund assets, year-end 2012



* The total expense ratio, which is reported as a percentage of fund assets, includes fund operating expenses and 12b-1 fees.

Note: The figure excludes mutual funds available as investment choices in variable annuities. Components do not add to 100 percent because of rounding.

Sources: Investment Company Institute and Lipper. See *ICI Research Perspective*, "The Economics of Providing 401(k) Plans: Services, Fees, and Expenses, 2012."

Individual Retirement Accounts

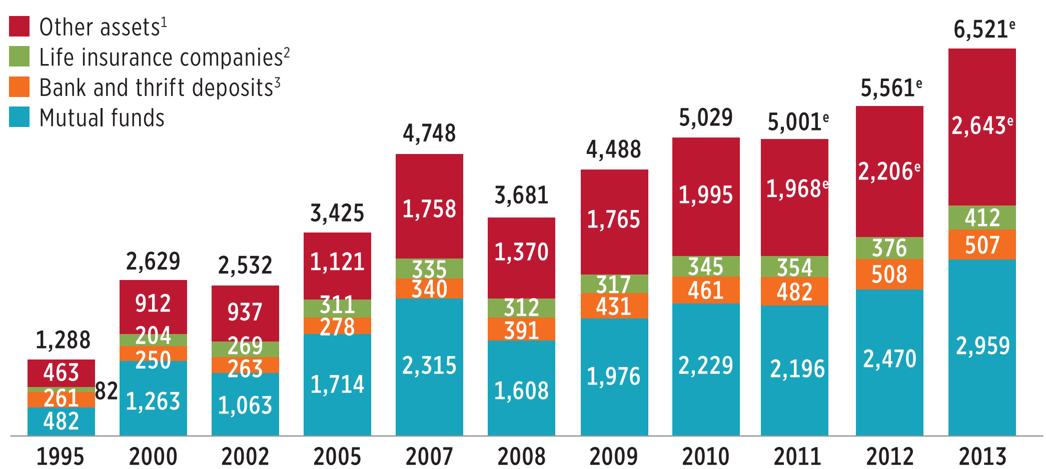
Traditional IRAs, the first type of IRA, were created in 1974 under the Employee Retirement Income Security Act (ERISA). IRAs provide all workers with a contributory retirement savings vehicle and, through rollovers, give workers leaving jobs a means to preserve the tax benefits and growth opportunities that employer-sponsored retirement plans provide. Policymakers have since changed the rules governing traditional IRAs and added more types of IRAs—employer-sponsored IRAs (SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs) and after-tax IRAs (Roth IRAs).

Total IRA assets, $6.5 trillion at year-end 2013, accounted for 28 percent of U.S. retirement assets. Mutual funds accounted for $3.0 trillion of IRA assets at year-end 2013, up from $2.5 trillion at year-end 2012 (Figure 7.14).

FIGURE 7.14

IRA Assets

Billions of dollars; year-end, selected years



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

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

[3] Bank and thrift deposits include Keogh deposits.

[e] Data are estimated.

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

Sources: Investment Company Institute, Federal Reserve Board, American Council of Life Insurers, and Internal Revenue Service Statistics of Income Division. See "The U.S. Retirement Market, Fourth Quarter 2013."

Assets managed by mutual funds were the largest component of IRA assets, followed by other assets, which include ETFs, individual stocks and bonds, and other securities held through brokerage accounts ($2.6 trillion at year-end 2013). The mutual fund industry's share of the IRA market was 45 percent at year-end 2013, compared with 44 percent at year-end 2012.

IRA Investors

Nearly four out of 10 U.S. households, or 46 million, owned at least one type of IRA as of mid-2013 (Figure 7.15). Traditional IRAs—those introduced under ERISA—were the most common type, owned by 36 million U.S. households. Roth IRAs, first available in 1998 under the Taxpayer Relief Act of 1997, were owned by 19 million U.S. households. Nine million U.S. households owned employer-sponsored IRAs (SEP IRAs, SAR-SEP IRAs, or SIMPLE IRAs).

FIGURE 7.15

46 Million U.S. Households Owned IRAs

May 2013

	Year created	Number of U.S. households with type of IRA	Percentage of U.S. households with type of IRA
Traditional IRA	1974 (Employee Retirement Income Security Act)	36.0 million	29.4%
SEP IRA	1978 (Revenue Act)	9.2 million	7.5%
SAR-SEP IRA	1986 (Tax Reform Act)		
SIMPLE IRA	1996 (Small Business Job Protection Act)		
Roth IRA	1997 (Taxpayer Relief Act)	19.1 million	15.6%
Any IRA		46.1 million	37.6%

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

Sources: Investment Company Institute and U.S. Census Bureau. See *ICI Research Perspective,* "The Role of IRAs in U.S. Households' Saving for Retirement, 2013."

LEARN MORE

Individual Retirement Account Resource Center. Available at www.ici.org/iraresource.

Although most U.S. households are eligible to make contributions to IRAs, few do so. Indeed, only 15 percent of U.S. households contributed to any type of IRA in tax year 2012. In addition, very few eligible households made "catch-up" contributions to traditional or Roth IRAs.

Instead, investment returns and rollovers from employer-sponsored retirement plans have fueled the growth of IRAs. In any given year, a small portion of traditional IRA investors make rollovers, but analysis of The IRA Investor Database—which contains information on more than 15 million IRA investors—finds that, for the most part, the groups that make rollovers differ year-to-year. For example, of investors with traditional IRAs at year-end 2012, 40.2 percent made rollovers between 2007 and 2012, with nearly 10 percent making a rollover in 2012 (Figure 7.16). The proportion of traditional IRA owners that have ever made a rollover is higher because typically different investors make rollovers each year. Of U.S. households owning traditional IRAs in May 2013, 49 percent (or nearly 18 million) had traditional IRAs that included rollover assets, according to an ICI household survey (Figure 7.17). Among traditional IRA–owning households with rollovers, 34 percent had rolled over recently (2010 or later) while 18 percent had not had rollovers since before 2000. In their most recent rollover, most of these households (85 percent) transferred their entire retirement plan balances into traditional IRAs.

FIGURE 7.16

Many Traditional IRA Investors Have Made Rollovers

Percentage of traditional IRA investors aged 25 to 74, year-end 2012

Note: Rollovers made prior to 2007, as well as rollovers made prior to a change in financial services providers, cannot be identified in the database.

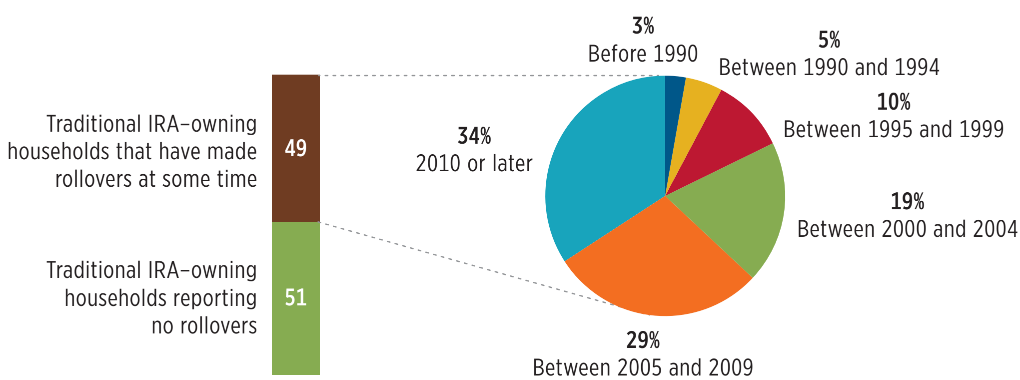
Source: The IRA Investor Database™. See *ICI Research Report*, "The IRA Investor Profile: Traditional IRA Investors' Activity, 2007–2012."

FIGURE 7.17

Rollovers Are Often a Source of Assets for Traditional IRA Investors

U.S. households with traditional IRAs
Percent, May 2013

Traditional IRA–owning household's year of most recent rollover
Percentage of traditional IRA–owning households with rollovers, May 2013



Source: *ICI Research Perspective*, "The Role of IRAs in U.S. Households' Saving for Retirement, 2013"

Households owning IRAs generally are headed by middle-aged individuals (median age of 52 years) with moderate household incomes (median income of $80,000). These households held a median of $50,000 in IRAs. In addition, many households held multiple types of IRAs. For example, 34 percent of households with traditional IRAs also owned Roth IRAs, and 14 percent also owned employer-sponsored IRAs.

Traditional IRA Portfolios

IRA owners are more likely to hold mutual funds, especially long-term mutual funds, in their IRA portfolios than any other type of investment (Figure 7.18). Sixty-three percent of IRA-owning households had IRA assets in mutual funds. Nearly 85 percent of these households—53 percent of all IRA-owning households—held at least some of their IRAs in equity mutual funds. Fewer households owned other types of investments in their IRAs: 40 percent held individual equities, 33 percent held annuities, and 24 percent held bank deposits.

FIGURE 7.18

Households Invested Their IRAs in Many Types of Assets

Percentage of U.S. households owning IRAs, May 2013

Mutual funds (total)	**63**
Equity mutual funds	53
Bond mutual funds	34
Hybrid mutual funds	28
Money market funds	27
Individual equities	**40**
Annuities (total)	**33**
Fixed annuities	22
Variable annuities	22
Bank savings accounts, money market deposit accounts, or certificates of deposit	**24**
Individual bonds (not including U.S. savings bonds)	**13**
U.S. savings bonds	**11**
ETFs	**10**
Other	**5**

Note: Multiple responses are included.

Source: *ICI Research Perspective*, "Appendix: Additional Data on IRA Ownership in 2013"

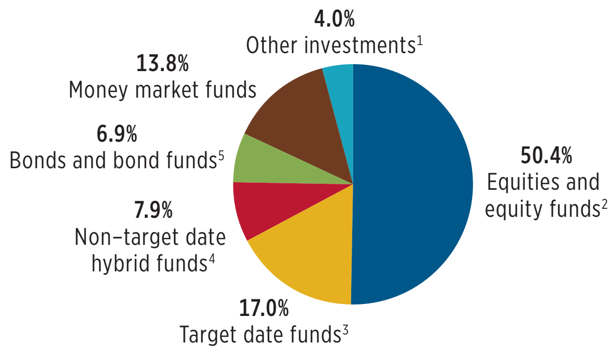
At year-end 2012, younger IRA investors had more invested in equities, equity funds, and target date funds, on average, than older investors, according to The IRA Investor Database. Older investors were invested more heavily in non–target date hybrid funds and fixed-income investments. For example, traditional IRA investors in their thirties had, on average, more than 50 percent of their assets in equities and equity funds and another 17 percent in target date funds (Figure 7.19). Investors in their sixties held 46 percent

FIGURE 7.19

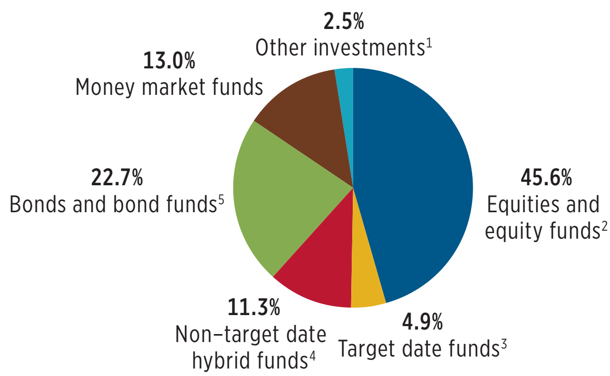
Traditional IRA Asset Allocation Varied with Investor Age

Average asset allocation of traditional IRA balances, percentage of assets, year-end 2012

Traditional IRA investors in their thirties



Traditional IRA investors in their sixties



[1] Other investments include certificates of deposit and unidentifiable assets.

[2] Equity funds include equity mutual funds, equity closed-end funds, and equity ETFs.

[3] A target date (also known as lifecycle) fund typically rebalances its portfolio to become less focused on growth and more focused on income as it approaches and passes the target date of the fund, which is usually included in the fund's name.

[4] Hybrid funds invest in a mix of equities and fixed-income securities.

[5] Bond funds include bond mutual funds, bond closed-end funds, and bond ETFs.

Note: Percentages are dollar-weighted averages.

Source: The IRA Investor Database™. See *ICI Research Report*, "The IRA Investor Profile: Traditional IRA Investors' Activity, 2007–2012."

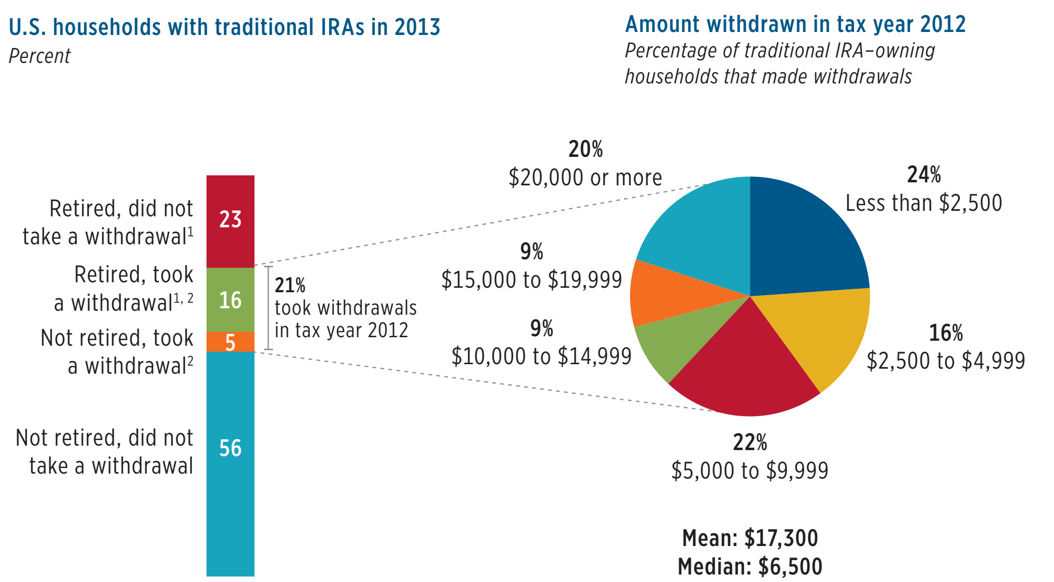
and 5 percent of their traditional IRA assets, respectively, in these two asset categories. By contrast, traditional IRA investors in their sixties had nearly half of their assets in money market funds (13 percent), bonds and bond funds (23 percent), and non–target date hybrid funds (11 percent). Investors in their thirties held about 29 percent of their assets in these three asset categories.

Distributions from Traditional IRAs

Of households with traditional IRAs in May 2013, 21 percent took withdrawals in tax year 2012 (Figure 7.20). Withdrawals from traditional IRAs were typically modest: the median withdrawal in tax year 2012 was $6,500 and 40 percent of withdrawals totaled less than $5,000. The median ratio of withdrawals to account balance was 7 percent.

FIGURE 7.20

Withdrawals from Traditional IRAs Are Infrequent



[1] The household was considered retired if either the head of household or spouse responded affirmatively to the question: "Are you retired from your lifetime occupation?"

[2] Households that made withdrawals exclude those that closed and no longer own traditional IRAs.

Source: *ICI Research Perspective,* "The Role of IRAs in U.S. Households' Saving for Retirement, 2013"

Often, withdrawals from traditional IRAs were taken to fulfill required minimum distributions (RMDs). An RMD is a distribution equal to a percentage of the IRA balance, based on remaining life expectancy. Traditional IRA owners age 70½ or older must withdraw at least the minimum amount each year or pay a penalty. In tax year 2012, 66 percent of individuals who took traditional IRA withdrawals stated they did so to comply with RMD rules.

Of the 21 percent of traditional IRA–owning households who reported taking withdrawals in tax year 2012, 76 percent reported that the head of household, the spouse, or both were retired. Of retired households that took traditional IRA withdrawals in tax year 2012, 38 percent reported using some or all of the withdrawal amount to pay for living expenses (Figure 7.21). Other uses included reinvesting or saving in another account (31 percent), paying for a healthcare expense (12 percent), and buying, repairing, or remodeling a home (16 percent).

LEARN MORE

The IRA Investor Profile: Traditional IRA Investors' Activity, 2007–2012. Available at www.ici.org/pubs/research.

FIGURE 7.21

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

Percentage of traditional IRA–owning households by retirement status,[1] May 2013

	Retired[1, 2]	Not retired[3]
Use of traditional IRA withdrawal		
Took withdrawals to pay for living expenses	38	19
Spent it on a car, boat, or big-ticket item other than a home	6	12
Spent it on a healthcare expense	12	9
Used it for an emergency	9	17
Used it for home purchase, repair, or remodeling	16	19
Reinvested or saved it in another account	31	24
Paid for education	3	7
Some other use	14	8

[1] The household was considered retired if either the head of household or spouse responded affirmatively to the question: "Are you retired from your lifetime occupation?"

[2] The base of respondents includes the 16 percent of traditional IRA–owning households that were retired and took withdrawals reported in Figure 7.20.

[3] The base of respondents includes the 5 percent of traditional IRA–owning households that were not retired and took withdrawals reported in Figure 7.20.

Note: Multiple responses are included.

Source: ICI IRA Owners Survey. See *ICI Research Perspective,* "The Role of IRAs in U.S. Households' Saving for Retirement, 2013."

Traditional IRA–owning households that reported taking withdrawals in tax year 2012 and were not retired indicated a slightly different pattern of uses for the withdrawals. The nonretired households with withdrawals were half as likely to indicate using some or all of the money for living expenses (19 percent) than the retired households (38 percent) (Figure 7.21). Nonretired households were more likely to indicate that they needed to use some or all of the withdrawal for an emergency (17 percent) or for home purchase, repair, or remodeling (19 percent) than were retired households. Seven percent of nonretired households with withdrawals indicated that they used some or all of the money to pay for education expenses.

LEARN MORE

"The Evolving Role of IRAs in U.S. Retirement Planning," *ICI Research Perspective.* Available at www.ici.org/pdf/per15-03.pdf.

Because current withdrawal activity might not be a good indicator of future withdrawal activity, ICI also asked about plans for future traditional IRA withdrawals. Among traditional IRA–owning households in 2013 that did not take a withdrawal in tax year 2012, 66 percent said that they were not likely to take a withdrawal before age 70½. Traditional IRA–owning households that were either (1) retired and did not take withdrawals in tax year 2012 or (2) not retired reported a pattern for the expected role of their future IRA withdrawals in retirement that is consistent with the use of withdrawals among those who withdrew in tax year 2012. Sixty-three percent of these households reported they plan to use IRA withdrawals to pay for living expenses in retirement, and 63 percent reported they plan to use IRA withdrawals for an emergency.

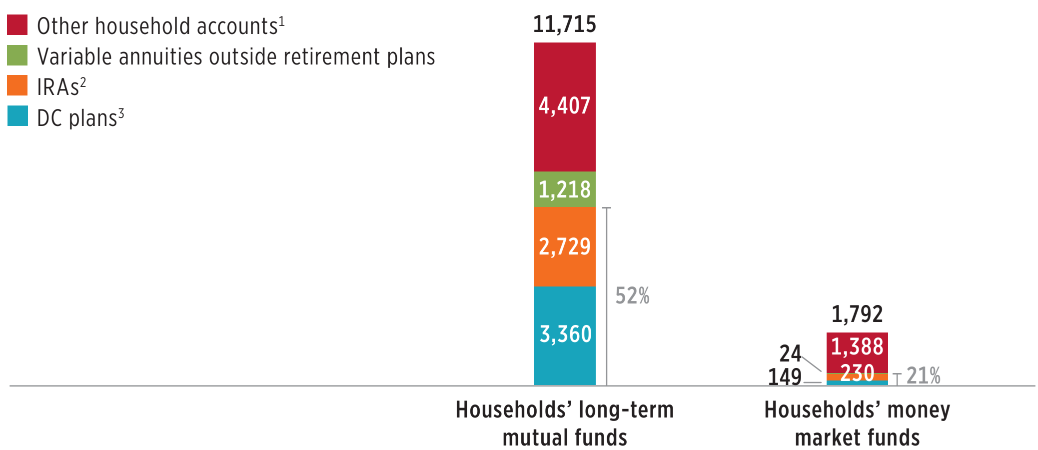
The Role of Mutual Funds in Households' Retirement Savings

At year-end 2013, mutual funds held in DC plans and IRAs accounted for $6.5 trillion, or 28 percent, of the $23.0 trillion U.S. retirement market. The $6.5 trillion in mutual fund retirement assets made up 43 percent of all mutual fund assets at year-end 2013. Retirement savings accounts held half of long-term mutual fund assets industrywide but a much smaller share of money market fund assets industrywide (14 percent). Similarly, mutual funds held in DC plans and IRAs accounted for 52 percent of household long-term mutual funds but only 21 percent of household money market funds (Figure 7.22).

FIGURE 7.22

Households' Mutual Fund Assets by Type of Account

Billions of dollars, year-end 2013



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

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

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

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

Across the entire U.S. retirement market, mutual funds play a major role in IRAs and employer-sponsored DC plans, such as 401(k) plans. At year-end 2013, investors held slightly more mutual fund assets in DC plans ($3.5 trillion, or 60 percent of total DC plan assets) than in IRAs ($3.0 trillion, or 45 percent of total IRA assets) (Figure 7.23). Among DC plans, 401(k) plans held the most assets in mutual funds, with $2.7 trillion, followed by 403(b) plans ($442 billion), other DC plans ($308 billion), and 457 plans ($101 billion).

FIGURE 7.23

Majority of Mutual Fund Retirement Account Assets Were Invested in Equities

Billions of dollars, year-end 2013

	Equity					
	Domestic	World	Hybrid[1]	Bond	Money market	Total
IRAs[2]	**$1,244**	**$393**	**$627**	**$465**	**$230**	**$2,959**
DC plans	**1,641**	**483**	**809**	**427**	**149**	**3,511**
401(k) plans	1,197	387	670	307	98	2,659
403(b) plans	271	38	76	36	21	442
457 plans	54	15	16	15	1	101
Other DC plans[3]	119	43	47	70	29	308
Total	**2,885**	**876**	**1,437**	**893**	**379**	**6,470**

[1] Hybrid funds invest in a mix of equities and fixed-income securities. Most target date and lifestyle funds are counted in this category.

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

[3] *Other DC plans* include Keoghs and other DC plans without 401(k) features.

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

Types of Mutual Funds Used by Retirement Plan Investors

Retirement investors tend to hold equity investments. At year-end 2013, 58 percent of the $6.5 trillion in mutual fund retirement assets held in DC plans and IRAs were invested in domestic or world equity funds (Figure 7.23). By comparison, about 52 percent of overall fund industry assets—retirement and nonretirement accounts—were invested in domestic or world equity funds. Domestic equity funds alone constituted about $2.9 trillion, or 45 percent, of mutual fund assets held in DC plans and IRAs.

Retirement investors also gain exposure to equities and fixed-income securities through hybrid funds. At year-end 2013, 22 percent of mutual fund assets held in DC plans and IRAs were held in hybrid funds, which invest in a mix of equity, bond, and money market securities. At year-end 2013, the remaining 20 percent of mutual fund assets held in DC plans and IRAs were invested in bond funds and money market funds. Bond funds held $893 billion, or 14 percent, of mutual fund assets held in DC plans and IRAs, and money market funds accounted for $379 billion, or 6 percent.

LEARN MORE

For ICI resources on 401(k) plans, visit www.ici.org/401k.

LEARN MORE

For ICI resources on target date funds, visit www.ici.org/trdf.

Target Date and Lifestyle Mutual Funds

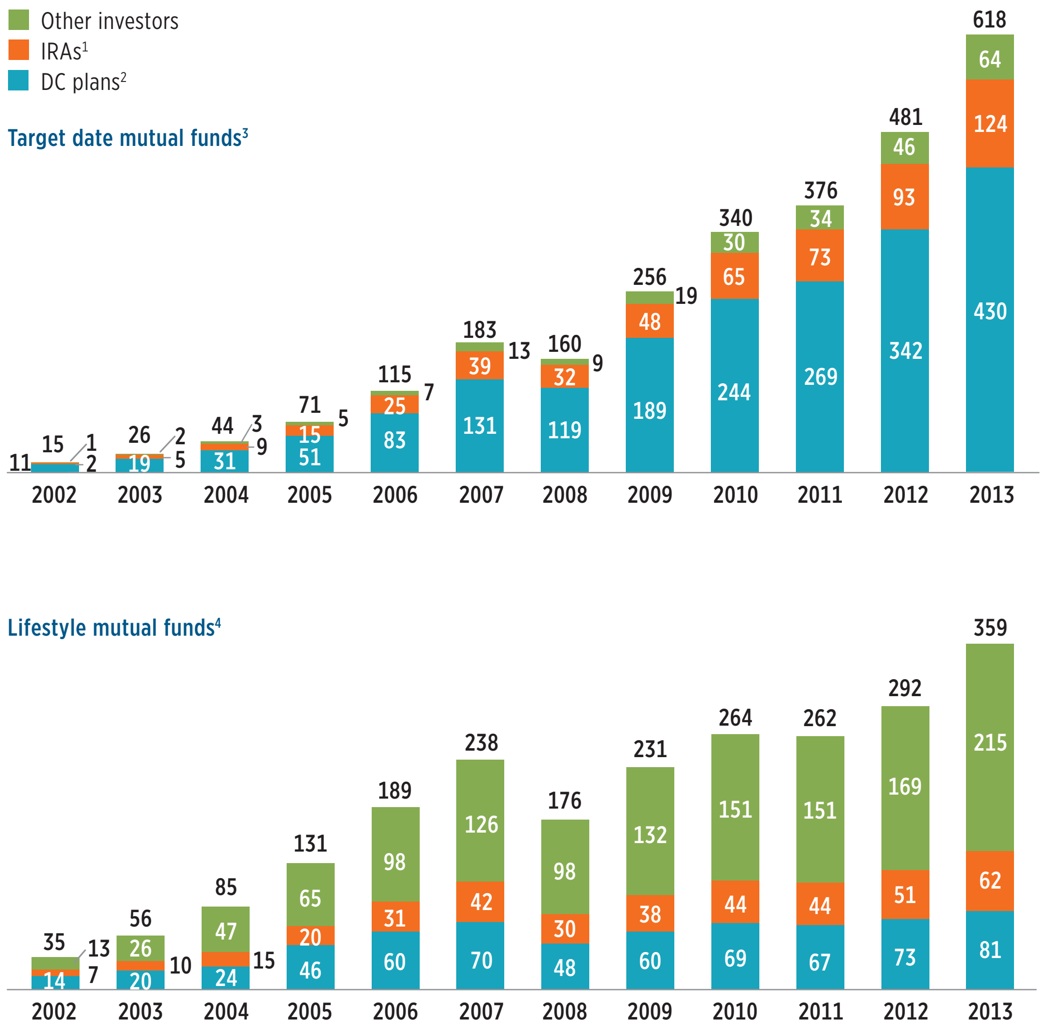
Target date and lifestyle mutual funds, generally included in the hybrid fund category, have grown more popular among investors and retirement plan sponsors over the past decade. A target date fund follows a predetermined reallocation of assets over time based on a specified target retirement date. Typically the fund rebalances its portfolio to become less focused on growth and more focused on income as it approaches and passes the target date, which is usually indicated in the fund's name. A lifestyle fund maintains a predetermined risk level and generally uses words such as "conservative," "moderate," or "aggressive" in its name to indicate the fund's risk level.

Assets in target date and lifestyle mutual funds totaled $977 billion at year-end 2013 (Figure 7.24), up from $773 billion at year-end 2012. Target date mutual funds' assets were up 28 percent in 2013, increasing from $481 billion to $618 billion. Assets in lifestyle mutual funds grew 23 percent in 2013, rising from $292 billion to $359 billion. And the bulk (90 percent) of target date mutual fund assets was held in retirement accounts, compared with 40 percent of lifestyle mutual fund assets.

FIGURE 7.24

Target Date and Lifestyle Mutual Fund Assets by Account Type

Billions of dollars; year-end, 2002–2013



[1] IRAs include traditional IRAs, Roth IRAs, and employer-sponsored IRAs (SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs).

[2] DC plans include 401(k) plans, 403(b) plans, 457 plans, Keoghs, and other DC plans without 401(k) features.

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

[4] A lifestyle mutual fund maintains a predetermined risk level and generally contains "conservative," "moderate," or "aggressive," in the fund's name.

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

The Role of Mutual Funds in Households' Education Savings

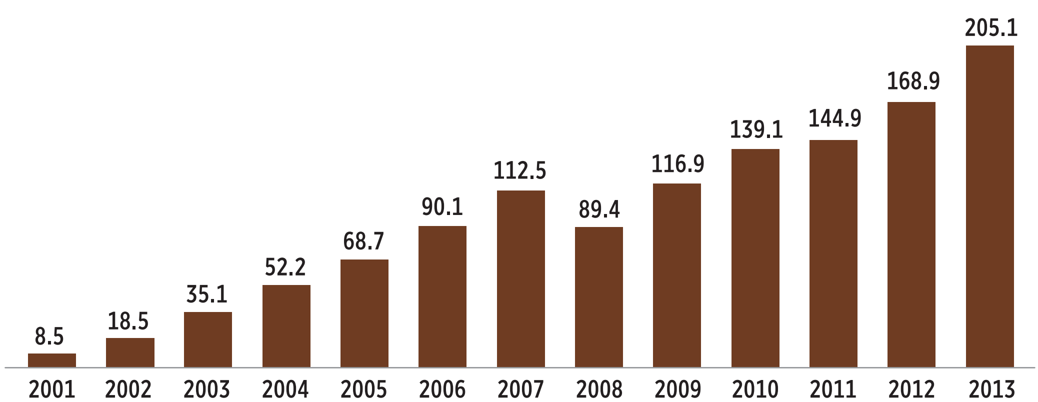
Twenty-five percent of households that owned mutual funds in 2013 cited education as a financial goal for their fund investments. Nevertheless, the demand for education savings vehicles has been historically modest since their introduction in the 1990s, partly because of their limited availability and investors' lack of familiarity with them. The Economic Growth and Tax Relief Reconciliation Act (EGTRRA), enacted in 2001, enhanced the attractiveness of Section 529 plans and Coverdell Education Savings Accounts (ESAs)—two education savings vehicles—by allowing greater contributions to them and making them more flexible. The Pension Protection Act (PPA), enacted in 2006, made the EGTRRA enhancements to Section 529 plans permanent. And the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 extended the EGTRRA enhancements to Coverdell ESAs for two years. The American Taxpayer Relief Act of 2012 made these enhancements permanent.

Assets in Section 529 savings plans increased 21 percent in 2013, with $205.1 billion at year-end 2013, up from $168.9 billion at year-end 2012 (Figure 7.25). As of year-end 2013, there were 10.4 million Section 529 savings plan accounts, with an average account size of approximately $19,700.

FIGURE 7.25

Section 529 Savings Plan Assets

Billions of dollars; year-end, 2001–2013



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

Sources: Investment Company Institute and College Savings Plans Network

In 2013, as a group, households saving for college through 529 plans, Coverdell ESAs, or mutual funds held outside these accounts tended to be headed by younger individuals, with 56 percent younger than 45 (Figure 7.26). Heads of households saving for college had a range of education attainment: 49 percent had less than four years of college and 51 percent had four years or more. These households also had a range of incomes: 40 percent earned less than $75,000; 13 percent earned between $75,000 and $99,999; and 47 percent earned $100,000 or more. Two-thirds of these households had children (younger than 18) in the home, and 45 percent had more than one child in the home.

LEARN MORE

529 Plan Program Statistics. Available at www.ici.org/research/stats/529s.

FIGURE 7.26

Characteristics of Households Saving for College

Percentage of U.S. households saving for college,[1] May 2013

Age of head of household[2]	
Younger than 35	24
35 to 44	32
45 to 54	23
55 to 64	12
65 or older	9
Education level	
High school graduate or less	17
Associate's degree or some college	32
Completed college	21
Some graduate school or completed graduate school	30
Household income[3]	
Less than $25,000	6
$25,000 to $34,999	7
$35,000 to $49,999	10
$50,000 to $74,999	17
$75,000 to $99,999	13
$100,000 or more	47
Number of children in home[4]	
None	33
One	22
Two	27
Three or more	18

[1] Households saving for college are households that own education savings plans (Coverdell ESAs or 529 plans) or that responded that paying for education was one of their financial goals for their mutual funds.

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

[3] Total reported is household income before taxes in 2012.

[4] The number of children reported is children younger than 18 living in the home.

PART TWO

Data Tables

2014 Fund Reclassification

To help members, analysts, the media, and the public understand trends in mutual fund investing, ICI reports data on open-end mutual funds at several levels. From the broadest to the most detailed, those are:

- Level 1: Long-term and money market
- Level 2: Equity, hybrid, bond, and money market
- Level 3: Domestic equity, world equity, hybrid, taxable bond, municipal bond, taxable money market, and tax-exempt money market
- Level 4: Thirteen composite investment objectives (for example, capital appreciation, world equity, hybrid, and investment grade bond)
- Level 5: Forty-two investment objectives (for example, growth, alternative strategies, global equity, flexible portfolio, and investment grade–short term)

Thus, investment objectives (IOBs) offer the greatest level of detail on trends in net assets, flows, and liquidity in mutual funds.

To reflect changes in the marketplace, ICI has modernized its IOB classifications for open-end mutual funds. ICI staff worked with members to identify IOBs that had become too large and areas in which the industry had changed during the past decade. ICI staff reviewed, then edited and expanded, definitions of the IOBs to reflect current investing practices and language. Following our review and editing of the IOB definitions, ICI determined where each of the roughly 18,000 funds that have been active since January 2000 would fit in the revised IOB classifications by examining each fund's prospectus and classifying it accordingly.

While the macro-level classifications—levels 1 through 3—are unchanged, the data at a detailed level are affected. The new IOBs and composite IOBs have changed significantly and data reported at these detailed levels are now only available beginning in January 2000. Although some of these category names are unchanged, the new categories are not comparable to previous categories, since the definitions of these categories were changed. In addition, as a result of the fund reclassification, many funds were moved from one category to another.

For more information

- 2014 Open-End Mutual Fund Reclassification FAQs, available at **www.ici.org/research/stats/iob_update/iob_faqs**
- New Open-End Investment Objective Definitions, available at **www.ici.org/research/stats/iob_update/iob_definitions**

Data Tables

Section 1
Mutual Fund Totals

Section 2
Closed-End Funds, Exchange-Traded Funds, and Unit Investment Trusts

Section 3
Long-Term Mutual Funds

Section 4
Money Market Funds

Section 5
Additional Categories of Mutual Funds

Section 6
Institutional Investors in the Mutual Fund Industry

Section 7
Worldwide Mutual Fund Totals

TABLE 1
Total Net Assets, Number of Funds, Number of Share Classes, and Number of Shareholder Accounts of the Mutual Fund Industry
Year-end

Year	Total net assets *Billions of dollars*	Number of funds	Number of share classes	Number of shareholder accounts* *Thousands*
1940	$0.45	68	-	296
1945	1.28	73	-	498
1950	2.53	98	-	939
1955	7.84	125	-	2,085
1960	17.03	161	-	4,898
1965	35.22	170	-	6,709
1970	47.62	361	-	10,690
1975	45.87	426	-	9,876
1976	51.28	452	-	9,060
1977	48.94	477	-	8,693
1978	55.84	505	-	8,658
1979	94.51	526	-	9,790
1980	134.76	564	-	12,088
1981	241.37	665	-	17,499
1982	296.68	857	-	21,448
1983	292.99	1,026	-	24,605
1984	370.68	1,243	1,243	27,636
1985	495.39	1,528	1,528	34,098
1986	715.67	1,835	1,835	45,374
1987	769.17	2,312	2,312	53,717
1988	809.37	2,737	2,737	54,056
1989	980.67	2,935	2,935	57,560
1990	1,065.19	3,079	3,177	61,948
1991	1,393.19	3,403	3,587	68,332
1992	1,642.54	3,824	4,208	79,931
1993	2,069.96	4,534	5,562	94,015
1994	2,155.32	5,325	7,697	114,383
1995	2,811.29	5,725	9,007	131,219
1996	3,525.80	6,248	10,352	149,933
1997	4,468.20	6,684	12,002	170,299
1998	5,525.21	7,314	13,720	194,029
1999	6,846.34	7,791	15,262	226,212
2000	6,964.63	8,155	16,738	244,705
2001	6,974.91	8,305	18,022	248,701
2002	6,383.48	8,243	18,983	251,123
2003	7,402.42	8,125	19,317	260,698
2004	8,095.45	8,042	20,035	269,468
2005	8,891.11	7,974	20,548	275,479
2006	10,397.88	8,117	21,249	288,594
2007	11,999.73	8,023	21,610	292,553
2008	9,602.57	8,019	22,232	264,597
2009	11,112.67	7,659	21,661	269,449
2010	11,831.33	7,548	21,907	291,299
2011	11,626.49	7,580	22,249	272,628
2012	13,043.67	7,582	22,605	257,074
2013	15,017.68	7,707	23,353	264,848

* Number of shareholder accounts includes a mix of individual and omnibus accounts.
Note: Data for funds that invest primarily in other mutual funds were excluded from the series.

TABLE 2

Total Sales, New Sales, Exchange Sales, Redemptions, and Exchange Redemptions of the Mutual Fund Industry

Billions of dollars, annual

Year	Total sales[1]	New sales	Exchange sales[2]	Redemptions	Exchange redemptions[3]
1945	$0.29	–	–	$0.11	–
1950	0.52	–	–	0.28	–
1955	1.21	–	–	0.44	–
1960	2.10	–	–	0.84	–
1965	4.36	$3.93	–	1.96	–
1970	4.63	3.84	–	2.99	–
1975	10.06	8.94	–	9.57	–
1976	13.72	11.92	$1.52	16.41	$1.44
1977	17.07	14.75	2.24	16.69	2.31
1978	37.16	35.40	3.97	31.53	3.94
1979	119.32	115.66	5.83	86.74	5.89
1980	247.42	238.96	10.10	216.08	9.94
1981	472.13	452.42	14.44	362.44	14.59
1982	626.94	604.09	28.25	588.35	27.86
1983	547.77	532.04	35.67	565.83	36.03
1984	680.12	661.74	36.66	607.02	37.11
1985	953.85	933.37	46.55	864.88	46.84
1986	1,204.90	1,179.40	107.75	1,015.64	107.96
1987	1,251.19	1,220.27	205.68	1,178.75	207.35
1988	1,176.81	1,143.62	134.28	1,166.67	134.24
1989	1,444.84	1,401.21	130.66	1,327.05	131.95
1990	1,564.81	1,517.41	138.79	1,470.83	140.98
1991	2,037.64	1,990.53	155.75	1,879.69	154.31
1992	2,749.68	2,704.69	197.43	2,548.28	198.15
1993	3,187.49	3,137.76	248.79	2,904.44	253.95
1994	3,075.63	3,019.76	317.55	2,928.62	325.00
1995	3,600.62	3,526.00	351.53	3,314.86	351.08
1996	4,671.44	4,586.71	504.73	4,266.20	503.94
1997	5,801.23	5,704.83	613.44	5,324.29	618.49
1998	7,230.40	7,126.92	742.97	6,649.27	743.37
1999	9,043.58	8,922.96	949.96	8,562.10	947.36
2000	11,109.54	10,970.50	1,149.75	10,586.59	1,145.42
2001	12,866.21	12,747.53	797.34	12,242.32	798.08
2002	13,168.76	13,084.32	747.34	13,011.36	745.65
2003	12,393.55	12,315.37	572.50	12,361.66	573.76
2004	12,191.07	12,100.93	408.99	12,038.86	417.95
2005	13,939.22	13,812.40	420.83	13,546.63	432.43
2006	17,409.22	17,228.65	487.71	16,751.90	492.20
2007	23,470.46	23,236.23	606.46	22,352.07	611.96
2008	26,346.41	26,132.64	733.83	25,725.48	728.84
2009	20,679.72	20,528.33	529.96	20,680.17	528.12
2010	18,207.23	18,050.47	420.04	18,319.12	434.77
2011	17,833.01	17,656.96	447.70	17,736.51	466.26
2012	17,017.34	16,826.19	421.82	16,618.45	433.97
2013	18,145.11	17,955.72	517.21	17,775.12	530.78

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

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

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

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

TABLE 3
Total Net Assets of the Mutual Fund Industry
Billions of dollars, year-end

		Long-term funds		Money market funds
Year	Total	Equity	Bond and income	
1960	$17.03	$16.00	$1.02	-
1965	35.22	32.76	2.46	-
1970	47.62	45.13	2.49	-
1975	45.87	37.49	4.68	$3.70
1976	51.28	39.19	8.39	3.69
1977	48.94	34.07	10.98	3.89
1978	55.84	32.67	12.31	10.86
1979	94.51	35.88	13.10	45.53
1980	134.76	44.42	13.98	76.36
1981	241.37	41.19	14.01	186.16
1982	296.68	53.63	23.21	219.84
1983	292.99	76.97	36.63	179.39

		Long-term funds					Money market funds	
		Equity			Bond			
Year	Total	Domestic	World	Hybrid	Taxable	Municipal	Taxable	Tax-exempt
1984	$370.68	$74.55	$5.19	$11.15	$25.45	$20.79	$209.75	$23.80
1985	495.39	103.39	7.94	17.61	83.20	39.44	207.55	36.25
1986	715.67	138.98	15.47	25.76	167.63	75.67	228.35	63.81
1987	769.17	158.02	17.43	29.25	171.40	76.97	254.68	61.42
1988	809.37	171.40	17.98	26.35	168.96	86.73	272.20	65.76
1989	980.67	221.45	23.59	35.64	166.25	105.66	358.62	69.47
1990	1,065.19	211.18	28.30	36.12	171.00	120.25	414.56	83.78
1991	1,393.19	365.21	39.52	52.23	239.58	154.20	452.46	89.98
1992	1,642.54	468.41	45.68	78.04	307.95	196.26	451.35	94.84
1993	2,069.96	626.54	114.13	144.50	364.88	254.60	461.88	103.44
1994	2,155.32	691.57	161.19	164.40	299.85	227.31	501.11	109.89
1995	2,811.29	1,052.57	196.51	210.33	345.58	253.29	631.32	121.69
1996	3,525.80	1,440.81	285.20	252.58	392.34	253.07	763.94	137.87
1997	4,468.20	2,021.66	346.37	317.11	452.29	271.89	901.23	157.66
1998	5,525.21	2,586.31	391.64	365.00	532.00	298.59	1,166.97	184.71
1999	6,846.34	3,456.64	585.25	378.81	541.01	271.48	1,413.25	199.90
2000	6,964.63	3,370.15	564.75	360.92	545.16	278.41	1,611.38	233.87
2001	6,974.91	2,948.50	444.47	358.03	642.38	296.22	2,026.23	259.08
2002	6,383.48	2,273.92	369.37	335.28	809.71	330.13	1,988.78	276.30
2003	7,402.42	3,119.81	535.05	447.55	923.69	336.31	1,749.73	290.29
2004	8,095.45	3,627.86	716.20	552.01	969.43	328.24	1,589.70	312.00
2005	8,891.11	3,930.92	955.73	621.34	1,017.34	338.95	1,690.45	336.37
2006	10,397.88	4,473.12	1,360.45	731.36	1,129.41	365.09	1,969.42	369.03
2007	11,999.73	4,695.32	1,718.57	821.28	1,304.66	374.15	2,617.67	468.09
2008	9,602.57	2,739.12	898.60	562.05	1,232.78	337.79	3,338.56	493.68
2009	11,112.67	3,564.94	1,307.98	717.78	1,747.59	458.50	2,916.96	398.94
2010	11,831.33	4,055.85	1,540.98	842.04	2,115.00	473.54	2,473.92	330.01
2011	11,626.49	3,858.45	1,355.34	882.98	2,341.39	496.90	2,399.72	291.70
2012	13,043.67	4,328.50	1,611.59	1,030.82	2,800.38	578.85	2,406.10	287.43
2013	15,017.68	5,729.70	2,034.17	1,270.20	2,767.09	498.19	2,447.72	270.61

Note: Data for funds that invest primarily in other mutual funds were excluded from the series. The data contain a series break beginning in 1984. All funds were reclassified in 1984, and a separate category was created for hybrid funds. Components may not add to the total because of rounding.

TABLE 4

Total Net Assets of the Mutual Fund Industry by Composite Investment Objective

Billions of dollars, year-end

	Equity funds				Bond funds							Money market funds	
Year	Capital appreciation	World	Total return	Hybrid funds	Investment grade	High yield	World	Government	Multisector	State muni	National muni	Taxable	Tax-exempt
2000	$1,433.95	$564.75	$1,936.21	$360.92	$245.69	$109.94	$29.61	$124.87	$35.04	$131.92	$146.49	$1,611.38	$233.87
2001	1,105.24	444.47	1,843.26	358.03	311.29	109.20	28.05	154.14	39.70	139.78	156.44	2,026.23	259.08
2002	765.54	369.37	1,508.38	335.28	406.26	108.11	29.72	218.98	46.64	152.72	177.41	1,988.78	276.30
2003	1,041.14	535.05	2,078.67	447.55	473.95	158.99	38.19	197.99	54.57	149.26	187.05	1,749.73	290.29
2004	1,148.56	716.20	2,479.30	552.01	518.25	167.44	47.41	176.61	59.73	144.09	184.15	1,589.70	312.00
2005	1,232.82	955.73	2,698.11	621.34	570.10	158.48	56.62	167.34	64.81	147.46	191.50	1,690.45	336.37
2006	1,319.36	1,360.45	3,153.76	731.36	640.32	174.40	78.13	153.15	83.41	154.42	210.67	1,969.42	369.03
2007	1,419.59	1,718.57	3,275.73	821.28	760.36	174.75	107.43	158.19	103.93	155.94	218.21	2,617.67	468.09
2008	808.68	898.60	1,930.43	562.05	736.42	117.59	103.80	188.04	86.93	135.09	202.70	3,338.56	493.68
2009	1,085.71	1,307.98	2,479.23	717.78	1,050.05	197.09	146.42	210.31	143.72	159.26	299.24	2,916.96	398.94
2010	1,248.18	1,540.98	2,807.67	842.04	1,241.30	241.88	214.10	225.40	192.31	156.16	317.38	2,473.92	330.01
2011	1,178.82	1,355.34	2,679.63	882.98	1,364.79	267.25	256.01	241.94	211.40	158.89	338.01	2,399.72	291.70
2012	1,319.91	1,611.59	3,008.59	1,030.82	1,571.62	335.70	320.56	297.98	274.52	177.53	401.32	2,406.10	287.43
2013	1,725.21	2,034.17	4,004.48	1,270.20	1,450.83	411.52	338.99	239.05	326.70	144.82	353.37	2,447.72	270.61

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

TABLE 5

Number of Funds of the Mutual Fund Industry

Year-end

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

		Long-term funds					Money market funds	
		Equity			Bond			
Year	Total	Domestic	World	Hybrid	Taxable	Municipal	Taxable	Tax-exempt
1984	1,243	430	29	89	159	111	331	94
1985	1,528	519	43	103	229	174	350	110
1986	1,835	621	57	121	302	247	360	127
1987	2,312	743	81	164	415	366	389	154
1988	2,737	897	109	179	522	420	433	177
1989	2,935	941	128	189	561	443	470	203
1990	3,079	944	155	193	583	463	505	236
1991	3,403	985	206	212	657	523	552	268
1992	3,824	1,086	239	235	772	628	585	279
1993	4,534	1,280	306	282	950	796	627	293
1994	5,325	1,463	423	361	1,103	1,012	649	314
1995	5,725	1,611	528	412	1,166	1,011	676	321
1996	6,248	1,902	668	466	1,243	981	669	319
1997	6,684	2,183	768	501	1,286	933	685	328
1998	7,314	2,622	890	526	1,350	900	687	339
1999	7,791	3,004	949	532	1,374	887	704	341
2000	8,155	3,316	1,055	508	1,366	871	704	335
2001	8,305	3,611	1,085	473	1,307	814	690	325
2002	8,243	3,715	1,018	458	1,294	770	677	311
2003	8,125	3,659	929	473	1,312	779	660	313
2004	8,042	3,651	887	470	1,323	767	639	305
2005	7,974	3,659	912	479	1,314	740	593	277
2006	8,117	3,748	995	495	1,319	713	573	274
2007	8,023	3,676	1,060	481	1,325	676	545	260
2008	8,019	3,653	1,138	495	1,310	640	534	249
2009	7,659	3,419	1,171	476	1,289	600	476	228
2010	7,548	3,324	1,193	492	1,304	583	442	210
2011	7,580	3,265	1,265	515	1,340	563	431	201
2012	7,582	3,224	1,277	560	1,384	557	400	180
2013	7,707	3,195	1,345	606	1,446	560	382	173

Note: Data for funds that invest primarily in other mutual funds were excluded from the series. The data contain a series break beginning in 1984. All funds were reclassified in 1984, and a separate category was created for hybrid funds.

TABLE 6

Number of Funds of the Mutual Fund Industry by Composite Investment Objective

Year-end

	Equity funds				Bond funds							Money market funds	
Year	Capital appreciation	World	Total return	Hybrid funds	Investment grade	High yield	World	Government	Multisector	State muni	National muni	Taxable	Tax-exempt
2000	1,555	1,055	1,761	508	575	219	154	323	95	589	282	704	335
2001	1,723	1,085	1,888	473	557	224	139	296	91	550	264	690	325
2002	1,729	1,018	1,986	458	575	212	125	284	98	515	255	677	311
2003	1,680	929	1,979	473	601	212	120	281	98	523	256	660	313
2004	1,650	887	2,001	470	614	216	121	275	97	513	254	639	305
2005	1,631	912	2,028	479	609	226	122	262	95	498	242	593	277
2006	1,669	995	2,079	495	594	219	138	256	112	478	235	573	274
2007	1,576	1,060	2,100	481	606	221	149	243	106	448	228	545	260
2008	1,555	1,138	2,098	495	596	214	157	236	107	415	225	534	249
2009	1,442	1,171	1,977	476	572	206	164	237	110	377	223	476	228
2010	1,393	1,193	1,931	492	583	208	175	228	110	361	222	442	210
2011	1,360	1,265	1,905	515	579	207	204	222	128	346	217	431	201
2012	1,346	1,277	1,878	560	581	214	237	215	137	336	221	400	180
2013	1,329	1,345	1,866	606	594	225	270	214	143	331	229	382	173

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

TABLE 7
Number of Share Classes of the Mutual Fund Industry
Year-end

		Long-term funds					Money market funds	
		Equity			Bond			
Year	Total	Domestic	World	Hybrid	Taxable	Municipal	Taxable	Tax-exempt
1984	1,243	430	29	89	159	111	331	94
1985	1,528	519	43	103	229	174	350	110
1986	1,835	621	57	121	302	247	360	127
1987	2,312	743	81	164	415	366	389	154
1988	2,737	897	109	179	522	420	433	177
1989	2,935	941	128	189	561	443	470	203
1990	3,177	962	166	200	597	490	522	240
1991	3,587	1,021	227	224	686	558	591	280
1992	4,208	1,189	263	258	876	708	616	298
1993	5,562	1,560	385	349	1,205	1,054	672	337
1994	7,697	2,026	630	517	1,603	1,660	858	403
1995	9,007	2,442	845	637	1,841	1,862	953	427
1996	10,352	3,056	1,155	753	2,046	1,889	1,005	448
1997	12,002	3,860	1,449	877	2,289	1,978	1,075	474
1998	13,720	4,872	1,770	968	2,528	1,955	1,137	490
1999	15,262	5,818	1,968	1,031	2,717	1,998	1,230	500
2000	16,738	6,729	2,299	1,007	2,817	2,031	1,331	524
2001	18,022	7,742	2,511	994	2,870	1,957	1,405	543
2002	18,983	8,431	2,515	1,030	3,062	1,939	1,463	543
2003	19,317	8,548	2,369	1,110	3,219	2,040	1,462	569
2004	20,035	9,004	2,357	1,198	3,373	2,050	1,477	576
2005	20,548	9,261	2,501	1,340	3,423	1,992	1,464	567
2006	21,249	9,643	2,775	1,342	3,538	1,938	1,454	559
2007	21,610	9,705	3,030	1,331	3,636	1,893	1,447	568
2008	22,232	9,880	3,384	1,400	3,749	1,829	1,443	547
2009	21,661	9,346	3,549	1,387	3,775	1,758	1,330	516
2010	21,907	9,215	3,710	1,470	3,959	1,772	1,281	500
2011	22,249	9,207	3,942	1,544	4,109	1,717	1,255	475
2012	22,605	9,185	4,033	1,678	4,390	1,696	1,174	449
2013	23,353	9,247	4,254	1,872	4,663	1,746	1,141	430

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

TABLE 8

Number of Share Classes of the Mutual Fund Industry by Composite Investment Objective

Year-end

	Equity funds				Bond funds							Money market funds	
Year	Capital appreciation	World	Total return	Hybrid funds	Investment grade	High yield	World	Government	Multisector	State muni	National muni	Taxable	Tax-exempt
2000	3,232	2,299	3,497	1,007	1,141	490	306	679	201	1,393	638	1,331	524
2001	3,770	2,511	3,972	994	1,190	524	287	661	208	1,325	632	1,405	543
2002	3,974	2,515	4,457	1,030	1,341	528	286	676	231	1,286	653	1,463	543
2003	3,950	2,369	4,598	1,110	1,462	538	285	703	231	1,333	707	1,462	569
2004	4,068	2,357	4,936	1,198	1,551	567	296	716	243	1,333	717	1,477	576
2005	4,092	2,501	5,169	1,340	1,574	606	309	687	247	1,306	686	1,464	567
2006	4,245	2,775	5,398	1,342	1,604	617	361	666	290	1,258	680	1,454	559
2007	4,157	3,030	5,548	1,331	1,658	655	404	630	289	1,220	673	1,447	568
2008	4,178	3,384	5,702	1,400	1,663	673	472	624	317	1,151	678	1,443	547
2009	3,930	3,549	5,416	1,387	1,632	654	518	634	337	1,069	689	1,330	516
2010	3,844	3,710	5,371	1,470	1,702	683	583	644	347	1,065	707	1,281	500
2011	3,803	3,942	5,404	1,544	1,716	687	698	612	396	1,029	688	1,255	475
2012	3,793	4,033	5,392	1,678	1,792	727	827	618	426	1,002	694	1,174	449
2013	3,791	4,254	5,456	1,872	1,841	777	972	625	448	1,010	736	1,141	430

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

TABLE 9

Number of Shareholder Accounts* of the Mutual Fund Industry

Thousands, year-end

		Long-term funds						
		Equity			Bond		Money market funds	
Year	Total	Domestic	World	Hybrid	Taxable	Municipal	Taxable	Tax-exempt
1984	27,636	8,910	713	983	2,241	943	13,556	288
1985	34,098	10,255	806	1,323	5,261	1,520	14,435	499
1986	45,374	13,878	1,631	2,101	9,038	2,413	15,654	660
1987	53,717	18,201	2,171	2,732	10,198	2,740	16,833	842
1988	54,056	17,624	2,034	2,575	10,316	2,938	17,630	939
1989	57,560	18,286	2,062	2,727	9,887	3,285	20,173	1,141
1990	61,948	19,080	3,077	3,203	9,977	3,641	21,577	1,391
1991	68,332	22,170	3,478	3,620	11,254	4,255	21,863	1,693
1992	79,931	28,527	4,203	4,532	13,819	5,203	21,771	1,876
1993	94,015	35,433	7,122	6,741	14,917	6,218	21,587	1,999
1994	114,383	45,786	12,162	10,251	14,092	6,714	23,342	2,037
1995	131,219	56,145	13,195	10,926	14,786	6,030	27,866	2,271
1996	149,933	69,650	15,651	12,026	14,747	5,659	29,929	2,271
1997	170,299	83,767	17,912	12,856	14,856	5,284	32,986	2,638
1998	194,029	101,042	18,515	14,138	15,979	5,507	36,461	2,386
1999	226,212	125,558	21,833	14,252	15,971	4,982	41,187	2,428
2000	244,705	138,103	24,835	13,636	15,299	4,696	45,489	2,649
2001	248,701	140,614	23,969	14,875	17,438	4,567	44,425	2,811
2002	251,123	139,670	23,602	16,305	21,470	4,696	42,725	2,655
2003	260,698	147,117	25,403	18,869	23,693	4,401	38,411	2,803
2004	269,468	150,410	30,785	21,841	24,565	4,231	34,793	2,843
2005	275,479	147,971	36,961	24,214	25,304	4,190	34,031	2,806
2006	288,594	149,824	46,259	25,830	25,445	4,168	34,004	3,063
2007	292,553	145,025	51,287	27,166	25,903	4,043	35,661	3,469
2008	264,597	125,048	45,626	25,458	26,609	3,745	34,497	3,614
2009	269,449	123,897	48,716	26,630	32,530	4,210	30,300	3,166
2010	291,299	130,903	52,193	28,746	44,514	4,640	27,131	3,171
2011	272,628	122,997	48,474	27,417	40,857	4,212	25,909	2,761
2012	257,074	114,281	45,705	26,763	38,389	4,073	25,227	2,635
2013	264,848	121,623	47,998	27,999	36,932	3,694	24,119	2,483

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

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

TABLE 10

Number of Shareholder Accounts* of the Mutual Fund Industry by Composite Investment Objective

Thousands, year-end

	Equity funds				Bond funds							Money market funds	
Year	Capital appreciation	World	Total return	Hybrid funds	Investment grade	High yield	World	Government	Multisector	State muni	National muni	Taxable	Tax-exempt
2000	66,001	24,835	72,102	13,636	5,103	4,154	1,089	4,025	928	2,112	2,584	45,489	2,649
2001	63,008	23,969	77,606	14,875	6,739	4,156	1,052	4,513	978	2,033	2,534	44,425	2,811
2002	59,287	23,602	80,384	16,305	9,062	4,170	1,100	6,065	1,072	2,050	2,646	42,725	2,655
2003	60,281	25,403	86,837	18,869	10,316	5,056	1,283	5,776	1,263	1,831	2,571	38,411	2,803
2004	58,988	30,785	91,422	21,841	11,218	5,201	1,408	5,311	1,426	1,737	2,494	34,793	2,843
2005	57,004	36,961	90,968	24,214	11,952	5,190	1,724	4,820	1,618	1,707	2,483	34,031	2,806
2006	54,415	46,259	95,410	25,830	12,156	5,226	2,098	3,925	2,041	1,641	2,527	34,004	3,063
2007	52,239	51,287	92,786	27,166	12,255	5,257	2,575	3,577	2,240	1,574	2,469	35,661	3,469
2008	44,362	45,626	80,686	25,458	12,824	4,406	2,878	4,165	2,336	1,374	2,371	34,497	3,614
2009	44,719	48,716	79,178	26,630	15,910	5,285	3,597	4,386	3,352	1,424	2,786	30,300	3,166
2010	46,027	52,193	84,875	28,746	18,287	7,994	5,067	4,976	8,190	1,490	3,150	27,131	3,171
2011	43,602	48,474	79,395	27,417	18,235	7,392	5,510	5,011	4,709	1,245	2,968	25,909	2,761
2012	39,679	45,705	74,603	26,763	17,937	6,926	4,758	5,089	3,679	1,181	2,892	25,227	2,635
2013	40,761	47,998	80,861	27,999	16,638	7,333	4,713	4,008	4,240	1,032	2,662	24,119	2,483

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

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

TABLE 11

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

	Total assets *Millions of dollars, year-end*						Number of funds *Year-end*					
		Equity		Bond				Equity		Bond		
Year	Total	Domestic	Global/ International	Domestic taxable	Domestic municipal	Global/ International	Total	Domestic	Global/ International	Domestic taxable	Domestic municipal	Global/ International
1990	$59,014	$10,791	$5,751	$16,820	$16,482	$9,170	248	41	51	85	53	18
1991	76,092	13,109	6,115	19,403	29,519	7,947	280	40	52	86	87	15
1992	100,581	14,581	7,100	24,632	45,593	8,674	372	43	61	99	149	20
1993	131,438	15,462	12,466	30,909	60,100	12,501	494	48	70	120	227	29
1994	130,586	16,018	21,505	26,604	56,035	10,425	510	50	86	123	219	32
1995	142,540	18,078	23,769	28,678	60,318	11,698	499	49	91	119	207	33
1996	146,908	19,830	27,074	28,418	59,540	12,046	496	50	91	118	205	32
1997	151,767	20,536	29,011	28,315	61,992	11,912	486	45	89	115	205	32
1998	155,749	22,529	25,011	34,127	63,628	10,454	491	44	83	123	211	30
1999	146,940	24,696	16,494	30,888	64,513	10,348	511	49	74	117	241	30
2000	143,066	24,557	11,986	28,581	68,266	9,676	481	53	69	109	220	30
2001	141,185	22,261	8,748	26,606	74,467	9,102	491	51	64	109	240	27
2002	158,664	26,596	6,988	25,643	90,024	9,414	544	63	59	105	292	25
2003	213,756	42,987	9,743	55,428	94,060	11,539	583	75	55	129	297	27
2004	253,382	63,732	18,072	63,890	94,841	12,847	619	96	61	137	295	30
2005	275,932	77,090	27,784	63,935	94,563	12,559	635	121	71	132	280	31
2006	297,236	88,013	33,657	67,962	94,526	13,079	646	129	74	134	276	33
2007	312,371	87,869	57,329	62,571	88,920	15,682	663	137	92	131	269	34
2008	184,175	45,753	26,525	33,673	67,334	10,891	642	128	93	128	260	33
2009	223,394	53,440	34,489	44,126	77,677	13,660	627	117	91	127	260	32
2010	238,380	60,961	36,239	49,075	77,140	14,965	624	117	87	130	258	32
2011	242,977	62,914	33,441	48,099	84,100	14,422	632	125	87	132	256	32
2012	264,080	68,961	32,162	53,728	90,483	18,746	602	125	86	131	223	37
2013	279,298	82,100	32,209	58,591	82,753	23,646	599	130	85	132	210	42

Note: Components may not add to the total because of rounding. Totals are inclusive of preferred share classes.

TABLE 12
Closed-End Funds: Gross Issuance, Gross Redemptions, and Net Issuance by Type of Fund
Millions of dollars, annual

		Equity funds		Bond funds		
Year	Total	Domestic	Global/ International	Domestic taxable	Domestic municipal	Global/ International
Gross issuance[1]						
2002	$24,895	$9,191	$3	$2,309	$13,392	$0
2003	40,810	11,187	50	25,587	2,954	1,032
2004	27,991	15,424	5,714	5,820	5	1,028
2005	21,388	12,559	6,628	2,046	31	124
2006	12,745	7,992	2,505	1,718	196	334
2007	31,086	5,973	19,764	2,221	433	2,695
2008	275	8	145	121	0	0
2009	3,615	549	485	876	1,389	317
2010	14,017	3,719	114	2,374	7,454	358
2011	14,990	3,850	1,469	1,000	8,669	2
2012	14,127	3,815	516	3,963	3,753	2,081
2013	13,261	4,044	106	4,490	1,639	2,983
Gross redemptions[2]						
2007	2,717	1,024	105	254	1,313	20
2008	22,573	7,060	1,832	6,891	6,089	701
2009	6,375	2,416	639	1,664	1,627	30
2010	8,497	1,724	55	384	6,335	0
2011	8,972	644	209	276	7,843	0
2012	3,635	974	420	713	1,527	0
2013	3,154	146	649	556	1,799	5
Net issuance[3]						
2007	28,369	4,949	19,659	1,966	-880	2,675
2008	-22,298	-7,052	-1,687	-6,770	-6,089	-700
2009	-2,759	-1,866	-154	-788	-238	287
2010	5,520	1,995	59	1,990	1,119	357
2011	6,018	3,206	1,260	724	825	2
2012	10,492	2,840	96	3,249	2,226	2,081
2013	10,107	3,898	-543	3,933	-159	2,978

[1] Gross issuance of shares is the value of net proceeds from underwritings, additional offerings, and other issuance. Data are not available prior to 2002.

[2] Gross redemptions of shares is the value of share repurchases and fund liquidations. Data are not available prior to 2007.

[3] Net issuance of shares is the dollar value of gross issuance minus gross redemptions. A positive number indicates that gross issuance exceeded gross redemptions. A negative number indicates that gross redemptions exceeded gross issurance. Data are not available prior to 2007.

Note: Components may not add to the total because of rounding. Totals are inclusive of preferred share classes.

TABLE 13

Exchange-Traded Funds: Total Net Assets by Type of Fund

Millions of dollars, year-end

		Investment objective						Legal status			Memo
		Equity						1940 Act ETFs			
		Domestic equity									
Year	Total	Broad-based	Sector[1]	Global/ International	Commodities[2]	Hybrid	Bond	Index	Actively managed	Non–1940 Act ETFs[3]	Funds of funds[4]
1993	$464	$464	-	-	-	-	-	$464	-	-	-
1994	424	424	-	-	-	-	-	424	-	-	-
1995	1,052	1,052	-	-	-	-	-	1,052	-	-	-
1996	2,411	2,159	-	$252	-	-	-	2,411	-	-	-
1997	6,707	6,200	-	506	-	-	-	6,707	-	-	-
1998	15,568	14,058	$484	1,026	-	-	-	15,568	-	-	-
1999	33,873	29,374	2,507	1,992	-	-	-	33,873	-	-	-
2000	65,585	60,529	3,015	2,041	-	-	-	65,585	-	-	-
2001	82,993	74,752	5,224	3,016	-	-	-	82,993	-	-	-
2002	102,143	86,985	5,919	5,324	-	-	$3,915	102,143	-	-	-
2003	150,983	120,430	11,901	13,984	-	-	4,667	150,983	-	-	-
2004	227,540	163,730	20,315	33,644	$1,335	-	8,516	226,205	-	$1,335	-
2005	300,820	186,832	28,975	65,210	4,798	-	15,004	296,022	-	4,798	-
2006	422,550	232,487	43,655	111,194	14,699	-	20,514	407,850	-	14,699	-
2007	608,422	300,930	64,117	179,702	28,906	$119	34,648	579,517	-	28,906	-
2008	531,288	266,161	58,374	113,684	35,728	132	57,209	495,314	$245	35,728	$97
2009	777,128	304,044	82,053	209,315	74,528	169	107,018	701,586	1,014	74,528	824
2010	991,989	372,377	103,807	276,622	101,081	322	137,781	888,198	2,736	101,055	1,294
2011	1,048,134	400,696	108,548	245,114	109,176	377	184,222	934,216	5,049	108,868	1,580
2012	1,337,112	509,338	135,378	328,521	120,019	656	243,203	1,206,974	10,257	119,881	2,227
2013	1,674,616	761,701	202,706	398,834	64,044	1,469	245,862	1,596,691	14,055	63,869	2,659

[1] This category includes funds both registered and not registered under the Investment Company Act of 1940.
[2] This category includes funds—both registered and not registered under the Investment Company Act of 1940—that invest primarily in commodities, currencies, and futures.
[3] The funds in this category are not registered under the Investment Company Act of 1940.
[4] Data for ETFs that invest primarily in other ETFs are excluded from the totals.
Note: Components may not add to the total because of rounding.
Sources: Investment Company Institute and Strategic Insight Simfund

TABLE 14

Exchange-Traded Funds: Number of Funds by Type of Fund

Year-end

		Investment objective						Legal status			Memo
		Equity						1940 Act ETFs			
		Domestic equity									
Year	Total	Broad-based	Sector[1]	Global/ International	Commodities[2]	Hybrid	Bond	Index	Actively managed	Non-1940 Act ETFs[3]	Funds of funds[4]
1993	1	1	-	-	-	-	-	1	-	-	-
1994	1	1	-	-	-	-	-	1	-	-	-
1995	2	2	-	-	-	-	-	2	-	-	-
1996	19	2	-	17	-	-	-	19	-	-	-
1997	19	2	-	17	-	-	-	19	-	-	-
1998	29	3	9	17	-	-	-	29	-	-	-
1999	30	4	9	17	-	-	-	30	-	-	-
2000	80	29	26	25	-	-	-	80	-	-	-
2001	102	34	34	34	-	-	-	102	-	-	-
2002	113	34	32	39	-	-	8	113	-	-	-
2003	119	39	33	41	-	-	6	119	-	-	-
2004	152	60	42	43	1	-	6	151	-	1	-
2005	204	81	65	49	3	-	6	201	-	3	-
2006	359	133	119	85	16	-	6	343	-	16	-
2007	629	197	191	159	28	5	49	601	-	28	-
2008	728	204	186	225	45	6	62	670	13	45	15
2009	797	222	179	244	49	5	98	727	21	49	23
2010	923	243	193	298	55	6	128	844	25	54	27
2011	1,134	287	229	368	75	7	168	1,028	33	73	32
2012	1,194	274	222	404	79	13	202	1,070	44	80	45
2013	1,294	292	235	438	76	15	238	1,158	61	75	38

[1] This category includes funds both registered and not registered under the Investment Company Act of 1940.
[2] This category includes funds—both registered and not registered under the Investment Company Act of 1940—that invest primarily in commodities, currencies, and futures.
[3] The funds in this category are not registered under the Investment Company Act of 1940.
[4] Data for ETFs that invest primarily in other ETFs are excluded from the totals.
Sources: Investment Company Institute and Strategic Insight Simfund

TABLE 15

Exchange-Traded Funds: Net Issuance by Type of Fund

Millions of dollars, annual

		Investment objective						Legal status			Memo
		Equity						1940 Act ETFs			
		Domestic equity									
Year	Total	Broad-based	Sector[1]	Global/ International	Commodities[2]	Hybrid	Bond	Index	Actively managed	Non-1940 Act ETFs[3]	Funds of funds[4]
1993	$442	$442	-	-	-	-	-	$442	-	-	-
1994	-28	-28	-	-	-	-	-	-28	-	-	-
1995	443	443	-	-	-	-	-	443	-	-	-
1996	1,108	842	-	$266	-	-	-	1,108	-	-	-
1997	3,466	3,160	-	306	-	-	-	3,466	-	-	-
1998	6,195	5,158	$484	553	-	-	-	6,195	-	-	-
1999	11,929	10,221	1,596	112	-	-	-	11,929	-	-	-
2000	42,508	40,591	1,033	884	-	-	-	42,508	-	-	-
2001	31,012	26,911	2,735	1,366	-	-	-	31,012	-	-	-
2002	45,302	35,477	2,304	3,792	-	-	$3,729	45,302	-	-	-
2003	15,810	5,737	3,587	5,764	-	-	721	15,810	-	-	-
2004	56,375	29,084	6,514	15,645	$1,353	-	3,778	55,021	-	$1,353	-
2005	56,729	16,941	6,719	23,455	2,859	-	6,756	53,871	-	2,859	-
2006	73,995	21,589	9,780	28,423	8,475	-	5,729	65,520	-	8,475	-
2007	150,617	61,152	18,122	48,842	9,062	$122	13,318	141,555	-	9,062	-
2008	177,220	88,105	30,296	25,243	10,567	58	22,952	166,372	$281	10,567	$107
2009	116,469	-11,842	14,329	39,599	28,410	15	45,958	87,336	724	28,410	237
2010	117,982	28,317	10,187	41,527	8,155	144	29,652	108,141	1,711	8,129	433
2011	117,642	34,653	9,682	24,250	2,940	72	46,045	112,437	2,567	2,639	389
2012	185,394	57,739	14,307	51,896	8,892	246	52,318	171,329	5,025	9,041	510
2013	179,885	99,470	34,434	62,807	-29,870	849	12,195	205,323	4,468	-29,906	1,180

[1] This category includes funds both registered and not registered under the Investment Company Act of 1940.
[2] This category includes funds—both registered and not registered under the Investment Company Act of 1940—that invest primarily in commodities, currencies, and futures.
[3] The funds in this category are not registered under the Investment Company Act of 1940.
[4] Data for ETFs that invest primarily in other ETFs are excluded from the totals.
Note: Components may not add to the total because of rounding.
Sources: Investment Company Institute and Strategic Insight Simfund

TABLE 16

Unit Investment Trusts: Total Net Assets, Number of Trusts, and New Deposits by Type of Trust

	Total net assets Millions of dollars, year-end				Number of trusts Year-end				New deposits Millions of dollars, annual			
Year	Total trusts	Equity	Taxable debt	Tax-free debt	Total trusts	Equity	Taxable debt	Tax-free debt	Total trusts	Equity	Taxable debt	Tax-free debt
1990	$105,390	$4,192	$9,456	$91,742	12,131	171	722	11,238	$7,489	$495	$1,349	$5,644
1991	102,828	4,940	9,721	88,167	12,388	168	678	11,542	8,195	900	1,687	5,609
1992	97,925	6,484	9,976	81,465	13,598	230	745	12,623	8,909	1,771	2,385	4,752
1993	87,574	8,494	8,567	70,513	13,740	258	679	12,803	9,359	3,206	1,598	4,555
1994	73,682	9,285	7,252	57,144	13,310	306	568	12,436	8,915	3,265	1,709	3,941
1995	73,125	14,019	8,094	51,013	12,979	301	578	12,100	11,264	6,743	1,154	3,367
1996	72,204	22,922	8,485	40,796	11,764	378	591	10,795	21,662	18,316	800	2,546
1997	84,761	40,747	6,480	37,533	11,593	563	513	10,517	38,546	35,855	771	1,919
1998	93,943	56,413	5,380	32,151	10,966	872	414	9,680	47,675	45,947	562	1,166
1999	91,970	62,128	4,283	25,559	10,414	1,081	409	8,924	52,046	50,629	343	1,074
2000	74,161	48,060	3,502	22,599	10,072	1,554	369	8,149	43,649	42,570	196	883
2001	49,249	26,467	3,784	18,999	9,295	1,500	324	7,471	19,049	16,927	572	1,550
2002	36,016	14,651	4,020	17,345	8,303	1,247	366	6,690	11,600	9,131	862	1,607
2003	35,826	19,024	3,311	13,491	7,233	1,206	320	5,707	12,731	10,071	931	1,729
2004	37,267	23,201	2,635	11,432	6,499	1,166	295	5,038	17,125	14,559	981	1,585
2005	40,894	28,634	2,280	9,980	6,019	1,251	304	4,464	22,598	21,526	289	782
2006	49,662	38,809	2,142	8,711	5,907	1,566	319	4,022	29,057	28,185	294	578
2007	53,040	43,295	2,066	7,680	6,030	1,964	327	3,739	35,836	35,101	298	438
2008	28,543	20,080	2,007	6,456	5,984	2,175	343	3,466	23,590	22,335	557	698
2009	38,336	24,774	3,668	9,894	6,049	2,145	438	3,466	22,293	16,159	2,201	3,933
2010	50,567	34,112	3,780	12,675	5,971	2,212	491	3,268	30,936	25,003	928	5,006
2011	59,931	40,638	3,602	15,691	6,043	2,395	512	3,136	36,026	31,900	765	3,361
2012	71,725	51,905	4,063	15,757	5,787	2,426	553	2,808	43,404	40,012	1,236	2,157
2013	86,504	70,850	3,560	12,094	5,552	2,428	580	2,544	55,628	53,719	916	993

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

TABLE 17

Liquid Assets and Liquidity Ratio of Long-Term Mutual Funds

Year-end

	Liquid assets *Millions of dollars*				Liquidity ratio* *Percent*			
Year	Total	Equity funds	Hybrid funds	Bond funds	Total	Equity funds	Hybrid funds	Bond funds
1986	$30,611	$14,612	$2,514	$13,485	7.2%	9.5%	9.8%	5.5%
1987	37,930	16,319	2,730	18,881	8.4	9.3	9.3	7.6
1988	44,980	17,742	2,986	24,252	9.5	9.4	11.3	9.5
1989	44,603	25,602	5,747	13,253	8.1	10.4	16.1	4.9
1990	48,440	27,344	4,225	16,872	8.5	11.4	11.7	5.8
1991	60,385	30,657	3,318	26,410	7.1	7.6	6.4	6.7
1992	73,984	42,417	6,595	24,972	6.7	8.3	8.5	5.0
1993	99,436	57,539	16,774	25,123	6.6	7.8	11.6	4.1
1994	120,430	70,885	20,093	29,453	7.8	8.3	12.2	5.6
1995	141,755	97,743	19,494	24,518	6.9	7.8	9.3	4.1
1996	151,988	107,667	18,067	26,254	5.8	6.2	7.2	4.1
1997	198,826	145,565	24,761	28,500	5.8	6.1	7.8	3.9
1998	191,393	143,516	25,569	22,307	4.6	4.8	7.0	2.7
1999	219,098	174,692	20,656	23,750	4.2	4.3	5.5	2.9
2000	277,164	225,032	26,798	25,334	5.4	5.7	7.4	3.1
2001	222,475	170,377	26,911	25,187	4.7	5.0	7.5	2.7
2002	208,939	120,515	25,423	63,001	5.1	4.6	7.6	5.5
2003	259,580	154,857	30,633	74,089	4.8	4.2	6.8	5.9
2004	306,756	184,045	36,179	86,532	5.0	4.2	6.6	6.7
2005	302,922	190,817	42,998	69,108	4.4	3.9	6.9	5.1
2006	346,491	218,567	57,317	70,606	4.3	3.7	7.8	4.7
2007	381,245	266,101	56,570	58,573	4.3	4.1	6.9	3.5
2008	296,222	185,452	52,502	58,269	5.1	5.1	9.3	3.7
2009	365,358	169,642	52,566	143,150	4.7	3.5	7.3	6.5
2010	330,811	192,717	61,007	77,087	3.7	3.4	7.2	3.0
2011	462,471	182,645	70,403	209,423	5.2	3.5	8.0	7.4
2012	517,693	200,618	100,326	216,750	5.0	3.4	9.7	6.4
2013	653,263	272,925	142,106	238,232	5.3	3.5	11.2	7.3

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

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

TABLE 18

Liquidity Ratio of Long-Term Mutual Funds by Composite Investment Objective

Percent, year-end

	Equity funds				Bond funds						
Year	Capital appreciation	World	Total return	Hybrid funds	Investment grade	High yield	World	Government	Multisector	State muni	National muni
2000	6.1%	7.7%	4.9%	7.4%	4.5%	9.1%	-0.9%	-2.8%	-3.4%	3.1%	3.5%
2001	4.9	6.2	4.8	7.5	3.3	7.7	-4.3	-0.5	0.6	2.3	3.2
2002	4.9	5.7	4.1	7.6	10.7	7.9	-3.3	0.5	-0.7	2.6	4.2
2003	3.7	5.8	4.1	6.8	9.7	6.1	4.0	1.7	6.3	2.2	3.7
2004	3.6	5.5	4.2	6.6	8.9	6.1	9.3	3.8	5.0	2.9	6.5
2005	3.3	5.2	3.7	6.9	6.5	5.1	7.4	1.2	5.2	2.5	5.7
2006	3.4	4.3	3.7	7.8	6.9	4.2	14.0	-4.1	2.7	2.0	4.5
2007	4.3	5.2	3.5	6.9	2.3	4.0	18.3	-0.8	3.0	1.8	4.6
2008	6.1	6.1	4.2	9.3	1.1	10.7	13.3	4.4	3.5	1.7	4.9
2009	4.5	3.9	2.8	7.3	6.8	5.4	10.2	4.0	10.6	2.8	6.0
2010	3.5	4.4	2.9	7.2	0.3	6.1	11.4	-2.5	10.7	2.1	5.2
2011	3.8	4.5	2.9	8.0	7.2	7.2	17.0	0.9	8.4	3.1	6.6
2012	3.6	4.0	2.9	9.7	5.4	5.6	15.2	2.8	9.1	3.4	6.2
2013	3.6	4.5	3.0	11.2	6.8	4.2	14.6	1.0	13.5	2.0	6.5

Note: Liquidity ratio is the ratio of liquid assets divided by total net assets at year-end. Data for funds that invest primarily in other mutual funds were excluded from the series.

TABLE 19

Net New Cash Flow* of Long-Term Mutual Funds

Millions of dollars, annual

Year	Total	Equity funds	Hybrid funds	Bond funds
1984	$19,194	$4,336	$1,801	$13,058
1985	73,490	6,643	3,720	63,127
1986	129,991	20,386	6,988	102,618
1987	29,776	19,231	3,748	6,797
1988	-23,119	-14,948	-3,684	-4,488
1989	8,731	6,774	3,183	-1,226
1990	21,211	12,915	1,483	6,813
1991	106,213	39,888	7,089	59,236
1992	171,696	78,983	21,833	70,881
1993	242,049	127,261	44,229	70,559
1994	75,160	114,525	23,105	-62,470
1995	122,208	124,392	3,899	-6,082
1996	231,874	216,937	12,177	2,760
1997	272,030	227,107	16,499	28,424
1998	241,796	156,875	10,311	74,610
1999	169,780	187,565	-13,705	-4,080
2000	228,874	315,742	-36,722	-50,146
2001	129,188	33,633	7,285	88,269
2002	120,583	-29,048	8,043	141,587
2003	215,843	144,416	39,066	32,360
2004	209,851	171,831	53,082	-15,062
2005	192,086	123,718	42,841	25,527
2006	227,103	147,548	19,870	59,685
2007	224,254	73,035	40,330	110,889
2008	-224,997	-229,576	-25,652	30,232
2009	389,155	-2,019	19,888	371,285
2010	241,271	-24,477	35,256	230,492
2011	25,846	-129,024	39,763	115,107
2012	195,922	-152,234	46,531	301,624
2013	151,835	159,784	72,514	-80,463

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

Data Section 3

TABLE 20

Net New Cash Flow and Components of Net New Cash Flow of Equity Mutual Funds

Millions of dollars, annual

Year	Net new cash flow[1]	Sales: New + exchange	Sales: New[2]	Sales: Exchange[3]	Redemptions: Regular + exchange	Redemptions: Regular[4]	Redemptions: Exchange[5]
1984	$4,336	$28,705	$16,586	$12,119	$24,369	$10,669	$13,700
1985	6,643	40,608	25,046	15,562	33,965	17,558	16,406
1986	20,386	87,997	50,774	37,224	67,612	26,051	41,561
1987	19,231	139,596	65,093	74,502	120,365	38,601	81,764
1988	-14,948	68,827	25,641	43,186	83,774	33,247	50,528
1989	6,774	89,345	46,817	42,527	82,571	37,229	45,342
1990	12,915	104,334	62,872	41,462	91,419	44,487	46,931
1991	39,888	146,618	90,192	56,427	106,730	53,394	53,336
1992	78,983	201,720	134,309	67,411	122,738	61,465	61,272
1993	127,260	307,356	213,639	93,717	180,095	91,944	88,151
1994	114,525	366,659	252,887	113,772	252,134	141,097	111,037
1995	124,392	433,853	282,937	150,915	309,461	170,402	139,059
1996	216,937	674,323	442,372	231,951	457,385	240,531	216,854
1997	227,106	880,286	579,064	301,222	653,180	362,022	291,158
1998	156,875	1,065,197	699,554	365,643	908,322	534,256	374,065
1999	187,565	1,410,845	918,600	492,245	1,223,280	744,145	479,136
2000	315,742	1,972,295	1,320,136	652,159	1,656,554	1,032,209	624,345
2001	33,633	1,330,283	954,075	376,208	1,296,649	892,064	404,586
2002	-29,048	1,214,961	894,862	320,099	1,244,009	876,215	367,794
2003	144,416	1,075,014	838,337	236,677	930,598	708,043	222,555
2004	171,831	1,096,812	927,240	169,571	924,981	759,281	165,700
2005	123,718	1,192,792	1,017,357	175,435	1,069,073	878,530	190,543
2006	147,548	1,417,170	1,214,512	202,658	1,269,622	1,047,686	221,936
2007	73,035	1,729,368	1,506,710	222,658	1,656,333	1,389,421	266,911
2008	-229,576	1,523,316	1,329,579	193,737	1,752,892	1,479,174	273,718
2009	-2,019	1,193,789	1,032,222	161,567	1,195,807	1,015,656	180,151
2010	-24,477	1,406,790	1,237,031	169,759	1,431,267	1,239,392	191,876
2011	-129,024	1,493,661	1,323,494	170,167	1,622,685	1,418,321	204,364
2012	-152,234	1,450,482	1,261,039	189,443	1,602,716	1,382,517	220,199
2013	159,784	1,865,940	1,642,808	223,133	1,706,156	1,498,247	207,909

[1] Net new cash flow is the dollar value of new sales minus redemptions combined with net exchanges.
[2] New sales are the dollar value of new purchases of mutual fund shares. This does not include shares purchased through reinvestment of dividends in existing accounts.
[3] Exchange sales are the dollar value of mutual fund shares switched into funds within the same fund group.
[4] Regular redemptions are the dollar value of shareholder liquidation of mutual fund shares.
[5] Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into other funds within the same fund group.
Note: Data for funds that invest primarily in other mutual funds were excluded from the series. Components may not add to the total because of rounding.

TABLE 21

Net New Cash Flow and Components of Net New Cash Flow of Hybrid Mutual Funds

Millions of dollars, annual

		Sales			Redemptions		
Year	Net new cash flow[1]	New + exchange	New[2]	Exchange[3]	Regular + exchange	Regular[4]	Exchange[5]
1984	$1,801	$4,118	$3,842	$276	$2,318	$2,017	$301
1985	3,720	7,502	6,976	526	3,782	3,161	621
1986	6,988	13,535	12,342	1,194	6,548	5,162	1,386
1987	3,748	14,948	12,420	2,529	11,200	7,848	3,353
1988	-3,684	6,259	4,601	1,658	9,943	7,521	2,422
1989	3,183	11,139	9,334	1,805	7,956	5,780	2,176
1990	1,483	9,721	8,021	1,700	8,238	5,619	2,619
1991	7,089	16,912	13,789	3,122	9,823	7,030	2,792
1992	21,832	32,955	26,586	6,369	11,122	7,265	3,858
1993	44,229	62,391	50,866	11,525	18,162	11,828	6,334
1994	23,105	60,434	50,436	9,998	37,329	25,761	11,568
1995	3,899	43,851	36,038	7,813	39,952	28,241	11,711
1996	12,177	58,089	48,494	9,595	45,912	31,915	13,997
1997	16,499	70,279	56,856	13,423	53,780	38,926	14,854
1998	10,311	84,483	68,853	15,630	74,171	54,649	19,523
1999	-13,705	82,993	68,582	14,411	96,698	71,076	25,622
2000	-36,722	70,445	56,973	13,473	107,167	77,219	29,948
2001	7,285	83,546	65,634	17,912	76,260	58,850	17,410
2002	8,043	93,685	75,664	18,021	85,642	67,407	18,234
2003	39,066	115,915	96,799	19,116	76,849	63,329	13,520
2004	53,082	143,395	125,374	18,021	90,312	77,426	12,886
2005	42,841	144,193	126,548	17,645	101,353	86,040	15,312
2006	19,870	146,056	127,505	18,551	126,187	106,023	20,164
2007	40,330	206,285	183,358	22,927	165,955	143,992	21,963
2008	-25,652	181,166	154,810	26,356	206,818	165,257	41,562
2009	19,888	174,286	150,119	24,167	154,397	127,156	27,241
2010	35,256	205,131	181,172	23,959	169,876	146,208	23,668
2011	39,763	263,322	233,710	29,611	223,558	190,432	33,126
2012	46,531	265,841	239,194	26,647	219,310	194,716	24,594
2013	72,514	336,267	299,381	36,886	263,753	232,700	31,054

[1] Net new cash flow is the dollar value of new sales minus redemptions combined with net exchanges.
[2] New sales are the dollar value of new purchases of mutual fund shares. This does not include shares purchased through reinvestment of dividends in existing accounts.
[3] Exchange sales are the dollar value of mutual fund shares switched into funds within the same fund group.
[4] Regular redemptions are the dollar value of shareholder liquidation of mutual fund shares.
[5] Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into other funds within the same fund group.
Note: Data for funds that invest primarily in other mutual funds were excluded from the series. Components may not add to the total because of rounding.

TABLE 22

Net New Cash Flow and Components of Net New Cash Flow of Bond Mutual Funds

Millions of dollars, annual

		Sales			Redemptions		
Year	Net new cash flow[1]	New + exchange	New[2]	Exchange[3]	Regular + exchange	Regular[4]	Exchange[5]
1984	$13,058	$25,554	$20,774	$4,780	$12,497	$7,344	$5,152
1985	63,127	83,359	74,485	8,874	20,232	13,094	7,137
1986	102,618	158,874	138,240	20,634	56,256	35,776	20,480
1987	6,797	123,528	93,725	29,803	116,731	69,627	47,104
1988	-4,488	72,174	47,378	24,796	76,662	51,558	25,103
1989	-1,226	71,770	48,602	23,168	72,996	48,517	24,480
1990	6,813	80,608	57,074	23,534	73,795	47,959	25,837
1991	59,236	141,622	108,059	33,563	82,387	56,158	26,228
1992	70,881	217,680	171,868	45,812	146,799	96,573	50,226
1993	70,559	260,519	207,265	53,254	189,960	127,200	62,759
1994	-62,470	185,015	129,959	55,057	247,485	162,360	85,125
1995	-6,082	165,610	109,797	55,814	171,693	114,252	57,441
1996	2,760	202,037	136,827	65,210	199,277	124,984	74,293
1997	28,424	240,377	174,682	65,695	211,953	140,245	71,708
1998	74,610	312,637	229,375	83,263	238,028	158,775	79,253
1999	-4,080	298,122	216,467	81,655	302,202	205,968	96,234
2000	-50,146	250,831	187,100	63,730	300,977	220,811	80,165
2001	88,269	393,754	301,021	92,733	305,486	225,935	79,551
2002	141,587	514,213	401,205	113,009	372,626	284,533	88,093
2003	32,360	519,816	427,686	92,130	487,456	376,362	111,094
2004	-15,062	395,104	340,202	54,902	410,166	341,078	69,088
2005	25,527	402,603	350,999	51,603	377,075	321,284	55,791
2006	59,685	446,258	391,015	55,243	386,573	329,120	57,453
2007	110,889	592,700	506,910	85,790	481,811	410,037	71,774
2008	30,232	709,562	580,884	128,678	679,330	582,435	96,895
2009	371,285	1,006,469	856,640	149,830	635,184	524,973	110,212
2010	230,492	1,087,200	962,099	125,101	856,708	742,038	114,670
2011	115,107	1,098,737	971,559	127,178	983,630	867,959	115,671
2012	301,624	1,239,664	1,114,355	125,310	938,040	835,887	102,152
2013	-80,463	1,292,792	1,144,225	148,567	1,373,255	1,185,210	188,045

[1] Net new cash flow is the dollar value of new sales minus redemptions combined with net exchanges.
[2] New sales are the dollar value of new purchases of mutual fund shares. This does not include shares purchased through reinvestment of dividends in existing accounts.
[3] Exchange sales are the dollar value of mutual fund shares switched into funds within the same fund group.
[4] Regular redemptions are the dollar value of shareholder liquidation of mutual fund shares.
[5] Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into other funds within the same fund group.
Note: Data for funds that invest primarily in other mutual funds were excluded from the series. Components may not add to the total because of rounding.

TABLE 23

Net New Cash Flow of Long-Term Mutual Funds by Composite Investment Objective

Millions of dollars, annual

	Equity funds				Bond funds						
Year	Capital appreciation	World	Total return	Hybrid funds	Investment grade	High yield	World	Government	Multisector	State muni	National muni
2000	$262,090	$58,195	-$4,543	-$36,722	$5,460	-$15,376	-$4,000	-$16,663	-$5,101	-$5,456	-$9,010
2001	-22,779	-23,206	79,619	7,285	49,253	880	-1,552	24,769	2,643	6,293	5,983
2002	-52,387	-4,451	27,791	8,043	64,670	2,953	-551	53,048	4,582	5,337	11,549
2003	27,126	24,361	92,930	39,066	31,835	21,945	3,207	-22,124	4,336	-8,309	1,471
2004	-11,497	71,583	111,744	53,082	22,382	-3,389	5,092	-26,259	2,461	-7,939	-7,410
2005	-25,359	106,918	42,159	42,841	36,732	-13,821	8,230	-14,211	3,887	1,232	3,480
2006	-26,842	150,935	23,455	19,870	36,993	2,621	11,588	-17,834	11,212	3,876	11,229
2007	-43,077	141,788	-25,676	40,330	76,106	-4,714	21,356	-2,242	9,403	3,358	7,621
2008	-47,898	-80,384	-101,294	-25,652	9,453	-6,036	6,165	20,600	-7,766	-2,302	10,119
2009	-7,171	25,681	-20,529	19,888	202,340	22,140	23,602	18,950	33,852	6,084	64,316
2010	-26,485	56,732	-54,724	35,256	111,384	19,119	51,142	4,046	33,561	-2,838	14,076
2011	-44,208	3,902	-88,718	39,763	50,892	21,717	38,575	3,271	12,433	-9,890	-1,891
2012	-38,420	6,395	-120,209	46,531	106,568	32,406	36,422	33,612	43,020	8,539	41,058
2013	-3,234	142,062	20,956	72,514	-97,054	54,191	22,524	-51,310	49,596	-22,420	-35,989

Note: Net new cash flow is the dollar value of new sales minus redemptions combined with net exchanges. Data for funds that invest primarily in other mutual funds were excluded from the series.

TABLE 24

New Sales of Long-Term Mutual Funds by Composite Investment Objective

Millions of dollars, annual

	Equity funds				Bond funds						
Year	Capital appreciation	World	Total return	Hybrid funds	Investment grade	High yield	World	Government	Multisector	State muni	National muni
2000	$574,322	$342,511	$403,304	$56,973	$79,200	$27,405	$7,622	$24,359	$7,345	$16,989	$24,180
2001	306,550	251,663	395,863	65,634	127,711	36,277	7,797	58,987	12,940	25,028	32,282
2002	250,056	245,152	399,654	75,664	172,587	39,665	9,779	93,874	15,772	26,360	43,168
2003	250,597	205,236	382,504	96,799	186,661	65,577	17,126	71,167	21,921	20,546	44,688
2004	268,027	184,371	474,842	125,374	165,644	48,028	17,174	38,512	19,476	16,820	34,548
2005	263,542	239,620	514,195	126,548	171,630	41,721	23,464	32,063	21,832	21,959	38,331
2006	301,994	354,878	557,640	127,505	183,990	44,937	28,861	29,690	30,986	25,566	46,985
2007	368,249	479,180	659,282	183,358	247,220	54,851	45,144	34,593	40,931	29,590	54,582
2008	340,061	372,414	617,104	154,810	277,182	47,244	53,051	64,527	38,333	30,562	69,983
2009	273,479	284,153	474,590	150,119	426,750	69,908	59,445	90,702	68,165	28,386	113,284
2010	309,725	379,399	547,907	181,172	450,183	95,709	105,958	79,454	93,503	28,530	108,761
2011	340,899	397,614	584,982	233,710	448,545	127,901	113,479	72,098	99,541	19,797	90,198
2012	336,677	361,349	563,013	239,194	489,989	121,341	112,775	109,647	122,442	30,912	127,248
2013	396,914	509,152	736,742	299,381	467,258	169,305	127,500	74,287	171,132	23,833	110,910

Note: New sales are the dollar value of new purchases of mutual fund shares. This does not include shares purchased through reinvestment of dividends in existing accounts. Data for funds that invest primarily in other mutual funds were excluded from the series.

TABLE 25

Exchange Sales of Long-Term Mutual Funds by Composite Investment Objective

Millions of dollars, annual

	Equity funds				Bond funds						
Year	Capital appreciation	World	Total return	Hybrid funds	Investment grade	High yield	World	Government	Multisector	State muni	National muni
2000	$343,618	$169,388	$139,153	$13,473	$16,756	$10,298	$2,808	$15,829	$1,866	$5,304	$10,870
2001	176,020	85,824	114,364	17,912	32,627	11,378	1,832	24,779	3,085	5,348	13,686
2002	144,274	71,084	104,741	18,021	39,454	11,201	2,142	37,280	3,705	5,625	13,602
2003	94,572	41,777	100,328	19,116	33,917	17,110	3,204	18,355	5,037	4,288	10,218
2004	57,575	27,630	84,366	18,021	23,666	8,884	1,917	7,023	4,528	2,750	6,135
2005	55,786	38,396	81,252	17,645	20,833	7,182	2,657	6,575	4,938	2,983	6,435
2006	64,336	56,926	81,396	18,551	21,896	7,219	2,640	5,972	7,196	3,450	6,869
2007	60,884	68,791	92,982	22,927	41,589	7,880	4,480	10,226	5,229	5,706	10,680
2008	58,645	48,079	87,013	26,356	50,420	7,386	8,350	27,495	10,221	7,039	17,767
2009	44,893	47,195	69,478	24,167	76,509	13,182	7,490	18,336	9,113	5,161	20,037
2010	41,942	55,916	71,901	23,959	58,257	13,068	8,019	14,510	12,131	3,852	15,263
2011	48,404	40,005	81,757	29,611	59,209	14,761	8,967	14,314	12,261	3,736	13,930
2012	45,118	47,469	96,856	26,647	55,239	13,351	8,088	14,908	13,911	3,685	16,129
2013	68,235	44,070	110,827	36,886	52,728	18,605	23,367	13,318	13,575	4,900	22,075

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

TABLE 26

Redemptions of Long-Term Mutual Funds by Composite Investment Objective

Millions of dollars, annual

	Equity funds				Bond funds						
Year	Capital appreciation	World	Total return	Hybrid funds	Investment grade	High yield	World	Government	Multisector	State muni	National muni
2000	$367,939	$288,253	$376,017	$77,219	$71,781	$37,560	$10,439	$35,865	$11,382	$21,877	$31,908
2001	307,031	264,414	320,618	58,850	87,986	34,381	8,818	37,939	10,825	18,584	27,401
2002	276,869	243,479	355,866	67,407	117,197	36,207	10,701	53,918	12,187	20,889	33,434
2003	222,877	183,743	301,423	63,329	150,032	47,355	14,369	79,437	18,026	25,700	41,443
2004	269,656	122,228	367,397	77,426	141,777	49,029	12,049	58,824	16,956	22,817	39,625
2005	274,036	148,065	456,429	86,040	136,146	52,006	16,160	43,913	18,114	20,457	34,488
2006	313,742	223,271	510,674	106,023	146,821	42,088	17,741	43,975	20,600	21,692	36,205
2007	393,834	347,697	647,890	143,992	186,062	56,322	25,674	38,850	30,342	25,838	46,949
2008	375,604	424,738	678,832	165,257	281,436	50,615	48,920	59,781	46,413	32,200	63,070
2009	273,870	258,011	483,776	127,156	248,420	51,120	39,161	69,920	37,169	22,762	56,420
2010	329,620	317,312	592,460	146,208	347,320	79,668	57,128	74,239	61,250	29,101	93,331
2011	377,411	382,414	658,496	190,432	406,862	107,115	75,695	69,545	88,333	28,412	91,997
2012	367,950	353,114	661,453	194,716	393,574	91,186	77,906	77,344	83,524	22,815	89,538
2013	402,840	371,483	723,925	232,700	529,849	119,625	117,088	117,036	122,824	40,542	138,246

Note: Redemptions are the dollar value of shareholder liquidation of mutual fund shares. Data for funds that invest primarily in other mutual funds were excluded from the series.

TABLE 27

Exchange Redemptions of Long-Term Mutual Funds by Composite Investment Objective

Millions of dollars, annual

	Equity funds				Bond funds						
Year	Capital appreciation	World	Total return	Hybrid funds	Investment grade	High yield	World	Government	Multisector	State muni	National muni
2000	$287,910	$165,451	$170,983	$29,948	$18,715	$15,519	$3,990	$20,986	$2,930	$5,872	$12,153
2001	198,317	96,279	109,990	17,410	23,098	12,393	2,363	21,058	2,557	5,499	12,583
2002	169,848	77,208	120,738	18,234	30,174	11,706	1,771	24,188	2,708	5,758	11,787
2003	95,166	38,910	88,479	13,520	38,711	13,387	2,756	32,209	4,596	7,443	11,992
2004	67,443	18,190	80,067	12,886	25,150	11,272	1,950	12,969	4,588	4,692	8,467
2005	70,651	23,033	96,859	15,312	19,585	10,719	1,731	8,936	4,769	3,253	6,798
2006	79,431	37,597	104,908	20,164	22,073	7,447	2,172	9,521	6,370	3,449	6,420
2007	78,376	58,486	130,050	21,963	26,642	11,122	2,594	8,210	6,415	6,099	10,692
2008	71,000	76,138	126,580	41,562	36,713	10,051	6,317	11,642	9,908	7,703	14,562
2009	51,674	47,657	80,821	27,241	52,499	9,830	4,172	20,168	6,257	4,702	12,584
2010	48,533	61,271	82,072	23,668	49,736	9,990	5,707	15,679	10,823	6,119	16,617
2011	56,101	51,303	96,961	33,126	50,000	13,831	8,176	13,597	11,035	5,011	14,022
2012	52,265	49,308	118,626	24,594	45,087	11,100	6,534	13,600	9,809	3,243	12,780
2013	65,544	39,677	102,688	31,054	87,191	14,094	11,256	21,878	12,287	10,611	30,728

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

TABLE 28

Annual Redemption Rates of Long-Term Mutual Funds

Percent

	Narrow redemption rate[1]				Broad redemption rate[2]			
Year	Total	Equity funds	Hybrid funds	Bond funds	Total	Equity funds	Hybrid funds	Bond funds
1986	19.8%	19.6%	23.8%	19.6%	38.6%	50.9%	30.2%	30.7%
1987	26.5	23.4	28.5	28.3	56.7	73.0	40.7	47.5
1988	20.0	18.2	27.1	20.5	36.9	45.9	35.8	30.4
1989	17.9	17.1	18.7	18.4	31.9	38.0	25.7	27.7
1990	17.5	18.4	15.7	17.0	31.0	37.7	23.0	26.2
1991	16.4	16.6	15.9	16.4	28.1	33.1	22.2	24.1
1992	17.0	13.4	11.2	21.5	28.8	26.7	17.1	32.7
1993	17.8	14.7	10.6	22.6	29.9	28.7	16.3	33.8
1994	21.6	17.7	16.7	28.3	35.2	31.6	24.2	43.2
1995	17.4	16.2	15.1	20.3	28.9	29.4	21.3	30.5
1996	17.0	16.2	13.8	20.1	30.0	30.7	19.8	32.0
1997	17.9	17.7	13.7	20.5	30.5	31.9	18.9	31.0
1998	19.7	20.0	16.0	20.4	32.2	34.0	21.7	30.6
1999	21.7	21.2	19.1	25.1	34.5	34.9	26.0	36.8
2000	25.7	25.9	20.9	27.0	39.9	41.6	29.0	36.8
2001	24.0	24.3	16.4	25.6	34.2	35.3	21.2	34.7
2002	27.9	29.0	19.4	27.4	38.7	41.2	24.7	35.9
2003	24.2	22.5	16.2	31.4	31.5	29.5	19.6	40.6
2004	20.4	19.0	15.5	26.7	24.7	23.1	18.1	32.1
2005	19.7	19.0	14.7	24.2	23.7	23.2	17.3	28.4
2006	19.9	19.5	15.7	23.1	23.9	23.7	18.7	27.1
2007	22.9	22.7	18.5	25.8	27.1	27.0	21.4	30.4
2008	30.3	29.4	23.9	35.8	35.9	34.9	29.9	41.8
2009	24.6	23.9	19.9	27.8	29.3	28.1	24.1	33.6
2010	25.3	23.7	18.7	31.0	29.2	27.3	21.8	35.7
2011	27.6	26.2	22.1	32.0	31.5	30.0	25.9	36.3
2012	25.0	24.8	20.3	26.9	28.6	28.7	22.9	30.2
2013	25.8	21.9	20.2	35.7	29.5	24.9	22.9	41.3

[1] Narrow redemption rate is calculated by taking the sum of regular redemptions for the year as a percentage of average net assets at the beginning and end of the period.

[2] Broad redemption rate is calculated by taking the sum of regular redemptions and exchange redemptions for the year as a percentage of average net assets at the beginning and end of the period.

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

TABLE 29

Portfolio Holdings of Long-Term Mutual Funds and Share of Total Net Assets

Millions of dollars, year-end

Year	Total net assets	Common and preferred stocks	Long-term U.S. government bonds	Corporate bonds	Municipal bonds	Liquid assets	Other
1990	$566,849	$216,451	$128,153	$45,365	$117,084	$48,440	$11,356
1991	850,744	381,289	163,093	87,571	149,439	60,385	8,967
1992	1,096,343	485,186	225,359	115,390	191,779	73,984	4,645
1993	1,504,644	712,136	272,294	165,388	249,203	99,436	6,187
1994	1,544,320	823,714	223,070	155,157	211,127	120,430	10,822
1995	2,058,275	1,215,211	259,075	190,880	245,330	141,755	6,024
1996	2,623,994	1,718,220	264,924	238,031	245,182	151,988	5,649
1997	3,409,315	2,358,204	282,184	292,901	266,324	198,826	10,876
1998	4,173,531	3,004,179	286,568	389,236	292,395	191,393	9,760
1999	5,233,193	4,059,533	293,542	388,388	267,428	219,098	5,204
2000	5,119,387	3,910,180	309,764	348,935	269,334	277,164	4,010
2001	4,689,604	3,424,508	379,853	371,347	289,653	222,475	1,768
2002	4,118,402	2,687,928	481,661	417,484	320,477	208,939	1,913
2003	5,362,398	3,760,951	504,733	502,117	331,984	259,580	3,033
2004	6,193,746	4,489,559	537,245	533,328	318,353	306,756	8,505
2005	6,864,286	5,055,052	612,775	550,055	330,945	302,922	12,537
2006	8,059,426	6,024,758	644,732	668,357	359,164	346,491	15,924
2007	8,913,973	6,609,959	748,915	783,717	369,050	381,245	21,087
2008	5,770,338	3,734,358	704,816	676,535	336,873	296,222	21,534
2009	7,796,780	5,091,366	849,600	1,021,893	451,151	365,358	17,412
2010	9,027,411	5,869,576	1,082,584	1,257,847	479,273	330,811	7,320
2011	8,935,072	5,506,682	1,182,227	1,316,386	506,116	462,471	-38,810
2012	10,350,142	6,291,727	1,374,182	1,600,084	591,430	517,693	-24,974
2013	12,299,349	8,218,219	1,200,819	1,720,795	511,364	653,263	-5,111

Percent, year-end

Year	Total net assets	Common and preferred stocks	Long-term U.S. government bonds	Corporate bonds	Municipal bonds	Liquid assets	Other
1990	100.0%	38.2%	22.6%	8.0%	20.7%	8.5%	2.0%
1991	100.0	44.8	19.2	10.3	17.6	7.1	1.1
1992	100.0	44.3	20.6	10.5	17.5	6.7	0.4
1993	100.0	47.3	18.1	11.0	16.6	6.6	0.4
1994	100.0	53.3	14.4	10.0	13.7	7.8	0.7
1995	100.0	59.0	12.6	9.3	11.9	6.9	0.3
1996	100.0	65.5	10.1	9.1	9.3	5.8	0.2
1997	100.0	69.2	8.3	8.6	7.8	5.8	0.3
1998	100.0	72.0	6.9	9.3	7.0	4.6	0.2
1999	100.0	77.6	5.6	7.4	5.1	4.2	0.1
2000	100.0	76.4	6.1	6.8	5.3	5.4	0.1
2001	100.0	73.0	8.1	7.9	6.2	4.7	0.0
2002	100.0	65.3	11.7	10.1	7.8	5.1	0.0
2003	100.0	70.1	9.4	9.4	6.2	4.8	0.1
2004	100.0	72.5	8.7	8.6	5.1	5.0	0.1
2005	100.0	73.6	8.9	8.0	4.8	4.4	0.2
2006	100.0	74.8	8.0	8.3	4.5	4.3	0.2
2007	100.0	74.2	8.4	8.8	4.1	4.3	0.2
2008	100.0	64.7	12.2	11.7	5.8	5.1	0.4
2009	100.0	65.3	10.9	13.1	5.8	4.7	0.2
2010	100.0	65.0	12.0	13.9	5.3	3.7	0.1
2011	100.0	61.6	13.2	14.7	5.7	5.2	-0.4
2012	100.0	60.8	13.3	15.5	5.7	5.0	-0.2
2013	100.0	66.8	9.8	14.0	4.2	5.3	0.0

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

TABLE 30
Portfolio Holdings of Long-Term Mutual Funds as a Share of Total Net Assets by Type of Fund
Year-end

Year	Total net assets	Common and preferred stocks	Long-term U.S. government bonds	Corporate bonds	Municipal bonds	Liquid assets	Other	Total net assets *Millions of dollars*
Equity funds								
2000	100.0%	93.7%	0.1%	0.5%	0.0%	5.7%	0.0%	$3,934,904
2001	100.0	94.3	0.1	0.5	0.0	5.0	0.0	3,392,973
2002	100.0	94.1	0.4	0.8	0.0	4.6	0.0	2,643,288
2003	100.0	95.0	0.2	0.5	0.0	4.2	0.0	3,654,851
2004	100.0	95.2	0.1	0.5	0.0	4.2	0.1	4,344,067
2005	100.0	95.4	0.1	0.4	0.0	3.9	0.1	4,886,648
2006	100.0	95.6	0.1	0.4	0.0	3.8	0.1	5,833,565
2007	100.0	95.2	0.1	0.4	0.0	4.2	0.2	6,413,884
2008	100.0	93.9	0.2	0.5	0.0	5.1	0.3	3,637,712
2009	100.0	95.8	0.1	0.5	0.0	3.5	0.1	4,872,915
2010	100.0	95.7	0.2	0.5	0.0	3.4	0.1	5,596,836
2011	100.0	95.6	0.3	0.6	0.0	3.5	0.0	5,213,796
2012	100.0	95.6	0.3	0.7	0.0	3.4	0.0	5,940,089
2013	100.0	95.6	0.3	0.6	0.0	3.5	0.0	7,763,869
Hybrid funds								
2000	100.0%	59.1%	13.4%	19.7%	0.3%	7.4%	0.1%	$360,916
2001	100.0	59.8	11.9	20.4	0.2	7.5	0.2	358,027
2002	100.0	57.3	12.4	22.4	0.2	7.5	0.1	335,276
2003	100.0	62.3	10.6	19.8	0.3	6.9	0.0	447,549
2004	100.0	63.5	11.0	18.5	0.4	6.6	0.1	552,010
2005	100.0	62.6	10.5	19.6	0.4	6.9	0.0	621,344
2006	100.0	61.1	10.1	19.6	0.3	8.8	0.1	731,358
2007	100.0	60.5	10.4	20.8	0.3	8.0	0.1	821,279
2008	100.0	55.4	9.8	24.4	0.4	9.6	0.4	562,051
2009	100.0	58.2	9.8	23.5	0.4	7.6	0.5	717,780
2010	100.0	60.5	8.9	22.4	0.5	7.3	0.4	842,040
2011	100.0	59.2	9.4	22.2	0.5	7.9	0.8	882,980
2012	100.0	59.2	8.9	21.3	0.5	9.4	0.8	1,030,820
2013	100.0	61.5	7.9	18.9	0.4	10.7	0.6	1,270,200
Bond funds								
2000	100.0%	1.4%	31.1%	31.5%	32.6%	3.1%	0.3%	$823,566
2001	100.0	1.1	35.5	29.9	30.8	2.7	0.0	938,602
2002	100.0	0.6	37.6	28.1	28.1	5.5	0.0	1,139,838
2003	100.0	0.8	35.8	31.2	26.2	5.9	0.1	1,259,998
2004	100.0	0.7	36.3	31.7	24.2	6.6	0.4	1,297,669
2005	100.0	0.8	39.6	30.0	24.0	5.1	0.6	1,356,295
2006	100.0	0.8	37.4	33.4	23.7	4.3	0.5	1,494,503
2007	100.0	0.9	38.8	35.0	21.6	3.0	0.6	1,678,810
2008	100.0	0.6	40.8	33.2	21.2	3.6	0.5	1,570,574
2009	100.0	0.8	34.8	37.4	20.1	6.5	0.4	2,206,086
2010	100.0	0.9	38.1	40.0	18.1	3.0	-0.1	2,588,536
2011	100.0	0.8	37.8	38.2	17.4	7.4	-1.7	2,838,295
2012	100.0	0.9	37.0	39.5	17.1	6.6	-1.0	3,379,234
2013	100.0	1.1	32.8	43.7	15.3	7.5	-0.5	3,265,281

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

TABLE 31

Paid and Reinvested Dividends of Long-Term Mutual Funds by Type of Fund

Millions of dollars, annual

	Paid dividends				Reinvested dividends			
Year	Total	Equity funds	Hybrid funds	Bond funds	Total	Equity funds	Hybrid funds	Bond funds
1984[e]	$7,238	$2,613	$583	$4,042	$4,655	$1,882	$432	$2,432
1985	12,719	3,229	1,098	8,392	7,731	2,321	768	4,642
1986	22,689	6,328	1,499	14,862	13,991	3,706	1,087	9,197
1987	31,708	7,246	1,934	22,528	13,991	4,841	1,476	12,659
1988	31,966	6,554	1,873	23,539	18,976	4,476	1,217	11,801
1989	34,102	10,235	2,165	21,702	17,494	7,119	1,383	12,082
1990	33,156	8,787	2,350	22,018	20,584	6,721	1,725	12,678
1991	35,145	9,007	2,337	23,801	21,124	7,255	1,907	15,139
1992	58,608	17,023	4,483	37,102	24,300	8,845	2,937	18,611
1993	73,178	20,230	6,810	46,137	30,393	12,174	4,270	21,672
1994	61,261	17,279	6,896	37,086	38,116	12,971	5,043	21,122
1995	67,229	22,567	9,052	35,610	39,136	18,286	6,929	21,421
1996	73,282	25,061	9,844	38,378	46,635	21,345	8,196	23,672
1997	79,522	27,597	11,607	40,318	53,213	23,100	9,602	25,721
1998	81,011	25,495	11,456	44,060	58,423	22,377	9,528	28,135
1999	95,443	32,543	12,821	50,078	60,041	27,332	10,746	31,894
2000	88,215	27,098	10,848	50,269	66,277	23,836	9,537	32,904
2001	82,967	21,408	10,361	51,199	62,306	19,263	9,270	33,773
2002	82,065	20,497	9,740	51,828	62,413	18,572	8,778	35,064
2003	85,926	24,395	9,920	51,611	66,870	22,141	8,840	35,889
2004	98,130	34,751	12,186	51,193	78,252	31,440	10,668	36,144
2005	115,500	42,462	16,690	56,348	94,023	38,461	14,579	40,984
2006	143,496	60,147	19,132	64,217	119,072	54,222	16,988	47,862
2007	181,008	77,582	25,055	78,370	151,774	69,604	22,090	60,080
2008	181,603	70,099	26,027	85,476	152,628	63,173	23,041	66,414
2009	168,014	58,891	22,208	86,914	140,354	53,107	19,384	67,864
2010	180,958	62,214	23,277	95,467	152,310	56,396	20,671	75,243
2011	202,306	68,726	29,039	104,541	172,785	62,473	25,702	84,610
2012	215,083	83,257	24,938	106,888	186,936	76,232	22,675	88,030
2013	209,044	84,554	24,105	100,385	184,178	78,118	22,033	84,028

[e] Portions of the paid dividend totals for equity, hybrid, and bond funds are estimated; the total is not estimated.

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

TABLE 32

Paid and Reinvested Capital Gains of Long-Term Mutual Funds by Type of Fund

Millions of dollars, annual

	Paid capital gains				Reinvested capital gains			
Year	Total	Equity funds	Hybrid funds	Bond funds	Total	Equity funds	Hybrid funds	Bond funds
1984[e]	$6,019	$5,247	$553	$219	$5,122	$4,655	$338	$129
1985	4,895	3,699	739	457	3,751	3,091	398	261
1986	17,661	13,942	1,240	2,478	14,275	11,851	778	1,646
1987	22,926	18,603	1,605	2,718	17,816	15,449	1,056	1,312
1988	6,354	4,785	620	948	4,769	3,883	364	522
1989	14,766	12,665	540	1,562	9,710	8,744	348	617
1990	8,017	6,833	443	742	5,515	4,975	255	285
1991	13,917	11,961	861	1,095	9,303	8,242	485	576
1992	22,089	17,294	1,488	3,306	14,906	12,233	1,134	1,538
1993	35,905	27,705	3,496	4,704	25,514	19,954	2,697	2,862
1994	29,744	26,351	2,411	981	24,864	22,038	2,093	733
1995	54,271	50,204	3,343	724	46,866	43,550	2,845	471
1996	100,489	88,212	10,826	1,451	87,416	76,638	9,769	1,009
1997	182,764	160,744	19,080	2,941	164,916	145,358	17,360	2,198
1998	164,989	138,681	21,572	4,737	151,105	127,473	19,698	3,935
1999	237,624	219,484	16,841	1,299	206,508	190,300	15,229	979
2000	325,841	306,027	18,645	1,169	298,429	279,920	17,506	1,002
2001	68,626	60,088	6,105	2,433	64,820	56,965	5,790	2,065
2002	16,097	10,538	907	4,651	14,749	9,838	887	4,024
2003	14,397	7,782	758	5,857	12,956	7,188	703	5,065
2004	54,741	41,595	6,600	6,546	49,896	38,079	6,167	5,649
2005	129,042	113,204	11,887	3,951	117,556	103,244	10,948	3,363
2006	256,912	235,974	18,719	2,219	236,464	217,059	17,509	1,896
2007	413,630	377,752	32,161	3,718	380,915	347,667	30,010	3,238
2008	132,402	110,892	9,786	11,724	123,270	103,805	9,064	10,401
2009	15,300	5,740	771	8,789	13,994	5,418	702	7,874
2010	42,930	15,741	1,292	25,898	38,942	14,786	1,201	22,955
2011	73,227	51,447	5,460	16,320	68,205	48,123	5,234	14,849
2012	100,113	66,760	5,508	27,844	93,755	62,871	5,279	25,605
2013	238,955	201,761	22,646	14,548	227,645	191,948	21,954	13,743

[e] Portions of the paid capital gains totals for equity, hybrid, and bond funds are estimated; the total is not estimated.

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

Data Section 3

TABLE 33

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

Millions of dollars, annual

	Total portfolio			Common stock			Other securities		
Year	Purchases	Sales	Net purchases	Purchases	Sales	Net purchases	Purchases	Sales	Net purchases
1984	$119,273	$98,934	$20,338	$56,588	$50,900	$5,688	$62,685	$48,035	$14,650
1985	259,496	186,985	72,511	80,719	72,577	8,142	178,777	114,408	64,369
1986	500,597	365,087	135,509	134,446	118,026	16,421	366,150	247,062	119,089
1987	530,601	485,271	45,330	198,859	176,004	22,855	331,741	309,267	22,474
1988	410,509	421,223	-10,713	112,742	128,815	-16,073	297,767	292,407	5,359
1989	471,744	445,453	26,291	142,771	141,694	1,077	328,973	303,759	25,214
1990	554,720	505,780	48,940	166,398	146,580	19,817	388,322	359,199	29,123
1991	735,698	608,129	127,569	250,289	209,276	41,013	485,409	398,853	86,556
1992	949,404	758,476	190,928	327,518	261,857	65,661	621,886	496,619	125,268
1993	1,335,514	1,060,359	275,155	506,713	380,855	125,858	828,801	679,504	149,298
1994	1,433,739	1,329,329	104,409	628,668	512,346	116,321	805,071	816,983	-11,912
1995	1,550,510	1,400,702	149,809	790,017	686,756	103,260	760,494	713,946	46,548
1996	2,018,253	1,736,884	281,370	1,151,262	927,266	223,996	866,991	809,618	57,373
1997	2,384,639	2,108,981	275,659	1,457,384	1,268,983	188,401	927,255	839,997	87,258
1998	2,861,562	2,560,074	301,487	1,762,565	1,597,311	165,255	1,098,997	962,764	136,233
1999	3,437,180	3,224,301	212,878	2,262,505	2,088,544	173,962	1,174,674	1,135,757	38,917
2000	4,922,927	4,698,192	224,734	3,560,671	3,330,417	230,254	1,362,255	1,367,775	-5,519
2001	4,688,530	4,393,114	295,416	2,736,933	2,609,657	127,275	1,951,597	1,783,456	168,141
2002	4,018,969	3,807,392	211,578	2,176,363	2,141,754	34,609	1,842,606	1,665,638	176,968
2003	4,281,605	3,998,766	282,840	2,054,379	1,884,711	169,667	2,227,227	2,114,054	113,173
2004	4,310,180	4,019,273	290,907	2,390,924	2,198,578	192,346	1,919,256	1,820,695	98,561
2005	4,834,374	4,532,166	302,208	2,765,100	2,610,805	154,296	2,069,274	1,921,362	147,912
2006	5,737,363	5,398,108	339,255	3,330,057	3,172,222	157,835	2,407,306	2,225,886	181,420
2007	7,098,611	6,721,251	377,360	3,835,574	3,733,130	102,444	3,263,037	2,988,121	274,916
2008	7,353,050	7,294,533	58,518	3,655,854	3,715,557	-59,703	3,697,197	3,578,976	118,221
2009	6,933,569	6,453,781	479,789	2,644,973	2,543,511	101,462	4,288,597	3,910,270	378,326
2010	7,323,174	6,857,839	465,336	2,808,450	2,750,108	58,342	4,514,725	4,107,731	406,994
2011	8,489,676	8,097,151	392,525	3,030,587	3,031,222	-636	5,459,089	5,065,928	393,161
2012	8,149,604	7,566,272	583,332	2,769,043	2,824,338	-55,295	5,380,561	4,741,934	638,627
2013	9,161,494	8,648,465	513,029	3,403,370	3,220,700	182,670	5,758,124	5,427,765	330,359

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

TABLE 34

Total Portfolio, Common Stock, and Other Securities: Purchases, Sales, and Net Purchases by Equity Mutual Funds

Millions of dollars, annual

	Total portfolio			Common stock			Other securities		
Year	Purchases	Sales	Net purchases	Purchases	Sales	Net purchases	Purchases	Sales	Net purchases
1984	$54,933	$49,853	$5,080	$49,098	$44,213	$4,885	$5,835	$5,640	$195
1985	77,327	70,685	6,642	66,762	61,599	5,163	10,565	9,086	1,479
1986	129,723	111,233	18,491	110,016	96,512	13,504	19,708	14,721	4,987
1987	196,902	175,292	21,611	170,715	150,705	20,009	26,188	24,586	1,601
1988	119,861	130,821	-10,959	100,888	113,635	-12,747	18,973	17,186	1,788
1989	148,346	144,753	3,593	128,998	127,026	1,973	19,348	17,728	1,621
1990	187,592	169,373	18,219	151,907	133,630	18,277	35,685	35,743	-59
1991	251,773	207,947	43,827	224,117	186,785	37,333	27,656	21,162	6,494
1992	339,003	268,868	70,135	300,712	242,319	58,393	38,291	26,549	11,742
1993	500,206	382,433	117,773	451,485	345,357	106,128	48,720	37,076	11,644
1994	618,004	508,394	109,610	564,380	456,708	107,672	53,623	51,686	1,937
1995	785,867	678,060	107,807	718,298	621,699	96,599	67,569	56,361	11,208
1996	1,116,906	896,644	220,262	1,050,884	832,486	218,397	66,022	64,157	1,865
1997	1,421,211	1,223,463	197,748	1,352,085	1,166,649	185,436	69,126	56,814	12,312
1998	1,723,752	1,557,212	166,540	1,635,842	1,475,384	160,458	87,909	81,827	6,082
1999	2,232,828	2,049,540	183,288	2,126,860	1,941,505	185,355	105,968	108,035	-2,067
2000	3,515,829	3,258,842	256,986	3,393,110	3,144,180	248,930	122,718	114,663	8,056
2001	2,707,825	2,593,707	114,118	2,571,241	2,464,672	106,569	136,583	129,035	7,549
2002	2,141,469	2,113,187	28,282	2,017,974	1,999,957	18,017	123,495	113,230	10,264
2003	1,966,771	1,823,665	143,107	1,902,974	1,758,426	144,548	63,797	65,238	-1,441
2004	2,279,606	2,111,483	168,123	2,217,210	2,053,971	163,238	62,396	57,512	4,884
2005	2,671,747	2,525,196	146,551	2,592,213	2,452,620	139,593	79,534	72,576	6,958
2006	3,231,711	3,064,674	167,038	3,129,932	2,966,350	163,582	101,779	98,324	3,455
2007	3,760,927	3,659,406	101,521	3,582,916	3,490,374	92,542	178,011	169,031	8,980
2008	3,628,838	3,699,013	-70,175	3,362,109	3,426,659	-64,551	266,730	272,354	-5,624
2009	2,750,652	2,677,342	73,309	2,433,306	2,339,237	94,069	317,346	338,106	-20,760
2010	2,828,803	2,828,817	-14	2,567,483	2,531,812	35,671	261,320	297,005	-35,685
2011	2,915,355	2,943,325	-27,970	2,755,591	2,784,830	-29,239	159,764	158,495	1,269
2012	2,640,165	2,696,111	-55,945	2,498,664	2,570,931	-72,267	141,501	125,179	16,322
2013	3,180,812	2,995,222	185,589	3,043,933	2,876,936	166,997	136,879	118,286	18,592

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

TABLE 35

Total Portfolio, Common Stock, and Other Securities: Purchases, Sales, and Net Purchases by Hybrid Mutual Funds

Millions of dollars, annual

	Total portfolio			Common stock			Other securities		
Year	Purchases	Sales	Net purchases	Purchases	Sales	Net purchases	Purchases	Sales	Net purchases
1984	$11,589	$9,258	$2,331	$7,129	$5,822	$1,308	$4,459	$3,436	$1,023
1985	19,647	14,915	4,732	13,378	10,513	2,865	6,269	4,402	1,867
1986	34,746	28,007	6,739	21,894	19,451	2,443	12,853	8,556	4,297
1987	48,335	44,168	4,168	26,282	23,989	2,293	22,053	20,179	1,874
1988	28,070	31,455	-3,384	10,628	13,833	-3,205	17,442	17,622	-179
1989	26,747	24,864	1,883	12,459	13,598	-1,139	14,288	11,266	3,022
1990	31,003	27,042	3,961	13,329	11,849	1,480	17,674	15,192	2,481
1991	42,937	34,656	8,281	18,658	15,435	3,223	24,279	19,221	5,058
1992	64,435	43,855	20,579	23,966	17,200	6,766	40,469	26,655	13,814
1993	116,821	74,135	42,686	49,689	30,490	19,200	67,131	43,645	23,486
1994	141,268	114,962	26,306	54,812	46,429	8,383	86,456	68,533	17,923
1995	189,989	180,066	9,923	67,628	60,612	7,016	122,360	119,454	2,907
1996	233,471	211,094	22,377	92,495	88,487	4,008	140,976	122,607	18,370
1997	266,438	245,278	21,160	98,115	94,990	3,125	168,323	150,288	18,036
1998	290,682	266,334	24,347	115,714	111,414	4,300	174,967	154,920	20,047
1999	303,946	304,642	-696	128,313	138,952	-10,639	175,633	165,690	9,943
2000	308,821	335,531	-26,711	158,039	174,998	-16,960	150,782	160,533	-9,751
2001	357,557	334,161	23,396	155,235	134,368	20,868	202,322	199,794	2,528
2002	340,650	320,591	20,059	145,370	129,204	16,166	195,280	191,387	3,893
2003	360,653	312,111	48,542	137,490	113,785	23,706	223,163	198,326	24,837
2004	404,955	337,219	67,736	163,795	132,966	30,829	241,160	204,253	36,907
2005	397,695	346,260	51,435	165,487	150,166	15,321	232,208	196,094	36,114
2006	408,861	381,376	27,485	191,740	197,120	-5,380	217,122	184,256	32,865
2007	529,061	465,049	64,011	241,633	230,855	10,778	287,428	234,194	53,233
2008	594,156	577,635	16,521	281,814	273,655	8,159	312,342	303,980	8,363
2009	477,006	443,131	33,876	200,907	194,826	6,081	276,099	248,305	27,794
2010	509,698	461,565	48,134	223,102	203,091	20,010	286,597	258,473	28,124
2011	657,722	594,195	63,527	252,563	227,541	25,021	405,160	366,654	38,506
2012	716,959	656,003	60,956	250,467	234,857	15,611	466,491	421,146	45,345
2013	885,443	805,763	79,680	339,347	322,799	16,548	546,096	482,964	63,132

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

TABLE 36

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

Millions of dollars, annual

	Total portfolio			Common stock			Other securities		
Year	Purchases	Sales	Net purchases	Purchases	Sales	Net purchases	Purchases	Sales	Net purchases
1984	$52,751	$39,823	$12,928	$361	$865	-$504	$52,390	$38,958	$13,432
1985	162,522	101,385	61,137	579	465	114	161,943	100,919	61,024
1986	336,127	225,848	110,279	2,537	2,062	475	333,590	223,785	109,805
1987	285,363	265,812	19,551	1,862	1,310	553	283,501	264,502	18,999
1988	262,577	258,947	3,630	1,226	1,347	-121	261,351	257,600	3,751
1989	296,651	275,836	20,815	1,314	1,071	243	295,337	274,765	20,572
1990	336,125	309,364	26,761	1,161	1,101	60	334,964	308,264	26,700
1991	440,988	365,527	75,461	7,514	7,056	457	433,474	358,471	75,004
1992	545,966	445,752	100,214	2,840	2,338	502	543,127	443,415	99,712
1993	718,488	603,791	114,696	5,538	5,009	529	712,950	598,783	114,167
1994	674,467	705,973	-31,506	9,475	9,209	266	664,991	696,764	-31,773
1995	574,655	542,576	32,079	4,091	4,445	-354	570,564	538,131	32,433
1996	667,876	629,146	38,730	7,884	6,292	1,591	659,992	622,854	37,139
1997	696,990	640,240	56,750	7,184	7,344	-160	689,806	632,896	56,910
1998	847,129	736,529	110,600	11,009	10,512	496	836,120	726,016	110,104
1999	900,406	870,119	30,287	7,332	8,086	-754	893,074	862,033	31,041
2000	1,098,277	1,103,818	-5,541	9,522	11,239	-1,717	1,088,755	1,092,579	-3,824
2001	1,623,148	1,465,245	157,903	10,456	10,617	-162	1,612,692	1,454,628	158,064
2002	1,536,851	1,373,614	163,237	13,019	12,593	426	1,523,832	1,361,021	162,811
2003	1,954,181	1,862,990	91,191	13,915	12,500	1,414	1,940,267	1,850,490	89,777
2004	1,625,620	1,570,571	55,049	9,919	11,640	-1,721	1,615,701	1,558,931	56,770
2005	1,764,932	1,660,711	104,222	7,400	8,019	-619	1,757,532	1,652,691	104,840
2006	2,096,791	1,952,059	144,732	8,385	8,753	-367	2,088,405	1,943,306	145,099
2007	2,808,624	2,596,796	211,828	11,025	11,900	-875	2,797,599	2,584,896	212,703
2008	3,130,056	3,017,884	112,171	11,931	15,242	-3,311	3,118,125	3,002,642	115,482
2009	3,705,911	3,333,308	372,604	10,760	9,448	1,312	3,695,152	3,323,860	371,292
2010	3,984,673	3,567,457	417,216	17,865	15,204	2,661	3,966,808	3,552,253	414,555
2011	4,916,598	4,559,630	356,968	22,433	18,851	3,582	4,894,166	4,540,780	353,386
2012	4,792,481	4,214,159	578,322	19,912	18,550	1,362	4,772,568	4,195,609	576,960
2013	5,095,239	4,847,479	247,760	20,090	20,965	-875	5,075,149	4,826,515	248,635

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

TABLE 37

Total Net Assets and Number of Shareholder Accounts of Money Market Funds by Type of Fund

Year-end

	Total net assets Millions of dollars				Number of shareholder accounts* Thousands			
		Taxable				Taxable		
Year	Total	Government	Prime	Tax-exempt	Total	Government	Prime	Tax-exempt
1984	233,554	51,800	157,951	23,802	13,845	2,282	11,274	289
1985	243,802	55,705	151,849	36,249	14,935	2,351	12,085	499
1986	292,152	63,736	164,610	63,806	16,313	2,397	13,256	660
1987	316,096	67,589	187,087	61,420	17,675	2,484	14,348	842
1988	337,954	61,298	210,897	65,758	18,570	1,684	15,947	939
1989	428,093	74,685	283,939	69,470	21,314	1,814	18,359	1,141
1990	498,341	109,376	305,189	83,777	22,969	2,283	19,294	1,391
1991	542,442	138,111	314,346	89,984	23,556	2,557	19,306	1,693
1992	546,194	151,043	300,310	94,841	23,647	2,826	18,945	1,876
1993	565,319	149,180	312,701	103,439	23,585	2,806	18,780	1,999
1994	611,005	148,139	352,972	109,894	25,383	3,047	20,299	2,037
1995	753,018	181,494	449,829	121,695	30,144	3,823	24,042	2,279
1996	901,807	223,790	540,146	137,871	32,200	4,241	25,688	2,271
1997	1,058,886	254,223	647,005	157,658	35,624	4,643	28,342	2,638
1998	1,351,678	312,907	854,061	184,711	38,847	4,452	32,009	2,386
1999	1,613,146	333,726	1,079,523	199,897	43,616	4,843	36,344	2,428
2000	1,845,248	367,780	1,243,598	233,869	48,138	6,333	39,156	2,649
2001	2,285,310	461,631	1,564,598	259,081	47,236	6,806	37,618	2,811
2002	2,265,075	453,157	1,535,621	276,297	45,380	6,815	35,910	2,655
2003	2,040,022	410,041	1,339,689	290,291	41,214	5,973	32,438	2,803
2004	1,901,700	379,706	1,209,995	311,999	37,636	5,629	29,164	2,843
2005	2,026,822	399,330	1,291,119	336,373	36,837	5,505	28,526	2,806
2006	2,338,451	426,838	1,542,584	369,029	37,067	4,306	29,699	3,063
2007	3,085,760	760,389	1,857,280	468,092	39,130	4,691	30,970	3,469
2008	3,832,236	1,490,208	1,848,349	493,680	38,111	5,422	29,075	3,614
2009	3,315,893	1,107,035	1,809,923	398,935	33,466	5,311	24,989	3,166
2010	2,803,922	855,021	1,618,896	330,006	30,302	4,511	22,620	3,171
2011	2,691,422	970,075	1,429,650	291,697	28,670	4,536	21,373	2,761
2012	2,693,523	928,749	1,477,347	287,426	27,863	4,592	20,635	2,635
2013	2,718,332	962,009	1,485,711	270,612	26,602	4,977	19,143	2,483

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

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

TABLE 38

Number of Funds and Number of Share Classes of Money Market Funds by Type of Fund

Year-end

	Number of funds				Number of share classes			
		Taxable				Taxable		
Year	Total	Government	Prime	Tax-exempt	Total	Government	Prime	Tax-exempt
1984	425	158	173	94	425	158	173	94
1985	460	151	199	110	460	151	199	110
1986	487	147	213	127	487	147	213	127
1987	543	154	235	154	543	154	235	154
1988	610	159	274	177	610	159	274	177
1989	673	160	310	203	673	160	310	203
1990	741	176	329	236	762	183	339	240
1991	820	211	341	268	871	228	363	280
1992	864	235	350	279	914	248	368	298
1993	920	265	362	293	1,009	286	386	337
1994	963	276	373	314	1,261	368	490	403
1995	997	284	392	321	1,380	404	549	427
1996	988	277	392	319	1,453	413	592	448
1997	1,013	279	406	328	1,549	442	633	474
1998	1,026	277	410	339	1,627	462	675	490
1999	1,045	281	423	341	1,730	488	742	500
2000	1,039	275	429	335	1,855	534	797	524
2001	1,015	269	421	325	1,948	573	832	543
2002	988	259	418	311	2,006	581	882	543
2003	973	251	409	313	2,031	572	890	569
2004	944	240	399	305	2,053	577	900	576
2005	870	221	372	277	2,031	570	894	567
2006	847	215	358	274	2,013	579	875	559
2007	805	203	342	260	2,015	574	873	568
2008	783	200	334	249	1,990	584	859	547
2009	704	180	296	228	1,846	561	769	516
2010	652	165	277	210	1,781	544	737	500
2011	632	166	265	201	1,730	544	711	475
2012	580	158	242	180	1,623	519	655	449
2013	555	152	230	173	1,571	508	633	430

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

TABLE 39

Total Net Assets of Money Market Funds by Type of Fund

Millions of dollars, year-end

	All money market funds				Retail money market funds				Institutional money market funds			
		Taxable				Taxable				Taxable		
Year	Total	Government	Prime	Tax-exempt	Total	Government	Prime	Tax-exempt	Total	Government	Prime	Tax-exempt
1996	$901,807	$223,790	$540,146	$137,871	$592,604	$94,786	$387,705	$110,113	$309,203	$129,003	$152,441	$27,758
1997	1,058,886	254,223	647,005	157,658	663,408	100,991	439,670	122,747	395,478	153,232	207,334	34,911
1998	1,351,678	312,907	854,061	184,711	835,255	121,664	571,465	142,126	516,423	191,243	282,596	42,585
1999	1,613,146	333,726	1,079,523	199,897	964,686	132,915	675,986	155,785	648,460	200,812	403,537	44,111
2000	1,845,248	367,780	1,243,598	233,869	1,061,605	151,837	731,051	178,716	783,644	215,943	512,547	55,154
2001	2,285,310	461,631	1,564,598	259,081	1,134,703	169,883	775,335	189,484	1,150,607	291,748	789,263	69,597
2002	2,265,075	453,157	1,535,621	276,297	1,064,426	157,011	715,383	192,032	1,200,649	296,146	820,238	84,265
2003	2,040,022	410,041	1,339,689	290,291	938,422	141,248	606,553	190,621	1,101,599	268,793	733,136	99,671
2004	1,901,700	379,706	1,209,995	311,999	852,516	126,473	534,233	191,810	1,049,185	253,233	675,762	120,189
2005	2,026,822	399,330	1,291,119	336,373	875,962	126,244	546,282	203,436	1,150,860	273,085	744,837	132,938
2006	2,338,451	426,838	1,542,584	369,029	1,007,886	140,483	643,325	224,077	1,330,565	286,354	899,259	144,952
2007	3,085,760	760,389	1,857,280	468,092	1,225,602	185,526	754,376	285,700	1,860,158	574,863	1,102,903	182,392
2008	3,832,236	1,490,208	1,848,349	493,680	1,369,998	289,731	776,874	303,392	2,462,239	1,200,476	1,071,475	190,287
2009	3,315,893	1,107,035	1,809,923	398,935	1,079,957	214,478	630,096	235,383	2,235,937	892,556	1,179,827	163,553
2010	2,803,922	855,021	1,618,896	330,006	957,868	189,694	562,199	205,975	1,846,054	665,327	1,056,696	124,031
2011	2,691,422	970,075	1,429,650	291,697	949,889	203,677	549,762	196,451	1,741,533	766,398	879,888	95,247
2012	2,693,523	928,749	1,477,347	287,426	948,572	205,513	540,084	202,975	1,744,951	723,236	937,263	84,451
2013	2,718,332	962,009	1,485,711	270,612	936,160	205,056	534,817	196,287	1,782,173	756,954	950,894	74,325

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

TABLE 40

Net New Cash Flow* of Money Market Funds by Type of Fund

Millions of dollars, annual

	All money market funds				Retail money market funds				Institutional money market funds			
		Taxable				Taxable				Taxable		
Year	Total	Government	Prime	Tax-exempt	Total	Government	Prime	Tax-exempt	Total	Government	Prime	Tax-exempt
1996	$89,422	$20,572	$58,935	$9,915	$52,886	$6,181	$39,505	$7,200	$36,536	$14,391	$19,430	$2,715
1997	103,466	20,129	69,107	14,231	46,620	4,781	32,081	9,758	56,846	15,347	37,026	4,473
1998	235,457	45,178	167,909	22,370	130,992	15,835	100,428	14,728	104,465	29,343	67,481	7,642
1999	193,681	8,486	174,957	10,238	82,006	-757	72,935	9,827	111,675	9,243	102,021	411
2000	159,365	14,412	118,354	26,599	43,572	504	24,413	18,655	115,793	13,908	93,941	7,944
2001	375,291	86,621	267,329	21,340	36,328	13,579	12,706	10,043	338,963	73,043	254,623	11,297
2002	-45,937	-11,131	-51,060	16,254	-80,168	-10,174	-71,329	1,335	34,231	-957	20,269	14,919
2003	-263,403	-50,998	-222,179	9,774	-151,112	-20,609	-125,596	-4,906	-112,292	-30,389	-96,583	14,680
2004	-156,744	-36,125	-139,213	18,593	-88,675	-15,871	-75,241	2,437	-68,069	-20,254	-63,971	16,156
2005	62,085	13,182	28,009	20,895	2,509	-3,652	-4,645	10,806	59,577	16,834	32,654	10,089
2006	245,162	19,615	200,115	25,432	96,348	9,317	70,870	16,160	148,814	10,297	129,245	9,272
2007	654,412	319,240	251,219	83,953	172,626	38,769	83,156	50,700	481,786	280,471	168,062	33,253
2008	637,155	697,443	-73,523	13,235	114,180	98,267	2,082	13,831	522,975	599,176	-75,605	-597
2009	-539,150	-414,948	-28,571	-95,631	-308,460	-104,057	-136,412	-67,992	-230,690	-310,892	107,841	-27,639
2010	-524,658	-253,927	-201,359	-69,372	-124,115	-25,964	-69,747	-28,404	-400,543	-227,962	-131,612	-40,968
2011	-123,961	107,294	-192,601	-38,654	-1,303	20,461	-12,499	-9,265	-122,658	86,833	-180,102	-29,389
2012	-336	-43,343	46,937	-3,930	-1,145	-781	-7,552	7,187	809	-42,563	54,489	-11,117
2013	15,207	29,348	2,643	-16,784	-12,215	-1,143	-4,256	-6,816	27,422	30,491	6,899	-9,969

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

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

TABLE 41

Net New Cash Flow and Components of Net New Cash Flow of Money Market Funds

Millions of dollars, annual

		Sales			Redemptions		
Year	Net new cash flow[1]	New + exchange	New[2]	Exchange[3]	Regular + exchange	Regular[4]	Exchange[5]
1984	$35,077	$640,021	$620,536	$19,485	$604,944	$586,990	$17,953
1985	-5,293	848,451	826,858	21,592	853,743	831,067	22,676
1986	33,552	1,026,745	978,041	48,704	993,193	948,656	44,537
1987	10,072	1,147,877	1,049,034	98,843	1,137,805	1,062,671	75,133
1988	106	1,130,639	1,066,003	64,636	1,130,534	1,074,346	56,188
1989	64,132	1,359,616	1,296,458	63,158	1,295,484	1,235,527	59,957
1990	23,179	1,461,537	1,389,439	72,098	1,438,358	1,372,764	65,594
1991	6,068	1,841,131	1,778,491	62,640	1,835,063	1,763,106	71,957
1992	-16,006	2,449,766	2,371,925	77,841	2,465,772	2,382,976	82,796
1993	-13,890	2,756,282	2,665,987	90,295	2,770,172	2,673,464	96,707
1994	8,525	2,725,201	2,586,478	138,722	2,716,675	2,599,400	117,275
1995	89,381	3,234,216	3,097,225	136,990	3,144,834	3,001,968	142,866
1996	89,422	4,156,985	3,959,014	197,971	4,067,563	3,868,772	198,791
1997	103,466	5,127,328	4,894,226	233,102	5,023,863	4,783,096	240,767
1998	235,457	6,407,574	6,129,140	278,434	6,172,116	5,901,590	270,526
1999	193,681	8,080,959	7,719,310	361,649	7,887,278	7,540,912	346,367
2000	159,365	9,826,677	9,406,287	420,391	9,667,312	9,256,350	410,962
2001	375,291	11,737,291	11,426,804	310,487	11,362,000	11,065,468	296,533
2002	-45,937	12,008,801	11,712,587	296,215	12,054,738	11,783,209	271,530
2003	-263,403	11,177,118	10,952,544	224,574	11,440,521	11,213,929	226,592
2004	-156,744	10,874,608	10,708,117	166,492	11,031,353	10,861,076	170,277
2005	62,085	12,493,636	12,317,491	176,145	12,431,551	12,260,771	170,779
2006	245,162	15,706,879	15,495,624	211,255	15,461,717	15,269,074	192,643
2007	654,412	21,314,339	21,039,253	275,086	20,659,927	20,408,620	251,307
2008	637,155	24,452,430	24,067,371	385,059	23,815,275	23,498,612	316,663
2009	-539,150	18,683,752	18,489,354	194,399	19,222,902	19,012,387	210,516
2010	-524,658	15,771,387	15,670,167	101,220	16,296,045	16,191,487	104,558
2011	-123,961	15,248,942	15,128,198	120,744	15,372,904	15,259,802	113,102
2012	-336	14,292,019	14,211,602	80,417	14,292,356	14,205,334	87,021
2013	15,207	14,977,938	14,869,310	108,629	14,962,732	14,858,963	103,769

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

[2] New sales are the dollar value of new purchases of mutual fund shares. This does not include shares purchased through reinvestment of dividends in existing accounts.

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

[4] Regular redemptions are the dollar value of shareholder liquidation of mutual fund shares.

[5] Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into other funds within the same fund group.

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

TABLE 42

Paid and Reinvested Dividends of Money Market Funds by Type of Fund

Millions of dollars, annual

	Paid dividends			Reinvested dividends		
Year	Total	Taxable money market funds	Tax-exempt money market funds	Total	Taxable money market funds	Tax-exempt money market funds
1984	$16,435	$15,435	$1,000	$13,730	$13,061	$669
1985	15,708	14,108	1,600	12,758	11,760	998
1986	14,832	12,432	2,400	11,514	9,981	1,533
1987	15,654	12,833	2,821	11,946	10,136	1,810
1988	21,618	17,976	3,642	15,692	13,355	2,337
1989	28,619	24,683	3,936	23,050	20,294	2,756
1990	30,258	26,448	3,810	26,282	23,226	3,056
1991	28,604	25,121	3,483	22,809	19,998	2,811
1992	20,280	17,197	3,083	14,596	12,567	2,029
1993	18,991	15,690	3,302	11,615	10,007	1,607
1994	23,737	20,504	3,233	16,739	14,626	2,113
1995	37,038	32,855	4,183	27,985	24,873	3,111
1996	42,555	38,446	4,108	31,516	28,448	3,068
1997	48,843	44,185	4,658	37,979	34,425	3,554
1998	57,375	52,164	5,211	43,443	39,580	3,863
1999	69,004	63,229	5,775	50,648	46,602	4,046
2000	98,219	90,158	8,061	72,771	66,890	5,881
2001	79,307	73,361	5,946	56,367	51,949	4,418
2002	32,251	29,397	2,854	22,033	19,940	2,093
2003	17,041	15,124	1,917	11,314	9,916	1,398
2004	18,390	15,899	2,491	11,889	10,080	1,809
2005	50,186	43,547	6,638	32,803	27,951	4,852
2006	96,423	85,018	11,405	61,488	53,268	8,220
2007	127,907	113,177	14,730	82,457	71,938	10,519
2008	93,857	82,727	11,130	61,134	53,455	7,680
2009	18,619	16,590	2,030	11,035	9,999	1,037
2010	7,161	6,708	453	4,447	4,196	252
2011	5,237	4,888	349	3,261	3,074	187
2012	6,618	6,345	273	4,212	4,068	144
2013	8,020	7,794	226	5,206	5,089	117

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

TABLE 43

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

Year-end

Year	Total net assets *Millions of dollars*	U.S. Treasury bills	Other Treasury securities	U.S. government agency issues	Repurchase agreements	Certificates of deposit	Eurodollar CDs	Commercial paper	Bank notes[1]	Corporate notes[2]	Other assets[3]	Average maturity *Days*
1984	$51,800	21.0%	7.5%	20.4%	33.9%	4.3%	4.3%	7.3%	–	–	1.3%	46
1985	55,705	23.9	4.9	15.9	38.2	2.9	6.3	6.2	–	–	1.6	44
1986	63,736	22.8	7.9	14.4	39.1	4.1	4.9	4.3	–	–	2.5	51
1987	67,589	4.6	11.2	22.0	44.9	4.8	7.4	4.0	–	–	1.1	35
1988	61,298	5.0	9.7	20.5	58.4	1.2	0.1	3.2	–	–	2.0	28
1989	74,685	5.0	6.9	20.6	62.7	0.2	0.1	3.0	–	–	1.4	31
1990	109,376	11.1	12.2	20.6	45.7	0.0	0.0	0.3	–	–	9.9	46
1991	138,111	21.5	16.5	20.3	40.9	0.0	0.0	0.4	–	–	0.3	58
1992	151,043	26.0	16.5	21.6	34.7	0.0	0.0	0.5	–	–	0.6	55
1993	149,180	30.3	14.1	20.7	32.8	0.0	0.0	0.3	–	–	1.8	61
1994	148,139	24.4	12.6	26.3	34.0	0.0	0.0	0.4	0.0%	–	2.1	37
1995	181,494	19.8	13.9	28.5	34.1	0.0	0.0	0.5	0.0	–	3.1	48
1996	223,790	17.7	18.5	25.4	35.2	0.0	0.1	0.7	0.0	–	2.4	49
1997	254,223	15.2	17.6	25.1	37.8	0.1	0.0	1.2	0.1	–	2.8	50
1998	312,907	14.3	17.7	30.4	33.4	0.3	0.0	1.7	0.1	0.2%	2.0	52
1999	333,726	17.1	13.0	37.1	28.2	0.1	0.0	1.4	0.1	1.1	1.9	48
2000	367,780	14.2	10.1	32.0	37.9	0.0	0.0	1.6	0.1	1.2	2.9	45
2001	461,631	19.2	9.2	34.5	31.7	0.2	0.0	0.5	0.0	1.5	3.3	55
2002	453,157	20.5	6.4	33.2	35.5	0.1	0.0	0.5	0.0	1.7	2.1	52
2003	410,041	20.0	7.2	33.8	36.3	0.3	0.0	0.9	0.0	1.8	-0.3	52
2004	379,706	21.4	4.9	34.5	35.9	0.2	0.0	0.9	0.1	0.8	1.2	36
2005	399,330	15.8	4.4	28.1	50.0	0.0	0.0	0.2	0.1	0.8	0.5	27
2006	426,838	14.9	4.1	21.5	58.6	0.1	0.0	0.5	0.0	0.1	0.3	32
2007	760,389	16.3	5.1	24.1	53.7	0.3	0.0	0.2	0.0	0.0	0.2	31
2008	1,490,208	30.5	6.2	36.2	26.8	0.0	0.0	0.1	0.1	0.2	-0.1	48
2009	1,107,035	25.6	6.0	35.4	30.6	0.0	0.0	1.0	0.2	0.3	0.7	47
2010	855,021	22.9	8.5	33.3	33.0	0.0	0.0	0.9	0.1	0.4	0.9	47
2011	970,075	23.2	13.2	28.9	31.6	0.0	0.0	1.0	0.1	0.4	1.5	45
2012	928,749	25.6	12.6	26.7	33.0	0.0	0.0	0.7	0.0	0.1	1.4	46
2013	962,009	27.1	14.3	29.4	27.9	0.0	0.0	0.3	0.0	0.1	0.8	48

[1] Prior to 1994, bank notes are included in other assets.
[2] Prior to 1998, corporate notes are included in other assets.
[3] Other assets include banker's acceptances, municipal securities, and cash reserves.
Note: Data for funds that invest primarily in other mutual funds were excluded from the series. Components may not add to 100 percent because of rounding.

TABLE 44

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

Year-end

Year	Total net assets *Millions of dollars*	U.S. Treasury bills	Other Treasury securities	U.S. government agency issues	Repurchase agreements	Certificates of deposit	Eurodollar CDs	Commercial paper	Bank notes[1]	Corporate notes[2]	Other assets[3]	Average maturity *Days*
1984	$157,951	5.9%	0.8%	4.1%	3.3%	13.6%	12.0%	47.2%	–	–	13.1%	42
1985	151,849	4.6	1.0	6.1	3.1	10.0	10.2	55.4	–	–	9.5	42
1986	164,610	3.6	1.6	3.6	4.4	10.0	11.6	56.0	–	–	9.3	42
1987	187,087	1.0	0.9	6.5	4.8	16.2	8.9	52.3	–	–	9.4	34
1988	210,897	1.0	0.2	2.8	2.8	15.2	14.1	54.6	–	–	9.4	32
1989	283,939	1.3	0.8	2.0	2.8	14.4	9.3	62.3	–	–	7.1	43
1990	305,189	4.4	2.2	4.7	2.9	6.9	8.9	65.5	–	–	4.7	48
1991	314,346	5.7	2.9	4.2	3.7	10.6	6.9	60.1	–	–	5.8	56
1992	300,310	2.7	2.5	7.5	4.9	10.4	6.9	57.7	–	–	7.4	59
1993	312,701	2.6	2.4	11.9	5.9	8.0	3.2	52.6	–	–	13.3	58
1994	352,972	2.4	1.3	11.4	5.6	6.4	4.5	53.4	2.4%	–	12.7	38
1995	449,829	1.4	0.9	9.2	6.2	8.9	4.5	52.5	3.7	–	12.7	60
1996	540,146	0.5	1.6	9.0	5.1	12.8	4.3	51.0	2.3	–	13.5	56
1997	647,005	0.4	0.5	5.4	5.3	14.7	3.7	52.0	3.2	–	14.8	57
1998	854,061	0.4	0.8	9.6	4.6	13.0	3.6	48.7	3.9	5.8%	9.6	58
1999	1,079,523	0.3	0.3	6.8	4.8	12.8	3.9	49.2	3.1	8.4	10.4	49
2000	1,243,598	0.3	0.1	5.9	3.9	11.7	6.6	50.9	3.6	10.5	6.5	53
2001	1,564,598	0.4	0.3	12.3	6.0	14.9	7.3	41.7	1.5	11.1	4.5	58
2002	1,535,621	1.3	0.3	11.8	8.1	13.8	7.0	40.1	1.4	12.0	4.2	54
2003	1,339,689	1.4	0.3	14.9	8.1	11.6	5.1	35.6	2.0	16.2	4.6	59
2004	1,209,995	0.3	0.1	12.0	8.5	14.1	5.7	33.9	2.6	17.9	4.9	41
2005	1,291,119	0.6	0.1	4.1	11.8	14.5	6.0	38.5	2.3	17.9	4.0	38
2006	1,542,584	0.1	0.2	2.9	9.9	13.9	4.4	39.6	2.2	21.6	5.2	49
2007	1,857,280	0.8	0.2	3.1	11.3	15.2	5.5	36.9	4.0	16.7	6.3	44
2008	1,848,349	1.9	0.5	12.7	8.4	21.5	4.7	34.1	3.1	9.3	3.8	47
2009	1,809,923	2.3	1.3	8.9	8.3	31.6	5.5	28.1	2.9	6.4	4.8	50
2010	1,618,896	2.7	1.9	7.8	12.8	28.6	6.7	24.3	3.2	6.2	5.8	44
2011	1,429,650	3.1	3.8	9.2	13.6	28.4	3.1	24.6	2.6	4.5	7.1	40
2012	1,477,347	3.4	4.2	6.9	16.8	29.5	3.0	23.1	3.5	3.5	6.1	45
2013	1,485,711	2.2	4.3	5.7	15.7	33.3	2.3	23.9	2.7	4.2	5.7	46

[1] Prior to 1994, bank notes are included in other assets.
[2] Prior to 1998, corporate notes are included in other assets.
[3] Other assets include banker's acceptances, municipal securities, and cash reserves.
Note: Data for funds that invest primarily in other mutual funds were excluded from the series. Components may not add to 100 percent because of rounding.

TABLE 45

Funds of Funds:[1] Total Net Assets, Net New Cash Flow, Number of Funds, and Number of Share Classes

	Total net assets Millions of dollars, year-end			Net new cash flow[2] Millions of dollars, annual			Number of funds Year-end			Number of share classes Year-end		
Year	Total	Equity	Hybrid and bond	Total	Equity	Hybrid and bond	Total	Equity	Hybrid and bond	Total	Equity	Hybrid and bond
1990	$1,426	$211	$1,215	$131	-$21	$152	20	11	9	20	11	9
1991	2,313	403	1,910	475	97	378	20	10	10	20	10	10
1992	3,722	651	3,072	1,134	205	929	21	10	11	21	10	11
1993	5,403	900	4,503	1,160	154	1,006	24	12	12	24	12	12
1994	6,170	1,367	4,803	567	342	225	32	15	17	32	15	17
1995	9,063	2,288	6,774	1,135	633	502	36	19	17	37	19	18
1996	13,404	4,596	8,808	2,457	1,572	885	45	24	21	56	28	28
1997	21,480	7,580	13,900	3,380	1,617	1,763	94	41	53	148	58	90
1998	35,368	12,212	23,156	6,376	2,006	4,370	175	75	100	305	112	193
1999	48,310	18,676	29,634	6,572	3,392	3,180	212	83	129	394	137	257
2000	56,911	12,858	44,053	10,401	3,549	6,852	215	59	156	414	97	317
2001	63,385	12,227	51,157	8,929	1,511	7,419	213	59	154	450	96	354
2002	68,960	11,381	57,579	11,593	1,733	9,860	268	69	199	625	121	504
2003	123,091	21,310	101,781	29,900	3,542	26,358	301	72	229	720	123	597
2004	199,552	30,767	168,785	50,520	6,089	44,430	375	71	304	963	131	832
2005	306,016	44,955	261,060	79,480	6,331	73,149	475	92	383	1,298	190	1,108
2006	469,655	75,065	394,590	101,323	13,842	87,480	604	122	482	1,864	267	1,597
2007	638,552	101,000	537,552	126,480	17,154	109,326	722	129	593	2,360	315	2,045
2008	487,445	63,145	424,300	61,471	6,094	55,376	860	129	731	2,815	330	2,485
2009	680,186	58,680	621,506	70,678	4,303	66,375	953	139	814	3,043	349	2,694
2010	917,461	84,477	832,984	120,797	4,905	115,891	988	152	836	3,146	372	2,774
2011	1,042,459	84,859	957,600	121,974	3,147	118,827	1,094	162	932	3,443	385	3,058
2012	1,283,069	97,782	1,185,286	97,693	-2,555	100,248	1,163	168	995	3,773	435	3,338
2013	1,593,740	133,933	1,459,808	120,030	12,366	107,665	1,267	172	1,095	4,044	433	3,611

[1] Funds of funds are mutual funds that invest primarily in other mutual funds.
[2] Net new cash flow is the dollar value of new sales minus redemptions combined with net exchanges.
Note: Components may not add to the total because of rounding.

TABLE 46

Funds of Funds:[1] Components of Net New Cash Flow[2]

Millions of dollars, annual

	Sales									Redemptions								
	New + exchange			New[3]			Exchange[4]			Regular + exchange			Regular[5]			Exchange[6]		
Year	Total	Equity	Hybrid and bond	Total	Equity	Hybrid and bond	Total	Equity	Hybrid and bond	Total	Equity	Hybrid and bond	Total	Equity	Hybrid and bond	Total	Equity	Hybrid and bond
1990	$416	$68	$348	$351	$58	$293	$65	$10	$55	$285	$89	$196	$186	$87	$99	$100	$3	$97
1991	772	192	580	579	142	437	194	50	143	298	95	203	185	79	105	113	16	97
1992	1,617	371	1,246	1,255	294	961	362	76	286	483	166	318	303	130	174	180	36	144
1993	1,953	358	1,594	1,533	293	1,240	419	65	354	793	205	588	453	156	297	340	49	291
1994	1,781	583	1,197	1,341	389	952	439	194	245	1,213	241	972	682	166	517	531	75	456
1995	2,362	987	1,376	1,750	692	1,059	612	295	317	1,227	354	873	768	233	535	459	121	338
1996	4,522	2,321	2,201	3,621	1,847	1,774	901	474	428	2,066	749	1,317	1,290	519	771	776	230	546
1997	6,317	2,858	3,459	4,753	2,017	2,736	1,565	842	723	2,937	1,241	1,696	1,749	774	975	1,189	468	721
1998	12,931	4,398	8,532	9,938	3,578	6,360	2,993	821	2,172	6,554	2,392	4,162	3,766	1,541	2,225	2,788	850	1,938
1999	16,749	6,861	9,888	12,759	5,575	7,184	3,990	1,287	2,703	10,177	3,469	6,708	6,638	2,553	4,084	3,540	916	2,624
2000	24,092	6,019	18,072	18,607	4,936	13,671	5,485	1,083	4,402	13,690	2,470	11,220	9,250	2,027	7,223	4,440	443	3,997
2001	22,577	4,306	18,271	17,606	3,591	14,015	4,971	715	4,256	13,647	2,795	10,852	9,546	2,143	7,403	4,101	652	3,449
2002	28,193	5,434	22,759	23,063	4,571	18,492	5,131	863	4,268	16,600	3,701	12,899	12,209	3,021	9,189	4,391	681	3,710
2003	46,962	6,695	40,267	38,444	5,456	32,988	8,518	1,239	7,279	17,062	3,153	13,909	12,785	2,590	10,196	4,277	564	3,713
2004	76,821	10,466	66,355	63,136	8,416	54,720	13,685	2,050	11,635	26,301	4,376	21,925	19,845	3,696	16,149	6,456	681	5,776
2005	122,861	12,381	110,481	106,077	9,902	96,175	16,784	2,478	14,306	43,381	6,050	37,331	35,351	5,159	30,192	8,030	891	7,139
2006	163,091	23,162	139,929	138,855	18,259	120,596	24,236	4,903	19,333	61,769	9,320	52,449	49,052	7,808	41,244	12,717	1,512	11,205
2007	227,182	34,163	193,019	193,836	26,652	167,183	33,346	7,510	25,836	100,702	17,009	83,693	82,025	13,767	68,258	18,677	3,242	15,435
2008	214,644	29,214	185,430	183,741	23,415	160,326	30,903	5,799	25,104	153,174	23,120	130,054	121,426	18,171	103,255	31,748	4,949	26,799
2009	191,618	21,549	170,069	172,249	19,642	152,607	19,369	1,907	17,462	120,940	17,245	103,694	102,462	15,463	86,999	18,477	1,783	16,695
2010	293,730	22,608	271,121	268,355	21,226	247,128	25,375	1,382	23,993	172,933	17,703	155,230	150,824	16,059	134,765	22,109	1,644	20,465
2011	355,721	22,092	333,629	327,623	20,807	306,816	28,098	1,285	26,813	233,747	18,945	214,802	205,388	17,251	188,137	28,359	1,695	26,665
2012	337,717	19,570	318,147	311,505	18,096	293,409	26,212	1,474	24,738	240,023	22,125	217,899	214,666	20,482	194,183	25,358	1,643	23,715
2013	418,032	34,071	383,960	377,493	31,315	346,178	40,538	2,756	37,782	298,001	21,706	276,296	264,637	20,083	244,554	33,365	1,623	31,742

[1] Funds of funds are mutual funds that invest primarily in other mutual funds.
[2] Net new cash flow is the dollar value of new sales minus redemptions combined with net exchanges.
[3] New sales are the dollar value of new purchases of mutual fund shares. This does not include shares purchased through reinvestment of dividends in existing accounts.
[4] Exchange sales are the dollar value of mutual fund shares switched into funds within the same fund group.
[5] Regular redemptions are the dollar value of shareholder liquidation of mutual fund shares.
[6] Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into other funds within the same fund group.
Note: Components may not add to the total because of rounding.

TABLE 47

Index Mutual Funds: Total Net Assets and Net New Cash Flow

Millions of dollars

	Total net assets Year-end					Net new cash flow* Annual				
		Equity					Equity			
Year	Total	S&P 500	Other domestic	World	Hybrid and bond	Total	S&P 500	Other domestic	World	Hybrid and bond
1993	$27,460	$19,445	$3,338	$1,281	$3,396	$6,350	$3,916	$953	$501	$980
1994	32,078	22,257	3,863	2,095	3,863	3,298	1,821	515	436	525
1995	57,042	41,744	6,442	2,846	6,009	11,808	8,816	1,038	512	1,442
1996	97,759	73,856	11,241	4,124	8,538	24,780	18,447	3,192	1,033	2,108
1997	170,302	129,857	21,221	5,329	13,894	34,847	25,208	5,230	818	3,591
1998	264,998	201,791	35,051	7,962	20,193	46,143	30,977	8,499	1,568	5,099
1999	387,411	284,588	63,386	13,130	26,307	61,603	38,063	16,102	2,241	5,197
2000	384,039	272,462	72,009	12,644	26,923	25,592	10,783	10,668	1,664	2,477
2001	370,560	249,452	73,598	11,128	36,381	26,735	9,113	8,859	1,181	7,582
2002	327,417	200,989	69,426	11,050	45,952	25,255	4,818	12,152	1,669	6,616
2003	455,293	273,691	112,480	18,218	50,903	35,234	14,231	16,538	2,199	2,266
2004	554,044	317,826	147,819	28,236	60,163	40,130	11,739	16,078	5,661	6,651
2005	618,699	334,012	171,377	42,792	70,518	27,877	-317	11,731	8,456	8,007
2006	747,468	379,765	218,166	66,647	82,889	32,974	-5,908	20,134	10,674	8,074
2007	854,715	394,593	257,850	95,695	106,577	61,139	-1,440	29,192	16,915	16,473
2008	601,728	252,956	177,975	50,125	120,672	34,927	7,666	23,337	-6,000	9,924
2009	835,422	328,647	256,365	92,507	157,903	55,976	8,195	16,646	4,000	27,135
2010	1,016,713	375,949	325,276	122,751	192,736	57,560	-808	15,024	19,076	24,268
2011	1,093,749	376,582	357,624	121,445	238,098	54,828	-6,868	24,600	17,202	19,895
2012	1,311,077	429,698	439,633	161,212	280,534	59,043	-7,139	22,134	15,523	28,525
2013	1,734,942	574,380	638,869	215,545	306,148	114,453	5,541	46,541	28,309	34,062

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

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

TABLE 48

Index Mutual Funds: Number of Funds and Number of Share Classes

Year-end

	Number of funds					Number of share classes				
		Equity					Equity			
Year	Total	S&P 500	Other domestic	World	Hybrid and bond	Total	S&P 500	Other domestic	World	Hybrid and bond
1993	69	38	15	6	10	73	42	15	6	10
1994	81	42	17	7	15	95	53	17	10	15
1995	87	48	18	7	14	110	63	19	11	17
1996	105	60	22	7	16	143	86	25	11	21
1997	132	72	27	12	21	205	115	38	21	31
1998	156	86	37	15	18	252	148	52	25	27
1999	197	97	59	20	21	323	166	95	31	31
2000	271	120	99	26	26	465	221	163	43	38
2001	286	126	110	24	26	518	238	197	43	40
2002	313	132	124	28	29	578	255	221	53	49
2003	321	128	134	30	29	601	253	243	56	49
2004	328	127	146	28	27	633	262	269	55	47
2005	322	119	147	29	27	647	258	279	62	48
2006	342	125	157	33	27	697	272	303	70	52
2007	354	125	159	37	33	735	276	312	83	64
2008	359	122	163	41	33	754	278	316	95	65
2009	357	113	151	49	44	757	259	291	107	100
2010	365	111	161	50	43	776	253	301	121	101
2011	382	111	169	57	45	856	260	337	144	115
2012	372	103	166	58	45	871	247	349	153	122
2013	372	96	171	58	47	882	234	363	156	129

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

TABLE 49

Index Mutual Funds: New Sales and Exchange Sales

Millions of dollars, annual

	New + exchange					New[1]					Exchange[2]				
		Equity					Equity					Equity			
Year	Total	S&P 500	Other domestic	World	Hybrid and bond	Total	S&P 500	Other domestic	World	Hybrid and bond	Total	S&P 500	Other domestic	World	Hybrid and bond
1993	$13,267	$8,898	$1,560	$746	$2,064	$11,208	$7,826	$1,283	$455	$1,644	$2,059	$1,072	$277	$291	$420
1994	11,850	7,976	1,283	824	1,767	10,172	7,103	1,130	579	1,361	1,677	874	153	245	405
1995	21,845	15,903	2,107	1,019	2,815	17,665	13,087	1,883	800	1,895	4,180	2,816	224	219	920
1996	42,680	31,828	4,893	1,855	4,103	34,903	26,165	4,182	1,463	3,093	7,776	5,663	711	392	1,010
1997	73,274	54,494	10,219	2,173	6,388	54,093	41,160	6,562	1,816	4,555	19,181	13,334	3,657	357	1,834
1998	102,843	75,186	15,515	3,014	9,128	79,382	59,457	11,405	2,157	6,362	23,461	15,728	4,109	857	2,767
1999	145,582	101,675	26,755	4,544	12,608	112,686	81,540	18,994	3,232	8,920	32,896	20,135	7,761	1,312	3,688
2000	136,385	92,019	29,049	6,091	9,225	107,344	75,990	20,141	4,863	6,351	29,041	16,029	8,908	1,228	2,875
2001	122,247	72,936	28,055	4,643	16,612	94,018	58,654	20,960	3,946	10,458	28,229	14,282	7,096	697	6,154
2002	127,752	68,085	34,211	5,161	20,295	99,640	57,060	24,922	4,505	13,154	28,112	11,026	9,289	656	7,141
2003	136,830	67,688	44,593	5,998	18,550	104,703	54,472	31,680	5,178	13,372	32,127	13,216	12,913	820	5,178
2004	159,310	74,967	53,947	9,403	20,992	128,162	63,371	40,622	7,915	16,253	31,148	11,597	13,325	1,488	4,739
2005	163,344	70,763	56,374	13,523	22,684	131,335	58,818	43,402	11,275	17,840	32,009	11,945	12,971	2,248	4,844
2006	189,914	69,619	73,333	19,890	27,072	152,436	59,125	57,380	16,061	19,870	37,478	10,494	15,953	3,828	7,203
2007	259,419	93,691	92,086	30,539	43,102	200,041	76,300	71,958	23,650	28,133	59,378	17,391	20,129	6,889	14,969
2008	249,581	87,082	82,141	26,258	54,099	201,211	74,131	64,725	22,355	40,000	48,369	12,951	17,416	3,903	14,099
2009	243,411	69,398	66,308	24,960	82,744	181,737	60,024	52,130	19,406	50,177	61,674	9,374	14,178	5,554	32,567
2010	279,016	70,013	84,010	50,914	74,079	212,865	59,437	64,648	32,063	56,716	66,151	10,577	19,361	18,851	17,362
2011	330,845	93,679	107,165	44,919	85,081	268,319	80,167	83,055	36,824	68,274	62,526	13,512	24,110	8,096	16,807
2012	338,948	93,429	110,994	44,029	90,496	277,651	79,206	89,369	35,357	73,720	61,296	14,223	21,625	8,672	16,776
2013	432,920	111,144	146,421	59,647	115,709	345,892	95,555	119,032	50,086	81,219	87,028	15,588	27,389	9,561	34,490

[1] New sales are the dollar value of new purchases of mutual fund shares. This does not include shares purchased through reinvestment of dividends in existing accounts.

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

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

TABLE 50

Index Mutual Funds: Redemptions and Exchange Redemptions

Millions of dollars, annual

	Regular + exchange					Regular[1]					Exchange[2]				
		Equity					Equity					Equity			
Year	Total	S&P 500	Other domestic	World	Hybrid and bond	Total	S&P 500	Other domestic	World	Hybrid and bond	Total	S&P 500	Other domestic	World	Hybrid and bond
1993	$6,917	$4,982	$607	$245	$1,084	$5,278	$3,996	$449	$118	$715	$1,639	$986	$158	$127	$369
1994	8,552	6,155	768	387	1,241	7,134	5,383	645	243	863	1,418	772	123	144	379
1995	10,037	7,087	1,069	507	1,373	7,723	5,732	935	337	719	2,314	1,355	135	170	654
1996	17,900	13,382	1,700	822	1,995	13,578	10,330	1,429	566	1,253	4,321	3,052	271	256	742
1997	38,427	29,286	4,988	1,355	2,797	24,753	19,824	2,468	779	1,681	13,674	9,462	2,520	576	1,116
1998	56,700	44,208	7,016	1,446	4,029	40,024	32,563	4,256	973	2,232	16,676	11,646	2,760	473	1,797
1999	83,979	63,612	10,653	2,303	7,411	60,809	48,336	7,050	1,276	4,146	23,170	15,276	3,603	1,027	3,265
2000	110,793	81,237	18,381	4,427	6,749	80,788	61,735	11,959	2,816	4,278	30,005	19,501	6,422	1,611	2,471
2001	95,512	63,823	19,196	3,462	9,030	68,474	47,792	12,731	2,597	5,353	27,038	16,030	6,465	865	3,677
2002	102,497	63,267	22,059	3,492	13,679	74,963	48,625	15,223	2,819	8,296	27,534	14,642	6,835	673	5,383
2003	101,596	53,457	28,056	3,800	16,284	76,804	42,814	20,548	3,407	10,035	24,792	10,643	7,508	393	6,249
2004	119,180	63,228	37,869	3,742	14,341	90,044	50,340	26,886	3,061	9,756	29,136	12,888	10,982	681	4,585
2005	135,467	71,080	44,643	5,067	14,677	102,053	54,621	32,287	4,108	11,036	33,414	16,459	12,356	959	3,641
2006	156,940	75,527	53,200	9,215	18,999	118,530	59,556	39,111	6,775	13,088	38,410	15,971	14,088	2,441	5,910
2007	198,280	95,131	62,894	13,625	26,630	141,059	71,405	42,808	10,081	16,764	57,221	23,726	20,086	3,544	9,865
2008	214,654	79,416	58,804	32,258	44,175	167,817	62,324	43,144	28,061	34,288	46,837	17,092	15,660	4,197	9,887
2009	187,435	61,203	49,662	20,960	55,609	133,211	49,794	38,167	17,725	27,525	54,223	11,409	11,495	3,236	28,084
2010	221,456	70,821	68,985	31,839	49,811	162,503	56,993	54,782	14,737	35,991	58,953	13,828	14,203	17,102	13,820
2011	276,017	100,548	82,565	27,717	65,186	219,553	81,877	64,654	20,333	52,689	56,464	18,671	17,911	7,384	12,497
2012	279,905	100,568	88,859	28,506	61,971	212,633	79,623	62,278	21,662	49,071	67,273	20,945	26,582	6,844	12,901
2013	318,467	105,603	99,880	31,338	81,647	248,695	89,331	81,112	25,139	53,113	69,772	16,271	18,768	6,198	28,534

[1] Regular redemptions are the dollar value of shareholder liquidation of mutual fund shares.
[2] Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into other funds within the same fund group.
Note: Data for funds that invest primarily in other mutual funds were excluded from the series. Components may not add to the total because of rounding.

TABLE 51

Retirement Mutual Funds:[1] Total Net Assets, Net New Cash Flow, Number of Funds, and Number of Share Classes

Year	Total	Equity	Hybrid	Bond	Money market	Total	Equity	Hybrid	Bond	Money market
	Total net assets *Millions of dollars, year-end*					Net new cash flow[2] *Millions of dollars, annual*				
2002	$18,641	$6,503	$1,395	$1,332	$9,411	$1,659	$1,306	$370	$43	-$60
2003	33,327	19,954	3,768	1,943	7,661	9,861	9,298	1,872	476	-1,785
2004	61,592	44,975	8,479	2,752	5,386	20,289	18,468	3,447	680	-2,306
2005	95,505	73,978	12,593	3,868	5,067	24,715	20,488	3,582	1,067	-423
2006	145,088	116,187	18,186	5,415	5,299	31,696	26,854	3,696	1,222	-76
2007	208,706	165,056	28,259	8,250	7,141	44,177	32,333	7,809	2,525	1,510
2008	170,275	123,859	27,089	9,233	10,095	44,413	31,758	8,668	2,058	1,929
2009	270,039	201,662	41,989	13,315	13,074	38,260	28,423	7,066	2,434	337
2010	340,922	259,162	52,074	15,707	13,979	40,096	28,997	8,046	2,118	936
2011	335,040	248,621	58,739	18,450	9,231	19,579	7,394	7,004	2,803	2,378
2012	464,222	289,501	141,808	23,541	9,372	28,652	-492	25,083	3,920	141
2013	603,547	382,744	187,004	25,919	7,880	32,563	9,293	21,255	2,475	-460
	Number of funds *Year-end*					Number of share classes *Year-end*				
2002	259	178	29	43	9	400	253	59	70	18
2003	438	306	46	75	11	618	408	82	108	20
2004	681	449	101	116	15	920	582	158	154	26
2005	804	509	148	131	16	1,273	766	267	208	32
2006	933	576	202	136	19	1,618	904	451	228	35
2007	1,105	665	259	160	21	1,891	1,022	571	259	39
2008	1,280	737	346	177	20	2,106	1,097	700	271	38
2009	1,335	725	404	187	19	2,224	1,130	757	304	33
2010	1,347	728	390	210	19	2,132	1,104	676	320	32
2011	1,415	754	415	228	18	2,257	1,137	726	362	32
2012	1,500	782	445	258	15	2,472	1,202	833	409	28
2013	1,602	813	505	272	12	2,677	1,261	948	448	20

[1] Retirement mutual funds include share classes and funds that are predominantly available to retirement plans or IRAs. The table includes data for funds that invest primarily in other funds.

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

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

TABLE 52

Retirement Mutual Funds:[1] Components of Net New Cash Flow[2]

Millions of dollars, annual

	Sales								Redemptions							
	New[3]				Exchange[4]				Regular[5]				Exchange[6]			
Year	Equity	Hybrid	Bond	Money market	Equity	Hybrid	Bond	Money market	Equity	Hybrid	Bond	Money market	Equity	Hybrid	Bond	Money market
2002	$2,778	$801	$754	$40,681	$571	$71	$228	$60	$1,829	$480	$902	$40,750	$213	$22	$37	$51
2003	9,961	2,404	1,202	40,933	2,310	180	136	159	2,749	663	745	42,594	224	48	117	282
2004	23,802	4,547	1,502	30,972	1,241	161	105	175	6,250	1,177	802	33,015	326	84	125	438
2005	32,565	5,519	2,146	33,915	1,562	215	170	193	13,024	1,983	1,069	34,075	614	170	180	456
2006	47,420	7,174	2,342	37,876	3,622	517	253	321	23,084	3,658	1,181	37,760	1,104	336	193	513
2007	72,080	14,354	4,446	24,671	3,982	641	496	804	41,765	6,726	2,122	23,022	1,964	460	295	944
2008	72,332	16,597	5,323	31,325	5,176	1,581	715	1,305	40,671	8,141	3,489	29,780	5,079	1,370	491	921
2009	65,843	14,581	6,869	33,272	17,984	3,062	1,414	899	37,214	7,000	3,808	32,830	18,190	3,577	2,041	1,004
2010	81,977	18,265	7,310	69,284	14,958	1,580	710	609	53,468	10,292	5,037	68,361	14,470	1,508	866	596
2011	85,523	21,394	7,628	92,252	10,558	2,058	1,510	866	75,918	14,277	5,625	90,161	12,769	2,171	709	579
2012	81,606	52,218	9,926	36,308	10,275	5,193	792	605	79,922	25,339	6,017	36,284	12,450	6,990	780	487
2013	86,256	53,545	10,922	36,169	15,068	11,814	595	568	79,502	34,599	8,326	36,634	12,530	9,505	716	564

[1] Retirement mutual funds include share classes and funds that are predominantly available to retirement plans or IRAs. The table includes data for funds that invest primarily in other funds.
[2] Net new cash flow is the dollar value of new sales minus redemptions combined with net exchanges.
[3] New sales are the dollar value of new purchases of mutual fund shares. This does not include shares purchased through reinvestment of dividends in existing accounts.
[4] Exchange sales are the dollar value of mutual fund shares switched into funds within the same fund family.
[5] Regular redemptions are the dollar value of shareholder liquidation of mutual fund shares.
[6] Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into other funds within the same fund group.
Note: Components may not add to the total because of rounding.

TABLE 53

Target Date and Lifestyle Mutual Funds:[1] Total Net Assets, Net New Cash Flow, Number of Funds, and Number of Share Classes

	Total net assets *Millions of dollars, year-end*			Net new cash flow[2] *Millions of dollars, annual*			Number of funds *Year-end*			Number of share classes *Year-end*		
Year	Total	Target date	Lifestyle	Total	Target date	Lifestyle	Total	Target date	Lifestyle	Total	Target date	Lifestyle
1995	$2,746	$487	$2,259	$1,194	$185	$1,009	26	6	20	50	10	40
1996	6,497	805	5,693	2,583	216	2,367	44	9	35	70	9	61
1997	14,314	1,408	12,906	4,138	193	3,945	77	12	65	141	17	124
1998	25,413	4,508	20,905	6,015	1,153	4,862	110	17	93	199	23	176
1999	34,849	7,014	27,835	4,928	1,311	3,618	130	19	111	240	30	210
2000	39,716	8,788	30,928	7,581	3,598	3,983	146	24	122	279	42	237
2001	45,467	12,372	33,095	7,696	3,795	3,902	147	25	122	351	82	269
2002	49,425	14,902	34,523	8,095	3,708	4,386	171	25	146	432	82	350
2003	81,733	25,901	55,832	19,040	7,221	11,819	192	45	147	499	120	379
2004	129,170	43,756	85,414	28,336	12,903	15,432	241	84	157	740	263	477
2005	202,017	71,223	130,794	57,166	22,256	34,910	324	127	197	1,128	465	663
2006	303,594	114,560	189,034	66,792	33,023	33,769	422	184	238	1,559	783	776
2007	420,863	182,905	237,958	91,920	56,200	35,720	494	245	249	1,837	1,035	802
2008	335,421	159,830	175,591	54,424	41,897	12,527	613	338	275	2,215	1,367	848
2009	486,540	255,590	230,950	52,116	43,442	8,674	643	379	264	2,350	1,513	837
2010	603,926	339,772	264,155	48,615	44,431	4,184	638	377	261	2,327	1,491	836
2011	637,742	375,810	261,932	40,367	41,557	-1,189	674	412	262	2,484	1,620	864
2012	773,130	480,743	292,387	50,218	52,948	-2,730	682	430	252	2,598	1,754	844
2013	976,546	618,016	358,530	55,250	52,968	2,282	760	491	269	2,927	2,031	896

[1] Categories include data for funds that invest primarily in other funds.
[2] Net new cash flow is the dollar value of new sales minus redemptions combined with net exchanges.
Note: Components may not add to the total because of rounding.

TABLE 54

Target Date and Lifestyle Mutual Funds:[1] Components of Net New Cash Flow[2]

Millions of dollars, annual

	Sales						Redemptions					
	New[3]			Exchange[4]			Regular[5]			Exchange[6]		
Year	Total	Target date	Lifestyle	Total	Target date	Lifestyle	Total	Target date	Lifestyle	Total	Target date	Lifestyle
1995	$1,289	$282	$1,008	$364	$9	$355	$304	$100	$203	$155	$5	$151
1996	3,393	622	2,771	564	12	552	989	406	583	385	11	373
1997	5,580	513	5,067	1,066	33	1,033	1,763	331	1,432	746	22	723
1998	8,856	1,306	7,549	2,782	1,354	1,428	3,557	641	2,916	2,066	867	1,199
1999	10,663	1,831	8,832	3,144	1,707	1,436	6,102	1,000	5,102	2,776	1,227	1,549
2000	15,034	4,267	10,767	4,621	2,845	1,776	8,302	1,654	6,648	3,772	1,861	1,912
2001	15,408	4,787	10,621	4,179	2,576	1,602	8,510	1,844	6,665	3,381	1,724	1,656
2002	18,235	5,282	12,953	3,691	2,307	1,384	10,901	2,340	8,561	2,930	1,541	1,389
2003	27,581	8,083	19,498	5,321	3,390	1,931	11,038	2,521	8,518	2,824	1,731	1,093
2004	41,670	16,442	25,228	8,713	5,474	3,239	17,571	6,274	11,296	4,477	2,739	1,738
2005	77,111	26,754	50,358	11,647	7,692	3,955	25,919	8,633	17,287	5,673	3,558	2,116
2006	89,497	39,913	49,584	17,113	11,157	5,956	31,232	12,662	18,571	8,586	5,385	3,201
2007	137,672	76,155	61,517	23,456	17,041	6,415	56,637	28,507	28,131	12,570	8,490	4,080
2008	127,517	78,539	48,978	22,099	16,120	5,979	73,878	38,386	35,492	21,314	14,375	6,938
2009	118,466	80,328	38,138	15,172	11,554	3,618	68,193	39,388	28,805	13,329	9,053	4,277
2010	149,974	107,618	42,356	20,606	16,623	3,983	104,940	67,373	37,567	17,025	12,437	4,588
2011	172,417	131,659	40,759	22,271	17,914	4,356	131,977	90,802	41,176	22,343	17,215	5,129
2012	182,707	143,656	39,052	19,668	15,988	3,680	133,050	92,069	40,981	19,107	14,626	4,481
2013	217,731	171,407	46,324	30,991	25,303	5,687	166,957	121,592	45,365	26,514	22,150	4,364

[1] Categories include data for funds that invest primarily in other funds.
[2] Net new cash flow is the dollar value of new sales minus redemptions combined with net exchanges.
[3] New sales are the dollar value of new purchases of mutual fund shares. This does not include shares purchased through reinvestment of dividends in existing accounts.
[4] Exchange sales are the dollar value of mutual fund shares switched into funds within the same fund group.
[5] Regular redemptions are the dollar value of shareholder liquidation of mutual fund shares.
[6] Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into other funds within the same fund group.
Note: Components may not add to the total because of rounding.

TABLE 55

Variable Annuity Mutual Funds: Total Net Assets, Net New Cash Flow, and Number of Funds

	Total net assets *Millions of dollars, year-end*				Net new cash flow* *Millions of dollars, annual*				Number of funds *Year-end*			
Year	Total	Equity	Hybrid and bond	Money market	Total	Equity	Hybrid and bond	Money market	Total	Equity	Hybrid and bond	Money market
1990	$28,749	$14,974	$8,355	$5,420	$3,083	$1,866	$323	$895	331	145	134	52
1991	91,056	69,138	13,734	8,184	6,174	5,097	1,498	-420	354	150	147	57
1992	109,868	80,934	21,046	7,888	12,884	8,708	4,363	-188	366	157	151	58
1993	152,403	104,823	39,740	7,841	26,088	16,423	9,834	-169	428	192	176	60
1994	176,370	121,153	44,339	10,878	22,066	15,998	3,763	2,305	507	245	202	60
1995	259,813	187,702	60,042	12,069	20,824	18,604	2,214	5	665	344	250	71
1996	349,341	260,959	73,189	15,193	40,133	32,699	5,063	2,371	800	435	290	75
1997	473,331	364,286	92,571	16,474	40,470	33,743	6,316	411	937	535	323	79
1998	615,152	474,961	116,337	23,853	44,259	27,857	10,362	6,040	1,162	703	377	82
1999	818,958	656,877	128,349	33,732	38,543	30,736	-460	8,267	1,353	868	404	81
2000	816,800	652,421	131,342	33,037	48,461	58,314	-7,790	-2,063	1,562	1,051	431	80
2001	742,258	558,654	138,848	44,756	21,583	4,861	8,035	8,687	1,750	1,248	413	89
2002	638,949	438,603	152,276	48,070	-1,286	-12,763	11,151	327	1,903	1,389	422	92
2003	837,443	619,018	182,773	35,652	29,827	34,969	6,929	-12,071	1,889	1,364	437	88
2004	973,910	738,444	202,106	33,361	33,505	33,592	2,595	-2,683	1,881	1,351	443	87
2005	1,072,894	822,105	217,090	33,699	16,404	13,254	4,449	-1,299	1,882	1,356	443	83
2006	1,266,934	975,532	249,210	42,192	29,712	17,018	7,192	5,501	1,926	1,391	454	81
2007	1,398,301	1,052,868	292,710	52,723	31,773	1,581	22,940	7,251	1,894	1,367	449	78
2008	928,678	598,524	255,183	74,971	-6,064	-30,615	5,013	19,538	1,891	1,369	443	79
2009	1,188,047	792,083	338,667	57,296	10,382	-3,644	32,832	-18,806	1,832	1,307	452	73
2010	1,339,906	886,357	404,995	48,554	-2,082	-25,375	33,003	-9,711	1,775	1,256	449	70
2011	1,298,460	800,129	449,458	48,873	-21,289	-48,213	26,788	136	1,737	1,222	451	64
2012	1,439,588	875,004	520,652	43,932	-32,827	-55,367	27,672	-5,132	1,725	1,195	470	60
2013	1,653,633	1,050,235	563,606	39,792	-56,008	-61,381	8,011	-2,638	1,728	1,178	493	57

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

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

TABLE 56

Variable Annuity Mutual Funds: Components of Net New Cash Flow[1]

Millions of dollars, annual

	Sales								Redemptions							
	New[2]				Exchange[3]				Regular[4]				Exchange[5]			
Year	Total	Equity	Hybrid and bond	Money market	Total	Equity	Hybrid and bond	Money market	Total	Equity	Hybrid and bond	Money market	Total	Equity	Hybrid and bond	Money market
1990	$9,994	$4,714	$1,808	$3,473	$1,082	$450	$183	$449	$6,993	$2,941	$1,465	$2,587	$1,000	$357	$203	$440
1991	16,408	9,034	3,368	4,006	838	331	174	333	10,294	3,967	1,920	4,407	778	301	124	352
1992	24,779	13,294	6,634	4,851	1,568	740	350	478	12,014	4,745	2,348	4,921	1,450	581	273	596
1993	42,392	22,738	13,146	6,508	1,131	576	325	230	16,352	6,425	3,410	6,517	1,084	467	227	390
1994	48,010	25,661	10,907	11,443	7,017	4,064	429	2,525	25,933	9,941	6,830	9,161	7,029	3,786	742	2,501
1995	53,101	31,661	9,326	12,114	8,674	4,984	727	2,963	32,283	13,201	7,234	11,849	8,668	4,840	606	3,223
1996	84,933	53,188	13,056	18,689	12,656	7,190	864	4,602	44,729	20,497	8,041	16,191	12,726	7,182	815	4,729
1997	105,222	67,005	15,290	22,926	24,210	13,017	2,348	8,846	65,377	33,408	9,905	22,063	23,586	12,871	1,417	9,298
1998	141,464	83,457	23,227	34,780	37,136	18,967	5,502	12,668	99,141	54,024	14,964	30,153	35,199	20,542	3,403	11,254
1999	212,025	130,900	22,005	59,120	40,818	22,080	2,985	15,753	174,418	100,392	22,276	51,750	39,883	21,853	3,174	14,856
2000	334,936	222,945	20,128	91,863	36,326	22,822	1,852	11,652	287,230	166,186	27,483	93,561	35,571	21,267	2,288	12,017
2001	346,166	197,831	33,707	114,628	31,716	15,928	5,185	10,604	325,676	190,977	27,510	107,189	30,623	17,921	3,346	9,356
2002	342,193	183,758	48,179	110,256	34,170	16,428	7,160	10,583	344,224	194,374	38,908	110,942	33,425	18,574	5,281	9,570
2003	283,007	169,043	54,392	59,572	28,791	15,307	5,944	7,540	253,526	136,061	46,632	70,832	28,445	13,319	6,774	8,351
2004	261,715	170,082	46,592	45,042	26,407	14,396	5,711	6,300	228,278	136,344	44,382	47,552	26,340	14,543	5,325	6,472
2005	246,396	162,387	48,220	35,789	19,598	10,599	3,403	5,595	230,118	148,067	44,472	37,578	19,472	11,666	2,702	5,104
2006	280,246	191,872	51,529	36,846	22,318	10,823	3,425	8,070	250,509	173,300	44,350	32,859	22,344	12,376	3,412	6,555
2007	343,455	218,138	73,981	51,336	37,045	19,701	8,247	9,097	317,178	215,814	55,875	45,488	31,550	20,444	3,413	7,693
2008	380,332	198,130	94,033	88,169	25,445	11,112	5,114	9,220	390,026	227,293	90,589	72,144	21,816	12,564	3,546	5,706
2009	313,301	150,971	100,803	61,528	22,650	14,589	3,767	4,294	302,791	154,821	69,739	78,231	22,778	14,382	1,999	6,397
2010	337,760	164,882	139,914	32,964	17,325	6,755	6,742	3,828	339,589	188,495	108,693	42,401	17,578	8,517	4,959	4,102
2011	330,926	144,679	149,996	36,252	16,269	6,816	6,865	2,589	352,233	189,868	125,456	36,910	16,251	9,840	4,616	1,795
2012	308,491	128,108	151,807	28,575	14,248	10,720	2,118	1,410	340,384	181,579	124,982	33,824	15,181	12,616	1,271	1,293
2013	295,398	142,667	121,983	30,748	23,205	14,353	5,993	2,859	349,650	201,478	113,305	34,867	24,960	16,922	6,661	1,377

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

[2] New sales are the dollar value of new purchases of mutual fund shares. This does not include shares purchased through reinvestment of dividends in existing accounts.

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

[4] Regular redemptions are the dollar value of shareholder liquidation of mutual fund shares.

[5] Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into other funds within the same fund group.

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

TABLE 57

Total Net Assets of Mutual Funds Held in Individual and Institutional Accounts

Millions of dollars, year-end

Year	Total	Equity	Hybrid	Bond	Money market
Total					
2000	$6,964,634	$3,934,904	$360,916	$823,566	$1,845,248
2001	6,974,913	3,392,973	358,027	938,602	2,285,310
2002	6,383,477	2,643,288	335,276	1,139,838	2,265,075
2003	7,402,420	3,654,851	447,549	1,259,998	2,040,022
2004	8,095,446	4,344,067	552,010	1,297,669	1,901,701
2005	8,891,108	4,886,648	621,344	1,356,295	2,026,822
2006	10,397,877	5,833,565	731,358	1,494,503	2,338,451
2007	11,999,734	6,413,884	821,279	1,678,810	3,085,760
2008	9,602,574	3,637,712	562,051	1,570,574	3,832,236
2009	11,112,674	4,872,915	717,780	2,206,086	3,315,893
2010	11,831,334	5,596,836	842,040	2,588,536	2,803,922
2011	11,626,493	5,213,796	882,980	2,838,295	2,691,422
2012	13,043,666	5,940,089	1,030,820	3,379,234	2,693,523
2013	15,017,682	7,763,869	1,270,200	3,265,281	2,718,332
Individual accounts					
2000	$6,242,568	$3,727,458	$350,543	$752,625	$1,411,942
2001	6,102,362	3,215,887	347,784	854,870	1,683,820
2002	5,520,545	2,491,400	325,818	1,046,316	1,657,011
2003	6,533,961	3,445,259	435,521	1,159,327	1,493,854
2004	7,177,421	4,071,318	536,528	1,193,957	1,375,620
2005	7,771,251	4,548,440	602,982	1,219,892	1,399,938
2006	9,053,920	5,398,143	708,289	1,338,109	1,609,379
2007	10,340,796	5,930,880	795,934	1,492,994	2,120,987
2008	7,837,748	3,341,579	546,017	1,402,922	2,547,229
2009	9,300,812	4,441,518	696,381	1,977,298	2,185,615
2010	10,015,314	5,059,779	814,245	2,281,602	1,859,689
2011	9,881,820	4,712,687	851,392	2,512,561	1,805,180
2012	11,122,977	5,351,356	995,558	2,981,289	1,794,774
2013	12,856,952	6,987,960	1,219,866	2,874,632	1,774,494
Institutional accounts*					
2000	$722,066	$207,446	$10,373	$70,941	$433,306
2001	872,551	177,086	10,243	83,732	601,490
2002	862,932	151,888	9,458	93,522	608,064
2003	868,459	209,592	12,028	100,671	546,168
2004	918,025	272,749	15,482	103,712	526,081
2005	1,119,857	338,208	18,362	136,403	626,884
2006	1,343,957	435,422	23,069	156,394	729,072
2007	1,658,938	483,004	25,345	185,816	964,773
2008	1,764,826	296,133	16,034	167,652	1,285,007
2009	1,811,862	431,397	21,399	228,788	1,130,278
2010	1,816,020	537,057	27,795	306,934	944,233
2011	1,744,673	501,109	31,588	325,734	886,242
2012	1,920,689	588,733	35,262	397,945	898,749
2013	2,160,730	775,909	50,334	390,649	943,838

* Institutional accounts include accounts purchased by an institution, such as a business, financial, or nonprofit organization. Institutional accounts do not include primary accounts of individuals issued by a broker-dealer.

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

Data Section 6

TABLE 58

Total Net Assets of Institutional Investors in Mutual Funds by Type of Institution and Type of Fund

Millions of dollars, year-end

Year		Total	Business corporations	Financial institutions[1]	Nonprofit organizations	Other[2]
2004	**Total**	**$918,024**	**$425,213**	**$295,730**	**$94,236**	**$102,846**
	Equity	272,749	89,357	90,106	37,888	55,399
	Hybrid	15,482	5,795	5,789	2,682	1,216
	Bond	103,712	30,400	20,413	29,079	23,819
	Money market	526,081	299,660	179,422	24,587	22,412
2005	**Total**	**1,119,857**	**486,614**	**356,035**	**99,656**	**177,551**
	Equity	338,208	99,804	106,541	43,286	88,577
	Hybrid	18,362	6,153	7,314	2,688	2,206
	Bond	136,403	28,446	25,744	25,342	56,871
	Money market	626,884	352,211	216,435	28,341	29,896
2006	**Total**	**1,343,957**	**594,460**	**402,438**	**113,740**	**233,320**
	Equity	435,422	131,646	122,838	53,976	126,963
	Hybrid	23,069	7,452	8,726	3,384	3,507
	Bond	156,394	34,123	26,698	25,540	70,033
	Money market	729,072	421,239	244,176	30,840	32,817
2007	**Total**	**1,658,938**	**731,409**	**474,581**	**134,084**	**318,863**
	Equity	483,004	132,961	124,581	59,208	166,255
	Hybrid	25,345	7,928	10,372	3,186	3,859
	Bond	185,816	37,124	30,725	24,266	93,701
	Money market	964,773	553,396	308,903	47,425	55,048
2008	**Total**	**1,764,826**	**887,922**	**477,252**	**116,595**	**283,057**
	Equity	296,133	72,194	68,200	31,986	123,754
	Hybrid	16,034	5,426	5,857	1,865	2,887
	Bond	167,652	28,514	28,567	22,678	87,893
	Money market	1,285,007	781,789	374,629	60,065	68,524
2009	**Total**	**1,811,862**	**849,573**	**474,690**	**126,188**	**361,412**
	Equity	431,397	107,653	93,262	43,650	186,832
	Hybrid	21,399	7,745	7,461	2,509	3,684
	Bond	228,788	46,539	41,880	29,143	111,226
	Money market	1,130,278	687,635	332,086	50,887	59,671
2010	**Total**	**1,816,020**	**712,382**	**484,216**	**135,066**	**484,355**
	Equity	537,057	121,540	112,320	48,838	254,359
	Hybrid	27,795	10,599	9,593	2,815	4,787
	Bond	306,934	52,989	55,959	33,445	164,541
	Money market	944,233	527,254	306,344	49,967	60,668
2011	**Total**	**1,744,673**	**649,441**	**465,321**	**128,724**	**501,187**
	Equity	501,109	102,388	100,011	44,687	254,023
	Hybrid	31,588	12,180	10,461	3,341	5,606
	Bond	325,734	50,458	59,469	35,907	179,900
	Money market	886,242	484,415	295,380	44,789	61,658
2012	**Total**	**1,920,689**	**660,627**	**494,663**	**134,231**	**631,169**
	Equity	588,733	110,166	103,673	51,328	323,565
	Hybrid	35,262	11,824	12,392	3,562	7,484
	Bond	397,945	58,066	70,274	38,945	230,660
	Money market	898,749	480,570	308,323	40,396	69,460
2013	**Total**	**2,160,730**	**732,593**	**524,587**	**148,901**	**754,648**
	Equity	775,909	136,856	126,470	61,853	450,730
	Hybrid	50,334	16,909	14,771	4,876	13,778
	Bond	390,649	57,680	71,718	34,931	226,319
	Money market	943,838	521,148	311,628	47,241	63,820

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

[2] Other institutional investors include state and local governments, funds holding mutual fund shares, and other institutional accounts not classified.

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

Data Section 6

TABLE 59

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

Millions of dollars, year-end

Year		Total	Business corporations	Financial institutions[2]	Nonprofit organizations	Other[3]
2000	**Total**	**$409,466**	**$201,985**	**$158,334**	**$22,987**	**$26,160**
	Institutional funds	305,180	137,226	134,543	14,951	18,460
	Retail funds	104,286	64,759	23,791	8,037	7,699
2001	**Total**	**575,181**	**300,471**	**219,136**	**27,975**	**27,599**
	Institutional funds	469,332	235,735	195,688	18,212	19,698
	Retail funds	105,849	64,736	23,448	9,764	7,902
2002	**Total**	**578,112**	**303,148**	**226,645**	**27,673**	**20,646**
	Institutional funds	485,717	247,775	202,489	20,205	15,248
	Retail funds	92,395	55,373	24,156	7,468	5,398
2003	**Total**	**509,439**	**266,884**	**198,158**	**24,873**	**19,523**
	Institutional funds	426,835	217,867	176,770	18,535	13,663
	Retail funds	82,604	49,017	21,389	6,339	5,859
2004	**Total**	**480,529**	**271,889**	**165,526**	**22,936**	**20,178**
	Institutional funds	404,314	223,746	149,701	16,274	14,593
	Retail funds	76,215	48,143	15,825	6,662	5,585
2005	**Total**	**570,779**	**317,580**	**199,349**	**26,146**	**27,704**
	Institutional funds	481,027	266,053	174,279	20,393	20,302
	Retail funds	89,753	51,527	25,071	5,753	7,401
2006	**Total**	**668,801**	**382,994**	**226,025**	**29,134**	**30,648**
	Institutional funds	576,750	318,922	211,843	21,925	24,060
	Retail funds	92,051	64,072	14,182	7,209	6,588
2007	**Total**	**890,635**	**504,239**	**289,429**	**44,878**	**52,089**
	Institutional funds	784,352	434,178	267,982	36,668	45,525
	Retail funds	106,282	70,061	21,447	8,210	6,564
2008	**Total**	**1,200,539**	**720,193**	**356,291**	**58,429**	**65,627**
	Institutional funds	1,083,650	644,166	328,753	50,428	60,302
	Retail funds	116,890	76,027	27,537	8,001	5,325
2009	**Total**	**1,055,955**	**631,481**	**318,349**	**49,321**	**56,803**
	Institutional funds	962,918	568,928	297,813	43,459	52,719
	Retail funds	93,036	62,554	20,537	5,862	4,084
2010	**Total**	**887,303**	**485,205**	**294,969**	**48,875**	**58,254**
	Institutional funds	803,546	431,848	273,386	43,830	54,482
	Retail funds	83,757	53,357	21,583	5,045	3,772
2011	**Total**	**841,354**	**450,267**	**287,407**	**43,622**	**60,059**
	Institutional funds	759,559	398,464	265,049	40,057	55,989
	Retail funds	81,795	51,803	22,357	3,564	4,070
2012	**Total**	**852,801**	**444,851**	**299,585**	**39,472**	**68,894**
	Institutional funds	781,359	400,169	279,704	36,464	65,021
	Retail funds	71,442	44,681	19,881	3,008	3,873
2013	**Total**	**900,544**	**485,893**	**304,863**	**46,465**	**63,322**
	Institutional funds	833,222	439,758	289,779	44,221	59,465
	Retail funds	67,322	46,135	15,084	2,245	3,857

[1] Institutional funds are sold primarily to institutional investors or institutional accounts. This includes accounts that are purchased by an institution, such as a business, financial, or nonprofit organization. Retail funds are sold primarily to individual investors and include variable annuity mutual funds.

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

[3] Other institutional investors include state and local governments, funds holding mutual fund shares, and other institutional accounts not classified.

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

Data Section 6

TABLE 60
Worldwide Total Net Assets of Mutual Funds
Millions of U.S. dollars, year-end

	2006	2007	2008	2009	2010	2011	2012	2013
World	**$21,808,826**	**$26,129,767**	**$18,918,982**	**$22,945,327**	**$24,709,854**	**$23,795,808**	**$26,835,850**	**$30,049,934**
Americas	**11,470,431**	**13,421,360**	**10,580,914**	**12,578,297**	**13,597,527**	**13,529,258**	**15,138,443**	**17,156,409**
Argentina	6,153	6,789	3,867	4,470	5,179	6,808	9,185	11,179
Brazil	418,771	615,365	479,321	783,970	980,448	1,008,928	1,070,998	1,018,641
Canada	566,298	698,397	416,031	565,156	636,947	753,606	856,504	940,580
Chile	17,700	24,444	17,587	34,227	38,243	33,425	37,900	39,291
Costa Rica	1,018	1,203	1,098	1,309	1,470	1,266	1,484	1,933
Mexico	62,614	75,428	60,435	70,659	98,094	92,743	112,201	120,518
Trinidad and Tobago	N/A	N/A	N/A	5,832	5,812	5,989	6,505	6,586
United States	10,397,877	11,999,734	9,602,574	11,112,674	11,831,334	11,626,493	13,043,666	15,017,682
Europe	**7,803,877**	**8,934,861**	**6,231,115**	**7,545,535**	**7,903,389**	**7,220,298**	**8,230,059**	**9,374,830**
Austria	128,236	138,709	93,269	99,628	94,670	81,038	89,125	90,633
Belgium	137,291	149,842	105,057	106,721	96,288	81,505	81,651	91,528
Bulgaria	N/A	N/A	226	256	302	291	324	504
Czech Republic	6,488	7,595	5,260	5,436	5,508	4,445	5,001	5,131
Denmark	95,601	104,083	65,182	83,024	89,800	84,891	103,506	118,702
Finland	67,804	81,136	48,750	66,131	71,210	62,193	73,985	88,462
France	1,769,258	1,989,690	1,591,082	1,805,641	1,617,176	1,382,068	1,473,085	1,531,500
Germany	340,325	372,072	237,986	317,543	333,713	293,011	327,640	382,976
Greece	27,604	29,807	12,189	12,434	8,627	5,213	6,011	6,742
Hungary	8,472	12,573	9,188	11,052	11,532	7,193	8,570	12,158
Ireland	855,011	951,371	720,486	860,515	1,014,104	1,061,051	1,276,601	1,439,867
Italy	452,798	419,687	263,588	279,474	234,313	180,754	181,720	215,553
Liechtenstein	17,315	25,103	20,489	30,329	35,387	32,606	31,951	36,235
Luxembourg	2,188,278	2,685,065	1,860,763	2,293,973	2,512,874	2,277,465	2,641,964	3,030,665
Malta	N/A	N/A	N/A	N/A	N/A	2,132	3,033	3,160
Netherlands	108,560	113,759	77,379	95,512	85,924	69,156	76,145	85,304
Norway	54,075	74,709	41,157	71,170	84,505	79,999	98,723	109,325
Poland	28,959	45,542	17,782	23,025	25,595	18,463	25,883	27,858
Portugal	31,214	29,732	13,572	15,808	11,004	7,321	7,509	9,625
Romania	247	390	326	1,134	1,713	2,388	2,613	4,000
Russia	5,659	7,175	2,026	3,182	3,917	3,072	N/A	N/A
Slovakia	3,168	4,762	3,841	4,222	4,349	3,191	2,951	3,292
Slovenia	2,486	4,219	2,067	2,610	2,663	2,279	2,370	2,506
Spain	367,918	396,534	270,983	269,611	216,915	195,220	191,284	248,234
Sweden	176,968	194,955	113,331	170,277	205,449	179,707	205,733	252,878
Switzerland	159,517	176,282	135,052	168,260	261,893	273,061	310,686	397,080
Turkey	15,462	22,609	15,404	19,426	19,545	14,048	16,478	14,078
United Kingdom	755,163	897,460	504,681	729,141	854,413	816,537	985,517	1,166,834
Asia and Pacific	**2,456,492**	**3,678,325**	**2,037,536**	**2,715,234**	**3,067,323**	**2,921,276**	**3,322,198**	**3,375,828**
Australia	864,234	1,192,988	841,133	1,198,838	1,455,850	1,440,128	1,667,128	1,624,081
China	N/A	434,063	276,303	381,207	364,985	339,037	437,449	479,957
Hong Kong	631,055	818,421	N/A	N/A	N/A	N/A	N/A	N/A
India	58,219	108,582	62,805	130,284	111,421	87,519	114,489	107,895
Japan	578,883	713,998	575,327	660,666	785,504	745,383	738,488	774,126
Korea, Rep. of	251,930	329,979	221,992	264,573	266,495	226,716	267,582	285,173
New Zealand	12,892	14,925	10,612	17,657	19,562	23,709	31,145	34,185
Pakistan	2,164	4,956	1,985	2,224	2,290	2,984	3,159	3,464
Philippines	1,544	2,090	1,263	1,488	2,184	2,363	3,566	4,662
Taiwan	55,571	58,323	46,116	58,297	59,032	53,437	59,192	62,286
Africa	**78,026**	**95,221**	**69,417**	**106,261**	**141,615**	**124,976**	**145,150**	**142,868**
South Africa	78,026	95,221	69,417	106,261	141,615	124,976	145,150	142,868

N/A = not available

Note: Funds of funds are not included except for France, Italy, and Luxembourg. Data include home-domiciled funds, except for Hong Kong, the Republic of Korea, and New Zealand, which include home- and foreign-domiciled funds. Components may not add to the total because of rounding.

Source: International Investment Funds Association

TABLE 61

Worldwide Number of Mutual Funds

Year-end

	2006	2007	2008	2009	2010	2011	2012	2013
World	**61,854**	**66,344**	**69,029**	**67,526**	**69,486**	**72,600**	**73,229**	**76,200**
Americas	**14,474**	**15,456**	**16,456**	**16,928**	**17,986**	**19,742**	**21,089**	**22,020**
Argentina	223	241	253	252	254	281	291	297
Brazil	2,907	3,381	4,169	4,744	5,618	6,513	7,468	8,072
Canada	1,764	2,038	2,015	2,075	2,117	2,655	2,866	2,963
Chile	926	1,260	1,484	1,691	1,912	2,150	2,286	2,385
Costa Rica	100	93	85	64	68	63	66	66
Mexico	437	420	431	407	434	464	488	487
Trinidad and Tobago	N/A	N/A	N/A	36	35	36	42	43
United States	8,117	8,023	8,019	7,659	7,548	7,580	7,582	7,707
Europe	**33,151**	**35,210**	**36,780**	**34,899**	**35,292**	**35,713**	**34,470**	**34,743**
Austria	948	1,070	1,065	1,016	1,016	1,003	995	981
Belgium	1,549	1,655	1,828	1,845	1,797	1,723	1,529	1,432
Bulgaria	N/A	N/A	81	85	90	92	95	98
Czech Republic	52	66	76	78	80	80	80	85
Denmark	494	500	489	483	490	500	495	510
Finland	376	379	389	377	366	368	375	369
France	8,092	8,243	8,301	7,982	7,791	7,744	7,392	7,154
Germany	1,199	1,462	1,675	2,067	2,106	2,051	2,059	2,012
Greece	247	230	239	210	213	196	177	166
Hungary	161	212	270	264	276	152	167	182
Ireland	2,531	2,898	3,097	2,721	2,899	3,085	3,167	3,345
Italy	989	924	742	675	650	659	600	661
Liechtenstein	233	391	335	348	409	437	535	657
Luxembourg	7,919	8,782	9,351	9,017	9,353	9,462	9,435	9,500
Malta	N/A	N/A	N/A	N/A	N/A	59	54	69
Netherlands	473	450	458[a]	N/A	N/A	495	497	501
Norway	524	511	530	487	507	507	406	573
Poland	157	188	210	208	214	226	259	264
Portugal	175	180	184	171	171	173	157	153
Romania	32	41	52	51	56	105	62	64
Russia	358	533	528	480	462	472	N/A	N/A
Slovakia	43	54	56	54	58	63	58	54
Slovenia	96	106	125	125	130	137	131	114
Spain	3,235	2,940	2,944	2,588	2,486	2,474	2,349	2,267
Sweden	474	477	508	506	504	508	456	484
Switzerland	609	567	572	509	653	664	667	765
Turkey	282	294	304	286	311	337	351	373
United Kingdom	1,903	2,057	2,371	2,266	2,204	1,941	1,922	1,910
Asia and Pacific	**13,479**	**14,847**	**14,909**	**14,795**	**15,265**	**16,198**	**16,703**	**18,375**
Australia	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
China	N/A	341	429	547	660	831	1,065	1,415
Hong Kong	1,099	1,162	N/A	N/A	N/A	N/A	N/A	N/A
India	468	555	551	590	658	680	692	699
Japan	2,753	2,997	3,333	3,656	3,905	4,196	4,384	4,922
Korea, Rep. of	8,030	8,609	9,384	8,703	8,687	9,064	9,121	9,876
New Zealand	613	623	643	702	700	709	700	694
Pakistan	31	64	83	96	125	137	139	152
Philippines	38	40	43	41	43	47	48	47
Taiwan	447	456	443	460	487	534	554	570
Africa	**750**	**831**	**884**	**904**	**943**	**947**	**967**	**1,062**
South Africa	750	831	884	904	943	947	967	1,062

[a] Year-end data are not available. Data are as of September.
N/A = not available
Note: Funds of funds are not included except for France, Italy, and Luxembourg. Data include home-domiciled funds, except for Hong Kong, the Republic of Korea, and New Zealand, which include home- and foreign-domiciled funds.
Source: International Investment Funds Association

TABLE 62

Worldwide Net Sales of Mutual Funds

Millions of U.S. dollars, annual

	2006	2007	2008	2009	2010	2011	2012	2013
World	**$1,296,915**	**$1,533,806**	**$275,690**	**$271,192**	**$204,640**	**$102,712**	**$907,722**	**$888,100**
Americas	**724,977**	**1,204,499**	**606,177**	**79,127**	**-25,593**	**169,078**	**501,282**	**468,885**
Argentina	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Brazil	21,083	16,880	-32,653	47,317	58,316	49,995	56,099	34,713
Canada	36,579	61,286	17,495	12,074	23,797	37,032	50,697	64,965
Chile	3,113	3,282	-1,167	9,921	416	-423	813	5,394
Costa Rica	N/A	N/A	N/A	N/A	171	432	-221	-305
Mexico	11,377	10,154	-3,418	8,572	18,382	4,005	6,869	7,705
Trinidad and Tobago	N/A	N/A	N/A	-150	-45	107	292	-13
United States	652,825	1,112,897	625,920	1,393	-126,630	77,930	386,733	356,427
Europe	**427,527**	**101,766**	**-443,035**	**166,653**	**218,363**	**-122,470**	**255,867**	**299,065**
Austria	3,402	-4,864	-18,147	-4,746	-2,301	-6,675	236	-2,257
Belgium	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bulgaria	N/A	N/A	-151	8	51	8	16	129
Czech Republic	59	198	-1,561	-263	55	-536	161	256
Denmark	5,646	1,893	-4,000	2,419	5,204	2,537	8,038	7,439
Finland	13,229	3,535	-11,387	5,475	936	-1,709	3,223	5,617
France	133,843	-49,354	-68,351	6,164	-110,856	-125,565	-30,528	-99,007
Germany	-10,472	-18,531	-32,746	11,935	13,835	-5,018	-464	7,608
Greece	-9,598	-2,643	-11,382	-1,124	-1,424	-1,489	-330	-741
Hungary	-42	2,436	-1,755	776	936	-1,136	37	2,856
Ireland	N/A	N/A	N/A	N/A	133,942	85,666	117,666	74,644
Italy	-59,828	-81,538	-107,691	-10,925	-29,921	-41,900	-14,020	16,704
Liechtenstein	782	3,636	2,317	5,087	261	353	2,685	-726
Luxembourg	299,906	255,689	-102,257	95,059	152,608	-31,962	125,591	203,107
Malta	N/A	N/A	N/A	N/A	N/A	-53	599	-295
Netherlands	11	-5,732	-6,117[a]	N/A	225	-9,532	-1,017	875
Norway	4,676	6,870	40	6,689	4,807	4,380	7,048	4,727
Poland	N/A	N/A	-1,423	859	1,278	-1,764	3,931	2,610
Portugal	-1,843	-5,707	-11,169	1,120	-3,684	-2,858	-538	1,354
Romania	97	93	125	760	561	351	432	1,075
Russia	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Slovakia	-512	689	-897	80	308	-1,040	-451	148
Slovenia	18	637	-433	27	21	-103	-140	-54
Spain	-3,852	-23,273	-84,149	-15,858	-30,938	-11,803	-13,580	30,744
Sweden	7,735	2,228	3,754	10,203	7,371	5,843	652	8,708
Switzerland	11,681	15,074	17,851	7,343	4,063	9,067	15,887	5,780
Turkey	N/A	N/A	N/A	2,324	2,608	-1,228	166	969
United Kingdom	32,589	430	-3,506	43,241	68,417	13,696	30,567	26,794
Asia and Pacific	**135,467**	**217,849**	**105,561**	**13,908**	**-3,092**	**49,475**	**136,777**	**100,081**
Australia	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
China	N/A	N/A	35,721[b]	-35,612	-15,115	27,179	90,505	-3,842
Hong Kong	3,613	6,834	N/A	N/A	N/A	N/A	N/A	N/A
India	11,766	27,357	2,754	43,029	-35,950	532	15,832	2,724
Japan	99,625	120,308	5,430	32,571	68,847	33,028	21,526	102,980
Korea, Rep. of	25,292	61,081	58,818	-27,836	-19,604	-15,605	6,822	-4,876
New Zealand	-196	254	226	1,363	1,281	1,784	2,468	231
Pakistan	425	2,922	-612	-3	-208	769	10	-89
Philippines	-241	-15	-453	11	318	536	629	1,480
Taiwan	-4,817	-892	3,677	385	-2,661	1,252	-1,015	1,472
Africa	**8,944**	**9,692**	**6,987**	**11,504**	**14,962**	**6,629**	**13,796**	**20,069**
South Africa	8,944	9,692	6,987	11,504	14,962	6,629	13,796	20,069

[a] Year-end data are not available. Data are for January through September.

[b] Data are only for October through December.

N/A = not available

Note: Net sales is a calculation of total sales minus total redemptions plus net exchanges. Funds of funds are not included except for France, Italy, and Luxembourg. Data include home-domiciled funds, except for Hong Kong, the Republic of Korea, and New Zealand, which include home- and foreign-domiciled funds. Components may not add to the total because of rounding.

Source: International Investment Funds Association

Appendix A

How U.S.-Registered Investment Companies Operate and the Core Principles Underlying Their Regulation

This appendix provides an overview of how investment company operations and features serve investors, examines the tax treatment of funds, and describes the core principles underlying investment company regulation.

The Origins of Pooled Investing

The investment company concept dates to the late 1700s in Europe, according to K. Geert Rouwenhorst in *The Origins of Mutual Funds*, when "a Dutch merchant and broker…invited subscriptions from investors to form a trust…to provide an opportunity to diversify for small investors with limited means."

The emergence of "investment pooling" in England in the 1800s brought the concept closer to U.S. shores. In 1868, the Foreign and Colonial Government Trust formed in London. This trust resembled the U.S. fund model in basic structure, providing "the investor of moderate means the same advantages as the large capitalists…by spreading the investment over a number of different stocks."

Perhaps more importantly, the British fund model established a direct link with U.S. securities markets, helping to finance the development of the post–Civil War U.S. economy. The Scottish American Investment Trust, formed on February 1, 1873, by fund pioneer Robert Fleming, invested in the economic potential of the United States, chiefly through American railroad bonds. Many other trusts followed that not only targeted investment in America, but also led to the introduction of the fund investing concept on U.S. shores in the late 1800s and early 1900s.

The first mutual, or open-end, fund was introduced in Boston in March 1924. The Massachusetts Investors Trust introduced important innovations to the investment company concept by establishing a simplified capital structure, continuous offering of shares, the ability to redeem shares rather than hold them until dissolution of the fund, and a set of clear investment restrictions and policies.

The stock market crash of 1929 and the Great Depression that followed hampered the growth of pooled investments until a succession of landmark securities laws, beginning with the Securities Act of 1933 and concluding with the Investment Company Act of 1940, reinvigorated investor confidence. Renewed investor confidence and many innovations led to relatively steady growth in industry assets and number of accounts.

Four Principal Securities Laws Govern Investment Companies

The Investment Company Act of 1940	Regulates the structure and operations of investment companies through a combination of disclosure requirements and restrictions on day-to-day operations. Among other things, the Investment Company Act addresses investment company capital structures, custody of assets, investment activities (particularly with respect to transactions with affiliates and other transactions involving potential conflicts of interest), and the duties of fund boards.
The Investment Advisers Act of 1940	Regulates investment advisers. Requires all advisers to registered investment companies and other large advisers to register with the SEC. The Advisers Act contains provisions requiring fund advisers to meet recordkeeping, custodial, reporting, and other regulatory responsibilities.
The Securities Exchange Act of 1934	Regulates the trading, purchase, and sale of securities, including investment company shares. The 1934 Act also regulates broker-dealers, including investment company principal underwriters and others that sell investment company shares, and requires them to register with the SEC.
The Securities Act of 1933	Regulates public offerings of securities, including investment company shares. The 1933 Act also requires that all investors receive a current prospectus describing the fund.

The Different Types of U.S. Investment Companies

Fund sponsors in the United States offer four types of registered investment companies: open-end investment companies (commonly called mutual funds), closed-end investment companies, exchange-traded funds (ETFs), and unit investment trusts (UITs).

The vast majority of investment companies are **mutual funds**, both in terms of number of funds and assets under management. Mutual funds can have actively managed portfolios, in which a professional investment adviser creates a unique mix of investments to meet a particular investment objective, or passively managed portfolios, in which the adviser seeks to track the performance of a selected benchmark or index. One hallmark of mutual funds is that they issue redeemable securities, meaning that the fund stands ready to buy back its shares at their current net asset value (NAV). The NAV is calculated by dividing the total market value of the fund's assets, minus its liabilities, by the number of mutual fund shares outstanding.

Money market funds are one type of mutual fund; a defining feature of money market funds is that they seek to maintain a stable NAV. Money market funds offer investors a variety of features, including liquidity, a market-based rate of return, and the goal of returning principal, all at a reasonable cost. These funds are registered investment companies that are regulated by the Securities and Exchange Commission (SEC) under U.S. federal securities laws, including Rule 2a-7 under the Investment Company Act. That rule, which was substantially enhanced in 2010, contains numerous risk-limiting conditions intended to help a fund achieve the objective of maintaining a stable NAV using amortized cost accounting or penny rounding or both. Typically money market fund shares are publicly offered to all types of investors.

Unlike mutual funds, **closed-end funds** do not issue redeemable shares. Instead, they issue a fixed number of shares that trade intraday on stock exchanges at market-determined prices. Investors in a closed-end fund buy or sell shares through a broker, just as they would trade the shares of any publicly traded company. For more information on closed-end funds, see chapter 4 on page 71.

ETFs are described as a hybrid of other types of investment companies. They are structured and legally classified as mutual funds or UITs (discussed below), but trade intraday on stock exchanges like closed-end funds. ETFs only buy and sell fund shares directly to authorized participants in large blocks, often 50,000 shares or more. For more information on ETFs, see chapter 3 on page 53.

UITs are also a hybrid, with some characteristics of mutual funds and some of closed-end funds. Like closed-end funds, UITs typically issue only a specific, fixed number of shares, called units. Like mutual funds, the units are redeemable, but unlike mutual funds, generally the UIT sponsor will maintain a secondary market in the units so that redemptions do not deplete the UIT's assets. A UIT does not actively trade its investment portfolio—instead it buys and holds a set of particular investments until a set termination date, at which time the trust is dissolved and proceeds are paid to shareholders. For more information on UITs, see page 18.

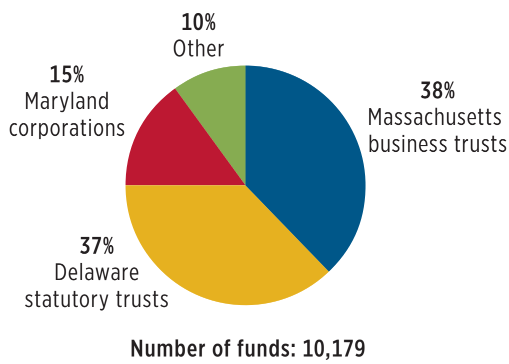
The Organization of a Mutual Fund

A mutual fund typically is organized under state law either as a corporation or a business trust (sometimes called a statutory trust). The three most popular forms of organization are Massachusetts business trusts, Maryland corporations, and Delaware statutory trusts (Figure A.1).[1]

FIGURE A.1

The Most Popular Forms of Mutual Fund Organization

Percentage of funds, year-end 2013



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

[1] More than 1,000 funds, or about 10 percent, have chosen other forms of organization, such as limited liability partnerships, or other domiciles, such as Ohio or Minnesota.

Massachusetts business trusts are the most popular of these trusts, largely as a result of history. The very first mutual fund was formed as a Massachusetts business trust, which was a popular form of organization at the time for pools that invested in real estate or public utilities. That fund, the Massachusetts Investors Trust, provided a model for other funds to follow, leading to widespread use of Massachusetts business trusts throughout much of the industry's early history. Developments in the late 1980s gave asset management companies other attractive choices. In 1987, Maryland amended its corporate statute to align with interpretations of the Investment Company Act of 1940 concerning when funds are required to hold annual meetings, thereby making a Maryland corporation more competitive with the Massachusetts business trust as a form of organization for mutual funds. In 1988, Delaware—already a popular domicile for U.S. corporations—adopted new statutory provisions devoted specifically to business trusts (since renamed statutory trusts). As a result of these developments, many mutual funds created in the last 25 years have been organized as Maryland corporations or Delaware statutory trusts.

Mutual funds have officers and directors (if the fund is a corporation) or trustees (if the fund is a business trust).[2] The fund's board plays an important role, described in more detail on page 240, in overseeing fund operations.

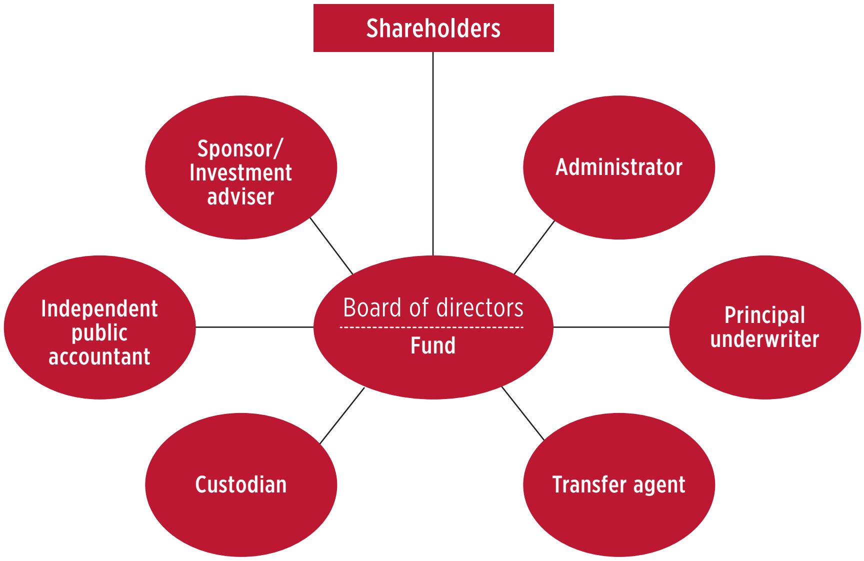
Unlike other companies, a mutual fund is typically externally managed; it is not an operating company and it has no employees in the traditional sense. Instead, a fund relies upon third parties or service providers—either affiliated organizations or independent contractors—to invest fund assets and carry out other business activities. Figure A.2 shows the primary types of service providers usually relied upon by a fund.

Although it typically has no employees, a fund is required by law to have its own written compliance program, overseen by an individual designated as a chief compliance officer (CCO). This compliance program establishes detailed procedures and internal controls designed to ensure compliance with all relevant laws and regulations.

[2] For ease of reference, this appendix refers to all directors and trustees as *directors* and all boards as *boards of directors.*

FIGURE A.2

Organization of a Mutual Fund



Shareholders

Like shareholders of other companies, mutual fund shareholders have specific voting rights. These include the right to elect directors at meetings called for that purpose and the right to approve material changes in the terms of a fund's contract with its investment adviser, the entity that manages the fund's assets. For example, a fund's management fee cannot be increased and a fund's investment objectives or fundamental policies cannot be changed unless a majority of shareholders vote to approve the increase or change.

Sponsors

Setting up a mutual fund is a complicated process performed by the fund's sponsor, which is typically the fund's investment adviser. The fund sponsor has a variety of responsibilities. For example, it must assemble the group of third parties needed to launch the fund, including the persons or entities charged with managing and operating the fund. The sponsor provides officers and affiliated directors to oversee the fund and recruits unaffiliated persons to serve as independent directors.

Some of the major steps in the process of starting a mutual fund include organizing the fund under state law, registering the fund with the SEC as an investment company pursuant to the Investment Company Act of 1940, and registering the fund shares for sale to the public pursuant to the Securities Act of 1933.[3] Unless otherwise exempt from doing so, the fund also must make filings and pay fees to each state (except Florida) in which the fund's shares will be offered to the public. The Investment Company Act also requires that each new fund have at least $100,000 of seed capital before distributing its shares to the public; this capital is usually contributed by the sponsor or adviser in the form of an initial investment.

Advisers

Investment advisers have overall responsibility for directing the fund's investments and handling its business affairs. The investment advisers have their own employees, including investment professionals who work on behalf of the fund's shareholders and determine which securities to buy and sell in the fund's portfolio, consistent with the fund's investment objectives and policies. In addition to managing the fund's portfolio, the adviser often serves as administrator to the fund, providing various "back-office" services. As noted earlier, a fund's investment adviser is often the fund's initial sponsor and its initial shareholder through the seed money invested to create the fund.

To protect investors, a fund's investment adviser and the adviser's employees are subject to numerous standards and legal restrictions, including restrictions on transactions that may pose conflicts of interest. Like the mutual fund, investment advisers are required to have their own written compliance programs that are overseen by CCOs and establish detailed procedures and internal controls designed to ensure compliance with all relevant laws and regulations.

[3] For more information on the requirements for the initial registration of a mutual fund, see the SEC's Investment Company Registration and Regulation Package, available at www.sec.gov/divisions/investment/invcoreg121504.htm.

Administrators

A fund's administrator handles the many back-office functions for a fund. For example, administrators often provide office space, clerical and fund accounting services, data processing, and bookkeeping and internal auditing; they also may prepare and file SEC, tax, shareholder, and other reports. Fund administrators also help maintain compliance procedures and internal controls, subject to oversight by the fund's board and CCO.

Principal Underwriters

Investors buy and redeem fund shares either directly or indirectly through the principal underwriter, also known as the fund's distributor. Principal underwriters are registered under the Securities Exchange Act of 1934 as broker-dealers, and, as such, are subject to strict rules governing how they offer and sell securities to investors.

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

Transfer Agents

Mutual funds and their shareholders rely on the services of transfer agents to maintain records of shareholder accounts, calculate and distribute dividends and capital gains, and prepare and mail shareholder account statements, federal income tax information, and other shareholder notices. Some transfer agents also prepare and mail statements confirming shareholder transactions and account balances. Additionally, they may maintain customer service departments, including call centers, to respond to shareholder inquiries.

Auditors

Auditors certify the fund's financial statements. The auditors' oversight role is described more fully on page 241.

Tax Features of Mutual Funds

Mutual funds are subject to special tax rules set forth in subchapter M of the Internal Revenue Code. Unlike most corporations, mutual funds are not subject to taxation on their income or capital gains at the entity level, provided that they meet certain gross income, asset, and distribution requirements.

To qualify as a regulated investment company (RIC) under subchapter M, at least 90 percent of a mutual fund's gross income must be derived from certain sources, including dividends, interest, payments with respect to securities loans, and gains from the sale or other disposition of stock, securities, or foreign currencies. In addition, at the close of each quarter of the fund's taxable year, at least 50 percent of the value of the fund's total net assets must consist of cash, cash items, government securities, securities of other funds, and investments in other securities which, with respect to any one issuer, represent neither more than 5 percent of the assets of the fund nor more than 10 percent of the voting securities of the issuer. Further, no more than 25 percent of the fund's assets may be invested in the securities of any one issuer (other than government securities or the securities of other funds), the securities (other than the securities of other funds) of two or more issuers that the fund controls and are engaged in similar trades or businesses, or the securities of one or more qualified publicly traded partnerships.

If a mutual fund satisfies the gross income and asset tests and thus qualifies as a RIC, the fund is eligible for the tax treatment provided by subchapter M, including the ability to deduct from its taxable income the dividends it pays to shareholders, provided that the RIC distributes at least 90 percent of its income (other than net capital gains) each year. A RIC may retain up to 10 percent of its income and all capital gains, but the retained income is taxed at regular corporate tax rates. Therefore, mutual funds generally distribute all, or nearly all, of their income and capital gains each year.

The Internal Revenue Code also imposes an excise tax on RICs, unless a RIC distributes by December 31 at least 98 percent of its ordinary income earned during the calendar year, 98.2 percent of its net capital gains earned during the 12-month period ending on October 31 of the calendar year, and 100 percent of any previously undistributed amounts. Mutual funds typically seek to avoid this charge—imposed at a 4 percent rate on the "underdistributed" amount—by making the required "minimum distribution" each year.

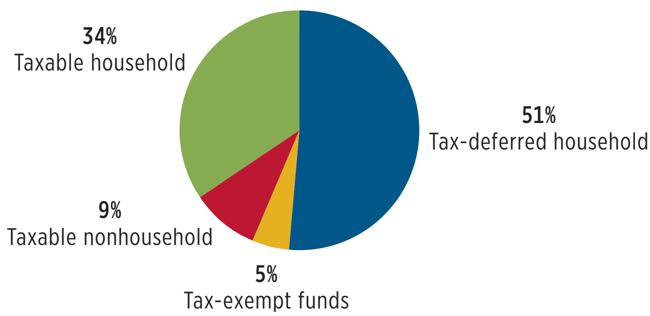
Mutual Fund Assets by Tax Status

Fund investors are responsible for paying tax on the amount of a fund's earnings and gains distributed to them, whether they receive the distributions in cash or reinvest them in additional fund shares. Investors often attempt to lessen the impact of taxes on their investments by investing in tax-exempt funds and tax-deferred retirement accounts and variable annuities. As of year-end 2013, 5 percent of all mutual fund assets were held in tax-exempt funds, and 51 percent were invested in tax-deferred accounts held by households.

FIGURE A.3

56 Percent of Mutual Fund Total Net Assets Were Held in Tax-Deferred Accounts and Tax-Exempt Funds

Percentage of assets, year-end 2013



Total mutual fund assets: $15.0 trillion

Note: Components do not add to 100 percent because of rounding.

Types of Distributions

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

Ordinary dividend distributions come primarily from the interest and dividends earned by the securities in a fund's portfolio and net short-term gains, if any, after expenses are paid by the fund. These distributions must be reported as dividends on an investor's tax return and are taxed at the investor's ordinary income tax rate. A top tax rate of 15 percent is provided for "qualified dividend" income received by most taxpayers; the top rate for this income is 20 percent for certain "high-income individuals." Some dividends paid by mutual funds may qualify for these lower top tax rates.

Long-term capital gains distributions represent a fund's net gains, if any, from the sale of securities held in its portfolio for more than one year. A top tax rate of 15 percent is provided for most investors' long-term capital gains (however, a 20 percent top tax rate applies to certain high-income individuals and a lower rate applies to some taxpayers).

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

- After taxes on fund distributions only (preliquidation)
- After taxes on fund distributions and an assumed redemption of fund shares (postliquidation)

Types of Taxable Shareholder Transactions

An investor who sells mutual fund shares usually incurs a capital gain or loss in the year the shares are sold; an exchange of shares between funds in the same fund family also results in either a capital gain or loss.

Investors are liable for tax on any capital gain arising from the sale of fund shares, just as they would be if they sold a stock, bond, or other security. Capital losses from mutual fund share sales and exchanges, like capital losses from other investments, may be used to offset other capital gains in the current year and thereafter. In addition, up to $3,000 of capital losses in excess of capital gains ($1,500 for a married individual filing a separate return) may be used to offset ordinary income.

The amount of a shareholder's gain or loss on fund shares is determined by the difference between the cost basis of the shares (generally, the purchase price—including sales loads—of the shares, whether acquired with cash or reinvested dividends) and the sale price. Many funds voluntarily have been providing cost basis information to shareholders or computing gains and losses for shares sold. New tax rules enacted in 2012 require all brokers and funds to provide cost basis information to shareholders, as well as to indicate whether any gains or losses are long-term or short-term, for fund shares acquired on or after January 2, 2012.

Tax-Exempt Funds

Tax-exempt bond funds distribute amounts attributable to municipal bond interest. These "exempt-interest dividends" are exempt from federal income tax and, in some cases, state and local taxes. Tax-exempt money market funds invest in short-term municipal securities or equivalent instruments and also pay exempt-interest dividends. Even though income from these funds generally is tax-exempt, investors must report it on their income tax returns. Tax-exempt funds provide investors with this information and typically explain how to handle exempt-interest dividends on a state-by-state basis. For some taxpayers, portions of income earned by tax-exempt funds also may be subject to the federal alternative minimum tax.

Mutual Fund Ordinary Dividend Distributions

Ordinary dividend distributions represent income—primarily from interest and dividends earned by securities in a fund's portfolio—after expenses are paid by the fund. Mutual funds distributed $217 billion in dividends to fund shareholders in 2013. Bond and money market funds accounted for 50 percent of all dividend distributions in 2013. Fifty-five percent of all dividend distributions were paid to tax-exempt fund shareholders and tax-deferred household accounts. Another 40 percent were paid to taxable household accounts.

FIGURE A.4

Ordinary Dividend Distributions

Billions of dollars, 2000–2013

	Tax-deferred household and tax-exempt funds	Taxable household	Taxable nonhousehold	Total
2000	$76	$87	$24	$186
2001	69	71	22	162
2002	59	43	12	114
2003	57	37	8	103
2004	66	41	10	117
2005	84	61	20	166
2006	114	90	35	240
2007	143	119	47	309
2008	138	101	37	275
2009	108	64	15	187
2010	110	67	11	188
2011	118	78	11	208
2012	125	85	12	222
2013	119	87	11	217

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

Mutual Fund Capital Gains Distributions

Capital gains distributions represent a fund's net gains, if any, from the sale of securities held in its portfolio. When gains from these sales exceed losses, they are distributed to fund shareholders. Mutual funds distributed $239 billion in capital gains to shareholders in 2013. Sixty percent of these distributions were paid to tax-deferred household accounts, and another 35 percent were paid to taxable household accounts. Equity, bond, and hybrid funds can distribute capital gains, but equity funds typically account for the bulk of these distributions. In 2013, 51 percent of stock fund share classes made a capital gains distribution, and nearly 75 percent of these share classes distributed more than 2.0 percent of their assets as capital gains.

FIGURE A.5

Capital Gains Distributions*

Billions of dollars, 2000–2013

	Tax-deferred household	Taxable household	Taxable nonhousehold	Total
2000	$199	$114	$13	$326
2001	51	16	2	69
2002	10	6	1	16
2003	8	6	1	14
2004	31	20	3	55
2005	78	43	8	129
2006	166	77	14	257
2007	261	130	23	414
2008	97	28	7	132
2009	11	4	1	15
2010	23	17	3	43
2011	40	29	4	73
2012	58	37	5	100
2013	144	83	11	239

* Capital gains distributions include long-term and short-term capital gains.

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

Core Principles Underlying the Regulation of U.S. Investment Companies

Embedded in the structure and regulation of mutual funds and other registered investment companies are several core principles that provide important protections for shareholders.

Transparency

Funds are subject to more extensive disclosure requirements than any other comparable financial product, such as separately managed accounts, collective investment trusts, and private pools. The cornerstone of the disclosure regime for mutual funds and ETFs is the prospectus.[4] Mutual funds and ETFs are required to maintain a current prospectus, which provides investors with information about the fund, including its investment objectives, investment strategies, risks, fees and expenses, and performance, as well as how to purchase, redeem, and exchange fund shares. Importantly, the key parts of this disclosure with respect to performance information and fees and expenses are standardized to facilitate comparisons by investors. Mutual funds and ETFs may provide investors with a summary prospectus containing key information about the fund, while making more information available on the Internet and on paper upon request.

Mutual funds and ETFs also are required to make statements of additional information (SAIs) available to investors upon request and without charge. The SAI conveys information about the fund that, while useful to some investors, is not necessarily needed to make an informed investment decision. For example, the SAI generally includes information about the history of the fund, offers detailed disclosure on certain investment policies (such as borrowing and concentration policies), and lists officers, directors, and other persons who control the fund.

[4] Closed-end funds and UITs also provide investors with extensive disclosure, but under a slightly different regime that reflects the way shares of these funds trade. Both closed-end funds and UITs file an initial registration statement with the SEC containing a prospectus and other information related to the initial offering of their shares to the public.

The prospectus, SAI, and certain other required information are contained in the fund's registration statement, which is filed electronically with the SEC and is publicly available via the SEC's Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system. Mutual fund and ETF registration statements are amended at least once each year to ensure that financial statements and other information do not become stale.[5] These funds also amend registration statements throughout the year as necessary to reflect material changes to their disclosure.

In addition to registration statement disclosure, funds provide shareholders with several other disclosure documents. Shareholders receive audited annual and unaudited semiannual reports within 60 days after the end and the midpoint of the fund's fiscal year. These reports contain updated financial statements, a list of the fund's portfolio securities,[6] management's discussion of financial performance, and other information current as of the date of the report.

Following their first and third quarter, funds file an additional form with the SEC, Form N-Q, disclosing the complete schedule of their portfolio holdings. Finally, funds annually disclose how they voted on specific proxy issues at portfolio companies on Form N-PX. Funds are the only shareholders required to publicly disclose each and every proxy vote they cast. Funds are not required to mail Form N-Q and Form N-PX to shareholders, but the forms are publicly available via the SEC's EDGAR database.

The combination of prospectuses, SAIs, annual and semiannual shareholder reports, Form N-Qs, and Form N-PXs provide the investing public, regulators, media, and other interested parties with far more information on funds than is available for other types of investments. This information is easily and readily available from most funds and the SEC. It is also available from private-sector vendors, such as Morningstar, that are in the business of compiling publicly available information on funds in ways that might benefit investors.

[5] Section 10(a)(3) of the Securities Act of 1933 prohibits investment companies that make a continuous offering of shares from using a registration statement with financial information that is more than 16 months old. This gives mutual funds and ETFs four months after the end of their fiscal year to amend their registration statements.

[6] A fund is permitted to include a summary portfolio schedule in its shareholder reports in lieu of the complete schedule, provided that the complete portfolio schedule is filed with the SEC and is provided to shareholders upon request, free of charge. The summary portfolio schedule includes each of the fund's 50 largest holdings in unaffiliated issuers and each investment that exceeds 1 percent of the fund's NAV.

Daily Valuation and Liquidity

Nearly all funds offer shareholders liquidity and objective, market-based valuation of their investments at least daily. ETF and closed-end fund shares are traded intraday on stock exchanges at market-determined prices, giving shareholders real-time liquidity and pricing. Mutual fund shares are redeemable on a daily basis at a price that reflects the current market value of the fund's portfolio securities, calculated according to pricing methodologies established by each fund's board of directors. The value of each security in the fund's portfolio is determined either by a market quotation, if a market quotation is readily available, or at fair value as determined in good faith.

The daily pricing process is a critically important core compliance function that involves numerous staff, the fund board, and pricing vendors. The fair valuation process, a part of the overall pricing process, receives particular scrutiny from funds, their boards of directors, regulators, and independent auditors. Under SEC rules, all funds must adopt written policies and procedures that address the circumstances under which securities may be fair valued, and must establish criteria for determining how to assign fair values in particular instances.[7]

This daily valuation process results in a NAV for the fund. The NAV is the price used for all mutual fund share transactions—new purchases, sales (redemptions), and exchanges from one fund to another within the same fund family.[8] It represents the current mark-to-market value of all the fund's assets, minus liabilities (e.g., fund expenses), divided by the total number of outstanding shares. Mutual funds release their daily NAVs to investors and others after they complete the pricing process, generally around 6:00 p.m. eastern time. Daily fund prices are available through fund toll-free telephone services, websites, and other means.

[7] ICI has published several papers on the mutual fund valuation process. For more information, see ICI's two white papers titled *Valuation and Liquidity Issues for Mutual Funds* (February 1997 and March 2002) and two installments of ICI's *Fair Value Series*, "An Introduction to Fair Valuation" (2005) and "The Role of the Board" (2007).

[8] The pricing process is also critical for ETFs, although for slightly different reasons. ETFs operate like mutual funds with respect to transactions with authorized participants who trade with the ETF in large blocks, often of 50,000 shares or more. The NAV is the price used for these large transactions. Closed-end funds are not required to strike a daily NAV, but most do so in order to provide the market with the ability to calculate the difference between the fund's market price and its NAV. That difference is called the fund's *premium* or *discount*.

The Investment Company Act of 1940 requires mutual funds to process transactions based upon "forward pricing," meaning that shareholders receive the next computed NAV following the fund's receipt of their transaction order. For example, for a fund that prices its shares at 4:00 p.m.,[9] orders received prior to 4:00 p.m. receive the NAV determined that same day at 4:00 p.m. Orders received after 4:00 p.m. receive the NAV determined at 4:00 p.m. on the next business day. Forward pricing is an important protection for mutual fund shareholders. It is designed to minimize the ability of shareholders to take advantage of fluctuations in the price of the securities in the fund's portfolio that occur after the fund calculates its NAV.

When a shareholder redeems shares in a mutual fund, he or she can expect to be paid promptly. Mutual funds may not suspend redemptions of their shares (subject to certain extremely limited exceptions)[10] or delay payments of redemption proceeds for more than seven days.

At least 85 percent of a mutual fund's portfolio must be invested in liquid securities.[11] In part to ensure that redemptions can be made, a security is generally deemed to be liquid if it can be sold or disposed of in the ordinary course of business within seven days at approximately the price at which the mutual fund has valued it. Many funds adopt a specific policy with respect to investments in illiquid securities; these policies are sometimes more restrictive than the SEC requirements.

Oversight and Accountability

All funds are subject to a strong system of oversight from both internal and external sources. Internal oversight mechanisms include boards of directors, which include independent directors, and written compliance programs overseen by CCOs, both at the fund and adviser levels. External oversight is provided by the SEC, the Financial Industry Regulatory Association (FINRA), and external service providers, such as certified public accounting firms.

9 Funds must price their shares at least once per day at a time determined by the fund's board. Many funds price at 4:00 p.m. eastern time or when the New York Stock Exchange closes.

10 From time to time, natural disasters and other emergencies occur that disrupt fund pricing, but Section 22(e) of the Investment Company Act prohibits funds from suspending redemptions unless the SEC declares an emergency or the New York Stock Exchange closes or restricts trading. The SEC has not declared an emergency in more than 20 years. During that period, the NYSE has closed and funds have suspended redemptions on several occasions, such as during Hurricane Sandy in 2012.

11 Money market funds are held to a stricter standard, and must limit illiquid investments to 5 percent of the portfolio.

Fund Boards

Mutual funds, closed-end funds, and most ETFs have boards. The role of a fund's board of directors is primarily one of oversight. The board of directors typically is not involved in the day-to-day management of the fund company. Instead, day-to-day management is handled by the fund's investment adviser or administrator pursuant to a contract with the fund.

Investment company directors review and approve major contracts with service providers (including, notably, the fund's investment adviser), approve policies and procedures to ensure the fund's compliance with the federal securities laws, and undertake oversight and review of the performance of the fund's operations. Directors devote substantial time and consider large amounts of information in fulfilling these duties, in part because they must perform all their duties in "an informed and deliberate manner."

Fund boards must maintain a particular level of independence. The Investment Company Act of 1940 requires at least 40 percent of the members of a fund board to be independent from fund management. An independent director is a fund director who does not have any significant business relationship with a mutual fund's adviser or underwriter. In practice, most fund boards have far higher percentages of independent directors. As of year-end 2012, independent directors made up three-quarters of boards in approximately 85 percent of fund complexes.[12]

Independent fund directors play a critical role in overseeing fund operations and are entrusted with the primary responsibility for looking after the interests of the fund's shareholders. They serve as watchdogs, furnishing an independent check on the management of funds. Like directors of operating companies, they owe shareholders the duties of loyalty and care under state law. But independent fund directors also have specific statutory and regulatory responsibilities under the Investment Company Act beyond the duties required of other types of directors. Among other things, for example, they oversee the performance of the fund, approve the fees paid to the investment adviser for its services, and oversee the fund's compliance program.

[12] See *Overview of Fund Governance Practices, 1994–2012* for a description of the study that collects data on this and other governance practices. Available at www.idc.org/pdf/pub_13_fund_governance.pdf.

Compliance Programs

The internal oversight function played by the board has been greatly enhanced in recent years by the development of written compliance programs and a formal requirement that all funds have CCOs. Rules adopted in 2003 require every fund and adviser to have a CCO who administers a written compliance program reasonably designed to prevent, detect, and correct violations of the federal securities laws. Compliance programs must be reviewed at least annually for their adequacy and effectiveness, and fund CCOs are required to report directly to the independent directors.

Regulatory Oversight

Internal oversight is accompanied by a number of forms of external oversight and accountability. Funds are subject to inspections, examinations, and enforcement by their primary regulator, the SEC. Funds also are overseen by self-regulatory organizations, such as FINRA and stock exchanges; state securities regulators; and banking regulators (to the extent the fund is affiliated with a bank).

Auditors

A fund's financial statement disclosure is also subject to several internal and external checks. For example, annual reports include audited financial statements certified by a certified public accounting firm subject to oversight by the Public Company Accounting Oversight Board (PCAOB). This ensures that the financial statements are prepared in conformity with generally accepted accounting principles (GAAP) and fairly present the fund's financial position and results of operations.

Sarbanes-Oxley Act

Like officers of public companies, fund officers are required to make certifications and disclosures required by the Sarbanes-Oxley Act. For example, they must certify the accuracy of the financial statements.

Additional Regulation of Advisers

In addition to the system of oversight applicable directly to funds, investors enjoy protections through SEC regulation of the investment advisers that manage fund portfolios. All advisers to registered funds are required to register with the SEC, and are subject to SEC oversight and disclosure requirements. Advisers also owe a fiduciary duty to each fund they advise, meaning that they have a fundamental legal obligation to act in the best interests of the fund pursuant to a duty of undivided loyalty and utmost good faith.

Limits on Leverage

The inherent nature of a fund—a professionally managed pool of securities owned pro rata by its investors—is straightforward and easily understood by investors. The Investment Company Act of 1940 fosters simplicity by prohibiting complex capital structures and limiting funds' use of leverage.

The Investment Company Act imposes various requirements on the capital structure of mutual funds, closed-end funds, and ETFs, including limitations on the issuance of "senior securities" and borrowing. These limitations greatly minimize the possibility that a fund's liabilities will exceed the value of its assets.

Generally speaking, a senior security is any debt that takes priority over the fund's shares, such as a loan or preferred stock. The SEC historically has interpreted the definition of senior security broadly, taking the view that selling securities short, purchasing securities on margin, and investing in many types of derivative instruments, among other practices, may create senior securities.

The SEC also takes the view that the Investment Company Act prohibits a fund from creating a future obligation to pay unless it "covers" the obligation. A fund generally can cover an obligation by owning the instrument underlying that obligation. For example, a fund that wants to take a short position in a certain stock can comply with the Investment Company Act by owning an equivalent long position in that stock. The fund also can cover by earmarking or segregating liquid securities equal in value to the fund's potential exposure from the leveraged transaction. The assets set aside to cover the potential future obligation must be liquid, unencumbered, and marked-to-market daily. They may not be used to cover other obligations and, if disposed of, must be replaced.

The Investment Company Act also limits borrowing. With the exception of certain privately arranged loans and temporary loans, any promissory note or other indebtedness would generally be considered a prohibited senior security.[13] Mutual funds and ETFs are permitted to borrow from a bank if, immediately after the bank borrowing, the fund's total net assets are at least three times total aggregate borrowings. In other words, the fund must have at least 300 percent asset coverage.

Closed-end funds have a slightly different set of limitations. They are permitted to issue debt and preferred stock, subject to certain conditions, including asset coverage requirements of 300 percent for debt and 200 percent for preferred stock.

Many funds voluntarily go beyond the prohibitions in the Investment Company Act, adopting policies that further restrict their ability to issue senior securities or borrow. Funds often, for example, adopt a policy stating that they will borrow only as a temporary measure for extraordinary or emergency purposes and not to finance investment in securities. In addition, they may disclose that, in any event, borrowings will be limited to a small percentage of fund assets (such as 5 percent). These are meaningful voluntary measures, because under the Investment Company Act, a fund's policies on borrowing money and issuing senior securities cannot be changed without the approval of fund shareholders.

[13] Temporary loans cannot exceed 5 percent of the fund's total net assets and must be repaid within 60 days.

Custody

To protect fund assets, the Investment Company Act requires all funds to maintain strict custody of fund assets, separate from the assets of the adviser. Although the Act permits other arrangements,[14] nearly all funds use a bank custodian for domestic securities. International securities are required to be held in the custody of an international bank or securities depository.

A fund's custody agreement with a bank is typically far more elaborate than the arrangements used for other bank clients. The custodian's services generally include safekeeping and accounting for the fund's assets, settling securities transactions, receiving dividends and interest, providing foreign exchange services, paying fund expenses, reporting failed trades, reporting cash transactions, monitoring corporate actions at portfolio companies, and tracing loaned securities.

The strict rules on the custody and reconciliation of fund assets are designed to prevent theft and other fraud-based losses. Shareholders are further insulated from these types of losses by a provision in the Investment Company Act that requires all mutual funds to have fidelity bonds designed to protect them against possible instances of employee larceny or embezzlement.

Prohibitions on Transactions with Affiliates

The Investment Company Act of 1940 contains a number of strong and detailed prohibitions on transactions between the fund and fund insiders or affiliated organizations (such as the corporate parent of the fund's adviser). Many of these prohibitions were part of the original statutory text of the Act, enacted in response to instances of overreaching and self-dealing by fund insiders during the 1920s in the purchase and sale of portfolio securities, loans by funds, and investments in related funds. The SEC's Division of Investment Management has said that "for more than 50 years, [the affiliated transaction prohibitions] have played a vital role in protecting the interests of shareholders and in preserving the industry's reputation for integrity; they continue to be among the most important of the Act's many protections."[15]

---

[14] The Investment Company Act contains six separate custody rules for the possible types of custody arrangements for mutual funds, closed-end funds, and ETFs. UITs are subject to a separate rule that requires the use of a bank to maintain custody.

[15] See *Protecting Investors: A Half Century of Investment Company Regulation*, Report of the Division of Investment Management, Securities and Exchange Commission (May 1992), available at www.sec.gov/divisions/investment/guidance/icreg50-92.pdf. The Division of Investment Management is the division within the SEC responsible for the regulation of funds.

Although there are a number of affiliated transaction prohibitions in the Investment Company Act, three are particularly noteworthy:

» Generally prohibiting direct transactions between a fund and an affiliate
» Generally prohibiting joint transactions, where the fund and affiliate are acting together vis-à-vis a third party
» Preventing investment banks from placing or “dumping” unmarketable securities with an affiliated fund by generally prohibiting the fund from buying securities in an offering syndicated by an affiliated investment bank

Diversification

Both tax and securities law provide diversification standards for funds registered under the Investment Company Act. As discussed in detail above, under the tax laws, all mutual funds, closed-end funds, and ETFs, as well as most UITs, qualify as RICs and, as such, must meet a tax diversification test every quarter. The effect of this test is that a fund with a modest cash position and no government securities would hold securities from at least 12 different issuers. Another tax diversification restriction limits the amount of an issuer’s outstanding voting securities that a fund may own.

The securities laws set higher standards for funds that elect to be diversified. If a fund elects to be diversified, the Investment Company Act requires that, with respect to at least 75 percent of the portfolio, no more than 5 percent may be invested in the securities of any one issuer and no investment may represent more than 10 percent of the outstanding voting securities of any issuer. Diversification is not mandatory, but all mutual funds, closed-end funds, and ETFs must disclose whether or not they are diversified under the Act’s standards.

In practice, most funds that elect to be diversified are much more highly diversified than they need to be to meet these two tests. As of December 2013, for example, the median number of stocks held by U.S. equity funds was 100.[16]

[16] This number is the median among U.S. actively managed and index equity funds, excluding sector funds.

Appendix B

Significant Events in Fund History

1774	Dutch merchant and broker Adriaan van Ketwich invites subscriptions from investors to form a trust, the Eendragt Maakt Magt, with the aim of providing investment diversification opportunities to investors of limited means.
1868	The Foreign and Colonial Government Trust, the precursor to the U.S. investment fund model, is formed in London. This trust provides "the investor of moderate means the same advantages as large capitalists."
1924	The first mutual funds are established in Boston.
1933	The Securities Act of 1933 regulates the registration and offering of new securities, including mutual fund and closed-end fund shares, to the public.
1934	The Securities Exchange Act of 1934 authorizes the Securities and Exchange Commission (SEC) to provide for fair and equitable securities markets.
1936	The Revenue Act of 1936 establishes the tax treatment of mutual funds and their shareholders. Closed-end funds were covered by the Act in 1942.
1940	The Investment Company Act of 1940 is signed into law, setting the structure and regulatory framework for registered investment companies. The forerunner to the National Association of Investment Companies (NAIC) is formed. The NAIC will become the Investment Company Institute.
1944	The NAIC begins collecting investment company industry statistics.
1951	The total number of mutual funds surpasses 100, and the number of shareholder accounts exceeds one million for the first time.
1954	Households' net purchases of fund shares exceed those of corporate stock. NAIC initiates a nationwide public information program emphasizing the role of investors in the U.S. economy and explaining the concept of investment companies.
1955	The first U.S.-based international mutual fund is introduced.

1961	The first tax-free unit investment trust is offered. The NAIC changes its name to the Investment Company Institute (ICI) and welcomes fund advisers and underwriters as members.
1962	The Self-Employed Individuals Tax Retirement Act creates savings opportunities (Keogh plans) for self-employed individuals.
1971	Money market funds are introduced.
1974	The Employee Retirement Income Security Act (ERISA) creates the individual retirement account (IRA) for workers not covered by employer-sponsored retirement plans.
1976	The Tax Reform Act of 1976 permits the creation of municipal bond funds. The first retail index fund is offered.
1978	The Revenue Act of 1978 creates new Section 401(k) retirement plans and simplified employee pensions (SEPs).
1981	The Economic Recovery Tax Act establishes "universal" IRAs for all workers. IRS proposes regulations for Section 401(k).
1986	The Tax Reform Act of 1986 reduces IRA deductibility.
1987	ICI welcomes closed-end funds as members.
1990	Mutual fund assets top $1 trillion.
1993	The first exchange-traded fund (ETF) shares are issued.
1996	Enactment of the National Securities Markets Improvement Act of 1996 (NSMIA) provides a more rational system of state and federal regulation, giving the SEC exclusive jurisdiction for registering and regulating mutual funds, exchange-listed securities, and larger advisers. States retain their antifraud authority and responsibility for regulating non-exchange-listed offerings and smaller advisers. The Small Business Job Protection Act creates SIMPLE plans for employees of small businesses.
1997	The Taxpayer Relief Act of 1997 creates the Roth IRA and eliminates restrictions on portfolio management that disadvantage fund shareholders.
1998	The SEC approves the most significant disclosure reforms in the history of U.S. mutual funds, encompassing "plain English," fund profiles, and improved risk disclosure.

1999	The Gramm-Leach-Bliley Act modernizes financial services regulation and enhances financial privacy.
2001	Enactment of the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001 significantly expands retirement savings opportunities for millions of working Americans.
2003	The Jobs and Growth Tax Relief Reconciliation Act (JGTRRA) provides mutual fund shareholders with the full benefits of lower tax rates on dividends and capital gains.
2006	Enactment of the Pension Protection Act (PPA) and the Tax Increase Prevention and Reconciliation Act provides incentives for investors of all ages to save more in tax-deferred and taxable investment accounts.
2008	The SEC votes to adopt the Summary Prospectus rule. Reserve Primary Fund fails to maintain $1.00 NAV, becoming the second money market fund in 25 years to "break a dollar."
2009	Money market fund assets hit $3.92 trillion, their highest level to date. The Money Market Working Group, a task force of senior industry executives, submits its report to the ICI Board. The Board endorses the Working Group's call for immediate implementation of new regulatory and oversight standards for money market funds.
2010	The SEC adopts new rules and amendments to regulations governing money market funds. In *Jones v. Harris*, the U.S. Supreme Court unanimously upholds the *Gartenberg* standard under which courts have long considered claims of excessive fund advisory fees. Enactment of the RIC Modernization Act streamlines and updates technical tax rules, benefiting shareholders by making funds more efficient.
2011	In *Business Roundtable et al. v. SEC*, the United States Court of Appeals for the District of Columbia Circuit vacated the SEC's proxy access rule for failing to adequately evaluate the rule's costs and benefits. ICI Global—the first industry body exclusively advancing the perspective of global investment funds—is formed.
2012	Mutual fund assets top $13 trillion.
2013	Retirement assets hit a record high of $23 trillion.

Glossary

adviser. An organization employed by a mutual fund to give professional advice on the fund's investments and asset management practices. Also known as *investment adviser*.

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

aggressive. An investment approach that accepts above-average risk of loss in return for potentially above-average investment returns. Contrast **conservative**.

annual report. A report that a fund sends to its shareholders that discusses the fund's performance over the past fiscal year and identifies the securities in the fund's portfolio on the last business day of the fund's fiscal year. The annual report includes audited financial statements. See also **semiannual report**.

appreciation. An increase in an investment's value. Contrast **depreciation**.

asset allocation. The proportion of different investment classes—such as stocks, bonds, and cash equivalents—that investors hold in their portfolios.

asset class. A group of securities or investments that have similar characteristics and behave similarly in the marketplace. Three common asset classes are equities (e.g., stocks), fixed income (e.g., bonds), and cash equivalents (e.g., money market funds).

assets. Securities, cash, and receivables owned by a fund.

authorized participant. An entity, usually an institutional investor, that submits orders to the exchange-traded fund (ETF) for the creation and redemption of ETF "creation units."

automatic reinvestment. A fund service giving shareholders the option to purchase additional shares using dividend and capital gains distributions.

average portfolio maturity. The average maturity of all the securities in a bond or money market fund's portfolio.

back-end load. See **contingent deferred sales load (CDSL)**.

balanced fund. A fund with an investment objective of both long-term growth and income, to be achieved through investment in stocks and bonds.

basis point. One one-hundredth of 1 percent (0.01 percent); thus, 100 basis points equals 1 percentage point. When applied to $1.00, 1 basis point is $0.0001; 100 basis points equals one cent ($0.01). Basis points are often used to simplify percentages written in decimal form.

bear market. A period during which the majority of securities prices in a particular market (such as the stock market) drop substantially. One generally accepted measure is a price decline of 20 percent or more over at least a two-month period. Contrast **bull market**.

benchmark. A standard against which the performance of a security or a mutual fund can be measured. For example, Barclays Capital Aggregate Bond Index is a benchmark index for many bond mutual funds. Many equity mutual funds are benchmarked to the S&P 500 index. See also **index**.

bond. A debt security issued by a company, municipality, 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.

bond fund. A fund that invests primarily in bonds and other debt instruments.

breakpoints. The dollar amounts at which many mutual funds offer reduced fees to investors. There are two kinds of breakpoints. One kind is a reduction in sales charges (load fees) to investors when they initially purchase fund shares. The amount of the discount varies, depending upon the amount of the investment: the more invested, the greater the likelihood of surpassing a breakpoint and thus receiving a discount. The other kind of breakpoint is a reduction in management fees that fund advisers may charge their associated funds as fund assets surpass a given level.

break the dollar. A phrase used to describe when the net asset value (NAV) of a money market fund is repriced from its stable $1.00 NAV, an event that could be triggered by a deviation greater than one-half of 1 percent (one-half cent, or $0.0050) between the fund's mark-to-market value (shadow price) and its stable $1.00 NAV. Also known as *break the buck*.

broker. See **broker-dealer**.

broker-dealer. A broker is a person or company engaged in the business of effecting transactions in securities for the account of others, and is often paid by commission. A dealer is any person or company engaged in the business of buying and selling securities for their own account. A broker-dealer is a firm that acts as both a broker and a dealer.

bull market. A period during which a majority of securities prices in a particular market (such as the stock market) rise substantially. Contrast **bear market**.

capital gain. An increase in the value of an investment, calculated by the difference between the net purchase price and the net sale price. Contrast **capital loss**.

capital gains distributions. Profits distributed to shareholders resulting from the sale of securities held in the fund's portfolio.

capital loss. A decline in the value of an investment, calculated by the difference between the net purchase price and the net sale price. Contrast **capital gain**.

catch-up contribution. Individuals aged 50 or older are permitted to make contributions to an individual retirement account (IRA) or employer-sponsored retirement savings plan in excess of the annual contribution limit. In 2013, the catch-up limit was $1,000 for IRAs, $2,500 for SIMPLE plans, and $5,500 for 401(k) plans.

certificate of deposit (CD). A savings certificate entitling the bearer to receive interest. A CD bears a fixed maturity date, has a specified fixed interest rate, and can be issued in any denomination. CDs generally are issued by commercial banks and currently are insured by the Federal Deposit Insurance Corporation (FDIC) up to a maximum of $250,000. CDs generally are offered at terms ranging from one month to five years.

closed-end fund. A type of investment company that issues a fixed number of shares that trade intraday on stock exchanges at market-determined prices. Investors in a closed-end fund buy or sell shares through a broker, just as they would trade the shares of any publicly traded company.

commercial paper. Short-term, unsecured notes issued by a corporation to meet immediate short-term needs for cash, such as the financing of accounts payable, inventories, and short-term liabilities. Maturities typically range from overnight to 270 days. Commercial paper is usually issued by corporations with high credit ratings and sold at a discount from face value.

commission. A fee paid to a broker or other sales agent for services related to transactions in securities.

common stock. An investment that represents a share of ownership in a corporation.

compounding. The cumulative effect that reinvesting an investment's earnings can have by generating additional earnings of its own. Over time, compounding can produce significant growth in the value of an investment.

conservative. An investment approach that aims to grow capital over the long term, focusing on minimizing risk. Contrast **aggressive**.

contingent deferred sales load (CDSL). A fee imposed by some funds when shares are redeemed (sold back to the fund) during the first few years of ownership. Also known as *back-end load*.

corporate bond. A bond issued by a corporation, rather than by a government. The credit risk for a corporate bond is based on the ability of the issuing company to repay the bond.

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

creation unit. A specified number of shares issued by an exchange-traded fund (ETF) in large blocks, generally between 25,000 and 200,000 shares. Authorized participants that buy creation units either keep the ETF shares that make up the creation unit or sell all or part of them on a stock exchange.

credit quality. A term used in portfolio management to describe the creditworthiness of an issuer of fixed-income securities and to indicate the likelihood that the issuer will be able to repay its debt.

credit risk. The possibility that a bond issuer may not be able to pay interest or repay its debt. Also known as *default risk*. See also **default**.

credit spread. The additional yield required of a debt security beyond that of a risk-free alternative (such as a U.S. Treasury instrument of the same maturity).

custodian. An organization, usually a bank, that safeguards the securities and other assets of a mutual fund.

default. A failure by an issuer to: (1) pay principal or interest when due, (2) meet nonpayment obligations, such as reporting requirements, or (3) comply with certain covenants in the document authorizing the issuance of a bond (an indenture).

defined benefit (DB) plan. An employer-sponsored pension plan in which the amount of future benefits an employee will receive from the plan is defined, typically by a formula based on salary history and years of service. The amount of contributions the employer is required to make will depend on the investment returns experienced by the plan and the benefits promised. Contrast **defined contribution plan**.

defined contribution (DC) plan. An employer-sponsored retirement plan, such as a 401(k) plan or a 403(b) plan, in which contributions are made to individual participant accounts. Depending on the type of DC plan, contributions may be made by the employee, the employer, or both. The employee's benefits at retirement or termination of employment are based on the employee and employer contributions and earnings and losses on those contributions. See also **401(k) plan**. Contrast **defined benefit plan**.

depreciation. A decline in an investment's value. Contrast **appreciation**.

director. Mutual fund directors oversee the management and operations of a fund organized as a corporation and have a fiduciary duty to represent the interests of shareholders. Because a fund has no employees, it relies on the adviser and other service providers to run the fund's day-to-day operations. Directors focus on the performance and fees of these entities under their respective contracts, and monitor potential conflicts of interest. Fund directors have the same responsibilities as fund trustees. See also **independent director** and **trustee**.

distribution. (1) The payment of dividends and capital gains or (2) a term used to describe a method of selling fund shares to the public.

diversification. The practice of investing broadly across a number of different securities, industries, or asset classes to reduce risk. Diversification is a key benefit of investing in mutual funds and other investment companies that have diversified portfolios.

dividend. Money that an investment fund or company pays to its shareholders, typically from its investment income, after expenses. The amount is usually expressed on a per-share basis.

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, in the hopes of reducing average share cost by acquiring more shares when prices are low and fewer shares when prices are high.

education IRA. See **Coverdell Education Savings Account (ESA)**.

emerging market. Generally, economies that are in the process of growth and industrialization, such as those in Africa, Asia, Eastern Europe, Latin America, and the Middle East. While relatively undeveloped, these economies may hold significant growth potential in the future. May also be called *developing markets.*

equity. A security or investment representing ownership in a company—unlike a bond, which represents a loan to a borrower. Often used interchangeably with **stock**.

equity fund. A fund that concentrates its investments in equities. Also known as a *stock fund*.

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 fee or no fee.

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

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

expense ratio. A measure of what it costs to operate a fund—disclosed in the prospectus and shareholder reports—expressed as a percentage of its assets.

face value. The stated principal or redemption value of a bond; the amount that a bond's issuer must repay at the bond's maturity date.

fair value. The price for a security that the fund might reasonably expect to receive upon its current sale.

federal funds. Non-interest-bearing deposits held by member banks at the Federal Reserve.

Financial Industry Regulatory Authority (FINRA). A self-regulatory organization with authority over U.S. broker-dealer firms that distribute mutual fund shares as well as other securities. FINRA operates under the supervision of the SEC.

financial statements. The written record of the financial status of a fund or company, usually published in the annual report. The record generally includes a balance sheet, income statement, and other financial statements and disclosures.

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

fixed-income securities. Securities that pay a fixed rate of return in the form of interest or dividend income.

forward pricing. The concept describing the price at which mutual fund shareholders buy or redeem fund shares. Shareholders must receive the next computed share price following the fund's receipt of a shareholder transaction order.

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

401(k) plan. An employer-sponsored retirement plan that enables employees to make tax-deferred contributions from their salaries to the plan. See also **defined contribution plan**.

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

front-end load. A fee imposed by some funds at the point of purchase to cover selling costs.

fund family. A group or complex of mutual funds, each typically with its own investment objective, that is managed and distributed by the same company.

funds of funds. Mutual funds that primarily hold and invest in shares of other mutual funds rather than investing directly in individual securities.

fund supermarket. A brokerage platform that provides access to funds from a wide range of fund families.

government securities. Any debt obligation issued by a government or its agencies (e.g., Treasury bills issued by the United States). See also **U.S. Treasury securities**.

growth and income fund. A fund that has a dual strategy of capital appreciation (growth) and current income generation through dividends or interest payments.

growth fund. A fund that invests primarily in the stocks of companies with above-average risk in return for potentially above-average gains. These companies often pay small or no dividends and their stock prices tend to be more volatile from day to day.

hedge fund. A private investment pool for qualified (typically wealthy) investors that, unlike a mutual fund, is exempt from SEC registration.

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

income distributions. Dividends, interest, and/or short-term capital gains paid to a mutual fund's shareholders. Operating expenses are deducted from income before it is distributed to shareholders.

income fund. A fund that primarily seeks current income generation rather than capital appreciation.

independent director. A fund director or trustee who does not have any significant business relationship with a mutual fund's adviser or underwriter. An independent director better enables the fund board to provide an independent check on the fund's management. See also **director** and **trustee**.

index. A portfolio of securities that tracks the performance of a particular financial market or subset of it (e.g., stock, bond, or commodity markets) and serves as a benchmark against which to evaluate a fund's performance. The most common index for equity funds is the S&P 500. See also **benchmark**.

index mutual fund. A fund designed to track the performance of a market index. The fund's portfolio of securities is either a replicate or a representative sample of the designated market index. Often referred to as *passively managed portfolios.*

individual retirement account (IRA). A tax-deferred account set up by or for an individual to hold and invest funds for retirement.

inflation. The overall general upward price movement of goods and services in an economy, generally as a result of increased spending that exceeds the supply of goods on the market. Inflation is one of the major risks to investors over the long term because it erodes the purchasing power of their savings.

inflation risk. The risk that the purchasing power of the future value of assets or income will be lower due to inflation.

initial public offering (IPO). A corporation's or closed-end fund's first offering of stock or fund shares to the public.

institutional investor. The businesses, nonprofit organizations, and other similar investors who own funds and other securities on behalf of their organizations. This classification of investors differs from individual or household investors who own the majority of investment company assets.

interest/interest rate. The fee charged by a lender to a borrower, usually expressed as an annual percentage of the principal.

interest rate risk. Risk of gain or loss on a security due to possible changes in interest-rate levels. When interest rates rise, the market value of a debt security will fall, and vice versa.

intraday indicative value (IIV). A real-time estimate of an exchange-traded fund's (ETF) intraday value. Third-party providers calculate and disseminate this measure every 15 to 60 seconds during securities market trading hours.

investment adviser. See **adviser**.

investment company. A corporation, trust, or partnership that invests pooled shareholder dollars in securities appropriate to the organization's objective. Mutual funds, closed-end funds, unit investment trusts, and exchange-traded funds are the main types of SEC-registered investment companies.

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

investment return. The gain or loss on an investment over a certain period, expressed as a percentage. Income and capital gains or losses are included in calculating the investment return.

investment risk. The possibility of losing some or all of the amounts invested or not gaining value in an investment.

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

Keogh. A tax-favored investment vehicle covering self-employed individuals, partners, and owners of unincorporated businesses; also called an H.R. 10 plan. These were first made available by Congress in 1962, but today operate under rules very similar to those for retirement plans for a corporation's employees.

level load. A combination of an annual 12b-1 fee (typically 1 percent) and a contingent deferred sales load fee (also often 1 percent) imposed by funds when shares are sold within the first year after purchase. See also **contingent deferred sales load** and **12b-1 fee**.

lifecycle fund. See **target date fund**.

lifestyle fund. Mutual funds that maintain a predetermined risk level and generally use words such as "conservative," "moderate," or "aggressive" in their names to indicate the fund's risk level. Also known as *target risk fund*.

liquidity. The ability to gain ready access to invested money. Mutual funds are liquid because their shares can be redeemed for the next computed net asset value (NAV) on any business day. In the securities market, a security is said to be liquid if the spread between bid and ask prices is narrow and reasonably sized trades can take place at those quotes.

load. See **sales charge**.

load fund. A mutual fund that imposes a sales charge—either when fund shares are purchased (front-end load) or redeemed (contingent deferred sales load)—or a fund that charges a 12b-1 fee greater than 0.25 percent.

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

management fee. The amount paid by a mutual fund to the investment adviser for its services.

market value. The price at which a security was last traded or a price based on its current ask or bid prices.

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

money market. The global financial market for short-term borrowing and lending where short-term instruments such as Treasury bills (T-bills), commercial paper, and repurchase agreements are bought and sold.

money market fund. A mutual fund that invests in short-term, high-grade, fixed-income securities, and seeks the highest level of income consistent with preservation of capital (i.e., maintaining a stable share price).

MuniFund Term Preferred (MTP) shares. Exchange-listed closed-end fund preferred shares that have a fixed dividend rate set at the time of issuance. MTP shares have a mandatory redemption period (usually five years) unless they are redeemed or repurchased earlier by the fund. Unlike fixed-rate preferred stock previously issued, MTP shares were created for issuance by closed-end funds investing in municipal bonds.

mutual fund. An investment company registered with the SEC that buys a portfolio of securities selected by a professional investment adviser to meet a specified financial goal (investment objective). Mutual funds can have actively managed portfolios, in which a professional investment adviser creates a unique mix of investments to meet a particular investment objective, or passively managed portfolios, in which the adviser seeks to track the performance of a selected benchmark or index. One hallmark of mutual funds is that they issue redeemable securities, meaning that the fund stands ready to buy back its shares at their current net asset value (NAV). See also **open-end investment company**.

net asset value (NAV). The per-share value of an investment company, calculated by subtracting the fund's liabilities from the current market value of its assets and dividing by the number of shares outstanding. Mutual funds calculate their NAVs at least once daily.

net new cash flow. The dollar value of new sales minus redemptions, plus net exchanges. A positive number indicates new sales plus exchanges into funds exceeded redemptions plus exchanges out of funds. A negative number indicates redemptions plus exchanges out of funds exceeded new sales plus exchanges into funds.

no-load fund. A mutual fund whose shares are sold without a sales commission and without a 12b-1 fee of more than 0.25 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. These include management fees, 12b-1 fees, and other expenses.

payroll deduction plan. An arrangement that some employers offer where employees can authorize their employer to deduct a specified amount from their salaries at stated times to buy mutual fund shares.

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

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

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

portfolio turnover rate. A measure of how frequently securities are bought and sold within a fund during a year. The portfolio turnover rate usually is expressed as a percentage of the total value of 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**.

prospectus. The official document that describes an investment company to prospective investors. The prospectus contains information required by the SEC, such as investment objectives and policies, risks, services, and fees.

puttable preferred stock. See **Variable Rate Demand Preferred (VRDP) shares**.

redeem. To sell mutual fund shares back to the fund. Mutual fund shares may be redeemed on any business day. An investor receives the next computed share price, called net asset value (NAV), minus any deferred sales charge or redemption fee.

redemption price. The amount per share that mutual fund shareholders receive when they redeem.

registered investment company. A company that is required to register as an investment company with the SEC under the Investment Company Act of 1940 and is also required to register the public offering of its shares under the Securities Act of 1933. The definition of investment company in the Investment Company Act of 1940 generally includes any company that is engaged primarily in the business of investing, reinvesting, or trading in securities.

regulated investment company (RIC). An investment company or trust eligible under subchapter M of the Internal Revenue Code to eliminate tax at the fund level by distributing all of its taxable income to its shareholders. The fund's income thus is taxed only once, at the investor level. To qualify as a RIC, a corporation must be registered at all times during the taxable year under the Investment Company Act of 1940 and must derive at least 90 percent of its income from certain sources, including dividends, interest, and capital gains. It also must distribute at least 90 percent of the dividends and interest received. Mutual funds and closed-end funds are both regulated investment companies.

reinvestment privilege. An option whereby shareholders may elect to use dividend and capital gains distributions to automatically buy additional fund shares.

repurchase agreements. A form of short-term funding for dealers. The dealer sells the securities to investors, usually on an overnight basis, and buys them back at a higher price reflecting the cost of funding. Also known as a *repo*.

required minimum distribution (RMD). Minimum distribution rules require that beginning at age 70½, the entire amount of a traditional IRA be distributed over the expected life of the individual (or the joint lives of the individual and designated beneficiary). Distributing less than the required amount will result in a tax penalty. Roth IRAs are not subject to required minimum distributions during the account holder's lifetime.

return. The gain or loss of a security in a particular period. It is usually quoted as a percentage.

RIC. See **regulated investment company**.

risk. The degree of uncertainty associated with the return on an asset.

risk/return tradeoff. The principle that an investment must offer a higher expected return as compensation for the likelihood of higher volatility in returns.

risk tolerance. An investor's willingness to lose some or all of an investment in exchange for greater potential returns.

rollover. The transfer of an investor's assets from one qualified retirement plan (including an IRA) to another—due to changing jobs, for instance—without a tax penalty.

Roth IRA. An individual retirement plan, first available in 1998, that permits only after-tax contributions; earnings are not taxed, and qualified distributions of earnings and principal are generally tax-free.

sales charge. An amount charged for the sale of some fund shares, usually those sold by brokers or other sales professionals. By regulation, mutual fund sales charges are capped. The charge may vary depending on the amount invested and the fund chosen. Also known as the *load*.

SAR-SEP IRA (salary reduction simplified employee pension). A SEP IRA with a salary reduction feature (see **SEP IRA**). The Small Business Job Protection Act of 1996, which created SIMPLE IRAs, prohibited the formation of new SAR-SEP IRAs, which were created in 1986.

secondary market. Market in which an investor purchases or sells certain investment company shares (closed-end, UIT, and ETF) from another investor through an intermediary such as a broker-dealer.

sector fund. A fund that invests in a particular or specialized segment of the marketplace, such as stocks of companies in the software, healthcare, or real estate industries.

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 registered investment companies.

securitization. The process of aggregating similar instruments, such as loans or mortgages, into a negotiable security, such as the creation of mortgage-backed securities.

security. A general term for stocks, bonds, mutual funds, and other investments.

semiannual report. A report a fund sends to its shareholders that discusses the fund's performance over the first six months of the fiscal year and identifies the securities in the fund's portfolio on the last business day of the first six months of the fiscal year. See also **annual report**.

separate account. An insurance company account that is segregated or separate from the insurance company's general assets. Also refers to a fund managed by an investment adviser for a single plan.

SEP IRA (simplified employee pension plan). A retirement program created in 1978 that consists of individual retirement accounts for all eligible employees, to which the employer can contribute according to certain rules. A fairly simple, inexpensive plan to establish and administer, a SEP IRA can be attractive to small businesses and self-employed individuals.

series 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. A representation of ownership in a company or investment fund. Also a synonym for *stock*.

share classes. Some mutual funds offer investors different types of shares known as classes (e.g., Class A, institutional shares). Each class will invest in the same portfolio of securities and will have the same investment objectives and policies, but each class will have different shareholder services and/or distribution arrangements with different fees and expenses and, therefore, different performance results. A multiclass structure offers investors the ability to select a fee and expense structure that is most appropriate for their investment goals (including the time that they expect to remain invested in the fund).

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

short-term fund. See **money market fund**.

SIMPLE IRA (savings incentive match plan for employees). A simplified tax-favored retirement plan created in 1996 that small employers can set up for the benefit of their employees.

stable value fund. An investment fund that seeks to preserve principal and to provide consistent returns and liquidity. Stable value funds include collective investment funds sponsored by banks or trust companies or contracts issued by insurance companies.

Standard & Poor's 500 index (S&P 500). A daily measure of stock market performance based on 500 U.S. stocks chosen for market size, liquidity, and industry group representation.

statement of additional information (SAI). The supplementary document to a prospectus that contains more detailed information about a fund; also known as "Part B" of the prospectus.

stock. A share of ownership or equity in a corporation.

stock fund. See **equity fund**.

summary prospectus. A short-form prospectus that mutual funds and exchange-traded funds (ETFs) may use with investors if the fund meets certain requirements, including making the long-form prospectus and additional information available online or in paper upon request. See also **prospectus**.

target date fund. A hybrid fund that follows a predetermined reallocation of risk over a working career and into retirement for a person expecting to retire at the target date of the fund (which is usually included in the fund's name). These funds invest in a mix of asset classes and typically rebalance their portfolios over time to become more conservative and income producing. Also known as *lifecycle fund*.

target risk fund. See **lifestyle fund**.

total net assets. The total amount of assets, less any liabilities, a fund holds as of a certain date.

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

traditional IRA. The first type of individual retirement account, created in 1974. Individuals may make tax-deductible or nondeductible (depending on income and other requirements) contributions to these accounts. See also **individual retirement account (IRA)**.

transfer agent. The internal or external organization that a mutual fund uses to prepare and maintain records relating to shareholder accounts.

Treasury bill (T-bill). A short-term debt obligation of the U.S. government with a maturity of less than one year. T-bills are sold in denominations of $1,000 up to a maximum purchase of $5 million and commonly have maturities of one month (four weeks), three months (13 weeks), or six months (26 weeks).

trustee. A member of the board of trustees of a fund organized as a business or statutory trust. Mutual fund trustees oversee the management and operations of the fund and have a fiduciary duty to represent the interests of shareholders. Fund trustees have the same responsibilities as fund directors. See also **director**.

12b-1 fee. A mutual fund fee, named for the SEC rule that permits it, used to pay distribution costs such as compensation to financial advisers for initial and ongoing assistance. If a fund has a 12b-1 fee, it will be disclosed in the fee table of a fund's prospectus.

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

unit investment trust (UIT). A type of fund with some characteristics of mutual funds and some of closed-end funds. Like mutual funds, UITs issue redeemable shares. Like closed-end funds, however, UITs typically issue only a specific, fixed number of shares. A UIT does not actively trade its investment portfolio, instead buying and holding a set of particular investments until a set termination date, at which time the trust is dissolved and proceeds are paid to shareholders.

U.S. Treasury securities. Debt securities issued by the U.S. government and secured by its full faith and credit. Treasury securities are the debt financing instruments of the U.S. federal government, and they are often referred to simply as *Treasuries*. There are four types of Treasury securities: Treasury bills, Treasury bonds, Treasury notes, and Treasury inflation protected securities (TIPS). See also **Treasury bill**.

variable annuity. An investment contract sold by an insurance company. Capital is accumulated, often through mutual fund investments, with the option to convert to an income stream in retirement.

Variable Rate Demand Preferred (VRDP) shares. A type of puttable preferred stock that is similar to auction market preferred stock (AMPS) in that they pay dividends at variable rates, and sell orders are filled to the extent there are bids. Rates are set through remarketings, and if there are more sell orders than bids, a third party (commonly referred to as a liquidity provider) purchases the VRDP shares.

withdrawal plan. A fund service allowing shareholders to receive income or principal payments from their fund account at regular intervals.

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

yield curve. The graphical depiction of the relationship between the yield on bonds of the same credit quality but different maturities. The most frequently reported yield curve compares the yields on three-month, two-year, five-year, and 30-year U.S. Treasury securities. This yield curve is used as a benchmark for other debt in the market, such as mortgage rates or bank lending rates.

Index

A page number with an *f* indicates a figure; an *n* indicates a note; a *t* indicates a table. Page numbers in **bold** indicate a definition.

F

G

T

W

Y

INVESTMENT
COMPANY
INSTITUTE®

1401 H Street, NW, Suite 1200
Washington, DC 20005
202-326-5800
www.ici.org