

2006 INVESTMENT COMPANY

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**FACT**  
**BOOK**

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**46<sup>TH</sup> EDITION**

*A Review of Trends and Activity in the  
Investment Company Industry*

*[www.icifactbook.org](http://www.icifactbook.org)*

## 2005 FACTS AT A GLANCE

### INDUSTRY NUMBERS

Total Worldwide Assets Invested in Mutual Funds \$17.8 trillion

U.S.-Registered Investment Company Assets at Year-End \$9.5 trillion

Mutual Fund Assets \$8.9 trillion

Closed-End Fund Assets \$276 billion

Exchange-Traded Fund Assets \$296 billion

Unit Investment Trust Assets \$41 billion

U.S. Fund Industry Employment 146,250

### U.S.-Registered Investment Companies' Share of:

U.S. Stocks 25%

U.S. Municipal Securities 32%

Commercial Paper 37%

U.S. Taxable Bonds 10%

### U.S. HOUSEHOLD OWNERSHIP OF MUTUAL FUNDS

Number of Households Owning Mutual Funds 54 million

Number of Individuals Owning Mutual Funds 91 million

Percentage of Households Owning Mutual Funds 47.5%

Percentage of Total Household Financial Assets Invested in Mutual Funds 20%

Median Amount Fund-Owning Households Invest in Mutual Funds \$48,000

### U.S. RETIREMENT & EDUCATION SAVINGS MARKETS

Total Retirement Market Assets \$14.3 trillion

IRA and Defined Contribution Plan Assets Invested in Mutual Funds \$3.4 trillion

529 Savings Plan Assets \$68.7 billion

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# A LETTER FROM ICI'S CHIEF ECONOMIST



The 2006 *Investment Company Fact Book* is the 46th annual review of ICI research and statistical collections. Registered investment companies—mutual funds, closed-end funds, exchange-traded

funds, and unit investment trusts—have become an integral part of the U.S. and world financial markets over the years, managing nearly \$10 trillion and providing investment services to nearly half of all U.S. households.

As the industry has grown, so has the Institute's body of research on funds and their shareholders. To capture the breadth of this research, we have made several changes to this year's *Fact Book*. We have added new chapters on closed-end and exchange-traded funds, included data on industry employment, expanded the amount of information on mutual fund investors, and highlighted more of the research that ICI conducted in 2005.

This research covers a broad range of topics, including trends in the IRA and 401(k) markets, fund investors' use of financial advisers, and analysis of mutual fund fees and expenses.

Looking broadly at ICI's research, several themes emerge:

- **INVESTMENT COMPANIES OPERATE IN A HIGHLY COMPETITIVE MARKETPLACE.**

More than 500 fund sponsors compete with each other and with providers of other investment products to best serve investors' financial needs.

- **INVESTORS MAKE CHOICES EVERY DAY THAT FUEL COMPETITION.**

More than 40 percent of fund organizations had net outflows in 2005, and new investment was concentrated in funds with below-average expenses, below-average portfolio turnover, and above-average 10-year performance records.

**“The investing public is well served by the dynamic and competitive nature of the fund marketplace, and reliable information and analysis are important components to making the market work effectively.”**

ICI CHIEF ECONOMIST BRIAN REID

- COMPETITION SPURS INNOVATION IN THE MARKETPLACE.** In recent years, fund sponsors introduced new types of closed-end and exchange-traded funds to serve a greater range of investor needs, expanded the number of lifecycle and lifestyle funds to assist investors in saving for retirement, and added to an already expansive list of services to make fund investing even more convenient.
- INVESTMENT COMPANIES HELP A BROAD RANGE OF INVESTORS MEET THEIR FINANCIAL GOALS.** Although fund ownership is greatest among 35- to 64-year-olds and middle-income households, funds serve more than 91 million individual investors of all ages, incomes, and educational backgrounds.
- MOST INDIVIDUALS RECEIVE SOME HELP OR GUIDANCE BEFORE INVESTING IN FUNDS.** Nearly 90 percent of fund shareholders invest through an employer-sponsored retirement plan or through a financial adviser. These intermediaries play an important role in helping investors select funds to meet their investment goals.

The investing public is well served by the dynamic and competitive nature of the fund marketplace, and reliable information and analysis are important components to making the market work effectively. We are dedicated to providing high-quality data and research to assist fund organizations in serving their shareholders, the media in informing and educating investors, and public policymakers in crafting cost-effective laws and regulations that benefit investors and spur competition. This annual research report is intended to be a service to the investing public and all who work on their behalf.

Brian Reid  
 Investment Company Institute  
 May 2006

*As Chief Economist, Brian Reid leads the Institute's Research Department and is a member of the Institute's senior management team.*

**TOTAL U.S.-REGISTERED INVESTMENT COMPANY ASSETS**  
*(billions of dollars, selected years)*



Sources: Investment Company Institute and Strategic Insight Simfund

# ICI RESEARCH: STAFF AND PUBLICATIONS

## ICI RESEARCH STAFF



### INDUSTRY AND FINANCIAL ANALYSIS

**Sean Collins**, *Senior Economist*, heads ICI's research on the structure of the mutual fund industry, industry trends, and the broader financial markets. Collins, who joined ICI in 2000, is responsible for conducting and overseeing research on the flows, assets, fees of mutual funds, as well as a major recent research initiative to better understand the costs and benefits of laws and regulations governing mutual funds.



### INVESTOR RESEARCH

**Sandra West**, *Director*, is responsible for managing investor research on a range of topics relevant to the fund industry and policy formation. Under West's leadership since 1986, Investor Research also maintains trend data on mutual fund-owning households, tracks ownership of retirement products, and publishes reports on topics such as shareholder behavior and decision-making and fund owners' use of information and advisers.



### RETIREMENT, TAX, AND INTERNATIONAL RESEARCH

**Sarah Holden**, *Senior Economist*, conducts and oversees research on the U.S. retirement market, retirement and tax policy, and the worldwide mutual fund industry. Holden, who joined ICI in 1999, also studies 401(k) participants' activities using information from a collaborative data collection effort between ICI and the Employee Benefit Research Institute (EBRI).



### STATISTICAL RESEARCH

**Judy Steenstra**, *Director*, oversees the collection and publication of weekly, monthly, quarterly, and annual data on open-end mutual funds, as well as data on closed-end funds, exchange-traded funds, unit investment trusts, and the worldwide mutual fund industry. Steenstra joined ICI in 1987, and was appointed Director of Statistical Research in 2000.

## 2005 ICI RESEARCH PUBLICATIONS

Institute publications offer detailed analyses of fund shareholders, the economics of investment companies, and the retirement and education savings markets. A complete, updated list of ICI research publications is available on the Institute's public website at [www.ici.org/statements/res/index.html](http://www.ici.org/statements/res/index.html). For more information about how to obtain copies of ICI's research publications, see Appendix B on page 128.

### INDUSTRY AND FINANCIAL ANALYSIS

- "Fees and Expenses of Mutual Funds, 2004," *Fundamentals*, October 2005
- "Are S&P 500 Index Mutual Funds Commodities?" *Perspective*, August 2005
- "How Mutual Funds Use 12b-1 Fees," *Fundamentals*, February 2005

### INVESTOR RESEARCH

- "Shareholder Sentiment About the Mutual Fund Industry, 2005," *Fundamentals*, December 2005
- "Equity Ownership in America, 2005," *Research Series*, November 2005
- "U.S. Household Ownership of Mutual Funds in 2005," *Fundamentals*, October 2005
- "Ownership of Mutual Funds Through Professional Financial Advisers," *Fundamentals*, April 2005

### RETIREMENT AND TAX RESEARCH

- "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2004," *Perspective*, September 2005
- "Mutual Funds and the U.S. Retirement Market in 2004," *Fundamentals*, August 2005
- "The Influence of Automatic Enrollment, Catch-Up, and IRA Contributions on 401(k) Accumulations at Retirement," *Perspective*, July 2005
- "The Individual Retirement Account at Age 30: A Retrospective," *Perspective*, February 2005
- "IRA Ownership in 2004," *Fundamentals*, February 2005

## 2005 STATISTICAL RESEARCH

In 2005, the Institute's Research Department released more than 100 statistical reports examining the broader investment company industry as well as specific segments of the industry: money market funds, closed-end funds, exchange-traded funds, and unit investment trusts. ICI also regularly compiles and releases specialized statistical reports that measure mutual funds in the retirement, institutional, and worldwide markets. See Appendix B on page 128 for a more detailed description of ICI's regular statistical releases.

## SECTION 1:

# OVERVIEW OF U.S.-REGISTERED INVESTMENT COMPANIES

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

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U.S.-registered investment companies play a significant role in the U.S. economy and world financial markets, managing the assets of millions of U.S. investors, supplying investment capital in securities markets around the world, and employing thousands of U.S. workers.

### SOURCES OF INVESTMENT COMPANY GROWTH IN 2005

Registered investment companies managed a record \$9.5 trillion at year-end 2005, about a \$900 billion increase from 2004. Mutual funds, managing nearly 94 percent of total investment company assets, held \$8.9 trillion. By year-end 2005, closed-end fund assets totaled \$276 billion; exchange-traded funds (ETFs), \$296 billion; and unit investment trusts (UITs), \$41 billion.

Investment performance fueled much of the growth in investment company assets during 2005. Broad U.S. stock return indexes rose about 6 percent, leading to positive investment performance for funds investing in U.S. stocks. Rising stock prices abroad also boosted the returns on funds investing in foreign stocks, with broad foreign stock indexes rising 10 to 35 percent.

Shareholders added \$192 billion of net new cash to their stock, bond, and hybrid mutual funds. Money market mutual funds experienced a net inflow of \$63 billion—the first positive annual net flow since 2001—as rising short-term U.S. interest rates increased investor demand for these funds. Net issuance of ETF shares, which includes reinvested dividends, totaled \$54 billion in

**For the latest investment company industry statistics and ICI's archive of statistics, visit the Institute's website at**

[WWW.ICI.ORG/STATS/INDEX.HTML](http://WWW.ICI.ORG/STATS/INDEX.HTML)

2005. Excluding share buybacks, closed-end funds issued \$21 billion in new shares during 2005, and UITs had gross issuance of \$23 billion, which also excludes any liquidation of UITs.

## NUMBER OF INVESTMENT COMPANIES AND TYPES OF INTERMEDIARIES

Historically, low barriers to entry have attracted a large number of investment company sponsors to the fund marketplace in the United States, and active competition among these sponsors has helped to keep asset concentration low for many years.

As of year-end 2005, there were 15,308 investment companies: 8,454 mutual funds (including funds that invest in other funds), 6,019 unit investment trusts, 634 closed-end funds, and 201 exchange-traded funds. The total number of investment companies has fallen considerably since 2001, in large part due to the decline in the number of UITs, as sponsors of UITs have been creating fewer new trusts. Because these investment companies often have preset termination dates, the slower pace of creation has caused the number of UITs to decline substantially.

<b>INVESTMENT COMPANY ASSETS</b> (billions of dollars, 1995–2005)					
	Mutual Funds <sup>1</sup>	Closed-End Funds	ETFs <sup>2</sup>	UITs	Total <sup>3</sup>
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
2005	8,905	276	296	41	9,518

<sup>1</sup>Mutual fund data exclude mutual funds that primarily invest in other mutual funds.  
<sup>2</sup>ETF data prior to 2001 were provided by Strategic Insight Simfund.  
<sup>3</sup>Total investment company assets include mutual fund holdings of closed-end funds and ETFs.  
Sources: Investment Company Institute and Strategic Insight Simfund

In addition, the number of mutual funds has fallen somewhat since 2001. Dynamics in the fund marketplace affect the number of funds offered in any given year, leading fund sponsors to create new funds to meet investor demand, and merge or liquidate funds that do not attract sufficient investor interest. In 2005, mutual

fund sponsors opened about 525 new funds and liquidated and merged about an equal number of funds, leaving little net increase for the year. At the same time, sponsors of ETFs and closed-end funds, on net, created 65 new funds in 2005.

**NUMBER OF INVESTMENT COMPANIES**  
(number of each type of investment company, 1995–2005)

	Mutual Funds <sup>1</sup>	Closed-End Funds	ETFs <sup>2</sup>	UITs	Total
1995	5,761	500	2	12,979	19,242
1996	6,293	498	19	11,764	18,574
1997	6,778	488	19	11,593	18,878
1998	7,489	493	29	10,966	18,977
1999	8,004	512	30	10,414	18,960
2000	8,371	482	80	10,072	19,005
2001	8,519	493	102	9,295	18,409
2002	8,513	545	113	8,303	17,474
2003	8,428	586	119	7,233	16,366
2004	8,420	619	151	6,485	15,675
2005	8,454	634	201	6,019	15,308

<sup>1</sup>Mutual fund data include mutual funds that invest primarily in other mutual funds.

<sup>2</sup>ETF data prior to 2001 were provided by Strategic Insight Simfund.

Sources: Investment Company Institute and Strategic Insight Simfund

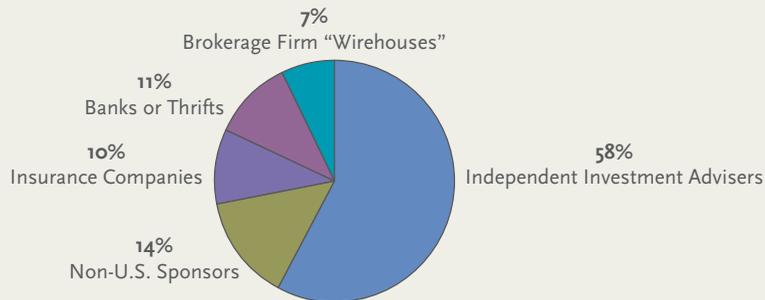
More than 500 financial intermediaries from around the world compete in the U.S. market to provide investment management services to investors. Nearly 60 percent of U.S. fund and trust sponsors are independent investment advisers, and these sponsors manage about half of investment company assets. Banks, insurance companies, securities broker-dealers, and non-U.S. sponsors are other major fund and trust sponsors in the U.S. marketplace.

## 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 25 percent of the outstanding stock of U.S. companies. They play an even larger role in the U.S. municipal debt markets that provide capital to state and local governments, holding 32 percent of all outstanding tax-exempt debt. As a group, investment companies are the second largest holder of tax-exempt debt in the United States, second to direct household ownership.

**NEARLY 60 PERCENT OF FUND SPONSORS ARE INDEPENDENT INVESTMENT ADVISERS**  
*(percent of investment company complexes by type of intermediary, December 2005)*



Investment companies also play a significant role in the taxable debt markets. Investment companies, and mutual funds in particular, 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 EMPLOYMENT

A 2005 ICI survey finds that the entities providing services to registered investment companies employed 146,250 people nationwide. Employment is grouped into five major categories: (1) investor servicing, (2) fund management, (3) fund administration, (4) sales, and (5) distribution.

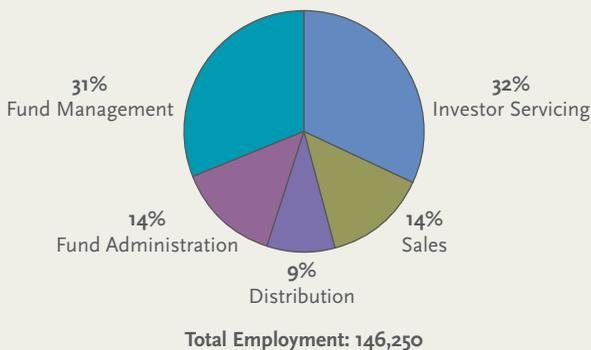
#### INVESTMENT COMPANIES CHANNEL INVESTMENT TO STOCK, BOND, AND MONEY MARKETS (percent of total market securities held by investment companies, 2005)



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

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

#### INVESTMENT COMPANY INDUSTRY EMPLOYMENT BY JOB FUNCTION (percent of jobs in registered investment company operations areas, 2005)





## SECTION 2:

# RECENT MUTUAL FUND TRENDS

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

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The U.S. mutual fund market, with a record \$8.9 trillion in assets under management as of year-end 2005, is the largest in the world, accounting for half of the \$17.8 trillion in mutual fund assets worldwide. Investor demand for mutual funds is influenced by a variety of factors, not the least of which is funds' ability to assist investors in achieving a wide variety of investment objectives. In particular, U.S. households' growing reliance on stock, bond, and hybrid mutual funds reflects investor desire to meet long-term personal financial objectives such as preparing for retirement. Furthermore, U.S. households, businesses, and other institutional investors use money market mutual funds as cash

management tools because they provide a high degree of liquidity and competitive, short-term yields. Investors' reactions to U.S. and worldwide economic and financial conditions also play an important role in determining demand from year to year for mutual funds in general and for specific types of funds.

## U.S. MUTUAL FUND ASSETS

Stock mutual funds accounted for a little more than half of U.S. mutual fund assets in 2005. This share has ranged from 50 to 60 percent since 1997, with the exception of 2002 when the share dropped to around 42 percent largely owing to the sharp decline in the U.S. stock markets that year. Domestic stock funds—

For the latest mutual fund statistics, visit the Institute's website at

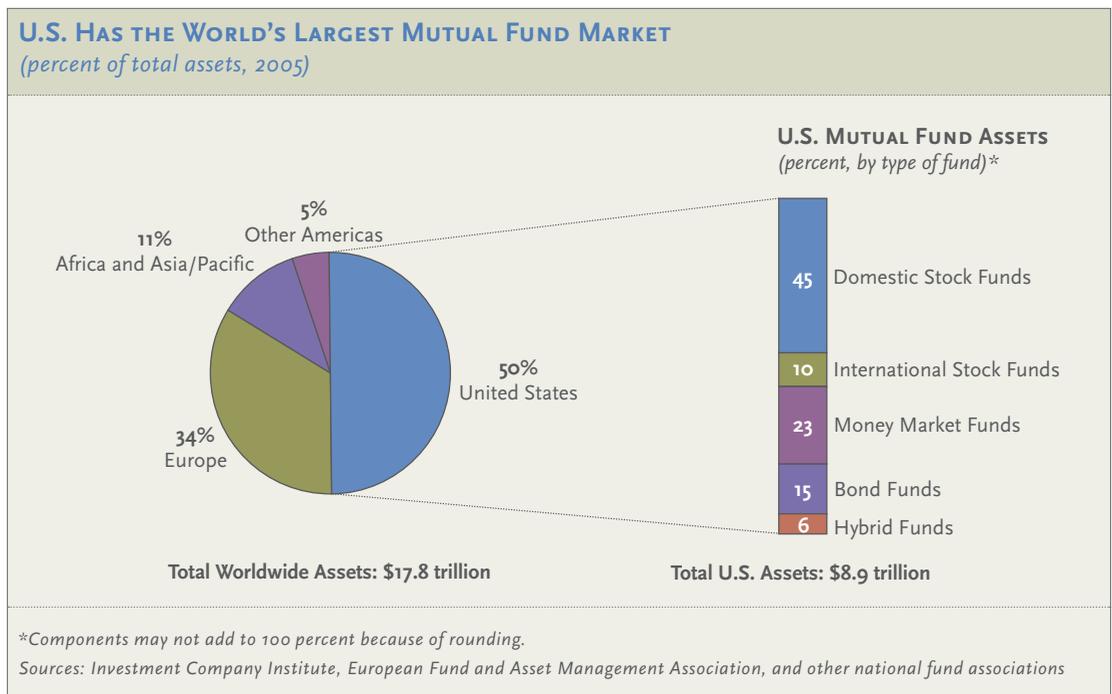
[WWW.ICI.ORG/STATS/MF/INDEX.HTML](http://WWW.ICI.ORG/STATS/MF/INDEX.HTML)

those that invest primarily in shares of U.S. corporations—held 45 percent of total industry assets; international stock funds—those that invest primarily in foreign corporations—accounted for another 10 percent. Money market funds (23 percent), bond funds (15 percent), and hybrid funds (6 percent) also held sizeable portions of total U.S. mutual fund assets.

More than 500 fund sponsors managed mutual fund assets in the United States in 2005. Many firms have entered and exited the fund industry since the mid-1980s, when the modern mutual fund market began to

take form. For example, of the top 25 firms in 1985, only 16 remained in the top group in 2005. This ongoing competitive dynamic has prevented any single firm or group of firms from dominating the market. In addition, the share of assets managed by the largest firms in 2005 is comparable to the share managed by the largest firms in 1985.

Alternative measures of market concentration—including the Herfindahl-Hirschman index, which weighs both the number and relative size of firms in the industry to measure competition—also indicates that no one firm or group of firms dominate the mutual fund



**SHARE OF ASSETS AT LARGEST MUTUAL FUND COMPLEXES**  
(percent of total industry assets, selected years)

	1985	1990	1995	2000	2005
Top 5 Complexes	37	34	34	32	37
Top 10 Complexes	54	53	47	46	48
Top 25 Complexes	78	75	70	74	71

**MORE INFO: LONG-TERM FUND INFLOWS**

See pages 88–92 for detailed data on inflows to stock, bond, and hybrid funds.

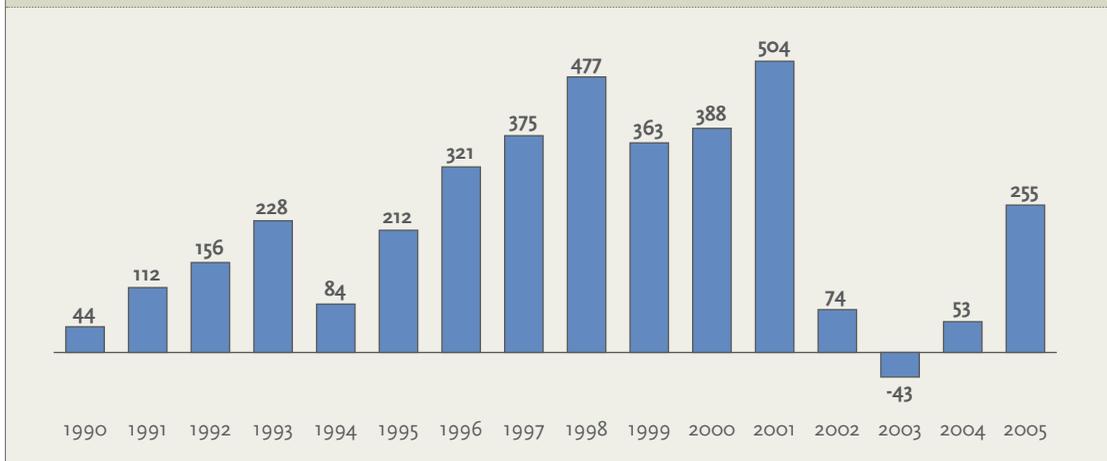
market. The Herfindahl-Hirschman measure considers industries with index numbers below 1,000 to be unconcentrated industries. The mutual fund industry has a Herfindahl-Hirschman measure of around 400.

**DEVELOPMENTS IN MUTUAL FUND FLOWS**

As measured by net new cash flow—the dollar value of new fund sales minus redemptions, combined with net exchanges—investor demand for mutual funds picked up in 2005.

Net new cash flow to all mutual funds was \$255 billion, up from the pace of the previous three years. Inflows to international stock funds and money market mutual funds accounted for much of the increase. Abroad, many countries experienced economic growth in excess of that seen in the United States. In addition, foreign stock markets, especially those in emerging markets, outperformed U.S. stocks by a wide margin. U.S. short-term interest rates rose to around 4 percent by year-end, as the Federal Reserve steadily tightened monetary policy in response to strong underlying growth in productivity and heightened concerns about inflationary pressures.

**INFLOWS TO MUTUAL FUNDS**  
(billions of dollars, 1990–2005)



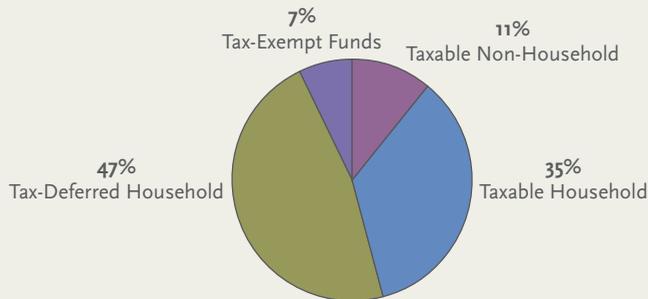
## MUTUAL FUND ASSETS BY TAX STATUS

Unlike most corporations, a mutual fund generally distributes all of its earnings—capital gains and ordinary dividends—each year to shareholders and is taxed only on amounts it retains. 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. Investors often attempt to lessen the impact of taxes on their investments by investing in tax-exempt funds and tax-deferred retirement accounts. As of 2005, 7 percent of all mutual fund assets were held in tax-exempt funds and 47 percent were invested in tax-deferred accounts held by households.

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

### MORE THAN HALF OF MUTUAL FUND ASSETS HELD IN TAX-DEFERRED ACCOUNTS AND TAX-EXEMPT FUNDS

(percent, 2005)



### MUTUAL FUND CAPITAL GAIN DISTRIBUTIONS

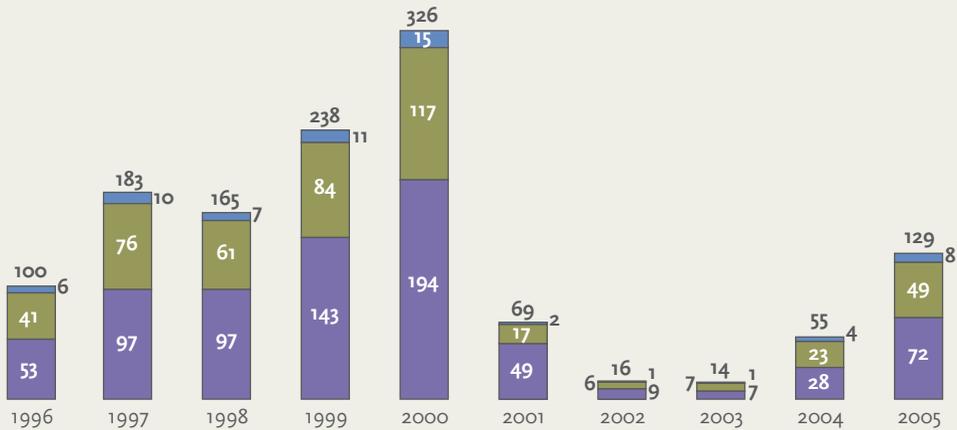
Capital gain distributions represent a fund’s net gains, if any, from the sale of securities held in its portfolio. When gains from these sales exceed losses, they are distributed to fund shareholders.

Mutual funds distributed \$129 billion in capital gains to shareholders in 2005. About 56 percent of these distributions were paid to tax-deferred household accounts, and another 38 percent were paid to taxable household accounts. Stock, bond, and hybrid funds can distribute capital gains, but stock funds typically account for the bulk of the distributions. In 2005, 35 percent of stock fund share classes made a capital gain distribution, and these share classes distributed an average of nearly 6 percent of their assets as capital gains.

#### CAPITAL GAIN DISTRIBUTIONS

(billions of dollars, 1996–2005)

- Non-Household
- Taxable Household
- Tax-Deferred Household



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

## MUTUAL FUND DIVIDEND DISTRIBUTIONS

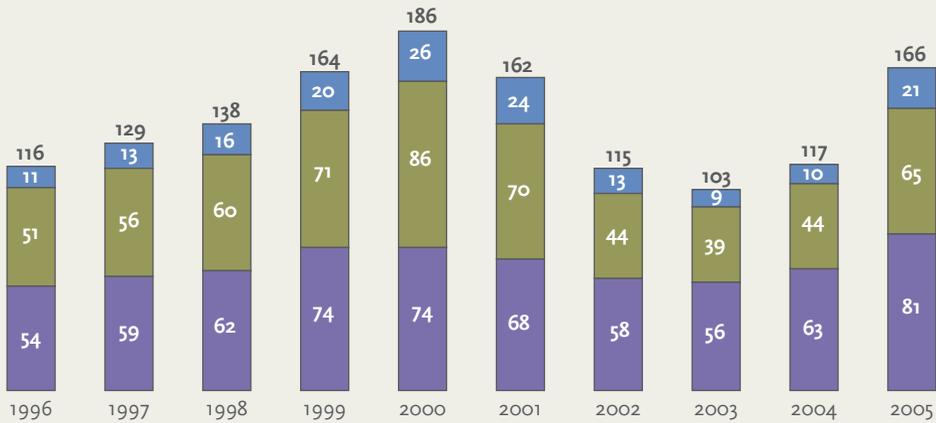
Dividend distributions represent income—primarily from the interest and dividends earned by the securities in a fund’s portfolio—after expenses are paid by the fund.

Mutual funds distributed \$166 billion in dividends to fund shareholders in 2005. Mutual fund dividends were boosted by higher short-term interest rates and an increase in dividend payments by corporations. Bond and money market funds accounted for 65 percent of all dividend distributions in 2005. About 49 percent of all dividend distributions were paid to tax-exempt and tax-deferred household accounts. Another 39 percent were paid to taxable household accounts.

### DIVIDEND DISTRIBUTIONS

(billions of dollars, 1996–2005)

- Taxable Non-Household
- Taxable Household
- Tax-Exempt and Tax-Deferred



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

## DEMAND FOR LONG-TERM MUTUAL FUNDS

Investors added \$192 billion in net new cash to stock, bond, and hybrid funds in 2005, down slightly from a year earlier, but still maintaining the recent robust pace of inflows to long-term funds. Investor demand for these funds, which slowed largely in response to the decline in the stock market from mid-2000 to the end of 2002, began to strengthen in early 2003. Between 2003 and 2005, net new cash to long-term funds totaled \$618 billion. Moreover, during this same period, investors reinvested an additional \$239 billion in dividend distributions back into the funds.

No-load share classes of stock, bond, and hybrid mutual funds continued to receive the bulk of net new cash, attracting \$154 billion of the total \$192 billion in inflows in 2005. Mutual fund sales to investors in employer-sponsored retirement plans account for a large portion of no-load fund sales. Also, no-load inflows likely were boosted by sales of funds of funds which often invest in underlying no-load funds. In 2005, funds of funds received \$79 billion in net new cash, of which 25 percent was from sales of funds of funds with loads. Net new cash to load funds amounted to \$20 billion. Class A and class C shares received more than all of the \$20 billion, while class B shares had net outflows for the fifth consecutive year.

### NET NEW CASH FLOW TO NO-LOAD FUNDS CONTINUES TO GROW

(billions of dollars, 2000–2005)

	2000	2001	2002	2003	2004	2005
<b>All Long-Term Funds</b>	<b>229</b>	<b>129</b>	<b>121</b>	<b>216</b>	<b>210</b>	<b>192</b>
<b>Load</b>	<b>70</b>	<b>46</b>	<b>20</b>	<b>51</b>	<b>48</b>	<b>20</b>
A Shares	32	32	20	39	60	68
B Shares	26	-1	-16	-18	-35	-65
C Shares	27	22	24	29	22	25
Other Load	-14	-7	-7	1	1	-8
<b>No-Load</b>	<b>109</b>	<b>70</b>	<b>102</b>	<b>123</b>	<b>126</b>	<b>154</b>
Retail	80	37	53	78	84	86
Institutional	29	33	49	45	42	69
<b>Variable Annuities</b>	<b>51</b>	<b>13</b>	<b>-2</b>	<b>42</b>	<b>36</b>	<b>18</b>

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

Sources: Investment Company Institute; Lipper; ValueLine Publishing, Inc.; CDA/Wiesenberger Investment Companies Service; © CRSP University of Chicago, used with permission, all rights reserved (312.263.6400/www.crsp.com); and Strategic Insight Simfund

## MUTUAL FUND SHARE CLASSES

Mutual funds are often classified according to the class of shares that fund sponsors offer to investors: primarily load or no-load classes. Load classes generally serve investors who hold funds through financial advisers; no-load fund classes usually serve investors who purchase funds without the assistance of a financial adviser or who choose to compensate the financial adviser separately. 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.

### Load Share Classes

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

Class A shares represent the traditional means of 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 0.25 percent. Class A shares are sometimes used in employer-sponsored retirement plans, and funds usually waive the front-end sales load for these investors.

Class B shares typically do not have a front-end sales load. Investors using B shares pay for 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 if fund shares are redeemed before a fixed number of years of ownership. The CDSL decreases the longer the investor owns the shares and reaches zero typically after shares have been held six or seven years. After six to eight years, B shares usually convert to A shares, which have a lower 12b-1 fee.

Class C shares generally do not 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 purchase. This share class, unlike B shares, typically does not convert to A shares.

### No-Load Share Classes

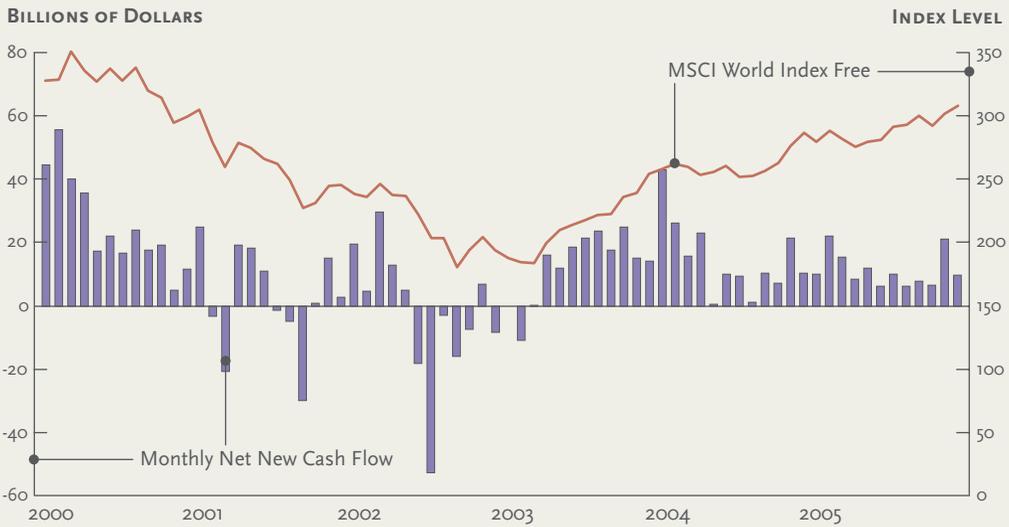
No-load share classes have no front-end load or CDSL and have a 12b-1 fee of 0.25 percent or less. Originally, no-load share classes were offered by mutual fund sponsors that sold directly to investors. Now, however, investors can purchase no-load funds through employer-sponsored retirement plans, mutual fund supermarkets, 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.

### Stock Funds

Investors added \$136 billion of net new money to stock funds in 2005, somewhat below the pace of the previous two years, but still a sizeable amount. Domestic stock funds attracted \$31 billion in new cash—down considerably from 2004—owing largely to the more limited gains in U.S. equity markets in 2005. Funds investing in foreign companies garnered a record \$105 billion in new cash.

The strong demand for these funds reflected, in part, the outstanding performance of many foreign stock markets during 2005, especially when compared with returns in the U.S. stock markets. Total returns on U.S. equity indexes ranged from 5 percent to about 7.5 percent, while those on world stock indexes (excluding U.S. stocks) were about 15 percent. Total returns on stocks traded on emerging markets were close to 35 percent.

**FLows TO EQUITY FUNDS RELATED TO STOCK MARKET PERFORMANCE**  
(2000–2005)



Sources: Investment Company Institute and Morgan Stanley Capital International

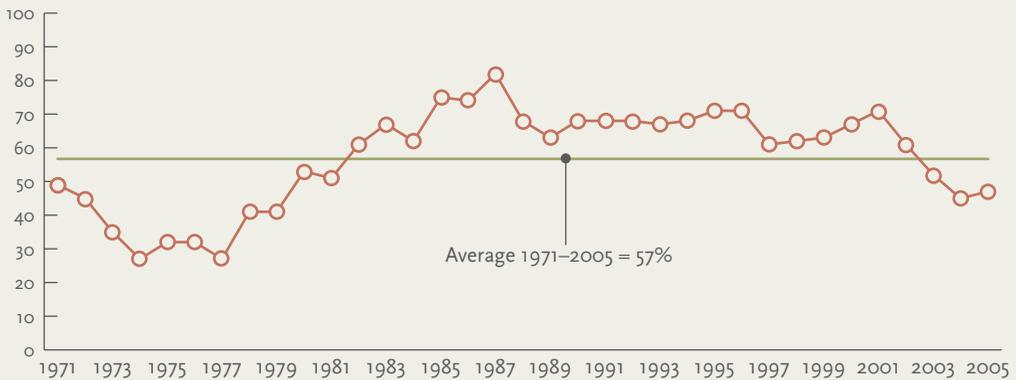
Investors tend to own mutual funds with relatively low fees, expenses, and turnover rates. Mutual fund assets are heavily concentrated in funds with below-median expenses and below-average turnover. The turnover rate—the lesser of purchases or sales (excluding short-term assets) scaled by average net assets—is a measure of a fund’s trading activity. In 2005, the asset-weighted annual turnover rate experienced by stock fund investors edged up to 47 percent, but remained low when compared with the historical experience of the past 35 years.

#### MORE INFO: FUND FEES AND EXPENSES

For more information on fees and expenses of mutual funds, see *Mutual Fund Fees and Expenses* on page 38.

Two-thirds of stock fund assets were in funds with asset-weighted 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.

#### TURNOVER RATE<sup>1</sup> EXPERIENCED BY STOCK FUND INVESTORS REMAINS LOW<sup>2</sup> (percent, 1971–2005)



<sup>1</sup>asset-weighted average

<sup>2</sup>excludes variable annuities

Sources: Investment Company Institute; © CRSP University of Chicago, used with permission, all rights reserved (312.263.6400/www.crsp.com); and Strategic Insight Simfund

#### 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 those measures 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, serves as a more reliable indicator of the average portfolio turnover actually experienced by fund shareholders.

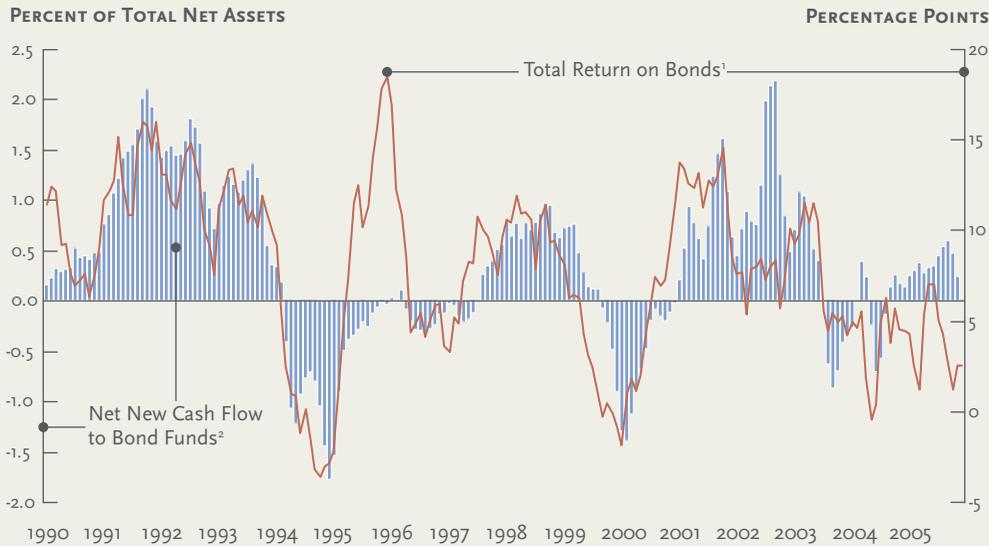
### Bond and Hybrid Funds

Investors added \$31 billion to their bond fund holdings in 2005, following modest outflows the previous year. Cash flow into bond funds is highly correlated with the performance of bonds. Traditionally, the U.S. interest rate environment plays a prominent role in the demand for bond funds from year to year. Movements in short- and long-term interest rates can significantly alter the returns offered by these types of funds and, in turn, influence retail and institutional investors' demand for bond funds.

Falling interest rates between 2001 and 2003 led to significant returns for bond funds, spurring investor demand. In contrast, interest

rates on intermediate- to long-term bonds moved in a narrow range over 2004 and 2005, eliminating the boost to bond fund returns from rising bond prices. As a result, money moved out of bond funds in 2004 and—based on the historical relationship between bond prices and demand for bond funds—one would have expected outflows to continue in 2005. A factor that may have contributed to the \$31 billion in bond fund inflows in 2005 is the growing popularity of lifecycle and lifestyle funds. Net inflows to these funds—which often invest their net new cash in shares of other mutual funds—more than doubled in 2005 to \$49 billion. Likely some portion of these flows was directed to bond mutual funds.

**FLows to Bond Funds Related to Bond Returns**  
(percent, 1990–2005)



<sup>1</sup>The total return on bonds is measured as the year-over-year change in the Citigroup Broad Investment Grade Bond Index.  
<sup>2</sup>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

Total annual flows to hybrid funds were \$25 billion in 2005, down somewhat from the pace in 2004, but still substantial by historical standards. Over the past few years, investors increasingly have turned to this investment class by purchasing shares of hybrid funds of funds. These hybrid funds of funds invest in other mutual funds and the net new cash is reported as flows into the underlying funds. In 2005, hybrid funds of funds received \$71 billion in net new cash with some part of these flows going towards underlying hybrid mutual funds.

## DEMAND FOR MONEY MARKET MUTUAL FUNDS

Net new cash flow to money market funds turned positive for the first year since 2001, likely reflecting rising short-term interest rates in 2005.

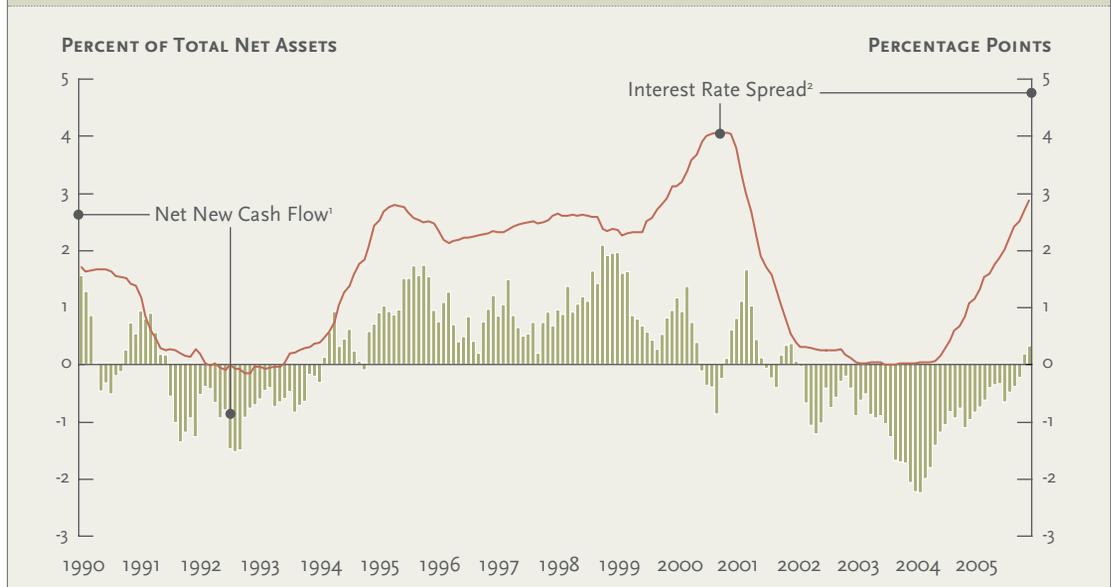
### MORE INFO: MONEY MARKET FUND STATISTICS

See pages 106–110 for more detailed data on money market funds.

### Retail Money Market Mutual Funds

Retail money market funds, which are principally sold to individual investors, received net new cash of \$2 billion in 2005, after net outflows totaling \$319 billion over the period from 2002 to 2004. Money fund yields ramped up steadily during 2005 and outpaced any increases in yields on bank deposits. This relationship between rising short-term interest rates, the widening money market fund yield premium relative to bank deposits, and slowing outflows that eventually turn to inflows is a pattern that has been observed over the past 20 years.

### FLOWS TO TAXABLE RETAIL MONEY MARKET FUNDS RELATED TO INTEREST RATE SPREAD (percent, 1990–2005)



<sup>1</sup>Net new cash flow is a percent of previous month-end taxable retail money market fund assets and is shown as a six-month moving average.

<sup>2</sup>The interest rate spread is the difference between the taxable retail money market fund yield and the average interest rate on money market deposit accounts.

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

Nevertheless, households have continued to invest in bank deposits more heavily than expected based on this historical relationship. In 2005, they added about \$400 billion to their holdings of time and savings deposits, despite the wide premium offered on money market funds. Changes in brokerage firms' cash

management policies for their retail accounts likely have contributed to the increased use of bank deposits by households. In recent years, brokerage firms increasingly have relied less on money market funds and more on bank money market deposit accounts as cash management accounts for their retail clients.

**FLows TO MONEY MARKET FUNDS TURN POSITIVE IN 2005**

*(billions of dollars, 1990–2005)*

**RETAIL FUNDS**



**INSTITUTIONAL FUNDS**



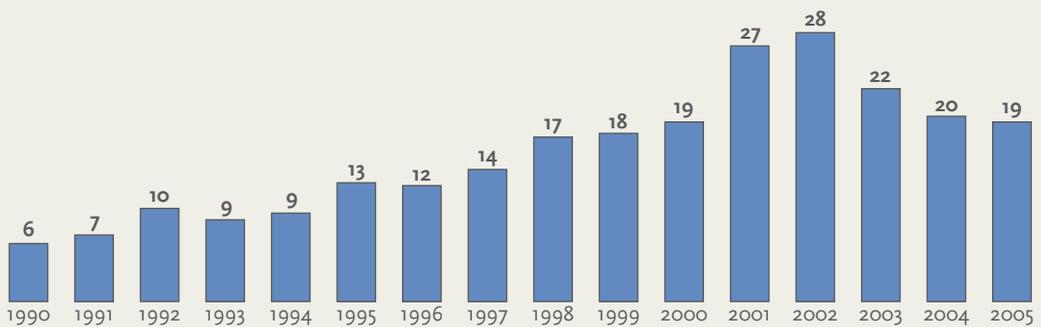
### ***Institutional Money Market Mutual Funds***

Institutional money market funds, used by businesses, pension funds, state and local governments, and other large investors had inflows of \$61 billion in 2005, after substantial outflows the previous two years. Some of this reversal may reflect the diminished need for businesses to hold checking deposits at banks. Banks are prohibited by law from paying interest on demand deposits, but many institutional customers earn credits based on an implicit interest rate on their deposits. These credits can be used to pay for banking services. When interest rates decline,

businesses often increase their checking deposits to earn sufficient credits to pay for their services. Over the period from 2002 to 2004, nonfinancial businesses added about \$100 billion to their checking accounts, and some of this additional cash likely came from money market funds. In 2005, conversely, rising short-term interest rates may have triggered the shift of cash flow for some businesses away from checking accounts and into money market funds. U.S. businesses held about 19 percent of their short-term assets in money market funds as of year-end 2005.

#### **MONEY MARKET MUTUAL FUNDS MANAGED 19 PERCENT OF U.S. BUSINESS SHORT-TERM ASSETS\* IN 2005**

*(percent, 1990–2005)*



\*U.S. nonfinancial 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 3:

# EXCHANGE-TRADED FUNDS

This section provides an overview of exchange-traded funds (ETFs), a relatively new innovation among registered investment companies.

	PAGE
<b>What Is an ETF?</b>	<b>26</b>
<b>Development of the ETF Market</b>	<b>27</b>
<b>Demand for ETFs and Index Investments</b>	<b>30</b>

Exchange-traded funds are a relatively recent innovation to the investment company concept, with the first ETF introduced in 1993 after a fund sponsor received U.S. Securities and Exchange Commission exemptive relief from various provisions of the Investment Company Act of 1940. In the 12 years since, the number of ETFs has grown to about 200, and assets have reached nearly \$300 billion.

### WHAT IS AN ETF?

ETFs are registered investment companies, most of which seek to mirror the return of a particular market index, such as the S&P 500 or the Russell 2000. Although most ETFs are registered as open-end funds, there are some key differences between ETFs and other open-end funds such as mutual funds.

One difference is how retail investors buy and sell shares. A retail investor in a mutual fund typically purchases or redeems shares directly with the fund. By contrast, retail shareholders in an ETF do not conduct transactions directly with the ETF but instead buy or sell ETF shares on a stock exchange, just as they would the shares of a publicly traded company. ETF shares originally enter the market through an institutional investor, known as a creation unit holder. These investors deposit with the ETF sponsor a specified basket of securities. In return for this basket of securities, the ETF issues to the creation unit holder a specified number of fund shares, which can be sold to the public through a stock exchange. A creation unit holder can liquidate its position by returning a fixed number of ETF shares to the ETF; in return, the creation unit holder

For the latest exchange-traded fund statistics, visit the Institute's website at

[WWW.ICI.ORG/STATS/ETF/INDEX.HTML](http://WWW.ICI.ORG/STATS/ETF/INDEX.HTML)

receives the basket of securities it had deposited with the ETF. A retail investor in an ETF could liquidate their position by selling their ETF shares on a stock exchange.

Another feature that distinguishes ETFs from open-end funds is pricing. ETF shares may trade above or below the underlying value of the securities in the fund. Unlike a mutual fund, whose price per share is based on the fund's net asset value (NAV), an ETF's share price is influenced by the forces of supply and demand. For example, when investor demand increases, the ETF share price rises. However, ETFs are structured so that large differences between their share price and the value of the underlying basket of securities do not exist for long periods of time. Creation unit

holders counteract the impact of supply and demand for ETF shares by buying and selling ETF shares in the market, and if necessary, by creating or redeeming creation units with the fund. In doing so, creation unit holders help keep the market price of an ETF's shares close to the underlying value of its securities.

## DEVELOPMENT OF THE ETF MARKET

The first ETF was a broad-based domestic equity fund that tracked the S&P 500 index, and was registered as a UIT. ETFs saw modest growth until the late 1990s, when demand for exchange-traded funds accelerated as retail investors and their financial advisers became increasingly aware of these investment companies. The market for exchange-traded funds was also bolstered by demand from

### NET ASSETS OF ETFs

(millions of dollars, 1993–2005)

Year	Total	Investment Objective				Legal Structure	
		Broad-Based Domestic Equity	Sector/ Industry Domestic Equity	Global/ International Equity	Bond Index Funds	Open-End	UIT
1993	\$464	\$464	–	–	–	–	\$464
1994	424	424	–	–	–	–	424
1995	1,052	1,052	–	–	–	–	1,052
1996	2,411	2,159	–	\$252	–	\$252	2,159
1997	6,707	6,200	–	506	–	506	6,200
1998	15,568	14,058	\$484	1,026	–	1,510	14,058
1999	33,873	29,374	2,507	1,992	–	4,499	29,374
2000	65,585	60,530	3,015	2,041	–	10,257	55,328
2001	82,993	74,752	5,224	3,016	–	22,865	60,128
2002	102,143	86,985	5,919	5,324	\$3,915	35,983	66,160
2003	150,983	120,430	11,901	13,984	4,667	68,306	82,677
2004	226,205	163,730	20,315	33,644	8,516	132,013	94,192
2005	296,022	186,832	28,975	65,210	15,004	200,958	95,064

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

Sources: Investment Company Institute and Strategic Insight Simfund

institutional investors, who found ETFs to be a convenient vehicle for participating in, or hedging against, broad movements in the stock market.

As demand for ETFs grew, ETF sponsors offered more funds and a greater variety of investment objectives. In the mid-1990s, ETF sponsors introduced funds that invested in foreign stock markets. More recently, sponsors have introduced funds that invest in particular

market sectors or industries as well as bond index funds. For example, fund companies introduced 23 sector/industry ETFs in 2005. Sponsors have also introduced country-specific funds, funds that track commodities, and funds tracking highly specialized indexes. Since the mid-1990s, ETF sponsors have predominantly chosen to register their new funds as open-end investment companies. In 2005, most ETFs were open-end investment companies.

**NUMBER OF ETFs**  
(1993–2005)

Year	Total	Investment Objective				Legal Structure	
		Broad-Based Domestic Equity	Sector/ Industry Domestic Equity	Global/ International Equity	Bond Index Funds	Open-End	UIT
1993	1	1	–	–	–	–	1
1994	1	1	–	–	–	–	1
1995	2	2	–	–	–	–	2
1996	19	2	–	17	–	17	2
1997	19	2	–	17	–	17	2
1998	29	3	9	17	–	26	3
1999	30	4	9	17	–	26	4
2000	80	27	28	25	–	76	4
2001	102	34	34	34	–	98	4
2002	113	34	32	39	8	105	8
2003	119	39	33	41	6	111	8
2004	151	60	42	43	6	143	8
2005	201	81	65	49	6	193	8

Sources: Investment Company Institute and Strategic Insight Simfund

ETF assets have grown rapidly since the late-1990s, approximately doubling every two years. Much of this increase is attributable to net issuance of new shares. From year-end 1998 through 2005, ETFs issued \$255 billion in net new shares. Investor demand for broad-based domestic equity funds accounted for much of this growth. These funds issued more than \$165 billion in net new shares during this

period, and assets of these funds reached \$187 billion by year-end 2005. Demand for global and international ETFs also rose sharply in recent years, mirroring an increase in investor interest in mutual funds investing in foreign markets. International and global ETFs issued \$39 billion in net new shares from year-end 2003 through 2005, and assets of these funds reached \$65 billion.

<b>NET ISSUANCE OF ETF SHARES</b> <i>(millions of dollars, 1993–2005)</i>							
Year	Total	Investment Objective				Legal Structure	
		Broad-Based Domestic Equity	Sector/ Industry Domestic Equity	Global/ International Equity	Bond Index Funds	Open-End	UIT
1993	\$442	\$442	–	–	–	–	\$442
1994	-28	-28	–	–	–	–	-28
1995	443	443	–	–	–	–	443
1996	1,108	842	–	\$266	–	\$266	842
1997	3,466	3,160	–	306	–	306	3,160
1998	6,195	5,158	\$484	553	–	1,037	5,158
1999	11,929	10,221	1,596	112	–	1,708	10,221
2000	42,472	40,920	832	720	–	6,815	35,657
2001	31,012	26,911	2,736	1,366	–	13,929	17,082
2002	45,302	35,477	2,304	3,792	\$3,729	20,383	24,919
2003	15,810	5,737	3,587	5,764	721	19,341	-3,531
2004	55,021	29,084	6,514	15,645	3,778	50,875	4,146
2005	53,871	16,941	6,719	23,455	6,756	55,381	-1,510

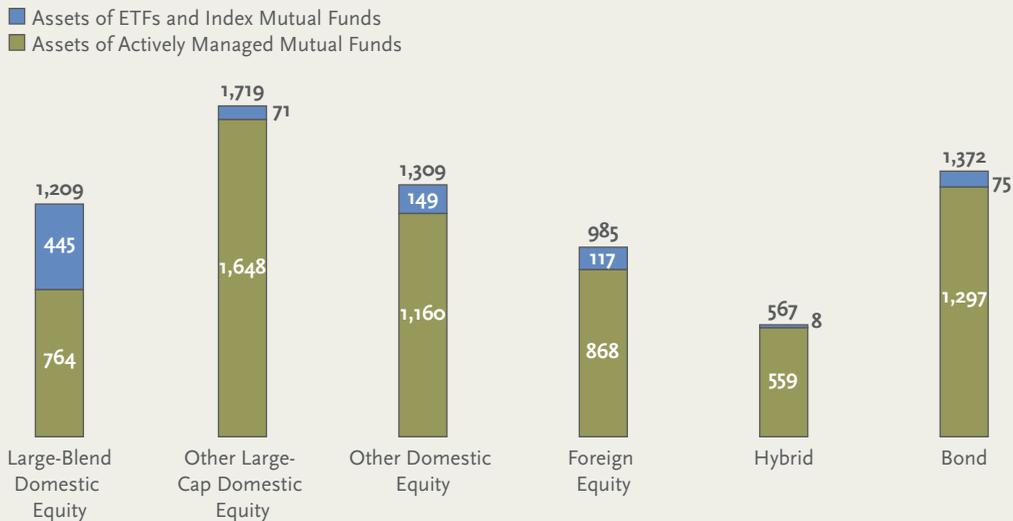
*Note: Components may not add to the total because of rounding.*  
*Sources: Investment Company Institute and Strategic Insight Simfund*

## DEMAND FOR ETFs AND INDEX INVESTMENTS

The growing demand for ETFs also parallels an increase in demand for indexed investments in general. By 2005, assets in index mutual funds and ETFs totaled \$865 billion, which is about 9 percent of the total assets managed by all registered investment companies. Much of this growth has occurred among funds tracking broad market indexes, especially those indexes tracking large companies. Funds indexed to

the S&P 500 manage about 40 percent of all assets invested in ETFs and index mutual funds. These funds are typically regarded as large-blend domestic stock funds. S&P 500 and other broad-based index funds now manage 37 percent of the large-blend domestic stock assets invested in registered investment companies. Index funds and ETFs are available in most other broad asset classes, but to date have attracted less investor interest than have broad-based domestic stock index funds.

**ASSETS OF ETFs AND INDEX MUTUAL FUNDS ARE CONCENTRATED IN LARGE-BLEND DOMESTIC EQUITY**  
*(billions of dollars, 2005)*



Sources: Investment Company Institute and Morningstar

## SECTION 4: CLOSED-END FUNDS

This section focuses on closed-end funds, providing statistical data and a profile of the U.S. households that own them.

	PAGE
<b>Assets in Closed-End Funds</b>	<b>32</b>
<b>Number of Closed-End Funds</b>	<b>34</b>
<b>Characteristics of Closed-End Fund Investors</b>	<b>35</b>

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

### ASSETS IN CLOSED-END FUNDS

Assets in closed-end funds grew in 2005, marking the fourth consecutive year of increasing assets. At year-end 2005, assets in closed-end funds reached \$276 billion. Since year-end 2000, closed-end fund assets have grown 93 percent. In 2005, closed-end fund assets increased 9 percent.

Bond funds have accounted for a large majority of assets in closed-end funds for the past decade. At the end of 2005, bond funds held \$172 billion, or 62 percent of closed-end fund assets. Equity funds totaled \$105 billion, or 38 percent of closed-end fund assets.

For the latest closed-end fund statistics, visit the Institute's website at

[WWW.ICI.ORG/STATS/CE/INDEX.HTML](http://WWW.ICI.ORG/STATS/CE/INDEX.HTML)

Equity funds, however, have fueled about half of the recent growth in closed-end fund assets. From year-end 2000 through 2005, assets in closed-end equity funds increased by \$68 billion, or 186 percent, while assets in closed-end bond funds rose by \$65 billion, or 61 percent.

The role of equity funds in the recent growth of closed-end fund assets is also evident when proceeds from initial and additional

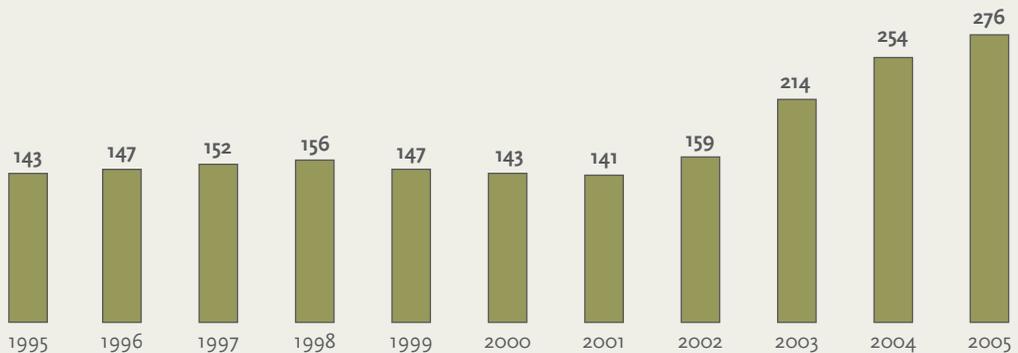
#### MORE INFO: CLOSED-END FUND STATISTICS

See page 81 for assets and number of closed-end funds by investment objective.

public offerings of equity and bond funds are compared. In 2004 and 2005, proceeds from initial and additional public offerings of equity funds greatly exceeded those of bond funds; the reverse was true in 2002 and 2003.

#### CLOSED-END FUND ASSETS INCREASE FOR FOURTH CONSECUTIVE YEAR

(billions of dollars, 1995–2005)



Source: Fundamentals, "The Closed-End Fund Market in 2005" ([www.ici.org/pdf/fm-v15n3.pdf](http://www.ici.org/pdf/fm-v15n3.pdf))

#### CLOSED-END EQUITY FUND SHARE ISSUANCE INCREASES IN 2004 AND 2005

(proceeds from the issuance of initial and additional public offerings of closed-end fund shares, millions of dollars, 2002–2005\*)

	2002	2003	2004	2005
<b>Total Proceeds From Closed-End Fund Share Issuance</b>	25	41	28	21
Equity fund share issuance	9	11	21	19
Bond fund share issuance	16	30	7	2

\*Data is not available for years prior to 2002.

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

Source: Fundamentals, "The Closed-End Fund Market in 2005" ([www.ici.org/pdf/fm-v15n3.pdf](http://www.ici.org/pdf/fm-v15n3.pdf))

## NUMBER OF CLOSED-END FUNDS

The number of closed-end funds available to investors has also increased during the past several years. At the end of 2005, there were 634 closed-end funds, up from 482 at the end of 2000. As with closed-end fund assets, equity funds accounted for about half of the increase

in the number of closed-end funds during this five-year period. While the majority of closed-end equity funds invest in a broad mix of U.S. companies, many of the closed-end equity funds introduced since 2002 have been real estate and energy sector funds.

NUMBER OF CLOSED-END FUNDS (selected years)							
	1995	2000	2001	2002	2003	2004	2005
<b>All Closed-End Funds</b>	500	482	493	545	586	619	634
<b>Equity Closed-End Funds</b>	141	123	116	123	130	157	191
Domestic	49	53	51	63	74	95	119
Global/International	92	70	65	60	56	62	72
<b>Bond Closed-End Funds</b>	359	359	377	422	456	462	443
Domestic	326	329	349	397	429	432	412
Taxable	119	109	109	105	131	137	131
Municipal	207	220	240	292	298	295	281
Global/International	33	30	28	25	27	30	31

Source: Fundamentals, "The Closed-End Fund Market in 2005" ([www.ici.org/pdf/fm-v15n3.pdf](http://www.ici.org/pdf/fm-v15n3.pdf))

## CHARACTERISTICS OF CLOSED-END FUND INVESTORS

An estimated 2 million U.S. households held closed-end funds in 2005. These households tend to include affluent, experienced investors who own a range of equity and fixed-income investments. In 2005, 95 percent of closed-end fund investors also owned individual stock either directly or through mutual funds.

Seventy percent owned individual bonds, bond mutual funds, or fixed annuities. In addition, nearly half of these investors owned investment real estate. Because a large number of closed-end fund investors also own individual stock and mutual funds, closed-end fund investors are similar in many respects to the individuals who own these investments. For instance, closed-end fund investors, like individual stock and mutual fund investors, tend to be college-educated and have household incomes above the national average.

<b>CLOSED-END FUND INVESTORS OWN A BROAD RANGE OF INVESTMENTS</b> <i>(percent of closed-end fund investors owning each type of investment, 2005)*</i>	
<b>Stock Mutual Funds or Individual Stock (total)</b>	95
<b>Bond Mutual Funds, Individual Bonds, or Fixed Annuities (total)</b>	70
<b>Mutual Funds (total)</b>	89
Stock mutual funds	69
Bond mutual funds	54
Hybrid mutual funds	57
Money market mutual funds	57
<b>Individual Stock (total)</b>	86
Individual stock other than company stock	81
Company stock through employer	30
<b>Individual Bonds</b>	33
<b>Annuities (total)</b>	44
Variable annuities	39
Fixed annuities	19
<b>Investment Real Estate</b>	46
*Multiple responses are included.	
Source: Fundamentals, "The Closed-End Fund Market in 2005" ( <a href="http://www.ici.org/pdf/fm-v15n3.pdf">www.ici.org/pdf/fm-v15n3.pdf</a> )	

Nonetheless, closed-end fund investors exhibit certain characteristics that distinguish them from individual stock and mutual fund investors. For example, closed-end fund investors tend to have much greater household financial assets than either individual stock or mutual fund investors. Closed-end fund investors are also more likely to be self-employed or retired from their lifetime occupations than either individual stock or mutual fund investors.

Ownership of bond investments traditionally has been greatest among older individuals and households in the highest income and wealth groups. Because bond funds account for a large portion of closed-end fund assets, investors in these funds tend to have demographic characteristics similar to those of bond investors in general.

**CLOSED-END FUND INVESTORS HAVE ABOVE-AVERAGE HOUSEHOLD INCOMES, FINANCIAL ASSETS**

	All U.S. Households <sup>1</sup>	Households Owning Closed-End Funds <sup>1</sup>	Households Owning Mutual Funds <sup>2</sup>	Households Owning Individual Stock <sup>3</sup>
<b>Median</b>				
Age of head of household	47	50	48	53
Household income	\$45,000	\$75,000	\$68,700	\$74,000
Household financial assets <sup>4</sup>	\$60,000	\$370,400	\$125,000	\$205,000
<b>Percent</b>				
Household primary or co-decisionmaker for investing:				
Married	53	52	71	74
Widowed	11	19	5	8
Four-year college degree or more	38	59	56	64
Employed (full- or part-time)	66	60	77	64
Self-employed <sup>5</sup>	18	36	16	24
Retired from lifetime occupation	26	46	21	35
Household owns:				
IRA	41	64	69	73
Defined contribution retirement plan account	53	57	64	62

<sup>1</sup>Investment Company Institute Annual Mutual Fund Tracking Survey, 2005

<sup>2</sup>Investment Company Institute, Profile of Mutual Fund Shareholders, Fall 2004

<sup>3</sup>Investment Company Institute and Securities Industry Association, Equity Ownership in America, 2005

<sup>4</sup>Household financial assets exclude primary residence, but include assets in employer-sponsored retirement plans.

<sup>5</sup>among those who are employed

Note: Number of respondents varies.

Source: Fundamentals, "The Closed-End Fund Market in 2005" ([www.ici.org/pdf/fm-v15n3.pdf](http://www.ici.org/pdf/fm-v15n3.pdf))

## SECTION 5:

# MUTUAL FUND FEES AND EXPENSES

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

PAGE

**Trends in Mutual Fund Fees and Expenses**

**39**

**Shareholder Demand for Lower-Cost Funds**

**40**

**Financial Adviser Compensation**

**41**

**M**utual fund investing involves two primary kinds of fees and expenses: sales loads and ongoing expenses. Sales loads are one-time fees—paid directly by investors either at the time of share purchase (front-end loads) or, in some cases, when shares are redeemed (back-end loads). Ongoing fund expenses cover portfolio management, fund administration, daily fund accounting and pricing, shareholder services such as call centers and websites, distribution charges known as 12b-1 fees, and other miscellaneous costs of operating the fund. Unlike sales loads, ongoing expenses are paid from fund assets and thus investors pay them indirectly. A fund's expense ratio is its annual ongoing expenses expressed as a percentage of fund assets.

Fund expenses vary depending on many factors, including the type, level of assets, and average account size of the particular fund. Whether funds are distributed directly to shareholders or through intermediaries—who provide investors with initial and ongoing investment advice and service—also affects fees and expenses.

To understand trends in mutual fund fees and expenses, it is helpful to capture and combine major fund fees and expenses in a single measure. ICI created such a measure by adding a fund's annual expense ratio to an estimate of the annualized cost that investors pay for one-time sales loads. This measure gives more weight to those funds that have the most investor assets.

For the latest ICI research on fund fees and expenses, visit the Institute's website at

[WWW.ICI.ORG/ISSUES/FEE/INDEX.HTML](http://WWW.ICI.ORG/ISSUES/FEE/INDEX.HTML)

## TRENDS IN MUTUAL FUND FEES AND EXPENSES

Mutual fund fees and expenses that investors pay have trended downward over the past 25 years. In 1980, investors in stock funds, on average, paid fees and expenses of 2.32 percent. By 2005, that figure had fallen by half to 1.13 percent. Fees and expenses paid on bond funds have declined by a similar amount.

Several reasons explain the dramatic drop in the fees and expenses that investors incur. First, shareholders pay much less in sales loads than they did in 1980. For example, the maximum front-end load that an investor might pay has fallen from an average of 8 percent to

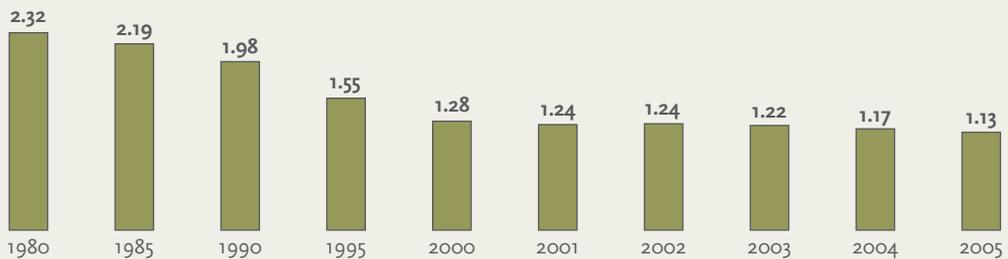
### MORE INFO: TRENDS IN FEES AND EXPENSES

See the October 2005 Fundamentals at [www.ici.org/pdf/fm-v14n6.pdf](http://www.ici.org/pdf/fm-v14n6.pdf) for more information on the 25-year downward trend in mutual fund fees and expenses.

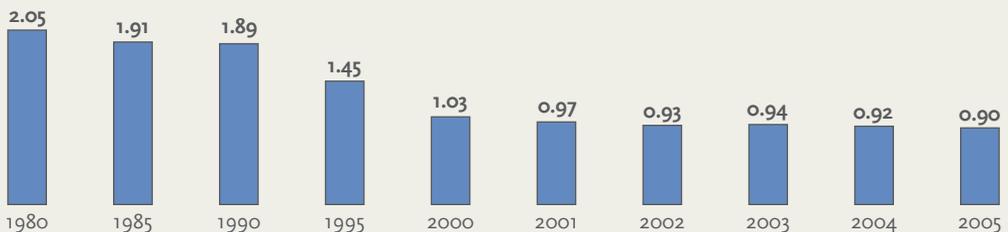
5 percent. The front-end loads that shareholders actually paid have fallen even more, from 5.6 percent in 1980 to only 1.25 percent in 2005. A key factor in the steep decline in loads paid has been the growth of mutual fund sales through employer-sponsored retirement plans, since load funds often do not charge loads for purchases of fund shares through such retirement plans.

### FEES AND EXPENSES OF STOCK AND BOND MUTUAL FUNDS DECLINED OVER 25 YEARS (percent, selected years)

#### STOCK FUNDS\*



#### BOND FUNDS\*



\*asset-weighted average of annual expense ratios and annualized loads for individual funds

Sources: Investment Company Institute; Lipper; ValueLine Publishing, Inc.; CDA/Wiesenberger Investment Companies Service; © CRSP University of Chicago, used with permission, all rights reserved (312.263.6400/www.crsp.com); and Strategic Insight Simfund

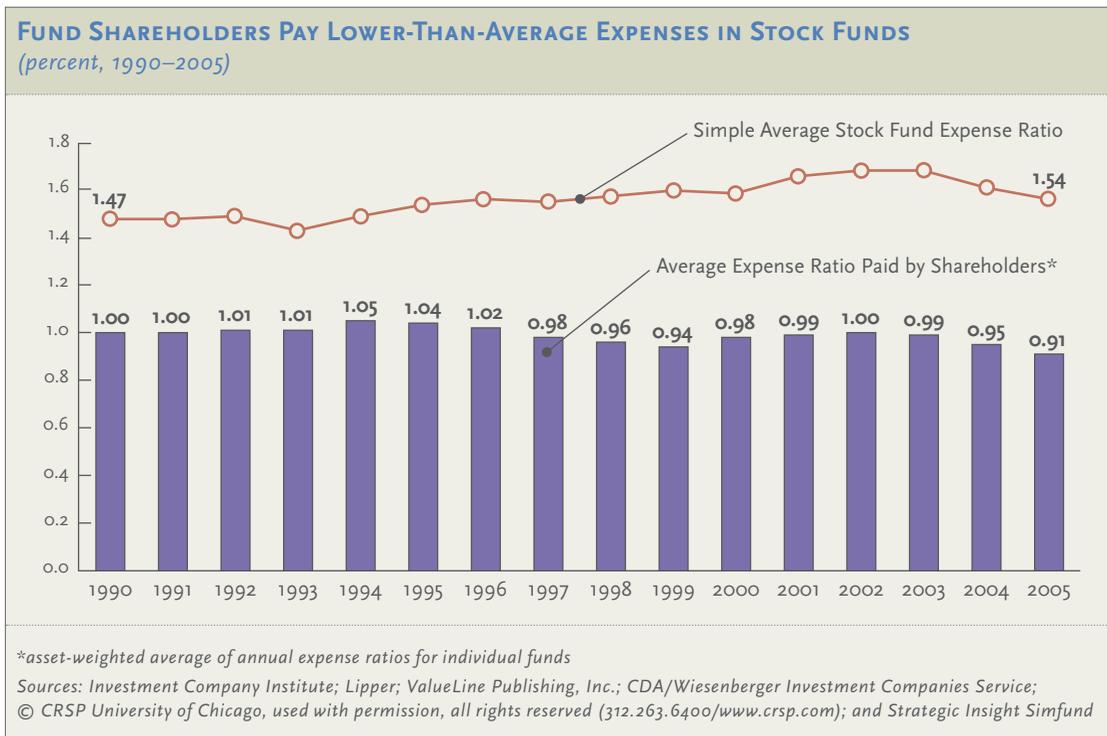
Another reason for the decline in the fees and expenses of investing in mutual funds has been the growth in sales of no-load funds. Again, much of the increase in no-load sales has occurred through the employer-sponsored retirement plan market. In addition, no-load sales have expanded through mutual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

Finally, mutual fund fees have been pushed down by economies of scale and intense competition within the mutual fund industry. This is true even though the demand for mutual fund services increased sharply over the past 25 years. For example, from 1980 to 2005, the number of households owning mutual funds rose from 4.6 million to 53.7 million and the number of shareholder accounts rose from just 12 million to more than 275 million.

Ordinarily, such a sharp increase in the demand for fund services would have tended to limit decreases in fund fees. This effect, however, was more than offset by the downward pressure on fund fees from intense competition among existing fund sponsors, the entry of new fund sponsors into the industry, and economies of scale resulting from the growth in fund assets.

### SHAREHOLDER DEMAND FOR LOWER-COST FUNDS

ICI research indicates that mutual fund shareholders are predominantly invested in funds with low expense ratios. This concentration of low-cost funds can be seen by comparing the average expense ratio charged by mutual funds with the average expense ratio mutual fund shareholders actually paid.



The average expense ratio of stock funds (as measured by a simple average across all stock funds) was 1.54 percent in 2005. The average expense ratio that stock fund shareholders actually paid (the asset-weighted average expense ratio across all stock funds) was considerably lower, just 0.91 percent. This indicates that the expense ratios actually paid by investors were on average lower than those available in the mutual fund marketplace.

Another way to illustrate that investors tend to hold mutual funds with low expense ratios is to identify where they hold their mutual fund assets. In 2005, nearly 90 percent of stock fund assets were in funds with below-average expense ratios.

## FINANCIAL ADVISER COMPENSATION

Many mutual fund investors use and pay for the services of a professional financial adviser. ICI 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.

### STOCK FUNDS WITH BELOW-AVERAGE EXPENSE RATIOS HOLD NEARLY 90 PERCENT OF ASSETS (percent, selected years)

■ Percent of Assets in Funds With Below (Simple) Average Expense Ratios  
■ Percent of Assets in Funds With Above (Simple) Average Expense Ratios



Sources: Investment Company Institute; Lipper; ValueLine Publishing, Inc.; CDA/Wiesenberger Investment Companies Service; © CRSP University of Chicago, used with permission, all rights reserved (312.263.6400/www.crsp.com); and Strategic Insight Simfund

### A LOOK AT THE FEES AND EXPENSES OF S&P 500 INDEX MUTUAL FUNDS

There are more than 8,000 mutual funds available to investors and no two are identical. Mutual funds vary in terms of size, investment objective, and the services they provide to shareholders and, consequently, in the fees and expenses that they charge.

The variety of S&P 500 index mutual funds illustrates this concept. All S&P 500 index mutual funds, by far the most common type of index mutual fund, share the goal of mirroring the return on the S&P 500 index, a well-known, unmanaged index of 500 large-cap stocks. As a result, S&P 500 index mutual funds all hold essentially identical portfolios.

Nevertheless, S&P 500 funds differ from one another in important ways. Some S&P 500 funds are very large—among the largest of any mutual funds—while other S&P 500 funds are quite small. Average account balances also range widely for S&P 500 index funds, from about \$2,000 for some retail funds to over \$100 million among S&P 500 funds that cater to institutions. These funds also differ in terms of certain fees that investors may pay directly (such as account maintenance fees), minimum initial investments, and other features. Finally, some S&P 500 funds are sold bundled with advice (load funds), while others are not (no-load funds).

*(continued on next page)*

#### INVESTOR ASSETS ARE CONCENTRATED IN S&P 500 INDEX MUTUAL FUNDS WITH THE LOWEST EXPENSE RATIOS

*(percent of total assets of S&P 500 index mutual funds, 2005)*



Sources: Investment Company Institute and Lipper

Because S&P 500 index funds are not all identical, their expense ratios differ. Large funds and funds with high average account balances tend to have lower-than-average expense ratios because of economies of scale. Funds sold bundled with advice tend to have higher expense ratios than comparable funds sold without advice in order to compensate financial advisers for the planning, advice, and ongoing service that they provide to clients. Retail investors who purchase no-load funds either do not use a financial adviser or use a financial adviser but pay the adviser directly.

Investors favor the least costly S&P 500 funds. For example, in 2005, the great majority of the assets that investors held in S&P 500 index funds were held in low-cost funds (those with expense ratios of 20 basis points or less). Similarly, low-cost funds have garnered the bulk of investors' net new purchases of shares of S&P 500 index mutual funds. From 1997 to 2005, about 80 percent of the total net new cash flow to S&P 500 funds went to those funds with expense ratios of 20 basis points or less.

For more information about S&P 500 index funds, see the August 2005 *Perspective* at [www.ici.org/pdf/per11-03.pdf](http://www.ici.org/pdf/per11-03.pdf).

**INVESTORS' NET NEW PURCHASES OF S&P 500 INDEX MUTUAL FUNDS ARE CONCENTRATED IN LEAST COSTLY FUNDS**

*(percent of net new cash flow of S&P 500 index mutual funds, 1997–2005)*



Sources: Investment Company Institute and Lipper

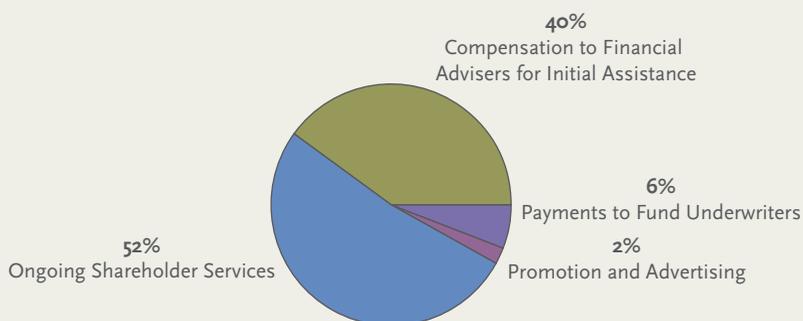
Until about 25 years ago, fund shareholders could only compensate financial advisers for their assistance through a front-end sales load—a one-time, upfront payment made to financial advisers for both current and future services. After 1980, when the U.S. Securities and Exchange Commission (SEC) adopted 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 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 services provided to fund shareholders, and to pay for advertising, marketing, and other sales promotion activities.

Nevertheless, most of the 12b-1 fees collected by funds are used to compensate financial advisers and other financial intermediaries for assisting fund investors before and after purchases of fund shares. Furthermore, only a small fraction of the 12b-1 fees that mutual funds collect is used for advertising and promotion.

### **MOST 12b-1 FEES USED TO PAY FOR SHAREHOLDER SERVICES**

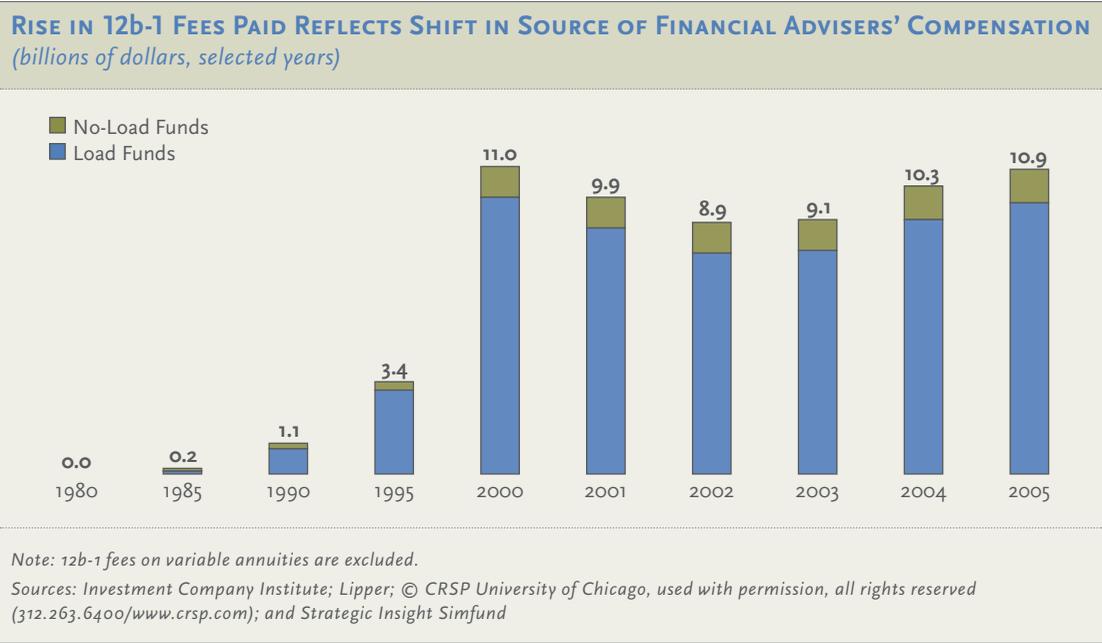
*(percent of 12b-1 fees collected, 2004)*



*Sources: Investment Company Institute; Lipper; © CRSP University of Chicago, used with permission, all rights reserved (312.263.6400/www.crsp.com); and Strategic Insight Simfund*

The amount of 12b-1 fees that shareholders pay through mutual funds has risen from a few million dollars in the early 1980s to almost \$11 billion in 2005. This increase, in part, reflects 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 2005. Most load funds now also offer classes of shares that have 12b-1 fees but no front-end loads.



SECTION 6:

# MUTUAL FUND OWNERS: WHO ARE THEY AND WHERE DO THEY PURCHASE FUND SHARES?

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

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<b>Individual and Household Ownership</b>	<b>46</b>
<b>Characteristics of Individuals and Households Owning Mutual Funds</b>	<b>47</b>
<i>Fund Ownership by Age and Income</i>	<b>49</b>
<b>Where Individuals Own Mutual Funds</b>	<b>50</b>
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<i>Outside Defined Contribution Retirement Plans</i>	<b>51</b>
<b>Institutional Ownership</b>	<b>54</b>

Ownership of mutual funds has grown significantly over the past 25 years. Nearly half of all U.S. households owned mutual funds in 2005, compared with less than 6 percent in 1980. The 91 million individuals who own mutual funds include many different types of people with a variety of financial goals. Fund investors purchase and sell funds through four principal sources: professional financial advisers, such as full-service brokers and independent financial planners; directly from fund companies; retirement plan sponsors; and fund supermarkets.

## INDIVIDUAL AND HOUSEHOLD OWNERSHIP

Individual Americans hold about 90 percent of total mutual fund assets. In 2005, nearly 54 million households, or about half of all U.S. households, owned funds. Mutual funds represent a significant component of many households' financial holdings. Excluding real estate and other property, households hold about 20 percent of their assets in mutual funds. Among households that own mutual funds, an average of \$48,000 is invested in mutual funds, representing nearly half of total household financial assets.

For the latest ICI research on mutual fund owners, visit ICI's website at

[WWW.ICI.ORG/STATS/RES/INDEX.HTML](http://WWW.ICI.ORG/STATS/RES/INDEX.HTML)

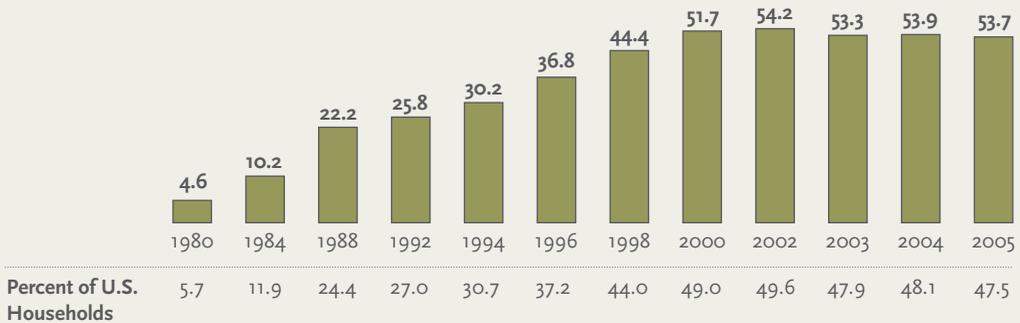
## CHARACTERISTICS OF INDIVIDUALS AND HOUSEHOLDS OWNING MUTUAL FUNDS

An estimated 91 million individual investors own funds. The majority of mutual fund shareholders are married or living with a partner, and most are college graduates. More than three-quarters of all fund investors work full- or part-time.

Many of today's mutual fund owners were introduced to mutual fund investing through retirement plans at work. Nearly 60 percent of shareholders indicate they purchased their first fund from a defined contribution retirement plan, compared with 47 percent in 1998.

### ABOUT HALF OF U.S. HOUSEHOLDS OWN MUTUAL FUNDS

(millions of U.S. households owning mutual funds, selected years)\*



\*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 2005 include households owning mutual funds only through employer-sponsored retirement plans. The data for 1998 through 2005 include fund ownership through variable annuities. Source: Fundamentals, "U.S. Household Ownership of Mutual Funds in 2005" ([www.ici.org/pdf/fm-v14n5.pdf](http://www.ici.org/pdf/fm-v14n5.pdf))

### MUTUAL FUNDS' SHARE OF HOUSEHOLD FINANCIAL ASSETS HAS GROWN STEADILY SINCE 1990

(percent, 1990–2005)



Note: Household financial assets include mutual funds held through employer-sponsored retirement plans, bank personal trusts, and variable annuities.

Sources: Investment Company Institute and Federal Reserve Board

Most shareholders have invested in mutual funds for many years; 70 percent have owned funds for at least 10 years. Shareholders' fund portfolios usually include several mutual funds, and the majority own at least one equity fund.

Fund owners generally have long-term investment horizons and are investing in mutual funds to achieve a range of financial goals, which usually include saving for retirement or paying for education. A majority of shareholders rely on professional financial advice when making fund investment decisions.

## CHARACTERISTICS OF MUTUAL FUND INVESTORS

### HOW MANY PEOPLE OWN MUTUAL FUNDS IN 2005?

- 91 million individuals
- 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?

- 4 mutual funds, median number owned
- \$48,000, median mutual fund assets
- 80 percent own equity funds
- 70 percent bought first fund more than 10 years ago
- 58 percent purchased first mutual fund through defined contribution retirement plan

### HOW DO THEY INVEST?

- 71 percent tend to rely on professional financial advice
- 84 percent are willing to take average or more financial risk for comparable gain
- 92 percent are saving for retirement

Sources: Fundamentals, "U.S. Household Ownership of Mutual Funds in 2005" ([www.ici.org/pdf/fm-v14n5.pdf](http://www.ici.org/pdf/fm-v14n5.pdf)) and Profile of Mutual Fund Shareholders, Fall 2004 ([www.ici.org/pdf/rpt\\_profile04.pdf](http://www.ici.org/pdf/rpt_profile04.pdf))

### 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 individuals age 35 to 64 years—the group considered to be in their peak earning and saving years. About half of all shareholders are members of the Baby Boom Generation, and nearly one-quarter are members of Generation X. The median age of all U.S. mutual fund shareholders is 48.

Mutual fund ownership increases with household income, although most mutual fund investors are of moderate financial means. More than 60 percent of fund investors have household incomes between \$35,000 and \$100,000. Shareholders' median household income is \$68,700.

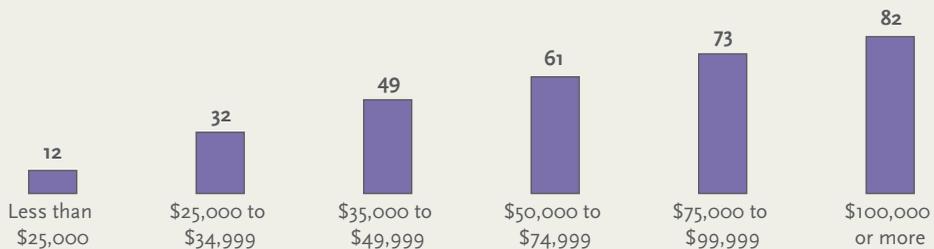
#### MUTUAL FUND OWNERSHIP GREATEST AMONG 35- TO 64-YEAR-OLDS (percent of U.S. households within each age group\* owning mutual funds, 2005)



\*Age ranges are based on the age of the individual heading the household.

Source: Fundamentals, "U.S. Household Ownership of Mutual Funds in 2005" ([www.ici.org/pdf/fm-v14n5.pdf](http://www.ici.org/pdf/fm-v14n5.pdf))

#### OWNERSHIP OF MUTUAL FUNDS INCREASES WITH HOUSEHOLD INCOME (percent of U.S. households within each income group\* owning mutual funds, 2005)



\*Income ranges are based upon previous year's pretax household income.

Source: Fundamentals, "U.S. Household Ownership of Mutual Funds in 2005" ([www.ici.org/pdf/fm-v14n5.pdf](http://www.ici.org/pdf/fm-v14n5.pdf))

## WHERE INDIVIDUALS OWN MUTUAL FUNDS

### Inside Defined Contribution Retirement Plans

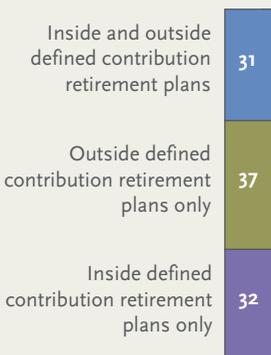
With the growth of 401(k) plans since 1990, retirement plans at work have become a common source through which individuals invest in mutual funds. More than 60 percent of all shareholders own funds through these plans. On average, 23 percent of individuals' mutual fund holdings are held in employer-sponsored retirement plan accounts.

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

### WHERE DO SHAREHOLDERS OWN MUTUAL FUNDS?

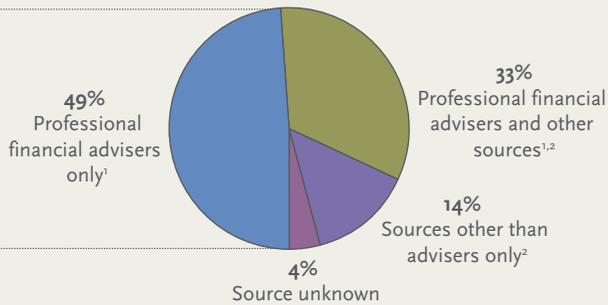
#### SOURCES FOR ALL MUTUAL FUND SHAREHOLDERS

(percent of all shareholders, 2004)



#### SOURCES FOR MUTUAL FUND SHAREHOLDERS OWNING OUTSIDE RETIREMENT PLANS

(percent of shareholders owning funds outside defined contribution retirement plans, 2004)



<sup>1</sup>Professional financial advisers include full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, and accountants.

<sup>2</sup>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](http://www.ici.org/pdf/fm-v14n3.pdf))

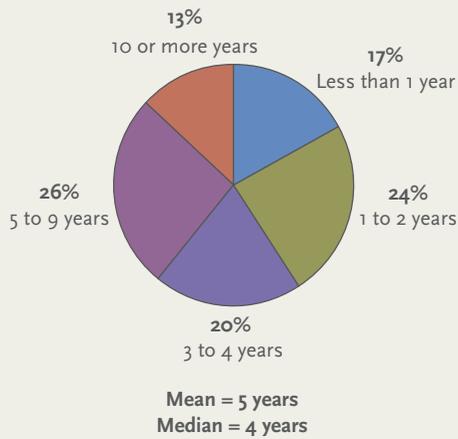
### Outside Defined Contribution Retirement Plans

Although defined contribution retirement plans are the primary source of mutual funds for most shareholders, about two-thirds of all mutual fund investors own funds outside these plans. Shareholders who own funds outside defined contribution retirement plans typically hold these funds in their investment portfolios for several years. On average, mutual fund accounts held outside retirement plans at work have been open for five years.

Financial advisers traditionally have helped many investors select funds outside retirement plans at work. Professional financial advisers typically identify investors' financial goals and risk tolerance, and then help investors select mutual funds that balance their investment goals with their willingness to accept investment risk. 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.

#### THE AVERAGE MUTUAL FUND ACCOUNT HAS BEEN OPEN FOR FIVE YEARS

(percent of mutual fund accounts held outside employer-sponsored retirement plans, by age of account, 2004)



**MORE INFO: OWNERS OF EQUITY**

See Equity Ownership in America, 2005 at [www.ici.org/pdf/rpt\\_05\\_equity\\_owners.pdf](http://www.ici.org/pdf/rpt_05_equity_owners.pdf) for more information on investors who own stock directly or through mutual funds.

Among investors owning fund shares outside defined contribution retirement 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 directly from fund companies, fund supermarkets, or discount brokers. Fourteen percent solely own funds purchased directly from fund companies.

Investors who buy mutual funds directly from fund companies or through discount brokers generally conduct their own research when

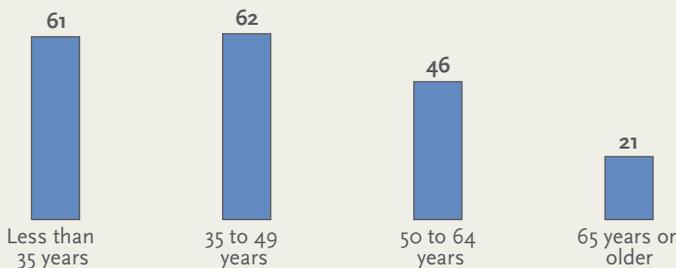
**OWNERSHIP OF EQUITIES INFLUENCED BY AGE OF INVESTOR**

There are distinct generational differences in the types of equities owned by older and younger investors. In general, older investors are more likely to own individual stock. In fact, one-fifth of equity investors age 65 or older solely own individual stock, compared with only 7 percent of equity investors under age 35. Younger investors tend to solely own stock mutual funds.

The differences among investors in the types of equities owned is in part due to how individuals were initially introduced to equity investing. Nearly half of all equity investors in 2005 made their initial equity investment in stock mutual funds through retirement plans at work. Because many older investors were in the workforce prior to the creation and introduction of defined contribution plans, only 21 percent of those age 65 or older made their first equity purchase through mutual funds inside employer-sponsored retirement plans. In contrast, 61 percent of equity investors under age 35 say their initial equity investments were through mutual funds inside retirement plans at work.

**EMPLOYER-SPONSORED RETIREMENT PLANS, MUTUAL FUNDS INTRODUCE INVESTORS TO EQUITIES**

*(percent of equity investors whose initial equity purchases were stock mutual funds through employer plans, by age, 2005)*



Source: Investment Company Institute and Securities Industry Association, Equity Ownership in America, 2005 ([www.ici.org/pdf/rpt\\_05\\_equity\\_owners.pdf](http://www.ici.org/pdf/rpt_05_equity_owners.pdf))

making fund investment decisions. Discount brokers and fund companies that sell directly to investors typically provide a variety of products and tools to assist in decisionmaking, and some offer investment advice for an additional charge. The ongoing services available from discount brokers and fund companies that sell directly to investors include quarterly statements, recordkeeping, and transaction processing.

**MORE INFO: SHAREHOLDER SENTIMENT**

See the December 2005 Fundamentals at [www.ici.org/pdf/fm-v14n7.pdf](http://www.ici.org/pdf/fm-v14n7.pdf) for more research on fund shareholders' opinions of mutual funds.

Many discount brokers offer mutual fund supermarkets. Mutual fund supermarkets enable investors to purchase from a single source funds offered by many different fund families.

**SHAREHOLDER OPINION OF MUTUAL FUNDS IMPROVES IN 2005**

Shareholders' impressions of mutual funds improved for the second year in a row in 2005. After reaching a low of 71 percent in 2003, the favorability rating rose to 72 percent in 2004 and 75 percent in 2005. Favorability is influenced by a variety of factors, with investment performance having the greatest impact on investor opinion. Nearly three-quarters of all mutual fund shareholders indicate fund performance is a "very" important factor in shaping their views of the industry, and about half cite fund performance as the most important factor.

Reflecting the importance of performance in shaping shareholder opinion, mutual fund favorability rises and falls with stock market performance. Shareholders' opinion was lowest in 2003—the year in which the recent stock market decline bottomed out—but improved as the market recovered in 2004 and 2005. 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 FAVORABILITY CORRELATES WITH MARKET PERFORMANCE**

*(mutual fund company favorability rating and S&P 500 index, 1997–2005)*



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

Source: Fundamentals, "Shareholder Sentiment About the Mutual Fund Industry, 2005" ([www.ici.org/pdf/fm-v14n7.pdf](http://www.ici.org/pdf/fm-v14n7.pdf))

### INSTITUTIONAL OWNERSHIP

Businesses, financial institutions, nonprofit organizations, and other institutional investors hold about 12 percent of mutual fund assets. Institutional investor data exclude mutual fund holdings by fiduciaries, retirement plans, and variable annuities, which are primarily attributable to individual investors.

Businesses are the largest segment of institutional investors in mutual funds. At year-end 2005, businesses' mutual fund assets totaled \$511 billion, the majority of which was invested in money market funds. Financial institutions are the second-largest component of institutional investors in mutual funds. Their mutual fund assets at year-end 2005 were \$339 billion, of which 61 percent was invested in money market funds. Nonprofit organizations held \$131 billion in mutual fund accounts at year-end 2005. Unlike businesses and financial

institutions, nonprofit organizations allocated the majority of their mutual fund assets to stock, bond, or hybrid funds. In 2005, other institutional investors, including state and local governments and funds holding mutual fund shares, held \$128 billion in mutual funds, most of which was invested in stock, bond, or hybrid funds.

Fund sponsors often create special share classes or funds expressly for institutional investors. Institutional 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 enable 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.

#### BUSINESSES ARE THE LARGEST TYPE OF INSTITUTIONAL INVESTOR

(assets in long-term and money market funds, by type of institution, billions of dollars, 2005)

- Stock, Bond, and Hybrid Funds
- Money Market Funds



\*Other institutional investors include assets of state and local governments, funds holding mutual fund shares, and other institutional accounts not classified.

## SECTION 7:

# THE ROLE OF MUTUAL FUNDS IN RETIREMENT AND EDUCATION SAVINGS

This section analyzes funds' role in U.S. households' efforts to save for retirement and education, and profiles the investors who use IRAs, 401(k) plans, 529 plans, and other long-term savings vehicles.

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National policies that have created or enhanced tax-advantaged savings accounts have proven integral to helping Americans prepare for retirement and other long-term savings goals. Because many Americans use mutual funds in tax-advantaged accounts to reach these 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.

## MUTUAL FUNDS' ROLE IN RETIREMENT SAVINGS

At year-end 2005, mutual funds accounted for \$3.4 trillion, or 24 percent, of the \$14.3 trillion U.S. retirement market. The remaining \$10.9 trillion of year-end 2005 retirement market assets were managed by pension funds, insurance companies, banks, and brokerage firms.

The Institute collects and analyzes extensive statistical data on the U.S. retirement market. For more information, visit the Institute's website at

[WWW.ICI.ORG/STATS/RES/ARC-RET/INDEX.HTML](http://WWW.ICI.ORG/STATS/RES/ARC-RET/INDEX.HTML)

The \$14.3 trillion in retirement market assets is held in a variety of tax-advantaged plan types. The largest components are Individual Retirement Accounts (IRAs) and employer-sponsored defined contribution plans, each holding about \$3.7 trillion at year-end 2005. Within employer-sponsored defined contribution plan assets, 401(k) plans held the largest share, \$2.4 trillion.

Other employer-sponsored pensions include private defined benefit pension funds (with \$1.8 trillion in assets), state and local government employee retirement plans (with \$2.8 trillion in assets), and federal government defined benefit plans and the federal employees' Thrift Savings Plan (with \$1.1 trillion in assets). In addition, there were \$1.4 trillion in annuity reserves at year-end 2005.

#### MORE INFO: PERSONAL SAVINGS

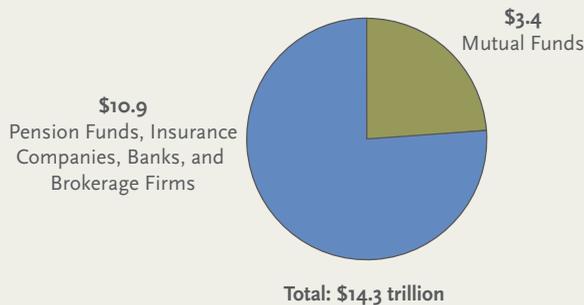
Visit [www.fundingyourfuture.org](http://www.fundingyourfuture.org) for more information about personal savings in America and measures that would encourage Americans to save more for retirement, education, and future health care costs.

The \$3.4 trillion in mutual fund retirement assets represented nearly 40 percent of all mutual fund assets at year-end 2005. Retirement savings accounts are a significant portion of long-term mutual fund assets (46 percent), but are a relatively minor share of money market mutual fund assets (13 percent).

Mutual fund retirement assets primarily come from two sources: IRAs and employer-sponsored defined contribution plans, such as 401(k) plans. Investors hold roughly the same amount of mutual fund assets in IRAs as they do in employer-sponsored defined contribution plans. At year-end 2005, IRAs held \$1.7 trillion in mutual fund assets and employer-sponsored defined contribution plans had \$1.8 trillion.

#### U.S. RETIREMENT ASSETS TOP \$14 TRILLION

(trillions of dollars, 2005)\*



\*Data are preliminary.

Sources: Investment Company Institute and Federal Reserve Board

**MORE INFO: HISTORY OF IRAs**

For a look at the 30-year evolution of IRAs, see the February 2005 issue of Perspective ([www.ici.org/pdf/per11-01.pdf](http://www.ici.org/pdf/per11-01.pdf)).

**Mutual Funds and IRAs**

IRAs were one of the fastest growing components of the U.S. retirement market between 1990 and 2005, and the mutual fund industry’s share of the IRA market increased from 22 percent in 1990 to 45 percent at year-end 2005.

At year-end 2005, IRA assets totaled \$3.7 trillion, up 10 percent from year-end 2004. Mutual fund assets held in IRAs were

\$1.7 trillion at year-end 2005, an increase of \$171 billion, or 11 percent, from 2004. Mutual funds are the largest component of IRA assets, followed by securities held directly through brokerage accounts, which had \$1.4 trillion at year-end 2005.

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

**MUTUAL FUND RETIREMENT ASSETS**  
(billions of dollars, 1991–2005)<sup>1</sup>

	Total Retirement	Employer-Sponsored Defined Contribution Plan Accounts <sup>2</sup>	IRAs
1991	\$322	\$135	\$186
1992	418	184	234
1993	581	263	318
1994	664	320	344
1995	913	445	468
1996	1,171	584	587
1997	1,544	774	770
1998	1,954	985	969
1999	2,545	1,282	1,263
2000	2,492	1,256	1,236
2001	2,360	1,188	1,173
2002	2,105	1,053	1,052
2003	2,682	1,363	1,319
2004	3,084	1,588	1,497
2005	3,444	1,776	1,668

<sup>1</sup>Data are preliminary.

<sup>2</sup>Employer-sponsored defined contribution plan accounts include 401(k) plans, 403(b) plans, 457 plans, Keoghs, and other defined contribution plans without 401(k) features.

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

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

older—can contribute to IRAs. ICI household survey data and Internal Revenue Service Statistics of Income Division tabulations of IRA contributions indicate households have responded to these increased savings opportunities.

### **Mutual Funds and Defined Contribution Plans**

Mutual funds' share of employer-sponsored defined contribution plan holdings increased from 8 percent in 1990 to 48 percent at year-end 2005. At the end of 2005, employer-sponsored defined contribution plans, which

#### **IRA ASSETS**

(billions of dollars, 1990–2005)

	Bank and Thrift Deposits <sup>1</sup>	Life Insurance Companies <sup>2,3</sup>	Mutual Funds <sup>3</sup>	Securities Held Directly Through Brokerage Accounts <sup>3,4</sup>	Total IRA Assets
1990	\$266	\$40	\$139	\$192	\$637
1991	282	45	186	263	776
1992	275	50	234	314	873
1993	263	62	318	351	993
1994	255	70	344	387	1,056
1995	261	81	468	479	1,288
1996	258	92	587	529	1,467
1997	254	136	770	568	1,728
1998	249	157	969	775	2,150
1999	244	203	1,263	942	2,651
2000	252	203	1,236	939	2,629
2001	254	211	1,173	982	2,619
2002	263	268	1,052	949	2,533
2003	268	285	1,319	1,118 <sup>e</sup>	2,991 <sup>e</sup>
2004	270	311 <sup>e</sup>	1,497	1,259 <sup>e</sup>	3,336 <sup>e</sup>
2005	273	333 <sup>e</sup>	1,668	1,393 <sup>e</sup>	3,667 <sup>e</sup>

<sup>1</sup>Bank and thrift deposits include Keogh deposits.

<sup>2</sup>Life insurance company IRA assets are annuities held by IRAs, excluding variable annuity mutual fund IRA assets, which are included in mutual funds.

<sup>3</sup>Data are preliminary.

<sup>4</sup>Category excludes mutual fund assets held through brokerage accounts, which are included in mutual funds.

<sup>e</sup>Data are estimated.

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

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

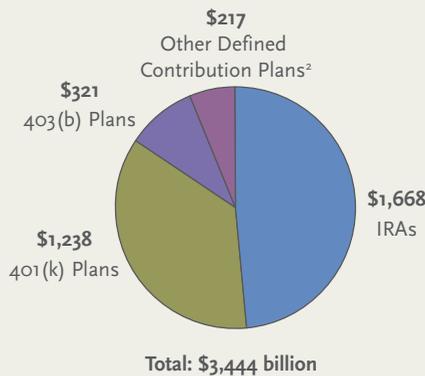
include 401(k) plans, 403(b) plans, 457 plans, Keoghs, and other defined contribution plans, held an estimated \$3.7 trillion in assets. Mutual fund assets held in employer-sponsored defined contribution retirement accounts totaled \$1.8 trillion in 2005, an increase of \$188 billion, or 12 percent, from 2004.

Among defined contribution plans, 401(k) plans are the largest holder of mutual funds. At year-end 2005, \$1.2 trillion, or 70 percent, of mutual fund assets in defined contribution plans were held in 401(k) plans. The second largest defined contribution plan holder of

mutual fund assets is 403(b) plans, which held \$321 billion in fund assets. These defined contribution plans are tax-deferred retirement plans available to the employees of educational institutions and certain nonprofit organizations. At year-end 2005, 457 plans, which allow deferred compensation by employees of state and local governments and certain tax-exempt organizations, held \$59 billion in mutual fund assets. The remaining \$158 billion in defined contribution plan mutual fund assets were held by other defined contribution plans.

**MUTUAL FUND ASSETS BY TYPE OF RETIREMENT PLAN**

(billions of dollars, 2005)<sup>1</sup>



<sup>1</sup>Data are preliminary.

<sup>2</sup>Other defined contribution plans include 457 plans, Keoghs, and other defined contribution plans without 401(k) features.

With \$2.4 trillion in assets at year-end 2005, 401(k) plans are the largest component of employer-sponsored defined contribution plan assets. Mutual funds' share of the 401(k) market increased from 9 percent in 1990 to an estimated 51 percent at year-end 2005.

## RETIREMENT INVESTOR CHARACTERISTICS

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

### 401(k) PLAN ASSETS REACH \$2.4 TRILLION (billions of dollars, 1990–2005)\*

	Mutual Fund 401(k) Plan Assets	Other 401(k) Plan Assets	Total 401(k) Plan Assets
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	351	710	1,061
1997	480	784	1,264
1998	619	922	1,541
1999	813	977	1,790
2000	819	906	1,725
2001	798	884	1,682
2002	712	868	1,580*
2003	927	1,050 <sup>e</sup>	1,978 <sup>e</sup>
2004	1,096	1,171 <sup>e</sup>	2,267 <sup>e</sup>
2005	1,238	1,205 <sup>e</sup>	2,443 <sup>e</sup>

\*Data are preliminary.

<sup>e</sup>Data are estimated.

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

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

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

Approximately four out of 10 U.S. households, or 46.8 million, owned IRAs as of mid-2005. 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-2005, approximately 37.6 million U.S. households owned “traditional” IRAs—the first type of IRA created (under the Employee Retirement Income Security Act of 1974)—while about 16.1 million U.S. households owned Roth IRAs, first available in 1998. An estimated

8.8 million U.S. households owned employer-sponsored IRAs (SIMPLE IRAs, SEP IRAs, or SAR-SEP IRAs).

Traditional IRA households held a median of \$30,000 in their traditional IRAs in 2005, typically in two accounts. Forty-three 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.

MILLIONS OF HOUSEHOLDS OWN IRAS			
	Year Created	Number of U.S. Households With Type of IRA, 2005	Percent of U.S. Households With Type of IRA, 2005
Traditional IRA	1974 (Employee Retirement Income Security Act)	37.6 million	33.2%
SEP IRA	1978 (Revenue Act)	} 8.8 million	7.8%
SAR-SEP IRA	1986 (Tax Reform Act)		
SIMPLE IRA	1996 (Small Business Job Protection Act)		
Roth IRA	1997 (Taxpayer Relief Act)	16.1 million	14.2%

Source: Fundamentals, "The Role of IRAs in Americans' Retirement Preparedness" ([www.ici.org/pdf/fm-v15n1.pdf](http://www.ici.org/pdf/fm-v15n1.pdf))

The majority of Roth IRA households owned one Roth IRA account with a median balance of \$10,000 in 2005. About 40 percent of Roth IRA households opened a Roth IRA as their first IRA. Individuals heading Roth IRA households had a median age of 45 years, and 86 percent were employed.

Households with employer-sponsored IRAs had a median of \$62,400 invested in all types of IRAs in 2005. Sixty percent of these households also owned traditional IRAs and 30 percent also owned Roth IRAs. About one in three individuals heading households with employer-sponsored IRAs were self-employed.

#### MORE INFO: IRAs AND RETIREMENT

*For a more detailed look at the current state of the IRA market, see the January 2006 issue of Fundamentals ([www.ici.org/pdf/fm-v15n1.pdf](http://www.ici.org/pdf/fm-v15n1.pdf)).*

Mutual funds are the most common IRA investment. More than two-thirds of households owning IRAs have IRA assets invested in mutual funds, usually stock mutual funds. Far fewer hold other types of investments in their IRAs. For example, about two-fifths of households hold individual stocks in IRAs; less than one-third hold annuities; and more than one-quarter hold bank deposits.

#### HOUSEHOLDS INVEST THEIR IRAs IN MANY TYPES OF ASSETS

*(percent of U.S. households owning any type of IRA, 2005)\**

<b>Mutual Funds (total)</b>	70
Stock mutual funds	61
Bond mutual funds	30
Hybrid mutual funds	25
Money market mutual funds	27
<b>Individual Stocks</b>	41
<b>Annuities (total)</b>	30
Variable annuities	19
Fixed annuities	19
<b>Bank Savings Accounts, Money Market Deposit Accounts, or Certificates of Deposit</b>	27
<b>Individual Bonds</b>	14
<b>Other</b>	8

*\*Multiple responses are included.*

*Source: Fundamentals, "Appendix: Additional Data on IRA Ownership in 2005" ([www.ici.org/pdf/fm-v15n1\\_appendix.pdf](http://www.ici.org/pdf/fm-v15n1_appendix.pdf))*

**MORE INFO: 401(k) PARTICIPANTS**

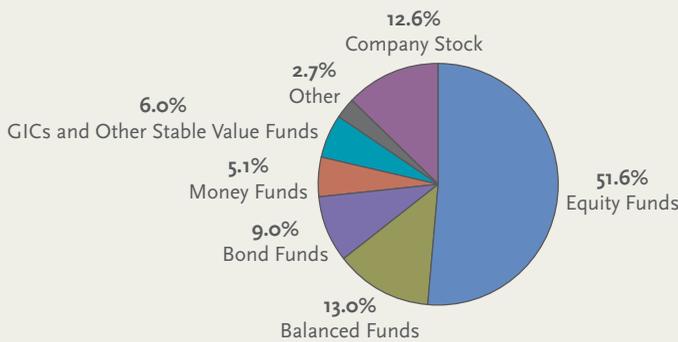
The ICI and the Employee Benefit Research Institute (EBRI) collaboration, the EBRI/ICI Participant-Directed Retirement Plan Data Collection Project, is the world's largest repository of information about individual 401(k) plan participant accounts. See the latest EBRI/ICI research on 401(k) plan participants at [www.ici.org/shareholders/ret/index.html](http://www.ici.org/shareholders/ret/index.html).

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

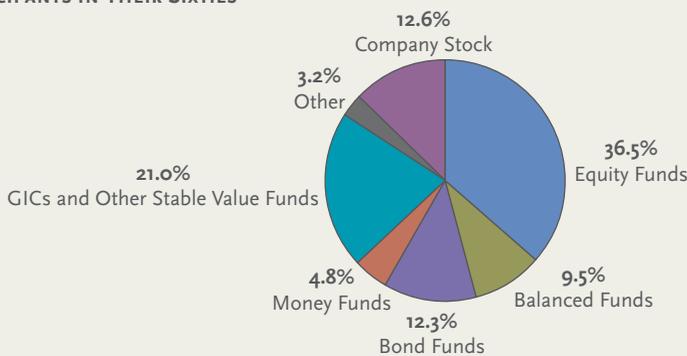
For many American workers, 401(k) plan accounts have become an important part of retirement planning. The income these accounts are expected to provide in retirement depends, in part, on the asset allocation decisions of plan participants.

**401(k) ASSET ALLOCATION VARIES WITH PARTICIPANT AGE**  
(average asset allocation of 401(k) account balances, percent, 2004)

**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, "Appendix: Additional Figures for the EBRI/ICI Participant-Directed Retirement Plan Data Collection Project for Year-End 2004," [www.ici.org/pdf/per11-04\\_appendix.pdf](http://www.ici.org/pdf/per11-04_appendix.pdf))

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. On average, at year-end 2004, individuals in their twenties invested 51.6 percent of their assets in equity funds, 13.0 percent in balanced funds, 12.6 percent in company stock, 9.0 percent in bond

**MORE INFO: 401(k)S AND RETIREMENT INCOME**

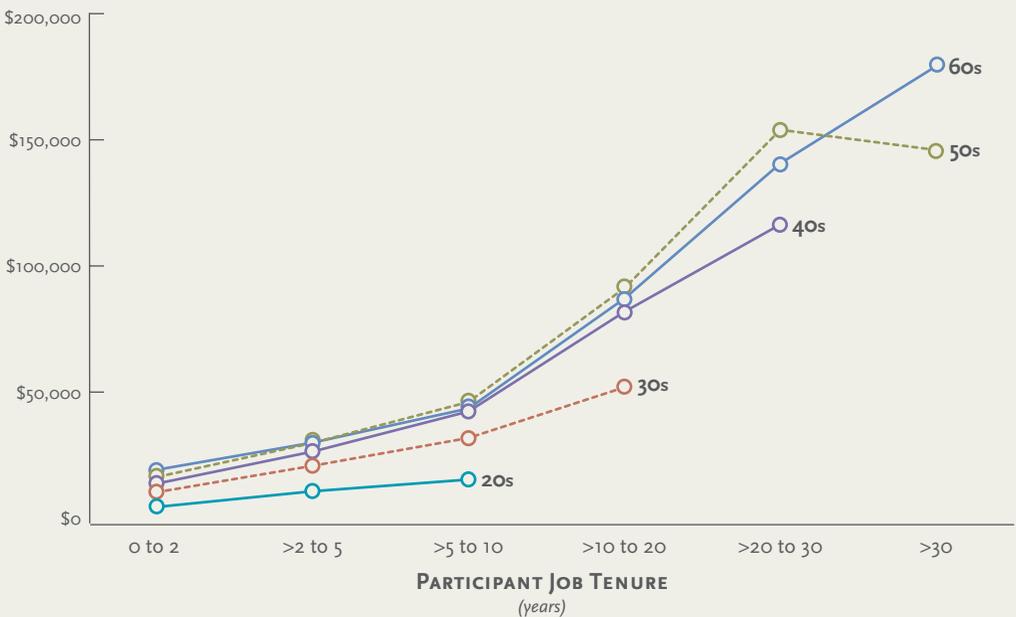
Recent ICI research, based on the EBRI/ICI 401(k) Accumulation Projection Model, examines how 401(k) assets might contribute to retirement income for future retirees ([www.ici.org/pdf/per11-02.pdf](http://www.ici.org/pdf/per11-02.pdf)).

funds, 6.0 percent in GICs and other stable value funds, and 5.1 percent in money funds. By comparison, individuals in their sixties invested 36.5 percent of their assets in equity funds, 21.0 percent in GICs and other stable value funds, 12.6 percent in company stock, 12.3 percent in bond funds, 9.5 percent in balanced funds, and 4.8 percent in money funds.

**401(k) BALANCES TEND TO INCREASE WITH AGE AND JOB TENURE**

(average 401(k) account balance, 2004)

**PARTICIPANT ACCOUNT BALANCE**  
(dollars)



Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project (Perspective, "Appendix: Additional Figures for the EBRI/ICI Participant-Directed Retirement Plan Data Collection Project for Year-End 2004," [www.ici.org/pdf/per11-04\\_appendix.pdf](http://www.ici.org/pdf/per11-04_appendix.pdf))

The median age of 401(k) plan participants was 44 years old at year-end 2004 and the average account balance, excluding plan loans, was \$56,878. Account balances tend to be higher the longer 401(k) plan participants have been working for their current employers and the older the participant. Workers in their sixties with at least 30 years of job tenure at their current employers had an average 401(k) account balance of \$179,189.

Most 401(k) participants do not borrow from their plans. At year-end 2004, only 19 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).

### Types of Mutual Funds Used by Retirement Plan Investors

Of the \$3.4 trillion in mutual fund retirement assets held in IRAs, 401(k) plans, and other retirement accounts at year-end 2005, \$2.4 trillion, or 69 percent, were invested in domestic or foreign equity funds. Domestic equity funds alone constituted about \$2.0 trillion, or 58 percent, of mutual fund retirement assets. By comparison, about 55 percent of overall fund industry assets—including retirement and nonretirement accounts—were invested in domestic and foreign equity funds at year-end 2005.

#### BULK OF MUTUAL FUND RETIREMENT ASSETS INVESTED IN EQUITIES

(billions of dollars, 2005)<sup>1</sup>

	Equity		Bond	Hybrid	Money Market	Total
	Domestic	Foreign				
IRAs	\$911	\$194	\$184	\$216	\$163	\$1,668
401(k) Plans	722	155	100	183	78	1,238
403(b) Plans	234	27	20	26	14	321
Other Defined Contribution Plans <sup>2</sup>	123	21	28	28	18	217
<b>Total</b>	<b>1,989</b>	<b>398</b>	<b>331</b>	<b>453</b>	<b>273</b>	<b>3,444</b>

<sup>1</sup>Data are preliminary.

<sup>2</sup>Other defined contribution plans include 457 plans, Keoghs, and other defined contribution plans without 401(k) features.

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

At year-end 2005, approximately \$604 billion, or 18 percent, of mutual fund retirement assets were invested in fixed-income funds: bond or money market funds. Bond funds held \$331 billion, or 10 percent, of mutual fund retirement assets, and money market funds accounted for \$273 billion, or 8 percent. The remaining \$453 billion, or approximately 13 percent, of mutual fund retirement assets were held in hybrid funds, which invest in a mix of equity and fixed-income securities.

Lifestyle and lifecycle funds, which generally are included in the hybrid fund category, have grown in popularity among investors and retirement plan sponsors in recent years. Lifestyle funds maintain a predetermined risk level and generally use words such as “conservative,” “moderate,” or “aggressive” in their names to indicate the fund’s risk level. Lifecycle funds allow a predetermined reallocation of risk over time to a specified target date, and typically rebalance their

### LIFECYCLE AND LIFESTYLE FUND ASSETS CONTINUE TO GROW

(billions of dollars, 1996–2005)<sup>1</sup>

- Other Investors
- IRAs
- Defined Contribution Plans

#### LIFECYCLE FUNDS<sup>2</sup>



#### LIFESTYLE FUNDS<sup>3</sup>



<sup>1</sup>Data are preliminary.

<sup>2</sup>A lifecycle mutual fund is a hybrid fund that typically rebalances to an increasingly conservative portfolio as the target date of the fund, which is usually included in the fund’s name, approaches.

<sup>3</sup>A lifestyle mutual fund is a hybrid fund that maintains a predetermined risk level and generally uses words such as “conservative,” “aggressive,” or “moderate” in the fund’s name.

\*Each component is less than \$1 billion.

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

portfolios to become more conservative and income-producing by the target date, which is usually indicated in the fund’s name. About \$167 billion was invested in lifestyle and lifecycle funds at the end of 2005, with lifestyle funds holding \$97 billion of assets and lifecycle funds holding \$70 billion. The bulk (90 percent) of lifecycle fund assets were held in retirement accounts, compared to about 59 percent of lifestyle fund assets.

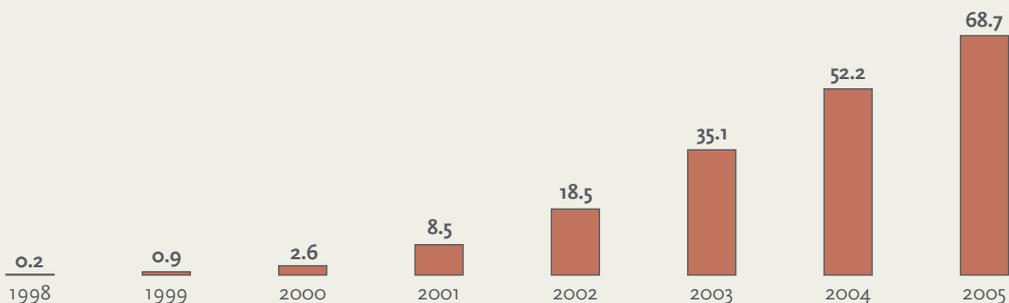
### MUTUAL FUNDS’ ROLE IN HOUSEHOLDS’ EDUCATION SAVINGS

According to the Federal Reserve Board’s 2004 *Survey of Consumer Finances*, about 12 percent of all U.S. households consider education as their most important motivation for saving, compared with 11 percent of households in 2001.

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 because of their limited availability and investors’ lack of familiarity with them. The enactment of EGTRRA in 2001 enhanced the attractiveness of both Section 529 plans and Coverdell Education Savings Accounts (ESAs)—two education savings vehicles—by allowing greater contributions and flexibility in the plans.

#### SECTION 529 SAVINGS PLAN ASSETS CONTINUE TO GROW

(billions of dollars, 1998–2005)



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

Sources: Investment Company Institute and College Savings Plans Network

Assets in Section 529 savings plans grew 32 percent in 2005, increasing from \$52.2 billion at year-end 2004 to \$68.7 billion by year-end 2005. The number of accounts rose to nearly 6.2 million, and the average account size was approximately \$11,000 at year-end 2005.

In the education savings market, mutual funds accounted for an estimated 96 percent of the \$68.7 billion Section 529 savings plan market at year-end 2005. Funds also managed \$4 billion in Coverdell ESA—formerly Education IRA—assets at year-end 2005.

A 2003 ICI survey of households with children age 18 or younger found that households use a variety of investments to save for college.

#### MORE INFO: EDUCATION SAVINGS

*For an in-depth analysis of households saving for college, see the Institute's latest research at [www.ici.org/pdf/rpt\\_03\\_college\\_saving.pdf](http://www.ici.org/pdf/rpt_03_college_saving.pdf).*

Indeed, 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 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.

#### HOUSEHOLDS USE MULTIPLE INVESTMENTS TO SAVE FOR COLLEGE

*(percent of respondents saving for college, 2003)<sup>1</sup>*

<b>Taxable Investments</b>	93
<b>U.S. Savings Bonds</b>	42
<b>Education-Targeted Savings Programs<sup>2</sup></b>	20
<b>UGMA or UTMA Accounts</b>	15

<sup>1</sup>Multiple responses are included.

<sup>2</sup>Education-targeted savings programs include state-sponsored 529 prepaid tuition plans, state-sponsored 529 college savings plans, and Coverdell ESAs.

Source: Profile of Households Saving for College ([www.ici.org/pdf/rpt\\_03\\_college\\_saving.pdf](http://www.ici.org/pdf/rpt_03_college_saving.pdf))

# DATA TABLES

This 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.

	PAGE
<b>Section 1: U.S. Mutual Fund Totals</b>	<b>71</b>
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<b>Section 3: U.S. Long-Term Mutual Funds</b>	<b>86</b>
<b>Section 4: U.S. Short-Term Mutual Funds</b>	<b>106</b>
<b>Section 5: Institutional Investors in the U.S. Mutual Fund Industry</b>	<b>111</b>
<b>Section 6: Worldwide Mutual Fund Totals</b>	<b>114</b>

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 \$9.5 trillion in assets.

The data include:

- 10 tables presenting a broad look at U.S. mutual funds, which constitute nearly 94 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 website at**

[WWW.ICI.ORG/STATS/INDEX.HTML](http://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	94,015
1994	2,155.32	5,325	7,697	114,383
1995	2,811.29	5,725	9,007	131,219
1996	3,525.80	6,248	10,352	149,933
1997	4,468.20	6,684	12,002	170,299
1998	5,525.21	7,314	13,720	194,029
1999	6,846.34	7,791	15,262	226,212
2000	6,964.63	8,155	16,738	244,705
2001	6,974.91	8,305	18,023	248,701
2002	6,390.36	8,244	18,985	251,125
2003	7,414.40	8,126	19,319	260,701
2004	8,106.94	8,041	20,030	269,479
2005	8,905.17	7,977	20,556	277,713

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

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

TABLE 2

### U.S. MUTUAL FUND INDUSTRY TOTAL SALES, NEW SALES, EXCHANGE SALES, REDEMPTIONS, AND EXCHANGE REDEMPTIONS

(billions of dollars, annual)

Year	Total Sales <sup>1</sup>	New Sales	Exchange Sales <sup>2</sup>	Redemptions	Exchange Redemptions <sup>3</sup>
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	7,230.40	7,126.92	742.97	6,649.27	743.37
1999	9,043.58	8,922.96	949.96	8,562.10	947.36
2000	11,109.54	10,970.50	1,149.75	10,586.59	1,145.42
2001	12,866.21	12,747.53	797.34	12,242.32	798.08
2002	13,195.81	13,111.29	747.34	13,038.85	745.65
2003	12,452.59	12,374.31	572.50	12,415.60	573.76
2004	12,270.04	12,179.74	408.99	12,117.54	417.95
2005	14,042.47	13,915.30	420.83	13,648.41	432.43

<sup>1</sup>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.

<sup>2</sup>Exchange sales are the dollar value of mutual fund shares switched into funds within the same fund group.

<sup>3</sup>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 primarily 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	LONG-TERM FUNDS			
	Total	Equity 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	LONG-TERM FUNDS				Money Market Funds
	Total	Equity Funds	Hybrid Funds	Bond 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	6,964.63	3,961.92	346.28	811.19	1,845.25
2001	6,974.91	3,418.16	346.32	925.12	2,285.31
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	8,106.94	4,384.05	519.29	1,290.41	1,913.19
2005	8,905.17	4,940.02	567.30	1,357.31	2,040.54

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.

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

Components may not add to the total because of rounding.

TABLE 4

**U.S. MUTUAL FUND INDUSTRY TOTAL NET ASSETS BY INVESTMENT CLASSIFICATION**  
(billions of dollars, end of year)

Year	EQUITY FUNDS			BOND FUNDS							MONEY MARKET FUNDS	
	Capital Appreciation	World	Total Return	Corporate	High Yield	World	Government	Strategic Income	State Muni	National Muni	Taxable	Tax-Exempt
1984	\$41.68	\$5.19	\$32.86	\$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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	90.28	19.94	133.34	149.15	132.72	145.12	1,607.22	238.03
2001	1,797.35	428.80	1,192.02	346.32	94.28	19.07	164.24	191.55	140.99	154.03	2,012.91	272.40
2002	1,340.75	358.00	963.71	325.49	100.40	21.08	237.91	263.12	154.14	174.38	1,997.17	274.78
2003	1,858.21	516.10	1,309.86	430.47	153.70	27.56	224.71	306.57	150.94	183.16	1,763.63	288.37
2004	2,158.31	689.67	1,536.07	519.29	155.62	36.85	210.83	334.76	145.10	182.62	1,602.85	310.35
2005	2,376.65	919.58	1,643.80	567.30	143.99	45.36	207.16	382.26	148.14	190.61	1,706.54	334.00

Note: Data for funds that invest primarily 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	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	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	3,079	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	8,041	4,547	510	2,041	943
2005	7,977	4,586	505	2,015	871

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.

Note: Data for funds that invest primarily 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)*

Year	EQUITY FUNDS			BOND FUNDS					MONEY MARKET FUNDS			
	Capital Appreciation	World	Total Return	Corporate	High Yield	World	Government	Strategic Income	State Muni	National Muni	Taxable	Tax-Exempt
1984	306	29	124	30	36	1	45	47	37	74	329	96
1985	365	43	154	33	43	1	93	59	75	99	348	112
1986	439	57	182	35	57	4	139	67	122	125	360	127
1987	514	81	229	42	70	16	201	86	217	149	389	154
1988	578	109	319	58	103	28	248	85	245	175	434	176
1989	597	128	344	59	105	30	266	101	260	183	470	203
1990	621	155	323	120	106	41	252	64	272	191	506	235
1991	645	206	340	144	95	61	281	76	331	192	553	267
1992	717	239	369	183	89	89	335	76	414	214	585	279
1993	850	306	430	251	90	115	405	89	531	265	628	292
1994	994	423	469	304	95	138	457	109	707	305	646	317
1995	1,110	528	501	358	104	159	429	116	710	301	674	323
1996	1,325	668	577	386	119	173	422	143	686	295	666	322
1997	1,538	768	645	372	134	186	407	187	649	284	682	331
1998	1,894	890	728	350	183	188	395	234	615	285	685	341
1999	2,208	950	794	336	208	175	374	282	605	282	702	343
2000	2,542	1,005	838	305	214	144	351	326	594	274	703	336
2001	2,853	1,014	849	293	211	131	320	323	556	257	689	326
2002	2,956	946	845	298	200	116	315	337	519	250	679	310
2003	2,931	862	806	291	198	106	316	356	527	251	662	312
2004	2,936	819	792	301	198	107	313	356	516	250	639	304
2005	2,969	838	779	294	208	106	307	361	501	238	595	276

Note: Data for funds that invest primarily 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	20,030	11,398	1,274	5,311	2,047
2005	20,556	11,827	1,374	5,323	2,032

Note: Data for funds that invest primarily 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)

Year	EQUITY FUNDS			BOND FUNDS							MONEY MARKET FUNDS	
	Capital Appreciation	World	Total Return	Corporate	High Yield	World	Government	Strategic Income	State Muni	National Muni	Taxable	Tax-Exempt
1984	306	29	124	89	36	1	45	47	37	74	329	96
1985	365	43	154	103	43	1	93	59	75	99	348	112
1986	439	57	182	121	57	4	139	67	122	125	360	127
1987	514	81	229	164	70	16	201	86	217	149	389	154
1988	578	109	319	179	103	28	248	85	245	175	434	176
1989	597	128	344	189	105	30	266	101	260	183	470	203
1990	632	166	330	200	109	45	258	64	291	199	523	239
1991	666	227	355	224	100	70	293	77	352	206	592	279
1992	785	263	404	258	100	111	382	82	466	242	616	298
1993	1,033	385	527	349	115	152	522	109	708	346	673	336
1994	1,362	630	664	517	135	205	679	150	1,187	473	853	408
1995	1,660	845	782	637	172	248	697	167	1,341	521	949	431
1996	2,099	1,155	957	753	202	289	711	207	1,352	537	1,000	453
1997	2,704	1,449	1,156	877	264	335	743	300	1,415	563	1,070	479
1998	3,464	1,770	1,408	968	378	348	762	392	1,365	590	1,133	494
1999	4,231	1,969	1,585	1,031	452	334	760	503	1,380	618	1,226	504
2000	5,167	2,203	1,709	1,024	479	287	731	601	1,407	620	1,324	531
2001	6,159	2,371	1,794	998	491	271	698	655	1,342	614	1,397	551
2002	6,761	2,338	1,903	1,046	498	270	733	762	1,297	641	1,465	542
2003	6,827	2,195	1,931	1,175	502	257	767	843	1,344	693	1,464	568
2004	7,228	2,172	1,998	1,274	523	263	795	882	1,340	707	1,472	575
2005	7,515	2,280	2,032	1,374	554	271	792	908	1,314	675	1,466	566

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

TABLE 9

### U.S. MUTUAL FUND INDUSTRY NUMBER OF SHAREHOLDER ACCOUNTS\*

(thousands, end of year)

Year	Total	LONG-TERM FUNDS			
		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	94,015	42,554	6,741	21,135	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	149,933	85,301	12,026	20,406	32,200
1997	170,299	101,679	12,856	20,140	35,624
1998	194,029	119,557	14,138	21,486	38,847
1999	226,212	147,391	14,252	20,953	43,616
2000	244,705	163,948	13,066	19,553	48,138
2001	248,701	165,649	14,257	21,560	47,236
2002	251,125	164,295	15,579	25,869	45,382
2003	260,701	174,060	17,672	27,752	41,217
2004	269,479	183,243	20,004	28,585	37,647
2005	277,713	188,100	21,205	29,420	38,988

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

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

Components may not add to the total because of rounding.

TABLE 10

**U.S. MUTUAL FUND INDUSTRY NUMBER OF SHAREHOLDER ACCOUNTS\*\* BY INVESTMENT CLASSIFICATION**  
*(thousands, end of year)*

Year	EQUITY FUNDS			BOND FUNDS							MONEY MARKET FUNDS	
	Capital Appreciation	World	Total Return	Corporate	High Yield	World	Government	Strategic Income	State Muni	National Muni	Taxable	Tax-Exempt
1984	5,976	713	2,934	414	698	4	788	337	198	745	13,556	288
1985	6,736	806	3,519	485	1,073	6	3,279	418	381	1,139	14,435	499
1986	8,240	1,631	5,638	659	1,744	47	5,985	603	722	1,691	15,654	660
1987	10,557	2,171	7,644	708	1,974	156	6,666	694	874	1,866	16,833	842
1988	10,312	2,034	7,312	772	2,488	255	6,293	508	1,000	1,938	17,631	939
1989	10,172	2,062	8,114	810	2,409	237	5,847	584	1,147	2,138	20,173	1,141
1990	11,427	3,077	7,653	1,389	2,204	680	5,394	310	1,323	2,318	21,578	1,391
1991	13,628	3,478	8,542	1,678	1,992	1,306	5,846	432	1,631	2,624	21,863	1,693
1992	17,842	4,203	10,685	2,073	2,041	1,725	7,181	799	2,163	3,041	21,771	1,876
1993	22,003	7,122	13,430	2,463	2,373	1,878	7,226	977	2,579	3,639	21,587	1,998
1994	28,407	12,162	17,379	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	3,160	2,816	1,283	6,395	1,132	2,621	3,409	27,859	2,278
1996	44,731	15,651	24,919	3,632	3,189	1,214	5,559	1,152	2,473	3,187	29,907	2,292
1997	53,101	17,912	30,666	3,722	3,756	1,116	4,918	1,344	2,289	2,995	32,961	2,663
1998	63,288	18,515	37,754	4,333	4,168	844	4,984	1,651	2,487	3,020	36,442	2,405
1999	83,170	21,833	42,388	4,760	4,110	783	4,871	1,448	2,228	2,754	41,177	2,438
2000	100,065	22,758	41,124	3,892	3,532	657	4,539	2,240	2,120	2,573	45,480	2,659
2001	99,973	22,036	43,639	4,813	3,605	632	5,120	2,822	2,044	2,524	44,415	2,822
2002	98,426	21,879	43,991	5,523	3,818	713	7,050	4,069	2,060	2,636	42,726	2,656
2003	102,534	23,941	47,585	5,529	4,780	907	7,025	5,111	1,841	2,559	38,412	2,806
2004	104,192	29,227	49,824	5,966	4,781	1,051	6,785	5,772	1,744	2,487	34,794	2,853
2005	101,930	35,375	50,795	6,369	4,623	1,373	6,412	6,454	1,712	2,476	36,091	2,897

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

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

TABLE 11

**CLOSED-END FUNDS; ASSETS AND NUMBER OF FUNDS BY TYPE OF FUND**  
*(end of year)*

Year	EQUITY FUNDS				BOND FUNDS			
	Total	Total Equity	Domestic	Global/ International	Total Bond	Domestic Taxable	Domestic Municipal	Global/ International
<b>Assets</b> <i>(millions of dollars)</i>								
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	254,295	81,507	62,942	18,565	172,788	65,049	94,884	12,855
2005	276,348	104,616	76,152	28,464	171,732	64,276	94,751	12,705
<b>Number of Funds</b>								
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	619	157	95	62	462	137	295	30
2005	634	191	119	72	443	131	281	31

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
<b>Assets</b> <i>(millions of dollars, end of year)</i>				
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
2005	296,022	215,807	65,210	15,004
<b>Net Issuance</b> <i>(millions of dollars, annual)</i>				
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
2005	53,871	23,660	23,455	6,756
<b>Number of Funds</b> <i>(end of year)</i>				
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
2005	201	146	49	6

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

Sources: Investment Company Institute and Strategic Insight Simfund

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
<b>Assets</b> (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
2005	40,894	28,634	2,280	9,980
<b>New Deposits</b> (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
2005	22,598	21,526	289	782

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**

Year	TOTAL NET ASSETS (millions of dollars, end of year)			NET NEW CASH FLOW** (millions of dollars, annual)			NUMBER OF FUNDS (end of year)			NUMBER OF SHARE CLASSES (end of year)		
	Total	Equity	Hybrid and Bond	Total	Equity	Hybrid and Bond	Total	Equity	Hybrid and Bond	Total	Equity	Hybrid and Bond
1989	\$1,284	\$204	\$1,080	\$169	\$4	\$165	18	11	7	18	11	7
1990	1,426	211	1,215	131	-21	152	20	11	9	20	11	9
1991	2,313	403	1,910	475	97	378	20	10	10	20	10	10
1992	3,722	651	3,072	1,134	205	929	21	10	11	21	10	11
1993	5,403	900	4,503	1,160	154	1,006	24	12	12	24	12	12
1994	6,170	1,367	4,803	567	342	225	32	15	17	32	15	17
1995	9,063	2,288	6,774	1,135	633	502	36	19	17	37	19	18
1996	13,404	4,596	8,808	2,457	1,572	885	45	24	21	56	28	28
1997	21,480	7,580	13,900	3,380	1,617	1,763	94	41	53	148	58	90
1998	35,368	12,212	23,156	6,376	2,006	4,370	175	75	100	305	112	193
1999	48,310	18,676	29,634	6,572	3,392	3,180	212	83	129	394	137	257
2000	56,911	16,206	40,704	10,401	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	199,552	41,784	157,768	50,520	7,980	42,539	375	111	264	963	223	740
2005	306,016	58,569	247,447	79,480	8,708	70,772	475	129	346	1,298	273	1,025

\*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<sup>1</sup>

(millions of dollars, annual)

Year-End	SALES				REDEMPTIONS										
	New + Exchange		Exchange <sup>3</sup>		Regular + Exchange		Regular <sup>4</sup>		Exchange <sup>5</sup>						
	Total	Equity	Hybrid and Bond	Total	Equity	Hybrid and Bond	Total	Equity	Hybrid and Bond	Total	Equity				
1989	\$368	\$75	\$293	\$54	\$2	\$52	\$199	\$72	\$128	\$130	\$71	\$59	\$69	\$1	\$68
1990	416	68	348	65	10	55	285	89	196	186	87	99	100	3	97
1991	772	192	580	194	50	143	298	95	203	185	79	105	113	16	97
1992	1,617	371	1,246	362	76	286	483	166	318	303	130	174	180	36	144
1993	1,953	358	1,594	419	65	354	793	205	588	453	156	297	340	49	291
1994	1,781	583	1,197	439	194	245	1,213	241	972	682	166	517	531	75	456
1995	2,362	987	1,376	1,750	692	1,059	1,227	354	873	768	233	535	459	121	338
1996	4,522	2,321	2,201	3,621	1,847	1,774	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	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	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	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	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	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	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	17,062	4,044	13,019	12,785	3,338	9,447	4,277	706	3,571
2004	76,821	13,730	63,091	63,136	11,463	51,673	26,301	5,749	20,552	19,845	4,848	14,997	6,456	901	5,555
2005	122,861	16,760	106,102	106,077	13,986	92,091	43,381	8,052	35,329	35,351	7,034	28,317	8,030	1,018	7,012

<sup>1</sup>Net new cash flow is the dollar value of new sales minus redemptions, combined with net exchanges.

<sup>2</sup>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.

<sup>3</sup>Exchange sales are the dollar value of mutual fund shares switched into funds within the same fund group.

<sup>4</sup>Redemptions are the dollar value of shareholder liquidation of mutual fund shares.

<sup>5</sup>Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into another fund in the same group.

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)

Year	LIQUID ASSETS (millions of dollars)				LIQUIDITY RATIO (percent)			
	Total	Equity Funds	Hybrid Funds	Bond Funds	Total	Equity Funds	Hybrid Funds	Bond Funds
1984	\$12,181	\$7,295	\$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	24,252	9.5	9.4	11.3	9.5
1989	44,603	25,602	5,747	13,253	8.1	10.4	16.1	4.9
1990	48,440	27,344	4,225	16,872	8.5	11.4	11.7	5.8
1991	60,385	30,657	3,318	26,410	7.1	7.6	6.4	6.7
1992	73,984	42,417	6,595	24,972	6.7	8.3	8.5	5.0
1993	99,436	57,539	16,774	25,123	6.6	7.8	11.6	4.1
1994	120,430	70,885	20,093	29,453	7.8	8.3	12.2	5.6
1995	141,755	97,743	19,494	24,518	6.9	7.8	9.3	4.1
1996	151,988	107,667	18,067	26,254	5.8	6.2	7.2	4.1
1997	198,826	145,565	24,761	28,500	5.8	6.1	7.8	3.9
1998	191,393	143,516	25,569	22,307	4.6	4.8	7.0	2.7
1999	219,098	174,692	20,656	23,750	4.2	4.3	5.5	2.9
2000	277,164	227,961	23,774	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	306,756	186,283	35,072	85,400	5.0	4.2	6.8	6.6
2005	302,975	194,240	40,227	68,508	4.4	3.9	7.1	5.0

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

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

Components may not add to the total because of rounding.

TABLE 17

### LIQUIDITY RATIO\* OF LONG-TERM MUTUAL FUNDS BY INVESTMENT CLASSIFICATION (percent, end of year)

Year	EQUITY FUNDS			BOND FUNDS						National Muni
	Capital Appreciation	World	Total Return	Corporate	High Yield	World	Government	Strategic Income	State Muni	
1984	9.9%	10.7%	8.0%	5.7%	5.8%	10.5%	14.2%	10.1%	3.4%	8.1%
1985	8.2	11.5	10.5	4.8	5.0	-4.5	10.5	6.7	1.8	3.5
1986	8.7	9.4	10.2	6.3	5.0	21.1	6.7	10.8	2.5	3.0
1987	10.2	11.5	7.9	7.9	7.3	22.2	8.2	11.2	4.3	6.5
1988	10.5	7.1	8.8	13.1	7.0	17.3	11.5	17.8	4.4	7.2
1989	11.0	7.2	10.7	8.6	6.9	14.8	4.3	13.5	2.4	3.5
1990	12.0	11.7	10.6	8.6	11.4	43.7	1.3	8.0	2.7	4.7
1991	8.6	8.7	6.3	7.9	5.4	30.5	5.5	7.0	2.8	3.8
1992	10.3	9.6	5.9	8.4	5.7	22.8	2.3	6.5	2.8	3.8
1993	8.5	10.6	6.0	8.8	4.6	17.9	0.9	7.5	2.1	3.5
1994	9.1	10.8	6.2	10.2	7.9	20.0	2.8	8.6	2.8	4.5
1995	8.5	8.6	6.7	6.3	7.0	12.3	1.5	7.3	2.1	3.5
1996	6.6	7.0	5.4	5.3	6.7	9.0	-0.6	11.2	2.4	3.6
1997	6.4	8.0	5.1	4.8	5.3	8.7	0.8	9.8	2.1	2.8
1998	5.0	5.8	4.3	3.2	4.6	6.1	-3.0	8.7	1.7	2.4
1999	4.5	5.3	3.6	5.5	4.3	6.9	-4.6	8.2	2.1	2.5
2000	6.0	7.7	4.5	4.7	8.4	4.3	-2.6	3.1	3.1	3.5
2001	5.3	6.3	4.3	5.7	6.9	3.3	-0.3	0.4	2.3	3.1
2002	4.9	5.8	3.8	4.1	6.8	3.6	0.6	13.3	2.6	4.1
2003	4.1	5.7	3.9	6.2	5.3	6.0	1.1	12.4	2.2	3.7
2004	4.2	5.4	3.8	4.7	5.9	10.0	2.5	12.2	2.9	6.5
2005	3.8	5.1	3.5	3.8	5.1	6.2	0.2	9.0	2.6	5.7

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

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

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	209,826	177,841	42,745	-10,760
2005	192,145	135,630	25,203	31,313

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

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

Components may not add to the total because of rounding.

TABLE 19

**NET NEW CASH FLOW<sup>1</sup> AND COMPONENTS OF NET NEW CASH FLOW OF EQUITY MUTUAL FUNDS**  
*(millions of dollars, annual)*

Year	NET NEW CASH FLOW	SALES			REDEMPTIONS		
		New + Exchange	New <sup>2</sup>	Exchange <sup>3</sup>	Regular + Exchange	Regular <sup>4</sup>	Exchange <sup>5</sup>
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	177,841	1,106,604	935,116	171,488	928,762	762,199	166,563
2005	135,630	1,210,003	1,031,826	178,177	1,074,373	882,511	191,862

<sup>1</sup>Net new cash flow is the dollar value of new sales minus redemptions, combined with net exchanges.

<sup>2</sup>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.

<sup>3</sup>Exchange sales are the dollar value of mutual fund shares switched into funds within the same fund group.

<sup>4</sup>Redemptions are the dollar value of shareholder liquidation of mutual fund shares.

<sup>5</sup>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 primarily 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<sup>1</sup> AND COMPONENTS OF NET NEW CASH FLOW OF HYBRID MUTUAL FUNDS**  
*(millions of dollars, annual)*

Year	NET NEW CASH FLOW	SALES			REDEMPTIONS		
		New + Exchange	New <sup>2</sup>	Exchange <sup>3</sup>	Regular + Exchange	Regular <sup>4</sup>	Exchange <sup>5</sup>
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	42,745	132,499	116,163	16,336	89,754	77,223	12,531
2005	25,203	122,483	107,409	15,074	97,280	82,631	14,650

<sup>1</sup>Net new cash flow is the dollar value of new sales minus redemptions, combined with net exchanges.

<sup>2</sup>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.

<sup>3</sup>Exchange sales are the dollar value of mutual fund shares switched into funds within the same fund group.

<sup>4</sup>Redemptions are the dollar value of shareholder liquidation of mutual fund shares.

<sup>5</sup>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 primarily in other mutual funds were excluded from the series.

Components may not add to the total because of rounding.

TABLE 21

**NET NEW CASH FLOW<sup>1</sup> 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 <sup>2</sup>	Exchange <sup>3</sup>	Regular + Exchange	Regular <sup>4</sup>	Exchange <sup>5</sup>
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	-10,760	396,215	341,545	54,670	406,976	338,396	68,579
2005	31,313	407,100	355,668	51,432	375,788	320,653	55,135

<sup>1</sup>Net new cash flow is the dollar value of new sales minus redemptions, combined with net exchanges.

<sup>2</sup>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.

<sup>3</sup>Exchange sales are the dollar value of mutual fund shares switched into funds within the same fund group.

<sup>4</sup>Redemptions are the dollar value of shareholder liquidation of mutual fund shares.

<sup>5</sup>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 primarily in other mutual funds were excluded from the series.

Components may not add to the total because of rounding.

TABLE 22

**NET NEW CASH FLOW\*\* OF LONG-TERM MUTUAL FUNDS BY INVESTMENT CLASSIFICATION**  
(millions of dollars, annual)

Year	EQUITY FUNDS			BOND FUNDS							National Muni
	Capital Appreciation	World	Total Return	Corporate	High Yield	World	Government	Strategic Income	State Muni		
1984	\$1,694	\$949	\$1,694	\$175	\$1,215	-\$3	\$7,367	-\$37	\$1,882	\$2,460	
1985	1,575	770	4,298	935	4,366	19	42,762	1,200	5,652	8,194	
1986	3,071	4,200	13,115	3,468	9,618	429	57,450	3,416	12,105	16,132	
1987	7,432	-568	12,368	608	610	673	2,892	1,114	1,864	-964	
1988	-7,210	-2,402	-5,336	-200	3,209	609	-13,655	464	2,878	2,209	
1989	-64	1,210	5,628	774	-2,875	-84	-12,812	1,738	6,484	5,550	
1990	4,610	6,812	1,493	1,269	-5,229	7,615	-7,574	791	6,192	3,749	
1991	23,509	3,959	12,421	6,016	1,682	10,282	17,337	2,685	11,112	10,121	
1992	43,171	7,044	28,768	6,881	4,604	-3,003	29,643	4,389	13,205	15,162	
1993	48,247	38,441	40,573	11,958	8,467	750	6,186	4,867	18,998	19,333	
1994	42,854	44,248	27,424	715	-972	-6,800	-39,862	-102	-6,242	-9,208	
1995	72,452	11,512	40,428	6,366	8,258	-4,248	-13,670	4,101	-2,221	-4,670	
1996	99,511	47,516	69,910	6,368	12,486	-2,202	-13,771	5,772	-1,953	-3,940	
1997	94,495	37,846	94,766	11,077	16,851	-1,287	-9,494	10,405	353	520	
1998	82,591	7,527	66,757	20,121	13,602	-1,166	8,899	17,955	7,999	7,200	
1999	160,190	11,224	16,151	6,195	-2,546	-2,179	-2,201	8,802	-4,583	-7,568	
2000	310,710	49,793	-51,136	-7,736	-12,306	-2,208	-16,346	2,968	-5,513	-8,625	
2001	17,179	-21,764	36,551	11,149	7,195	-1,022	27,872	30,919	6,631	4,961	
2002	-36,783	-2,819	12,052	8,808	10,580	167	59,456	45,198	5,720	10,684	
2003	66,854	22,573	62,889	7,902	26,324	3,142	-18,585	19,925	-8,056	977	
2004	46,414	66,689	64,738	11,534	-9,336	5,922	-19,091	13,898	-8,239	-5,448	
2005	14,000	104,845	16,785	6,229	-15,509	7,876	-9,343	37,020	881	4,159	

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

TABLE 23

**NEW SALES\*\* OF LONG-TERM MUTUAL FUNDS BY INVESTMENT CLASSIFICATION**  
(millions of dollars, annual)

Year	EQUITY FUNDS				BOND FUNDS						
	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	497,301	174,546	263,269	116,163	76,513	39,564	15,047	53,286	106,623	17,631	32,881
2005	535,200	230,860	265,767	107,409	72,424	33,870	20,498	47,128	121,513	22,259	37,975

\*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 primarily 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)

Year	EQUITY FUNDS			BOND FUNDS							HYBRID FUNDS	
	Capital Appreciation	World	Total Return	Corporate	High Yield	World	Government	Strategic Income	State Muni	National Muni		
1984	\$6,878	\$245	\$4,996	\$234	\$750	\$1	\$299	\$255	\$353	\$2,888	\$276	
1985	8,039	434	7,089	435	1,411	4	1,718	588	742	3,975	526	
1986	20,019	3,585	13,585	1,192	2,792	37	4,096	1,197	2,242	9,079	1,194	
1987	47,382	4,434	22,686	1,595	3,398	438	6,001	1,898	3,903	12,569	2,528	
1988	31,041	1,451	10,693	1,650	4,364	605	4,979	1,451	3,077	8,670	1,658	
1989	30,650	1,676	10,201	1,748	3,396	367	4,575	1,463	3,360	8,259	1,805	
1990	29,022	3,804	8,635	2,108	2,279	816	5,370	535	3,429	8,998	1,700	
1991	39,712	4,357	12,357	3,874	3,392	1,280	10,356	935	3,814	9,913	3,122	
1992	45,976	6,327	15,108	6,008	6,228	2,475	11,784	1,184	5,021	13,113	6,369	
1993	57,080	18,074	18,563	6,690	6,694	4,179	9,795	1,435	6,121	18,340	11,525	
1994	62,488	33,316	17,968	5,465	7,875	3,355	7,807	2,066	9,424	19,063	9,998	
1995	95,586	30,313	25,017	6,776	6,995	2,016	7,279	1,868	10,808	20,071	7,813	
1996	138,835	52,450	40,666	6,920	9,773	2,996	7,666	2,507	10,599	24,748	9,595	
1997	172,140	65,594	63,488	7,977	12,588	3,323	9,757	3,770	8,309	19,971	13,423	
1998	217,434	77,380	70,828	13,106	13,920	2,924	20,792	8,178	7,485	16,858	15,630	
1999	304,719	111,442	76,084	13,505	13,000	1,367	23,142	6,602	6,984	17,056	14,411	
2000	440,123	149,077	64,844	9,193	10,268	1,333	16,715	8,161	5,309	10,865	13,473	
2001	242,090	75,707	59,692	17,686	11,093	1,162	26,694	16,216	5,367	13,666	17,480	
2002	211,506	57,568	52,693	16,486	11,262	1,799	40,646	22,820	5,654	13,573	17,119	
2003	144,106	38,134	56,509	15,622	16,948	2,856	22,684	18,548	4,312	10,194	18,010	
2004	101,407	26,993	43,087	11,227	7,694	1,578	13,185	12,101	2,788	6,096	16,336	
2005	98,570	37,693	41,914	8,796	6,463	2,230	12,160	12,384	3,012	6,386	15,074	

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

TABLE 25

**REDEMPTIONS\*\* OF LONG-TERM MUTUAL FUNDS BY INVESTMENT CLASSIFICATION**  
*(millions of dollars, annual)*

Year	EQUITY FUNDS			BOND FUNDS							HYBRID FUNDS
	Capital Appreciation	World	Total Return	Corporate	High Yield	World	Government	Strategic Income	State Muni	National Muni	
1984	\$6,804	\$589	\$3,277	\$356	\$848	\$5	\$1,243	\$635	\$517	\$3,741	
1985	11,396	1,122	5,040	436	1,179	7	6,479	690	985	3,318	
1986	14,004	2,958	9,089	872	3,128	28	21,045	1,645	2,677	6,381	
1987	19,892	5,044	13,665	2,233	5,900	489	40,407	3,176	5,733	11,689	
1988	16,268	3,663	13,316	1,891	5,527	731	28,056	2,687	4,290	8,377	
1989	17,859	2,895	16,476	2,000	8,133	768	22,889	2,398	4,248	8,080	
1990	19,810	4,198	20,480	4,366	6,798	1,326	20,314	1,288	5,143	8,724	
1991	23,982	5,645	23,766	8,387	3,856	4,476	22,883	1,446	6,030	9,081	
1992	29,209	6,730	25,526	17,633	5,652	12,462	37,589	2,343	8,310	12,583	
1993	47,885	10,183	33,876	24,966	7,255	11,190	52,251	3,487	10,647	17,404	
1994	68,498	28,854	43,745	32,827	10,506	13,016	56,835	5,512	18,399	25,265	
1995	81,950	37,830	50,622	23,342	9,390	7,912	33,731	5,198	15,209	19,470	
1996	126,349	44,950	69,233	29,487	12,096	8,194	29,956	9,326	16,145	19,782	
1997	183,157	79,102	99,763	30,745	18,013	8,220	30,288	13,747	16,965	22,267	
1998	261,491	119,842	152,924	35,368	27,247	8,010	31,552	17,445	17,204	21,949	
1999	367,674	171,238	205,233	44,569	32,125	7,091	36,639	28,068	25,176	32,299	
2000	521,452	282,214	234,907	49,098	30,805	7,536	37,693	38,719	22,077	31,229	
2001	446,398	259,106	187,375	53,531	26,799	6,762	39,908	50,531	18,921	26,482	
2002	446,713	238,726	193,384	60,998	29,877	7,798	58,800	70,775	21,733	30,374	
2003	361,946	179,596	168,993	71,926	43,665	10,781	87,667	95,233	26,861	37,163	
2004	444,292	117,321	200,586	65,891	45,579	9,271	67,291	90,441	23,938	35,986	
2005	502,883	141,522	238,106	66,142	45,953	13,407	54,644	85,965	21,099	33,442	

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

Note: Data for funds that invest primarily 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)

Year	EQUITY FUNDS			BOND FUNDS							National Muni
	Capital Appreciation	World	Total Return	Corporate	High Yield	World	Government	Strategic Income	State Muni		
1984	\$7,404	\$187	\$6,109	\$362	\$626	\$4	\$260	\$417	\$301	\$3,184	
1985	8,804	240	7,363	422	1,027	3	744	507	538	3,896	
1986	24,340	3,537	13,684	918	2,691	13	4,592	1,009	1,964	9,294	
1987	50,587	6,787	24,389	1,979	5,173	349	13,721	2,182	6,215	17,486	
1988	34,400	2,396	13,731	1,697	3,484	614	6,519	1,223	3,013	8,553	
1989	32,799	1,817	10,726	1,488	5,745	424	5,465	1,006	2,673	7,679	
1990	31,837	4,068	11,027	2,018	4,082	515	5,836	549	3,524	9,313	
1991	36,301	4,613	12,422	2,712	2,399	1,078	7,323	831	3,243	8,642	
1992	42,556	5,778	12,938	5,508	5,334	5,680	14,700	1,619	5,060	12,326	
1993	60,257	10,101	17,793	6,810	5,347	6,432	17,208	2,138	6,305	18,520	
1994	63,200	28,610	19,227	9,091	10,193	5,463	18,220	3,238	13,944	24,977	
1995	83,775	34,525	20,759	5,754	4,762	3,241	9,211	2,045	11,174	21,254	
1996	134,505	48,653	33,696	7,498	8,180	3,446	12,238	3,345	11,995	27,590	
1997	169,502	68,712	52,944	8,627	11,036	4,163	13,070	3,722	10,021	21,069	
1998	218,332	82,759	72,974	10,656	14,943	3,613	18,947	6,641	7,688	16,764	
1999	277,794	110,650	90,692	14,250	15,780	2,074	26,842	8,104	9,322	19,861	
2000	377,396	147,350	103,197	11,595	14,939	1,916	21,818	10,181	5,897	12,128	
2001	260,390	85,488	59,962	13,872	10,846	1,550	22,095	12,048	5,517	12,564	
2002	240,047	62,856	66,008	13,416	11,075	1,400	26,358	17,705	5,780	11,766	
2003	138,596	35,280	49,624	15,127	13,267	2,455	37,630	22,363	7,475	11,960	
2004	108,002	17,529	41,032	10,316	11,016	1,433	18,272	14,385	4,720	8,438	
2005	116,887	22,185	52,790	8,849	9,889	1,446	13,987	10,913	3,291	6,761	

\*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 primarily in other mutual funds were excluded from the series.

TABLE 27

### ANNUAL REDEMPTION RATES OF LONG-TERM MUTUAL FUNDS (percent)

Year	NARROW REDEMPTION RATE <sup>1</sup>				BROAD REDEMPTION RATE <sup>2</sup>			
	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	20.4	18.9	16.3	26.7	24.7	23.0	18.9	32.1
2005	19.7	18.9	15.2	24.2	23.7	23.0	17.9	28.4

<sup>1</sup>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.

<sup>2</sup>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 primarily 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	381,289	163,093	87,571	149,439	60,385	8,967
1992	1,096,342	485,188	225,358	115,389	191,779	73,984	4,645
1993	1,504,644	712,137	272,293	165,387	249,203	99,436	6,187
1994	1,544,320	823,714	223,070	155,157	211,127	120,430	10,822
1995	2,058,275	1,215,210	259,076	190,880	245,330	141,755	6,024
1996	2,623,994	1,718,192	264,965	238,022	245,184	151,988	5,644
1997	3,409,315	2,358,280	282,199	292,804	266,328	198,826	10,878
1998	4,173,531	3,004,275	286,608	389,106	292,395	191,393	9,754
1999	5,233,194	4,059,500	293,565	388,403	267,429	219,098	5,200
2000	5,119,386	3,910,274	309,697	349,074	269,179	277,164	3,998
2001	4,689,603	3,424,380	379,397	371,933	289,656	222,475	1,760
2002	4,118,402	2,687,871	481,281	417,882	320,511	208,939	1,918
2003	5,362,398	3,760,441	506,349	500,867	332,125	259,580	3,037
2004	6,193,746	4,490,161	537,346	532,661	318,337	306,756	8,486
2005	6,864,636	5,053,832	613,671	549,833	330,866	302,975	13,459

**SHARE OF TOTAL NET ASSETS**  
*(percent, end of year)*

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	1.1
1992	100.0	44.3	20.6	10.5	17.5	6.7	0.4
1993	100.0	47.3	18.1	11.0	16.6	6.6	0.4
1994	100.0	53.3	14.4	10.0	13.7	7.8	0.7
1995	100.0	59.0	12.6	9.3	11.9	6.9	0.3
1996	100.0	65.5	10.1	9.1	9.3	5.8	0.2
1997	100.0	69.2	8.3	8.6	7.8	5.8	0.3
1998	100.0	72.0	6.9	9.3	7.0	4.6	0.2
1999	100.0	77.6	5.6	7.4	5.1	4.2	0.1
2000	100.0	76.4	6.0	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
2005	100.0	73.6	8.9	8.0	4.8	4.4	0.2

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

TABLE 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)
<b>Equity Funds</b>								
1991	100.0%	86.0%	2.3%	2.8%	0.1%	7.6%	1.3%	\$404,732
1992	100.0	86.0	2.6	2.6	0.1	8.3	0.3	514,087
1993	100.0	86.7	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	0.5	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	4.2	0.1	4,384,049
2005	100.0	95.0	0.3	0.7	0.0	3.9	0.1	4,940,021
<b>Hybrid Funds</b>								
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	44.9	20.8	21.2	0.7	11.6	0.8	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	20.6	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	0.2	7.3	0.1	325,493
2003	100.0	61.1	10.8	20.8	0.3	6.8	0.1	430,467
2004	100.0	62.3	11.5	18.9	0.4	6.8	0.1	519,292
2005	100.0	61.6	10.7	20.1	0.5	7.1	0.1	567,304
<b>Bond Funds</b>								
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	0.6	830,590
1999	100.0	1.7	28.6	33.6	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	35.8	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	1,290,405
2005	100.0	0.7	39.8	29.7	24.2	5.0	0.6	1,357,312

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

Components may not add to the total because of rounding.

TABLE 30

**PAID AND REINVESTED DIVIDENDS OF LONG-TERM MUTUAL FUNDS BY TYPE OF FUND**  
*(millions of dollars, annual)*

Year	PAID DIVIDENDS				REINVESTED DIVIDENDS			
	Total	Equity Funds	Hybrid Funds	Bond Funds	Total	Equity Funds	Hybrid Funds	Bond Funds
1984	\$7,238	\$2,613 <sup>e</sup>	\$583 <sup>e</sup>	\$4,042 <sup>e</sup>	\$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	98,132	36,133	10,924	51,075	78,253	32,644	9,575	36,035
2005	115,500	44,408	13,216	57,877	94,024	40,202	11,601	42,221

<sup>e</sup>A portion of the breakdown of 1984 data was estimated.

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

Components may not add to the total because of rounding.

TABLE 31

**PAID AND REINVESTED CAPITAL GAINS OF LONG-TERM MUTUAL FUNDS BY TYPE OF FUND**  
*(millions of dollars, annual)*

Year	PAID CAPITAL GAINS				REINVESTED CAPITAL GAINS			
	Total	Equity Funds	Hybrid Funds	Bond Funds	Total	Equity Funds	Hybrid Funds	Bond Funds
1984	\$6,019	\$5,247 <sup>e</sup>	\$553 <sup>e</sup>	\$219 <sup>e</sup>	\$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	68,626	60,717	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	54,741	42,268	5,999	6,473	49,896	38,722	5,565	5,609
2005	129,042	113,568	11,584	3,890	117,556	103,539	10,686	3,330

<sup>e</sup>A portion of the breakdown of 1984 data was estimated.

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

Components may not add to the total because of rounding.

TABLE 32

**TOTAL PORTFOLIO, COMMON STOCK, AND OTHER SECURITIES PURCHASES, SALES, AND NET PURCHASES BY LONG-TERM MUTUAL FUNDS**  
(millions of dollars, annual)

Year	TOTAL PORTFOLIO			COMMON STOCK			OTHER SECURITIES		
	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	4,310,180	4,019,273	290,907	2,390,924	2,198,578	192,346	1,919,256	1,820,695	98,561
2005	4,834,437	4,532,245	302,192	2,765,129	2,610,832	154,297	2,069,308	1,921,413	147,895

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

TABLE 33

**TOTAL PORTFOLIO, COMMON STOCK, AND OTHER SECURITIES PURCHASES, SALES, AND NET PURCHASES BY EQUITY MUTUAL FUNDS**  
(millions of dollars, annual)

Year	TOTAL PORTFOLIO			COMMON STOCK			OTHER SECURITIES		
	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	2,301,400	2,124,299	177,101	2,220,854	2,053,022	167,832	80,547	71,277	9,269
2005	2,700,589	2,542,139	158,449	2,597,780	2,452,864	144,916	102,808	89,275	13,533

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

TABLE 34

**TOTAL PORTFOLIO, COMMON STOCK, AND OTHER SECURITIES PURCHASES, SALES, AND NET PURCHASES BY HYBRID MUTUAL FUNDS**  
(millions of dollars, annual)

Year	TOTAL PORTFOLIO			COMMON STOCK			OTHER SECURITIES		
	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
2005	393,679	354,063	39,616	160,949	151,106	9,843	232,730	202,957	29,773

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

TABLE 35

**TOTAL PORTFOLIO, COMMON STOCK, AND OTHER SECURITIES PURCHASES, SALES, AND NET PURCHASES BY BOND MUTUAL FUNDS**  
*(millions of dollars, annual)*

Year	TOTAL PORTFOLIO			COMMON STOCK			OTHER SECURITIES		
	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
2005	1,740,169	1,636,043	104,127	6,399	6,862	-463	1,733,770	1,629,181	104,589

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

TABLE 36

**TOTAL NET ASSETS, NUMBER OF FUNDS, NUMBER OF SHARE CLASSES, AND NUMBER OF SHAREHOLDER ACCOUNTS OF MONEY MARKET MUTUAL FUNDS**  
(end of year)

Year	TOTAL NET ASSETS (millions of dollars)			NUMBER OF FUNDS			NUMBER OF SHARE CLASSES			NUMBER OF SHAREHOLDER ACCOUNTS* (thousands)		
	Total	Taxable	Tax-Exempt	Total	Taxable	Tax-Exempt	Total	Taxable	Tax-Exempt	Total	Taxable	Tax-Exempt
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	23,556	21,863	1,693
1992	546,194	451,353	94,841	864	585	279	914	616	298	23,647	21,771	1,876
1993	565,319	461,904	103,415	920	628	292	1,009	673	336	23,585	21,587	1,998
1994	611,005	500,636	110,369	963	646	317	1,261	853	408	25,379	23,340	2,039
1995	753,018	629,986	123,032	997	674	323	1,380	949	431	30,137	27,859	2,278
1996	901,807	761,989	139,818	988	666	322	1,453	1,000	453	32,200	29,907	2,292
1997	1,058,886	898,083	160,803	1,013	682	331	1,549	1,070	479	35,624	32,961	2,663
1998	1,351,678	1,163,167	188,512	1,026	685	341	1,627	1,133	494	38,847	36,442	2,405
1999	1,613,146	1,408,731	204,415	1,045	702	343	1,730	1,226	504	43,616	41,177	2,438
2000	1,845,248	1,607,216	238,033	1,039	703	336	1,855	1,324	531	48,138	45,480	2,659
2001	2,285,310	2,012,912	272,399	1,015	689	326	1,948	1,397	551	47,236	44,415	2,822
2002	2,271,956	1,997,173	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	1,913,193	1,602,847	310,346	943	639	304	2,047	1,472	575	37,647	34,794	2,853
2005	2,040,537	1,706,539	333,998	871	595	276	2,032	1,466	566	38,988	36,091	2,897

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

\*\*less than 500

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

TABLE 37

## TOTAL NET ASSETS, NET NEW CASH FLOW, AND NUMBER OF SHAREHOLDER ACCOUNTS\* OF MONEY MARKET MUTUAL FUNDS BY TYPE OF FUND

Year	ALL MONEY MARKET FUNDS			RETAIL MONEY MARKET FUNDS			INSTITUTIONAL MONEY MARKET FUNDS		
	Total	Taxable	Tax-Exempt	Total	Taxable	Tax-Exempt	Total	Taxable	Tax-Exempt
<b>Total Net Assets</b> (millions of dollars, end of year)									
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	1,845,248	1,607,216	238,033	1,059,187	879,526	179,661	786,061	727,689	58,372
2001	2,285,310	2,012,912	272,399	1,131,804	941,486	190,318	1,153,506	1,071,425	82,081
2002	2,271,956	1,997,173	274,784	1,062,833	870,809	192,025	1,209,123	1,126,364	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	1,913,193	1,602,847	310,346	850,733	658,939	191,794	1,062,460	943,909	118,552
2005	2,040,537	1,706,539	333,998	873,650	670,245	203,406	1,166,887	1,036,295	130,592
<b>Net New Cash Flow</b> (millions of dollars, annual)									
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	159,365	132,850	26,515	42,779	24,079	18,700	116,586	108,771	7,815
2001	375,291	349,069	26,221	36,240	26,030	10,210	339,050	323,039	16,011
2002	-46,451	-62,186	15,735	-78,803	-80,132	1,328	32,352	17,945	14,407
2003	-258,401	-267,719	9,318	-151,043	-146,135	-4,908	-107,359	-121,584	14,226
2004	-156,593	-174,910	18,318	-88,918	-91,352	2,434	-67,675	-83,558	15,883
2005	63,147	42,912	20,234	2,011	-8,777	10,788	61,136	51,689	9,446
<b>Number of Shareholder Accounts*</b> (end of year)									
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	37,647,065	34,794,327	2,852,738	31,678,949	28,903,445	2,775,504	5,968,116	5,890,882	77,234
2005	38,988,433	36,091,185	2,897,248	32,773,137	29,952,739	2,820,398	6,215,296	6,138,446	76,850

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

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

TABLE 38

**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			REDEMPTIONS		
		New + Exchange	New	Exchange	Regular + Exchange	Regular	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	159,365	9,826,677	9,406,287	420,391	9,667,312	9,256,350	410,962
2001	375,291	11,737,291	11,426,804	310,487	11,362,000	11,065,468	296,533
2002	-46,451	12,035,774	11,739,560	296,215	12,082,225	11,810,695	271,530
2003	-258,401	11,235,890	11,011,317	224,574	11,494,292	11,267,700	226,592
2004	-156,593	10,953,410	10,786,918	166,492	11,110,003	10,939,725	170,277
2005	63,147	12,596,546	12,420,401	176,145	12,533,399	12,362,620	170,779

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

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

Components may not add to the total because of rounding.

TABLE 39

**PAID AND REINVESTED DIVIDENDS OF MONEY MARKET MUTUAL FUNDS BY TYPE OF FUND**  
*(millions of dollars, annual)*

Year	PAID DIVIDENDS			REINVESTED DIVIDENDS		
	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	79,307	73,117	6,190	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	18,552	16,093	2,458	12,043	10,257	1,786
2005	50,559	43,984	6,576	33,144	28,344	4,800

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

TABLE 40

**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)										Average Maturity (days)			
	U.S. Treasury Bills	U.S. Treasury Securities	Other Treasury Securities	Government Agency Issues	Repurchase Agreements	Certificates of Deposit	Eurodollar CDs	Commercial Paper	Bank Notes	Banker's Acceptances		Corporate Notes <sup>2</sup>	Cash Reserves	Other Assets
1980	3.9%	0.7%	1.1	5.7	8.0	24.1	9.1%	33.6%	-	8.8%	-	0.2%	1.4%	24
1981	10.7	1.1	2.3	5.8	7.9	19.7	10.4	31.2	-	7.5	-	-0.3	1.6	34
1982	18.4	1.4	2.3	5.8	8.0	14.8	11.5	24.4	-	9.1	-	0.1	0.9	37
1983	12.6	1.4	2.5	8.2	8.0	14.8	13.5	28.8	-	12.1	-	-0.2	0.8	37
1984	9.6	2.5	2.1	8.1	10.9	11.3	10.1	37.4	-	9.3	-	-0.6	1.4	43
1985	9.8	2.1	3.3	8.7	12.6	8.1	9.2	42.2	-	5.6	-	0.1	1.7	42
1986	8.9	3.3	3.7	6.6	14.1	8.4	9.7	41.6	-	4.6	-	0.0	2.8	40
1987	1.9	3.7	2.4	10.6	15.4	13.2	8.5	39.5	-	4.2	-	-0.1	3.1	31
1988	1.9	2.4	2.1	6.7	15.3	12.0	10.9	43.0	-	4.4	-	0.2	3.1	28
1989	2.1	2.1	2.1	5.9	15.3	11.5	7.4	49.9	-	2.1	-	0.0	3.8	38
1990	6.1	4.8	4.7	8.9	14.2	5.1	6.5	48.3	-	1.6	-	2.7	1.8	41
1991	10.5	7.1	6.7	9.1	15.1	7.4	4.8	41.9	-	1.0	-	0.0	3.1	50
1992	10.5	7.2	6.2	12.2	14.9	6.9	4.6	38.5	-	0.6	-	-0.6	5.2	51
1993	11.5	6.2	4.7	14.7	14.6	5.4	2.2	35.7	-	0.5	-	-0.3	9.4	49
1994	8.9	4.7	4.7	15.8	14.0	4.5	3.2	37.7	1.7%	0.5	-	-0.5	9.6	34
1995	6.7	4.7	5.5	14.7	14.2	6.3	3.2	37.6	2.7	0.5	-	-0.6	10.0	52
1996	5.5	6.5	5.3	13.7	13.9	9.1	3.1	36.3	1.6	0.3	-	-0.2	10.1	54
1997	4.6	5.3	4.1	10.9	14.4	10.6	2.7	37.8	2.3	0.4	-	0.2	10.9	55
1998	4.1	5.3	3.3	15.1	12.2	9.6	2.6	36.2	2.9	0.2	4.3%	-0.1	7.4	56
1999	4.3	3.3	2.4	13.9	10.2	9.9	3.0	38.0	2.4	0.2	6.7	-0.2	8.4	49
2000	3.5	2.4	2.3	11.8	11.5	8.0	6.1	39.8	2.8	0.1	8.4	0.1	5.6	51
2001	4.7	2.3	1.7	16.7	11.2	10.4	6.9	32.5	1.2	0.1	9.4	0.3	4.3	58
2002	5.6	1.7	1.9	16.7	14.3	9.8	6.3	31.1	1.1	0.1	9.6	-0.1	3.8	53
2003	5.7	1.9	1.2	19.0	14.5	8.3	4.6	27.4	1.5	0.0	12.8	-0.1	4.2	57
2004	5.0	1.2	1.1	17.2	14.9	9.9	5.2	26.0	2.0	0.0	14.0	0.1	4.3	40
2005	4.2	1.1	1.1	9.6	20.7	10.4	5.7	29.4	1.9	0.1	13.6	-0.1	3.6	36

<sup>1</sup>Prior to 1994, bank notes are included in the "Other Assets" category.<sup>2</sup>Prior to 1998, corporate notes are included in the "Other Assets" category.

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

TABLE 41

### ASSETS OF MUTUAL FUNDS HELD IN INDIVIDUAL AND INSTITUTIONAL ACCOUNTS

(millions of dollars, end of year)

Year	Total	Equity Funds	Hybrid Funds	Bond Funds	Money Market Funds
<b>Total</b>					
2000	\$6,964,634	\$3,961,922	\$346,276	\$811,188	\$1,845,248
2001	6,974,913	3,418,163	346,315	925,124	2,285,310
2002	6,390,358	2,662,461	325,493	1,130,448	2,271,956
2003	7,414,401	3,684,162	430,467	1,247,770	2,052,003
2004	8,106,939	4,384,049	519,292	1,290,405	1,913,193
2005 <sup>P</sup>	8,905,174	4,940,021	567,304	1,357,312	2,040,537
<b>Individual Accounts</b>					
2000	\$6,238,236	\$3,750,401	\$334,603	\$741,542	\$1,411,691
2001	6,084,195	3,237,380	333,640	842,418	1,670,757
2002	5,509,503	2,507,869	314,223	1,035,916	1,651,495
2003	6,521,753	3,467,336	414,806	1,147,325	1,492,286
2004	7,187,261	4,114,734	498,893	1,189,443	1,384,191
2005 <sup>P</sup>	7,796,844	4,604,772	545,171	1,232,242	1,414,659
<b>Institutional Accounts*</b>					
2000	\$726,398	\$211,520	\$11,673	\$69,647	\$433,557
2001	890,717	180,783	12,675	82,706	614,553
2002	880,855	154,592	11,270	94,532	620,461
2003	892,648	216,825	15,661	100,445	559,717
2004	919,678	269,315	20,399	100,962	529,002
2005 <sup>P</sup>	1,108,330	335,249	22,133	125,069	625,878

<sup>P</sup>preliminary data

\*Institutional accounts include accounts purchased by an institution such as a business, financial, or nonprofit organization. Institutional accounts do not include primary accounts of individuals issued by a broker-dealer.

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

Components may not add to the total because of rounding.

TABLE 42

### ASSETS OF INSTITUTIONAL INVESTORS IN MUTUAL FUNDS BY TYPE OF INSTITUTION

(millions of dollars, end of year)

Year		Total	Business Corporations	Financial Institutions <sup>1</sup>	Nonprofit Organizations	Other <sup>2</sup>
2000	All Funds	\$726,398	\$333,767	\$252,735	\$79,069	\$60,826
	Equity	211,520	88,500	66,857	32,456	23,707
	Hybrid	11,673	5,653	3,777	1,382	860
	Bond	69,647	27,717	12,110	21,296	8,523
	Money Market	433,557	211,897	169,991	23,934	27,735
2001	All Funds	890,717	421,392	304,469	105,555	59,302
	Equity	180,783	75,898	55,087	30,467	19,331
	Hybrid	12,675	6,841	3,629	1,430	774
	Bond	82,706	29,768	13,101	29,578	10,259
	Money Market	614,553	308,884	232,651	44,079	28,938
2002	All Funds	880,855	408,340	316,936	104,552	51,026
	Equity	154,592	56,812	56,791	23,902	17,086
	Hybrid	11,270	5,155	4,393	1,077	645
	Bond	94,532	32,626	16,520	33,837	11,549
	Money Market	620,461	313,746	239,232	45,737	21,746
2003	All Funds	892,648	407,047	306,973	114,265	64,363
	Equity	216,825	83,669	70,939	34,147	28,069
	Hybrid	15,661	8,112	4,658	2,171	719
	Bond	100,445	33,042	18,410	33,599	15,394
	Money Market	559,717	282,223	212,965	44,347	20,181
2004	All Funds	919,678	446,792	283,080	114,194	75,612
	Equity	269,315	98,569	88,614	39,809	42,323
	Hybrid	20,399	10,534	6,173	2,661	1,032
	Bond	100,962	30,736	19,325	29,974	20,926
	Money Market	529,002	306,953	168,969	41,750	11,330
2005 <sup>3</sup>	All Funds	1,108,330	511,063	339,029	130,637	127,601
	Equity	335,249	115,082	101,207	48,425	70,535
	Hybrid	22,133	9,785	7,706	2,652	1,990
	Bond	125,069	31,420	23,627	32,868	37,154
	Money Market	625,878	354,776	206,489	46,692	17,921

<sup>1</sup>Financial institutions include credit unions, investment clubs, accounts of banks not held as fiduciaries, insurance companies, and other financial organizations.

<sup>2</sup>Other institutional investors include assets of state and local governments, funds holding mutual fund shares and other institutional accounts not classified.

<sup>3</sup>preliminary data

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

Components may not add to the total because of rounding.

TABLE 43

**ASSETS OF INSTITUTIONAL INVESTORS IN TAXABLE MONEY MARKET MUTUAL FUNDS BY TYPE OF INSTITUTION AND TYPE OF FUND<sup>1</sup>**  
*(millions of dollars, end of year)*

Year	Total	Business Corporations	Financial Institutions <sup>2</sup>	Nonprofit Organizations	Other <sup>3</sup>
2000	All Funds	\$407,354	\$158,978	\$22,438	\$26,570
	Institutional Funds	303,322	134,918	14,489	18,707
	Retail Funds	104,032	64,450	7,949	7,863
2001	All Funds	576,407	292,564	220,350	35,746
	Institutional Funds	470,638	227,968	196,966	25,963
	Retail Funds	105,768	64,596	23,384	9,784
2002	All Funds	585,827	297,606	228,700	38,714
	Institutional Funds	493,695	242,679	204,421	31,284
	Retail Funds	92,132	54,927	24,279	7,429
2003	All Funds	516,824	260,345	200,335	36,529
	Institutional Funds	433,552	210,818	178,832	30,229
	Retail Funds	83,272	49,528	21,502	6,300
2004	All Funds	475,369	278,312	154,490	32,136
	Institutional Funds	401,739	232,212	138,542	25,896
	Retail Funds	73,630	46,099	15,948	6,239
2005 <sup>4</sup>	All Funds	561,787	319,506	189,188	36,564
	Institutional Funds	473,602	269,480	163,894	31,177
	Retail Funds	88,185	50,026	25,295	5,387

<sup>1</sup>Institutional funds include funds sold primarily to institutional investors or institutional accounts. This includes accounts that are purchased by an institution such as a business, financial, or nonprofit organization.

<sup>2</sup>Financial institutions include credit unions, investment clubs, accounts of banks not held as fiduciaries, insurance companies, and other financial organizations.

<sup>3</sup>Other institutional investors include assets of state and local governments, funds holding mutual fund shares and other institutional accounts not classified.  
<sup>4</sup>preliminary data

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

TABLE 44

**WORLDWIDE TOTAL NET ASSETS OF MUTUAL FUNDS<sup>1</sup>***(millions of U.S. dollars, end of year)*

	1998	1999	2000	2001	2002	2003	2004	2005
<b>World</b>	<b>\$9,594,550</b>	<b>\$11,762,345</b>	<b>\$11,871,028</b>	<b>\$11,654,866</b>	<b>\$11,324,129</b>	<b>\$14,048,311</b>	<b>\$16,164,793</b>	<b>\$17,771,366</b>
<b>Americas</b>	<b>5,867,187</b>	<b>7,264,471</b>	<b>7,424,112</b>	<b>7,433,106</b>	<b>6,776,289</b>	<b>7,969,541</b>	<b>8,792,450</b>	<b>9,764,271</b>
Argentina	6,930	6,990	7,425	3,751	1,021	1,916	2,355	3,626
Brazil	118,687	117,758	148,538	148,189	96,729	171,596	220,586	302,927
Canada	213,451	269,825	279,511	267,863	248,979	338,369	413,772	490,518
Chile	2,910	4,091	4,597	5,090	6,705	8,552	12,588	13,969
Costa Rica	N/A	N/A	919	1,577	1,738	2,754	1,053	804
Mexico	N/A	19,468	18,488	31,723	30,759	31,953	35,157	47,253
United States	5,525,209	6,846,339	6,964,634	6,974,913	6,390,358	7,414,401	8,106,939	8,905,174
<b>Europe</b>	<b>2,743,228</b>	<b>3,203,402</b>	<b>3,296,016</b>	<b>3,167,965</b>	<b>3,463,000</b>	<b>4,682,836</b>	<b>5,640,450</b>	<b>6,002,249</b>
Austria	57,447	56,254	56,549	55,211	66,877	87,982	103,709	109,002
Belgium	56,339	65,461	70,313	68,661	74,983	98,724	118,373	115,314
Czech Republic	556	1,473	1,990	1,778	3,297	4,083	4,860	5,331
Denmark <sup>2</sup>	19,521	27,558	32,485	33,831	40,153	49,533	64,799	75,199
Finland	5,695	10,318	12,698	12,933	16,516	25,601	37,658	45,415
France	626,154	656,132	721,973	713,378	845,147	1,148,446	1,370,954	1,362,671
Germany	190,520	237,312	238,029	213,662	209,168	276,319	295,997	296,787
Greece	32,122	36,397	29,154	23,888	26,621	38,394	43,106	32,011
Hungary	1,476	1,725	1,953	2,260	3,992	3,936	4,966	6,068
Ireland	50,337	95,174	137,024	191,840	250,116	360,425	467,620	546,242
Italy	439,701	475,661	424,014	359,879	378,259	478,734	511,733	450,514
Liechtenstein	N/A	N/A	N/A	N/A	3,847	8,936	12,543	13,970
Luxembourg	508,441	661,084	747,117	758,720	803,869	1,104,112	1,396,131	1,635,785
Netherlands	80,120	94,539	93,580	79,165	84,211	93,573	102,134	94,357
Norway	11,148	15,107	16,228	14,752	15,471	21,994	29,907	40,122
Poland	506	762	1,546	2,970	5,468	8,576	12,014	17,652
Portugal	22,574	19,704	16,588	16,618	19,969	26,985	30,514	28,801
Romania	N/A	N/A	8	10	27	29	72	109
Russia	29	177	177	297	372	851	1,347	2,417
Slovakia	N/A	N/A	N/A	N/A	N/A	1,061	2,168	3,035
Spain	238,917	207,603	172,438	159,899	179,133	255,344	317,538	316,864
Sweden	54,923	83,250	78,085	65,538	57,992	87,746	107,064	119,059
Switzerland	69,151	82,512	83,059	75,973	82,622	90,772	94,407	116,669
Turkey	N/A	N/A	N/A	N/A	6,002	14,157	18,112	21,749
United Kingdom	277,551	375,199	361,008	316,702	288,887	396,523	492,726	547,103
<b>Asia and Pacific</b>	<b>971,976</b>	<b>1,276,238</b>	<b>1,133,979</b>	<b>1,039,236</b>	<b>1,063,857</b>	<b>1,361,473</b>	<b>1,677,887</b>	<b>1,939,251</b>
Australia	295,403	371,207	341,955	334,016	356,304	518,411	635,073	700,068
Hong Kong	98,767	182,265	195,924	170,073	164,322	255,811	343,638	460,517
India	8,685	13,065	13,507	15,284	20,364	29,800	32,846	40,546
Japan	376,533	502,752	431,996	343,907	303,191	349,148	399,462	470,044
Korea, Rep. of	165,028	167,177	110,613	119,439	149,544	121,663	177,417	198,994
New Zealand	7,250	8,502	7,802	6,564	7,505	9,641	11,171	10,332
Philippines	N/A	117	108	211	474	792	952	1,449
Taiwan	20,310	31,153	32,074	49,742	62,153	76,205	77,328	57,301
<b>Africa</b>	<b>12,160</b>	<b>18,235</b>	<b>16,921</b>	<b>14,561</b>	<b>20,983</b>	<b>34,460</b>	<b>54,006</b>	<b>65,594</b>
South Africa	12,160	18,235	16,921	14,561	20,983	34,460	54,006	65,594

<sup>1</sup>Funds of funds are not included except for France, Italy, and Luxembourg after 2003. Data include home-domiciled funds, except for Hong Kong, Korea, and New Zealand, which include home- and foreign-domiciled funds.

<sup>2</sup>Before 2003, data include special funds reserved for institutional investors.

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](http://www.ici.org/stats/mf/arcglo/index.html).

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

TABLE 45

**WORLDWIDE NUMBER OF MUTUAL FUNDS<sup>1</sup>**  
*(end of year)*

	1998	1999	2000	2001	2002	2003	2004	2005
<b>World</b>	<b>50,266</b>	<b>52,746</b>	<b>51,692</b>	<b>52,849</b>	<b>54,110</b>	<b>54,569</b>	<b>55,524</b>	<b>56,863</b>
<b>Americas</b>	<b>10,376</b>	<b>11,499</b>	<b>12,676</b>	<b>13,449</b>	<b>13,884</b>	<b>13,921</b>	<b>14,064</b>	<b>13,766</b>
Argentina	229	224	226	219	211	186	186	200
Brazil	1,601	1,760	2,097	2,452	2,755	2,805	2,859	2,685
Canada	1,130	1,328	1,627	1,831	1,956	1,887	1,915	1,695
Chile	102	116	144	177	226	414	537	683
Costa Rica	N/A	N/A	122	115	128	129	115	110
Mexico	N/A	280	305	350	364	374	411	416
United States	7,314	7,791	8,155	8,305	8,244	8,126	8,041	7,977
<b>Europe</b>	<b>20,107</b>	<b>22,095</b>	<b>25,524</b>	<b>26,821</b>	<b>28,972</b>	<b>28,541</b>	<b>29,306</b>	<b>30,053</b>
Austria	704	693	760	769	808	833	840	881
Belgium	631	784	918	1,041	1,141	1,224	1,281	1,391
Czech Republic	56	62	70	65	76	58	53	51
Denmark <sup>2</sup>	226	292	394	451	485	400	423	471
Finland	114	176	241	275	312	249	280	333
France	6,274	6,511	7,144	7,603	7,773	7,902	7,908	7,758
Germany	793	895	987	1,077	1,092	1,050	1,041	1,076
Greece	179	208	265	269	260	265	262	247
Hungary	66	87	86	89	90	96	97	91
Ireland	851	1,060	1,344	1,640	1,905	1,978	2,088	2,127
Italy	703	816	967	1,059	1,073	1,012	1,142	1,035
Liechtenstein	N/A	N/A	N/A	N/A	111	137	171	200
Luxembourg	4,524	5,023	6,084	6,619	6,874	6,578	6,855	7,222
Netherlands	334	348	494	N/A	680	593	542 <sup>a</sup>	515
Norway	264	309	380	400	419	375	406	419
Poland	38	62	77	94	107	112	130	150
Portugal	189	214	195	202	170	160	163	169
Romania	N/A	N/A	16	24	20	20	19	23
Russia	28	27	37	51	57	132	210	257
Slovakia	N/A	N/A	N/A	N/A	N/A	37	40	43
Spain	1,866	2,150	2,422	2,524	2,466	2,471	2,559	2,672
Sweden	366	412	509	507	512	485	461	464
Switzerland	325	348	368	313	512	441	385	510
Turkey	N/A	N/A	N/A	N/A	242	241	240	268
United Kingdom	1,576	1,618	1,766	1,749	1,787	1,692	1,710	1,680
<b>Asia and Pacific</b>	<b>19,592</b>	<b>18,892</b>	<b>13,158</b>	<b>12,153</b>	<b>10,794</b>	<b>11,641</b>	<b>11,617</b>	<b>12,427</b>
Australia	N/A	N/A						
Hong Kong	712	832	976	952	942	963	1,013	1,009
India	97	155	234	297	312	350	394	445
Japan	4,534	3,444	2,793	2,867	2,718	2,617	2,552	2,640
Korea, Rep. of	13,442	13,606	8,242	7,117	5,873	6,726	6,636	7,279
New Zealand	633	622	607	588	577	563	553	563
Philippines	N/A	15	18	20	21	21	24	32
Taiwan	174	218	288	312	351	401	445	459
<b>Africa</b>	<b>191</b>	<b>260</b>	<b>334</b>	<b>426</b>	<b>460</b>	<b>466</b>	<b>537</b>	<b>617</b>
South Africa	191	260	334	426	460	466	537	617

<sup>1</sup>Funds of funds are not included except for France, Italy, and Luxembourg after 2003. Data include home-domiciled funds, except for Hong Kong, Korea, and New Zealand, which include home- and foreign-domiciled funds.

<sup>2</sup>Before 2003, data include special funds reserved for institutional investors.

<sup>a</sup>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](http://www.ici.org/stats/mf/arcglo/index.html).

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

APPENDIX A:

# HOW MUTUAL FUNDS AND INVESTMENT COMPANIES OPERATE

This section provides an overview of how investment company operations and features serve investors; examines the tax treatment of funds; and discusses how investors use funds for personal tax purposes.

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## THE ORIGINS OF POOLED INVESTING

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 ... 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.”

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 targeted not only 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, or “open-end,” fund was introduced in Boston in March of 1924. The Massachusetts Investors Trust, formed as a common law trust, introduced important innovations to the investment company concept by establishing a simplified capital structure, continuous offering of shares, the

ability to redeem shares rather than hold them until dissolution of the fund, and a set of clear investment restrictions and policies.

The Stock Market Crash of 1929 and the Great Depression that followed greatly hampered the growth of pooled investments until a succession of landmark securities laws, beginning with the Securities Act of 1933 and concluding with the Investment Company Act of 1940, reinvigorated investor confidence. Renewed investor confidence and many innovations have led to relatively steady growth in industry assets and number of accounts.

#### FOUR PRINCIPAL SECURITIES LAWS GOVERN INVESTMENT COMPANIES

<b>The Investment Company Act of 1940</b>	Regulates the structure and operations of investment companies by imposing restrictions on investments and requiring investment companies to maintain detailed books and records, safeguard their portfolio securities, and file semiannual reports with the U.S. Securities and Exchange Commission (SEC).
<b>The Securities Act of 1933</b>	Requires federal registration of all public offerings of securities, including investment company shares or units. The 1933 Act also requires that all investors receive a current prospectus describing the fund.
<b>The Securities Exchange Act of 1934</b>	Regulates broker-dealers, including investment company principal underwriters and other entities and persons that 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.
<b>The Investment Advisers Act of 1940</b>	Requires federal registration of all investment advisers, including those to mutual funds and other investment companies. The Advisers Act contains various antifraud provisions and requires fund advisers to meet recordkeeping, custodial, reporting, and other requirements.

## THE DIFFERENT TYPES OF U.S. INVESTMENT COMPANIES

An investment company is a corporation, trust, or partnership that invests pooled shareholder dollars in securities appropriate to the entity's—and its shareholders'—investment objective. The main types of investment companies are: mutual, or “open-end,” funds, closed-end funds, unit investment trusts, and exchange-traded funds, a relatively recent adaptation of the investment company concept.

A **mutual fund** is an investment company that buys a portfolio of securities selected by a professional investment adviser to meet a specified financial goal. Investors buy fund shares, which represent proportionate ownership in all the fund's securities. A mutual fund is referred to as an “open-end” fund for two main reasons: 1) it is required to redeem (or buy back) outstanding shares at any time, 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; and 2) virtually all mutual funds continuously offer new fund shares to the public.

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. The vast majority of closed-end funds are also externally managed, like mutual funds. 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 other securities. 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 32.

A **unit investment trust (UIT)** is an investment company that buys and holds a generally fixed portfolio of stocks, bonds, or other securities. Unit investment trusts are also externally managed. “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, which varies according to the investments held in its portfolio. At termination, investors receive their proportionate share of the UIT's net assets.

Another fund available to investors is an **exchange-traded fund** (ETF). An ETF is an investment company, either 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 in the retail market like an equity security. Unlike mutual funds, 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 26.

## MORE INFORMATION ABOUT OTHER TYPES OF INVESTMENT COMPANIES

With 94 percent of industry assets, mutual funds are the most common type of investment company. The other types of investment companies—closed-end funds, unit investment trusts, and exchange-traded funds—can differ from mutual funds in terms of structure, service providers, the roles and responsibilities of the investment company’s entities, earnings, pricing and listing procedures, and taxation. Visit the Institute’s website for more detailed information about each type of investment company.

### CLOSED-END FUNDS

- **Frequently Asked Questions About Closed-End Funds**

[www.ici.org/funds/abt/faqs\\_closed\\_end.html](http://www.ici.org/funds/abt/faqs_closed_end.html)

- **A Guide to Closed-End Funds**

*(an overview of the different types of closed-end funds and how they operate)*

[www.ici.org/funds/inv/bro\\_g2\\_ce.html](http://www.ici.org/funds/inv/bro_g2_ce.html)

### UNIT INVESTMENT TRUSTS

- **Frequently Asked Questions About Unit Investment Trusts**

[www.ici.org/funds/abt/faqs\\_uits.html](http://www.ici.org/funds/abt/faqs_uits.html)

- **A Guide to Unit Investment Trusts**

*(a discussion of how UITs operate and a general overview of the different types of UITs)*

[www.ici.org/funds/inv/bro\\_g2\\_uits.html](http://www.ici.org/funds/inv/bro_g2_uits.html)

### EXCHANGE-TRADED FUNDS

- **Frequently Asked Questions About Exchange-Traded Funds**

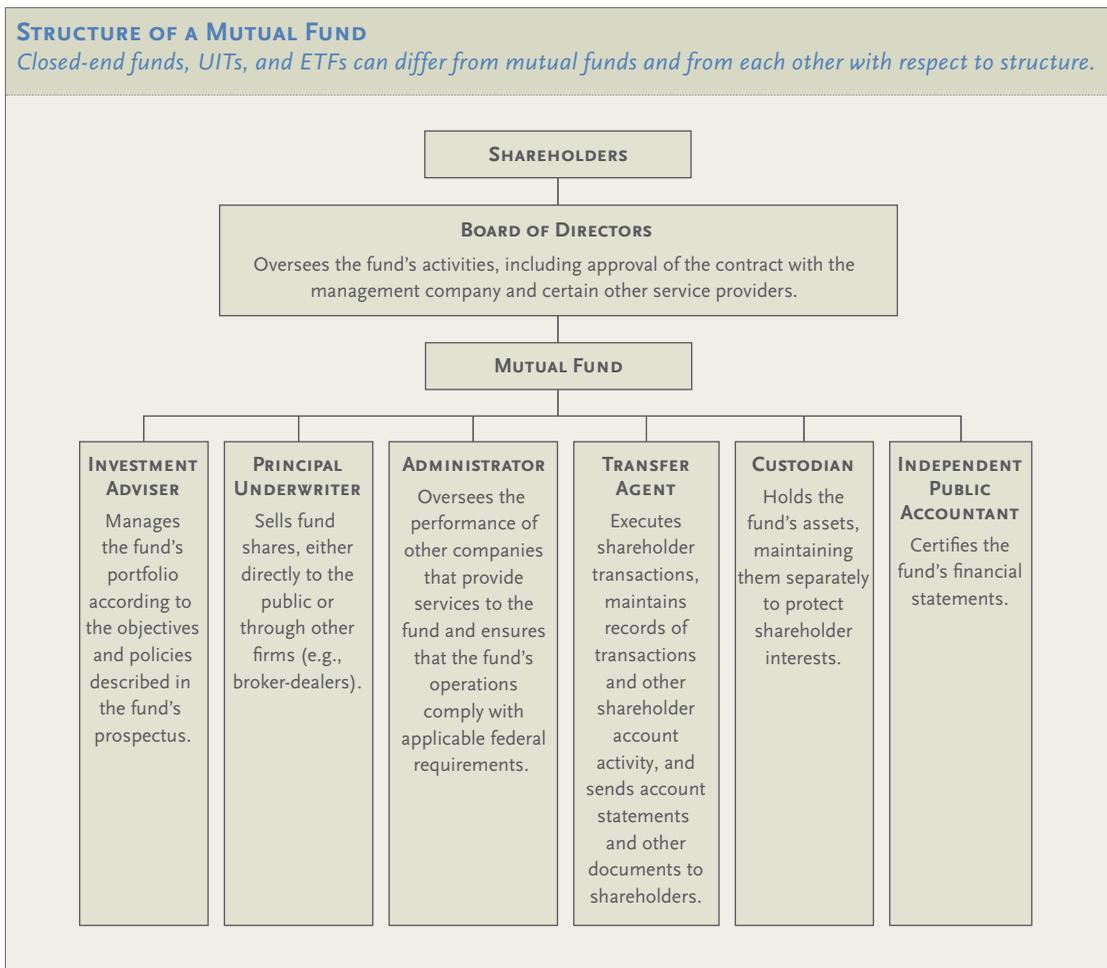
[www.ici.org/funds/abt/faqs\\_etfs.html](http://www.ici.org/funds/abt/faqs_etfs.html)

## 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 investments. 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. 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 below 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's investment adviser, administrator, or principal underwriter (also known as its 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 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, 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, unless otherwise exempt from doing so, make filings with each state (except Florida) in which the fund's shares will be offered to the public.

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

Preparing the federal registration statement, contracts, filings with individual states, and corporate documents typically costs the fund

sponsor several hundred thousand dollars. In addition, the Investment Company Act of 1940, a federal statute expressly governing mutual fund operations, requires that a mutual fund register with the SEC as an 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.

Mutual funds incur fees and expenses in their ongoing operations. In addition to management fees (i.e., the fees paid to the fund's investment adviser to manage the fund's portfolio and perform other services), funds regularly incur transfer agent, custodian, accounting, and other business expenses resulting from federal and state requirements and servicing 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. (See *Tax Features of Funds* on page 126 for more information.)

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.

**MORE INFO: SHAREHOLDERS**

See page 46 or visit the Institute's website at [www.ici.org/shareholders/index.html](http://www.ici.org/shareholders/index.html) for more information on shareholders.

**Shareholders**

Investors are given comprehensive information about the fund to help them make informed decisions. A mutual fund's prospectus describes the fund's investment goals and objectives, fees and expenses, investment strategies and risks, and informs investors how to buy and sell shares. The SEC requires a fund to provide a prospectus either before an investor makes his or her initial investment or together with the confirmation statement of an initial investment. In addition, periodic shareholder reports, which are 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 and other publicly available information, an investor can learn if a fund has been effective in meeting the goals and investment strategies described in the fund's prospectus.

Like shareholders of other companies, mutual fund shareholders have specific voting rights. These include the right to elect directors at meetings called for that purpose (subject to a limited exception for filling vacancies). Shareholders must also approve material changes in the terms of a fund's contract with its investment adviser, the entity that manages

the fund's assets. 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 AND SERVICE PROVIDERS**

***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 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 in order to better enable the board to provide an independent check on the fund’s operations. Independent directors cannot have any significant relationship with the fund’s adviser or underwriter.

### **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.

As a professional money manager, the investment adviser also provides a level of money management expertise usually beyond the scope of the average individual investor. The investment adviser has its own employees—typically, a team of experienced investment professionals—who work on behalf of the fund’s shareholders and determine which securities to buy and sell in the fund’s portfolio.

### **MORE INFO: DIRECTORS**

*For more information on directors, visit the Institute’s website at [www.ici.org/issues/dir/index.html](http://www.ici.org/issues/dir/index.html).*

These decisions are based on a variety of factors, including the fund’s investment objectives, its risk parameters, and extensive research of the market and financial performance of specific securities (e.g., the performance and risks associated with a particular company’s securities). A fund’s investment adviser and the adviser’s employees are subject to numerous standards and legal restrictions, including restrictions on transactions between the adviser and the fund it advises.

A primary function of the investment adviser is to ensure that the fund’s investments are appropriately diversified as required by federal laws and/or as disclosed in the fund’s prospectus. Diversification of an investment portfolio reduces the risk that the poor performance of any one security will dramatically reduce the value of the fund’s entire portfolio. 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.

### **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**

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. See page 50 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 as their custodian. The SEC requires any bank acting as a mutual fund custodian to comply with various regulatory requirements designed to protect the fund's assets, including provisions requiring the bank to segregate mutual fund portfolio securities from other bank assets.

### **Transfer Agents**

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

## FUND PRICING: NET ASSET VALUE AND THE PRICING PROCESS

By law, investors are able to redeem mutual fund shares on a daily basis. As a result, 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 and must ensure that all transactions receive the appropriate price.

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

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

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

Most funds price their securities at 4 pm Eastern time, when the New York Stock Exchange closes. 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).

### DETERMINING SHARE PRICE

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

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

Share prices appear in the financial pages of most major newspapers. A share price can also be found in semiannual and annual reports.

In addition, the 1940 Act requires “forward pricing,” meaning that shareholders who purchase or redeem shares must receive the next computed share price following the fund’s receipt of the transaction order. 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.

The vast majority of mutual funds submit their daily share prices to NASDAQ by 5:55 pm Eastern time so they may be published in the next day’s morning newspapers. As NASDAQ receives prices, they are instantaneously transmitted to newswire services and other subscribers. Daily fund prices are available in newspapers and other sources, such as through a fund’s toll-free telephone service or website.

## TAX FEATURES OF FUNDS

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

To qualify for 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. The Code’s asset tests require that 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.

### *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.

Long-term 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.

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

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

### **Types of Taxable Shareholder Transactions**

An investor who sells mutual fund shares usually incurs a capital gain or loss in the year the shares are sold; an exchange of shares between funds in the same fund family also results in either a capital gain or loss.

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

### **MORE INFO: TAX ISSUES**

*For more information on tax issues affecting fund shareholders, visit the Institute's website at [www.ici.org/issues/tax/index.html](http://www.ici.org/issues/tax/index.html).*

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.

### **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. 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.

# ICI STATISTICAL RELEASES AND RESEARCH

## ICI STATISTICAL RELEASES

The Institute's Research Department releases regular statistical reports that examine the broader investment company industry as well as specific segments of the market and the worldwide fund market. For the most recent ICI statistics and an archive of statistical releases, visit the Institute's website at [www.ici.org/stats/latest/index.html](http://www.ici.org/stats/latest/index.html).

**TRENDS IN MUTUAL FUND INVESTING:** A monthly news release describing mutual fund sales, redemptions, assets, cash positions, exchange activity, and portfolio transactions for the period.

[www.ici.org/stats/mf/arctrends/index.html](http://www.ici.org/stats/mf/arctrends/index.html)

**MONEY MARKET MUTUAL FUND ASSETS:** A weekly report on retail and institutional money market fund assets.

[www.ici.org/stats/mf/index.html](http://www.ici.org/stats/mf/index.html)

**CLOSED-END FUND STATISTICS:** A quarterly report on closed-end fund assets and proceeds.

[www.ici.org/stats/ce/index.html](http://www.ici.org/stats/ce/index.html)

**EXCHANGE-TRADED FUNDS:** A monthly report that includes assets, number of funds, issuance, and redemptions of ETFs.

[www.ici.org/stats/etf/index.html](http://www.ici.org/stats/etf/index.html)

**UNIT INVESTMENT TRUSTS:** A monthly report that includes value and number of deposits of new trusts by type and maturity.

[www.ici.org/stats/uit/index.html](http://www.ici.org/stats/uit/index.html)

**WORLDWIDE MUTUAL FUND MARKET:** A quarterly report that includes assets, number of funds, and net sales of mutual funds in countries worldwide.

[www.ici.org/stats/mf/arcglo/index.html](http://www.ici.org/stats/mf/arcglo/index.html)

## ICI RESEARCH

ICI is the primary source of analysis and statistical information on the investment company industry. In addition to the annual *Investment Company Fact Book*, ICI publishes two regular research newsletters, and a variety of research and policy reports that examine the industry, its shareholders, and industry issues. See page 5 for a list of ICI research publications released in 2005.

To obtain printed copies of ICI research, or to subscribe to receive ICI's regular statistical releases, contact the Institute's Research Department at 202/326-5913.



**PERSPECTIVE:** A series of occasional papers written by Institute staff, leading scholars, and other contributors on public policy issues of importance to investment companies and their shareholders. Includes analyses by Institute staff on a range of topics (e.g., factors influencing accumulations in retirement savings, a history of the Individual Retirement Account, and a study of 401(k) plan asset allocations, account balances, and loan activity). Published several times a year.

Issues of *Perspective* may be accessed through the Institute's website at [www.ici.org/perspective/index.html](http://www.ici.org/perspective/index.html).



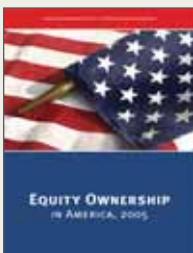
**FUNDAMENTALS:** A newsletter summarizing the findings of major Institute research projects. Topics include: sources of fund ownership, funds' use of 12b-1 fees, fund shareholders' use of the Internet, mutual fund fees and expenses, and shareholder sentiment about the fund industry. This periodical is written by ICI research staff, often based on surveys conducted by the Institute.

Issues of *Fundamentals* may be accessed through the Institute's website at [www.ici.org/fundamentals/index.html](http://www.ici.org/fundamentals/index.html).



**RESEARCH COMMENTARY:** ICI senior economists author this series of occasional papers that focus on current topics of interest involving mutual funds, often topics receiving media attention. Recent issues of *Research Commentary* have focused on competition in the fund industry and portfolio turnover.

Issues of *Research Commentary* may be accessed through the Institute's website at [www.ici.org/statements/res/index.html#Research Commentary](http://www.ici.org/statements/res/index.html#Research%20Commentary).



**RESEARCH SERIES:** Institute research reports provide a detailed examination of shareholder demographics and other aspects of fund ownership.

A full index of research and policy papers may be accessed through the Institute's website at [www.ici.org/statements/res/arc-rpt/index.html](http://www.ici.org/statements/res/arc-rpt/index.html).

# 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** – 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 securities in a bond or money market 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 (NAV) per share. See *Net Asset Value (NAV)* and *Redeem*.

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

**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 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.

**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 tax-advantaged trust or custodial account set up to pay the qualified education expenses of a designated beneficiary.

**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.

**EDUCATION IRA** – See *Coverdell ESA*.

**EQUITY FUND** – See *Stock Fund*.

**EXCHANGE PRIVILEGE** – A fund option enabling shareholders to transfer their investments from one fund to another within the same fund family as their needs or objectives change. Typically, fund companies allow exchanges several times a year for a low 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 contributors to establish an account in the name of a student to cover the cost of a specified number of academic periods or course units in the future at current prices; 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 after 4 pm 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 ACCOUNT (HSA)** – 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.

**INDEX MUTUAL FUND** – A fund designed to track the performance of a market index. The fund’s portfolio of securities mirrors that of the designated market index.

**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.

**INITIAL PUBLIC OFFERING (IPO)** – A corporation’s or investment company’s first offering of stock or fund shares to the public.

**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, unit investment trusts, and exchange-traded funds are the main types of registered 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.

**KEOGH PLAN** – A tax-favored retirement plan covering self-employed individuals, partners, and owners of unincorporated businesses, also called an H.R. 10 plan. These plans were first made available by Congress in 1962, but today operate under rules very similar to those for retirement plans for a corporation’s employees.

**LIFECYCLE FUND** – Hybrid funds that follow a predetermined reallocation of risk over time to a specified target date, and typically rebalance their portfolios to become more conservative and income-producing by the target date.

**LIFESTYLE FUND** – Hybrid funds that maintain a predetermined risk level and generally use words such as “conservative,” “moderate,” or “aggressive” in their names to indicate the fund’s risk level.

**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*.

**LOAD FUND** – A fund that imposes a one-time fee—either when fund shares are purchased (front-end load) or redeemed (back-end load)—or a fund that charges a 12b-1 fee greater than 0.25 percent.

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

**MANAGEMENT FEE** – The amount paid by a mutual fund to the investment adviser for its services.

**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 (NAV), 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.

**NET NEW CASH FLOW** – The dollar value of new sales minus redemptions, plus net exchanges. A positive number indicates new sales plus exchanges into funds exceeded redemptions plus exchanges out of funds. A negative number indicates redemptions plus exchanges out of funds exceeded new sales plus exchanges into funds.

**NO-LOAD FUND** – A mutual fund whose shares are sold without a sales commission and without a 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 U.S. Securities and Exchange Commission (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 (NAV), minus any deferred sales charge or redemption fee.

**REDEMPTION PRICE** – The amount per share 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.

**ROTH IRA** – A Roth IRA is an individual retirement plan, first available in 1998, that permits only after-tax contributions; earnings are not taxed, and qualified distributions of earnings and principal are generally tax-free.

**SALES CHARGE** – An amount charged for the sale of some fund shares, usually those sold by brokers or other sales professionals. By regulation, 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*.

**SAR-SEP IRA** – The SAR-SEP IRA, which was created in 1986, is a SEP IRA with a salary reduction feature (see *SEP IRA*). The Small Business Job Protection Act of 1996, which created SIMPLE IRAs, prohibited the formation of new SAR-SEP IRAs.

**SECONDARY MARKET** – Markets where certain investment company shares (closed-end, UIT, and ETF) are bought and sold subsequent to their initial issuance.

**SEP IRA** – The (Simplified Employee Pension) SEP IRA, which was created in 1978, is a retirement program consisting of individual retirement accounts for all eligible employees, to which an employer can contribute according to certain rules.

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

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

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

**SHORT-TERM FUNDS** – Another term for money market funds.

**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.

**SIMPLE IRA** – The Savings Incentive Match Plan for Employees, or SIMPLE, IRA, created in 1996, is a tax-favored retirement plan that small employers can set up for the benefit of their employees.

**STANDARD & POOR'S 500 INDEX (S&P 500)** – A daily measure of stock market performance, based on the performance of 500 major companies.

**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.

**STOCK FUND** – A mutual fund that concentrates its investments in stocks.

**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.

**TRADITIONAL IRA** – Traditional IRAs are the first type of IRA, created in 1974. Individuals may make both deductible and non-deductible contributions to traditional IRAs. In recent years, a significant source of funding of traditional IRAs has been rollovers from employer-sponsored retirement plans.

**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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