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2005 Investment Company Fact Book

45th Edition

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 April 1, 2005, ICI members included more than 8,000 open-end investment companies (mutual funds), more than 600 closed-end investment companies, 144 exchange-traded funds, and five sponsors of unit investment trusts. Mutual fund members of ICI have total assets of approximately $8.037 trillion (representing more than 95 percent of all assets of U.S. mutual funds); these funds serve approximately 87.7 million shareholders in more than 51 million households.

Forty-Fifth Edition

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To the Reader

The Investment Company Institute publishes this *Fact Book* as part of its mission to promote public understanding of funds, fund investing, and fund investors.

This marks the 45th year that ICI has published this annual review summarizing its research and analysis on investment companies and their shareholders. When the first *Fact Book* was published in 1961, open-end investment companies managed $23 billion in assets. Most of these companies were stock funds that provided services to individuals investing through brokers and other financial advisers. Today, mutual funds, closed-end funds, exchange-traded funds, and unit investment trusts are entrusted with more than $8.6 trillion, and provide investment management services to shareholders ranging from first-time investors setting aside savings to prepare for retirement to multinational corporations seeking management of their cash reserves.

The *Fact Book*, like investment companies themselves, has undergone many changes since 1961. Nevertheless, its core mission remains the same. To that end, this book contains a broad range of information about investment companies and their shareholders including investment-company statistics, shareholder demographic data, analysis of the economics of investment companies, and the role of mutual funds in the $13 trillion retirement market.

I hope you find this year's edition a helpful overview of U.S. investment companies and a convenient introduction to the large body of statistics and research that ICI produces each year. For your added convenience, an online version of the *Fact Book* can be accessed from the Institute's website home page.

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May 2005

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2004 Investment Company Institute Research

ICI is the primary source of analysis and statistical information on the investment company industry. Institute research publications released in 2004 offer detailed analyses of fund shareholders, the economics of investment companies, and the retirement and education savings markets.

- "Total Shareholder Cost of Mutual Funds, 2003," *Fundamentals,* December 2004
- "Mutual Funds and Portfolio Turnover," *Research Commentary*, November 2004
- "Shareholder Sentiment of the Mutual Fund Industry," *Fundamentals*, October 2004
- "U.S. Household Ownership of Mutual Funds in 2004," *Fundamentals*, October 2004
- "Profile of Mutual Fund Shareholders," *Research Series*, October 2004
- "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2003," *Perspective*, August 2004
- "Reports of 'Portfolio Pumping' by Mutual Funds: A Closer Look," *Research Commentary*, July 2004
- "Mutual Funds and the U.S. Retirement Market in 2003," *Fundamentals*, June 2004
- "Mutual Fund and Economic Developments in 2003," *Perspective*, March 2004
- "The Cost of Buying and Owning Mutual Funds," *Fundamental*s, February 2004

For a more complete, updated list of ICI research publications and statistical releases, visit the Institute's public website at www.ici.org/stats/index.html.

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This *Fact Book* consists of three main parts. Part I presents analysis and statistics on the investment company industry, with a focus on the 8,044 mutual funds that manage nearly 95 percent of total investment company shareholder assets. Part II includes supplementary statistical data, in tabular format, on U.S.-registered investment companies and foreign-registered mutual funds. Part III consists of educational and background information on mutual funds and other investment companies.

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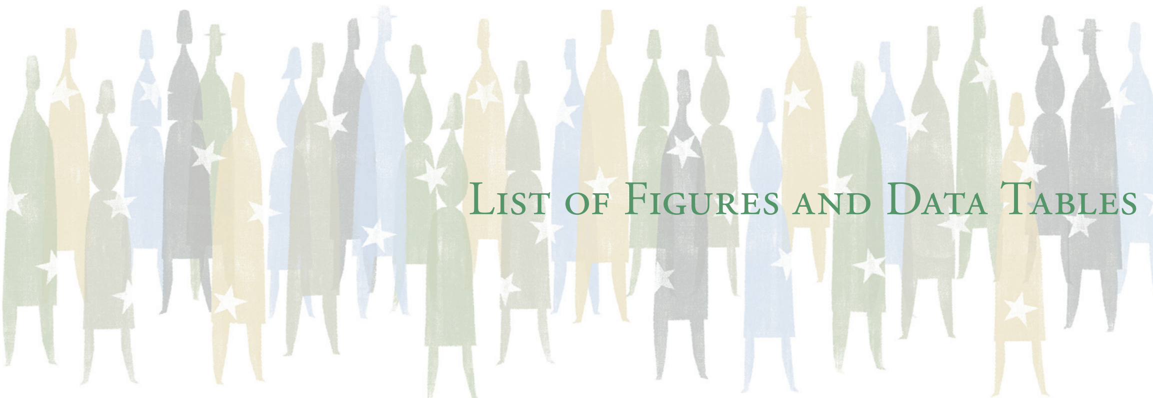
PART III – BACKGROUND ON INVESTMENT COMPANIES



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Part I

Analysis & Statistics

SECTION ONE

Overview of Registered Investment Companies

U.S.-registered investment companies managed a record $8.6 trillion at year-end 2004, about an $800 billion increase from 2003. Mutual funds, managing nearly 95 percent of total investment company assets, held $8.1 trillion. By year-end 2004, closed-end fund assets totaled $254 billion; exchange-traded funds (ETFs), $226 billion; and unit investment trusts (UITs), $37 billion.

This section provides an overview of the U.S. investment company industry:

- noting the major trends in industry and shareholder activity;
- reviewing factors that contributed to investment company growth in 2004;
- summarizing investment companies' role in the financial markets; and
- discussing U.S. fund sponsors and the competitive forces at work in the U.S. investment company marketplace.

Total Investment Company Assets, 1995–2004
(billions of dollars)

Year	Mutual Funds[1]	Closed-End Funds	ETFs[2]	UITs	Total[3]
1995	2,811	143	1	73	3,028
1996	3,526	147	2	72	3,747
1997	4,468	152	7	85	4,712
1998	5,525	156	16	94	5,791
1999	6,846	147	34	92	7,119
2000	6,965	143	66	74	7,248
2001	6,975	141	83	49	7,248
2002	6,390	159	102	36	6,687
2003	7,414	214	151	36	7,815
2004	8,107	254	226	37	8,624

[1]*Mutual fund data exclude mutual funds that primarily invest in other mutual funds.*
[2]*ETF data prior to 2001 were provided by Strategic Insight.*
[3]*Total investment company assets include mutual fund holdings of closed-end funds and ETFs.*

Sources: Investment Company Institute and Strategic Insight Mutual Fund Research and Consulting, LLC

Recent Highlights and Developments

This year's edition of the *Fact Book* notes several industry and shareholder trends:

- **COMPETITION AMONG INVESTMENT COMPANIES HAS KEPT MARKET CONCENTRATION STABLE.** Nearly 600 financial intermediaries from around the world provide investment management services to investors through U.S.-registered investment companies. Competitive forces have kept market concentration among the largest fund sponsors stable for the past 15 years (*This Section*).

- **INVESTMENT COMPANIES REMAIN A MAJOR SOURCE OF FUNDING IN SECURITIES MARKETS.** Investment companies channel American household and business investment into stock, bond, and money markets around the world. Investment companies remain a significant source of capital for the U.S. stock market, holding nearly one-quarter of outstanding U.S. stock in 2004. Investment companies are the largest holders of commercial paper—an important source of short-term financing for major U.S. corporations—and municipal debt (*This Section*).

- **AMERICAN HOUSEHOLDS RELY ON FUNDS.** About 20 percent of household financial assets were invested in mutual funds and other investment companies in 2004, up from 7 percent in 1990. In 2004, nearly half of all U.S. households owned mutual funds (*Sections 2 and 4*).

- **INVESTORS USE FINANCIAL ADVISERS.** Among investors who hold funds outside work retirement plans, more than 80 percent own funds through a professional financial adviser, including full-service brokers, independent financial planners, insurance agents, bank or savings institution representatives, and accountants. Fund ownership through financial advisers is predominant across all shareholder classifications including investor age, education, length of fund ownership, and household mutual fund assets (*Sections 3 and 4*).

- **FUND SHAREHOLDERS HOLD LOWER-COST FUNDS.** Mutual fund shareholders are heavily invested in mutual funds that have lower-than-average annual fees and expenses. The fees and expenses that fund investors incurred when investing in stock funds in 2003 were 45 percent less than in 1980, and 42 percent less for bond fund investors over the same period (*Section 3*).

- **Retirement account investing through funds remains popular.** Retirement plans at work are a common source for mutual fund investing, with more than 60 percent of fund investors owning fund shares inside a retirement plan at work. Investors hold $1.6 trillion of mutual funds through work retirement plans, a 23-fold increase since 1990. About half of all 401(k) assets are invested in mutual funds (*Sections 4 and 5*).

- **Ownership of funds outside retirement plans remains high.** Investors use mutual funds outside work retirement plans, with about two-thirds of investors owning funds outside these plans. Investors hold $1.5 trillion in mutual funds in IRAs and hold $4.2 trillion in other types of accounts (*Sections 4 and 5*).

- **Institutional investors use funds.** Institutional investors such as businesses, financial institutions, state and local governments, and non-profit organizations hold 10 percent of mutual fund assets (*Section 4*).

Sources of Investment Company Asset Growth in 2004

Much of the growth in investment company assets in 2004 occurred because stock funds posted sizeable gains for a second straight year. Rising stock prices worldwide lifted the performance of these funds. On average, U.S. and foreign stock prices rose about 11 percent. Funds that hold foreign stocks and bonds also benefited from an increase in foreign currency exchange rates relative to the U.S. dollar. As foreign currencies appreciated, the dollar value of foreign stocks and bonds rose, lifting the values of investment companies holding these assets.

Additional investor demand was another factor contributing to the growth of investment company assets. Shareholders added $210 billion of net new cash to their stock, bond, and hybrid mutual funds, and reinvested another $78 billion of their fund dividend payments. Although money market mutual funds continued to experience outflows as U.S. interest rates remained low, the strong inflows to the other types of mutual funds produced $144 billion in net new cash and reinvested dividends for all mutual funds. In addition, net issuance to ETFs was a record $55 billion in 2004.

MORE INFO …

See pages 57–103 for more statistics on investment companies.

Net Inflows to Mutual Funds and Exchange-Traded Funds, 1995–2004
(billions of dollars)

	Stock, Bond, and Hybrid Mutual Funds[1]		Money Market Mutual Funds[1]			
	Net New Cash Flow	Reinvested Dividends	Net New Cash Flow	Reinvested Dividends	Total Net New Cash and Reinvested Dividends of Mutual Funds[1]	Total Net Issuance of ETFs[2]
1995	122	47	89	28	286	*
1996	232	53	89	32	406	1
1997	272	58	103	38	472	3
1998	242	60	235	43	581	6
1999	170	70	194	51	484	12
2000	229	66	160	73	528	42
2001	129	62	376	56	624	31
2002	121	62	-47	22	158	45
2003	216	67	-258	11	36	16
2004	210	78	-157	12	144	55

[1]Mutual fund data exclude mutual funds that primarily invest in other mutual funds.
[2]ETF data prior to 2001 were provided by Strategic Insight.
**less than $0.5 billion*

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

Sources: Investment Company Institute and Strategic Insight Mutual Fund Research and Consulting, LLC

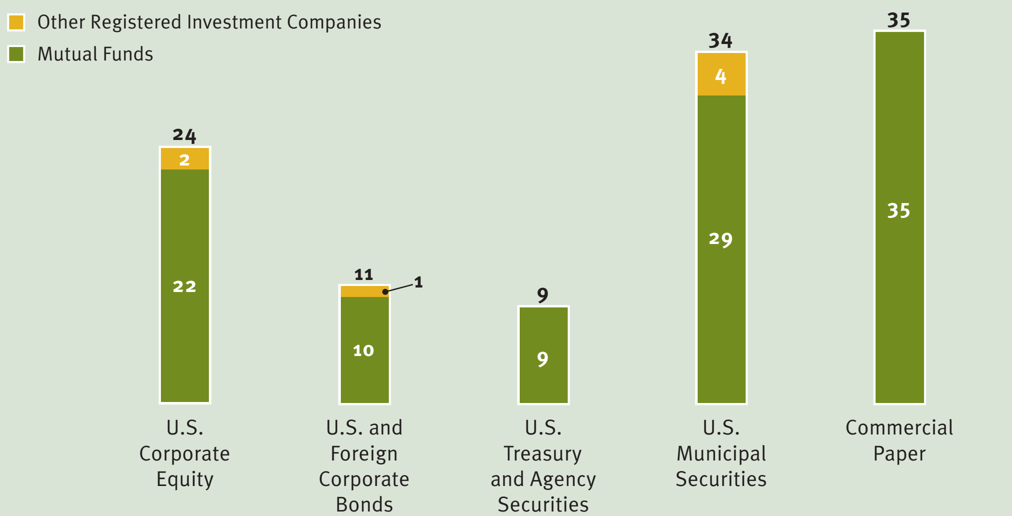
Role of U.S. Investment Companies in Financial Markets

U.S. investment companies channel American household and business investment into stock, bond, and money markets around the world.

Investment companies hold about 24 percent of the outstanding stock of U.S. companies. They play an even larger role in the municipal debt markets that provide capital to state and local governments, holding 34 percent of all outstanding tax-exempt debt. As a group, investment companies are the largest holders of tax-exempt debt in the United States.

Investment companies also play a significant role in the taxable debt markets. Mutual funds are the largest investor in the U.S. commercial paper market, an important source of short-term funding for major U.S. corporations, and investment companies as a group hold about 10 percent of corporate bonds and U.S. Treasury and agency debt.

Investment Company Holdings of Selected Securities, 2004
(share of total market securities held by investment companies)



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

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

Fund Sponsors in the U.S. Investment Company Marketplace

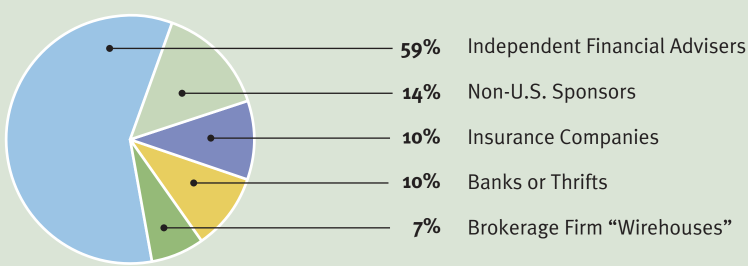
Low barriers to entry have resulted in a large number of investment company sponsors in the United States, and active competition among them has helped to keep industry concentration low for many years.

Nearly 600 financial intermediaries from around the world compete in the U.S. market to provide investment management services to investors. Nearly 60 percent of U.S. fund and trust sponsors are independent financial advisers, and these sponsors manage about half of investment company assets. Banks, insurance companies, securities broker-dealers, and non-U.S. sponsors are other major fund and trust sponsors in the U.S. marketplace.

MORE INFO ...

See Appendix B on page 113 for more information on how investment companies operate.

Investment Company Complexes by Type of Intermediary, March 2005
(percent)



Mutual Fund Complexes with Net Cash Inflows to Long-Term Funds, 1990–2004
(percent)

These sponsors compete with one another to offer services to investors, and the ability of investors to shift assets from one firm to another has contributed to the competitive forces in the industry. In 2004, 56 percent of all mutual fund sponsors had positive net cash flows, and, conversely, 44 percent experienced outflows. The share of mutual fund complexes with net inflows has ranged from 52 percent to 76 percent during the past 15 years.

These competitive forces have kept market concentration of the largest fund sponsors stable for the past 15 years, and also altered rankings by size of the largest fund complexes. For example, the largest 10 mutual fund sponsors managed 56 percent of mutual fund assets in 1990; in 2004, the 10 largest complexes managed 51 percent of mutual fund assets. Among the 10 largest firms in 2004, five were not among the 10 largest in 1990. In addition to the competition among mutual funds, closed-end funds, UITs, and ETFs compete with mutual funds in providing investment services to investors, as do other similar products that are not investment companies, such as separately managed accounts and collective trusts.

Share of Assets at Largest Mutual Fund Complexes*
(percent of industry total)

	1990	1995	2000	2004
Top 5 Complexes	37	36	34	39
Top 10 Complexes	56	49	48	51
Top 25 Complexes	76	70	74	74

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

As of year-end 2004, there were 15,300 investment companies: 8,044 mutual funds, 6,485 unit investment trusts, 620 closed-end funds, and 151 exchange-traded funds. The number of mutual funds has fallen somewhat since 2001. Competition leads fund sponsors to create new funds to meet investor demand, and also to merge or liquidate funds that do not attract sufficient investor interest.

Number of Investment Companies, 1995–2004

	Mutual Funds[1]	Closed-End Funds	ETFs[2]	UITs	Total
1995	5,725	500	2	12,979	19,206
1996	6,248	498	19	11,764	18,529
1997	6,684	488	19	11,593	18,784
1998	7,314	493	29	10,966	18,802
1999	7,791	512	30	10,414	18,747
2000	8,155	482	80	10,072	18,789
2001	8,305	493	102	9,295	18,195
2002	8,244	545	113	8,303	17,205
2003	8,126	586	119	7,233	16,064
2004	8,044	620	151	6,485	15,300

[1]Mutual fund data exclude mutual funds that primarily invest in other mutual funds.
[2]ETF data prior to 2001 were provided by Strategic Insight.

Sources: Investment Company Institute and Strategic Insight Mutual Fund Research and Consulting, LLC

The decline in the number of mutual funds and UITs during the past several years owes largely to the introduction of fewer new funds by fund sponsors. In 2000, for example, mutual fund sponsors opened about 1,100 new funds, compared with about 400 new funds in 2004. Fund mergers and liquidations—another factor affecting the number of available funds—have remained fairly stable over the same period, averaging about 600 funds a year between 2000 and 2004. Similarly, sponsors of UITs have been creating fewer UITs. These investment companies often have preset termination dates. The slower pace of creation has caused the number of UITs to decline substantially. At the same time, sponsors of ETFs and closed-end funds, on net, created 66 new funds in 2004.

MORE INFO...

See pages 69–71 for more statistics on closed-end funds, exchange-traded funds, and unit investment trusts.

SECTION TWO

Recent Mutual Fund Trends

The U.S. mutual fund market is the largest in the world, accounting for half of the $16.2 trillion in mutual fund assets reported worldwide. In 2004, U.S. mutual fund assets reached a record $8.1 trillion.

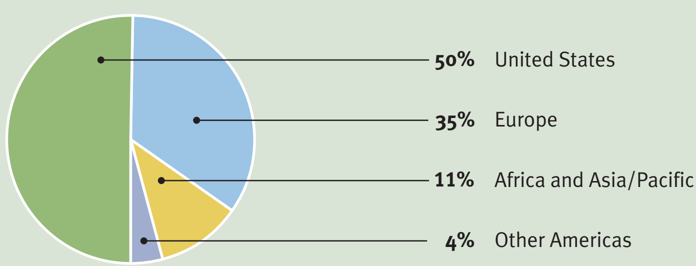
This section examines:

- investor demand for U.S. mutual funds in 2004, including the market factors affecting demand;
- the prominent role that long-term mutual funds, in particular stock funds, play in the U.S. mutual fund market; and
- investor demand for bond and money market funds.

Investor Demand for Mutual Funds

The market environment for mutual fund investing remained very good in 2004. Investor demand for funds was supported by a robust U.S. economy, which, in 2004, grew at its fastest pace in five years and lifted U.S. corporate profits by 16 percent to a record $1.2 trillion. As the economic recovery showed greater strength in 2004, the Federal Reserve began to increase short-term interest rates in the middle of the year to forestall a significant rise in inflation. Longer-term interest rates moved in a fairly narrow range, despite the increase in short-term interest rates.

Distribution of Worldwide Mutual Fund Assets by Region, 2004
(percent of total assets)



Note: See the tables on pages 102–103 for more data or visit www.ici.org/stats/mf/index.html.

Sources: European Fund and Asset Management Association, Investment Company Institute, and other national fund associations

MORE INFO ...

See pages 76–80 for detailed data on inflows to stock, bond, and hybrid funds.

In this market climate, investors allocated more assets to mutual funds holding stocks. Net new cash flow to stock and hybrid funds was $221 billion in 2004. Investors also reinvested $42 billion of dividends in their stock and hybrid funds. Investors redeemed a small portion of their bond fund holdings, perhaps on the expectations that potentially higher interest rates could erode near-term bond returns. Low short-term interest rates continued to result in outflows from money market funds, both from individual and institutional accounts.

Individual Investors and Long-Term Investing

Individual investors, directly or indirectly, hold 90 percent of overall U.S. mutual fund assets, and an even larger share of stock, bond, and hybrid fund assets. In 2004, individuals continued to use funds as one of their primary means to invest. For example, households made $360 billion in net purchases of stocks, bonds, and other long-term financial assets during the year, and long-term mutual funds were the principal means of making these purchases. In addition, households held nearly 20 percent of their $37 trillion in financial assets—which excludes tangible assets such as homes and land—through mutual funds.

Mutual Funds' Share of Household Financial Assets, 1990–2004
(percent)

Note: includes mutual funds held through employer-sponsored retirement plans, bank personal trusts, and variable annuities
Sources: Investment Company Institute and Federal Reserve Board

Households also hold a large portion of their financial assets (25 percent) in direct holdings of stocks, bonds, and other securities. These securities are typically held in accounts managed by private money managers, brokerage firms, and bank trust departments. Defined benefit plans and other pension funds (17 percent), banks and savings associations (13 percent), and life insurance companies (6 percent) managed significant portions of household assets in 2004.

Demand for Long-Term Mutual Funds

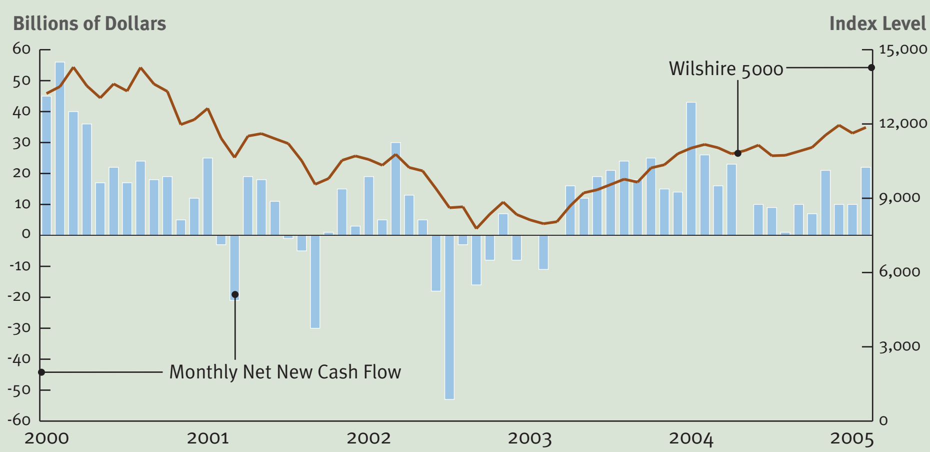
U.S. households' growing reliance on stock, bond, and hybrid mutual funds in part reflects many investors' desire to use funds to meet long-term investment goals such as preparing for retirement. Investor demand for long-term mutual funds—after a lull earlier this decade—has strengthened since early 2003, with net new cash flow to long-term funds totaling $475 billion between January 2003 and February 2005. Investors also reinvested another $152 billion in dividends during this period.

U.S. and Foreign Stock Market Investing

Investors added $178 billion of net new money to stock funds in 2004, the largest annual net inflow since 2000. Investor demand was particularly strong early in the year following the robust gains in U.S. and foreign stock markets in 2003. Demand for stock funds receded during the middle part of the year as the stock market flattened. It picked up again late in the year when worldwide stock markets made sizeable gains.

Stock funds primarily holding shares of U.S. corporations attracted $111 billion in new cash. Funds investing in foreign companies had strong inflows as well. The demand for these funds reflected the strong performance of many foreign markets during 2004. U.S. investors received a further gain on their foreign stock holdings with the increase in foreign currencies relative to the dollar, which lifted the dollar value of these securities.

Net New Cash Flow to Equity Funds, Wilshire 5000 Index, January 2000–February 2005



Note: See page 127 for data points on this chart.
Sources: Investment Company Institute and Wilshire Associates

Understanding Turnover Rates for Stock Funds

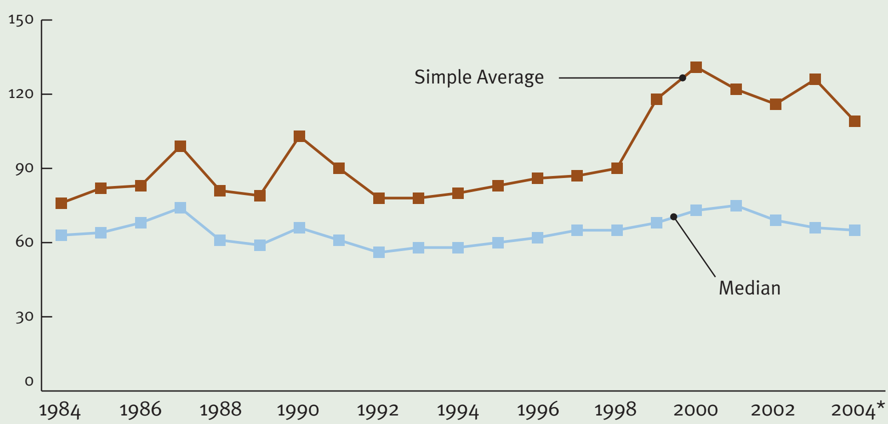
All mutual funds buy and sell securities, and they do so for a variety of reasons. Managers of index funds buy and sell securities to reflect changes in the stocks tracked by the indexes. Managers of actively managed funds trade securities in order to implement their funds' investment strategies. Managers of index and actively managed funds alike also buy and sell securities to accommodate the ebb and flow of "investable" dollars, as investors take advantage of an important mutual fund feature: the ability to purchase and redeem fund shares on demand.

Simple-Average Turnover Rate. There are more than 4,500 stock funds offered in the United States. To determine the average or typical fund's turnover rate, analysts must use some type of averaging technique to summarize the turnover rate of these funds. A "simple average" is an averaging technique that treats each fund equally in the calculation. Such an approach works well if the items being averaged—in this case the turnover rate of each stock fund—exhibit the standard textbook "bell-shaped" curve, with roughly an equal number of observations above and below the simple average, and with few observations that are very far from that average.

Turnover rates of funds do not fit this pattern, however, and the simple average is not the most accurate depiction of a typical fund's portfolio turnover. For example, nearly three-quarters of all stock funds had a turnover rate below the simple average in 2004.

(continued on next page)

Simple Average and Median Stock Fund Turnover Rates, 1984–2004
(percent)



**preliminary data*

Note: See page 128 for data points on this chart.

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

Understanding Turnover Rates for Stock Funds (CONTINUED)

Median Turnover Rate. An alternative to the simple average—the median turnover rate—is a more accurate depiction of the turnover behavior of stock funds. The median turnover rate is the rate at which half of all stock funds have a turnover rate above the median and half have a turnover rate below the median. Unlike the simple-average turnover rate, the median does not overemphasize the turnover rate of a small number of funds.

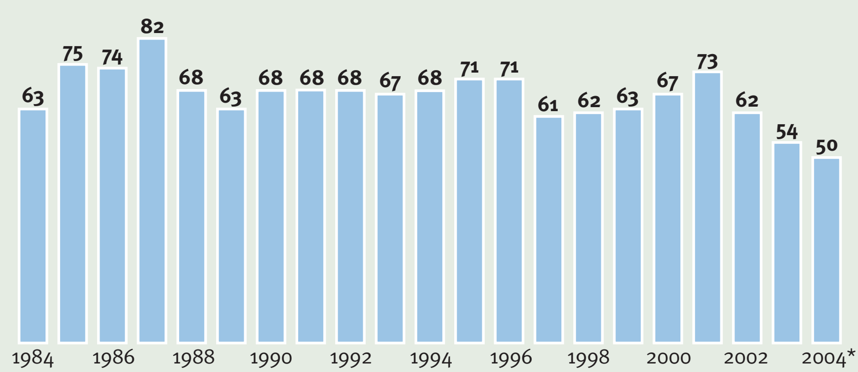
The median turnover rate has not shown any pronounced increase or decrease during the past two decades. Removing index funds, some of which have very low turnover rates, does not change the underlying trend in stock fund turnover rates during the past two decades.

Asset-Weighted Turnover Rate. To analyze the turnover rate that shareholders actually experience in their funds, it is important to identify those stock funds in which shareholders are most heavily invested. Neither the simple average nor the median provides any indication of the turnover actually experienced by mutual fund investors because they do not take into account where stock fund assets are concentrated. For this purpose, a more appropriate measure is an "asset-weighted" average. This calculation gives more weight to funds with large amounts of assets and, accordingly, indicates the average portfolio turnover actually experienced by fund shareholders.

In 2004, the asset-weighted turnover rate for stocks funds was 50 percent. Two-thirds of stock fund assets were in funds with portfolio turnover rates under 50 percent. This reflects shareholders' tendency to own funds with below-average turnover and the propensity for funds with below-average turnover to attract more shareholder dollars.

Annual Turnover Rate Experienced by Stock Fund Investors, 1984–2004

(percent)



*preliminary data

Sources: Investment Company Institute (www.ici.org/pdf/rc_v1n2.pdf) and © CRSP University of Chicago, used with permission, all rights reserved (773.702.7467/www.crsp.com)

Investor demand for hybrid funds, which invest in a combination of stocks and bonds, also picked up in 2004, with investors adding $43 billion in new cash to these funds. Investor demand for these funds had waned during the long rise in stock prices in the second half of the 1990s. However, in the aftermath of the 2000-2002 bear market in stocks and the accompanying decline in interest rates, investor interest in hybrid funds gained strength.

Investor Demand for Bond and Money Market Funds

The U.S. interest rate environment plays a prominent role in the demand for fixed-income mutual fund shares from year to year: short- and long-term interest rate movements can result in significant ebbs and flows in individual and institutional investor purchases and redemptions of bond and money market funds.

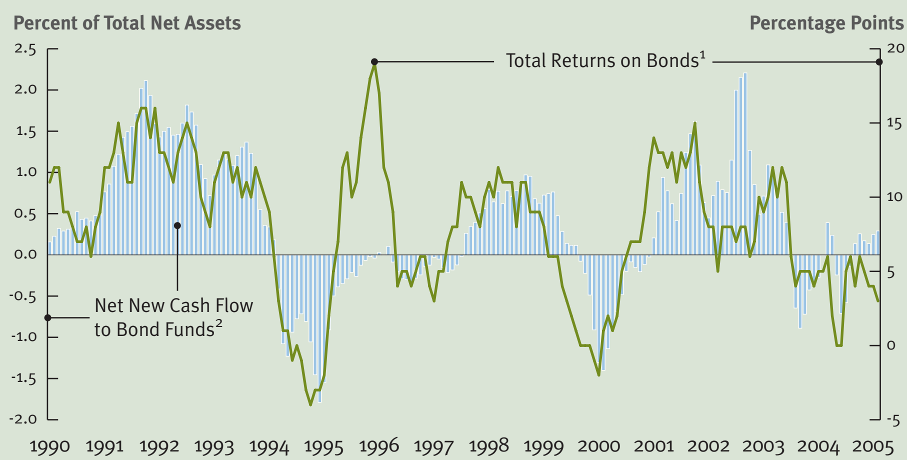
MORE INFO …

See pages 74–80 for detailed data on assets and cash flows for bond funds.

Factors Affecting Demand for Bond Funds

Bond fund assets rose to $1.3 trillion in 2004, with fund performance accounting for the slight growth in assets. Investor demand for these funds weakened following three years of strong purchases. Cash flow into bond funds is highly correlated with the performance of bonds. Falling interest rates from 2001 through 2003 caused bond prices to rise substantially, producing strong bond fund returns. Interest rates on most bonds moved in a narrow range in 2004, and the boost in bond fund returns from rising bond prices was eliminated, leaving interest income as the principal source of performance for many bond funds.

Bond Returns and Net New Cash Flow to Bond Funds, January 1990–February 2005



[1] *The total return on bonds is measured as the year-over-year change in the Citigroup Broad Investment Grade Bond Index.*
[2] *Net new cash flow to bond funds is plotted as a three-month moving average of net new cash flow as a percentage of previous month-end assets. The data exclude flows to high-yield bond funds.*

Note: See page 129 for data points on this chart.

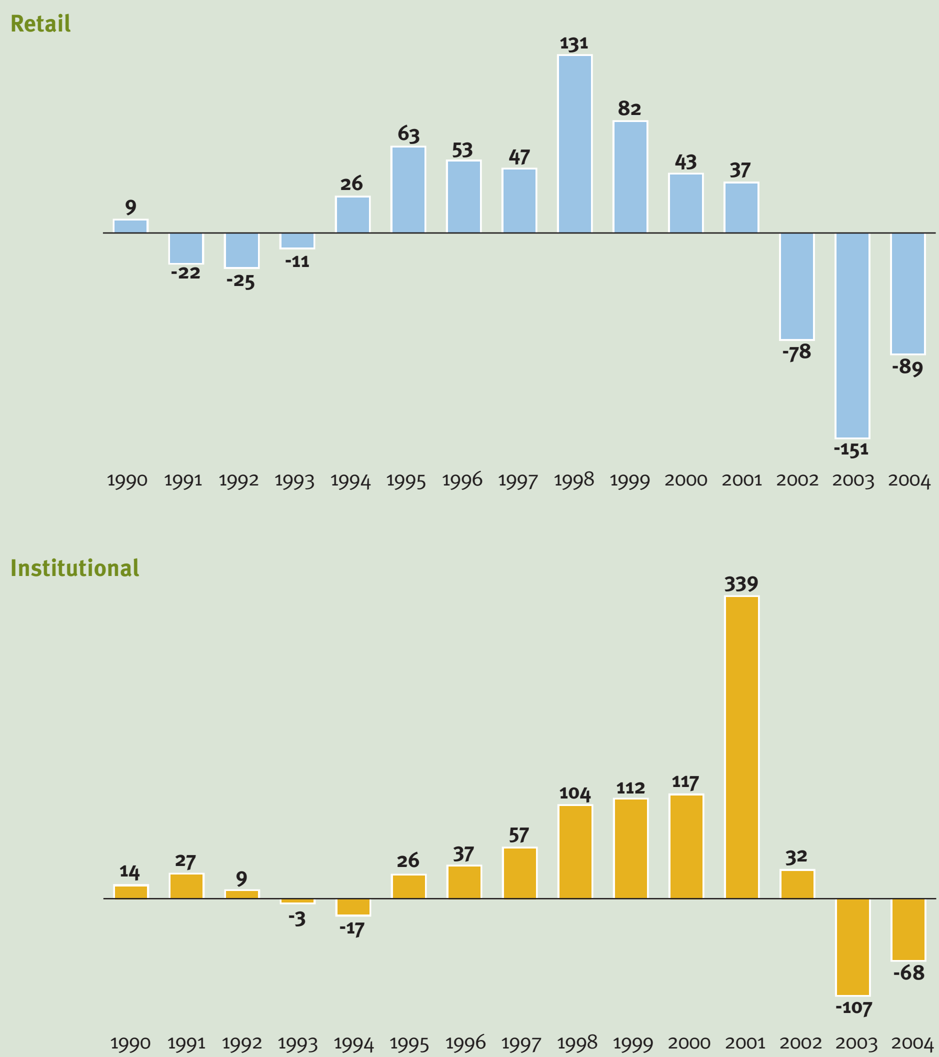
Sources: Investment Company Institute and Citigroup

Investor demand for bond funds also depends on the type of bonds that a fund holds. Funds investing in Treasury securities and tax-exempt bonds had outflows in 2004, while funds holding investment-grade corporate bonds continued to receive net new cash inflows.

Factors Affecting Demand for Money Market Funds

Money market funds have had net outflows since 2002 totaling $462 billion, as both households and institutions shifted short-term assets out of money market funds and into bank deposits and other competing investment options. The shift resulted from the low interest rates that prevailed following the Federal Reserve interest rate reductions, which reduced interest rates on money market securities to their lowest level in more than 40 years.

Net New Cash Flow to Money Market Funds, 1990–2004
(billions of dollars)



Mutual Fund Dividend and Capital Gain Distributions

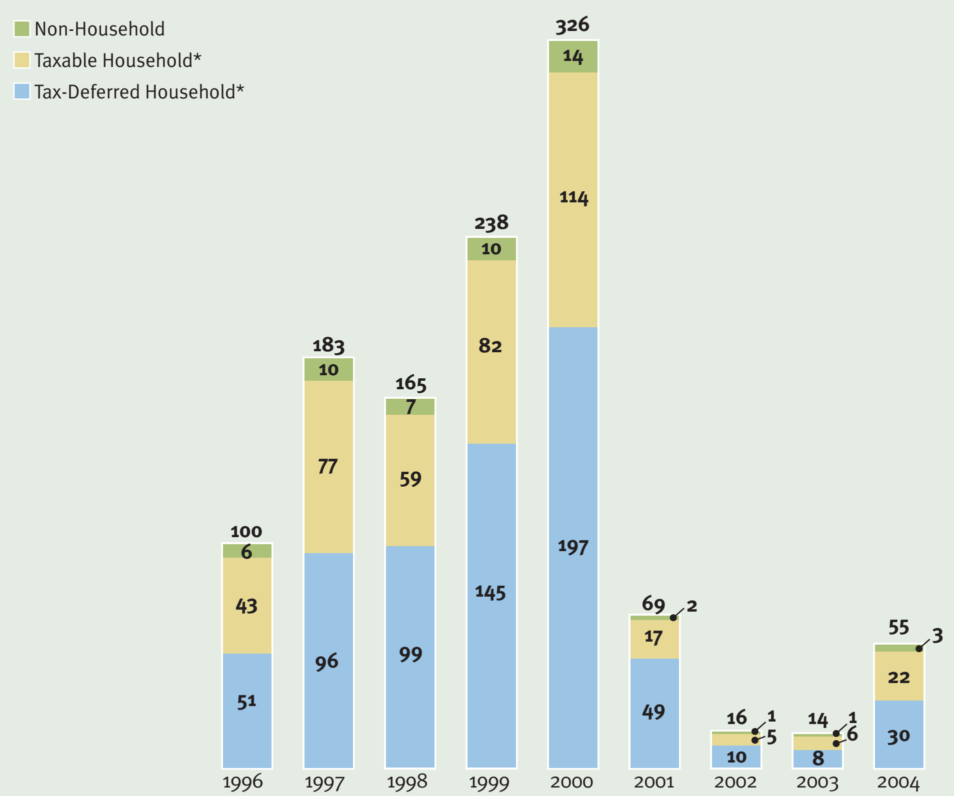
Mutual funds make two types of distributions to shareholders: ordinary dividends and capital gains.

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

Mutual funds distributed $55 billion in capital gains to shareholders in 2004. About 55 percent of these distributions were paid to tax-deferred household accounts, and another 40 percent were paid to taxable household accounts. Stock, bond, and hybrid funds can distribute capital gains, but stock funds typically distribute most of the gains. In 2004, 23 percent of stock fund share classes made a capital gain distribution, and these share classes distributed an average of 1 percent of their assets as capital gains.

(continued on next page)

Capital Gain Distributions Paid by Mutual Funds, 1996–2004
(billions of dollars)



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

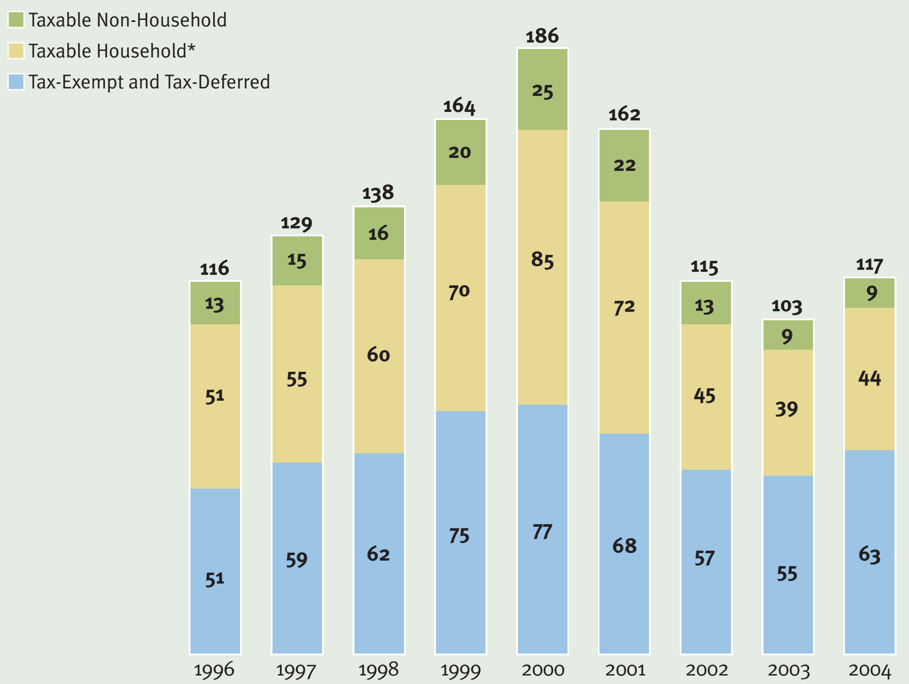
Note: Components may not add to totals because of rounding.

Mutual Fund Dividend and Capital Gain Distributions (CONTINUED)

Mutual funds distributed $117 billion in dividends in 2004. Dividend distributions come primarily from the interest and dividends earned by securities in a fund's portfolio and net short-term gains, if any, after expenses are paid by the fund. Mutual fund dividends were boosted in 2004 by higher interest rates during the second half of the year and by an increase in corporate stock dividends. Bond and money market funds accounted for about 60 percent of all dividend distributions in 2004. More than half of dividend distributions were paid to tax-exempt and tax-deferred household accounts. Another 38 percent were paid to taxable household accounts.

Dividend Distributions Paid by Mutual Funds, 1996–2004

(billions of dollars)



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

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

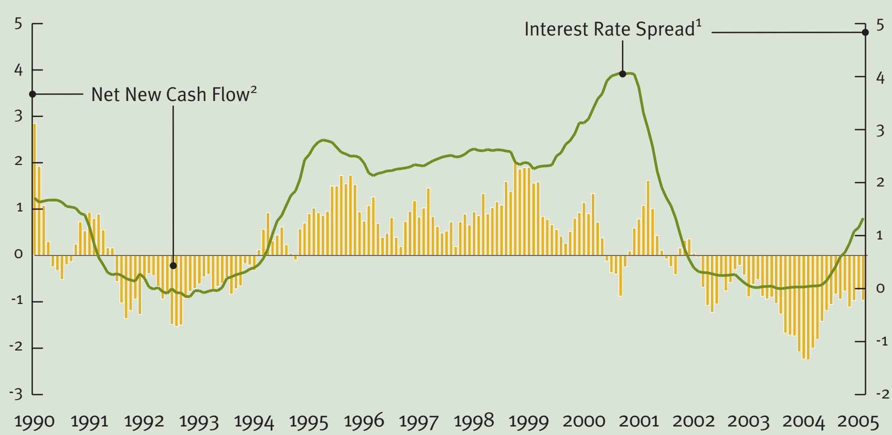
In this environment, interest rates paid on bank deposits were at or above those offered on money market funds, removing the yield premium that money market funds traditionally pay to investors in comparison to other short-term investment options.

Retail and Institutional Money Market Funds

Retail money market funds, which are principally sold to individual investors, had net outflows totaling $89 billion in 2004. Many retail money funds waived a portion of their fees in order to remain competitive with bank deposits. Nevertheless, yields on bank savings accounts were near money fund yields for much of the year, and households continued to move their short-term assets into bank deposits, adding more than $500 billion to bank accounts in 2004.

Interest Rate Spread and Net New Cash Flow to Taxable Retail Money Market Funds, January 1990–February 2005

(percent)



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

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

Note: See page 132 for data points on this chart.

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

Institutional money market funds, used by businesses, pension funds, state and local governments, and other large investors, had outflows of $68 billion in 2004. Since 2002, businesses and other institutional investors have reduced their reliance on money market mutual funds for cash management purposes. U. S. businesses now hold about 21 percent of their short-term assets in money funds. This is down from the peak in 2002, but still above the levels in the late 1990s. The reason that the share rose earlier this decade is that falling interest rates temporarily boosted returns on money market mutual funds relative to other short-term investments, including direct investments in open-market securities. As money market fund yields returned to their normal relationship with market rates much of the new cash left money funds, and the portion of short-term business assets held through money market funds returned to a level in line with the 15-year upward trend.

MORE INFO …

See pages 94–98 for more data on money market funds.

During the second half of 2004, and into 2005, the Federal Reserve began to increase its target rate at a measured pace. Spreads began to widen on money funds relative to bank deposits, and the outflows from money market funds began to abate. This pattern of rising short-term interest rates, widening money market fund spreads relative to bank deposits, and outflows slowing and eventually turning to inflows is a pattern that has been in place for the past 20 years.

Share of U.S. Business Short-Term Assets* Held Through Money Market Funds, 1990–2004
(percent)

**Business 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

SECTION THREE

Mutual Fund Fees and Expenses

Mutual fund investors, like investors in all financial products, incur fees and expenses for the services they receive. This section provides an overview of the cost of owning mutual funds, including:

- a review of the fees and expenses that investors pay and the services that investors receive in return;
- an analysis of shareholders' tendency to invest in funds with below-average operational fees and expenses; and
- a look at trends in fees and expenses that mutual fund investors actually paid over the past 25 years.

Mutual Fund Services and Expenses

Mutual fund investors incur the annual fees and expenses associated with managing a fund. These costs pay for portfolio management, fund administration, daily fund accounting and pricing, and other basic services that funds provide. Other fees and expenses pay for more direct services that make fund investing more convenient for shareholders, such as call centers and websites. All funds incur these two types of operating expenses, which vary from fund to fund depending on many factors, including the type of fund, size of fund, and average amount in a fund's shareholder accounts.

Many mutual fund investors also use and pay for the services of a personal financial adviser. For example, Institute research finds that approximately 80 percent of mutual fund investors seek professional advice when buying mutual fund shares outside of retirement plans at work. Financial advisers typically devote time and attention to prospective investors before they make an initial purchase of funds and other securities. The adviser generally meets with the investor, identifies financial goals, analyzes existing financial portfolios, determines an appropriate asset allocation, and recommends funds to help achieve these goals. Advisers also provide ongoing services, such as periodically reviewing investors' portfolios, adjusting asset allocations, and responding to customer inquiries.

MORE INFO…

See Appendix B, on page 113, for more information on fund operations.

The Evolution of Financial Adviser Compensation

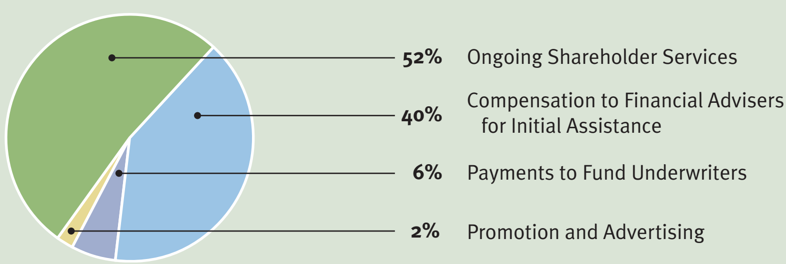
Until about 25 years ago, fund shareholders could only compensate financial advisers for their assistance through a front-end sales load—a one-time, upfront payment made to financial advisers for both current and future services. After 1980, when the U.S. Securities and Exchange Commission (SEC) adopted Rule 12b-1 under the Investment Company Act of 1940, funds and their shareholders had greater flexibility in compensating financial advisers. The adoption of this SEC rule, and subsequent regulatory action, established a framework under which mutual funds pay for some or all of the services that financial advisers provide to shareholders through so-called 12b-1 fees. This framework also allows mutual funds to use 12b-1 fees to compensate other financial intermediaries, such as retirement plan recordkeepers and discount brokerage firms, for providing services to fund shareholders, and to pay for advertising, marketing, and other sales promotion activities.

MORE INFO…

See ICI's February 2005 *Fundamentals* at www.ici.org/pdf/fm-v14n2.pdf for information on funds' use of 12b-1 fees.

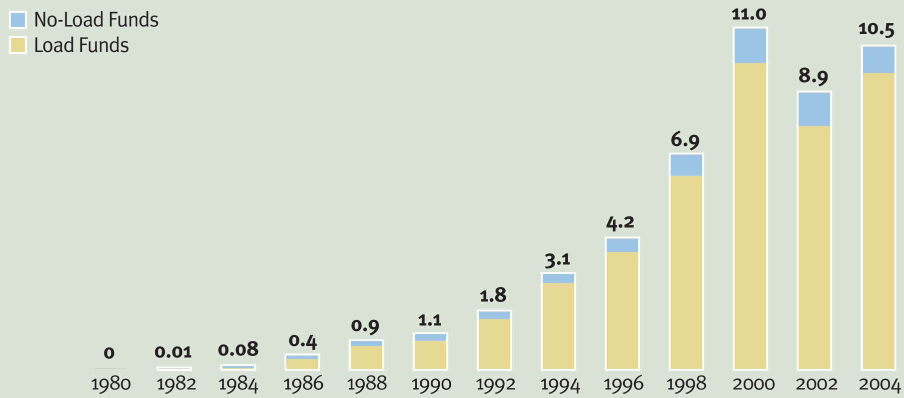
Funds use most of the 12b-1 fees collected to compensate financial advisers and other financial intermediaries for assisting fund investors before and after they purchase fund shares. Funds use only a small fraction of the 12b-1 fees that they collect for advertising and promotion.

Funds' Use of 12b-1 Fees
(percent of 12b-1 fees collected)



The amount of 12b-1 fees that shareholders pay through mutual funds has risen from a few million dollars in the early 1980s to more than $10 billion in 2004. The increase reflects, in part, the 60-fold growth in mutual fund assets and the 12-fold increase in the number of households owning funds since 1980. The increase in total 12b-1 fees also reflects a shift by mutual funds and their investors from front-end sales loads to 12b-1 fees as a mechanism to compensate financial advisers. As funds have added 12b-1 fees, the typical front-end sales load has declined from 8 percent in 1980 to 5 percent in 2004. Most load funds now also offer classes of their shares that have 12b-1 fees but no front-end loads. These changes are an important reason why the 12b-1 fees that load funds collected have risen since 1980.

Total 12b-1 Fees* Collected by Funds Over Time
(billions of dollars)



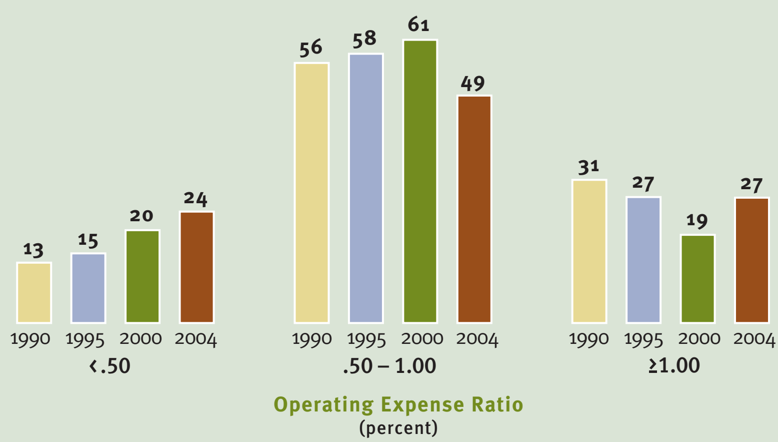
*excludes 12b-1 fees on variable annuities

Sources: Investment Company Institute, Lipper, Strategic Insight Mutual Fund Research and Consulting, LLC, and © CRSP University of Chicago, used with permission, all rights reserved (773.702.7467/www.crsp.com)

Shareholder Demand for Lower-Cost Funds

Shareholders are heavily invested in mutual funds that have lower-than-average expenses for operating and managing the fund. This tendency to invest in lower-cost funds can be observed by comparing what the average mutual fund charges to what shareholders actually pay. The simple-average operating expense ratio is one measure of what the average fund charges. For example, the operating expense ratio of the average stock fund was 1.2 percent in 2003, whereas stock fund shareholders on average paid 0.78 percent.

Stock Fund Assets by Operating Expense Ratio[1]
(percent)



[1]*The operating expense ratio is measured as the total expense ratio minus the 12b-1 fee.*

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

MORE INFO …

See the December 2004 *Fundamentals* at www.ici.org/pdf/fm-v13n5.pdf for information on the cost of fund ownership.

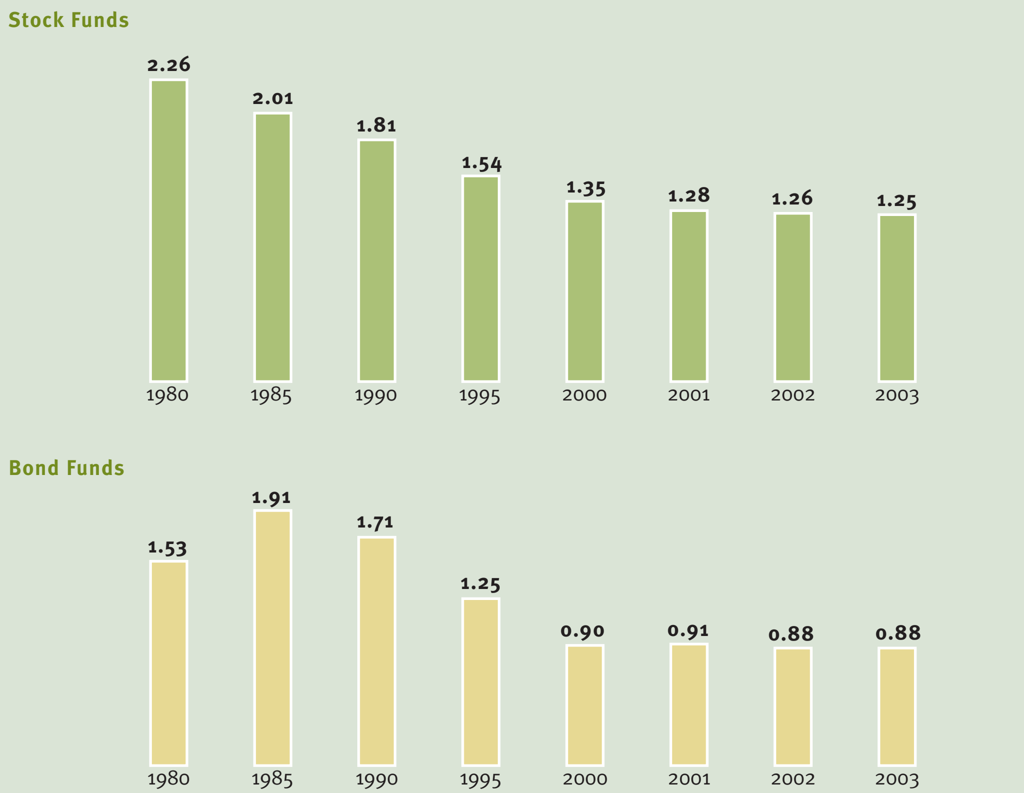
An alternative means of showing the tendency for shareholders to invest in lower-cost funds is to measure the percentage of mutual fund assets by expense ratio. In 2004, shareholders held nearly three-quarters of their stock fund assets in funds that had an operating expense ratio of less than 1 percent. And 50 percent of the $178 billion in net purchases of stock fund shares in 2004 went to stock funds that charged less than 0.50 percent for operating expenses.

Trends in Shareholder Costs

Because mutual funds and shareholders have reduced their reliance on front-end sales loads and relied more heavily on 12b-1 fees to pay for the services of financial advisers, comparing the cost of mutual funds over time requires that the cost measure include both annual expenses and sales loads. Since sales loads are one-time payments, it is necessary to convert sales load data into

Total Shareholder Cost* of Stock and Bond Mutual Funds

(percent)



*sales-weighted average of annual fees and expenses and annualized loads for individual funds

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

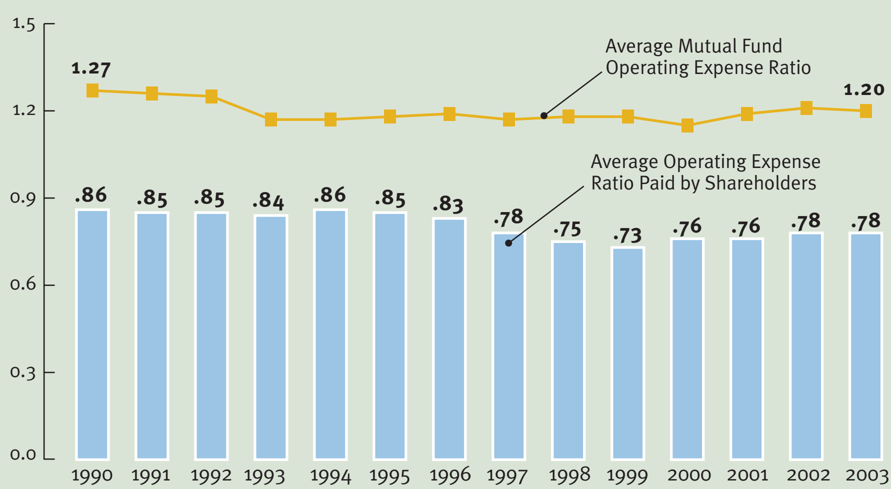
an equivalent annual payment made over the lifetime of a fund investment in order to draw a comparison to the annual operating expenses and 12b-1 fees that shareholders pay.

In 1980, investors buying stock funds incurred an average annualized cost of fees and expenses of 2.26 percent. By 2003, stock fund investors incurred annualized fees of 1.25 percent.

There are several reasons for the drop in the costs that shareholders incur. First, shareholders pay much less in front-end loads than they did in 1980. The average maximum front-end load that an investor might pay has fallen from 8 percent to 5 percent. The front-end loads that shareholders actually paid have fallen even more, from 70 percent of the maximum load in 1980 to only 25 percent of the maximum in 2003. A key factor in the steep decline in loads paid has been the growth of mutual fund sales through employer-sponsored retirement plans, since load funds often do not charge loads for purchases of fund shares through retirement plans at work.

Another reason for the decline in the actual cost of investing in mutual funds has been the growth in sales of no-load funds. Again, much of the increase in no-load sales has occurred through the employer-sponsored retirement plan market. In addition, no-load sales have expanded through mutual fund supermarkets and discount brokers.

Stock Fund Operating Expense Ratios,[1] 1990–2003
(percent)



[1]Operating expense ratio is measured as the total expense ratio minus the 12b-1 fees.

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

A final important reason for the overall decline in shareholder costs is that fees and expenses that mutual funds charge for operating funds have declined during the past 15 years. In 1990, the average operating expense ratio was 1.27 percent, compared with 1.20 percent in 2003. This decline occurred even though demand for mutual fund services soared as the number of mutual fund investors doubled and shareholder accounts quadrupled. The industry's historically low barriers to entry led sponsors to introduce new funds to meet this demand, which in turn put downward pressure on fees and expenses during this period of rapidly growing demand.

SECTION FOUR

Who Owns Mutual Funds?

Individual Americans hold about 90 percent of total mutual fund assets. Businesses, state and local governments, and other institutional investors hold the remainder.

This section on owners of mutual funds includes:

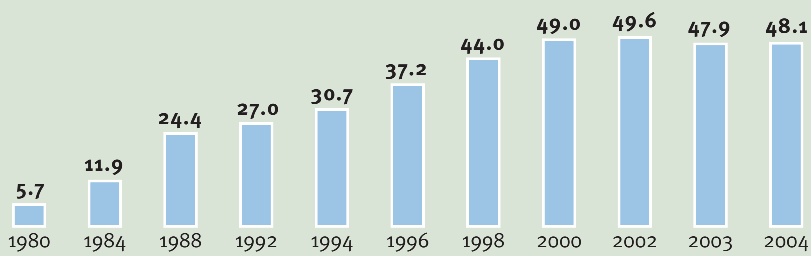
- a discussion of the growth in the ownership of mutual funds by individuals in U.S. households;
- a look at individual shareholder characteristics, examining age and income demographics, and ownership inside and outside defined contribution plans; and
- a snapshot of institutional owners of funds.

U.S. Household Demand for Mutual Funds

U.S. household ownership of mutual funds has grown significantly over the past 25 years. Nearly half of all U.S. households owned mutual funds in 2004, compared with less than 6 percent in 1980. In 2004, 92 million individuals in 54 million U.S. households owned mutual funds.

U.S. Household Ownership of Mutual Funds, 1980–2004*

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



	1980	1984	1988	1992	1994	1996	1998	2000	2002	2003	2004
U.S. Households (millions)	4.6	10.2	22.2	25.8	30.2	36.8	44.4	51.7	54.2	53.3	53.9

**Households owning mutual funds in 1980 and 1984 were estimated from data on the number of accounts held by individual shareholders and the number of funds owned by fund-owning households; data for 1980 through 1992 exclude households owning mutual funds only through employer-sponsored retirement plans; data for 1994 through 2004 include households owning mutual funds only through employer-sponsored retirement plans. The data for 1998 through 2004 include fund ownership through variable annuities.*

Source: Fundamentals, *"U.S. Household Ownership of Mutual Funds in 2004" (www.ici.org/pdf/fm-v13n3.pdf)*

Strong economic growth in the United States during much of the past quarter century has provided the underpinning for the growth in household demand for discretionary financial assets in general, and mutual funds in particular.

The increased demand for financial assets primarily occurred in corporate equities. Some of the increased stock holdings came from an increase in allocation among existing equity owners. New investors were also attracted to equity investments: nearly half of all U.S. households owned stock either directly or indirectly in 2002, up from just under one-third in 1989.

As households shifted into financial assets, they increased their preference for indirect ownership of stocks, bonds, and other securities through mutual funds over direct ownership. By the end of 2004, mutual funds accounted for nearly 20 percent of household financial assets, up from about 7 percent at the end of

Mutual Fund Ownership, 2004

HOW MANY PEOPLE OWN MUTUAL FUNDS?

92 million individuals in

54 million U.S. households own mutual funds

WHO ARE THEY?

48 years, median age

71 percent are married or living with a partner

56 percent are college graduates

77 percent are employed

49 percent are Baby Boomers

24 percent are Generation X

WHAT DO THEY OWN?

$125,000, median household financial assets, excluding residence

47 percent, median household financial assets in mutual funds

69 percent own IRAs

84 percent own defined contribution retirement plan accounts

WHAT IS IN THEIR FUND PORTFOLIO?

70 percent bought first mutual fund more than 10 years ago

4 mutual funds, median number owned

$48,000, median mutual fund assets

58 percent purchased first mutual fund through defined contribution retirement plan

80 percent own equity mutual funds

HOW DO THEY INVEST?

71 percent tend to rely on professional investment advice

84 percent are willing to take average or more financial risk for comparable gain

92 percent are saving for retirement

Source: Profile of Mutual Fund Shareholders, *Investment Company Institute, 2004 (www.ici.org/pdf/rpt_profile04.pdf)*

1990. Mutual funds offer investors several advantages over direct investments in securities, such as asset diversification, professional money management, asset liquidity, reduced investor costs, investment information and advice, and account reporting.

The growth of tax-deferred investing for retirement was another chief factor in the increased share of mutual funds in household financial assets. Tax-deferred vehicles — including defined contribution retirement plans and IRAs — became increasingly popular over the past 25 years, as more employers offered defined contribution plans and as the large Baby Boomer segment of the U.S. population began preparing for retirement.

MORE INFO ...

Visit ICI's website at www.ici.org/shareholders/index.html for more research on fund shareholders.

By year-end 2004, households held 22 percent of their financial assets in tax-deferred products, up from 13 percent at year-end 1990. Moreover, tax-deferred accounts became the primary means of owning mutual funds for many households. In 2004, nearly $3.8 trillion or about half of household mutual fund assets were held in these accounts, up from $234 billion in 1990.

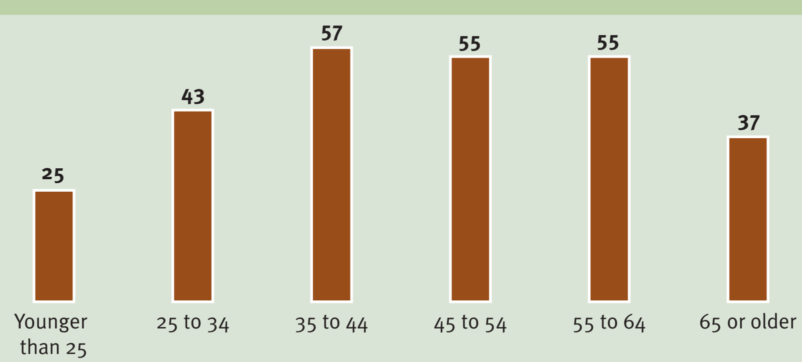
Characteristics of Individual Mutual Fund Shareholders

Most shareholders have invested in mutual funds for many years; 70 percent have owned funds for at least 10 years. Most shareholders own several mutual funds, and the majority usually own at least one equity fund. Fund shareholders typically have long-term investment horizons and use mutual funds to save for retirement or to pay for children's education.

Fund Ownership by Age and Income

Individuals of all ages and household incomes own funds. Ownership of funds is the greatest among households headed by 35- to 64-year-olds — individuals who are in their peak earning and saving years. The median age of all U.S. mutual fund shareholders was 48 in 2004.

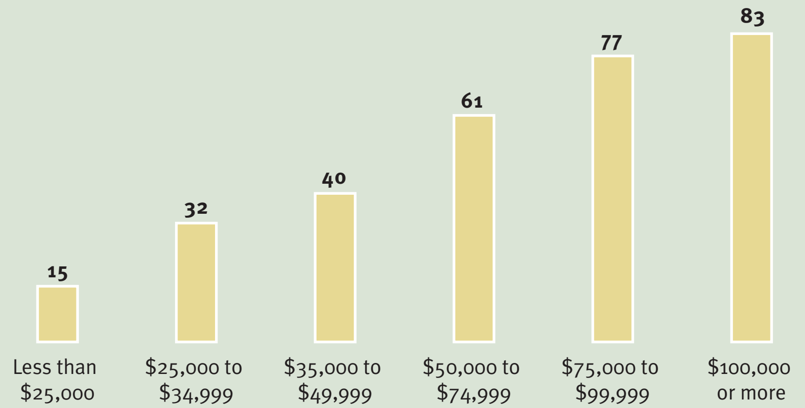
U.S. Households Owning Mutual Funds by Age Group,* 2004
(percent)



**age of individual heading the household*

Source: Fundamentals, *"U.S. Household Ownership of Mutual Funds in 2004" (www.ici.org/pdf/fm-v13n3.pdf)*

U.S. Households Owning Mutual Funds by Income Group,* 2004
(percent)



*income ranges based on 2003 pretax household income

Source: Fundamentals, *"U.S. Household Ownership of Mutual Funds in 2004" (www.ici.org/pdf/fm-v13n3.pdf)*

Mutual fund ownership increases with household income, although most mutual fund investors are of moderate financial means. In 2004, nearly 60 percent of fund investors had household incomes between $35,000 and $99,999, and shareholders' median household income was $68,700.

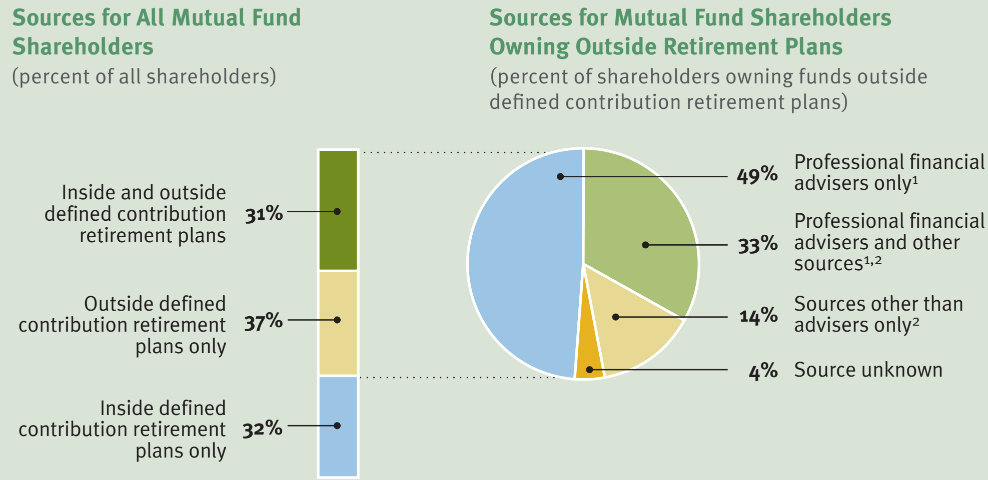
Fund Ownership Through Defined Contribution Plans

With the growth of 401(k) plans since 1990, retirement plans at work have become a common source through which individuals invest in mutual funds. More than 60 percent of mutual fund shareholders currently hold funds through these plans, fairly evenly split between those who solely own funds through retirement plans at work and those who also own funds outside these plans.

Increasingly, individuals are being introduced to mutual fund investing through retirement plans at work. Today, 58 percent of shareholders purchased their first fund from a defined contribution retirement plan, compared with 47 percent in 1998.

Moreover, an increasing number of shareholders consider defined contribution plans to be their primary source for purchasing mutual funds. Nearly 60 percent of all shareholders currently view defined contribution retirement plans as their main fund purchase source, up from about half of all shareholders in 1998.

Where Shareholders Own Mutual Funds, 2004



[1]*Professional financial advisers include full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, and accountants.*
[2]*Other sources include fund companies directly, fund supermarkets, and discount brokers.*

Source: Fundamentals, *"Ownership of Mutual Funds Through Professional Financial Advisers" (www.ici.org/pdf/fm-v14n3.pdf)*

Fund Ownership Outside Defined Contribution Retirement Plans

About two-thirds of all mutual fund shareholders own funds outside defined contribution retirement plans. Financial advisers help many of these investors select funds. Advisers also provide investors with a range of services after the initial sale of fund shares, including conducting transactions, maintaining financial records, and coordinating the distribution of prospectuses, financial reports, and proxy statements.

Use of Advisers to Purchase Funds

Among investors owning fund shares outside defined contribution plans, more than 80 percent currently own fund shares through professional financial advisers, including full-service brokers, independent financial planners, insurance agents, bank or savings institution representatives, and accountants. Nearly half own funds solely through advisers, while another third own funds purchased from advisers as well as from fund companies, fund supermarkets, or discount brokers. Fourteen percent solely own funds purchased without the help of a financial adviser.

Use of Professional Financial Advisers to Purchase Mutual Funds by Shareholder Characteristics, 2004

(percent of shareholders owning funds outside defined contribution retirement plans)

[1]*Professional financial advisers include full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, and accountants.*

[2]*Other sources include fund companies directly, fund supermarkets, and discount brokers.*

Source: Fundamentals, *"Ownership of Mutual Funds Through Professional Financial Advisers" (www.ici.org/pdf/fm-v14n3.pdf)*

Characteristics of Investors Owning Funds Through Advisers

Mutual fund ownership through advisers is predominant across all shareholder classifications, including investor age, education, length of fund ownership, and household mutual fund assets. In each of these classifications, three-quarters or more of mutual fund investors have used advisers to purchase funds outside retirement plans. The most significant variation occurs in the education demographic, where 90 percent of fund shareholders with high school educations or less purchased fund shares from advisers, compared with 77 percent of fund owners with graduate degrees.

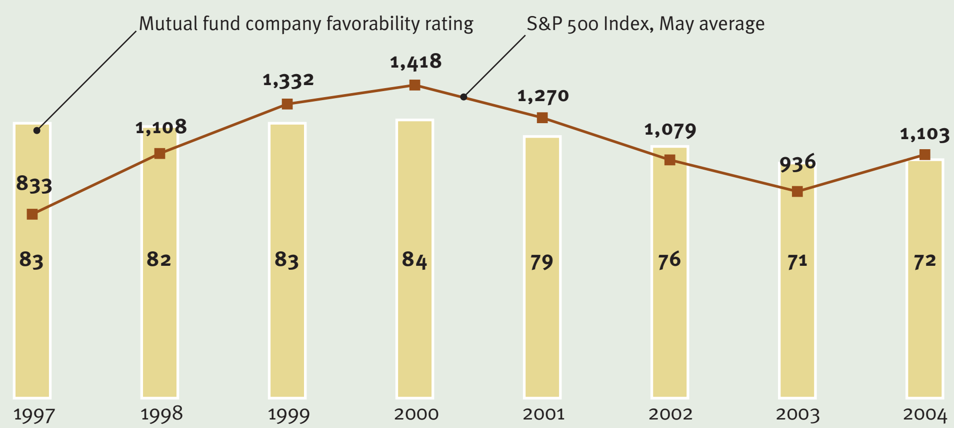
MORE INFO …

See the October 2004 *Fundamentals* at www.ici.org/pdf/fm-v13n4.pdf for more on fund shareholder sentiment.

Shareholder Sentiment of the Mutual Fund Industry

The 2000–2002 bear market and subsequent trading abuses uncovered in September 2003 impacted shareholder sentiment concerning the mutual fund industry. Nonetheless, mutual fund investors generally have a favorable view of the mutual fund industry and are confident that mutual funds will help them reach their financial goals. Reflecting the importance of fund performance in shaping shareholder opinion, mutual fund company favorability has historically correlated with market performance. In addition to fund performance, shareholders indicate their impressions of the fund industry are primarily shaped by personal experience with a fund company, current events in financial markets, and the opinions of professional financial advisers.

Mutual Fund Company Favorability Rating and S&P 500 Index, 1997–2004



Note: The mutual fund company favorability rating is the percent of mutual fund shareholders familiar with and having a "very" or "somewhat" favorable impression of mutual fund companies.

Source: Fundamentals, *"Shareholder Sentiment of the Mutual Fund Industry" (www.ici.org/pdf/fm-v13n4.pdf)*

Institutional Ownership of Mutual Funds

Financial institutions, businesses, nonprofit organizations, and other institutional investors hold approximately 10 percent of mutual fund assets. Institutional investor data exclude mutual fund holdings by fiduciaries, retirement plans, and variable annuities, which are primarily attributed to individual investors. As of December 31, 2004, financial institutions, which include credit unions, investment clubs, banks, and insurance companies, hold $278 billion in fund assets. Business corporations invest another $381 billion in funds in corporate and similar accounts. Business corporation 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 rather than employer assets. Nonprofit organizations, including state and local governments, and other institutional investors hold $170 billion in mutual fund accounts. These institutions invest heavily in money market mutual funds, which account for about 60 percent of all institutional holdings of mutual funds.

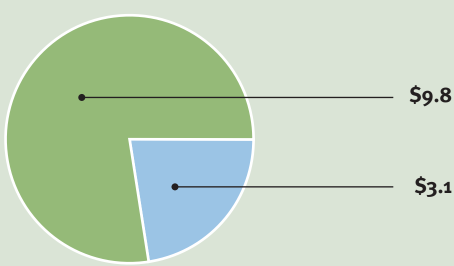
SECTION FIVE

Mutual Funds in the Retirement and Education Savings Markets

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-deferred accounts to reach these long-term goals, ICI examines funds' role in the retirement and education savings markets and the investors who use IRAs, 401(k) and 529 plans, and other long-term savings vehicles. This section includes:

- an overview of the retirement and education savings markets;
- a closer look at the retirement market, focusing on the significant holdings of mutual funds among IRA investors and defined contribution plan participants;
- a review of IRA investors' and 401(k) plan participants' characteristics; and
- a closer look at the education savings market and a brief analysis of households that save for college.

U.S. Retirement Market Assets, 2004*
(trillions of dollars)



**preliminary data*

Sources: Investment Company Institute and Federal Reserve Board

More Info...

See ICI's annual review of the $12.9 trillion U.S. retirement market, available under Retirement Market Statistics on the Institute's website at www.ici.org/issues/ret/index.html.

Mutual Funds in the U.S. Retirement Market

At year-end 2004, mutual funds accounted for $3.1 trillion, or 24 percent, of the $12.9 trillion U.S. retirement market. The remaining $9.8 trillion of year-end 2004 retirement market assets were managed by pension funds, insurance companies, banks, and brokerage firms. In the education savings market, mutual funds accounted for an estimated 97 percent of the $52.2 billion Section 529 savings plan market at year-end 2004. Funds also managed $3.0 billion in Coverdell Education Savings Account (ESA)—formerly Education IRA—assets at year-end 2004.

The $3.1 trillion in mutual fund retirement assets represented about 38 percent of all mutual fund assets at year-end 2004. Mutual fund retirement assets primarily come from two sources: Individual Retirement Accounts (IRAs) and employer-sponsored defined contribution plans, such as 401(k) plans. Funds hold roughly the same amount of assets in IRAs and employer-sponsored defined contribution plans.

Mutual Fund Retirement Assets, 1991–2004[1]

(billions of dollars)

	Total Retirement	Employer-Sponsored Accounts[2]	IRAs
1991	$321	$135	$186
1992	418	184	235
1993	581	263	318
1994	664	319	345
1995	913	444	469
1996	1,170	581	588
1997	1,540	771	769
1998	1,947	980	966
1999	2,533	1,276	1,257
2000	2,475	1,249	1,227
2001	2,337	1,181	1,155
2002	2,077	1,047	1,029
2003	2,656	1,356	1,300
2004	3,053	1,566	1,487

[1]*preliminary data*
[2]*includes 401(k) plans, 403(b) plans, 457 plans, Keoghs, and other defined contribution plans without 401(k) features; does not include defined benefit plan mutual fund assets*

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

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

Mutual Funds and the IRA and Defined Contribution Plan Markets

IRAs were one of the fastest growing components of the U.S. retirement market between 1990 and 2004, and the mutual fund industry's share of the IRA market increased from 22 percent in 1990 to 43 percent at year-end 2004.

Since 1990, assets in IRAs have grown primarily due to the investment performance of the securities held in IRA portfolios and rollovers into IRAs from employer-sponsored retirement plans. Various laws enacted since 1996 introduced new types of IRAs. Furthermore, the Economic Growth and Tax Relief Reconciliation Act (EGTRRA), enacted in 2001, increased the amount investors — especially those age 50 or older — can contribute to IRAs. ICI household survey data and Internal Revenue Service Statistics of Income tabulations of IRA contributions indicate households have responded to the increased savings opportunities.

Assets in the IRA Market, 1990–2004
(billions of dollars)

	Bank and Thrift Deposits[1]	Life Insurance Companies[2,3]	Mutual Funds[3]	Securities Held Directly Through Brokerage Accounts[3,4]	Total IRA Assets
1990	$266	$40	$139	$192	$637
1991	282	45	186	262	776
1992	275	50	235	314	873
1993	263	61	318	350	993
1994	255	69	345	387	1,056
1995	261	81	469	478	1,288
1996	258	92	588	528	1,467
1997	254	135	769	570	1,728
1998	249	157	966	778	2,150
1999	244	202	1,257	949	2,651
2000	252	202	1,227	948	2,629
2001	255	211	1,155	998	2,619
2002	263	268	1,029	972	2,533[3]
2003	268	285	1,300	1,227[e]	3,080[e]
2004	270	314[e]	1,487	1,404[e]	3,475[e]

[1]bank and thrift deposits include Keogh deposits
[2]annuities held by IRAs, excluding variable annuity mutual fund IRA assets
[3]preliminary data
[4]excludes mutual fund assets held through brokerage accounts, which are included in mutual funds
[e]estimated

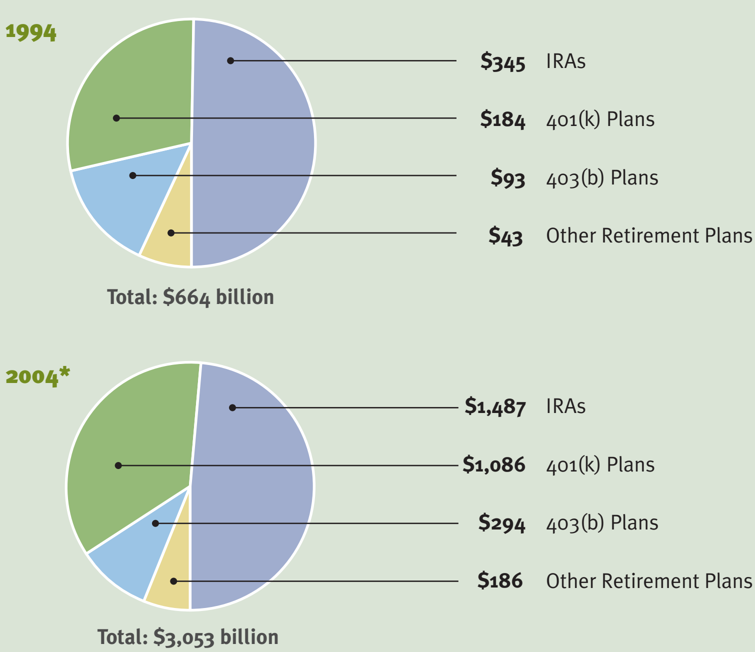
Note: Components may not add to totals because of rounding.

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

The mutual fund industry's share of the employer-sponsored defined contribution plan market increased from 8 percent in 1990 to nearly half at year-end 2004. Mutual fund assets held in employer-sponsored defined contribution retirement accounts totaled $1.6 trillion in 2004, an increase of $210 billion, or 15 percent, from 2003. At the end of 2004, the employer-sponsored defined contribution plan market, which includes 401(k) plans, 403(b) plans, 457 plans, Keoghs, and other defined contribution plans, held an estimated $3.2 trillion in assets.

Mutual Fund Assets by Type of Retirement Plan, 1994 and 2004*

(billions)



*preliminary data

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

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

Other employer-sponsored pensions include $1.8 trillion in assets in private defined benefit pension funds, $2.1 trillion in state and local government employee retirement plans, $1.3 trillion in annuity reserves, and $1.0 trillion in federal government defined benefit plans and the federal employees' Thrift Savings Plan.

Mutual Funds and the Defined Contribution Market

Defined contribution plans, especially 401(k) plans, are the largest holder of mutual funds in the employer-sponsored plan market. At year-end 2004, $1.1 trillion, or 69 percent, of mutual fund assets in defined contribution plans were held in 401(k) plans. Mutual funds' share of the 401(k) market increased from 9 percent in 1990 to an estimated 51 percent at year-end 2004. Nineteen percent, or $294 billion, of mutual fund assets in defined contribution plans at year-end 2004 were held in 403(b) plans. The remaining mutual fund assets in defined contribution plans were in 457 plans, Keoghs, and other defined contribution plans without 401(k) features.

Retirement Investor Characteristics

The Institute conducts research tracking demographic information on retirement investors. ICI studies IRA investors and 401(k) plan participants because of the prevalence of mutual funds in those tax-deferred savings vehicles.

Assets in 401(k) Plans, 1990–2004*
(billions of dollars)

	Mutual Fund 401(k) Plan Assets	Other 401(k) Plan Assets	Total
1990	$35	$350	$385
1991	46	394	440
1992	82	471	553
1993	140	476	616
1994	184	491	675
1995	266	598	864
1996	350	711	1,061
1997	479	785	1,264
1998	616	925	1,541
1999	810	980	1,790
2000	816	934	1,750*
2001	795	886[e]	1,681[e]
2002	707	796[e]	1,502[e]
2003	918	950[e]	1,868[e]
2004	1,086	1,023[e]	2,109[e]

*preliminary data
[e]estimated

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

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

Types of IRAs and Their Owners

	Year Created	Number of U.S. Households With Type of IRA, 2004	Percent of U.S. Households With Type of IRA, 2004
Traditional IRA	1974 (Employee Retirement Income Security Act)	36.7 million	32.8%
SEP IRA	1978 (Revenue Act)	9.6 million	8.6%
SAR-SEP IRA	1986 (Tax Reform Act)		
SIMPLE IRA	1996 (Small Business Job Protection Act)		
Roth IRA	1997 (Taxpayer Relief Act)	14.3 million	12.8%

Sources: Investment Company Institute and U.S. Census Bureau (Fundamentals, *"IRA Ownership in 2004," www.ici.org/pdf/fm-v14n1.pdf)*

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

Approximately four out of 10 U.S. households, or 45.2 million, owned IRAs as of mid-2004. IRA households generally are headed by middle-aged individuals with moderate household incomes who are more likely to hold mutual funds, especially long-term mutual funds, in their IRA portfolios than any other type of investment.

As of mid-2004, approximately 36.7 million U.S. households owned "traditional" IRAs—the first type of IRA created (under the Employee Retirement Income Security Act of 1974)—while about 14.3 million U.S. households owned Roth IRAs, first available in 1998. An estimated 9.6 million U.S. households owned employer-sponsored IRAs (SIMPLE IRAs, SEP IRAs, or SAR-SEP IRAs).

Nearly two-thirds of IRA households included mutual funds in their IRAs, with 54 percent investing in equity funds, 27 percent in bond funds, 19 percent in hybrid funds, and 27 percent in money market funds. Thirty-seven percent of IRA households held individual stocks, 16 percent held individual bonds, 31 percent held annuities, and 27 percent held bank savings accounts, money market deposit accounts, or certificates of deposits.

A Look at the 30-Year-Old Individual Retirement Account Success Story

See "The Individual Retirement Account at Age 30: A Retrospective" (www.ici.org/pdf/per11-01.pdf) for a detailed look at the evolution of the 30-year-old IRA market, including a review of the laws and regulations that have governed the use of IRAs in retirement planning.

Traditional IRA households held a median of $24,000 in their traditional IRAs in 2004, typically in two accounts. Forty-six percent of these households had traditional IRA accounts that included assets "rolled over" from employer-sponsored retirement plans, and 26 percent also owned Roth IRAs. Traditional IRA households tended to have greater financial assets but lower incomes than other types of IRA households. Individuals heading traditional IRA households generally were older and more likely to be retired than individuals heading Roth or employer-sponsored IRA households.

The majority of Roth IRA households owned one Roth IRA account with a median balance of $8,600 in 2004. About one-third of Roth IRA households opened a Roth IRA as their first IRA. Individuals heading Roth IRA households had a median age of 44 years, and 82 percent were employed.

Types of Assets Held in IRAs,* 2004
(percent of U.S. households owning any type of IRA)

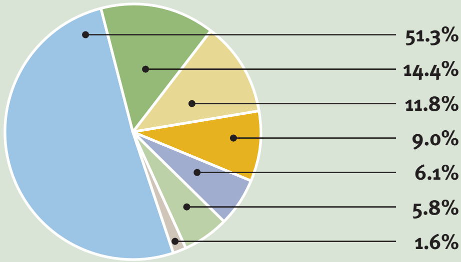
Mutual funds (total)	65
Equity mutual funds	54
Bond mutual funds	27
Hybrid mutual funds	19
Money market mutual funds	27
Individual stocks	37
Annuities (total)	31
Variable annuities	18
Fixed annuities	20
Bank savings accounts, money market deposit accounts, or certificates of deposit	27
Individual bonds	16
Other	5

*multiple responses included
Source: Fundamentals, *"IRA Ownership in 2004" (www.ici.org/pdf/fm-v14n1.pdf)*

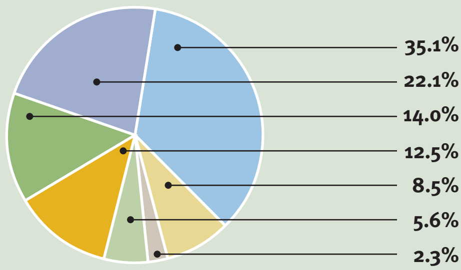
Households with employer-sponsored IRAs had a median of $47,800 invested in all types of IRAs in 2004. Fifty-four percent of these households also owned traditional IRAs and 27 percent also owned Roth IRAs. Nearly one in four individuals heading households with employer-sponsored IRAs were self-employed.

AVERAGE ASSET ALLOCATION OF 401(k) ACCOUNT BALANCES BY PARTICIPANT AGE, 2003
(percent)

Participants in Their Twenties



Participants in Their Sixties



Note: Funds include mutual funds and other pooled investments, and components may not add to 100 percent because of rounding.

Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project (Perspective, *"401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2003," www.ici.org/pdf/per10-02.pdf)*

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

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

According to research conducted by ICI and the Employee Benefit Research Institute (EBRI), asset allocation behavior among 401(k) plan participants can vary widely, depending on a variety of factors. For example, younger participants tend to allocate a larger portion of their account balances to equity funds (which include equity mutual funds and other pooled equity investments), while older participants are more likely to invest in fixed-income securities such as guaranteed investment contracts (GICs) and bond funds.

THE EBRI/ICI PARTICIPANT-DIRECTED RETIREMENT PLAN DATA COLLECTION PROJECT

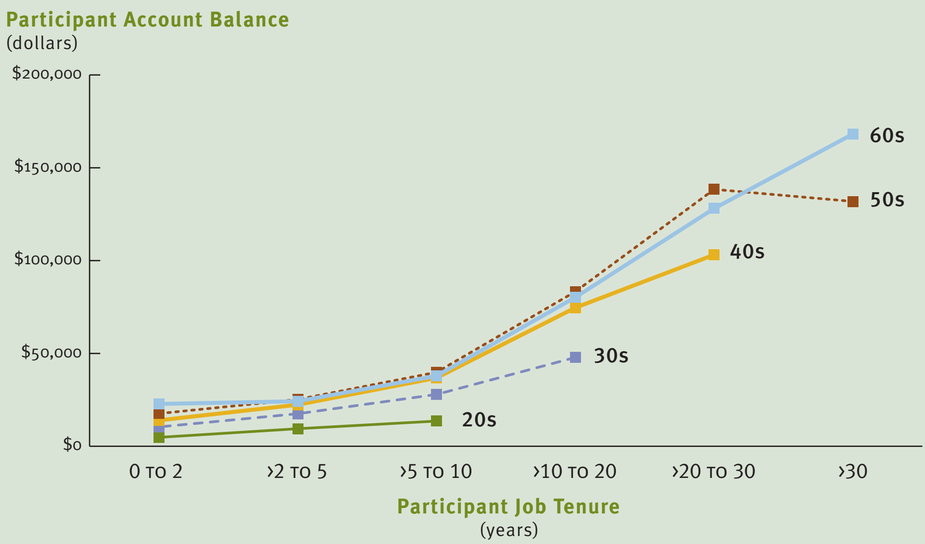
ICI and the Employee Benefit Research Institute (EBRI) collaborate on the nation's largest database of 401(k) accounts. See the latest EBRI/ICI research on 401(k) plan participants at www.ici.org/shareholders/ret/index.html.

On average, at year-end 2003, individuals in their twenties invested 51.3 percent of their assets in equity funds, 14.4 percent in company stock, 11.8 percent in balanced funds, 9.0 percent in bond funds, 6.1 percent in GICs and other stable value funds, and 5.8 percent in money funds. By comparison, individuals in their sixties invested 35.1 percent of their assets in equity funds, 22.1 percent in GICs and other stable value funds, 14.0 percent in company stock, 12.5 percent in bond funds, 8.5 percent in balanced funds, and 5.6 percent in money funds.

The average 401(k) account balance, excluding plan loans, was $51,569 at year-end 2003. Account balances tend to be higher the longer 401(k) plan participants have been working for their current employers and the older the participants are. Workers in their sixties with at least 30 years of job tenure at their current employer had an average 401(k) account balance of $168,213.

Most 401(k) participants do not borrow from their plans. At year-end 2003, only 18 percent of those eligible for loans had loans outstanding. The average unpaid loan balance for these participants represented about 13 percent of their remaining account balances (net of the unpaid loan balances).

Average 401(k) Account Balance by Age and Tenure, 2003



Note: See page 135 for data points on this chart.

Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project (see Perspective*, "Appendix: Additional Figures for the EBRI/ICI Participant-Directed Retirement Plan Data Collection Project for Year-End 2003," www.ici.org/pdf/per10-02_appendix.pdf)*

Types of Mutual Funds Used by Retirement Plan Investors

Of the $3.1 trillion in mutual fund retirement assets held in IRAs, 401(k) plans, and other retirement accounts at year-end 2004, $2.1 trillion, or 70 percent, were invested in domestic or foreign equity funds. Domestic equity funds alone constituted about $1.8 trillion, or 60 percent, of mutual fund retirement assets. By comparison, about 54 percent of overall fund industry assets—including retirement and nonretirement accounts—were invested in domestic and foreign equity funds at year-end 2004.

Mutual Fund Retirement Assets by Type of Fund, 2004[1]
(billions of dollars)

	Equity					
	Domestic	Foreign	Bond	Hybrid	Money Market	Total
IRAs	$845	$146	$176	$176	$144	$1,487
401(k) Plans	661	114	94	142	75	1,086
403(b) Plans	218	22	18	22	13	294
Other Employer-Sponsored Plans[2]	110	16	22	21	18	186
Total	1,834	298	310	360	250	3,053

[1]*preliminary data*
[2]*includes 457 plans, Keoghs, and other defined contribution plans without 401(k) features*
Note: Components may not add to totals because of rounding.

At year-end 2004, approximately $560 billion, or 18 percent, of mutual fund retirement assets were invested in fixed-income funds: bond or money market funds. Bond funds held $310 billion, or 10 percent, of mutual fund retirement assets, and money market funds accounted for $250 billion, or 8 percent. The remaining $360 billion, or approximately 12 percent, of mutual fund retirement assets were held in hybrid funds, which invest in a mix of equity and fixed-income securities.

Mutual Funds in the Education Savings Market

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

Assets in Section 529 savings plans grew 49 percent in 2004, increasing from $35.1 billion at year-end 2003 to $52.2 billion by year-end 2004. The number of accounts rose to nearly 5.4 million, and the average account size was approximately $9,700 at year-end 2004.

Section 529 Savings Plan Assets, 1998–2004
(billions of dollars)

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

Sources: Investment Company Institute and College Savings Plans Network

Education Savings Investor Characteristics

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

Investments Used to Save for College,[1] 2003
(percent of respondents saving for college)

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

[1]*multiple responses included; number of respondents varies*
[2]*includes state-sponsored 529 prepaid tuition plans, state-sponsored 529 college savings plans, and Coverdell ESAs*

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

MORE INFO...

See ICI's website at www.ici.org/issues/edu/index.html. For more information on households saving for college, see the Institute's latest research at www.ici.org/pdf/rpt_03_college_saving.pdf.

tuition plans, state-sponsored 529 college savings plans, and Coverdell ESAs. Most of the parents using education-targeted savings programs were also saving for college with taxable investments.

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

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

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

[a]*Responses of respondents not using education-targeted savings programs to save for college are statistically different at the 95 percent confidence level from those of respondents who are using these programs to save for college.*
[1]*includes state-sponsored 529 prepaid tuition plans, state-sponsored 529 college savings plans, and Coverdell ESAs*
[2]*refers to the household's responding financial decisionmaker for investments*
[3]*includes assets in employer-sponsored retirement plans but excludes primary residences*
[4]*multiple responses included*

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

SECTION SIX

Where Investors Purchase Fund Shares

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

This section takes a closer look at how funds reach the investing public, including:

- how investors purchase shares through financial advisers and planners or directly from funds;
- the growing role played by retirement plans and fund supermarkets in reaching investors; and
- background on how funds serve institutional investors.

Traditional Sources: Buying Through Financial Advisers or Direct

Financial advisers and fund sponsors themselves are the two most traditionally recognized sources through which investors purchase mutual fund shares.

Buying Fund Shares Through Financial Advisers and Planners

Financial advisers and planners, who typically sell funds along with other securities, include full-service brokers at national wirehouses, independent financial planners and advisers, registered sales representatives at banks and savings institutions, and insurance agents. Representatives of these distributors help fund shareholders identify financial goals such as retirement security, tax management, education savings, and estate planning. They assess the risk tolerance of their clients and select mutual funds and other investments to meet these goals.

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

Buying and Selling Direct

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

Principal Features of Mutual Fund Distribution Channels

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

Source: Perspective, *"Mutual Fund Distribution Channels and Distribution Costs" (www.ici.org/pdf/per09-03.pdf)*

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

Newer Sources: Retirement Plans and Fund Supermarkets

With the rising demand for mutual funds in the 1980s and 1990s, funds and fund distributors increasingly explored new ways to reach investors. Many funds that were traditionally sold through a sales force of brokers shifted increasingly to nontraditional sources of sales, such as employer-sponsored pension plans, banks, and life insurance companies. Likewise, many fund complexes that primarily sold directly to investors have turned increasingly to pension plan sponsors, supermarkets, and other third parties and intermediaries for distribution.

Retirement Plan Sponsors

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

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

Fund Supermarkets

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

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

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

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

Institutional Funds

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

MORE INFO ...

For more information on where investors purchase mutual fund shares, see "Mutual Fund Distribution Channels and Distribution Costs" at www.ici.org/pdf/per09-03.pdf.

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

Sales By Share Class

More than half of all mutual funds offer two or more share classes. Funds that sell through financial advisers offer more than one share class to provide investors with several ways to pay for the services of financial advisers. Share classes can be classified as either load or no-load: load classes generally serve investors who hold funds through financial advisers; no-load classes generally serve investors who purchase funds without financial adviser assistance or who compensate the financial adviser separately.

Net New Cash Flow to Long-Term Funds by Share Class, 2000–2004
(billions of dollars)

	2000	2001	2002	2003	2004[p]
All Long-Term Funds[1]	**229**	**129**	**121**	**216**	**210**
Load	**80**	**44**	**20**	**51**	**38**
A Shares	35	25	16	40	54
B Shares	25	0	-16	-18	-38
C Shares	26	20	23	27	22
Other Load	-6	-1	-3	2	0
No-Load	**96**	**71**	**103**	**124**	**136**
Retail	68	38	53	76	98
Institutional	28	33	49	48	38
Variable Annuities	**51**	**13**	**-2**	**42**	**36**

[1] Components may not add to totals because of rounding.
[p] Share class designations for 2004 are based on preliminary fund expense data.

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

Load Share Classes

Load share classes—typically labeled class A, B, and C shares—usually include a load and/or a 12b-1 fee. The sales loads and 12b-1 fees are used to compensate financial advisers for their services.

Class A shares represent the traditional means for paying for investment advice and assistance. Class A shares generally charge a front-end sales load at the time of the purchase as a percentage of the sales price or offering price. This share class also often has a 12b-1 fee of about 25 basis points.

Class B fund shares typically do not have a front-end load. Investors using B shares pay financial advisers through a combination of an annual 12b-1 fee, usually 1 percent, and a contingent deferred sales load (CDSL). The CDSL is triggered when shares are redeemed. The CDSL decreases the longer that the investor owns the shares and eventually reaches zero in the sixth or seventh year. After six to eight years, these shares typically convert to A shares.

Class C fund shares also do not generally have a front-end load. Investors in this share class compensate financial advisers with a combination of an annual 1 percent 12b-1 fee and a 1 percent CDSL paid directly by shareholders if they sell their shares within the first year after the purchase. This share class, unlike B shares, typically does not convert to A shares.

Of the $210 billion of net new purchases that investors of stock, bond, and hybrid funds made in 2004, $38 billion was through load funds. Class A fund shares and class C shares received most of the net new cash, while class B shares had net outflows for the third straight year.

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 or less. No-load share classes were originally offered by mutual fund sponsors that sold directly to investors. As the number of sources of mutual funds increased, no-load share classes have become available through a greater variety of sources. Investors can now purchase no-load funds through employer-sponsored retirement plans, mutual fund supermarkets and discount brokerage firms, and bank trust departments. Some financial advisers who charge investors separately for their services rather than through a load or 12b-1 fee also use no-load share classes.

There are both retail and institutional no-load share classes, with the latter commonly used in employer-sponsored retirement plans and trust departments. No-load share classes of stock, bond, and hybrid funds attracted $136 billion in net new money during 2004.

Part II

Data Tables

About the Data

ICI's investment company data collection efforts began in 1944, when investment company leaders first formed a committee to monitor industry progress and trends. At that time, the collection included data from 68 mutual funds managing nearly $900 million in assets. Today, ICI's collection draws data from approximately 15,300 mutual funds, closed-end funds, exchange-traded funds, and unit investment trusts managing more than $8.6 trillion in assets.

The following section provides data on all four types of U.S. investment companies as well as mutual funds registered outside the United States, and covers time periods dating as far back as 1940. The data include:

- 10 tables presenting a broad look at U.S. mutual funds, which constitute nearly 95 percent of total U.S. investment company assets;
- five tables presenting a broad look at U.S. closed-end funds, exchange-traded funds, unit investment trusts, and funds that invest exclusively in other mutual funds;
- 25 tables examining U.S. long- and short-term mutual funds;
- three tables examining institutional investors in U.S. mutual funds; and
- two tables examining mutual funds registered outside the United States.

For more recent data on investment companies, and a more detailed presentation of ICI's body of research on funds and their shareholders, visit the Institute's public website at www.ici.org/stats/index.html.

TABLE 1

U.S. Mutual Fund Industry Total Net Assets, Number of Funds, Number of Share Classes, and Number of Shareholder Accounts
(end of year)

Year	Total Net Assets (billions of dollars)	Number of Funds	Number of Share Classes	Number of Shareholder Accounts* (thousands)
1940	$0.45	68	–	296
1945	1.28	73	–	498
1950	2.53	98	–	939
1955	7.84	125	–	2,085
1960	17.03	161	–	4,898
1965	35.22	170	–	6,709
1970	47.62	361	–	10,690
1971	55.05	392	–	10,901
1972	59.83	410	–	10,635
1973	46.52	421	–	10,331
1974	35.78	431	–	10,074
1975	45.87	426	–	9,876
1976	51.28	452	–	9,060
1977	48.94	477	–	8,693
1978	55.84	505	–	8,658
1979	94.51	526	–	9,790
1980	134.76	564	–	12,088
1981	241.37	665	–	17,499
1982	296.68	857	–	21,448
1983	292.99	1,026	–	24,605
1984	370.68	1,243	1,243	27,636
1985	495.39	1,528	1,528	34,098
1986	715.67	1,835	1,835	45,374
1987	769.17	2,312	2,312	53,717
1988	809.37	2,737	2,737	54,056
1989	980.67	2,935	2,935	57,560
1990	1,065.19	3,079	3,177	61,948
1991	1,393.19	3,403	3,587	68,332
1992	1,642.54	3,824	4,208	79,931
1993	2,069.96	4,534	5,562	93,214
1994	2,155.32	5,325	7,697	114,383
1995	2,811.29	5,725	9,007	131,219
1996	3,525.80	6,248	10,352	150,042
1997	4,468.20	6,684	12,002	170,363
1998	5,525.21	7,314	13,720	194,078
1999	6,846.34	7,791	15,262	226,346
2000	6,964.67	8,155	16,738	244,839
2001	6,974.95	8,305	18,023	248,816
2002	6,390.36	8,244	18,985	251,224
2003	7,414.40	8,126	19,319	260,882
2004	8,106.87	8,044	20,036	267,363

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

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

TABLE 2

U.S. Mutual Fund Industry Total Sales, New Sales, Exchange Sales, Redemptions, and Exchange Redemptions

(billions of dollars, annual)

Year	Total Sales[1]	New Sales	Exchange Sales[2]	Redemptions	Exchange Redemptions[3]
1945	$0.29	–	–	$0.11	–
1950	0.52	–	–	0.28	–
1955	1.21	–	–	0.44	–
1960	2.10	–	–	0.84	–
1965	4.36	$3.93	–	1.96	–
1970	4.63	3.84	–	2.99	–
1971	5.15	4.40	–	4.75	–
1972	4.89	4.20	–	6.56	–
1973	4.36	3.65	–	5.65	–
1974	5.32	4.43	–	3.94	–
1975	10.06	8.94	–	9.57	–
1976	13.72	11.92	$1.52	16.41	$1.44
1977	17.07	14.75	2.24	16.69	2.31
1978	37.16	35.40	3.97	31.53	3.94
1979	119.32	115.66	5.83	86.74	5.89
1980	247.42	238.96	10.10	216.08	9.94
1981	472.13	452.42	14.44	362.44	14.59
1982	626.94	604.09	28.25	588.35	27.86
1983	547.77	532.04	35.67	565.83	36.03
1984	680.12	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	3,075.64	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	7,230.41	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	11,109.44	10,970.39	1,149.75	10,586.25	1,145.42
2001	12,866.21	12,747.53	797.34	12,241.95	798.08
2002	13,195.23	13,110.71	747.34	13,038.49	745.65
2003	12,452.58	12,374.30	572.50	12,415.65	573.76
2004	12,293.10	12,202.80	409.29	12,140.85	418.03

[1]Total sales are the dollar value of new sales plus sales made through reinvestment of income dividends from existing accounts, but excluding reinvestment of capital gain distributions.
[2]Exchange sales are the dollar value of mutual fund shares switched into funds within the same fund group.
[3]Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into another fund in the same fund group.

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

TABLE 3

U.S. Mutual Fund Industry Total Net Assets

(billions of dollars, end of year)

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

Year	Total	Long-Term Funds: Equity Funds	Long-Term Funds: Hybrid Funds	Long-Term Funds: Bond Funds	Money Market Funds
1984	$370.68	$79.73	$11.15	$46.24	$233.55
1985	495.39	111.33	17.61	122.65	243.80
1986	715.67	154.45	25.76	243.31	292.15
1987	769.17	175.45	29.25	248.37	316.10
1988	809.37	189.38	26.35	255.69	337.95
1989	980.67	245.04	35.64	271.90	428.09
1990	1,065.19	239.48	36.12	291.25	498.34
1991	1,393.19	404.73	52.23	393.78	542.44
1992	1,642.54	514.09	78.04	504.21	546.19
1993	2,069.96	740.67	144.50	619.48	565.32
1994	2,155.32	852.76	164.40	527.15	611.00
1995	2,811.29	1,249.08	210.33	598.87	753.02
1996	3,525.80	1,726.01	252.58	645.41	901.81
1997	4,468.20	2,368.02	317.11	724.18	1,058.89
1998	5,525.21	2,977.94	365.00	830.59	1,351.68
1999	6,846.34	4,041.89	378.81	812.49	1,613.15
2000	6,964.67	3,961.92	346.28	811.19	1,845.28
2001	6,974.95	3,418.16	346.32	925.12	2,285.35
2002	6,390.36	2,662.46	325.49	1,130.45	2,271.96
2003	7,414.40	3,684.16	430.47	1,247.77	2,052.00
2004	8,106.87	4,384.08	519.29	1,290.32	1,913.19

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

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

Components may not add to the total because of rounding.

TABLE 4

U.S. Mutual Fund Industry Total Net Assets by Investment Classification

(billions of dollars, end of year)

	EQUITY FUNDS				BOND FUNDS							MONEY MARKET FUNDS	
Year	Capital Appreciation	World	Total Return	HYBRID FUNDS	Corporate	High Yield	World	Government	Strategic Income	State Muni	National Muni	Taxable	Tax-Exempt
1984	$41.68	$5.19	$32.86	$11.15	$3.30	$7.40	$0.03	$10.63	$4.09	$4.78	$16.01	$209.73	$23.82
1985	56.85	7.94	46.55	17.61	4.98	13.48	0.06	58.32	6.36	11.52	27.92	207.54	36.27
1986	70.53	15.47	68.45	25.76	9.08	24.59	0.52	122.06	11.37	25.81	49.86	228.35	63.81
1987	79.31	17.43	78.71	29.25	9.47	24.16	2.14	123.11	12.53	27.79	49.17	254.68	61.42
1988	83.09	17.98	88.31	26.35	10.46	33.43	3.02	111.40	10.65	32.41	54.32	272.29	65.66
1989	107.23	23.59	114.22	35.64	11.68	28.49	3.06	109.60	13.41	41.21	64.45	358.72	69.37
1990	113.37	28.30	97.81	36.12	25.80	19.15	13.02	104.43	8.61	49.55	70.70	414.73	83.61
1991	178.73	39.52	186.48	52.23	36.60	26.33	27.71	134.24	14.70	65.81	88.39	452.56	89.88
1992	235.06	45.68	233.34	78.04	48.16	34.47	31.02	172.68	21.63	85.48	110.78	451.35	94.84
1993	321.18	114.13	305.36	144.50	68.29	48.97	32.91	188.67	26.05	113.59	141.01	461.90	103.42
1994	361.62	161.19	329.95	164.40	64.78	45.08	23.60	140.44	25.95	104.82	122.49	500.64	110.37
1995	572.34	196.51	480.23	210.33	84.75	59.70	24.83	143.00	33.30	117.30	135.99	629.99	123.03
1996	781.72	285.20	659.10	252.58	100.61	78.90	25.74	130.63	56.47	116.96	136.10	761.99	139.82
1997	1,075.27	346.37	946.39	317.11	119.35	104.91	25.99	128.89	73.15	126.54	145.35	898.08	160.80
1998	1,404.71	391.64	1,181.59	365.00	143.51	117.44	24.64	144.35	102.05	139.96	158.63	1,163.17	188.51
1999	2,115.06	585.25	1,341.58	378.81	157.68	116.90	22.94	138.58	104.90	127.89	143.59	1,408.73	204.41
2000	2,153.72	542.67	1,265.54	346.28	140.64	90.28	19.94	133.34	149.15	132.72	145.12	1,607.25	238.03
2001	1,797.35	428.80	1,192.02	346.32	160.97	94.28	19.07	164.24	191.55	140.99	154.03	2,012.95	272.40
2002	1,340.75	358.00	963.71	325.49	179.42	100.40	21.08	237.91	263.12	154.14	174.38	1,997.18	274.78
2003	1,858.21	516.10	1,309.86	430.47	201.12	153.70	27.56	224.71	306.57	150.94	183.16	1,763.63	288.37
2004	2,158.42	689.67	1,535.98	519.29	224.63	155.62	36.76	210.83	334.76	145.10	182.62	1,602.84	310.35

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

TABLE 5

U.S. Mutual Fund Industry Number of Funds
(end of year)

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

Year	Total	Long-Term Funds: Equity Funds	Long-Term Funds: Hybrid Funds	Long-Term Funds: Bond Funds	Money Market Funds
1984	1,243	459	89	270	425
1985	1,528	562	103	403	460
1986	1,835	678	121	549	487
1987	2,312	824	164	781	543
1988	2,737	1,006	179	942	610
1989	2,935	1,069	189	1,004	673
1990	3,079	1,099	193	1,046	741
1991	3,403	1,191	212	1,180	820
1992	3,824	1,325	235	1,400	864
1993	4,534	1,586	282	1,746	920
1994	5,325	1,886	361	2,115	963
1995	5,725	2,139	412	2,177	997
1996	6,248	2,570	466	2,224	988
1997	6,684	2,951	501	2,219	1,013
1998	7,314	3,512	526	2,250	1,026
1999	7,791	3,952	532	2,262	1,045
2000	8,155	4,385	523	2,208	1,039
2001	8,305	4,716	483	2,091	1,015
2002	8,244	4,747	473	2,035	989
2003	8,126	4,599	508	2,045	974
2004	8,044	4,550	510	2,041	943

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

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

TABLE 6

U.S. Mutual Fund Industry Number of Funds by Investment Classification

(end of year)

	Equity Funds			Hybrid Funds	Bond Funds							Money Market Funds	
Year	Capital Appreciation	World	Total Return		Corporate	High Yield	World	Government	Strategic Income	State Muni	National Muni	Taxable	Tax-Exempt
1984	306	29	124	89	30	36	1	45	47	37	74	329	96
1985	365	43	154	103	33	43	1	93	59	75	99	348	112
1986	439	57	182	121	35	57	4	139	67	122	125	360	127
1987	514	81	229	164	42	70	16	201	86	217	149	389	154
1988	578	109	319	179	58	103	28	248	85	245	175	434	176
1989	597	128	344	189	59	105	30	266	101	260	183	470	203
1990	621	155	323	193	120	106	41	252	64	272	191	506	235
1991	645	206	340	212	144	95	61	281	76	331	192	553	267
1992	717	239	369	235	183	89	89	335	76	414	214	585	279
1993	850	306	430	282	251	90	115	405	89	531	265	628	292
1994	994	423	469	361	304	95	138	457	109	707	305	646	317
1995	1,110	528	501	412	358	104	159	429	116	710	301	674	323
1996	1,325	668	577	466	386	119	173	422	143	686	295	666	322
1997	1,538	768	645	501	372	134	186	407	187	649	284	682	331
1998	1,894	890	728	526	350	183	188	395	234	615	285	685	341
1999	2,208	950	794	532	336	208	175	374	282	605	282	702	343
2000	2,542	1,005	838	523	305	214	144	351	326	594	274	703	336
2001	2,853	1,014	849	483	293	211	131	320	323	556	257	689	326
2002	2,956	946	845	473	298	200	116	315	337	519	250	679	310
2003	2,931	862	806	508	291	198	106	316	356	527	251	662	312
2004	2,939	819	792	510	301	198	107	313	356	516	250	639	304

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

TABLE 7

U.S. Mutual Fund Industry Number of Share Classes
(end of year)

Year	Total	Equity Funds	Hybrid Funds	Bond Funds	Money Market Funds
1984	1,243	459	89	270	425
1985	1,528	562	103	403	460
1986	1,835	678	121	549	487
1987	2,312	824	164	781	543
1988	2,737	1,006	179	942	610
1989	2,935	1,069	189	1,004	673
1990	3,177	1,128	200	1,087	762
1991	3,587	1,248	224	1,244	871
1992	4,208	1,452	258	1,584	914
1993	5,562	1,945	349	2,259	1,009
1994	7,697	2,656	517	3,263	1,261
1995	9,007	3,287	637	3,703	1,380
1996	10,352	4,211	753	3,935	1,453
1997	12,002	5,309	877	4,267	1,549
1998	13,720	6,642	968	4,483	1,627
1999	15,262	7,785	1,031	4,716	1,730
2000	16,738	9,079	1,024	4,780	1,855
2001	18,023	10,324	998	4,753	1,948
2002	18,985	11,002	1,046	4,930	2,007
2003	19,319	10,953	1,175	5,159	2,032
2004	20,036	11,404	1,274	5,311	2,047

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

TABLE 8

U.S. Mutual Fund Industry Number of Share Classes by Investment Classification

(end of year)

	Equity Funds			Hybrid Funds	Bond Funds							Money Market Funds	
Year	Capital Appreciation	World	Total Return		Corporate	High Yield	World	Government	Strategic Income	State Muni	National Muni	Taxable	Tax-Exempt
1984	306	29	124	89	30	36	1	45	47	37	74	329	96
1985	365	43	154	103	33	43	1	93	59	75	99	348	112
1986	439	57	182	121	35	57	4	139	67	122	125	360	127
1987	514	81	229	164	42	70	16	201	86	217	149	389	154
1988	578	109	319	179	58	103	28	248	85	245	175	434	176
1989	597	128	344	189	59	105	30	266	101	260	183	470	203
1990	632	166	330	200	121	109	45	258	64	291	199	523	239
1991	666	227	355	224	146	100	70	293	77	352	206	592	279
1992	785	263	404	258	201	100	111	382	82	466	242	616	298
1993	1,033	385	527	349	307	115	152	522	109	708	346	673	336
1994	1,362	630	664	517	434	135	205	679	150	1,187	473	853	408
1995	1,660	845	782	637	557	172	248	697	167	1,341	521	949	431
1996	2,099	1,155	957	753	637	202	289	711	207	1,352	537	1,000	453
1997	2,704	1,449	1,156	877	647	264	335	743	300	1,415	563	1,070	479
1998	3,464	1,770	1,408	968	648	378	348	762	392	1,365	590	1,133	494
1999	4,231	1,969	1,585	1,031	669	452	334	760	503	1,380	618	1,226	504
2000	5,167	2,203	1,709	1,024	655	479	287	731	601	1,407	620	1,324	531
2001	6,159	2,371	1,794	998	682	491	271	698	655	1,342	614	1,397	551
2002	6,761	2,338	1,903	1,046	729	498	270	733	762	1,297	641	1,465	542
2003	6,827	2,195	1,931	1,175	753	502	257	767	843	1,344	693	1,464	568
2004	7,234	2,172	1,998	1,274	801	523	263	795	882	1,340	707	1,472	575

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

TABLE 9

U.S. Mutual Fund Industry Number of Shareholder Accounts*

(thousands, end of year)

		LONG-TERM FUNDS			
Year	Total	Equity Funds	Hybrid Funds	Bond Funds	Money Market Funds
1984	27,636	9,623	983	3,186	13,845
1985	34,098	11,061	1,323	6,780	14,935
1986	45,374	15,509	2,101	11,450	16,313
1987	53,717	20,371	2,732	12,939	17,675
1988	54,056	19,658	2,575	13,253	18,570
1989	57,560	20,348	2,727	13,170	21,314
1990	61,948	22,157	3,203	13,619	22,969
1991	68,332	25,648	3,620	15,509	23,556
1992	79,931	32,730	4,532	19,023	23,647
1993	93,214	42,260	6,854	20,514	23,585
1994	114,383	57,948	10,251	20,806	25,379
1995	131,219	69,340	10,926	20,816	30,137
1996	150,042	85,410	12,026	20,406	32,200
1997	170,363	101,728	12,866	20,145	35,624
1998	194,078	119,605	14,138	21,486	38,847
1999	226,346	147,525	14,252	20,953	43,616
2000	244,839	164,081	13,066	19,553	48,138
2001	248,816	165,763	14,257	21,560	47,236
2002	251,224	164,394	15,579	25,869	45,382
2003	260,882	174,240	17,672	27,753	41,217
2004	267,363	181,555	19,835	28,068	37,904

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

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

Components may not add to the total because of rounding.

TABLE 10

U.S. Mutual Fund Industry Number of Shareholder Accounts* by Investment Classification

(thousands, end of year)

	EQUITY FUNDS				BOND FUNDS							MONEY MARKET FUNDS	
Year	Capital Appreciation	World	Total Return	HYBRID FUNDS	Corporate	High Yield	World	Government	Strategic Income	State Muni	National Muni	Taxable	Tax-Exempt
1984	5,976	713	2,934	983	414	698	4	788	337	198	745	13,556	288
1985	6,736	806	3,519	1,323	485	1,073	6	3,279	418	381	1,139	14,435	499
1986	8,240	1,631	5,638	2,101	659	1,744	47	5,985	603	722	1,691	15,654	660
1987	10,557	2,171	7,644	2,732	708	1,974	156	6,666	694	874	1,866	16,833	842
1988	10,312	2,034	7,312	2,575	772	2,488	255	6,293	508	1,000	1,938	17,631	939
1989	10,172	2,062	8,114	2,727	810	2,409	237	5,847	584	1,147	2,138	20,173	1,141
1990	11,427	3,077	7,653	3,203	1,389	2,204	680	5,394	310	1,323	2,318	21,578	1,391
1991	13,628	3,478	8,542	3,620	1,678	1,992	1,306	5,846	432	1,631	2,624	21,863	1,693
1992	17,842	4,203	10,685	4,532	2,073	2,041	1,725	7,181	799	2,163	3,041	21,771	1,876
1993	21,812	6,946	13,502	6,854	2,272	2,343	1,628	7,202	922	2,533	3,614	21,587	1,998
1994	28,407	12,162	17,379	10,251	2,849	2,440	1,435	6,359	1,010	3,232	3,482	23,340	2,039
1995	35,758	13,195	20,387	10,926	3,160	2,816	1,283	6,395	1,132	2,621	3,409	27,859	2,278
1996	44,840	15,651	24,919	12,026	3,632	3,189	1,214	5,559	1,152	2,473	3,187	29,907	2,292
1997	53,137	17,925	30,666	12,866	3,724	3,756	1,116	4,918	1,347	2,289	2,995	32,961	2,663
1998	63,308	18,500	37,798	14,138	4,333	4,168	844	4,984	1,651	2,487	3,020	36,442	2,405
1999	83,225	21,832	42,468	14,252	4,760	4,110	783	4,871	1,448	2,228	2,754	41,177	2,438
2000	100,121	22,759	41,202	13,066	3,892	3,532	657	4,539	2,240	2,120	2,573	45,480	2,659
2001	100,015	22,038	43,709	14,257	4,813	3,605	632	5,120	2,822	2,044	2,524	44,415	2,822
2002	98,461	21,890	44,042	15,579	5,523	3,818	713	7,050	4,069	2,060	2,636	42,726	2,656
2003	102,625	23,959	47,657	17,672	5,529	4,780	907	7,026	5,111	1,841	2,558	38,412	2,806
2004	103,208	28,908	49,440	19,835	5,821	4,697	1,043	6,627	5,676	1,740	2,465	35,048	2,856

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

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

TABLE 11

Closed-End Funds; Assets and Number of Funds by Type of Fund
(end of year)

		EQUITY FUNDS			BOND FUNDS			
Year	TOTAL	Total Equity	Domestic	Global/ International	Total Bond	Domestic Taxable	Domestic Municipal	Global/ International
Assets (millions of dollars)								
1995	$142,620	$41,926	$18,078	$23,848	$100,694	$28,678	$60,318	$11,698
1996	146,991	46,987	19,830	27,157	100,004	28,418	59,540	12,046
1997	151,845	49,625	20,536	29,089	102,220	28,315	61,992	11,912
1998	155,815	47,606	22,529	25,077	108,209	34,127	63,628	10,454
1999	147,016	41,267	24,696	16,571	105,749	30,888	64,513	10,348
2000	143,134	36,611	24,557	12,054	106,523	28,581	68,266	9,676
2001	141,250	31,075	22,261	8,814	110,175	26,606	74,467	9,102
2002	158,805	33,724	26,596	7,128	125,081	25,643	90,024	9,414
2003	214,089	52,295	42,263	10,032	161,794	56,153	94,102	11,539
2004	254,438	81,396	62,793	18,603	173,042	65,049	95,138	12,855
Number of Funds								
1995	500	141	49	92	359	119	207	33
1996	498	142	50	92	356	118	205	33
1997	488	135	45	90	353	115	205	33
1998	493	128	44	84	365	123	211	31
1999	512	124	49	75	388	117	241	30
2000	482	123	53	70	359	109	220	30
2001	493	116	51	65	377	109	240	28
2002	545	123	63	60	422	105	292	25
2003	586	130	74	56	456	131	298	27
2004	620	157	95	62	463	138	295	30

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

TABLE 12

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

Year	Total	Domestic Equity	Global/International Equity	Bond
Assets (millions of dollars, end of year)				
1993	$464	$464	–	–
1994	424	424	–	–
1995	1,052	1,052	–	–
1996	2,411	2,159	$252	–
1997	6,707	6,200	506	–
1998	15,568	14,542	1,026	–
1999	33,873	31,881	1,992	–
2000	65,585	63,544	2,041	–
2001	82,993	79,977	3,016	–
2002	102,143	92,904	5,324	$3,915
2003	150,983	132,332	13,984	4,667
2004	226,205	184,045	33,644	8,516
Net Issuance (millions of dollars, annual)				
1993	$442	$442	–	–
1994	-28	-28	–	–
1995	443	443	–	–
1996	1,108	842	$266	–
1997	3,466	3,160	306	–
1998	6,195	5,642	553	–
1999	11,929	11,816	112	–
2000	42,472	41,752	720	–
2001	31,012	29,646	1,366	–
2002	45,302	37,781	3,792	$3,729
2003	15,810	9,325	5,764	721
2004	55,021	35,598	15,645	3,778
Number of Funds (end of year)				
1993	1	1	–	–
1994	1	1	–	–
1995	2	2	–	–
1996	19	2	17	–
1997	19	2	17	–
1998	29	12	17	–
1999	30	13	17	–
2000	80	55	25	–
2001	102	68	34	–
2002	113	66	39	8
2003	119	72	41	6
2004	151	102	43	6

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

Sources: Strategic Insight and Investment Company Institute

TABLE 13

Unit Investment Trusts; Assets and New Deposits by Type of Trust

(millions of dollars)

Year	Total Trusts	Equity Trusts	Taxable Debt Trusts	Tax-Free Debt Trusts
Assets (end of year)				
1990	$105,390	$4,192	$9,456	$91,742
1991	102,828	4,940	9,721	88,167
1992	97,925	6,484	9,976	81,465
1993	87,574	8,494	8,567	70,513
1994	73,682	9,285	7,252	57,144
1995	73,125	14,019	8,094	51,013
1996	72,204	22,922	8,485	40,796
1997	84,761	40,747	6,480	37,533
1998	93,943	56,413	5,380	32,151
1999	91,970	62,128	4,283	25,559
2000	74,161	48,060	3,502	22,599
2001	49,249	26,467	3,784	18,999
2002	36,016	14,651	4,020	17,345
2003	35,826	19,024	3,311	13,491
2004	36,788	22,721	2,635	11,432
New Deposits (annual)				
1990	$7,489	$495	$1,349	$5,644
1991	8,195	900	1,687	5,609
1992	8,909	1,771	2,385	4,752
1993	9,359	3,206	1,598	4,555
1994	8,915	3,265	1,709	3,941
1995	11,264	6,743	1,154	3,367
1996	21,662	18,316	800	2,546
1997	38,546	35,855	771	1,919
1998	47,675	45,947	562	1,166
1999	52,046	50,629	343	1,074
2000	43,649	42,570	196	883
2001	19,049	16,927	572	1,550
2002	11,600	9,131	862	1,607
2003	12,731	10,071	931	1,729
2004	17,125	14,559	981	1,585

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

TABLE 14

Funds of Funds; Total Net Assets, Net New Cash Flow, Number of Funds, and Number of Share Classes

	TOTAL NET ASSETS (millions of dollars, end of year)			NET NEW CASH FLOW* (millions of dollars, annual)			NUMBER OF FUNDS (end of year)			NUMBER OF SHARE CLASSES (end of year)		
Year	Total	Equity	Hybrid and Bond	Total	Equity	Hybrid and Bond	Total	Equity	Hybrid and Bond	Total	Equity	Hybrid and Bond
1989	$1,284	$204	$1,080	$169	$4	$165	18	11	7	18	11	7
1990	1,426	211	1,215	131	-21	152	20	11	9	20	11	9
1991	2,313	403	1,910	475	97	378	20	10	10	20	10	10
1992	3,722	651	3,072	1,134	205	929	21	10	11	21	10	11
1993	5,403	900	4,503	1,160	154	1,006	24	12	12	24	12	12
1994	6,170	1,367	4,803	567	342	225	32	15	17	32	15	17
1995	9,063	2,288	6,774	1,135	633	502	36	19	17	37	19	18
1996	13,404	4,596	8,808	2,457	1,572	885	45	24	21	56	28	28
1997	21,480	7,580	13,900	3,380	1,617	1,763	94	41	53	148	58	90
1998	35,368	12,212	23,156	6,376	2,006	4,370	175	75	100	305	112	193
1999	48,310	18,676	29,634	6,572	3,392	3,180	212	83	129	394	137	257
2000	56,911	16,206	40,704	10,401	5,101	5,300	215	86	129	414	143	271
2001	63,385	15,756	47,629	8,929	1,858	7,072	213	85	128	450	154	296
2002	68,960	14,458	54,502	11,593	2,152	9,441	268	104	164	625	197	428
2003	123,091	28,646	94,445	29,900	4,864	25,036	301	112	189	720	217	503
2004	199,846	42,077	157,768	50,519	7,980	42,539	376	112	264	965	225	740

*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 15

Funds of Funds; Components of Net New Cash Flow*

(millions of dollars, annual)

	SALES									REDEMPTIONS								
	New + Exchange			New			Exchange			Regular + Exchange			Regular			Exchange		
Year-End	Total	Equity	Hybrid and Bond	Total	Equity	Hybrid and Bond	Total	Equity	Hybrid and Bond	Total	Equity	Hybrid and Bond	Total	Equity	Hybrid and Bond	Total	Equity	Hybrid and Bond
1989	$368	$75	$293	$314	$74	$241	$54	$2	$52	$199	$72	$128	$130	$71	$59	$69	$1	$68
1990	416	68	348	351	58	293	65	10	55	285	89	196	186	87	99	100	3	97
1991	772	192	580	579	142	437	194	50	143	298	95	203	185	79	105	113	16	97
1992	1,617	371	1,246	1,255	294	961	362	76	286	483	166	318	303	130	174	180	36	144
1993	1,953	358	1,594	1,533	293	1,240	419	65	354	793	205	588	453	156	297	340	49	291
1994	1,781	583	1,197	1,341	389	952	439	194	245	1,213	241	972	682	166	517	531	75	456
1995	2,362	987	1,376	1,750	692	1,059	612	295	317	1,227	354	873	768	233	535	459	121	338
1996	4,522	2,321	2,201	3,621	1,847	1,774	901	474	428	2,066	749	1,317	1,290	519	771	776	230	546
1997	6,317	2,858	3,459	4,753	2,017	2,736	1,565	842	723	2,937	1,241	1,696	1,749	774	975	1,189	468	721
1998	12,931	4,398	8,532	9,938	3,578	6,360	2,993	821	2,172	6,554	2,392	4,162	3,766	1,541	2,225	2,788	850	1,938
1999	16,749	6,861	9,888	12,759	5,575	7,184	3,990	1,287	2,703	10,177	3,469	6,708	6,638	2,553	4,084	3,540	916	2,624
2000	24,092	9,346	14,746	18,607	7,539	11,068	5,485	1,806	3,678	13,690	4,245	9,445	9,250	3,199	6,052	4,440	1,046	3,394
2001	22,577	5,735	16,842	17,606	4,893	12,712	4,971	842	4,129	13,647	3,877	9,770	9,546	3,111	6,435	4,101	766	3,335
2002	28,193	6,837	21,356	23,063	5,827	17,235	5,131	1,010	4,121	16,600	4,685	11,915	12,209	3,866	8,343	4,391	819	3,572
2003	46,962	8,908	38,054	38,444	7,415	31,029	8,518	1,493	7,025	17,062	4,044	13,019	12,785	3,338	9,447	4,277	706	3,571
2004	76,845	13,754	63,091	63,161	11,488	51,673	13,685	2,266	11,418	26,326	5,774	20,552	19,870	4,873	14,997	6,456	901	5,555

*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 16

Liquid Assets and Liquidity Ratio of Long-Term Mutual Funds

(end of year)

	LIQUID ASSETS (millions of dollars)				LIQUIDITY RATIO* (percent)			
Year	Total	Equity Funds	Hybrid Funds	Bond Funds	Total	Equity Funds	Hybrid Funds	Bond Funds
1984	$12,181	$7,296	$878	$4,007	8.9%	9.1%	7.9%	8.7%
1985	20,593	10,452	1,413	8,728	8.2	9.4	8.0	7.1
1986	30,611	14,612	2,514	13,485	7.2	9.5	9.8	5.5
1987	37,930	16,319	2,730	18,881	8.4	9.3	9.3	7.6
1988	44,980	17,742	2,986	24,253	9.5	9.4	11.3	9.5
1989	44,603	25,602	5,747	13,253	8.1	10.4	16.1	4.9
1990	48,440	27,344	4,225	16,872	8.5	11.4	11.7	5.8
1991	60,385	30,657	3,318	26,410	7.1	7.6	6.4	6.7
1992	73,984	42,417	6,595	24,972	6.7	8.3	8.5	5.0
1993	99,436	57,539	16,774	25,123	6.6	7.8	11.6	4.1
1994	120,430	70,885	20,093	29,453	7.8	8.3	12.2	5.6
1995	141,755	97,743	19,494	24,518	6.9	7.8	9.3	4.1
1996	151,988	107,667	18,067	26,254	5.8	6.2	7.2	4.1
1997	198,826	145,565	24,761	28,500	5.8	6.1	7.8	3.9
1998	191,393	143,516	25,570	22,307	4.6	4.8	7.0	2.7
1999	219,098	174,692	20,656	23,750	4.2	4.3	5.5	2.9
2000	277,159	227,961	23,769	25,429	5.4	5.8	6.9	3.1
2001	222,475	172,056	25,927	24,492	4.7	5.0	7.5	2.6
2002	208,939	122,747	23,696	62,495	5.1	4.6	7.3	5.5
2003	259,580	156,953	29,483	73,144	4.8	4.3	6.8	5.9
2004	306,851	186,379	35,072	85,400	5.0	4.3	6.8	6.6

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

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

Components may not add to the total because of rounding.

TABLE 17

Liquidity Ratio* of Long-Term Mutual Funds by Investment Classification

(percent, end of year)

	EQUITY FUNDS				BOND FUNDS						
Year	Capital Appreciation	World	Total Return	HYBRID FUNDS	Corporate	High Yield	World	Government	Strategic Income	State Muni	National Muni
1984	9.9%	10.7%	8.0%	7.9%	5.7%	5.8%	10.5%	14.2%	10.1%	3.4%	8.1%
1985	8.2	11.5	10.5	8.0	4.8	5.7	-4.5	10.5	6.7	1.8	3.5
1986	8.7	9.4	10.2	9.8	6.3	5.0	21.1	6.7	10.8	2.5	3.0
1987	10.2	11.5	7.9	9.3	7.9	7.3	22.2	8.2	11.2	4.3	6.5
1988	10.5	7.1	8.8	11.3	13.1	7.0	17.3	11.5	17.8	4.4	7.2
1989	11.0	7.2	10.7	16.1	8.6	6.9	14.8	4.3	13.5	2.4	3.5
1990	12.0	11.7	10.6	11.7	8.6	11.4	43.7	1.3	8.0	2.7	4.7
1991	8.6	8.7	6.3	6.4	7.9	5.4	30.5	5.5	7.0	2.8	3.8
1992	10.3	9.6	5.9	8.5	8.4	5.7	22.8	2.3	6.5	2.8	3.8
1993	8.5	10.6	6.0	11.6	8.8	4.6	17.9	0.9	7.5	2.1	3.5
1994	9.1	10.8	6.2	12.2	10.2	7.9	20.0	2.8	8.6	2.8	4.5
1995	8.5	8.6	6.7	9.3	6.3	7.0	12.3	1.5	7.3	2.1	3.5
1996	6.6	7.0	5.4	7.2	5.3	6.7	9.0	-0.6	11.2	2.4	3.6
1997	6.4	8.0	5.1	7.8	4.8	5.3	8.7	0.8	9.8	2.1	2.8
1998	5.0	5.8	4.3	7.0	3.2	4.6	6.1	-3.0	8.7	1.7	2.4
1999	4.5	5.3	3.6	5.5	5.5	4.3	6.9	-4.6	8.2	2.1	2.5
2000	6.0	7.7	4.5	6.9	4.7	8.4	4.3	-2.6	3.1	3.1	3.5
2001	5.3	6.3	4.3	7.5	5.7	6.9	3.3	-0.3	0.4	2.3	3.1
2002	4.9	5.8	3.8	7.3	4.1	6.8	3.6	0.6	13.3	2.6	4.1
2003	4.1	5.7	3.9	6.8	6.2	5.3	6.0	1.1	12.4	2.2	3.7
2004	4.2	5.4	3.8	6.8	4.7	5.9	10.0	2.5	12.2	2.9	6.5

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

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

TABLE 18

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	21,832	70,881
1993	242,049	127,260	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	227,106	16,499	28,424
1998	241,796	156,875	10,311	74,610
1999	169,780	187,565	-13,705	-4,081
2000	228,874	309,367	-30,728	-49,765
2001	129,188	31,966	9,518	87,704
2002	120,583	-27,550	7,520	140,612
2003	215,843	152,316	31,897	31,629
2004	209,794	177,851	42,713	-10,770

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

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

Components may not add to the total because of rounding.

TABLE 19

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

Year	Net New Cash Flow	Sales: New + Exchange	Sales: New	Sales: Exchange	Redemptions: Regular + Exchange	Redemptions: Regular	Redemptions: Exchange
1984	$4,336	$28,705	$16,586	$12,119	$24,369	$10,669	$13,700
1985	6,643	40,608	25,046	15,562	33,965	17,558	16,406
1986	20,386	87,997	50,774	37,224	67,612	26,051	41,561
1987	19,231	139,596	65,093	74,502	120,365	38,601	81,764
1988	-14,948	68,827	25,641	43,186	83,774	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	744,144	479,136
2000	309,367	1,975,882	1,321,838	654,044	1,666,515	1,038,572	627,943
2001	31,966	1,330,685	953,197	377,488	1,298,720	892,879	405,841
2002	-27,550	1,220,185	898,417	321,768	1,247,734	878,823	368,911
2003	152,316	1,086,351	847,602	238,749	934,035	710,535	223,500
2004	177,851	1,125,378	953,869	171,509	947,527	780,940	166,587

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

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

Components may not add to the total because of rounding.

TABLE 20

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

(millions of dollars, annual)

Year	NET NEW CASH FLOW	SALES New + Exchange	SALES New	SALES Exchange	REDEMPTIONS Regular + Exchange	REDEMPTIONS Regular	REDEMPTIONS Exchange
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	12,419	2,528	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	-30,728	71,823	58,350	13,473	102,551	74,510	28,041
2001	9,518	87,770	70,290	17,480	78,252	61,037	17,215
2002	7,520	94,208	77,089	17,119	86,688	68,977	17,711
2003	31,897	109,363	91,353	18,010	77,466	64,073	13,393
2004	42,713	132,531	116,196	16,336	89,818	77,287	12,531

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

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

Components may not add to the total because of rounding.

TABLE 21

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

(millions of dollars, annual)

Year	NET NEW CASH FLOW	SALES			REDEMPTIONS		
		New + Exchange	New	Exchange	Regular + Exchange	Regular	Exchange
1984	$13,058	$25,554	$20,774	$4,780	$12,497	$7,344	$5,152
1985	63,127	83,359	74,485	8,874	20,232	13,094	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	25,836
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	129,958	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	-4,081	298,122	216,467	81,655	302,202	205,968	96,234
2000	-49,765	245,866	184,021	61,845	295,631	217,157	78,474
2001	87,704	389,128	297,243	91,885	301,424	222,933	78,491
2002	140,612	508,466	396,225	112,241	367,854	280,355	87,499
2003	31,629	515,201	424,037	91,164	483,572	373,295	110,276
2004	-10,770	400,695	345,744	54,951	411,466	342,835	68,630

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

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

Components may not add to the total because of rounding.

TABLE 22

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

(millions of dollars, annual)

	EQUITY FUNDS				BOND FUNDS						
Year	Capital Appreciation	World	Total Return	HYBRID FUNDS	Corporate	High Yield	World	Government	Strategic Income	State Muni	National Muni
1984	$1,694	$949	$1,694	$1,801	$175	$1,215	-$3	$7,367	-$37	$1,882	$2,460
1985	1,575	770	4,298	3,720	935	4,366	19	42,762	1,200	5,652	8,194
1986	3,071	4,200	13,115	6,988	3,468	9,618	429	57,450	3,416	12,105	16,132
1987	7,432	-568	12,368	3,748	608	610	673	2,892	1,114	1,864	-964
1988	-7,210	-2,402	-5,336	-3,684	-200	3,209	609	-13,655	464	2,878	2,209
1989	-64	1,210	5,628	3,183	774	-2,875	-84	-12,812	1,738	6,484	5,550
1990	4,610	6,812	1,493	1,483	1,269	-5,229	7,615	-7,574	791	6,192	3,749
1991	23,509	3,959	12,421	7,089	6,016	1,682	10,282	17,337	2,685	11,112	10,121
1992	43,171	7,044	28,768	21,832	6,881	4,604	-3,003	29,643	4,389	13,205	15,162
1993	48,247	38,441	40,573	44,229	11,958	8,467	750	6,186	4,867	18,998	19,333
1994	42,854	44,248	27,424	23,105	715	-972	-6,800	-39,862	-102	-6,242	-9,208
1995	72,452	11,512	40,428	3,899	6,366	8,258	-4,248	-13,670	4,101	-2,221	-4,670
1996	99,511	47,516	69,910	12,177	6,368	12,486	-2,202	-13,771	5,772	-1,953	-3,940
1997	94,495	37,846	94,766	16,499	11,077	16,851	-1,287	-9,494	10,405	353	520
1998	82,591	7,527	66,757	10,311	20,121	13,602	-1,166	8,899	17,955	7,999	7,200
1999	160,190	11,224	16,151	-13,705	6,195	-2,546	-2,179	-2,201	8,802	-4,583	-7,568
2000	310,710	49,793	-51,136	-30,728	-7,736	-12,306	-2,208	-16,346	2,968	-5,513	-8,625
2001	17,179	-21,764	36,551	9,518	11,149	7,195	-1,022	27,872	30,919	6,631	4,961
2002	-36,783	-2,819	12,052	7,520	8,808	10,580	167	59,456	45,198	5,720	10,684
2003	66,854	22,573	62,889	31,897	7,902	26,324	3,142	-18,585	19,925	-8,056	977
2004	46,423	66,689	64,738	42,713	11,534	-9,336	5,922	-19,091	13,888	-8,239	-5,448

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

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

TABLE 23

New Sales* of Long-Term Mutual Funds by Investment Classification

(millions of dollars, annual)

	EQUITY FUNDS				BOND FUNDS						
Year	Capital Appreciation	World	Total Return	HYBRID FUNDS	Corporate	High Yield	World	Government	Strategic Income	State Muni	National Muni
1984	$9,024	$1,480	$6,083	$3,842	$658	$1,939	$4	$8,571	$759	$2,346	$6,496
1985	13,736	1,698	9,613	6,976	1,357	5,162	24	48,267	1,809	6,433	11,433
1986	21,395	7,076	22,303	12,342	4,066	12,645	432	78,991	4,873	14,505	22,728
1987	30,529	6,829	27,736	12,419	3,224	8,285	1,073	51,019	4,574	9,909	15,642
1988	12,417	2,206	11,018	4,601	1,738	7,856	1,348	15,940	2,923	7,104	10,469
1989	19,943	4,245	22,629	9,334	2,514	7,607	740	10,966	3,679	10,046	13,049
1990	27,234	11,273	24,364	8,021	5,545	3,372	8,639	13,206	2,093	11,430	12,789
1991	44,081	9,860	36,251	13,789	13,242	4,546	14,556	37,187	4,028	16,571	17,931
1992	68,960	13,225	52,124	26,586	24,014	9,362	12,664	70,148	7,167	21,554	26,957
1993	99,309	40,651	73,679	50,866	37,045	14,375	14,193	65,850	9,058	29,828	36,917
1994	112,063	68,396	72,428	50,436	37,167	11,852	8,324	27,386	6,581	16,677	21,971
1995	142,591	53,555	86,792	36,038	28,686	15,415	4,889	21,993	9,477	13,355	15,983
1996	221,530	88,669	132,173	48,494	36,433	22,989	6,441	20,757	15,936	15,588	18,684
1997	275,013	120,065	183,986	56,856	42,472	33,312	7,773	24,106	24,104	19,029	23,886
1998	344,980	132,747	221,827	68,853	53,039	41,872	7,533	38,607	33,863	25,406	29,056
1999	500,938	181,670	235,992	68,582	51,509	32,360	5,620	38,138	38,372	22,931	27,536
2000	769,435	330,280	222,123	58,350	43,763	23,171	5,911	26,450	43,706	17,152	23,868
2001	481,878	247,123	224,196	70,290	60,866	33,747	6,127	63,180	77,281	25,701	30,341
2002	438,471	241,195	218,751	77,089	66,736	40,269	7,566	103,967	110,858	27,578	39,250
2003	423,289	199,315	224,997	91,353	79,333	66,308	13,522	84,028	118,973	21,967	39,906
2004	510,471	174,546	268,852	116,196	77,592	39,611	15,667	53,286	109,076	17,631	32,881

*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.

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

TABLE 24

Exchange Sales* of Long-Term Mutual Funds by Investment Classification

(millions of dollars, annual)

	EQUITY FUNDS				BOND FUNDS						
Year	Capital Appreciation	World	Total Return	HYBRID FUNDS	Corporate	High Yield	World	Government	Strategic Income	State Muni	National Muni
1984	$6,878	$245	$4,996	$276	$234	$750	$1	$299	$255	$353	$2,888
1985	8,039	434	7,089	526	435	1,411	4	1,718	588	742	3,975
1986	20,019	3,619	13,585	1,194	1,192	2,792	37	4,096	1,197	2,242	9,079
1987	47,382	4,434	22,686	2,528	1,595	3,398	438	6,001	1,898	3,903	12,569
1988	31,041	1,451	10,693	1,658	1,650	4,364	605	4,979	1,451	3,077	8,670
1989	30,650	1,676	10,201	1,805	1,748	3,396	367	4,575	1,463	3,360	8,259
1990	29,022	3,804	8,635	1,700	2,108	2,279	816	5,370	535	3,429	8,998
1991	39,712	4,357	12,357	3,122	3,874	3,392	1,280	10,356	935	3,814	9,913
1992	45,976	6,327	15,108	6,369	6,008	6,228	2,475	11,784	1,184	5,021	13,113
1993	57,080	18,074	18,563	11,525	6,690	6,694	4,179	9,795	1,435	6,121	18,340
1994	62,488	33,316	17,968	9,998	5,465	7,875	3,355	7,807	2,066	9,424	19,063
1995	95,586	30,313	25,017	7,813	6,776	6,995	2,016	7,279	1,868	10,808	20,071
1996	138,835	52,450	40,666	9,595	6,920	9,773	2,996	7,666	2,507	10,599	24,748
1997	172,140	65,594	63,488	13,423	7,977	12,588	3,323	9,757	3,770	8,309	19,971
1998	217,434	77,380	70,828	15,630	13,106	13,920	2,924	20,792	8,178	7,485	16,858
1999	304,719	111,442	76,084	14,411	13,505	13,000	1,367	23,142	6,602	6,984	17,056
2000	440,123	149,077	64,844	13,473	9,193	10,268	1,333	16,715	8,161	5,309	10,865
2001	242,090	75,707	59,692	17,480	17,686	11,093	1,162	26,694	16,216	5,367	13,666
2002	211,506	57,568	52,693	17,119	16,486	11,262	1,799	40,646	22,820	5,654	13,573
2003	144,106	38,134	56,509	18,010	15,622	16,948	2,856	22,684	18,548	4,312	10,194
2004	101,428	26,993	43,087	16,336	11,227	7,694	1,859	13,185	12,101	2,788	6,096

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

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

TABLE 25

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

	EQUITY FUNDS				BOND FUNDS						
Year	Capital Appreciation	World	Total Return	HYBRID FUNDS	Corporate	High Yield	World	Government	Strategic Income	State Muni	National Muni
1984	$6,804	$589	$3,277	$2,017	$356	$848	$5	$1,243	$635	$517	$3,741
1985	11,396	1,122	5,040	3,161	436	1,179	7	6,479	690	985	3,318
1986	14,004	2,958	9,089	5,162	872	3,128	28	21,045	1,645	2,677	6,381
1987	19,892	5,044	13,665	7,848	2,233	5,900	489	40,407	3,176	5,733	11,689
1988	16,268	3,663	13,316	7,521	1,891	5,527	731	28,056	2,687	4,290	8,377
1989	17,859	2,895	16,476	5,780	2,000	8,133	768	22,889	2,398	4,248	8,080
1990	19,810	4,198	20,480	5,619	4,366	6,798	1,326	20,314	1,288	5,143	8,724
1991	23,982	5,645	23,766	7,030	8,387	3,856	4,476	22,883	1,446	6,030	9,081
1992	29,209	6,730	25,526	7,265	17,633	5,652	12,462	37,589	2,343	8,310	12,583
1993	47,885	10,183	33,876	11,828	24,966	7,255	11,190	52,251	3,487	10,647	17,404
1994	68,498	28,854	43,745	25,761	32,827	10,506	13,016	56,835	5,512	18,399	25,265
1995	81,950	37,830	50,622	28,241	23,342	9,390	7,912	33,731	5,198	15,209	19,470
1996	126,349	44,950	69,233	31,915	29,487	12,096	8,194	29,956	9,326	16,145	19,782
1997	183,157	79,102	99,763	38,926	30,745	18,013	8,220	30,288	13,747	16,965	22,267
1998	261,491	119,842	152,924	54,649	35,368	27,247	8,010	31,552	17,445	17,204	21,949
1999	367,674	171,238	205,233	71,076	44,569	32,125	7,091	36,639	28,068	25,176	32,299
2000	521,452	282,214	234,907	74,510	49,098	30,805	7,536	37,693	38,719	22,077	31,229
2001	446,398	259,106	187,375	61,037	53,531	26,799	6,762	39,908	50,531	18,921	26,482
2002	446,713	238,726	193,384	68,977	60,998	29,877	7,798	58,800	70,775	21,733	30,374
2003	361,946	179,596	168,993	64,073	71,926	43,665	10,781	87,667	95,233	26,861	37,163
2004	457,450	117,321	206,169	77,287	66,919	45,626	10,172	67,291	92,904	23,938	35,986

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

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

TABLE 26

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

	EQUITY FUNDS				BOND FUNDS						
Year	Capital Appreciation	World	Total Return	HYBRID FUNDS	Corporate	High Yield	World	Government	Strategic Income	State Muni	National Muni
1984	$7,404	$187	$6,109	$301	$362	$626	$4	$260	$417	$301	$3,184
1985	8,804	240	7,363	621	422	1,027	3	744	507	538	3,896
1986	24,340	3,537	13,684	1,386	918	2,691	13	4,592	1,009	1,964	9,294
1987	50,587	6,787	24,389	3,353	1,979	5,173	349	13,721	2,182	6,215	17,486
1988	34,400	2,396	13,731	2,422	1,697	3,484	614	6,519	1,223	3,013	8,553
1989	32,799	1,817	10,726	2,176	1,488	5,745	424	5,465	1,006	2,673	7,679
1990	31,837	4,068	11,027	2,619	2,018	4,082	515	5,836	549	3,524	9,313
1991	36,301	4,613	12,422	2,792	2,712	2,399	1,078	7,323	831	3,243	8,642
1992	42,556	5,778	12,938	3,858	5,508	5,334	5,680	14,700	1,619	5,060	12,326
1993	60,257	10,101	17,793	6,334	6,810	5,347	6,432	17,208	2,138	6,305	18,520
1994	63,200	28,610	19,227	11,568	9,091	10,193	5,463	18,220	3,238	13,944	24,977
1995	83,775	34,525	20,759	11,711	5,754	4,762	3,241	9,211	2,045	11,174	21,254
1996	134,505	48,653	33,696	13,997	7,498	8,180	3,446	12,238	3,345	11,995	27,590
1997	169,502	68,712	52,944	14,854	8,627	11,036	4,163	13,070	3,722	10,021	21,069
1998	218,332	82,759	72,974	19,523	10,656	14,943	3,613	18,947	6,641	7,688	16,764
1999	277,794	110,650	90,692	25,622	14,250	15,780	2,074	26,842	8,104	9,322	19,861
2000	377,396	147,350	103,197	28,041	11,595	14,939	1,916	21,818	10,181	5,897	12,128
2001	260,390	85,488	59,962	17,215	13,872	10,846	1,550	22,095	12,048	5,517	12,564
2002	240,047	62,856	66,008	17,711	13,416	11,075	1,400	26,358	17,705	5,780	11,766
2003	138,596	35,280	49,624	13,393	15,127	13,267	2,455	37,630	22,363	7,475	11,960
2004	108,026	17,529	41,032	12,531	10,367	11,016	1,433	18,272	14,385	4,720	8,438

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

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

TABLE 27

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
1985	17.4%	18.4%	22.0%	15.5%	29.8%	35.6%	26.3%	24.0%
1986	19.8	19.6	23.8	19.6	38.6	50.9	30.2	30.7
1987	26.5	23.4	28.5	28.3	56.7	73.0	40.7	47.5
1988	20.0	18.2	27.1	20.5	36.9	45.9	35.8	30.4
1989	17.9	17.1	18.7	18.4	31.9	38.0	25.7	27.7
1990	17.5	18.4	15.7	17.0	31.0	37.7	23.0	26.2
1991	16.4	16.6	15.9	16.4	28.1	33.1	22.2	24.1
1992	17.0	13.4	11.2	21.5	28.8	26.7	17.1	32.7
1993	17.8	14.7	10.6	22.6	29.9	28.7	16.3	33.8
1994	21.6	17.7	16.7	28.3	35.2	31.6	24.2	43.2
1995	17.4	16.2	15.1	20.3	28.9	29.4	21.3	30.5
1996	17.0	16.2	13.8	20.1	30.0	30.7	19.8	32.0
1997	17.9	17.7	13.7	20.5	30.5	31.9	18.9	31.0
1998	19.7	20.0	16.0	20.4	32.2	34.0	21.7	30.6
1999	21.7	21.2	19.1	25.1	34.5	34.9	26.0	36.8
2000	25.7	26.0	20.6	26.7	39.9	41.6	28.3	36.4
2001	24.0	24.2	17.6	25.7	34.2	35.2	22.6	34.7
2002	27.9	28.9	20.5	27.3	38.7	41.0	25.8	35.8
2003	24.2	22.4	17.0	31.4	31.5	29.4	20.5	40.7
2004	20.8	19.4	16.3	27.0	25.1	23.5	18.9	32.4

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

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

TABLE 28

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

(millions of dollars, end of year)

Year	Total Net Assets	Common & Preferred Stocks	Long-Term U.S. Government Bonds	Corporate Bonds	Municipal Bonds	Liquid Assets	Other
1984	$137,126	$83,140	$9,661	$14,929	$16,882	$12,181	$333
1985	251,583	113,551	53,449	24,987	38,174	20,593	829
1986	423,516	160,826	111,384	47,246	70,778	30,611	2,671
1987	453,076	181,636	119,655	41,592	68,464	37,930	3,799
1988	471,417	179,110	103,605	54,364	86,016	44,980	3,342
1989	552,578	245,352	117,850	52,830	84,831	44,603	7,112
1990	566,849	216,451	128,153	45,365	117,084	48,440	11,356
1991	850,744	381,310	163,098	87,577	149,537	60,385	8,836
1992	1,096,342	485,286	225,281	115,441	191,779	73,984	4,572
1993	1,504,644	712,254	272,248	165,589	249,164	99,436	5,952
1994	1,544,320	823,713	223,070	155,158	211,127	120,430	10,822
1995	2,058,275	1,215,210	259,076	190,880	245,331	141,755	6,024
1996	2,623,994	1,718,099	265,110	237,988	245,182	151,988	5,626
1997	3,409,315	2,358,344	282,061	292,903	266,327	198,826	10,855
1998	4,173,531	3,004,200	286,537	389,135	292,505	191,393	9,761
1999	5,233,194	4,059,506	294,270	387,681	267,438	219,098	5,201
2000	5,119,386	3,910,301	309,647	349,099	269,180	277,164	3,996
2001	4,689,603	3,424,232	379,369	372,112	289,649	222,475	1,766
2002	4,118,402	2,687,913	481,298	417,904	320,511	208,939	1,836
2003	5,362,398	3,760,452	506,353	500,854	332,125	259,580	3,034
2004	6,193,684	4,490,008	537,399	532,624	318,313	306,851	8,489

Share of Total Net Assets

(percent, end of year)

Year	Total Net Assets	Common & Preferred Stocks	Long-Term U.S. Government Bonds	Corporate Bonds	Municipal Bonds	Liquid Assets	Other
1984	100.0%	60.6%	7.0%	10.9%	12.3%	8.9%	0.2%
1985	100.0	45.1	21.2	9.9	15.2	8.2	0.3
1986	100.0	38.0	26.3	11.2	16.7	7.2	0.6
1987	100.0	40.1	26.4	9.2	15.1	8.4	0.8
1988	100.0	38.0	22.0	11.5	18.2	9.5	0.7
1989	100.0	44.4	21.3	9.6	15.4	8.1	1.3
1990	100.0	38.2	22.6	8.0	20.7	8.5	2.0
1991	100.0	44.8	19.2	10.3	17.6	7.1	1.0
1992	100.0	44.3	20.5	10.5	17.5	6.7	0.4
1993	100.0	47.3	18.1	11.0	16.6	6.6	0.4
1994	100.0	53.3	14.4	10.0	13.7	7.8	0.7
1995	100.0	59.0	12.6	9.3	11.9	6.9	0.3
1996	100.0	65.5	10.1	9.1	9.3	5.8	0.2
1997	100.0	69.2	8.3	8.6	7.8	5.8	0.3
1998	100.0	72.0	6.9	9.3	7.0	4.6	0.2
1999	100.0	77.6	5.6	7.4	5.1	4.2	0.1
2000	100.0	76.4	6.0	6.8	5.3	5.4	0.1
2001	100.0	73.0	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	9.3	6.2	4.8	0.1
2004	100.0	72.5	8.7	8.6	5.1	5.0	0.1

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

TABLE 29

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

(end of year)

Year	Total Net Assets	Common & Preferred Stocks	Long-Term U.S. Government Bonds	Corporate Bonds	Municipal Bonds	Liquid Assets	Other	Total Net Assets (millions of dollars)
Equity Funds								
1991	100.0%	86.0%	2.3%	2.8%	0.1%	7.6%	1.3%	$404,732
1992	100.0	86.1	2.6	2.6	0.1	8.3	0.3	514,087
1993	100.0	86.8	2.7	2.3	0.1	7.8	0.4	740,667
1994	100.0	87.1	2.3	2.0	0.0	8.3	0.3	852,765
1995	100.0	88.4	2.1	1.5	0.0	7.8	0.2	1,249,077
1996	100.0	91.3	1.1	1.2	0.0	6.2	0.2	1,726,010
1997	100.0	91.8	0.9	0.9	0.0	6.1	0.2	2,368,024
1998	100.0	93.6	0.5	1.0	0.0	4.8	0.1	2,977,944
1999	100.0	94.7	0.2	0.7	0.0	4.3	0.0	4,041,890
2000	100.0	93.4	0.2	0.6	0.0	5.8	0.0	3,961,922
2001	100.0	94.0	0.2	0.7	0.0	5.0	0.0	3,418,163
2002	100.0	93.8	0.6	1.0	0.0	4.6	0.0	2,662,461
2003	100.0	94.7	0.2	0.7	0.0	4.3	0.0	3,684,162
2004	100.0	94.8	0.2	0.7	0.0	4.3	0.1	4,384,076
Hybrid Funds								
1991	100.0%	53.3%	19.8%	19.6%	0.1%	6.4%	0.9%	$52,230
1992	100.0	48.9	20.1	22.0	0.1	8.5	0.5	78,042
1993	100.0	45.0	20.9	21.3	0.7	11.6	0.6	144,501
1994	100.0	46.8	19.9	20.9	0.2	12.2	0.1	164,404
1995	100.0	50.2	19.8	19.7	0.3	9.3	0.7	210,332
1996	100.0	53.0	18.3	21.1	0.2	7.2	0.3	252,576
1997	100.0	54.2	16.1	20.7	0.4	7.8	0.9	317,111
1998	100.0	55.6	12.8	23.8	0.4	7.0	0.5	364,997
1999	100.0	57.8	13.6	22.6	0.4	5.5	0.1	378,809
2000	100.0	57.7	13.9	21.2	0.3	6.9	0.1	346,276
2001	100.0	58.2	12.4	21.5	0.2	7.5	0.2	346,315
2002	100.0	57.1	12.3	23.0	0.3	7.3	0.1	325,493
2003	100.0	61.1	10.8	20.8	0.3	6.9	0.1	430,467
2004	100.0	62.3	11.5	18.9	0.4	6.8	0.1	519,292
Bond Funds								
1991	100.0%	1.3%	36.5%	16.8%	37.9%	6.7%	0.8%	$393,781
1992	100.0	0.9	39.0	16.8	37.9	5.0	0.5	504,213
1993	100.0	0.8	35.9	19.0	39.9	4.1	0.3	619,476
1994	100.0	0.9	32.3	19.7	40.0	5.6	1.5	527,152
1995	100.0	0.8	32.0	21.9	40.9	4.1	0.3	598,865
1996	100.0	1.3	30.9	25.5	37.9	4.1	0.3	645,407
1997	100.0	1.7	28.9	28.4	36.6	3.9	0.4	724,179
1998	100.0	1.7	27.2	32.8	35.0	2.7	0.5	830,590
1999	100.0	1.7	28.7	33.5	32.7	2.9	0.4	812,494
2000	100.0	1.3	31.3	30.9	33.0	3.1	0.3	811,188
2001	100.0	0.9	35.7	29.4	31.2	2.6	0.0	925,124
2002	100.0	0.5	37.8	27.9	28.3	5.5	0.0	1,130,448
2003	100.0	0.6	36.1	30.8	26.5	5.9	0.1	1,247,770
2004	100.0	0.7	36.4	31.4	24.5	6.6	0.4	1,290,316

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

Components may not add to the total because of rounding.

TABLE 30

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	$7,238	$2,613[e]	$583[e]	$4,042[e]	$4,656	$1,882	$432	$2,342
1985	12,719	3,229	1,098	8,392	7,731	2,321	768	4,642
1986	22,689	6,328	1,499	14,862	13,991	3,706	1,087	9,197
1987	31,708	7,246	1,934	22,528	18,976	4,841	1,476	12,659
1988	31,966	6,554	1,873	23,539	17,494	4,476	1,217	11,801
1989	34,102	10,235	2,165	21,702	20,584	7,119	1,383	12,082
1990	33,156	8,787	2,350	22,018	21,124	6,721	1,725	12,678
1991	35,145	9,007	2,337	23,801	24,300	7,255	1,907	15,139
1992	58,608	17,023	4,483	37,102	30,393	8,845	2,937	18,611
1993	73,178	20,230	6,810	46,137	38,116	12,174	4,270	21,672
1994	61,261	17,279	6,896	37,086	39,136	12,971	5,043	21,122
1995	67,229	22,567	9,052	35,610	46,635	18,286	6,929	21,421
1996	73,282	25,061	9,844	38,378	53,213	21,345	8,196	23,672
1997	79,896	27,971	11,607	40,318	58,423	23,100	9,602	25,721
1998	81,011	25,495	11,456	44,060	60,041	22,377	9,528	28,135
1999	95,443	32,543	12,821	50,078	69,973	27,332	10,746	31,894
2000	88,215	27,987	10,681	49,546	66,277	24,590	9,276	32,411
2001	82,967	22,325	10,161	50,481	62,306	20,090	8,960	33,256
2002	82,065	21,381	9,228	51,455	62,413	19,362	8,305	34,746
2003	85,926	25,369	9,254	51,303	66,870	22,994	8,242	35,634
2004	98,085	36,128	10,923	51,034	78,253	32,643	9,575	36,035

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

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

Components may not add to the total because of rounding.

TABLE 31

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	$6,019	$5,247[e]	$553[e]	$219[e]	$5,122	$4,655	$338	$129
1985	4,895	3,699	739	457	3,751	3,091	398	261
1986	17,661	13,942	1,240	2,478	14,275	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	183,385	161,365	19,080	2,941	164,916	145,358	17,360	2,198
1998	164,989	138,681	21,572	4,737	151,105	127,473	19,698	3,935
1999	237,624	219,484	16,841	1,299	206,508	190,300	15,229	979
2000	325,841	307,586	17,808	446	298,429	281,339	16,719	371
2001	68,628	60,718	5,488	2,421	64,820	57,564	5,198	2,059
2002	16,097	10,795	639	4,663	14,749	10,102	614	4,033
2003	14,397	7,728	813	5,856	12,956	7,142	748	5,065
2004	54,740	42,266	6,000	6,475	49,896	38,723	5,565	5,609

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

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

Components may not add to the total because of rounding.

TABLE 32

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	421,224	-10,715	112,742	128,815	-16,073	297,767	292,408	5,358
1989	471,744	445,453	26,291	142,771	141,694	1,077	328,973	303,759	25,214
1990	554,720	505,780	48,940	166,398	146,580	19,817	388,322	359,199	29,123
1991	735,674	608,111	127,563	250,289	209,276	41,013	485,386	398,835	86,551
1992	949,366	758,475	190,891	327,518	261,857	65,661	621,848	496,618	125,230
1993	1,335,506	1,060,360	275,145	506,713	380,855	125,858	828,793	679,505	149,288
1994	1,433,739	1,329,324	104,414	628,668	512,346	116,321	805,071	816,978	-11,907
1995	1,550,510	1,400,702	149,809	790,017	686,756	103,260	760,494	713,946	46,548
1996	2,018,253	1,736,884	281,370	1,151,262	927,266	223,996	866,991	809,618	57,373
1997	2,384,639	2,108,981	275,659	1,457,384	1,268,983	188,401	927,255	839,997	87,258
1998	2,861,562	2,560,074	301,487	1,762,565	1,597,311	165,255	1,098,997	962,764	136,233
1999	3,437,180	3,224,301	212,878	2,262,505	2,088,544	173,962	1,174,674	1,135,757	38,917
2000	4,922,927	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	4,019,384	3,807,779	211,605	2,176,648	2,142,032	34,615	1,842,736	1,665,747	176,989
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	4,310,191	4,019,286	290,905	2,390,935	2,198,590	192,345	1,919,256	1,820,696	98,561

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

Components may not add to the total because of rounding.

TABLE 33

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	130,822	-10,961	100,888	113,635	-12,747	18,973	17,187	1,787
1989	148,346	144,753	3,593	128,998	127,026	1,973	19,348	17,728	1,621
1990	187,592	169,373	18,218	151,907	133,630	18,277	35,684	35,743	-59
1991	251,775	207,946	43,829	224,117	186,785	37,333	27,658	21,162	6,496
1992	339,002	268,868	70,134	300,712	242,319	58,393	38,290	26,549	11,741
1993	500,197	382,432	117,765	451,485	345,357	106,128	48,712	37,075	11,637
1994	618,004	508,389	109,615	564,380	456,708	107,672	53,623	51,681	1,942
1995	785,867	678,060	107,807	718,298	621,699	96,599	67,569	56,361	11,208
1996	1,116,906	896,644	220,262	1,050,884	832,486	218,397	66,022	64,157	1,865
1997	1,421,211	1,223,463	197,748	1,352,085	1,166,649	185,436	69,126	56,814	12,312
1998	1,723,752	1,557,212	166,540	1,635,842	1,475,384	160,458	87,909	81,827	6,082
1999	2,232,821	2,049,539	183,282	2,126,853	1,941,504	185,349	105,968	108,035	-2,067
2000	3,537,394	3,286,115	251,279	3,396,792	3,152,518	244,274	140,601	133,597	7,005
2001	2,730,970	2,615,592	115,377	2,576,109	2,468,568	107,541	154,861	147,025	7,837
2002	2,155,051	2,124,816	30,235	2,020,841	2,004,534	16,307	134,210	120,282	13,928
2003	1,988,427	1,836,437	151,989	1,909,039	1,758,296	150,743	79,388	78,142	1,246
2004	2,301,411	2,124,312	177,099	2,220,865	2,053,034	167,831	80,547	71,278	9,269

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

Components may not add to the total because of rounding.

TABLE 34

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	64,429	43,855	20,574	23,966	17,200	6,766	40,463	26,655	13,809
1993	116,821	74,135	42,686	49,689	30,490	19,200	67,131	43,645	23,486
1994	141,268	114,962	26,306	54,812	46,429	8,383	86,456	68,533	17,923
1995	189,989	180,066	9,923	67,628	60,612	7,016	122,360	119,454	2,907
1996	233,471	211,094	22,377	92,495	88,487	4,008	140,976	122,607	18,370
1997	266,438	245,278	21,160	98,115	94,990	3,125	168,323	150,288	18,036
1998	290,682	266,334	24,347	115,714	111,414	4,300	174,967	154,920	20,047
1999	303,946	304,642	-696	128,313	138,952	-10,639	175,633	165,690	9,943
2000	317,617	339,135	-21,517	156,082	168,520	-12,438	161,536	170,615	-9,079
2001	360,760	337,882	22,878	152,830	132,608	20,222	207,930	205,274	2,656
2002	342,789	323,277	19,512	144,358	126,324	18,034	198,431	196,953	1,478
2003	363,949	321,989	41,959	132,618	114,947	17,671	231,330	207,042	24,288
2004	417,363	357,969	59,393	160,912	135,119	25,793	256,450	222,850	33,600

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

Components may not add to the total because of rounding.

TABLE 35

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	440,962	365,509	75,453	7,514	7,056	457	433,449	358,453	74,996
1992	545,934	445,752	100,182	2,840	2,338	502	543,095	443,414	99,680
1993	718,488	603,793	114,694	5,538	5,009	529	712,950	598,785	114,165
1994	674,467	705,973	-31,506	9,475	9,209	266	664,991	696,764	-31,773
1995	574,655	542,576	32,079	4,091	4,445	-354	570,564	538,131	32,433
1996	667,876	629,146	38,730	7,884	6,292	1,591	659,992	622,854	37,139
1997	696,990	640,240	56,750	7,184	7,344	-160	689,806	632,896	56,910
1998	847,129	736,529	110,600	11,009	10,512	496	836,120	726,016	110,104
1999	900,413	870,121	30,292	7,339	8,088	-749	893,074	862,033	31,041
2000	1,067,916	1,072,943	-5,027	7,797	9,380	-1,582	1,060,118	1,063,563	-3,445
2001	1,596,800	1,439,640	157,160	7,994	8,482	-488	1,588,806	1,431,158	157,648
2002	1,521,544	1,359,686	161,858	11,449	11,175	274	1,510,095	1,348,512	161,584
2003	1,929,230	1,840,339	88,892	12,722	11,469	1,254	1,916,508	1,828,870	87,638
2004	1,591,417	1,537,005	54,413	9,158	10,437	-1,279	1,582,259	1,526,568	55,692

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

Components may not add to the total because of rounding.

TABLE 36

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

(end of year)

	Total Net Assets (millions of dollars)			Number of Funds			Number of Share Classes			Number of Shareholder Accounts* (thousands)		
Year	Total	Taxable	Tax-Exempt	Total	Taxable	Tax-Exempt	Total	Taxable	Tax-Exempt	Total	Taxable	Tax-Exempt
1974	$1,715	$1,715	–	15	15	–	–	–	–	104	104	–
1975	3,696	3,696	–	36	36	–	–	–	–	209	209	–
1976	3,686	3,686	–	48	48	–	–	–	–	181	181	–
1977	3,888	3,888	–	50	50	–	–	–	–	178	178	–
1978	10,858	10,858	–	61	61	–	–	–	–	468	468	–
1979	45,532	45,214	$318	78	76	2	–	–	–	2,308	2,308	**
1980	76,361	74,448	1,914	106	96	10	–	–	–	4,762	4,746	17
1981	186,158	181,910	4,248	179	159	20	–	–	–	10,323	10,282	41
1982	219,838	206,608	13,230	318	281	37	–	–	–	13,258	13,101	157
1983	179,387	162,550	16,837	373	307	66	–	–	–	12,540	12,277	263
1984	233,554	209,732	23,822	425	329	96	425	329	96	13,845	13,556	288
1985	243,802	207,535	36,267	460	348	112	460	348	112	14,935	14,435	499
1986	292,152	228,346	63,806	487	360	127	487	360	127	16,313	15,654	660
1987	316,096	254,676	61,420	543	389	154	543	389	154	17,675	16,833	842
1988	337,954	272,293	65,660	610	434	176	610	434	176	18,570	17,631	939
1989	428,093	358,719	69,374	673	470	203	673	470	203	21,314	20,173	1,141
1990	498,341	414,733	83,608	741	506	235	762	523	239	22,969	21,578	1,391
1991	542,442	452,559	89,882	820	553	267	871	592	279	23,553	21,863	1,690
1992	546,194	451,353	94,841	864	585	279	914	616	298	23,616	21,747	1,869
1993	565,319	461,904	103,415	920	628	292	1,009	673	336	23,488	21,495	1,993
1994	611,005	500,636	110,369	963	646	317	1,261	853	408	25,379	23,340	2,039
1995	753,018	629,986	123,032	997	674	323	1,380	949	431	30,137	27,859	2,277
1996	901,807	761,989	139,818	988	666	322	1,453	1,000	453	32,200	29,907	2,292
1997	1,058,886	898,083	160,803	1,013	682	331	1,549	1,070	479	35,624	32,961	2,663
1998	1,351,678	1,163,167	188,512	1,026	685	341	1,627	1,133	494	38,847	36,442	2,405
1999	1,613,146	1,408,731	204,415	1,045	702	343	1,730	1,226	504	43,616	41,177	2,438
2000	1,845,281	1,607,248	238,033	1,039	703	336	1,855	1,324	531	48,138	45,480	2,659
2001	2,285,348	2,012,949	272,399	1,015	689	326	1,948	1,397	551	47,236	44,415	2,822
2002	2,271,959	1,997,175	274,784	989	679	310	2,007	1,465	542	45,382	42,726	2,656
2003	2,052,003	1,763,630	288,373	974	662	312	2,032	1,464	568	41,217	38,412	2,806
2004	1,913,189	1,602,843	310,346	943	639	304	2,047	1,472	575	37,904	35,048	2,856

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

**less than 500

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

Components may not add to the total because of rounding.

TABLE 37

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

	All Money Market Funds			Retail Money Market Funds			Institutional Money Market Funds		
Year	Total	Taxable	Tax-Exempt	Total	Taxable	Tax-Exempt	Total	Taxable	Tax-Exempt
Total Net Assets (millions of dollars, end of year)									
1996	$901,807	$761,989	$139,818	$592,604	$482,123	$110,481	$309,203	$279,866	$29,337
1997	1,058,886	898,083	160,803	663,408	540,379	123,029	395,478	357,704	37,774
1998	1,351,678	1,163,167	188,512	835,255	692,724	142,531	516,423	470,443	45,981
1999	1,613,146	1,408,731	204,415	964,686	808,377	156,308	648,460	600,354	48,106
2000	1,845,281	1,607,248	238,033	1,059,187	879,526	179,661	786,093	727,722	58,372
2001	2,285,348	2,012,949	272,399	1,131,804	941,486	190,318	1,153,544	1,071,463	82,081
2002	2,271,959	1,997,175	274,784	1,062,833	870,809	192,025	1,209,125	1,126,366	82,759
2003	2,052,003	1,763,630	288,373	936,899	746,287	190,612	1,115,104	1,017,343	97,761
2004	1,913,189	1,602,843	310,346	850,733	658,939	191,794	1,062,456	943,905	118,552
Net New Cash Flow (millions of dollars, annual)									
1996	$89,422	$79,186	$10,236	$52,886	$45,627	$7,259	$36,536	$33,559	$2,977
1997	103,466	88,046	15,420	46,620	36,943	9,676	56,846	51,103	5,743
1998	235,457	212,501	22,956	130,992	116,128	14,864	104,465	96,373	8,092
1999	193,681	182,826	10,855	82,006	72,119	9,887	111,675	110,706	969
2000	159,599	133,083	26,515	43,086	24,386	18,700	116,513	108,698	7,815
2001	375,654	349,433	26,221	36,563	26,353	10,210	339,091	323,080	16,011
2002	-46,674	-62,409	15,735	-78,445	-79,774	1,328	31,772	17,365	14,407
2003	-258,453	-267,771	9,318	-151,165	-146,258	-4,908	-107,288	-121,513	14,226
2004	-156,577	-174,866	18,289	-88,947	-91,352	2,405	-67,631	-83,514	15,883
Number of Shareholder Accounts* (end of year)									
1996	32,199,937	29,907,471	2,292,466	29,554,874	27,324,224	2,230,650	2,645,063	2,583,247	61,816
1997	35,624,081	32,960,628	2,663,453	32,759,609	30,132,691	2,626,918	2,864,472	2,827,937	36,535
1998	38,847,345	36,442,150	2,405,195	35,527,735	33,172,632	2,355,103	3,319,610	3,269,518	50,092
1999	43,615,576	41,177,138	2,438,438	39,402,434	37,008,204	2,394,230	4,213,142	4,168,934	44,208
2000	48,138,495	45,479,697	2,658,798	43,772,500	41,159,614	2,612,886	4,365,995	4,320,083	45,912
2001	47,236,474	44,414,701	2,821,773	42,129,007	39,347,593	2,781,414	5,107,467	5,067,108	40,359
2002	45,381,958	42,725,526	2,656,432	40,178,687	37,571,851	2,606,836	5,203,271	5,153,675	49,596
2003	41,217,476	38,411,825	2,805,651	35,368,482	32,625,304	2,743,178	5,848,994	5,786,521	62,473
2004	37,904,069	35,048,400	2,855,669	31,825,149	29,050,616	2,774,533	6,078,920	5,997,784	81,136

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

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

Components may not add to the total because of rounding.

TABLE 38

Net New Cash Flow* and Components of Net New Cash Flow of Money Market Mutual Funds

(millions of dollars, annual)

Year	Net New Cash Flow	SALES New + Exchange	SALES New	SALES Exchange	REDEMPTIONS Regular + Exchange	REDEMPTIONS Regular	REDEMPTIONS Exchange
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	159,599	9,826,571	9,406,181	420,391	9,666,973	9,256,011	410,962
2001	375,654	11,737,291	11,426,804	310,487	11,361,637	11,065,104	296,533
2002	-46,674	12,035,191	11,738,976	296,215	12,081,865	11,810,335	271,530
2003	-258,453	11,235,883	11,011,310	224,574	11,494,336	11,267,744	226,592
2004	-156,577	10,953,483	10,786,991	166,492	11,110,060	10,939,783	170,277

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

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

Components may not add to the total because of rounding.

TABLE 39

Paid and Reinvested Dividends of Money Market Mutual 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	$13,059	$671
1985	15,708	14,108	1,600	12,758	11,758	1,000
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	20,302	2,749
1990	30,258	26,448	3,810	26,282	23,237	3,045
1991	28,604	25,121	3,483	22,809	20,006	2,803
1992	20,280	17,197	3,083	14,596	12,569	2,027
1993	18,991	15,690	3,302	11,615	10,007	1,607
1994	23,737	20,500	3,236	16,739	14,624	2,116
1995	37,038	32,822	4,216	27,985	24,855	3,130
1996	42,555	38,364	4,191	31,516	28,404	3,112
1997	48,843	44,110	4,733	37,979	34,366	3,614
1998	57,375	52,072	5,303	43,443	39,510	3,932
1999	69,004	63,107	5,897	50,648	46,516	4,132
2000	98,219	89,956	8,263	72,771	66,780	5,991
2001	79,309	73,117	6,192	56,367	51,829	4,538
2002	32,447	29,614	2,832	22,110	20,031	2,080
2003	17,148	15,247	1,901	11,412	10,023	1,389
2004	18,553	16,095	2,458	12,043	10,257	1,786

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

Components may not add to the total because of rounding.

TABLE 40

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

(end of year)

Year	Total Net Assets (millions of dollars)	U.S. Treasury Bills	Other Treasury Securities	U.S. Government Agency Issues	Repurchase Agreements	Certificates of Deposit	Eurodollar CDs	Commercial Paper	Bank Notes[1]	Banker's Acceptances	Corporate Notes[2]	Cash Reserves	Other Assets	Average Maturity (days)
1980	$74,448	3.9%	0.7%	6.4%	7.6%	28.2%	9.1%	33.6%	–	8.8%	–	0.2%	1.4%	24
1981	181,910	10.7	1.1	5.7	8.0	24.1	10.4	31.2	–	7.5	–	-0.3	1.6	34
1982	206,608	18.4	2.3	5.8	7.9	19.7	11.5	24.4	–	9.1	–	0.1	0.9	37
1983	162,550	12.6	1.4	8.2	8.0	14.8	13.5	28.8	–	12.1	–	-0.2	0.8	37
1984	209,732	9.6	2.5	8.1	10.9	11.3	10.1	37.4	–	9.3	–	-0.6	1.4	43
1985	207,535	9.8	2.1	8.7	12.6	8.1	9.2	42.2	–	5.6	–	0.1	1.7	42
1986	228,346	8.9	3.3	6.6	14.1	8.4	9.7	41.6	–	4.6	–	0.0	2.8	40
1987	254,676	1.9	3.7	10.6	15.4	13.2	8.5	39.5	–	4.2	–	-0.1	3.1	31
1988	272,293	1.9	2.4	6.7	15.3	12.0	10.9	43.0	–	4.4	–	0.2	3.1	28
1989	358,719	2.1	2.1	5.9	15.3	11.5	7.4	49.9	–	2.1	–	0.0	3.8	38
1990	414,733	6.1	4.8	8.9	14.2	5.1	6.5	48.3	–	1.6	–	2.7	1.8	41
1991	452,559	10.5	7.1	9.1	15.1	7.4	4.8	41.9	–	1.0	–	0.0	3.1	50
1992	451,353	10.5	7.2	12.2	14.9	6.9	4.6	38.5	–	0.6	–	-0.6	5.2	51
1993	461,904	11.5	6.2	14.7	14.6	5.4	2.2	35.7	–	0.5	–	-0.3	9.4	49
1994	500,636	8.9	4.7	15.8	14.0	4.5	3.2	37.7	1.7%	0.5	–	-0.5	9.6	34
1995	629,986	6.7	4.7	14.7	14.2	6.3	3.2	37.6	2.7	0.5	–	-0.6	10.0	52
1996	761,989	5.5	6.5	13.7	13.9	9.1	3.1	36.3	1.6	0.3	–	-0.2	10.1	54
1997	898,083	4.6	5.3	10.9	14.4	10.6	2.7	37.8	2.3	0.4	–	0.2	10.9	55
1998	1,163,167	4.1	5.3	15.1	12.2	9.6	2.6	36.2	2.9	0.2	4.3%	-0.1	7.4	56
1999	1,408,731	4.3	3.3	13.9	10.2	9.9	3.0	38.0	2.4	0.2	6.7	-0.2	8.4	49
2000	1,607,248	3.4	2.4	11.8	11.6	7.6	5.8	38.6	2.9	0.1	7.4	0.1	8.4	51
2001	2,012,949	4.6	2.3	16.2	11.5	9.7	6.3	32.3	1.3	0.2	7.0	0.2	8.4	58
2002	1,997,175	5.5	1.7	16.6	14.0	9.1	5.9	30.4	1.1	0.1	7.6	-0.1	8.0	53
2003	1,763,630	5.6	1.9	18.9	14.6	7.4	4.3	26.5	1.6	0.0	9.2	-0.1	10.2	57
2004	1,602,843	4.8	1.3	16.7	15.2	9.1	4.8	25.4	2.1	0.0	9.9	0.0	10.6	40

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

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

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

TABLE 41

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

Year	Total	Equity Funds	Hybrid Funds	Bond Funds	Money Market Funds
Total					
1996	$3,526	$1,726	$253	$645	$902
1997	4,468	2,368	317	724	1,059
1998	5,525	2,978	365	831	1,352
1999	6,846	4,042	379	812	1,613
2000	6,964	3,962	346	811	1,845
2001	6,963	3,417	346	924	2,276
2002	6,390	2,662	325	1,130	2,272
2003	7,414	3,684	430	1,248	2,052
2004[p]	8,107	4,384	519	1,290	1,913
Individual Accounts					
1996	$1,932	$915	$133	$428	$449
1997	2,507	1,282	165	491	553
1998	3,048	1,594	183	532	681
1999	3,707	2,171	190	523	821
2000	3,786	2,144	171	511	958
2001	3,711	1,869	175	578	1,088
2002	3,352	1,413	172	710	1,057
2003	3,934	1,963	244	790	937
2004[p]	4,301	2,306	301	814	873
Institutional Accounts*					
1996	$1,593	$808	$119	$215	$450
1997	1,961	1,080	151	231	500
1998	2,477	1,365	177	284	652
1999	3,140	1,869	189	289	792
2000	3,179	1,817	175	300	887
2001	3,253	1,548	172	346	1,188
2002	3,039	1,250	153	421	1,215
2003	3,481	1,721	187	458	1,115
2004[p]	3,805	2,076	218	475	1,036

[p]preliminary data

**Institutional accounts include accounts purchased by or through an institution, such as af employer, trustee, or fiduciary, on behalf of its clients, employees, or owners. The institutional category includes holdings of mutual funds through variable annuities.*

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

Components may not add to the total because of rounding.

TABLE 42

Assets of Institutional Investors in Mutual Funds by Type of Institution*

(billions of dollars, end of year)

Year		Total	Fiduciaries[1]	Business Corporations	Retirement Plans	Financial Institutions[2]	Nonprofit Organizations	Other[3]
1996	All Funds	$1,593	$505	$157	$489	$343	$51	$49
	Equity	808	173	41	352	195	24	23
	Hybrid	119	19	4	43	47	3	3
	Bond	215	103	18	42	34	12	7
	Money Market	450	210	95	53	66	11	15
1997	All Funds	1,961	490	193	715	478	49	36
	Equity	1,080	183	47	523	292	20	14
	Hybrid	151	18	5	68	56	3	2
	Bond	231	91	23	58	41	13	5
	Money Market	500	198	119	66	89	13	15
1998	All Funds	2,477	613	259	934	570	65	36
	Equity	1,365	217	64	707	342	24	12
	Hybrid	177	20	6	77	70	2	2
	Bond	284	112	28	73	48	18	4
	Money Market	652	264	162	76	111	21	18
1999	All Funds	3,140	731	324	1,195	761	76	53
	Equity	1,869	283	93	946	495	32	20
	Hybrid	189	20	6	87	73	2	1
	Bond	289	109	28	77	48	21	7
	Money Market	792	319	196	86	146	20	25
2000	All Funds	3,179	785	331	1,147	782	82	52
	Equity	1,817	281	90	895	501	33	17
	Hybrid	175	16	6	81	69	2	1
	Bond	300	115	28	80	47	24	6
	Money Market	887	373	207	90	165	23	28
2001	All Funds	3,253	863	424	1,030	780	109	47
	Equity	1,548	246	76	753	430	32	11
	Hybrid	172	16	7	81	65	2	1
	Bond	346	125	30	93	58	33	7
	Money Market	1,188	475	311	104	227	42	29
2002	All Funds	3,039	876	407	918	690	110	38
	Equity	1,250	206	57	617	334	25	10
	Hybrid	153	15	5	76	54	2	1
	Bond	421	147	33	118	79	38	6
	Money Market	1,215	509	312	106	223	45	21
2003	All Funds	3,481	931	406	1,166	818	115	44
	Equity	1,721	276	84	841	468	34	17
	Hybrid	187	21	8	94	60	2	2
	Bond	458	160	33	130	91	36	7
	Money Market	1,115	474	281	100	198	43	18
2004[p]	All Funds	3,805	969	409	1,351	903	116	57
	Equity	2,076	342	100	1,007	559	41	27
	Hybrid	218	29	11	108	65	2	3
	Bond	475	161	32	140	100	33	10
	Money Market	1,036	437	266	96	179	41	17

**The institutional categories include holdings of mutual funds through variable annuities.*
[1]Fiduciaries include banks and individuals serving as trustees, guardians, administrators, and bank nominees.
[2]Financial institutions include credit unions, investment clubs, accounts of banks not held as fiduciaries, insurance companies, and other financial organizations.
[3]Other institutional investors include assets of all remaining institutional accounts not classified.
[p]preliminary data

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

Components may not add to the total because of rounding.

TABLE 43

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

(millions of dollars, end of year)

Year		Total	Fiduciaries[2]	Business Corporations	Retirement Plans	Financial Institutions[3]	Nonprofit Organizations	Other[4]
1996	All Funds	$398,484	$173,712	$86,424	$52,639	$60,814	$10,431	$14,464
	Institutional Funds	234,890	114,446	45,902	19,290	41,441	5,306	8,505
	Retail Funds	163,594	59,266	40,522	33,349	19,373	5,125	5,960
1997	All Funds	446,718	166,900	108,713	65,196	80,239	11,598	14,072
	Institutional Funds	272,947	112,540	61,825	25,757	57,564	7,390	7,870
	Retail Funds	173,772	54,360	46,888	39,439	22,674	4,208	6,202
1998	All Funds	588,835	223,902	150,235	75,583	102,724	18,799	17,593
	Institutional Funds	359,462	144,338	90,168	28,084	75,350	11,573	9,949
	Retail Funds	229,373	79,563	60,067	47,498	27,374	7,226	7,644
1999	All Funds	726,195	274,531	185,140	85,417	138,017	19,410	23,681
	Institutional Funds	450,310	172,728	116,611	34,140	99,655	11,685	15,491
	Retail Funds	275,885	101,803	68,529	51,276	38,362	7,725	8,190
2000	All Funds	805,489	316,794	194,121	89,872	156,485	21,146	27,071
	Institutional Funds	529,950	202,569	135,836	41,197	118,011	13,711	18,626
	Retail Funds	275,539	114,225	58,285	48,675	38,474	7,435	8,445
2001	All Funds	1,087,808	412,593	294,527	102,791	216,577	34,028	27,292
	Institutional Funds	783,459	292,646	229,625	47,944	169,821	24,692	18,731
	Retail Funds	304,349	119,947	64,902	54,847	46,756	9,336	8,562
2002	All Funds	1,113,988	441,126	295,749	105,031	214,574	37,748	19,761
	Institutional Funds	831,974	326,168	241,226	52,130	168,480	30,049	13,921
	Retail Funds	282,014	114,957	54,523	52,901	46,094	7,699	5,840
2003	All Funds	1,003,906	404,017	259,272	99,745	187,907	35,217	17,748
	Institutional Funds	746,503	300,169	211,649	49,222	144,913	28,889	11,663
	Retail Funds	257,403	103,849	47,623	50,523	42,994	6,328	6,086
2004[p]	All Funds	910,670	362,389	239,027	95,484	166,864	30,713	16,193
	Institutional Funds	678,875	268,727	197,136	48,500	128,737	24,978	10,797
	Retail Funds	231,794	93,662	41,891	46,984	38,127	5,735	5,396

[1]Institutional funds include funds sold primarily to institutional investors or institutional accounts. This includes accounts that are purchased by or through an institution, such as an employer, trustee, or fiduciary, on behalf of its clients, employees, or owners. The institutional categories include holdings of mutual funds through variable annuities.
[2]Fiduciaries include banks and individuals serving as trustees, guardians, administrators, and bank nominees.
[3]Financial institutions include credit unions, investment clubs, accounts of banks not held as fiduciaries, insurance companies, and other financial organizations.
[4]Other institutional investors include assets of all remaining institutional accounts not classified.
[p]preliminary data
Note: Data for funds that invest in other mutual funds were excluded from the series.
Components may not add to the total because of rounding.

TABLE 44

Worldwide Total Net Assets of Mutual Funds[1]

(millions of U.S. dollars, end of year)

	1998	1999	2000	2001	2002	2003	2004
World	**$9,594,550**	**$11,762,345**	**$11,871,061**	**$11,654,904**	**$11,324,130**	**$14,048,318**	**$16,152,429**
Americas	**5,867,187**	**7,264,471**	**7,424,145**	**7,433,144**	**6,776,291**	**7,969,541**	**8,792,384**
Argentina	6,930	6,990	7,425	3,751	1,021	1,916	2,355
Brazil	118,687	117,758	148,538	148,189	96,729	171,596	220,586
Canada	213,451	269,825	279,511	267,863	248,979	338,369	413,772
Chile	2,910	4,091	4,597	5,090	6,705	8,552	12,588
Costa Rica	N/A	N/A	919	1,577	1,738	2,754	1,053
Mexico	N/A	19,468	18,488	31,723	30,759	31,953	35,157
United States	5,525,209	6,846,339	6,964,667	6,974,951	6,390,360	7,414,401	8,106,873
Europe	**2,743,228**	**3,203,402**	**3,296,016**	**3,167,965**	**3,463,000**	**4,682,844**	**5,628,152**
Austria	57,447	56,254	56,549	55,211	66,877	87,982	103,709
Belgium	56,339	65,461	70,313	68,661	74,983	98,724	118,373
Czech Republic	556	1,473	1,990	1,778	3,297	4,083	4,860
Denmark[2]	19,521	27,558	32,485	33,831	40,153	49,533	64,799
Finland	5,695	10,318	12,698	12,933	16,516	25,601	37,658
France	626,154	656,132	721,973	713,378	845,147	1,148,446	1,370,954
Germany	190,520	237,312	238,029	213,662	209,168	276,319	295,997
Greece	32,122	36,397	29,154	23,888	26,621	38,394	43,106
Hungary	1,476	1,725	1,953	2,260	3,992	3,936	4,966
Ireland	50,337	95,174	137,024	191,840	250,116	360,425	467,620
Italy	439,701	475,661	424,014	359,879	378,259	478,734	511,733
Liechtenstein	N/A	N/A	N/A	N/A	3,847	8,936	12,543
Luxembourg	508,441	661,084	747,117	758,720	803,869	1,104,112	1,396,131
Netherlands	80,120	94,539	93,580	79,165	84,211	93,573	89,749[a]
Norway	11,148	15,107	16,228	14,752	15,471	21,994	29,907
Poland	506	762	1,546	2,970	5,468	8,576	12,014
Portugal	22,574	19,704	16,588	16,618	19,969	26,985	30,514
Romania	N/A	N/A	8	10	27	36	159
Russia	29	177	177	297	372	851	1,347
Slovakia	N/A	N/A	N/A	N/A	N/A	1,061	2,168
Spain	238,917	207,603	172,438	159,899	179,133	255,344	317,538
Sweden	54,923	83,250	78,085	65,538	57,992	87,746	107,064
Switzerland	69,151	82,512	83,059	75,973	82,622	90,772	94,407
Turkey	N/A	N/A	N/A	N/A	6,002	14,157	18,112
United Kingdom	277,551	375,199	361,008	316,702	288,887	396,523	492,726
Asia and Pacific	**971,976**	**1,276,238**	**1,133,979**	**1,039,236**	**1,063,857**	**1,361,473**	**1,677,887**
Australia	295,403	371,207	341,955	334,016	356,304	518,411	635,073
Hong Kong	98,767	182,265	195,924	170,073	164,322	255,811	343,638
India	8,685	13,065	13,507	15,284	20,364	29,800	32,846
Japan	376,533	502,752	431,996	343,907	303,191	349,148	399,462
Korea, Rep. of	165,028	167,177	110,613	119,439	149,544	121,663	177,417
New Zealand	7,250	8,502	7,802	6,564	7,505	9,641	11,171
Philippines	N/A	117	108	211	474	792	952
Taiwan	20,310	31,153	32,074	49,742	62,153	76,205	77,328
Africa	**12,160**	**18,235**	**16,921**	**14,561**	**20,983**	**34,460**	**54,006**
South Africa	12,160	18,235	16,921	14,561	20,983	34,460	54,006

[1]Funds of funds are not included except for France, Italy, and Luxembourg in 2004. Data include home-domiciled funds, except for Hong Kong, Korea, and New Zealand, which include home- and foreign-domiciled funds.
[2]Before 2003, data include special funds reserved for institutional investors.
[a]data as of 09/30/2004
N/A=not available

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

Sources: European Fund and Asset Management Association, Investment Company Institute, and other national mutual fund associations

TABLE 45

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

	1998	1999	2000	2001	2002	2003	2004
World	**50,266**	**52,746**	**51,692**	**52,849**	**54,110**	**54,570**	**55,528**
Americas	**10,376**	**11,499**	**12,676**	**13,449**	**13,884**	**13,921**	**14,067**
Argentina	229	224	226	219	211	186	186
Brazil	1,601	1,760	2,097	2,452	2,755	2,805	2,859
Canada	1,130	1,328	1,627	1,831	1,956	1,887	1,915
Chile	102	116	144	177	226	414	537
Costa Rica	N/A	N/A	122	115	128	129	115
Mexico	N/A	280	305	350	364	374	411
United States	7,314	7,791	8,155	8,305	8,244	8,126	8,044
Europe	**20,107**	**22,095**	**25,524**	**26,821**	**28,972**	**28,542**	**29,307**
Austria	704	693	760	769	808	833	840
Belgium	631	784	918	1,041	1,141	1,224	1,281
Czech Republic	56	62	70	65	76	58	53
Denmark[2]	226	292	394	451	485	400	423
Finland	114	176	241	275	312	249	280
France	6,274	6,511	7,144	7,603	7,773	7,902	7,908
Germany	793	895	987	1,077	1,092	1,050	1,041
Greece	179	208	265	269	260	265	262
Hungary	66	87	86	89	90	96	97
Ireland	851	1,060	1,344	1,640	1,905	1,978	2,088
Italy	703	816	967	1,059	1,073	1,012	1,142
Liechtenstein	N/A	N/A	N/A	N/A	111	137	171
Luxembourg	4,524	5,023	6,084	6,619	6,874	6,578	6,855
Netherlands	334	348	494	N/A	680	593	542[a]
Norway	264	309	380	400	419	375	406
Poland	38	62	77	94	107	112	130
Portugal	189	214	195	202	170	160	163
Romania	N/A	N/A	16	24	20	21	20
Russia	28	27	37	51	57	132	210
Slovakia	N/A	N/A	N/A	N/A	N/A	37	40
Spain	1,866	2,150	2,422	2,524	2,466	2,471	2,559
Sweden	366	412	509	507	512	485	461
Switzerland	325	348	368	313	512	441	385
Turkey	N/A	N/A	N/A	N/A	242	241	240
United Kingdom	1,576	1,618	1,766	1,749	1,787	1,692	1,710
Asia and Pacific	**19,592**	**18,892**	**13,158**	**12,153**	**10,794**	**11,641**	**11,617**
Australia	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Hong Kong	712	832	976	952	942	963	1,013
India	97	155	234	297	312	350	394
Japan	4,534	3,444	2,793	2,867	2,718	2,617	2,552
Korea, Rep. of	13,442	13,606	8,242	7,117	5,873	6,726	6,636
New Zealand	633	622	607	588	577	563	553
Philippines	N/A	15	18	20	21	21	24
Taiwan	174	218	288	312	351	401	445
Africa	**191**	**260**	**334**	**426**	**460**	**466**	**537**
South Africa	191	260	334	426	460	466	537

[1]Funds of funds are not included except for France, Italy, and Luxembourg in 2004. Data include home-domiciled funds, except for Hong Kong, Korea, and New Zealand, which include home- and foreign-domiciled funds.
[2]Before 2003, data include special funds reserved for institutional investors.
[a] data as of 09/30/2004
N/A=not available

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

Sources: European Fund and Asset Management Association, Investment Company Institute, and other national mutual fund associations

Part III

Background on Investment Companies

APPENDIX A

Funds and Taxation

Unlike most corporations, a mutual fund generally distributes all of its earnings each year and is taxed only on amounts it retains. This specialized "pass-through" tax treatment of mutual fund income and capital gains was established under the Revenue Act of 1936 and endures today under Subchapter M of the Internal Revenue Code of 1986. This section includes:

- a brief look at how funds qualify for specialized tax treatment;
- a review of how investors employ funds for tax purposes;
- a discussion of the types of taxable distributions that funds make; and
- an explanation of tax consequences when investors sell or exchange fund shares.

Taxation of Fund Earnings

To qualify for specialized tax treatment under the Code, mutual funds must meet, among other conditions, various investment diversification standards and pass a test regarding the source of their income. For example, under the Code's income test, 90 percent of the mutual fund's gross income must be derived from certain sources. According to the Code's asset tests, at least 50 percent of the fund's assets must be invested in cash, cash items, government securities, securities of other funds, and investments in other securities which, with respect to any one issuer, do not represent more than 5 percent of the assets of the fund nor more than 10 percent of the voting securities of the issuer. Furthermore, not 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) or of one or more qualified publicly traded partnerships. Fund investors are ultimately responsible for paying tax on a fund's earnings, whether they receive the distributions in cash or reinvest them in additional fund shares.

MORE INFO...

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

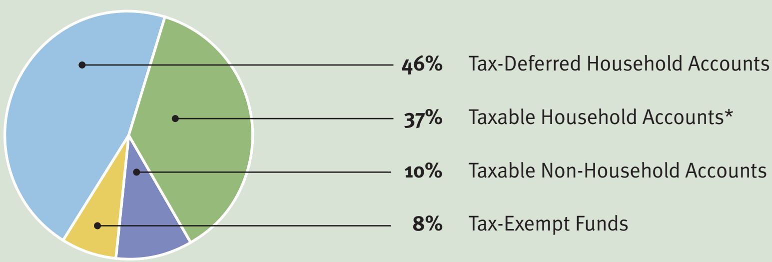
Tax-Exempt Funds and Tax-Deferred Accounts

Investors often try to lessen the impact of taxes on their investments by investing in tax-exempt funds and tax-deferred retirement accounts. As of 2004, 8 percent of all mutual fund assets were invested in tax-exempt funds and 46 percent were invested in tax-deferred household accounts.

Tax-Exempt Funds

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

Share of Mutual Fund Assets by Tax Status, 2004
(percent)



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

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

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

MORE INFO…

For more information on the retirement and education savings plan markets, see Section 5 on page 37.

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

Tax-Deferred Retirement Accounts

Contributions to certain retirement accounts are tax-deductible and, generally, dividend and capital gain distributions remaining in the accounts accrue tax-deferred until distributed as ordinary income from the account.

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

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

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

Tax-Advantaged Savings Vehicles

Tax-Deferred Retirement Accounts	Fund investments in certain retirement accounts are tax-deductible and, generally, dividend and capital gain distributions remaining in the accounts accrue tax-deferred until distributed as ordinary income from the account.
529 College Savings Plans	529 college savings plans are state-sponsored savings accounts that allow individuals to contribute to an investment account to pay for a student's future qualified higher education expenses. Earnings on 529 savings plans grow tax-free and earnings withdrawn from 529 savings plans to pay for qualified education expenses are free from federal tax. Mutual funds are the most commonly used investment vehicle in college savings plans.
Coverdell Education Savings Accounts	Formerly known as an Education IRA, a Coverdell Education Savings Account (ESA) is a federally sponsored, tax-advantaged trust or custodial account set up to pay qualified education expenses. Coverdell ESA contributions are not tax-deductible, but amounts deposited in the accounts grow tax-free until withdrawn. Withdrawals from Coverdell ESAs generally are tax-free to the extent that the amount of the withdrawal is not more than the beneficiary's qualified education expenses.
Health Savings Accounts	Introduced in 2003, Health Savings Accounts (HSAs) allow individuals to make annual contributions to an account in order to cover current or future health care costs. Contributions made to a HSA are tax-free, the account grows tax-free, and withdrawals from the account are tax-free when used to pay for health care costs. In addition, employers can contribute to their employees' HSAs.

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

Types of Distributions

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

Dividend distributions come primarily from the interest and dividends earned by the securities in a fund's portfolio and net short-term gains, if any, after expenses are paid by the fund. These distributions must be reported as dividends on an investor's tax return. Legislation enacted in 2003 lowered the tax on qualified dividend income to 15 percent.

Capital gain distributions represent a fund's net gains, if any, from the sale of securities held in its portfolio for more than one year. When gains from these sales exceed losses, they are distributed to shareholders. The 2003 legislation also lowered the long-term capital gains tax paid by fund shareholders; in general, these gains are taxed at a 15 percent rate, although 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 adopted a rule that requires mutual funds to disclose standardized after-tax returns for one-, five-, and 10-year periods. After-tax returns, which accompany before-tax returns in fund prospectuses, are presented in two ways:

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

Share Sales and Exchanges

An investor who sells mutual fund shares usually incurs a capital gain or loss in the year the shares are sold; an exchange of shares between funds in the same fund family also results in either a capital gain or loss (see *Tax-Deferred Retirement Accounts* on page 108 for exceptions to these rules).

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

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

APPENDIX B

How Funds Operate

The U.S. mutual fund, introduced more than 80 years ago, has made securities market investing accessible and convenient for greater numbers of Americans. This section provides an overview of how funds operate and discusses the features that have made fund investing popular among investors. It includes:

- a brief history of the mutual fund concept;
- a look at the different types of investment companies;
- how funds are organized and created;
- the various entities that make fund investing possible; and
- the main benefits of fund investing.

The Origins of Fund Investing

A mutual fund is a type of investment company that gathers assets from investors and collectively invests those assets in stocks, bonds, or money market instruments. The investment company concept dates to Europe in the late 1700s, according to K. Geert Rouwenhorst in *The Origins of Mutual Funds*, when "a Dutch merchant and broker, Adriaan van Ketwich, 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. The enactment of two British laws, the Joint Stock Companies Acts of 1862 and 1867, permitted investors to share in the profits of an investment enterprise, and limited investor liability to the amount of investment capital devoted to the enterprise. Shortly thereafter, in 1868, the Foreign and Colonial Government Trust formed in London. This trust resembled 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."

MORE INFO…

For links to the major federal securities laws governing investment companies and their related entities, visit the Institute's website at www.ici.org/funds/inv/ref_federal_statutes.html.

Perhaps more importantly, the British fund model established a direct link with U.S. securities markets, helping 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 led to the introduction of the fund investing concept on U.S. shores in the late 1800s and early 1900s.

The First "Mutual" Fund

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

While a handful of mutual funds were formed during the 1920s, funds managed only $140 million by year-end 1929. The Stock Market Crash of 1929 and the Great Depression that followed greatly hampered industry growth until a succession of landmark securities laws, beginning with the Securities Act of 1933 and concluding with the Investment Company Act of 1940, re-invigorated investor confidence in funds. Renewed investor confidence and many innovations led to relatively steady growth in industry assets in the intervening years, and saw fund assets and shareholder accounts grow, respectively, from $448 million and 296,000 in 1940 to $8.1 trillion and 267 million by year-end 2004.

The Different Types of U.S. Investment Companies

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

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

A **closed-end fund** is an investment company that issues a fixed number of shares that trade on a stock exchange or in the over-the-counter market. Assets of a closed-end fund are professionally managed in accordance with the fund's investment objectives and policies, and may be invested in stocks, bonds, or a combination of both. Like other publicly traded securities, the market price of closed-end fund shares fluctuates and is determined by supply and demand in the marketplace. For more information on closed-end funds, see page 69 or visit the Institute's website at www.ici.org/funds/abt/faqs_closed_end.html.

A **unit investment trust** (UIT) is an investment company that buys and holds a generally fixed portfolio of stocks, bonds, or other securities. "Units" in the trust are sold to investors, or "unit holders," who, during the life of the trust, receive their proportionate share of dividends or interest paid by the trust. Unlike other investment companies, a UIT has a stated date for termination that varies according to the investments held in its portfolio. At termination, investors receive their proportionate share of the UIT's net assets. For more information on UITs, see page 71 or visit the Institute's website at www.ici.org/funds/abt/faqs_uits.html.

Another fund available to investors is an **exchange-traded fund** (ETF). An ETF is an investment company, typically an open-end fund or UIT, whose shares are traded intraday on stock exchanges at market-determined prices. As such, an ETF has the features of an investment company (diversified portfolio, professional management) but its shares trade like an equity security in the retail market. Indeed, investors buy or sell ETF shares through a broker just as they would the shares of any publicly traded company. For more information on ETFs, see page 70 or visit the Institute's website at www.ici.org/funds/abt/faqs_etfs.html.

MORE INFO …

The Institute's website includes a section devoted to investor education resources on mutual funds and other investment companies at www.ici.org/funds/index.html.

Four Principal Securities Laws Govern Mutual Funds

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

The Organization of a Mutual Fund

Individuals and institutions invest in a mutual fund by purchasing shares issued by the fund. It is through these sales of shares that a mutual fund raises the cash used to invest in its portfolio of stocks, bonds, and other securities. Each investor shares in the returns from the fund's portfolio while benefiting from professional investment management, diversification, and liquidity. Mutual funds may offer other benefits and services, such as asset allocation programs or money market sweep accounts.

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

Unlike other companies, however, a mutual fund is typically externally managed: it is not an operating company 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. The diagram on page 117 shows the types of service providers usually relied upon by a fund.

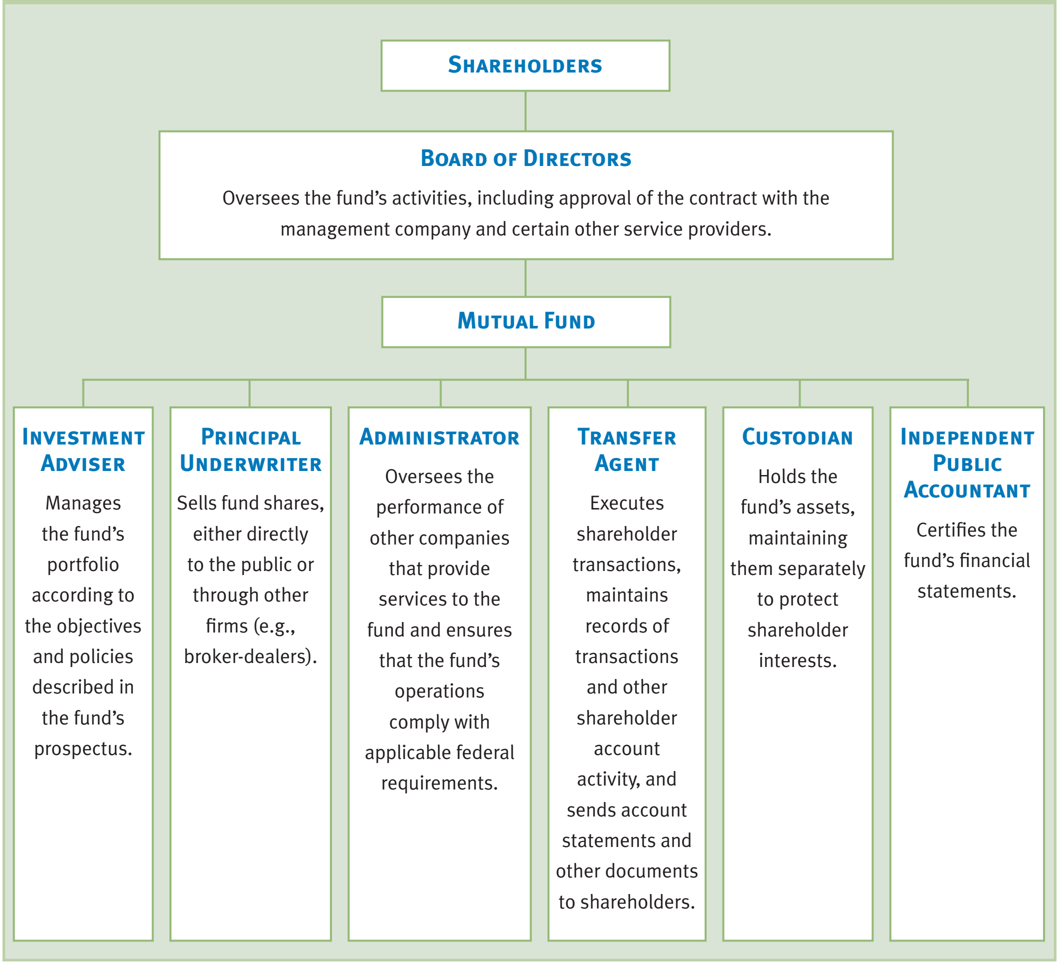
How a Fund Is Created

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

The fund sponsor has a variety of responsibilities. For example, it must assemble the group of third parties needed to launch the fund, including the persons or entities that are 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. It must also register the fund under state law as either a business trust or corporation. In addition, in order to sell its shares to the public, the fund must first register those shares with the SEC by filing a federal registration statement pursuant to the Securities Act of 1933, and make filings with each state (except Florida) in which the fund's shares will be offered.

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

Structure of a Mutual Fund



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

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

Status as a registered investment company allows the fund to be treated as a "pass-through" investment vehicle for tax purposes. In other words, the fund's income flows through to shareholders without being taxed at the fund level.

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

Shareholders

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

MORE INFO...

See page 79 or visit the Institute's website at www.ici.org/shareholders/index.html for more information on 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 (subject to a limited exception for filling vacancies). Shareholders must also approve material changes in the terms of a fund's contract with its investment adviser, the entity that manages the fund's assets. For example, a fund's management fee can be increased only when a majority of shareholders vote to approve the increase. Furthermore, funds seeking to change investment objectives or fundamental policies must obtain the approval of the holders of a majority of the fund's outstanding voting securities.

Fund Entities

Boards of Directors

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

Directors must exercise the care that a reasonably prudent person would take with his or her own business. They are expected to exercise sound business judgment, approve policies and procedures to ensure the fund's compliance with the federal securities laws, and undertake oversight and review of the performance of the fund's operations as well as the operations of the fund's service providers (with respect to the services they provide to the fund).

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

Independent Directors. Mutual funds are required by law to have independent directors on their boards: individuals who cannot have any significant relationship with the fund's adviser or underwriter, in order to better enable the board to provide an independent check on the fund's operations. Generally speaking, as of January 2006, 75 percent of each fund's board must be composed of independent directors and the board's chairman must be independent.

MORE INFO…

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

Investment Advisers

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

An investment adviser's management of fund assets is overseen by the fund's board of directors. The board must also oversee the investment adviser's compliance with its advisory contract and fund prospectus disclosure on an ongoing basis.

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

Administrators

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

Principal Underwriters

Most mutual funds continuously offer new shares to the public at a price based on the current value of fund net assets plus any sales charges (see *Liquidity and Fund Pricing* on page 123). To reach investors, a fund's sponsor has many choices for marketing shares of the fund. Historically, a fund sponsor would choose one of two main options to market its shares:

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

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 initial contract with the underwriter.

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

In recent years, fund sponsors have looked for new ways to reach prospective investors, leading many to abandon earlier, single-channel distribution strategies in favor of multi-channel distribution. For example, a fund sponsor might offer funds through a fund supermarket as well as through a variety of broker-dealers and other financial intermediaries. See page 49 for more information on how investors buy and sell fund shares today.

Custodians

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

Transfer Agents

Mutual funds and their shareholders also rely on the services of third parties, called transfer agents, to maintain records of shareholder accounts, calculate and 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, and maintain customer service departments to respond to shareholder inquiries.

Features of Mutual Funds

Professional Money Management

The investment adviser employed by a fund has its own employees who work on behalf of the fund's shareholders. For example, the employees of an investment adviser who oversee "an actively managed" fund portfolio — typically, a team of experienced investment professionals headed by one or more portfolio managers — determine which securities to buy and sell in the fund's portfolio. These decisions are based on a variety of factors, including the fund's investment objectives, its risk tolerance, and extensive research of the financial performance of specific securities (e.g., market conditions or the performance of a particular company's securities).

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

A fund's investment adviser and the adviser's employees are subject to numerous standards and legal restrictions, especially regarding transactions between the adviser and the fund it advises. The written contract between a mutual fund and its investment adviser specifies the services the adviser performs. Most advisory contracts provide that the adviser receive an annual fee based on a percentage of the fund's average net assets (see *Mutual Fund Fees and Expenses* on page 126).

Diversification

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

Variety

At the end of 2004, there were more than 8,000 U.S. mutual funds available to investors. The wide variety enables investors to select a fund that meets their investment goals and objectives. It also helps ensure that fund companies compete vigorously for investor business.

There are four basic types of mutual funds: equity (also called stock), bond, hybrid, and money market. Equity funds concentrate their investments in stocks; bond funds primarily invest in bonds. Hybrid funds typically invest in a combination of stocks, bonds, and other securities. Equity, bond, and hybrid funds are called long-term funds. By contrast, money market funds invest in securities that generally mature in about one year or less and are, therefore, referred to as short-term funds. Of the total $8.107 trillion invested in mutual funds at the end of 2004, $4.384 trillion were invested in equity funds, $1.290 trillion in bond funds, $519 billion in hybrid funds, and $1.913 trillion in money market funds.

Number of Mutual Funds by Type of Fund, 1984 and 2004

	1984	2004
Equity Funds	**459**	**4,550**
Capital Appreciation	306	2,939
World	29	819
Total Return	124	792
Hybrid Funds	**89**	**510**
Bond Funds	**270**	**2,041**
Corporate	30	301
High Yield	36	198
World	1	107
Government	45	313
Strategic Income	47	356
State Municipal	37	516
National Municipal	74	250
Money Market Funds	**425**	**943**
Taxable	329	639
Tax-Exempt	96	304
TOTAL	**1,243**	**8,044**

Note: Data for funds that invest in other mutual funds were excluded from the series. For statistical information on funds that invest in other funds, see pages 72–73.

Liquidity and Fund Pricing

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

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

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

How a Mutual Fund Determines Its Share Price

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

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

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

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

Funds typically value their portfolio securities using the closing prices from the exchange on which the securities are principally traded. If a material event that will likely affect the value of a security occurs after the exchange closes and before the fund's share price is determined, it may be necessary to determine the fair value of the security in light of that event, rather than relying on the market price.

The 1940 Act requires "forward pricing": shareholders who purchase or redeem shares must receive the next computed share price following the fund's receipt of the transaction order.

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

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

The Mutual Fund Pricing Process

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

MORE INFO …

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

The vast majority of mutual funds submit their daily share prices to NASDAQ so they may be published in the next day's morning newspapers. To be published, the price must be delivered to NASDAQ by 5:55 pm Eastern time and the fund must meet other listing criteria. As NASDAQ receives prices, they are instantaneously transmitted to newswire services and other subscribers. Newswire services transmit the prices to their client newspapers. Besides in newspapers, daily fund prices are available from other sources, such as through a fund's toll-free telephone service or Internet access, which both typically include fund share prices along with other current information.

Accessibility

Mutual fund shares are available through a variety of sources (see Section 6 on page 49). Investors may purchase fund shares either directly from the fund or through an investment professional, such as a discount broker, full-service broker, financial planner, bank, or insurance company. Some of these entities employ investment professionals to assist investors in analyzing their financial needs and determining those investment options best suited to their needs, objectives, and risk tolerance. Investment professionals are compensated for these services, generally through a sales load or through a fee, commonly referred to as a 12b-1 fee, deducted from the fund's assets.

Some mutual funds can be purchased directly from fund companies or other intermediaries without the help of an investment professional. When funds are purchased in this manner, investors must do their own research to determine which funds meet their needs.

Mutual funds may also be offered as investment selections in 401(k) plans and other employee benefit plans. See Section 5 on page 37 for more information on mutual funds and the retirement market or visit the Institute's website at www.ici.org/issues/ret/index.html.

Shareholder Services

Mutual funds offer a wide variety of services to shareholders. These services include 24-hour telephone access to account information and transaction processing, consolidated account statements, shareholder cost basis (tax) information, exchanges between funds, automatic investments, checkwriting privileges on money market and some bond funds, automatic reinvestment of fund

Mutual Fund Fees and Expenses

To the extent a mutual fund charges any of these fees, they will be disclosed in the fund's prospectus.

Shareholder Fees (paid directly by an investor)	
Sales Charge	Also known as a "load," may be attached to the purchase (i.e., a "front-end load") or sale (i.e., a "back-end load") of mutual fund shares. Compensates a financial professional for services rendered.*
Redemption Fee	Fee paid to a fund to cover the costs, other than sales costs, involved with a redemption.
Exchange Fee	Fee may be charged when an investor transfers money from one fund to another within the same fund family.
Annual Account Maintenance Fee	Fee charged by some funds, for example, to cover the costs of providing services to low-balance accounts.
Annual Fund Operating Expenses (the costs deducted from fund assets before earnings are distributed to shareholders)	
Management Fee	Fee charged by a fund's investment adviser for managing the fund's portfolio of securities and providing related services (fee would be determined in the contract the fund's board enters into with the fund's investment adviser).
Distribution (12b-1) Fee	Fee charged by some funds to compensate sales professionals for providing services to mutual fund shareholders in connection with the purchase and sale of shares or the maintenance of accounts, and to pay fund marketing and advertising expenses.
Other Expenses	Include, for example, fees paid to a fund's transfer agent for providing various fund shareholder services, such as toll-free phone communications, computerized account services, website services, recordkeeping, printing, and mailing.

**Funds may offer various volume discounts to reduce an investor's sales charges. More information about these discounts, known as breakpoint discounts, is available in a fund's prospectus.*

dividends, and automatic withdrawals. Mutual funds also provide extensive investor education and other shareholder communications, including newsletters, brochures, retirement and other planning guides, and informative and educational websites.

MORE INFO ...

For more information on the trends in mutual fund costs, visit the Institute's policy website at www.ici.org/issues/fee/index.html.

Affordability

Mutual funds offer their many benefits and services at an affordable price. A fund's fees and expenses are required by law to be clearly disclosed to investors in a standardized fee table at the front of the fund's prospectus. Federal law requires each investor to be provided a copy of the fund's prospectus no later than the completion of the transaction (i.e., when the customer receives confirmation of the transaction). The fee table in the prospectus breaks out the fees and expenses shareholders can expect to pay when purchasing or owning fund shares and allows investors to easily compare the cost of different funds.

Data Points

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Net New Cash Flow to Equity Funds, Wilshire 5000 Index, January 2000–February 2005

Date	Wilshire 5000 (index level)	Monthly Net New Cash Flow (billions of dollars)
1/31/00	13230.62	45
2/29/00	13511.00	56
3/31/00	14296.18	40
4/28/00	13541.70	36
5/31/00	13052.96	17
6/30/00	13618.50	22
7/31/00	13330.31	17
8/31/00	14280.04	24
9/29/00	13613.33	18
10/31/00	13314.68	19
11/30/00	11976.24	5
12/29/00	12175.88	12
1/31/01	12631.36	25
2/28/01	11425.29	-3
3/30/01	10645.85	-21
4/30/01	11512.46	19
5/31/01	11610.21	18
6/29/01	11407.15	11
7/31/01	11208.51	-1
8/31/01	10515.09	-5
9/28/01	9562.95	-30
10/31/01	9796.86	1
11/30/01	10531.45	15
12/31/01	10707.68	3
1/31/02	10564.69	19
2/28/02	10332.89	5
3/29/02	10775.74	30
4/30/02	10241.18	13
5/31/02	10106.49	5
6/28/02	9384.00	-18
7/31/02	8616.94	-53
8/30/02	8654.04	-3
9/30/02	7773.63	-16
10/31/02	8357.32	-8
11/29/02	8846.71	7
12/31/02	8343.19	-8
1/31/03	8125.07	-0
2/28/03	7972.60	-11
3/31/03	8051.86	0
4/30/03	8701.97	16
5/30/03	9218.89	12
6/30/03	9342.42	19
7/31/03	9555.19	21
8/29/03	9770.56	24
9/30/03	9649.68	18
10/31/03	10224.52	25
11/28/03	10352.22	15
12/31/03	10799.62	14
1/30/04	11029.20	43
2/29/04	11172.89	26
3/31/04	11039.42	16
4/30/04	10793.66	23
5/31/04	10926.27	0
6/30/04	11144.59	10
7/31/04	10716.61	9
8/31/04	10735.48	1
9/30/04	10893.78	10
10/31/04	11056.51	7
11/30/04	11552.06	21
12/31/04	11951.47	10
1/31/05	11627.25	10
2/28/05	11859.80	22

Sources: Investment Company Institute and Wilshire Associates

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Simple Average and Median Stock Fund Turnover Rates, 1984–2004
(percent)

	Simple Average	Median
1984	76	63
1985	82	64
1986	83	68
1987	99	74
1988	81	61
1989	79	59
1990	103	66
1991	90	61
1992	78	56
1993	78	58
1994	80	58
1995	83	60
1996	86	62
1997	87	65
1998	90	65
1999	118	68
2000	131	73
2001	122	75
2002	116	69
2003	126	66
2004*	109	65

**preliminary data*

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

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Bond Returns and Net New Cash Flow to Bond Funds, January 1990–February 2005

Date	Total Returns on Bonds[1] (percentage points)	Net New Cash Flow[2] (percent of total net assets)
Jan-90	11.42	0.16
Feb-90	12.46	0.23
Mar-90	12.22	0.32
Apr-90	9.21	0.29
May-90	9.25	0.31
Jun-90	7.70	0.33
Jul-90	6.97	0.52
Aug-90	7.28	0.43
Sep-90	7.65	0.45
Oct-90	6.38	0.41
Nov-90	7.64	0.48
Dec-90	9.09	0.48
Jan-91	11.68	0.76
Feb-91	12.21	0.86
Mar-91	12.81	1.07
Apr-91	15.19	1.22
May-91	12.64	1.43
Jun-91	10.84	1.49
Jul-91	10.82	1.56
Aug-91	14.64	1.71
Sep-91	16.03	2.02
Oct-91	15.76	2.11
Nov-91	14.40	1.94
Dec-91	15.98	1.59
Jan-92	13.13	1.43
Feb-92	13.12	1.50
Mar-92	11.70	1.55
Apr-92	11.21	1.45
May-92	12.60	1.46
Jun-92	14.19	1.60
Jul-92	14.83	1.82
Aug-92	13.71	1.73
Sep-92	12.68	1.57
Oct-92	10.09	1.10
Nov-92	9.10	0.92
Dec-92	7.58	0.72

Date	Total Returns on Bonds[1] (percentage points)	Net New Cash Flow[2] (percent of total net assets)
Jan-93	11.18	0.97
Feb-93	12.34	1.15
Mar-93	13.38	1.24
Apr-93	13.41	1.16
May-93	11.44	1.08
Jun-93	11.97	1.20
Jul-93	10.43	1.31
Aug-93	11.08	1.37
Sep-93	10.17	1.23
Oct-93	11.98	1.02
Nov-93	11.00	0.55
Dec-93	9.92	0.36
Jan-94	9.19	0.34
Feb-94	5.58	0.18
Mar-94	2.56	-0.41
Apr-94	0.99	-1.08
May-94	0.91	-1.23
Jun-94	-1.18	-0.94
Jul-94	0.12	-0.78
Aug-94	-1.45	-0.71
Sep-94	-3.20	-0.81
Oct-94	-3.60	-1.06
Nov-94	-3.04	-1.45
Dec-94	-2.85	-1.79
Jan-95	-2.16	-1.55
Feb-95	1.82	-0.91
Mar-95	5.01	-0.50
Apr-95	7.26	-0.39
May-95	11.52	-0.35
Jun-95	12.54	-0.29
Jul-95	10.23	-0.21
Aug-95	11.37	-0.26
Sep-95	14.06	-0.12
Oct-95	15.69	-0.07
Nov-95	17.81	-0.02
Dec-95	18.53	-0.04

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Bond Returns and Net New Cash Flow to Bond Funds, January 1990–February 2005
(CONTINUED)

Date	Total Returns on Bonds[1] (percentage points)	Net New Cash Flow[2] (percent of total net assets)
Jan-96	16.92	0.03
Feb-96	12.30	0.00
Mar-96	10.85	0.10
Apr-96	8.55	-0.09
May-96	4.35	-0.20
Jun-96	4.96	-0.29
Jul-96	5.46	-0.30
Aug-96	4.11	-0.33
Sep-96	4.94	-0.28
Oct-96	5.89	-0.24
Nov-96	5.98	-0.14
Dec-96	3.62	-0.12
Jan-97	3.31	-0.03
Feb-97	5.22	-0.05
Mar-97	4.92	-0.15
Apr-97	7.20	-0.21
May-97	8.27	-0.18
Jun-97	8.17	-0.12
Jul-97	10.79	-0.02
Aug-97	10.00	0.26
Sep-97	9.71	0.35
Oct-97	8.84	0.39
Nov-97	7.57	0.51
Dec-97	9.64	0.56
Jan-98	10.62	0.79
Feb-98	10.42	0.64
Mar-98	11.98	0.77
Apr-98	10.98	0.62
May-98	10.99	0.78
Jun-98	10.59	0.71
Jul-98	7.90	0.78
Aug-98	10.50	0.87
Sep-98	11.47	0.97
Oct-98	9.39	0.95
Nov-98	9.48	0.68
Dec-98	8.71	0.63
Jan-99	8.13	0.73
Feb-99	6.31	0.74
Mar-99	6.50	0.76
Apr-99	6.30	0.47
May-99	4.33	0.28
Jun-99	3.12	0.14
Jul-99	2.50	0.12
Aug-99	0.88	0.11
Sep-99	-0.27	-0.08
Oct-99	0.49	-0.22
Nov-99	-0.07	-0.49
Dec-99	-0.83	-0.91
Jan-00	-1.84	-1.30
Feb-00	1.08	-1.40
Mar-00	1.81	-1.14
Apr-00	1.17	-0.87
May-00	2.01	-0.69
Jun-00	4.51	-0.48
Jul-00	5.88	-0.20
Aug-00	7.47	-0.08
Sep-00	6.92	-0.15
Oct-00	7.28	-0.20
Nov-00	9.02	-0.12
Dec-00	11.59	-0.03
Jan-01	13.75	0.21
Feb-01	13.44	0.52
Mar-01	12.57	0.94
Apr-01	12.37	0.78
May-01	13.21	0.62
Jun-01	11.26	0.42
Jul-01	12.80	0.74
Aug-01	12.44	1.24
Sep-01	13.06	1.47
Oct-01	14.61	1.62
Nov-01	11.22	1.09
Dec-01	8.52	0.63

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Bond Returns and Net New Cash Flow to Bond Funds, January 1990–February 2005 (CONTINUED)

Date	Total Returns on Bonds[1] (percentage points)	Net New Cash Flow[2] (percent of total net assets)	Date	Total Returns on Bonds[1] (percentage points)	Net New Cash Flow[2] (percent of total net assets)
Jan-02	7.60	0.45	Aug-03	4.43	-0.65
Feb-02	7.68	0.72	Sep-03	5.49	-0.89
Mar-02	5.34	0.89	Oct-03	4.99	-0.72
Apr-02	7.85	0.79	Nov-03	5.31	-0.43
May-02	8.06	0.75	Dec-03	4.20	-0.36
Jun-02	8.49	1.15	Jan-04	4.98	-0.27
Jul-02	7.31	2.00	Feb-04	4.62	-0.00
Aug-02	7.99	2.15	Mar-04	5.52	0.39
Sep-02	8.37	2.21	Apr-04	1.88	0.24
Oct-02	5.75	1.27	May-04	-0.39	-0.24
Nov-02	7.22	0.85	Jun-04	0.37	-0.71
Dec-02	10.09	0.49	Jul-04	4.92	-0.58
Jan-03	9.31	0.71	Aug-04	6.26	-0.14
Feb-03	9.82	1.09	Sep-04	3.82	0.14
Mar-03	11.56	1.05	Oct-04	5.70	0.26
Apr-03	10.45	0.81	Nov-04	4.51	0.17
May-03	11.54	0.52	Dec-04	4.48	0.14
Jun-03	10.53	0.39	Jan-05	4.00	0.25
Jul-03	5.53	-0.01	Feb-05	3.00	0.29

[1]The total return on bonds is measured as the year-over-year change in the Citigroup Broad Investment Grade Bond Index.
[2]Net new cash flow to bond funds is plotted as a three-month moving average of net new cash flow as a percentage of previous month-end assets. The data exclude flows to high-yield bond funds.

Sources: Investment Company Institute and Citigroup

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Interest Rate Spread and Net New Cash Flow to Taxable Retail Money Market Funds, January 1990–February 2005

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

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Interest Rate Spread and Net New Cash Flow to Taxable Retail Money Market Funds, January 1990–February 2005 (continued)

Date	Interest Rate Spread[1] (percent)	Net New Cash Flow[2] (percent)	Date	Interest Rate Spread[1] (percent)	Net New Cash Flow[2] (percent)
Jan-96	2.37	0.74	Jan-99	2.37	1.90
Feb-96	2.18	1.08	Feb-99	2.26	1.56
Mar-96	2.13	1.26	Mar-99	2.30	1.59
Apr-96	2.17	0.69	Apr-99	2.31	0.84
May-96	2.19	0.39	May-99	2.32	0.78
Jun-96	2.22	0.48	Jun-99	2.33	0.66
Jul-96	2.22	0.82	Jul-99	2.50	0.56
Aug-96	2.25	0.39	Aug-99	2.56	0.41
Sep-96	2.26	0.19	Sep-99	2.72	0.26
Oct-96	2.28	0.73	Oct-99	2.79	0.52
Nov-96	2.30	0.95	Nov-99	2.92	0.80
Dec-96	2.34	1.18	Dec-99	3.13	0.92
Jan-97	2.33	0.83	Jan-00	3.13	1.14
Feb-97	2.31	1.02	Feb-00	3.20	0.90
Mar-97	2.36	1.45	Mar-00	3.39	1.33
Apr-97	2.41	0.84	Apr-00	3.58	0.72
May-97	2.45	0.63	May-00	3.68	0.38
Jun-97	2.48	0.48	Jun-00	3.92	-0.12
Jul-97	2.50	0.53	Jul-00	4.01	-0.37
Aug-97	2.52	0.73	Aug-00	4.04	-0.40
Sep-97	2.48	0.19	Sep-00	4.07	-0.88
Oct-97	2.49	0.72	Oct-00	4.05	-0.24
Nov-97	2.54	0.89	Nov-00	4.06	0.10
Dec-97	2.61	0.66	Dec-00	4.05	0.59
Jan-98	2.64	0.94	Jan-01	3.80	0.79
Feb-98	2.61	0.86	Feb-01	3.32	1.08
Mar-98	2.60	1.34	Mar-01	3.02	1.62
Apr-98	2.63	0.90	Apr-01	2.68	1.01
May-98	2.60	1.03	May-01	2.22	0.43
Jun-98	2.62	1.16	Jun-01	1.91	0.11
Jul-98	2.61	1.09	Jul-01	1.72	-0.07
Aug-98	2.60	1.59	Aug-01	1.57	-0.24
Sep-98	2.58	1.38	Sep-01	1.34	-0.41
Oct-98	2.38	2.03	Oct-01	1.03	0.16
Nov-98	2.34	1.86	Nov-01	0.74	0.33
Dec-98	2.38	1.89	Dec-01	0.55	0.36

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Interest Rate Spread and Net New Cash Flow to Taxable Retail Money Market Funds, January 1990–February 2005 (continued)

Date	Interest Rate Spread[1] (percent)	Net New Cash Flow[2] (percent)	Date	Interest Rate Spread[1] (percent)	Net New Cash Flow[2] (percent)
Jan-02	0.39	0.05	Aug-03	-0.00	-1.26
Feb-02	0.32	-0.04	Sep-03	0.01	-1.67
Mar-02	0.30	-0.69	Oct-03	0.02	-1.72
Apr-02	0.30	-1.08	Nov-03	0.03	-1.73
May-02	0.28	-1.23	Dec-03	0.03	-2.08
Jun-02	0.26	-1.04	Jan-04	0.03	-2.23
Jul-02	0.25	-0.43	Feb-04	0.04	-2.25
Aug-02	0.25	-0.76	Mar-04	0.05	-2.00
Sep-02	0.26	-0.58	Apr-04	0.05	-1.81
Oct-02	0.27	-0.31	May-04	0.07	-1.42
Nov-02	0.19	-0.21	Jun-04	0.15	-1.19
Dec-02	0.11	-0.42	Jul-04	0.28	-1.06
Jan-03	0.05	-0.89	Aug-04	0.42	-0.83
Feb-03	0.03	-0.62	Sep-04	0.60	-0.94
Mar-03	0.02	-0.52	Oct-04	0.68	-0.77
Apr-03	0.04	-0.88	Nov-04	0.85	-1.11
May-03	0.04	-0.94	Dec-04	1.08	-0.97
Jun-03	0.05	-0.90	Jan-05	1.15	-0.76
Jul-03	0.01	-1.03	Feb-05	1.33	-0.96

[1]The interest rate spread is the difference between the taxable retail money market fund yield and the average interest rate on money market deposit accounts.
[2]Net new cash flow is measured as a percent of previous month-end taxable retail money market fund assets and is shown as a six-month moving average.

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

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Average 401(k) Account Balance by Age and Tenure, 2003

	PARTICIPANT JOB TENURE (years)					
Age Cohort	0 to 2	>2 to 5	>5 to 10	>10 to 20	>20 to 30	>30
20s	$4,792	$9,462	$13,568			
30s	10,418	17,530	27,922	$47,862		
40s	13,970	22,386	36,832	74,641	$103,156	
50s	17,618	25,208	39,877	83,318	138,382	$131,873
60s	22,797	24,245	37,910	80,233	128,103	168,213

Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project (see Perspective*, "Appendix: Additional Figures for the EBRI/ICI Participant-Directed Retirement Plan Data Collection Project for Year-End 2003," www.ici.org/pdf/per10-02_appendix.pdf)*

Glossary of Terms

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

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

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

Appreciation – An increase in an investment's value.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Depreciation—A decline in an investment's value.

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

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

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

Equity Fund–A mutual fund that concentrates its investments in stocks.

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

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

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

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

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

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

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

Forward Pricing–The concept describing the price at which mutual fund shareholders buy or redeem fund shares. Shareholders buying or redeeming shares 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.

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.

Fund Supermarkets–A one-stop location where investors can choose funds from a wide range of fund families.

Health Savings Accounts–A plan that allows workers with high-deductible health insurance coverage to set aside money each year for routine or future health care costs.

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

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

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

Independent Director–An individual who cannot have any significant relationship with a mutual fund's adviser or underwriter, in order to better enable the fund board to provide an independent check on the fund's operations. Generally, as of January 2006, 75 percent of a mutual fund's board must be composed of independent directors.

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

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

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

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

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

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

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

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

Load–See *Sales Charge*

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

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

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

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).

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

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

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

No-Load Fund–A mutual fund whose shares are sold without a sales commission and without a Rule 12b-1 fee of more than 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 before earnings are distributed to shareholders. These include management fees, 12b-1 fees, and other expenses.

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

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

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

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

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

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

Principal–See *Face Value*.

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

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

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

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

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

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

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

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

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

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

Share Classes (e.g., Class A, Class B, etc.)–Distinct groups of fund share offerings representing ownership in the same fund while offering different fee charges. This feature of fund ownership enables shareholders to choose the type of fee structure that best suits their particular needs. See the discussion on page 53 for more information.

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

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

Simplified Employee Pension Plan (SEP)–A retirement program consisting 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 can be attractive to small businesses and self-employed individuals.

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

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

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

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

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

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

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

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

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

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

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

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