2010

Investment Company Fact Book

50TH EDITION

A Review of Trends and Activity in the Investment Company Industry

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INVESTMENT COMPANY INSTITUTE®

Then and Now

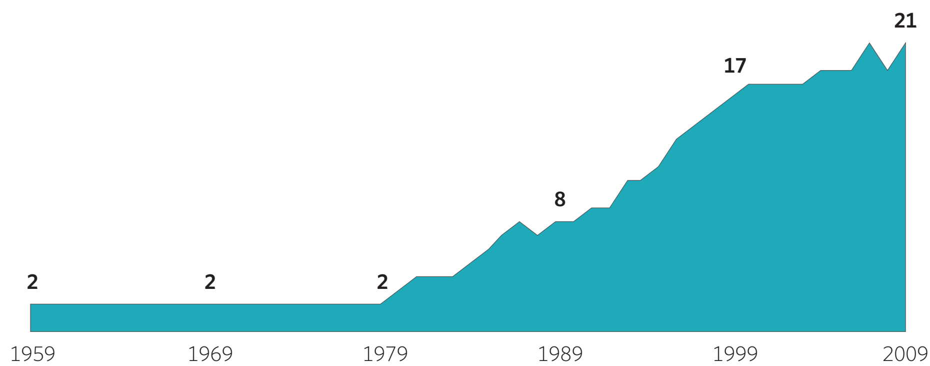
Mutual Fund Shareholders*

Demographics	Then	Now
Median age	55	50
Married or living with a partner	65%	76%
Median household income	$6,500	$80,000
Financial characteristics		
Median household financial assets	$15,700	$150,000
Owned stocks directly	78%	43%
Median number of mutual funds owned	1	4
Median mutual fund assets	$4,200	$80,000
Primary goals for investing in mutual funds		
Retirement	35%	76%
Education	7%	6%

**Statistics are for 1958 for shareholders of regular mutual fund accounts and 2009 for shareholders of all types of mutual funds.*

Share of Household Financial Assets Held in Investment Companies

Percent, year-end, 1959–2009



Sources: Investment Company Institute and Federal Reserve Board

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ICI INVESTMENT COMPANY INSTITUTE®

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

Fiftieth edition

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The History of the Fact Book

Promoting public understanding of mutual funds and other investment companies is a core mission of the Investment Company Institute. Collecting and communicating statistics on investment companies has long been one of the important contributions to that mission.

ICI was established in 1940 as the National Committee of Investment Companies. It became the National Association of Investment Companies (NAIC) in 1941, and began collecting industry statistics a few years later. In 1958, NAIC published its first compilation of data, *Investment Companies, A Statistical Summary, 1940–1957*.

That data collection became an annual series known as the *Mutual Fund Fact Book*. When NAIC became the Investment Company Institute in 1961, publication of the *Fact Book* continued (with the exception of the years 1962 and 1965). In 2005, to reflect the growing prominence of other types of registered investment companies, the yearbook was renamed. The *2010 Investment Company Fact Book* is the fiftieth edition of this enduring and essential resource.

Contents

50

Foreword

by Edward C. Bernard

Chairman of the Investment Company Institute and Vice Chairman of T. Rowe Price Group, Inc.

On a shelf in my office, I have a row of *Fact Books* dating back to 1988—the year that I joined the Investment Company Institute's Direct Marketing Committee. The first in my collection, then called the *Mutual Fund Fact Book*, is a slim volume of brief articles from the days when 401(k) plans were in their infancy and Ginnie Mae funds were booming.

The year it chronicles, 1987, was a tough one for our industry: sales fell sharply over the summer, even before the stock market suffered what was then the largest single-day fall ever on October's Black Monday. Yet by year-end, fund assets had climbed to more than $769 billion, up 7.5 percent from 1986. The 1988 *Fact Book* makes no mention of index funds or target date funds, let alone exchange-traded funds, but offers pages of detailed data breaking down fund sales by states and regions.

The *2010 Investment Company Fact Book* paints a picture of a far more mature and developed industry: funds hold $12.2 trillion in assets, pursue wide-ranging investment strategies through a wealth of fund choices, and help 44 percent of the households in America as they strive to meet their financial goals. Yet I still pull that 1988 *Fact Book* off the shelf to remind myself of what remains constant.

Take, for example, the *Fact Book*'s mission. From the very first edition—titled *Investment Companies, A Statistical Summary 1940–1957*—ICI's annual publication has provided the single most valuable source of data and information on the scale, operations, and uses of mutual funds and other investment companies. Before there was Morningstar or Strategic Insight, the *Fact Book* was the central repository of information on funds—and those competitors have not dislodged it.

Then there's the tone—straightforward and factual. This is neither a sales pitch for funds nor a partisan polemic, but an objective annual assessment, informed by deep expertise, of the state of our industry. Another constant is the emphasis on responding to the needs of investors. "By keeping attuned to investor needs, the mutual fund industry has been able to adapt and expand its product line and services to suit just about any investor's goals"—a statement as true today as it was in 1988.

Yet my collection also illustrates the shift over time in the Institute's priorities and approach. In its early days, the main goal of ICI's statistical and research program was to help the industry understand itself and its investors as mutual funds struggled for a place in a world dominated by banks, brokers, and insurance salesmen. By the late 1980s, funds were increasingly woven into the financial life of ordinary Americans, but my 1988 *Fact Book* still places a heavy emphasis on marketing.

Today, thanks in no small part to the innovation of fund entrepreneurs, the middle class has become the money class. Almost 90 million Americans are mutual fund shareholders. As funds took on this central role, issues of savings, taxation, retirement policy, and college funding have taken center stage on the Institute's agenda—and today's *Fact Book* reflects those priorities. Now the *Fact Book* can be found on desks on Capitol Hill and throughout the Executive Branch—all places where ICI's expertise and insights into funds, their shareholders, their operations, and their policy issues are sought and respected.

Of course, the *Fact Book* is just the most visible product of a 40-person-strong research and statistical operation that is unmatched by any other financial industry group. This unique resource grounds ICI's regulatory and legislative efforts in disciplined data collection and rigorous analysis. It gives our industry the credibility it needs to advocate on behalf of funds and their investors.

Again this year, the ICI Research team has brought all of its expertise and insight to bear to produce a remarkable publication, a capsule portrait of all that our industry has to offer. Brian Reid and his staff are carrying on a great tradition. The 2010 *Fact Book* is the fiftieth edition in this series, and it is true to its predecessors—thorough, factual, and objective. It will go on the shelf to join my collection, but I know I will reach for it often—now and for years to come.

Letter from the

Chief Economist

Brian Reid, Chief Economist of the Investment Company Institute

One of my responsibilities as an economist at ICI is to answer questions from members and the general public about mutual funds and other investment companies. Although we have more than 60 gigabytes of information about funds and investors at our fingertips, more often than not, I reach for the *Fact Book*. It is one of the most valuable reference tools that I have in my office. In fact, one of my colleagues often precedes his questions with, "The answer is probably in the *Fact Book*...." He's usually right.

Maybe because the *Fact Book* is such a familiar resource, I sometimes overlook how central it has been to the ICI Research program. Shelly Antoniewicz—who led the team that produced this fiftieth edition—showed me some of the first volumes of the *Fact Book* and other ICI research reports that she had gathered to prepare the "Then and Now" tables and graphs on this year's inside covers. As I looked through these publications, I realized that some of their content remains part of today's volumes. ICI Research has grown in depth and breadth as each group of researchers has built upon the foundation of data and scholarship that their predecessors had carefully laid down, and I am particularly indebted to the contributions of ICI's previous chief economists: Alfred Johnson, Jacob Dreyer, and John Rea.

Investor research is one example of how each generation of researchers helped build a program that is central to our current work. The Institute first published survey-based research about mutual fund investors in the 1950s. Over the years, members worked with ICI to conduct other studies, and by the mid-1980s, it had established a dedicated investor research program. Our Tracking Survey, which we launched in 1987, is a core part of our investor research efforts. Each spring, we survey more than 4,000 households about their investing and saving behavior in mutual funds, exchange-traded funds, and closed-end funds. The ICI Tracking Survey now ranks as one of America's longest-running surveys of fund investors. The results, published each fall, serve as a resource to members, journalists, government officials, and educators.

Retirement research has also been part of the ICI Research program for decades. As far back as the 1950s, the Institute collected data on retirement assets held in mutual funds in its Institutional Survey. In the 1970s, a chapter on the retirement market became a staple of the *Fact Book*, reflecting the growing role of mutual funds in the markets for defined contribution plans and individual retirement accounts. Since the 1990s, ICI has been the primary source for IRA statistics in the United States, and our economists co-developed several unique databases including the EBRI/ICI 401(k) database and our newly launched account-level database of IRA investors. These data provide critically important insights about retirement market trends.

But the longest track record rests with our ongoing analysis of the economics of the fund industry. The Institute began to collect mutual fund asset and flow data in the 1940s, and some of the earliest *Fact Books* included discussions of the history, growth, and development of mutual funds, as well as explanations of how funds operated. In recent years, ICI Research has analyzed a variety of topics that focused on the economics of the fund industry, including reports examining fund flows, trends in mutual fund fees and expenses, and cost-benefit studies of regulatory proposals.

As I reviewed a half-century of ICI *Fact Books*, I gained not only a deeper appreciation for the evolution of ICI Research, but a new awareness of its enduring mission. Then as now, the ICI Research Department seeks to bring together the highest quality data and scholarship about investment companies, fund shareholders, and the retirement markets; to serve as a resource for ICI members, educators, government officials, journalists, and the general public; and to facilitate sound, well-informed public policies affecting investment companies, their investors, and the retirement markets.

This core mission is central to the work of every member of the ICI Research Department staff. Each spring, they dedicate months of effort, bringing together their talents and deep knowledge, to publish the latest edition of the *Fact Book*. I hope that readers 50 years from now will recognize that dedication. We clearly recognize that of our predecessors.

ICI Research:

Staff and Publications

ICI Senior Research Staff

Chief Economist

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

Industry and Financial Analysis

Sean Collins, *Senior Director of Industry and Financial Analysis*, 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, and 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. Prior to joining ICI, Collins was a staff economist at the Federal Reserve Board of Governors and at the Reserve Bank of New Zealand. He has a PhD in economics from the University of California, Santa Barbara, and a BA in economics from Claremont McKenna College.

Retirement and Investor Research

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

Statistical Research

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

ICI Research Department Staff

The ICI Research Department consists of 40 staff members, including economists, research assistants, policy analysts, and data assistants. This staff collected and disseminated data for all types of registered investment companies and published 16 reports in 2009, offering detailed analyses of fund shareholders, the economics of investment companies, and the retirement and education savings markets.

2009 ICI Statistical and Research Publications

In 2009, the Institute's Research Department released almost 150 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 C on page 208 for a more detailed description of ICI's regular statistical releases and about how to subscribe to the releases.

Industry and Financial Analysis Research Publications

- "Trends in the Fees and Expenses of Mutual Funds, 2008," *Fundamentals*, April 2009

Investor Research Publications

- *Profile of Mutual Fund Shareholders, 2008*, February 2009
- "Characteristics of Mutual Fund Investors, 2008," *Fundamentals*, February 2009
- "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2009," *Fundamentals*, December 2009
- "Characteristics of Mutual Fund Investors, 2009," *Fundamentals*, December 2009

Retirement and Tax Research Publications

- "The Role of IRAs in U.S. Households' Saving for Retirement, 2008," *Fundamentals*, January 2009
- "The Closed-End Fund Market, 2008," *Fundamentals*, May 2009
- *Defined Contribution / 401(k) Fee Study: Inside the Structure of Defined Contribution/401(k) Plan Fees: A Study in Assessing the Mechanics of What Drives the "All-In" Fee*, June 2009
- "The U.S. Retirement Market, 2008," *Fundamentals*, June 2009
- "What Does Consistent Participation in 401(k) Plans Generate?" *Perspective*, July 2009
- "The Economics of Providing 401(k) Plans: Services, Fees, and Expenses, 2008," *Fundamentals*, August 2009
- "The U.S. Retirement Market, First Quarter 2009," *Fundamentals*, August 2009
- "The U.S. Retirement Market, Second Quarter 2009," *Fundamentals*, October 2009
- "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2008," *Perspective*, October 2009
- "The Evolving Role of IRAs in U.S. Retirement Planning," *Perspective*, November 2009

A complete, updated list of ICI research publications is available on the Institute's website at www.ici.org/research.

Acknowledgments

Publication of the *2010 Investment Company Fact Book* was directed by Rochelle Antoniewicz, Senior Economist, working with Miriam Moore, Senior Editor, and Adrienne Davis, Designer.

Part One

Analysis and Statistics

Figures

Chapter 1

Overview of U.S.-Registered Investment Companies

Chapter 2

Recent Mutual Fund Trends

Chapter 3

Exchange-Traded Funds

Chapter 4

Closed-End Funds

Chapter 5

Mutual Fund Fees and Expenses

Chapter 6

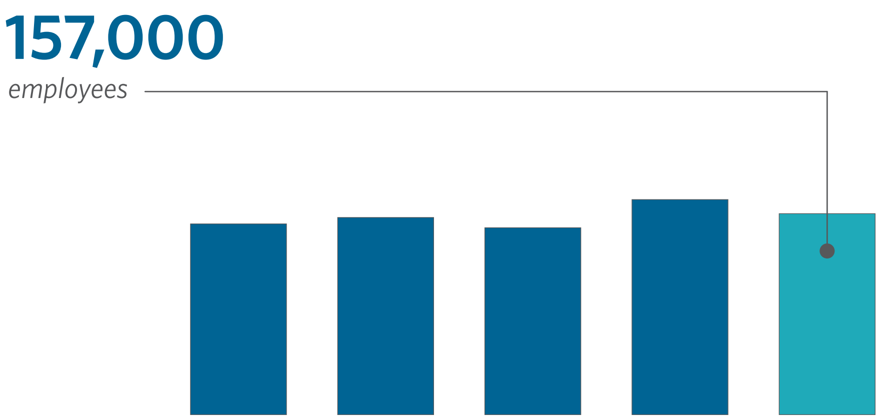
Characteristics of Mutual Fund Owners

Chapter 7

The Role of Mutual Funds in Retirement and Education Savings

Investment companies employed an estimated

157,000 workers in 2009



Chapter One

Overview of U.S.-Registered Investment Companies

U.S.-registered investment companies play a significant role in the U.S. economy and world financial markets. These funds managed more than $12 trillion in assets at the end of 2009 for nearly 90 million U.S. investors. Funds supplied investment capital in securities markets around the world and were among the largest groups of investors in the U.S. stock, commercial paper, and municipal securities markets.

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

Investment Company Assets in 2009

U.S.-registered investment companies managed $12.2 trillion at year-end 2009 (Figure 1.1), a $1.8 trillion increase from year-end 2008. Major U.S. stock price indexes rose about 25 percent during the year, significantly increasing total net assets of funds invested in domestic equity markets. Gains in stock prices abroad had a similar effect on funds invested in foreign stocks. U.S. stock and bond funds that held international assets benefited further from the weakening of the U.S. dollar and the resulting increase in the dollar value of their foreign securities. Including funds offered in foreign countries, worldwide mutual fund assets increased by $4.0 trillion to $23.0 trillion as of year-end 2009.

The rise in the value of U.S. fund assets was tempered somewhat by net outflows from mutual funds. Mutual funds reported $150 billion of net outflows in 2009, but shareholders reinvested $151 billion of income dividends and $14 billion in capital gain distributions that mutual funds paid out during the year. Although investors pulled $539 billion from money market funds, they added $390 billion to long-term mutual funds. Exchange-traded funds (ETFs), unit investment trusts (UITs), and closed-end funds experienced mixed results in investor demand. Flows into ETFs slowed somewhat in 2009, with net share issuance (including reinvested dividends) reaching $116 billion. UITs had new deposits of $22 billion, while closed-end funds issued $3.9 billion in new shares during 2009.

Americans' Continued Reliance on Investment Companies

Households are the largest group of investors in funds, and registered investment companies managed 21 percent of households' financial assets at year-end 2009 (Figure 1.2). This share matched the previous record set in 2007. The increase from 2008 to 2009 is largely due to the rebound in the value of stocks held in equity and hybrid funds. As households have increased their reliance on funds, their demand for directly held stocks has been decreasing for most of the decade with only moderate renewed interest in 2009 (Figure 1.3). Although household demand for directly held bonds has remained positive over much of the past 10 years, net flows to registered investment companies have been substantially stronger.

The growth of individual retirement accounts (IRAs) and defined contribution (DC) plans, particularly 401(k) plans, in conjunction with the important role that mutual funds play in these plans, explain some of households' increased reliance on investment companies during the past two decades. At year-end 2009, 9 percent of household financial assets were invested in 401(k) and other DC retirement plans,

FIGURE 1.1

Investment Company Total Net Assets by Type

Billions of dollars, year-end, 1995–2009

	Mutual funds[1]	Closed-end funds	ETFs[2]	UITs	Total[3]
1995	$2,811	$143	$1	$73	$3,028
1996	3,526	147	2	72	3,747
1997	4,468	152	7	85	4,712
1998	5,525	156	16	94	5,791
1999	6,846	147	34	92	7,119
2000	6,965	143	66	74	7,248
2001	6,975	141	83	49	7,248
2002	6,383	159	102	36	6,680
2003	7,402	214	151	36	7,803
2004	8,095	254	228	37	8,614
2005	8,891	277	301	41	9,510
2006	10,397	298	423	50	11,167
2007	12,001	313	608	53	12,975
2008	9,603	188	531	29	10,350
2009	11,121	228	777	38	12,164

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

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

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

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

Sources: Investment Company Institute and Strategic Insight Simfund

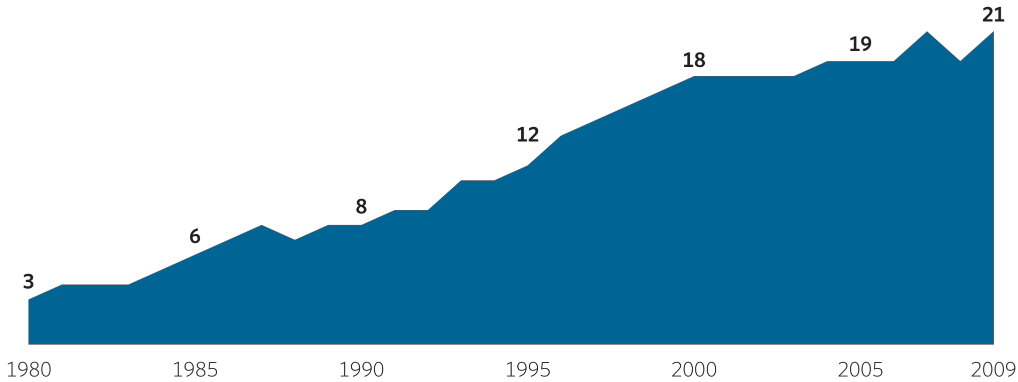
up from 6 percent in 1990. Mutual funds managed 51 percent of the assets in these plans in 2009, up from 7 percent in 1990 (Figure 1.4). IRAs made up 9 percent of household financial assets, and mutual funds managed 46 percent of IRA assets in 2009. Mutual funds also managed $3.8 trillion of assets that households held in taxable accounts.

Businesses and other institutional investors also rely on funds. Many institutions use mutual funds to manage a portion of their cash and short-term assets. For example, as of year-end 2009, nonfinancial businesses held 30 percent of their cash in money market funds, recording the second largest proportion in the last 20 years, despite being down from the record 35 percent at year-end 2008. As financial markets stabilized in 2009, institutional investors appeared to have become less risk averse and withdrew cash from government money market funds. These funds, which invest in Treasury and government agency debt, experienced huge inflows during the financial turmoil in 2007 and 2008. In 2009, institutional taxable government money market funds had outflows of $312 billion, while institutional taxable general purpose money market funds had inflows of $107 billion.

FIGURE 1.2

Share of Household Financial Assets Held in Investment Companies

Percent, year-end, 1980–2009

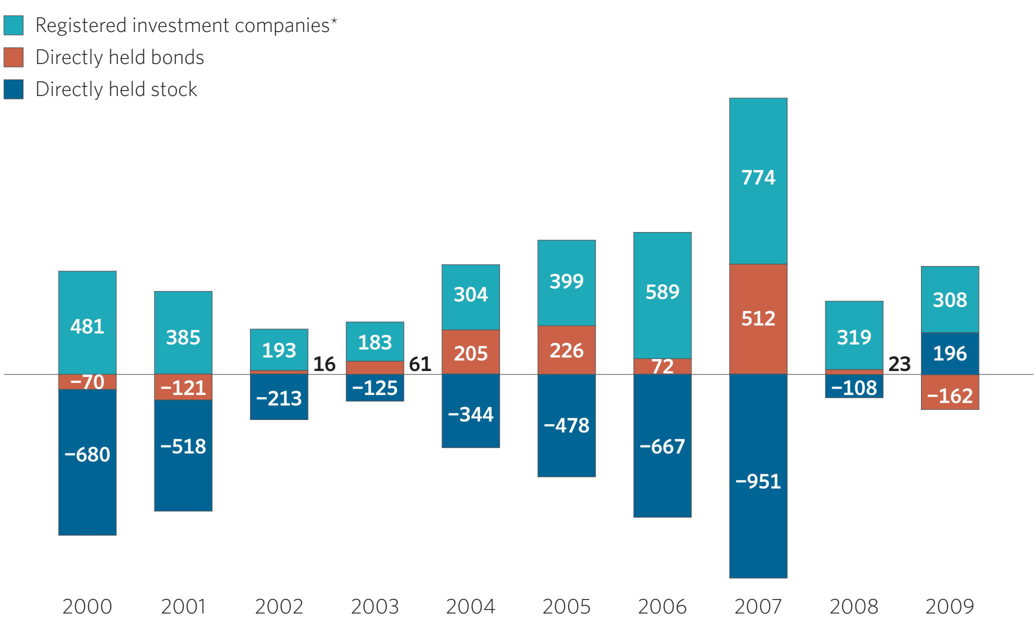


Sources: Investment Company Institute and Federal Reserve Board

FIGURE 1.3

Household Net Investments in Funds,* Bonds, and Stocks

Billions of dollars, 2000–2009



New cash and reinvested dividends are included. Data include mutual funds (including those held in variable annuities), ETFs, and closed-end funds.

Sources: Investment Company Institute and Federal Reserve Board

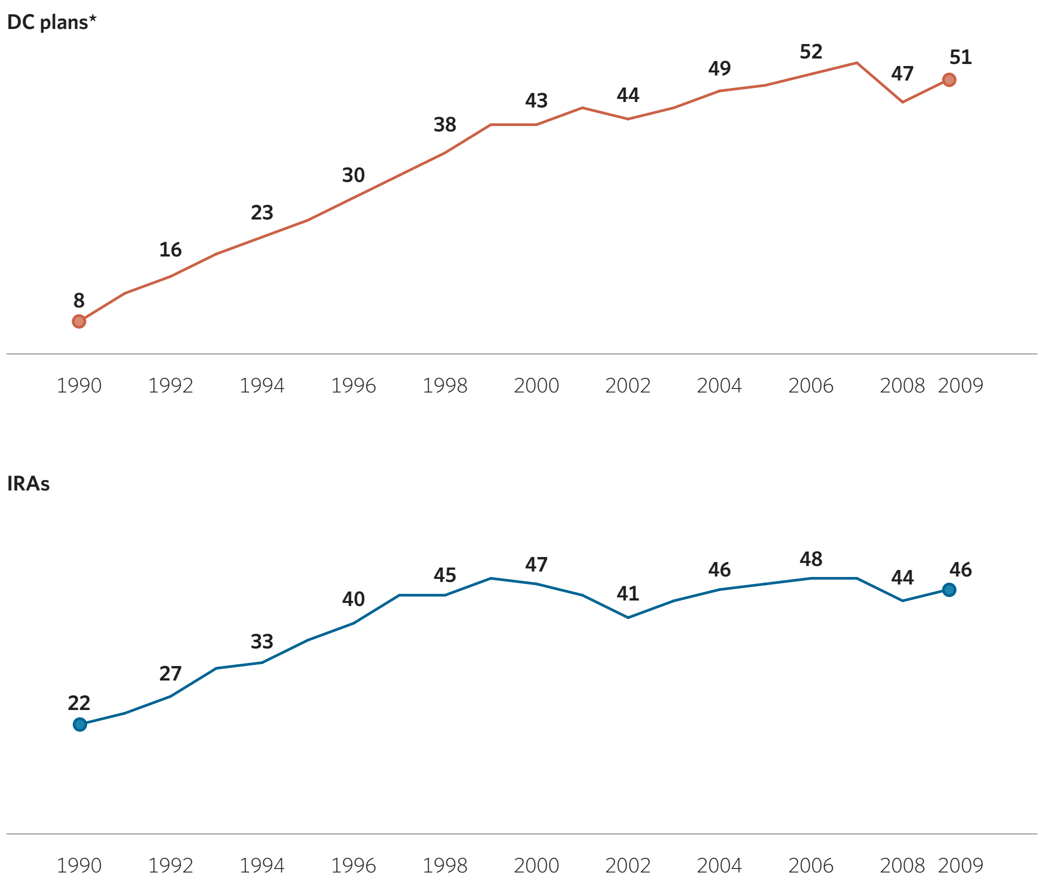
Institutional investors have also contributed to the growing demand for ETFs. Investment managers, including mutual funds and pension funds, use ETFs to manage liquidity. This strategy allows them to keep fully invested in the market while holding a highly liquid asset to manage their investor flows. Asset managers also use ETFs as part of their investment strategies, including as a hedge for their exposure to equity markets.

For more statistics on investment companies, see the data tables listed on pages 122–123.

FIGURE 1.4

Mutual Funds in Household Retirement Accounts

Mutual fund percentage of retirement assets by type of retirement vehicle, 1990–2009



*DC plans include 403(b) plans, 457 plans, and private employer-sponsored DC plans (including 401(k) plans).
Sources: Investment Company Institute, Federal Reserve Board, National Association of Government Defined Contribution Administrators, American Council of Life Insurers, and Internal Revenue Service Statistics of Income Division

Role of Investment Companies in Financial Markets

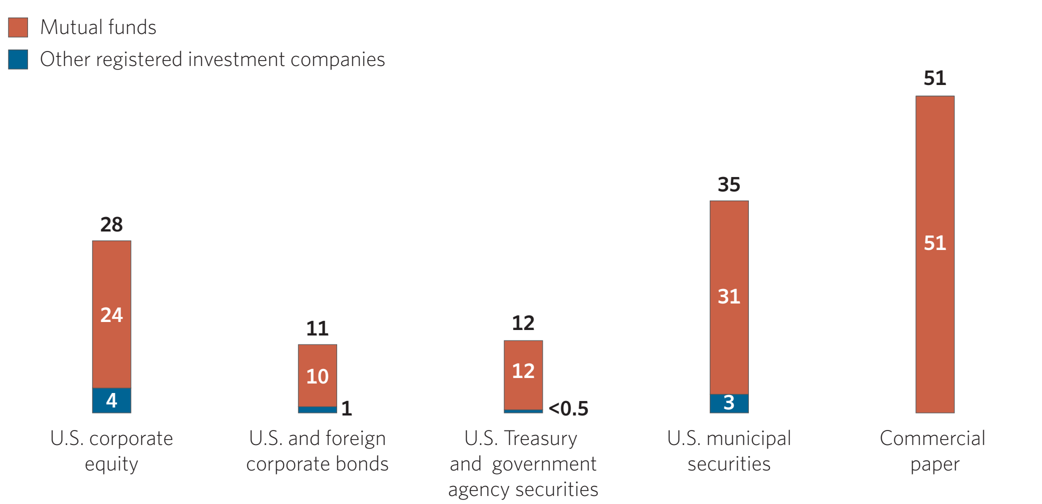
Investment companies have been among the largest investors in the domestic financial markets for much of the past 20 years and held a significant portion of the outstanding shares of U.S.-issued stocks, bonds, and money market securities at year-end 2009. Investment companies as a whole were one of the largest group of investors in U.S. companies, holding 28 percent of their outstanding stock at year-end 2009 (Figure 1.5).

Investment companies also held the largest share of U.S. commercial paper—an important source of short-term funding for major U.S. and foreign corporations. Mutual funds' share of the commercial paper market increased to a little over half of outstanding commercial paper at year-end 2009, up from 44 percent at year-end 2008, even though the total dollar amount of their commercial paper holdings declined year-over-year. Money market funds account for the majority of funds' commercial paper holdings, and the share of outstanding commercial paper these funds hold tends to fluctuate with investor demand for money market funds and the overall supply of commercial paper. In 2009, total outstanding commercial paper declined by nearly 30 percent as investor demand for asset-backed commercial paper and financial commercial paper continued to drop sharply. This decline in the overall supply of commercial paper outpaced the reduction in money market funds' holdings of commercial paper.

FIGURE 1.5

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

Percentage of total market securities held by investment companies, year-end 2009



Note: Components may not add to the total because of rounding.
Sources: Investment Company Institute, Federal Reserve Board, and World Federation of Exchanges

At year-end 2009, investment companies held 35 percent of tax-exempt debt issued by U.S. municipalities, which is on par with direct household ownership. Funds' share of the tax-exempt market has remained fairly stable in the past several years despite changes in the demand for tax-exempt funds and the overall supply of tax-exempt debt. Funds held 12 percent of U.S. Treasury and government agency securities at year-end 2009, down from 15 percent as of year-end 2008, primarily reflecting outflows from U.S. government money market funds. Nevertheless, funds' share of U.S. government debt securities was 4 percentage points higher at year-end 2009 than at year-end 2006, prior to the start of the financial crisis. Funds continued to play a more modest role in the corporate bond market, holding approximately 11 percent of the outstanding debt securities in this market.

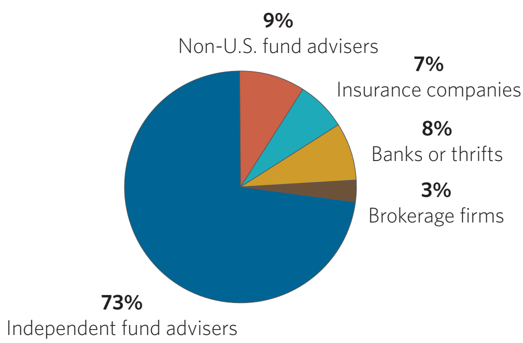
Types of Intermediaries and Number of Investment Companies

A variety of financial service companies offer registered funds to Americans. By year-end 2009, 73 percent of fund complexes were independent fund advisers (Figure 1.6), and these firms managed more than half of investment company assets. Banks, thrifts, insurance companies, brokerage firms, and non-U.S. fund advisers are other types of fund complexes in the U.S. marketplace.

FIGURE 1.6

73 Percent of Fund Complexes Were Independent Fund Advisers

Percentage of investment company complexes by type of intermediary, year-end 2009



In 2009, there were 685 financial firms from around the world that competed in the U.S. market to provide investment management services to fund investors. Historically, low barriers to entry have attracted a large number of investment company sponsors to the fund marketplace in the United States. These low barriers to entry led to a rapid increase in the number of fund sponsors in the 1980s and 1990s. However, competition among these sponsors and pressure from other financial products have reversed this trend in more recent years. Over the period of 2000 to 2009, 451 fund sponsors left the fund business. In the same time, 376 new firms entered (Figure 1.7). The overall effect has been a net reduction of 10 percent in the number of industry firms serving investors. The decrease in the number of advisers has occurred with larger fund sponsors acquiring some smaller fund families and with some fund advisers liquidating funds and leaving the fund business. In addition, several other large sponsors of funds have recently sold their fund advisory businesses. The portion of fund companies that have been able to retain assets in addition to attracting new investments has been generally lower in this decade than during the 1990s (Figure 1.8). Two bear markets leading to outflows from stock funds and other competitive pressures affected the profitability of fund sponsors and contributed to the decline in their number over the past nine years.

FIGURE 1.7

Number of Fund Sponsors

2000–2009

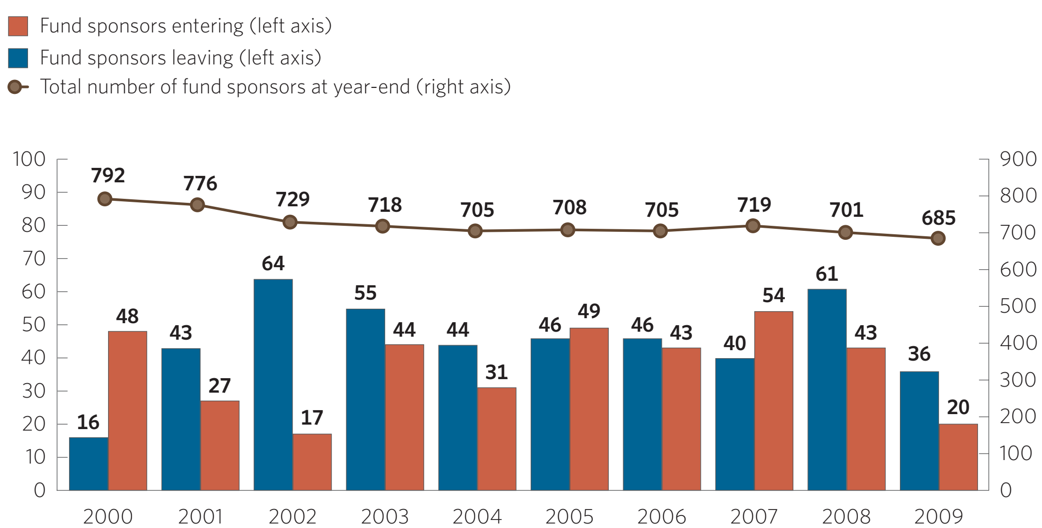
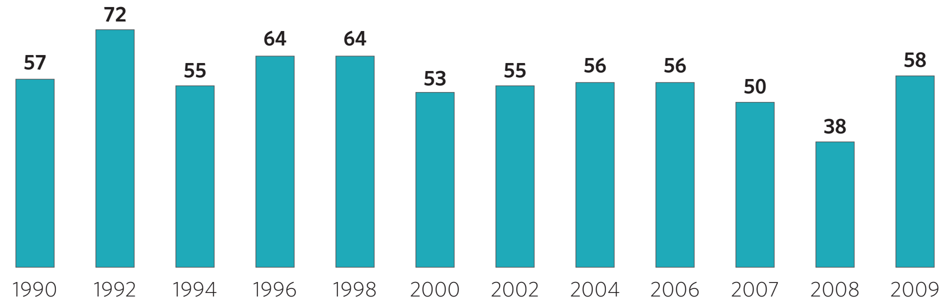


FIGURE 1.8

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

Percent, selected years

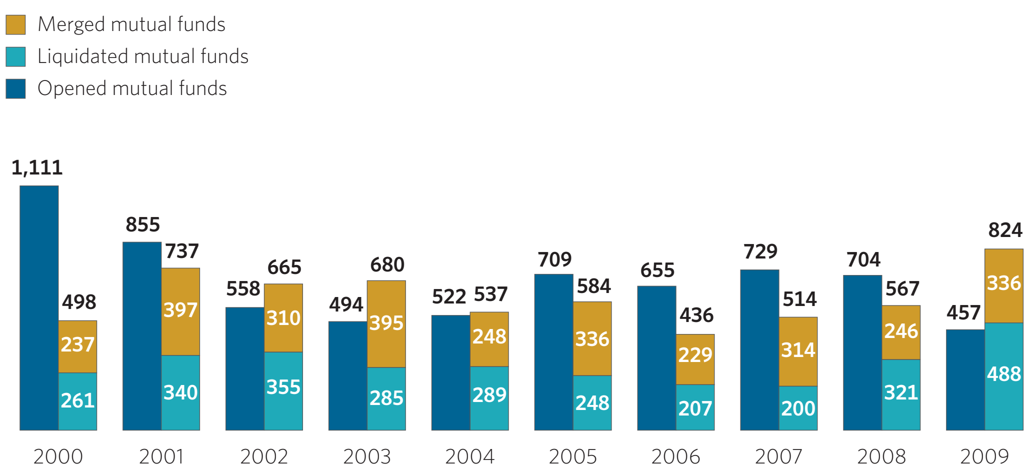


The decline in the number of fund sponsors has been concentrated primarily among those advising mutual funds, and their exit from the industry has caused the growth in the number of mutual funds to slow in recent years and to decline in 2009. Competitive dynamics also affect the number of funds offered in any given year by the fund advisers that remain. In particular, fund sponsors create new funds to meet investor demand, and they merge or liquidate funds that do not attract sufficient investor interest. In 2009, fund sponsors continued this pattern and the number of mutual funds was reduced, on net, by nearly 400 funds (Figure 1.9).

FIGURE 1.9

Number of Mutual Funds Leaving and Entering the Industry*

2000–2009



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

The total number of other investment companies has fallen considerably since 2000, as sponsors of UITs have been creating fewer new trusts (Figure 1.10). These investment companies often have preset termination dates, and in conjunction with a slowdown in the creation of new UITs, the total number of UITs has declined substantially. Additionally, closed-end fund sponsors shut down 15 more funds than they opened in 2009. Sponsors of ETFs, however, opened more than 70 new funds, on net, in 2009.

FIGURE 1.10

Number of Investment Companies by Type

Year-end, 1995–2009

	Mutual funds[1]	Closed-end funds	ETFs[2]	UITs	Total
1995	5,761	500	2	12,979	19,242
1996	6,293	497	19	11,764	18,573
1997	6,778	487	19	11,593	18,877
1998	7,489	492	29	10,966	18,976
1999	8,004	512	30	10,414	18,960
2000	8,371	482	80	10,072	19,005
2001	8,519	492	102	9,295	18,408
2002	8,512	545	113	8,303	17,473
2003	8,427	584	119	7,233	16,363
2004	8,419	619	152	6,499	15,689
2005	8,451	635	204	6,019	15,309
2006	8,723	647	359	5,907	15,636
2007	8,749	664	629	6,030	16,072
2008	8,888	642	743	5,984	16,257
2009	8,624	627	820	6,049	16,120

[1]Mutual fund data include only mutual funds that report statistical information to the Investment Company Institute. The data also include mutual funds that invest primarily in other mutual funds.

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

Sources: Investment Company Institute and Strategic Insight Simfund

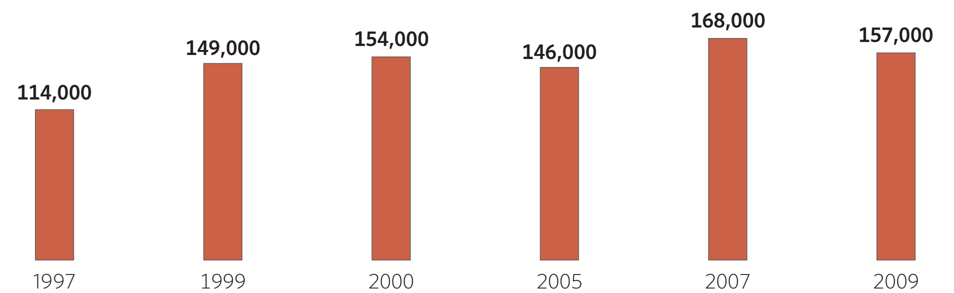
Investment Company Employment

Fund sponsors and third-party service providers offer advisory, recordkeeping, administrative, custody, and other services to a growing number of funds and their investors. Over the past 12 years, fund industry employment in the United States has grown 38 percent from 114,000 workers in 1997 to 157,000 workers in 2009 (Figure 1.11). Based on results of an ICI biennial survey, employment peaked in March 2007 at 168,000. From March 2007 to March 2009, fund sponsors and their service providers trimmed about 11,000 workers from their payrolls as part of an overall cost-cutting focus in the face of substantially lower revenues from the declines in the stock and bond markets over this period.

FIGURE 1.11

Investment Company Industry Employment

Estimated number of employees of registered investment companies, selected years*



Selected years are the years in which ICI employment survey was conducted.

The largest group of workers provides services to fund investors and their accounts, with 36 percent of fund employees involved in these activities (Figure 1.12). Shareholder account servicing encompasses a wide range of activities to help investors monitor and update their accounts. These employees work in call centers and help shareholders and their financial advisers with questions about investors' accounts. They also process applications for account openings and closings. Other services include retirement plan transaction processing, retirement plan participant education, participant enrollment, and plan compliance.

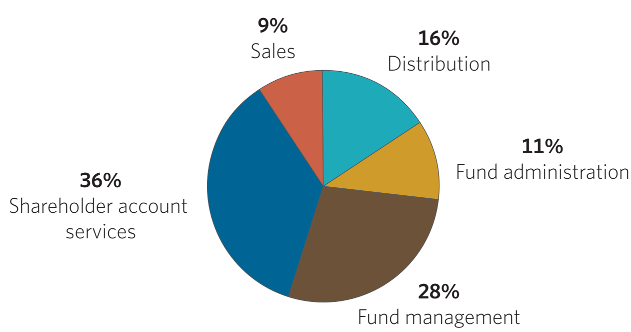
Twenty-eight percent of the industry's workforce was employed by a fund's investment adviser or a third-party service provider in support of portfolio management functions such as investment research, trading and security settlement, information systems and technology, and other corporate management functions. Jobs related to fund administration, including financial and portfolio accounting and regulatory compliance duties, accounted for 11 percent of industry employment. Personnel involved with distribution services (e.g., marketing, product development and design, investor communications) represented 16 percent of the workforce. Sales-force employees—including registered representatives and sales support staff where at least 50 percent of the employee's income is derived from fund sales—and fund supermarket representatives accounted for 9 percent of fund industry jobs.

For many industries, employment tends to be concentrated in locations of the industry's origins, and investment companies are no exception. Massachusetts and New York served as early hubs of investment company operations, and remained so in 2009, employing nearly 30 percent of the workers in the fund industry (Figure 1.13). As the industry has grown from its early roots, other states have become significant centers of fund employment—including California, Pennsylvania, and Texas. Fund companies in these states employed about one-quarter of all fund industry employees as of March 2009.

FIGURE 1.12

Investment Company Industry Employment by Job Function

Percentage of employees in registered investment company operations areas, March 2009

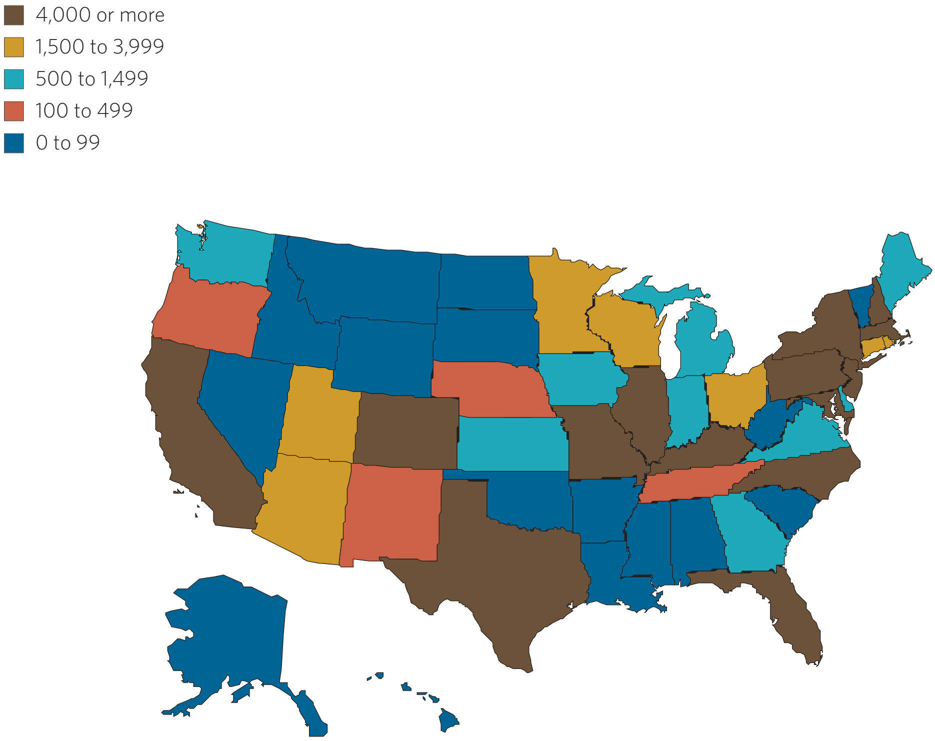


Total employment: 157,000

FIGURE 1.13

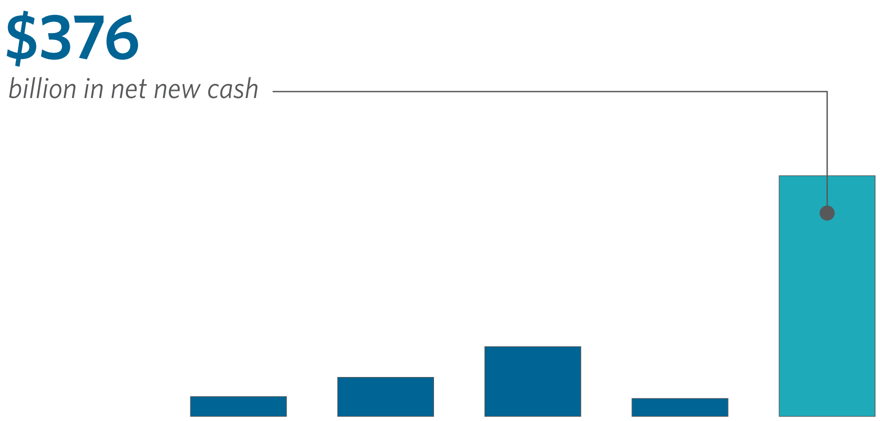
Investment Company Industry Employment by State

Estimated number of employees of registered investment companies by state, March 2009



Net inflows to bond mutual funds reached a

record $376 billion in 2009



Chapter Two

Recent Mutual Fund Trends

With $11.1 trillion in assets, the U.S. mutual fund industry remained the largest in the world at year-end 2009. Total net assets increased $1.5 trillion from year-end 2008's level, largely reflecting the rebound in stock prices in 2009. At the same time, investor demand for mutual funds declined in 2009 with net withdrawals from all types of mutual funds amounting to $150 billion. Investor demand for certain types of mutual funds appeared to be driven in large part by the interest rate environment and continued uncertainty regarding the strength of the economic recovery. Money market funds, particularly those geared towards U.S. government securities, experienced substantial outflows, while inflows to bond funds reached a record high.

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

U.S. Mutual Fund Assets

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

The U.S. mutual fund market—with $11.1 trillion in assets under management at year-end 2009—remained the largest in the world, accounting for 48 percent of the $23.0 trillion in mutual fund assets worldwide (Figure 2.1).

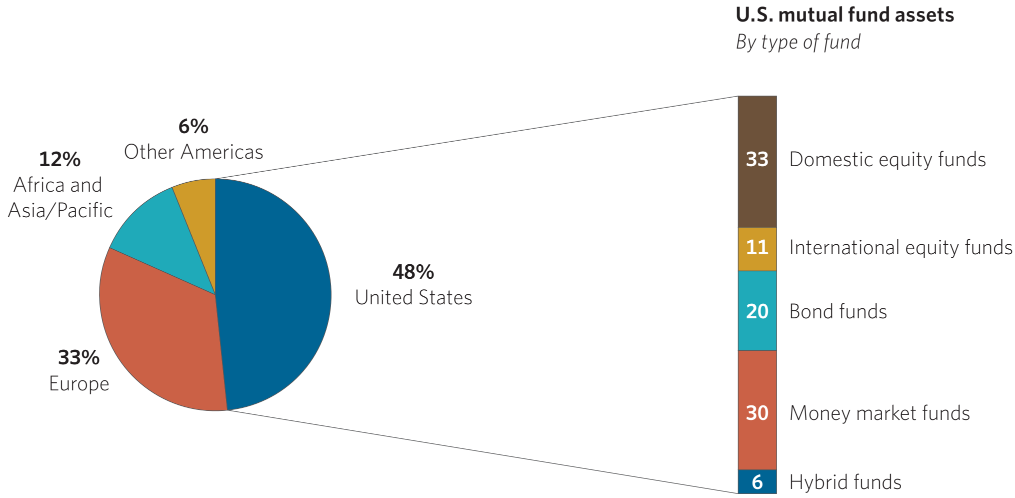
Equity funds made up 44 percent of U.S. mutual fund assets at year-end 2009 (Figure 2.1). Domestic equity funds—those that invest primarily in shares of U.S. corporations—held 33 percent of total industry assets; international equity funds—those that invest primarily in foreign corporations—accounted for another 11 percent. Money market funds accounted for 30 percent of U.S. mutual fund assets. Bond funds (20 percent) and hybrid funds (6 percent) held the remainder of total U.S. mutual fund assets.

Approximately 600 sponsors managed mutual fund assets in the United States in 2009. Long-run competitive dynamics have prevented any single firm or group of firms from dominating the market. For example, of the largest 25 fund complexes in 1985, only 10 remained in this top group in 2009. Another measure of market concentration is the Herfindahl-Hirschman index, which weighs both the number and relative size of firms in the industry. Index numbers below 1,000 indicate that an industry is unconcentrated. The mutual fund industry had a Herfindahl-Hirschman index number of 457 as of December 2009.

FIGURE 2.1

The U.S. Had the World's Largest Mutual Fund Market

Percentage of total net assets, year-end 2009



Total worldwide mutual fund assets: $23.0 trillion

Total U.S. mutual fund assets: $11.1 trillion

Note: Components may not add to 100 percent because of rounding.
Sources: Investment Company Institute, European Fund and Asset Management Association, and other national mutual fund associations

In this past decade, however, the percentage of industry assets at larger fund complexes has increased. This is due in part to the acquisition of smaller fund complexes by larger ones. The share of assets managed by the largest 25 firms increased to 74 percent in 2009 from 68 percent in 2000 (Figure 2.2). In addition, the share of assets managed by the largest 10 firms in 2009 was 53 percent, up from the 44 percent share managed by the largest 10 firms in 2000. Nevertheless, the composition of fund complexes within these groups has changed significantly over the period of 2000 to 2009. One reason for this development may be that negative total returns on U.S. stocks over the decade held down assets managed by fund complexes that concentrate their offerings primarily in domestic equity funds. Meanwhile, strong inflows over the decade to money market funds, which are fewer in number and have fewer fund sponsors than long-term mutual funds, helped push several fund complexes that specialize in money market funds into the largest fund complex groups.

FIGURE 2.2

Share of Assets at Largest Mutual Fund Complexes

Percentage of industry total net assets, year-end, selected years

	1985	1990	1995	2000	2005	2008	2009
Top 5 complexes	37	34	34	32	37	38	39
Top 10 complexes	54	53	48	44	48	53	53
Top 25 complexes	78	76	71	68	70	75	74

Developments in Mutual Fund Flows

Investor demand for mutual funds as measured by net new cash flow—the dollar value of new fund sales less redemptions combined with net exchanges—declined substantially in 2009. Overall, the industry had a net cash outflow of $150 billion (Figure 2.3). Outflows from money market funds more than offset record inflows to bond funds. Although the $150 billion net outflow in 2009 was the largest on record in dollar terms, as a percentage of the average market value of assets, it amounted to only 1.4 percent. On this basis, the outflow in 2009 was still smaller than the $23 billion outflow in 1988, which measured 2.8 percent of average assets.

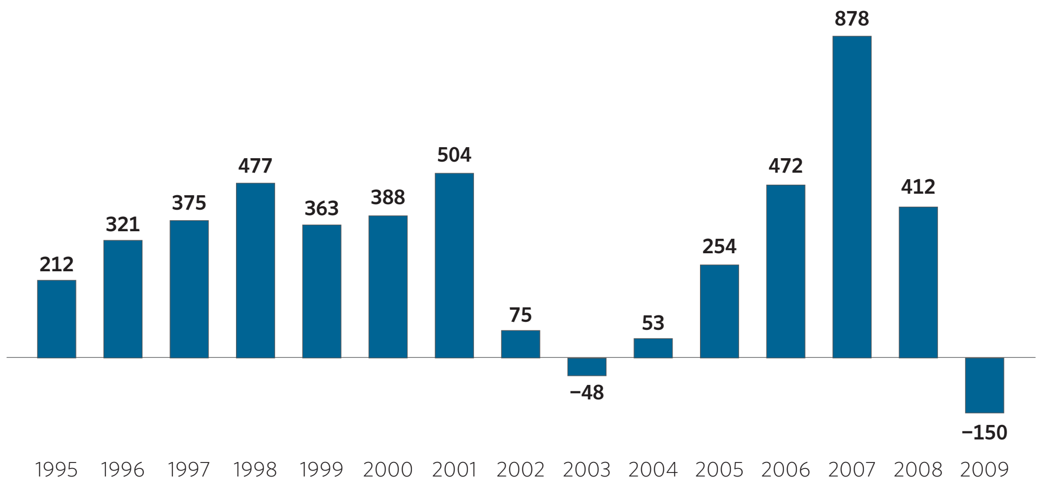
Conditions in financial markets stabilized and improved throughout 2009, reflecting, in large part, government efforts to provide liquidity and strengthen financial institutions. Specifically, the Federal Reserve maintained special credit and liquidity programs that had been instituted during the financial crisis of 2008 and kept the federal funds rate in a target range of 0 percent to 0.25 percent throughout 2009. U.S. stock prices bottomed out in early March from their rapid and steep descent over the prior year and a half and rallied during the remainder of 2009 to become the strongest post–World War II bull market, with a gain of 65 percent in the S&P 500 index in nearly 10 months. Credit spreads on corporate bonds—the difference in yields between non-triple-A rated corporate bonds and Treasury securities—narrowed significantly during 2009. Prices on these corporate bonds rose as investors' perceived risk of defaults lessened. At the same time, prices on Treasury securities and triple-A rated corporate bonds declined as investors largely unwound the flight to quality that characterized the financial crisis of 2008. Economic activity started to expand in the second half of the year, but weakness in the labor market, modest income growth, lower housing wealth, and tight credit conditions for households and small businesses persisted.

Abroad, many developed countries experienced similar patterns to that of the United States in economic growth and stock prices in 2009. Emerging markets, however, experienced significantly larger gains in stock prices than occurred in the United States and other developed countries.

FIGURE 2.3

Net Flows to Mutual Funds

Billions of dollars, 1995–2009



Demand for Long-Term Mutual Funds

Investors added a record $390 billion in net new cash to equity, bond, and hybrid funds in 2009, more than reversing the $225 billion investors withdrew, on net, from long-term funds in 2008. Bond and hybrid funds were popular investment choices by investors, while domestic equity funds continued to experience outflows in 2009.

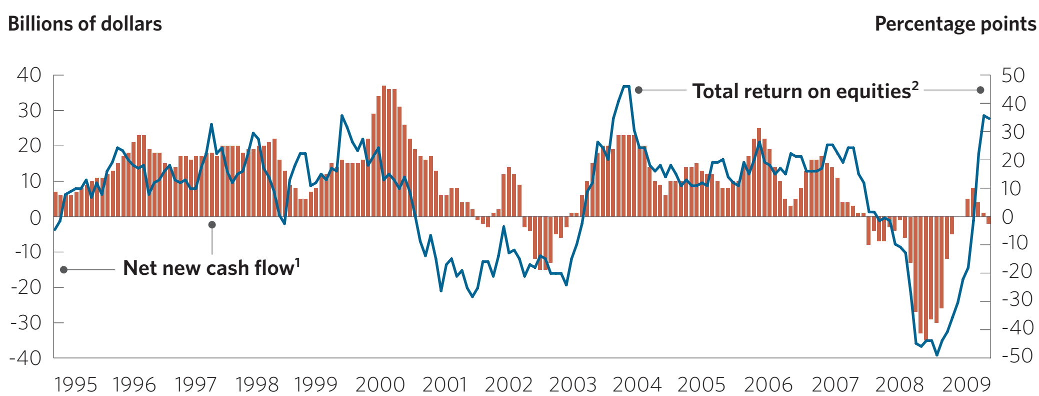
Equity Funds

Investors continued to withdraw cash from equity funds—particularly domestic equity funds—in 2009, albeit at a slower pace than in 2008. In 2009, withdrawals amounted to $9 billion for the year, far less than the $234 billion investors withdrew, on net, the previous year. Generally, demand for equity funds is strongly related to performance in the stock markets (Figure 2.4). Net flows to equity funds tend to rise with stock prices and the opposite tends to occur when stock prices fall. While outflows from equity funds slowed substantially in 2009, one would have expected sizable inflows given the strong rally in stock prices worldwide. For the year as a whole, major U.S. stock price indexes rose over 25 percent including any dividends that were paid. The technology-heavy NASDAQ Composite Index rose over 40 percent. Despite these gains, domestic equity funds experienced a net outflow of $40 billion in 2009. Indeed, domestic equity funds have had three consecutive years of withdrawals totaling $239 billion.

FIGURE 2.4

Net Flows to Equity Funds Related to Global Stock Price Performance

1995–2009



[1] *Net new cash flow to equity funds is plotted as a six-month moving average.*
[2] *The total return on equities is measured as the year-over-year change in the MSCI All Country World Total Return Stock Index.*
Sources: Investment Company Institute and Morgan Stanley Capital International

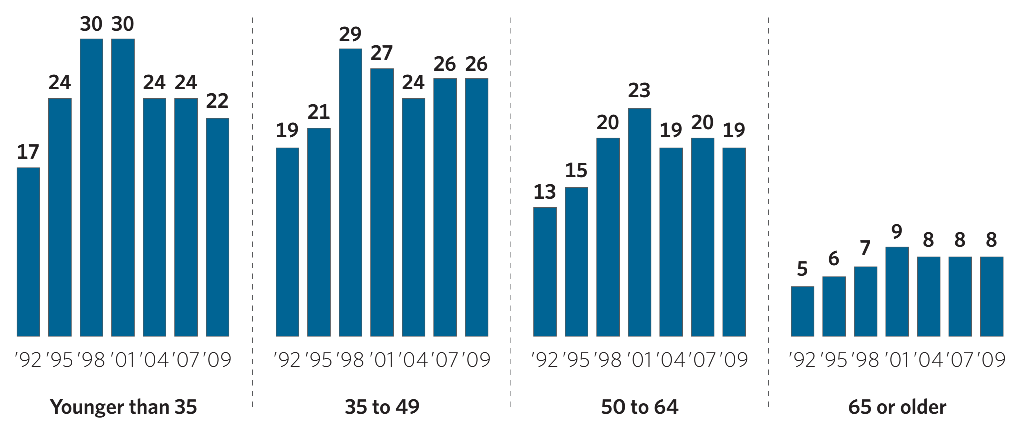
Funds investing in foreign companies fared somewhat better than domestic equity funds. International equity funds garnered $31 billion in net new cash in 2009. These inflows, however, were still quite modest when compared with past inflows and total returns on stocks traded on many foreign stock markets. The Morgan Stanley Capital International (MSCI) world total return stock index (excluding U.S. stocks) increased 42 percent in 2009; the MSCI emerging markets total return index rose 79 percent. To put this development in perspective with recent experience, from 2004 to 2007, the MSCI world total return stock index increased at an average annual rate of 20 percent, and shareholders invested over $100 billion annually into international equity funds.

One factor that may partly explain investors' reduced demand for equity funds is a lower tolerance for risk. In the past decade, households have endured two of the worst bear markets in stocks since the Great Depression. U.S. household surveys show that even within specified age groups, willingness to take investment risk has dropped since the late 1990s and early 2000s (Figure 2.5). For example, only 22 percent of households headed by someone younger than 35 in 2009 were willing to take above-average or substantial investment risk, compared with 30 percent of such households in 1998. The aging of the population also likely has played a role in reducing demand for equity funds. As investors grow older, their willingness to take investment risk tends to decline. In 2009, only 8 percent of households headed by someone 65 or older were willing to take above-average or substantial investment risk, versus 26 percent of households headed by someone between 35 and 49 years old.

FIGURE 2.5

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

Percentage of U.S. households by age of head of household, selected years



Sources: Investment Company Institute and Federal Reserve Board

Asset-Weighted Turnover Rate

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

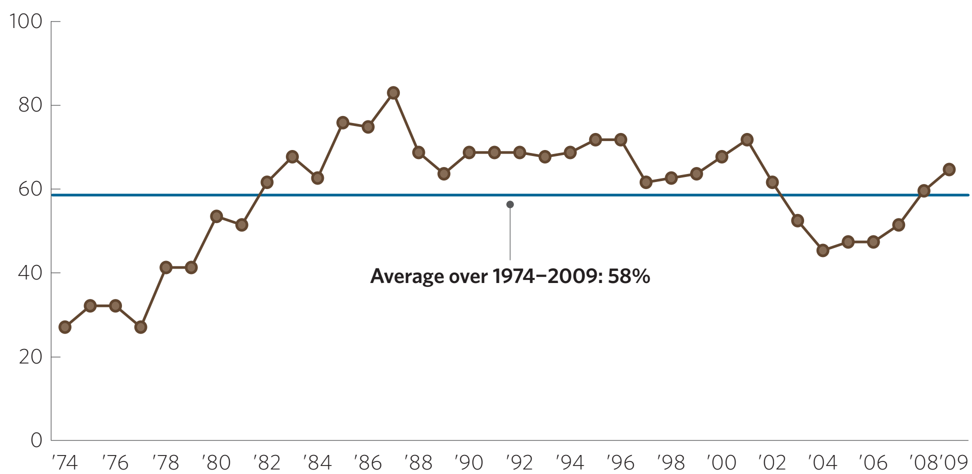
The turnover rate—the lesser of purchases or sales (excluding those of short-term assets) in a fund's portfolio scaled by average net assets—is a measure of a fund's trading activity. In 2009, the asset-weighted annual turnover rate experienced by equity fund investors moved up to 64 percent, somewhat above the average experience of the past 36 years (Figure 2.6).

Investors tend to own equity mutual funds with relatively low turnover rates. About half of equity fund assets were in funds with portfolio turnover rates under 43 percent. This reflects shareholders' tendency to own equity funds with below-average turnover and the propensity for funds with below-average turnover to attract more shareholder dollars.

FIGURE 2.6

Turnover Rate[1] Experienced by Equity Fund Investors[2]

Percent, 1974–2009



[1]*The turnover rate is an asset-weighted average.*

[2]*Variable annuities held in mutual funds are excluded.*

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

Bond and Hybrid Funds

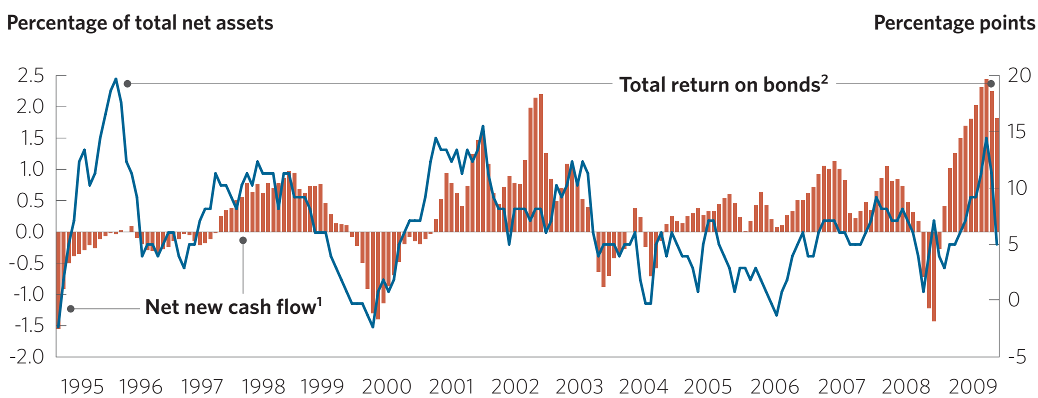
Secular and demographic factors that appear to have tempered inflows into equity funds likely have served to boost flows into bond funds. In 2009, investors added a record $376 billion to their bond fund holdings, up substantially from the $28 billion pace of net investment in the previous year. Traditionally, cash flow into bond funds is highly correlated with the performance of bonds (Figure 2.7). The U.S. interest rate environment typically has played a prominent role in the demand for bond funds. Movements in short- and long-term interest rates can significantly impact the returns offered by these types of funds and, in turn, influence retail and institutional investor demand for bond funds.

The pace of inflows into bond funds started out fairly strong in the beginning of 2009 and increased further over the course of the year. Some of this strength likely was the result of a couple of market conditions. First, annual returns on non-triple-A rated corporate bonds ranged from 19 percent for investment grade bonds to 58 percent for high-yield bonds. Second, low short-term interest rates and the relatively steep yield curve likely enticed some investors to shift out of money market funds and into bond funds.

FIGURE 2.7

Net Flows to Bond Funds Related to Bond Returns

1995–2009



[1]Net new cash flow to bond funds is plotted as 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.
[2]The total return on bonds is measured as the year-over-year change in the Citigroup Broad Investment Grade Bond Index.
Sources: Investment Company Institute and Citigroup

Nevertheless, since 2004, inflows to bond funds have been stronger than what would have been expected based on the historical relationship between bond returns and demand for bond funds. A few secular and demographic factors may have contributed to this development: the aging of the U.S. population, the reduced appetite for investment risk by investors of all ages, and the increasing use of funds of funds. First, the leading edge of the Baby Boom Generation has just started to retire and because investors' willingness to take investment risk tends to decline as they age (Figure 2.5), it is natural for them to allocate their investments increasingly toward fixed-income securities. Second, the decline in risk tolerance across all age groups (Figure 2.5) likely boosted flows into bond funds in 2009. Lastly, funds of funds remained a popular choice with investors and a portion of the flows into these funds was directed to underlying bond funds. Funds of funds garnered $69 billion in net new cash flow in 2009 (Figure 2.8).

Investor demand for hybrid funds, which invest in a combination of stocks and bonds, also increased in 2009, with investors adding $23 billion, on net, to these funds. This is in contrast to an outflow of $19 billion the previous year. Over the five-year period of 2005 to 2009, hybrid funds attracted a total of $60 billion in net new cash.

Funds of Funds

Funds of funds are mutual funds that primarily hold and invest in shares of other mutual funds. The most popular type of these funds is hybrid funds—nearly 90 percent of funds of funds' total net assets were in hybrid funds in 2009. Hybrid funds of funds invest their cash in underlying equity, bond, and hybrid mutual funds.

Assets of funds of funds have grown rapidly over the past decade. By the end of 2009, the number of funds of funds had grown to 931, and total net assets were $674 billion (Figure 2.8). Seventy percent of the increase in the assets of funds of funds in the past 10 years is attributable to increasing investor interest in lifestyle and lifecycle funds. The growing popularity of these funds, especially for retirement investing, likely reflects the automatic rebalancing features of these products. Lifestyle funds (also known as target risk funds) maintain a predetermined risk level, and lifecycle funds (also known as target date funds) allow a predetermined allocation of risk over time. Since year-end 1999, funds of funds received a total of $549 billion in net new cash, of which 69 percent was from lifestyle and lifecycle funds.

For more information on lifestyle and lifecycle funds, see page 116.

FIGURE 2.8

Total Net Assets and Net Flows to Funds of Funds

1999–2009

	Number of funds *Year-end*	Assets *Billions of dollars, year-end*	Net new cash flow *Billions of dollars, annual*
1999	212	$48	$7
2000	215	57	10
2001	213	63	9
2002	268	69	12
2003	301	123	30
2004	375	200	51
2005	475	306	79
2006	604	471	101
2007	721	639	126
2008	864	488	62
2009	931	674	69

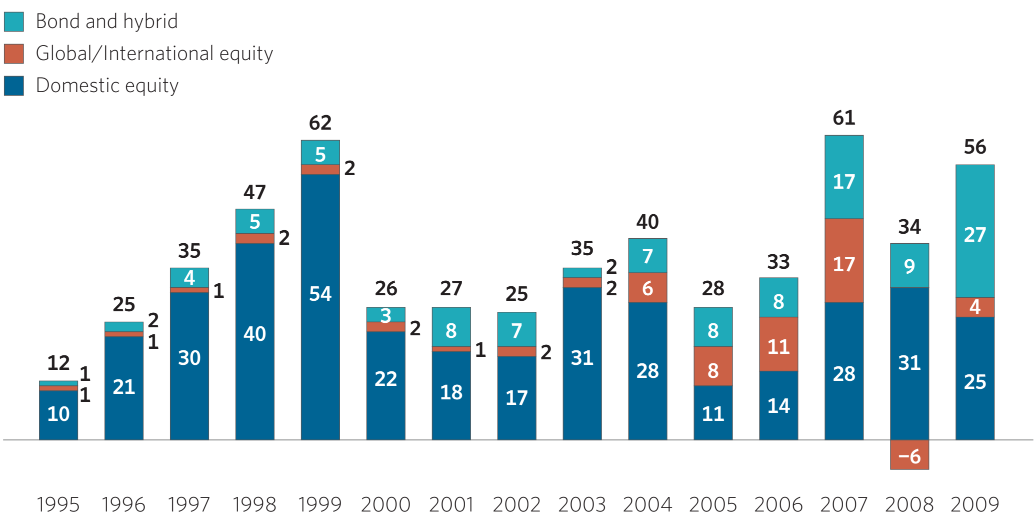
Index Funds

Index mutual funds continued to remain popular with investors. Of households that owned mutual funds, 27 percent owned at least one index mutual fund in 2009. As of year-end 2009, 359 index funds managed total net assets of $837 billion. Similar to funds of funds, demand for index funds remained strong in 2009 with investors adding $56 billion in net new cash flow to these funds (Figure 2.9). Almost half of the new money that flowed to index funds was invested in funds indexed to bond indexes, while 45 percent was directed toward funds indexed to domestic stock indexes. Demand for global and international equity index funds picked up modestly in 2009, with these funds experiencing an aggregate inflow of $4 billion.

FIGURE 2.9

Net Flows to Index Funds

Billions of dollars, 1995–2009



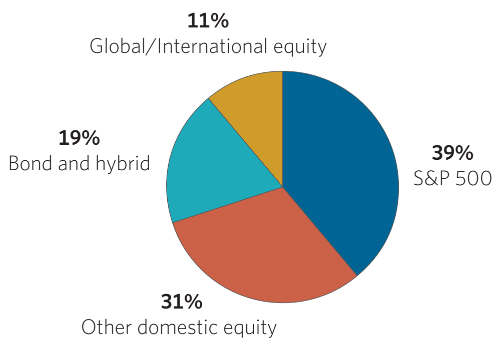
Note: Components may not add to the total because of rounding.

Equity index funds accounted for the bulk of index mutual fund assets at year-end 2009. Eighty-one percent of index mutual fund assets were invested in index funds that track either the S&P 500 index or other domestic and international stock indexes (Figure 2.10). Funds indexed to the S&P 500 index managed 39 percent of all assets invested in index mutual funds. The share of assets invested in equity index funds relative to all equity mutual funds assets moved up to nearly 14 percent in 2009 (Figure 2.11).

FIGURE 2.10

Almost 40 Percent of Index Mutual Fund Assets Were Invested in S&P 500 Index Funds

Percent, year-end 2009

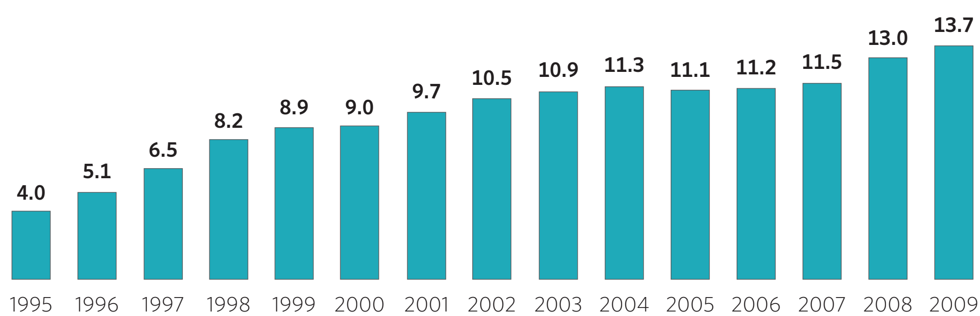


Total: $837 billion

FIGURE 2.11

Equity Index Funds' Share Continued to Rise

Percentage of equity mutual fund total net assets, 1995–2009



Demand for Money Market Funds

Money market funds, particularly those funds invested only in U.S. government securities, experienced substantial outflows in 2009, reflecting the search for higher yields in an environment of low short-term interest rates accompanied by a steep yield curve and an unwinding of the flight to safety by investors in response to the financial crisis of 2007 and 2008.

Retail Money Market Funds

Retail money market funds, which are principally sold to individual investors, saw outflows of $307 billion in 2009, following inflows of $284 billion over the previous two years (Figure 2.12). Money fund yields followed the pattern of short-term interest rates in 2009, hovering between 0 and 25 basis points. In addition, yields on money market funds dipped below those on bank deposits over the entire year—the first such occurrence in the past 15 years (Figure 2.13). In general, retail investors tend to withdraw cash from money market funds when the difference in interest rates between bank deposits and money market funds narrows. The sizable outflows from retail money market funds in 2009 do not appear to be atypical considering the negative interest rate spread.

FIGURE 2.12

Net Flows to Money Market Funds

Billions of dollars, 1995–2009

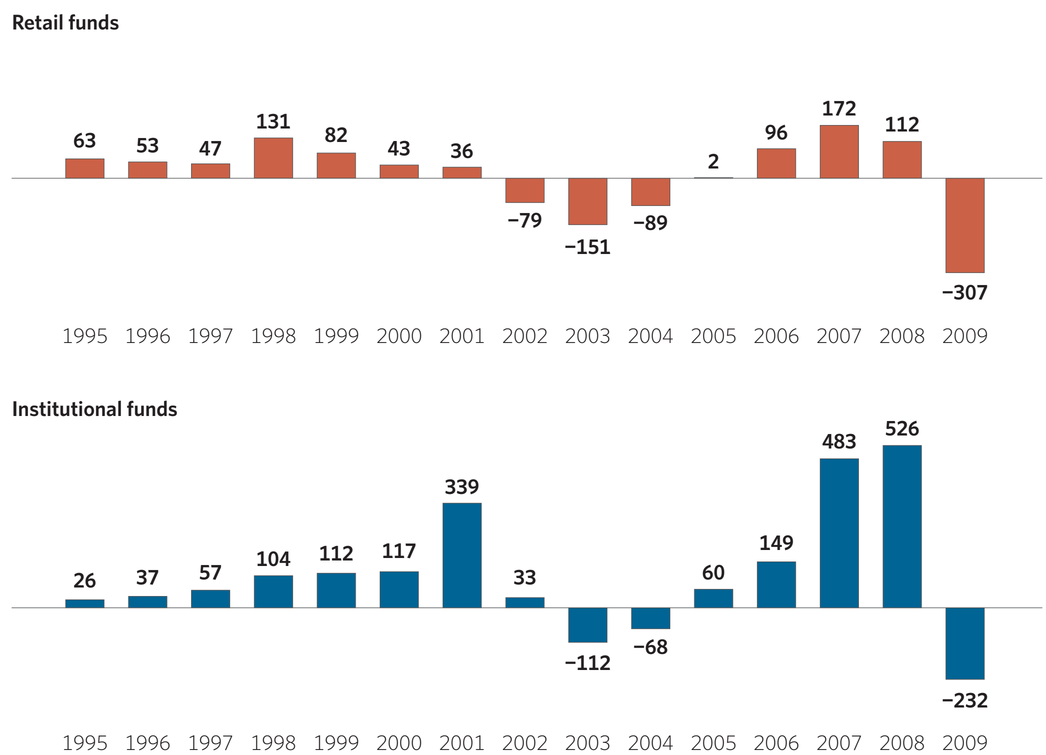
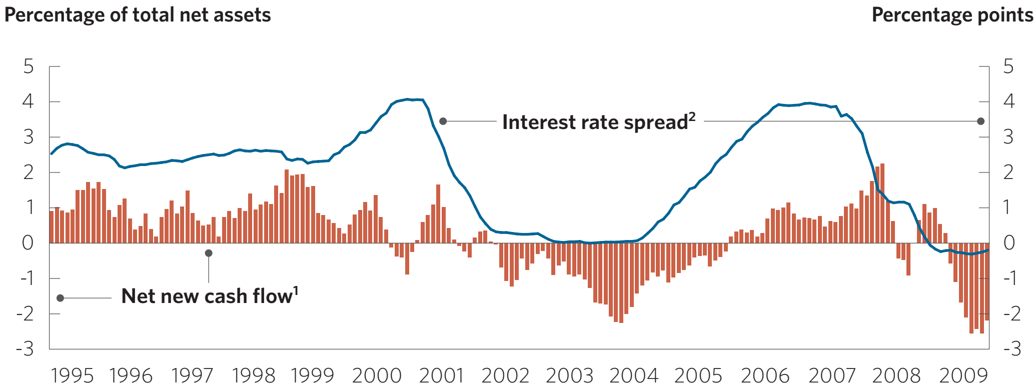


FIGURE 2.13

Net Flows to Taxable Retail Money Market Funds Related to Interest Rate Spread

1995–2009



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

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

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

Institutional Money Market Funds

Institutional money market funds—used by businesses, pension funds, state and local governments, and other large-account investors—had outflows of $232 billion in 2009, following inflows of $1 trillion during the previous two years (Figure 2.12). Outflows from institutional money market funds likely reflected the low interest rate environment and the start of an unwinding of the flight to quality by these investors in 2007 and 2008.

The tumult in financial markets around the world that started in August 2007 and continued through early 2009 led many institutional investors to seek out the liquidity and safety of money market funds that invest primarily in U.S. government securities. These funds, which can invest in U.S. Treasury debt solely or a combination of U.S. Treasury debt and obligations of U.S. government agencies, received $602 billion in net new cash flow in 2008 on top of $281 billion in 2007 (Figure 2.14). In 2009, as various government facilities provided much needed liquidity to short-term credit markets and financial markets stabilized, institutional investors likely were optimistic that the firestorm had passed. They began shifting away from U.S. government money market funds, which had outflows of $312 billion, and toward non-government (prime) money market funds, which had inflows of $107 billion. Nevertheless, U.S. government money market funds comprised over 40 percent of institutional taxable money market assets at year-end 2009, up from only 24 percent at year-end 2006, prior to the start of the financial crisis.

FIGURE 2.14

Total Net Assets and Net Flows to U.S. Government and Non-Government Taxable Institutional Money Market Funds

Billions of dollars, 1999–2009

	U.S. government		Non-government	
	Total net assets *Year-end*	Net new cash flow *Annual*	Total net assets *Year-end*	Net new cash flow *Annual*
1999	$201	$9	$404	$102
2000	219	15	513	94
2001	295	73	790	254
2002	299	−1	820	19
2003	270	−32	735	−95
2004	254	−20	678	−64
2005	274	17	748	34
2006	287	10	904	131
2007	576	281	1,109	169
2008	1,204	602	1,079	−76
2009	897	−312	1,187	107

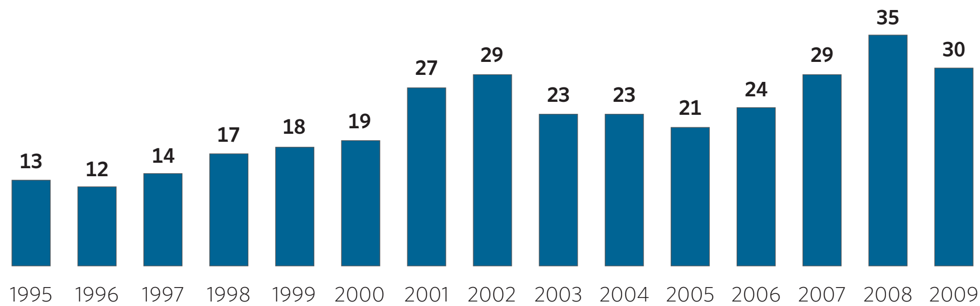
U.S. nonfinancial businesses reduced their holdings of money market funds in 2009. During the financial crisis, corporate treasurers made extensive use of institutional money market funds; at year-end 2008, 35 percent of their short-term assets were in money market funds (Figure 2.15). By year-end 2009, nonfinancial businesses held 30 percent of their short-term assets in money market funds, although this ratio was still above the 24 percent recorded at year-end 2006, prior to the start of the financial crisis.

For more complete data on money market funds, see section 4 in the data tables on pages 160–166.

FIGURE 2.15

Money Market Funds Managed 30 Percent of U.S. Businesses' Short-Term Assets* in 2009

Percent, year-end, 1995–2009



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

Sources: Investment Company Institute and Federal Reserve Board

For More Information

- » Frequently Asked Questions About Bond Mutual Funds
- » Frequently Asked Questions About Money Market Funds

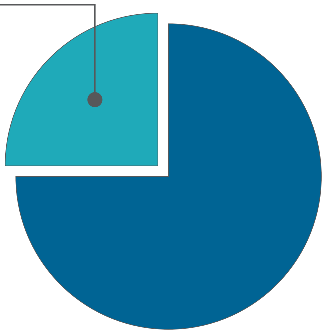
Available at www.ici.org.

One quarter of ETF assets were concentrated in

large cap domestic stocks in 2009

25%

of ETF assets in large cap stocks



Chapter Three

Exchange-Traded Funds

Over the past decade, demand for ETFs has grown markedly as investors—both institutional and retail—increasingly turn to them as investment options in their portfolios. With the increase in demand, sponsors have offered more ETFs with a greater variety of investment objectives. While ETFs share some basic characteristics with mutual funds, there remain key operational and structural differences between the two types of investment products.

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

What Is an ETF?

An ETF is 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.

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

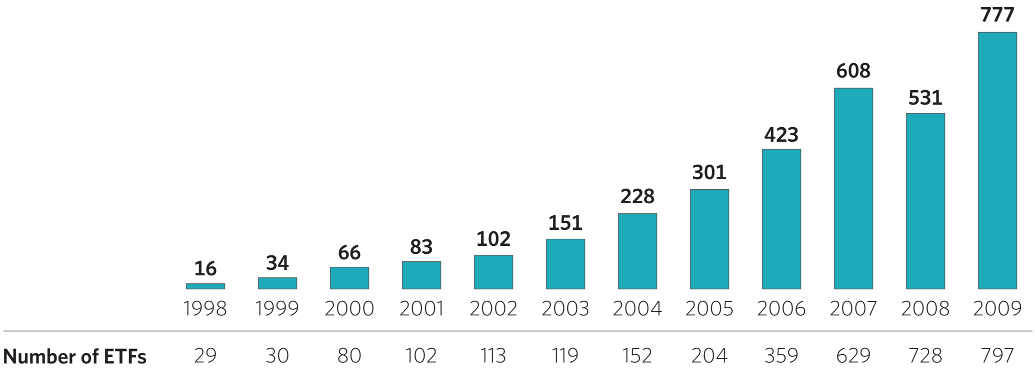
In early 2008, the SEC first granted exemptive relief to several fund sponsors to offer fully transparent actively managed ETFs that meet certain requirements. These actively managed ETFs must disclose each business day on their publicly available websites the identities and weightings of the component securities and other assets held by the ETF. Actively managed ETFs do not seek to track the return of a particular index. Instead, an actively managed ETF's investment adviser, like that of an actively managed mutual fund, creates a unique mix of investments to meet a particular investment objective and policy.

By the end of 2009, the total number of index-based and actively managed ETFs had grown to 797, and total net assets were $777 billion (Figure 3.1). Of these, 22 were actively managed ETFs with about $1.0 billion in total net assets.

FIGURE 3.1

Total Net Assets and Number of ETFs*

Billions of dollars, year-end, 1998–2009



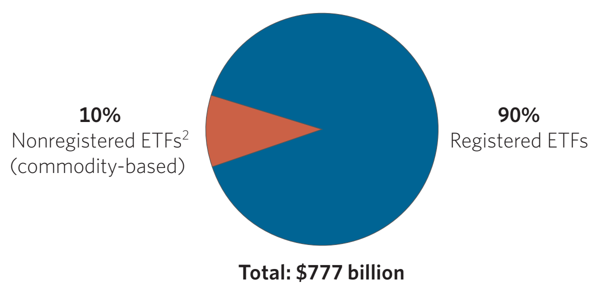
**ETF data prior to 2001 were provided by Strategic Insight Simfund; ETF data include ETFs not registered under the Investment Company Act of 1940; ETF data exclude ETFs that invest primarily in other ETFs.*
Sources: Investment Company Institute and Strategic Insight Simfund

The vast majority of assets in ETFs are in funds registered with the SEC under the Investment Company Act of 1940 (Figure 3.2). About 10 percent of assets, which are commodity-based, are held in ETFs not registered with or regulated by the SEC under the Investment Company Act of 1940. Those commodity-based ETFs that invest in commodity futures are regulated by the Commodity Futures Trading Commission (CFTC), while those that invest solely in physical commodities are regulated by the SEC under the Securities Act of 1933.

FIGURE 3.2

Legal Structure of ETFs[1]

Percentage of total net assets, year-end 2009



[1]ETF data exclude ETFs that invest primarily in other ETFs.
[2]The funds in this category are not registered under the Investment Company Act of 1940.

Creation of an ETF

An ETF originates with a sponsor, who chooses the investment objective of the ETF. In the case of an index-based ETF, the sponsor chooses both an index and a method of tracking its target index. Index-based ETFs track their target index in one of two ways. A replicate index-based ETF holds every security in the target index and invests its assets proportionately in all the securities in the target index. A sample index-based ETF does not hold every security in the target index; instead the sponsor chooses a representative sample of securities in the target index in which to invest. Representative sampling is a practical solution for an ETF that has a target index with thousands of securities in it.

The sponsor of an actively managed ETF also determines the investment objective of the fund and may trade securities at its discretion, much like an actively managed mutual fund. In theory, an actively managed ETF could trade its portfolio securities regularly. In practice, however, most existing actively managed ETFs tend to trade only weekly or monthly for a number of reasons, including minimizing the risk of other market participants front-running their trades (submitting trades in advance of the ETF to take advantage of any predictable changes in security prices).

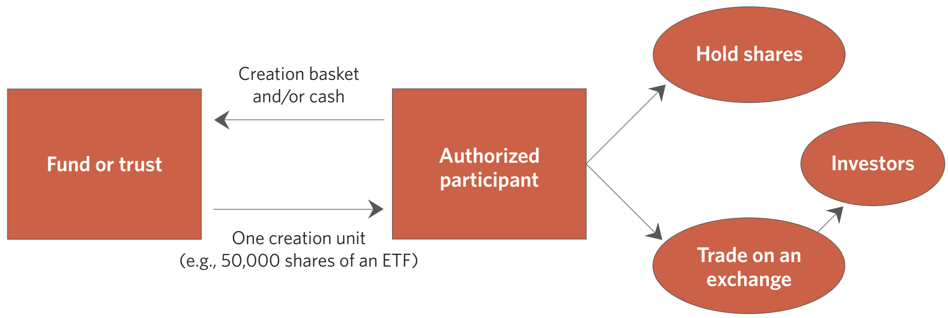
ETFs are required to publish information about their portfolio holdings daily. Each business day, the ETF publishes a "creation basket," a specific list of names and quantities of securities and/or other assets designed to track the performance of the portfolio as a whole. In the case of an index-based ETF, the creation basket is either a replicate or a sample of the ETF's portfolio. Actively managed ETFs and certain types of index-based ETFs are required to publish their complete portfolio holdings in addition to their creation basket.

ETF shares are created when an "authorized participant"—typically a large institutional investor, such as a market maker or specialist—deposits the daily creation basket and/or cash with the ETF (Figure 3.3). The ETF may require or permit an authorized participant to substitute cash for some or all of the securities or assets in the creation basket. For instance, if a security in the creation basket is difficult to obtain or may not be held by certain types of investors (as is the case with certain foreign securities), the ETF may allow the authorized participant to pay that security's portion of the basket in cash. An authorized participant may also be charged a transaction fee to offset any transaction expenses the fund undertakes. In return for the creation basket and/or cash, the ETF issues to the authorized participant a "creation unit" that consists of a specified number of ETF shares. Creation units are large blocks of shares that generally range in size from 25,000 to 200,000 shares. The authorized participant can either keep the ETF shares that make up the creation unit or sell all or part of them on an exchange. ETF shares are listed on a number of exchanges where investors can purchase them as they would shares of a publicly traded company.

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

FIGURE 3.3

Creation of an ETF



ETFs and Mutual Funds

An ETF is similar to a mutual fund in that it offers investors a proportionate share in a pool of stocks, bonds, and other assets. It is most commonly structured as an open-end investment company and is governed by the same regulations as mutual funds. Also, like a mutual fund, an ETF is required to post the marked-to-market net asset value (NAV) of its portfolio at the end of each trading day. Despite these similarities, key features differentiate ETFs from mutual funds.

Key Differences

One major difference is that retail investors buy and sell ETF shares on a stock exchange through a broker-dealer, much like they would any other type of stock. In contrast, mutual fund shares are not listed on stock exchanges. Rather, retail investors buy and sell mutual fund shares through a variety of distribution channels, including through a financial adviser, broker-dealer, or directly from a fund company.

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

How ETFs Trade

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

ETFs contract with third parties (typically market data vendors) to calculate a real-time estimate of an ETF's current value, often called the Intraday Indicative Value (IIV), using the portfolio information an ETF publishes daily. IIVs are disseminated at regular intervals during the trading day (typically every 15 to 60 seconds). Investors can observe any discrepancies between the ETF's share price and its IIV during the trading day. When a gap exists between the ETF share price and its IIV, authorized participants may decide to trade in either the ETF share or the underlying securities that the ETF holds in its portfolio in order to attempt to capture a profit. This trading can help narrow that gap either by moving the price of the ETF share closer to its IIV or moving the prices of the underlying securities so that the IIV moves closer to the price of the ETF share.

The ability of authorized participants to create or redeem ETF shares at NAV at the end of each trading day also helps an ETF trade at market prices that approximate the underlying market value of the portfolio. When a deviation between an ETF's market price and its NAV occurs, authorized participants may buy or sell creation units at NAV to capture a profit. For example, when an ETF's share price is above its NAV, authorized participants may find it profitable to deliver the creation basket of securities to the ETF in exchange for ETF shares that they may sell. When an ETF's share price is below its NAV, authorized participants may find it profitable to return ETF shares to the fund in exchange for the ETF's redemption basket of securities that they may sell. These actions by authorized participants help keep the market-determined price of an ETF's shares close to its NAV.

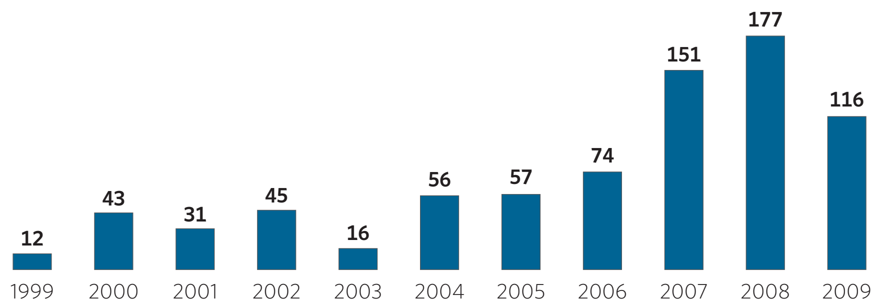
Demand for ETFs

In the past decade, demand for ETFs has accelerated as institutional investors have found ETFs a convenient vehicle for participating in, or hedging against, broad movements in the stock market. Retail investors and their financial advisers also have become increasingly aware of these investment vehicles. Assets in ETFs accounted for 6 percent of total net assets managed by investment companies at year-end 2009. Net issuance of ETF shares remained strong in 2009 at $116 billion, though down from the record $177 billion in 2008 (Figure 3.4).

FIGURE 3.4

Net Issuance of ETF Shares*

Billions of dollars, 1999–2009



**ETF data prior to 2001 were provided by Strategic Insight Simfund; ETF data include ETFs not registered under the Investment Company Act of 1940; ETF data exclude ETFs that invest primarily in other ETFs.*

Sources: Investment Company Institute and Strategic Insight Simfund

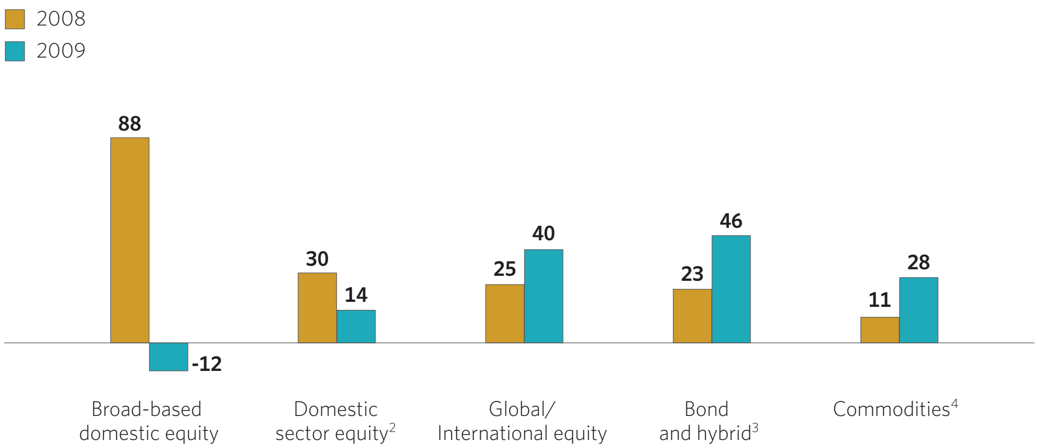
In 2009, investor demand for bond and commodity ETFs increased, while demand for broad-based domestic equity ETFs waned (Figure 3.5). Bond and commodity ETFs had record net issuance of $46 billion and $28 billion, respectively. Domestic sector equity ETFs had net issuance of $14 billion in 2009. In contrast, broad-based domestic equity ETFs saw net redemptions of $12 billion, after net issuance of $88 billion in 2008. This was the first time these ETFs have experienced net redemptions on an annual basis. As of year-end 2009, large cap domestic equity ETFs accounted for 25 percent, or $191 billion, of all ETF assets, down from 35 percent in 2008—largely as a result of this shift in investor demand (Figure 3.6).

As demand for ETFs has grown, ETF sponsors have offered more funds with a greater variety of investment objectives. In the mid-1990s, ETF sponsors introduced funds that invested in foreign stock markets. Investor demand for these ETFs increased significantly beginning in 2004, and net issuance reached a record $49 billion in 2007. While net issuance of global/international ETFs slowed in 2008, investor interest—particularly in emerging market ETFs—picked up in 2009, with total net issuance amounting to $40 billion (Figure 3.5). Emerging markets ETFs had $29 billion in net issuance and total net assets grew to $109 billion, or 14 percent, of all ETF assets, making this the second largest category of ETFs (Figure 3.6).

FIGURE 3.5

Net Issuance of ETF Shares[1] by Investment Classification

Billions of dollars, 2008–2009

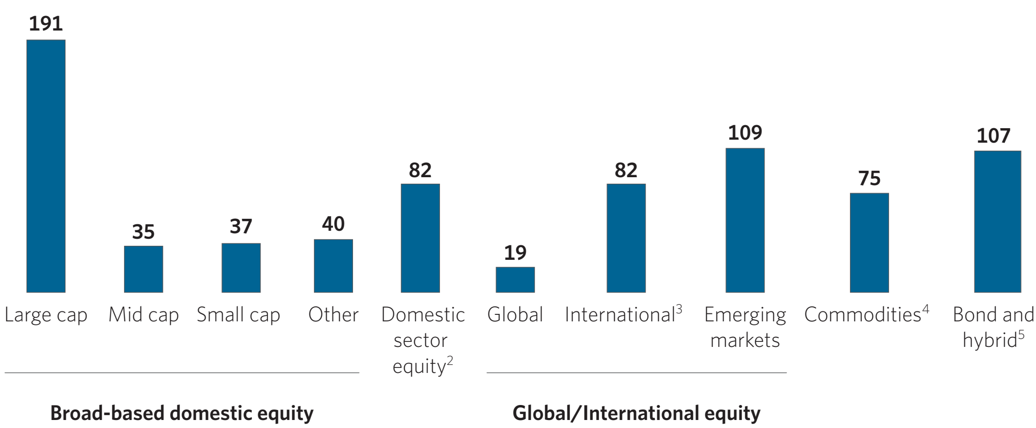


[1]Data for ETFs that invest primarily in other ETFs are excluded from the total.
[2]This category includes funds both registered and not registered under the Investment Company Act of 1940.
[3]Bond ETFs represented 99.97 percent of bond and hybrid flows in 2009.
[4]The funds in this category are not registered under the Investment Company Act of 1940.

FIGURE 3.6

Total Net Assets of ETFs[1] Concentrated in Large Cap Domestic Stocks

Billions of dollars, year-end 2009



[1]ETF data exclude ETFs that primarily invest in other ETFs.
[2]This category includes funds both registered and not registered under the Investment Company Act of 1940.
[3]This category includes international, regional, and single country ETFs.
[4]The funds in this category are not registered under the Investment Company Act of 1940.
[5]Bond ETFs represented 99.84 percent of bond and hybrid assets.

More recently, sponsors have introduced ETFs that invest in particular market sectors, industries, or commodities. At year-end 2009, there were 228 sector and commodity ETFs with $157 billion in assets. While commodity ETFs made up 21 percent of the number of sector and commodity ETFs (Figure 3.7), they accounted for 48 percent of total net assets (Figure 3.8). Since their introduction in 2004, these nonregistered ETFs have grown from just over $1 billion to $75 billion by the end of 2009, with total net assets more than doubling in the last year. The increase in assets was driven primarily by record-level net issuance totaling $28 billion in 2009. Approximately two-thirds of commodity ETF assets tracked the price of gold and silver through the spot and futures markets in 2009.

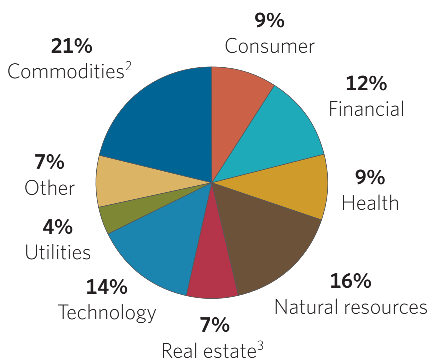
In 2009, ETF sponsors continued building on recent innovations by launching actively managed ETFs and ETFs that are structured as funds of funds, both of which were first introduced in 2008. Nine actively managed ETFs—including one nonregistered, commodity-based ETF—were launched, bringing the total number of actively managed ETFs to 22 with about $1 billion in assets. ETF funds of funds are ETFs that hold and invest primarily in shares of other ETFs. At year-end 2009, these had grown to 23 ETF funds of funds with $824 million in assets.

Increased investor demand for ETFs led to a rapid increase in the number of ETFs created by fund sponsors in the past decade (Figure 3.9). Over the period of 2000 to 2009, there were 878 ETFs created with the majority being offered in the past four years. Few ETFs had been liquidated until 2008 and 2009 when market pressures appeared to come into play and sponsors began liquidating ETFs that had failed to gather sufficient assets. Liquidations have tended to occur among ETFs tracking virtually identical indexes, those focusing on specialty or niche indexes, or those using alternative weighting methodologies. Despite the more rapid pace of liquidations in the past two years, the number of ETFs increased, on net, by 168 to 797 at year-end 2009.

FIGURE 3.7

Number of Commodity and Sector ETFs[1]

Percent, year-end 2009



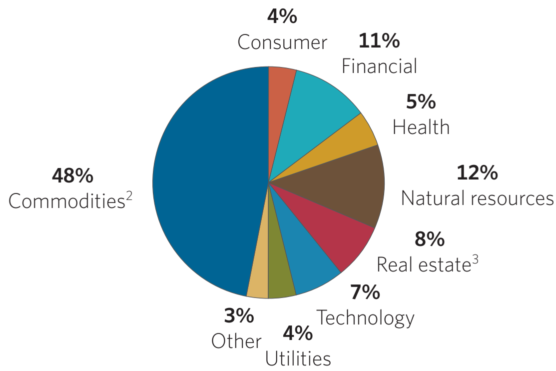
Total: 228

[1]ETF data exclude ETFs that invest primarily in other ETFs.
[2]The funds in this category are not registered under the Investment Company Act of 1940.
[3]This category includes funds both registered and not registered under the Investment Company Act of 1940.
Note: Components do not add to 100 percent because of rounding.

FIGURE 3.8

Total Net Assets of Commodity and Sector ETFs[1]

Percent, year-end 2009



[1] *ETF data exclude ETFs that invest primarily in other ETFs.*
[2] *The funds in this category are not registered under the Investment Company Act of 1940.*
[3] *This category includes funds both registered and not registered under the Investment Company Act of 1940.*
Note: Components do not add to 100 percent because of rounding.

FIGURE 3.9

Number of ETFs[1]

2000–2009

	Created	Liquidated	Total at year-end
2000	50	0	80
2001	22	0	102
2002	14	3	113
2003	10	4	119
2004	35	2	152
2005	52	0	204
2006	156	1	359
2007	270	0	629
2008	149	50	728
2009	120	49	797[2]

[1] *ETF data include ETFs not registered under the Investment Company Act of 1940; ETF data exclude ETFs that invest primarily in other ETFs.*
[2] *In 2009, two ETFs converted from holding securities directly to primarily investing in other ETFs.*

Characteristics of Retail ETF Owners

An estimated 3 million U.S. households held ETFs in 2009. Of households that owned mutual funds, an estimated 5 percent also owned ETFs. ETF-owning households tended to include affluent, experienced investors who owned a range of equity and fixed-income investments. In 2009, 94 percent of ETF-owning households also owned stocks, either directly or through stock mutual funds or variable annuities (Figure 3.10). Sixty-six percent of households that owned ETFs also held bonds, bond mutual funds, or fixed annuities. In addition, 48 percent of ETF-owning households owned investment real estate.

Some characteristics of retail ETF owners are similar to those of retail stock owners because ETFs trade on exchanges like stocks and a large number of households that owned ETFs also owned stock. For instance, households that owned ETFs—like stock-owning households—tended to be headed by college-educated individuals and had household incomes above the national average (Figure 3.11). However, ETF-owning households also exhibit some characteristics that distinguish them from stock-owning households. For example, ETF-owning households tended to have higher incomes, greater household financial assets, and a higher propensity to own IRAs than retail stock investors.

FIGURE 3.10

Retail ETF Investors Owned a Broad Range of Investments

Percentage of ETF-owning households holding each type of investment, May 2009*

Stock mutual funds, stocks, or variable annuities (total)	**94**
Bond mutual funds, bonds, or fixed annuities (total)	**66**
Mutual funds (total)	**82**
Stock mutual funds	77
Bond mutual funds	53
Hybrid mutual funds	36
Money market funds	61
Stocks	**84**
Bonds	**27**
Fixed or variable annuities	**29**
Investment real estate	**48**

**Multiple responses are included.*

FIGURE 3.11

Characteristics of ETF-Owning Households

May 2009

	All U.S. households	Households owning ETFs	Households owning individual stocks
Median			
Age of head of household	49	51	50
Household income[1]	$50,000	$120,000	$86,500
Household financial assets[2]	$64,000	$350,000	$200,000
Percentage of households			
Household primary or co-decisionmaker for saving and investing:			
Married or living with a partner	63	79	77
Widowed	10	5	7
Four-year college degree or more	30	65	49
Employed (full- or part-time)	60	74	69
Retired from lifetime occupation	27	27	26
Household owns:			
IRA(s)	39	76	62
DC retirement plan account(s)	51	69	71

[1] *Total reported is household income before taxes in 2008.*
[2] *Household financial assets include assets in employer-sponsored retirement plans but exclude the household's primary residence.*

For More Information

» Frequently Asked Questions About Exchange-Traded Funds

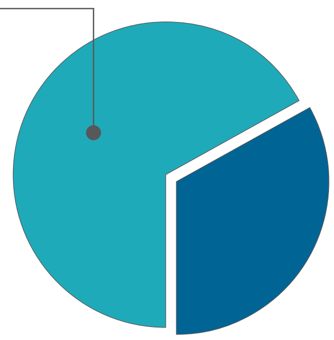
Available at www.ici.org.

Two-thirds of closed-end funds were

bond funds in 2009

67%

of closed-end funds were bond funds



Chapter Four

Closed-End Funds

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

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

What Is a Closed-End Fund?

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

Closed-end funds offer a fixed number of shares to investors during an initial public offering. Closed-end funds also may make subsequent public offerings of shares in order to raise additional capital. Once issued, the shares of a closed-end fund are not typically purchased or redeemed directly by the fund. Rather, they are bought and sold by investors in the open market.

Because a closed-end fund does not need to maintain cash reserves or sell securities to meet redemptions, the fund has the flexibility to invest in less liquid portfolio securities. For example, a closed-end fund may invest in securities of very small companies, municipal bonds that are not widely traded, or securities traded in countries that do not have fully developed securities markets. Closed-end funds also have flexibility to borrow against their assets, allowing them to use leverage as part of their investment strategy.

Assets in Closed-End Funds

Total closed-end fund portfolio assets increased to $228 billion at year-end 2009, up 21 percent from year-end 2008 but still below the $313 billion in assets at year-end 2007 (Figure 4.1). Closed-end fund assets have increased by $85 billion, on net, since year-end 2000.

Historically, bond funds have accounted for a large share of assets in closed-end funds. In 2000, 74 percent of all closed-end fund assets were held in bond funds, while the remainder were held in equity funds. At year-end 2009, assets in bond closed-end funds were $136 billion, or 59 percent of closed-end fund assets (Figure 4.2). Equity closed-end funds totaled $93 billion, or 41 percent of closed-end fund assets. These relative shares have shifted a bit over time, in part because issuance by equity closed-end funds exceeded that of bond closed-end funds for every year from 2004 through 2008.

FIGURE 4.1

Closed-End Fund Total Net Assets Increased to $228 Billion

Billions of dollars, year-end, 2000–2009

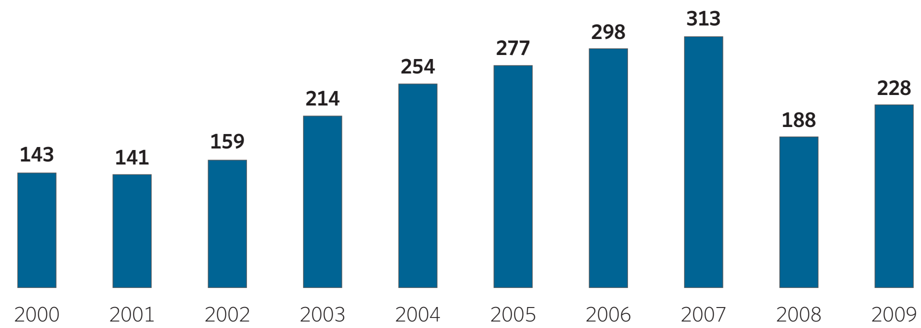
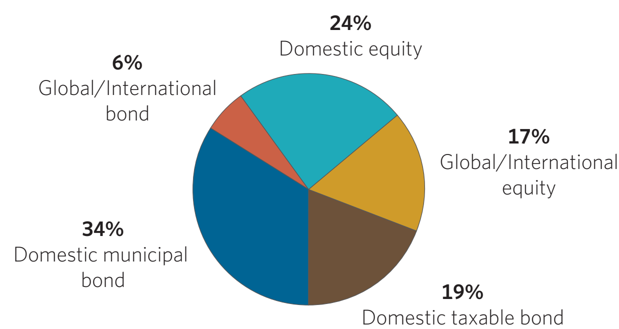


FIGURE 4.2

Bond Funds Were Largest Segment of Closed-End Fund Market

Percentage of closed-end fund total net assets, year-end 2009



Total closed-end fund assets: $228 billion

Proceeds from issuance of closed-end funds totaled $3.9 billion in 2009 (Figure 4.3). Issuance of closed-end bond funds totaled $2.2 billion, of which $1.9 billion—or about half of total issuance—was domestic bond funds. The remaining $1.7 billion in proceeds was from issuance of closed-end equity funds. In contrast to bond funds, equity fund issuance was primarily global and international equity closed-end funds, which accounted for 71 percent of equity closed-end fund proceeds.

For more complete data on closed-end funds, see section 2 in the data tables on pages 134–139.

FIGURE 4.3

Closed-End Fund Share Issuance

Proceeds from the issuance of initial and additional public offerings of closed-end fund shares, millions of dollars, 2002–2009*

		Equity		Bond	
	Total	Domestic	Global/ International	Domestic	Global/ International
2002	$24,911	$9,191	$18	$15,701	$0
2003	40,963	11,187	161	28,582	1,032
2004	27,867	15,424	5,801	5,613	1,028
2005	21,266	12,559	6,628	1,955	124
2006	12,333	7,692	2,583	1,724	334
2007	31,193	5,973	19,871	2,654	2,695
2008	330	8	200	121	0
2009	3,900	476	1,176	1,931	317

**Data are not available for years prior to 2002.*
Note: Components may not add to the total because of rounding.

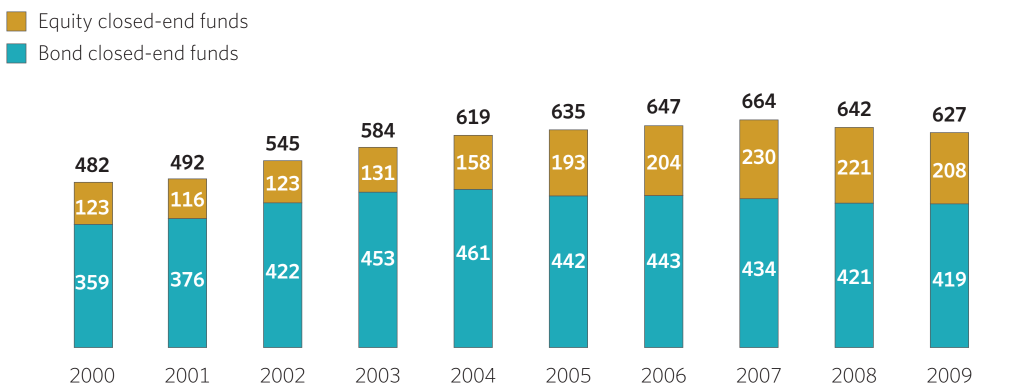
Number of Closed-End Funds

The number of closed-end funds available to investors has increased over the past nine years. At the end of 2009, there were 627 closed-end funds, up from 482 at the end of 2000, but still down from 664 at the end of 2007 (Figure 4.4). The increase in the number of equity funds accounted for 59 percent of the increase in the total number of closed-end funds during this nine-year period. Equity funds now make up 33 percent of the total number of closed-end funds, compared with 26 percent at year-end 2000. Bond funds, however, are still the most common type of closed-end fund. For example, municipal bond funds represented 41 percent of all closed-end funds in 2009.

FIGURE 4.4

Number of Closed-End Funds

Year-end, 2000–2009



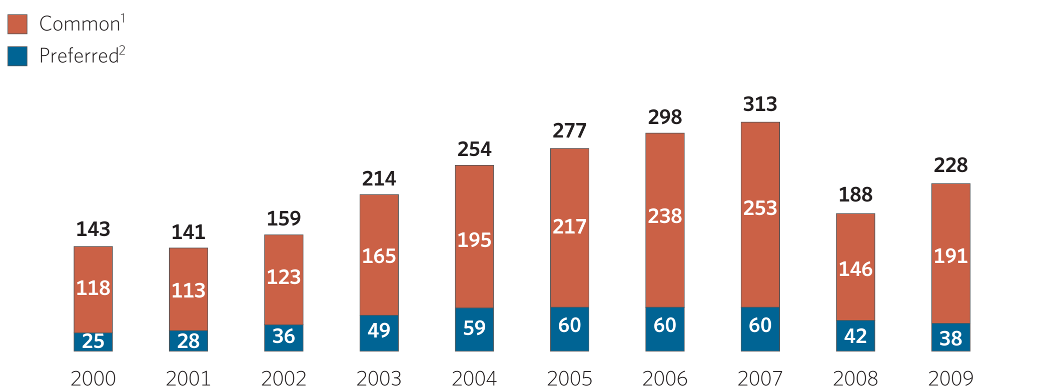
Closed-End Fund Preferred Shares

Closed-end funds are permitted to issue one class of preferred shares in addition to common shares. Preferred shares differ from common shares in that preferred shareholders are paid dividends but do not share in the gains and losses of the fund. Issuing preferred shares allows a closed-end fund to raise additional capital, which it can use to purchase more securities for its portfolio. This strategy, known as leveraging, is intended to allow the fund to produce higher returns for its common shareholders. At year-end 2009, 17 percent of the $228 billion in closed-end fund assets were preferred shares (Figure 4.5).

FIGURE 4.5

Bulk of Closed-End Fund Total Net Assets in Common Share Classes

Billions of dollars, year-end, 2000–2009



[1] All closed-end funds issue common stock, which is also known as common shares.

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

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

Closed-End Fund Auction Market Preferred Stock

Auction market preferred stock (AMPS) is a type of preferred share that pays dividends at rates set through auctions run by an independent auction agent. Typically, shares trade hands and dividend rates are reset through auctions that are held every seven or 28 days. Investors submit bids and sell orders through a broker-dealer, who, in turn, submits them to an auction agent. Bids are filled to the extent shares are available, and sell orders are filled to the extent there are bids. All filled bids receive dividends at the new set dividend, or market clearing, rate.

Since mid-February 2008, all auctions for closed-end fund AMPS have failed. The failed auctions have not been caused by defaults under the terms of the AMPS or credit quality concerns with fund investments, but rather simply because there were more shares offered for sale in the auction than there were bids to buy shares. Prior to the failures, if more shares were tendered for sale than purchased, broker-dealers typically would enter the auction and purchase any excess shares to prevent the auction from failing. However, broker-dealers are not, and never have been, legally required to bid for their own accounts in an auction.

As a result of a series of pressures on their balance sheets, broker-dealers stopped participating in the auctions. After a few auctions failed, all subsequent auctions for closed-end fund preferred stock failed. Preferred shareholders appeared to become concerned about the liquidity of their AMPS, and many sought to sell their shares. This move by preferred shareholders increased the imbalance between supply and demand, making it difficult for the auction market to resume functioning.

Munifund Term Preferred Shares and Puttable Preferred Stock

In light of these events, closed-end funds have taken a number of steps to replace their AMPS with alternative forms of leverage. They have, among other things, obtained bank loans and lines of credit, issued tender option bonds, engaged in reverse repurchase agreements, and issued extendable notes to replace AMPS while maintaining leverage. In addition, a number of municipal bond closed-end funds have issued munifund term preferred shares or announced their intention to do so beginning in October 2009. These shares are designed to help refinance and redeem auction market preferred stock and to maintain a fund's leveraged capital structure. Munifund term preferred shares are exchange-listed closed-end fund preferred shares that have a fixed dividend rate set at the time of issuance. Munifund term preferred shares have a mandatory redemption period (typically five years) unless they are redeemed or repurchased earlier. Unlike fixed rate preferred stock previously issued, munifund term preferred shares were created for issuance by closed-end funds investing in municipal bonds.

Further, the closed-end fund industry is trying to issue a new type of preferred stock known as puttable preferred stock. Industry participants are developing puttable preferred stock to permit redemption of AMPS while maintaining leverage for the benefit of common shareholders. Puttable preferred stock is similar to AMPS in that it is expected to pay dividends at variable rates, and sell orders will be filled to the extent there are bids. Unlike AMPS, however, rates will be set through remarketings run by one or more financial institutions acting as remarketing agents (rather than through auctions); and if there are more sell orders than bids, a third party, commonly referred to as a liquidity provider, will be contractually obligated to unconditionally purchase all puttable preferred stock.

This new type of preferred stock alternatively has been referred to as Liquidity Protected Preferred (LPP), Variable Rate Demand Preferred (VRDP), or Liquidity Enhanced Adjustable Rate Securities (LEARS). These instruments are similar but not identical to each other. It remains to be seen how the market for the new puttable preferred stock will develop.

Characteristics of Closed-End Fund Investors

An estimated 2 million U.S. households held closed-end funds in 2009. These households tended to include affluent, experienced investors who owned a range of equity and fixed-income investments. In 2009, 92 percent of closed-end fund–owning households also owned stocks, either directly or through stock mutual funds or variable annuities (Figure 4.6).

Seventy-four percent of households that owned closed-end funds also held bonds, bond mutual funds, or fixed annuities. In addition, 54 percent of these households owned investment real estate. Because a large number of households that owned closed-end funds also owned stocks and mutual funds, the characteristics of closed-end fund owners were similar in many respects to those of stock and mutual fund owners. For instance, households that owned closed-end funds—like stock- and mutual fund–owning households—tended to be headed by college-educated individuals and had household incomes above the national average (Figure 4.7).

Nonetheless, households that owned closed-end funds exhibit certain characteristics that distinguish them from stock- and mutual fund–owning households. For example, households with closed-end funds tended to have much greater household financial assets than either stock or mutual fund investors. Closed-end fund investors were also more likely to be retired from their lifetime occupations than either stock or mutual fund investors.

FIGURE 4.6

Closed-End Fund Investors Owned a Broad Range of Investments

Percentage of closed-end fund–owning households holding each type of investment, May 2009*

Stock mutual funds, stocks, or variable annuities (total)	**92**
Bond mutual funds, bonds, or fixed annuities (total)	**74**
Mutual funds (total)	**86**
Stock mutual funds	75
Bond mutual funds	60
Hybrid mutual funds	44
Money market funds	64
Stocks	**82**
Bonds	**36**
Fixed or variable annuities	**37**
Investment real estate	**54**

**Multiple responses are included.*

FIGURE 4.7

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

May 2009

	All U.S. households	Households owning closed-end funds	Households owning mutual funds	Households owning individual stocks
Median				
Age of head of household	49	60	50	50
Household income[1]	$50,000	$100,000	$80,000	$86,500
Household financial assets[2]	$64,000	$500,000	$150,000	$200,000
Percentage of households				
Household primary or co-decisionmaker for saving and investing:				
Married or living with a partner	63	72	76	77
Widowed	10	13	6	7
Four-year college degree or more	30	58	47	49
Employed (full- or part-time)	60	55	73	69
Retired from lifetime occupation	27	50	23	26
Household owns:				
IRA(s)	39	71	67	62
DC retirement plan account(s)	51	53	78	71

[1] *Total reported is household income before taxes in 2008.*
[2] *Household financial assets include assets in employer-sponsored retirement plans but exclude the household's primary residence.*

For More Information

- "The Closed-End Fund Market, 2008," *Investment Company Institute Fundamentals*
- Frequently Asked Questions About Closed-End Funds and Their Use of Leverage

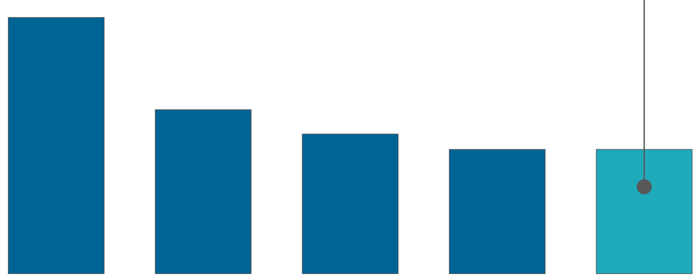
Available at www.ici.org.

Fees and expenses of stock funds

dropped by half since 1990

0.99%

average fees and expenses in 2009



Chapter Five

Mutual Fund Fees and Expenses

Mutual 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). 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. 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.

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

Trends in Mutual Fund Fees and Expenses

To understand trends in mutual fund fees and expenses, it is helpful to combine major fund fees and expenses into 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 is reported as an asset-weighted average, which gives more weight to those funds that have the most assets.

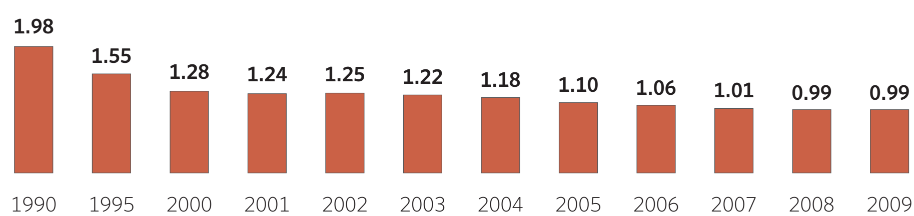
Mutual fund fees and expenses that investors pay have trended downward since 1990. In 1990, investors in stock funds, on average, paid fees and expenses of 1.98 percent of fund assets. By 2009, that figure had fallen by 50 percent to 0.99 percent (Figure 5.1). Fees and expenses paid on bond funds declined by 60 percent over the same time period.

FIGURE 5.1

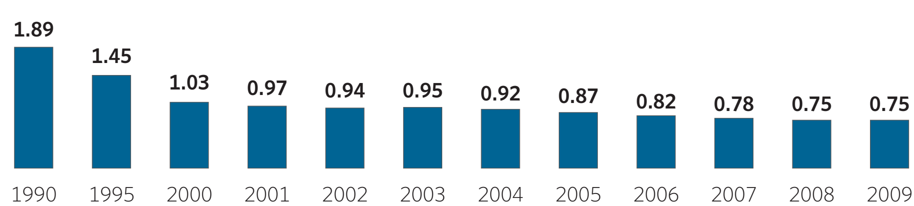
Fees and Expenses Incurred by Stock and Bond Mutual Fund Investors Have Declined by Half Since 1990

Percent, selected years

Stock funds[1, 2]



Bond funds[1]



[1] Figures exclude mutual funds available as investment choices in variable annuities and mutual funds that invest primarily in other mutual funds. Figure reports asset-weighted average of annual expense ratios and annualized loads for individual funds.
[2] Stock funds include equity and hybrid funds.
Sources: Investment Company Institute and Lipper

There are several reasons for the dramatic drop in the fees and expenses incurred by mutual fund investors. First, investors generally pay much less in sales loads than they did in 1990. For example, the maximum front-end load that an investor might pay for investing in an equity fund remained roughly unchanged between 1990 and 2009, hovering around 5 percent. However, the front-end loads that equity fund shareholders actually paid—sometimes referred to as the "effective load"—have fallen significantly, from 3.9 percent in 1990 to only 1.0 percent in 2009 (Figure 5.2). A key factor in the steep decline in loads paid has been the growth of mutual fund sales through employer-sponsored retirement plans. Load funds often waive loads for purchases of fund shares through such retirement plans.

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. Much of the increase in sales of no-load funds has occurred through the employer-sponsored retirement plan market. Sales of no-load funds have also expanded through mutual fund supermarkets, discount brokers, and full-service brokerage platforms that compensate financial advisers with asset-based fees.

FIGURE 5.2

Front-End Sales Loads That Investors Pay Were Well Below Maximum Front-End Sales Loads That Funds Charge[1]

Percentage of purchase amount, selected years

	Maximum front-end sales load[2]	Average front-end sales load that investors actually incurred[2]
1990	5.0	3.9
1995	4.7	2.5
2000	5.1	1.4
2001	5.1	1.2
2002	5.1	1.3
2003	5.2	1.3
2004	5.3	1.4
2005	5.3	1.3
2006	5.3	1.2
2007	5.3	1.2
2008	5.3	1.1
2009	5.3	1.0

[1]Figures exclude mutual funds available as investment choices in variable annuities and mutual funds that invest primarily in other mutual funds.
[2]The maximum front-end sales load is a simple average of the highest front-end sales load that funds may charge as set forth in their prospectuses. The average actually incurred is the maximum sales load multiplied by the ratio of total front-end sales loads collected by stock funds as a percentage of new sales of shares by such funds.
Sources: Investment Company Institute, Lipper, and Strategic Insight Simfund

Finally, mutual fund fees have been pushed down by economies of scale and competition within the mutual fund industry. The demand for mutual fund services has increased dramatically over the past several decades. For example, the number of households owning mutual funds has more than doubled since 1990, going from 23.4 million in 1990 to 50.4 million in 2009. Over the same time period, the number of shareholder accounts rose from 61.9 million to over 250 million. Ordinarily, such a sharp increase in the demand for fund services would have tended to limit decreases in fund expense ratios. This effect, however, was more than offset by the downward pressure on fund expense ratios from competition among existing fund sponsors, the entry of new fund sponsors into the industry, economies of scale resulting from the growth in fund assets, and shareholder demand for lower-cost funds.

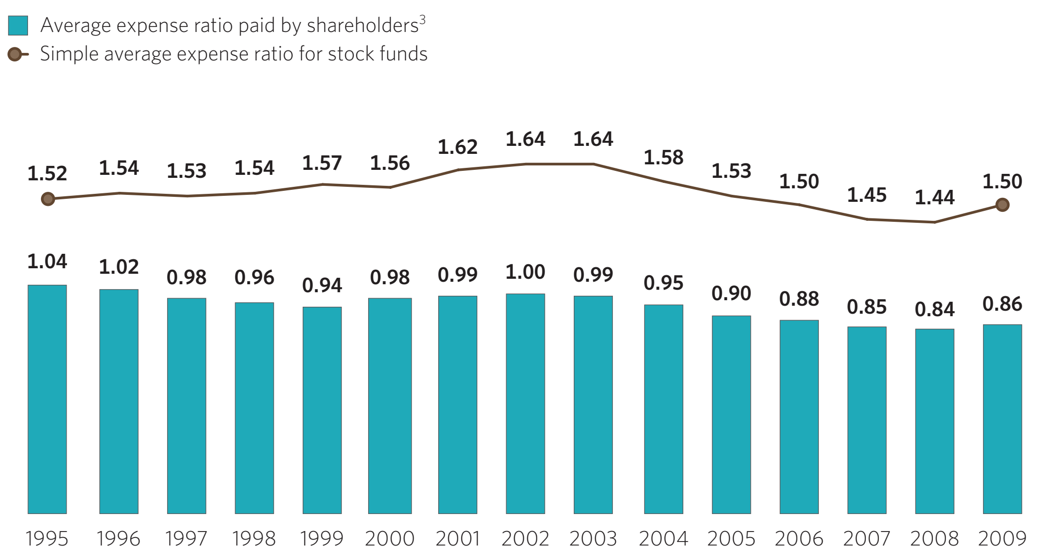
Shareholder Demand for Lower-Cost Funds

ICI research indicates that mutual fund shareholders invest predominantly in lower expense ratio funds. This can be seen by comparing the average expense ratio on mutual funds offered in the marketplace with the average expense ratio actually paid by mutual fund shareholders (Figure 5.3). The simple average expense ratio of stock funds (which measures the average expense ratio of all stock funds offered in the market) was 1.50 percent in 2009. The average expense ratio that stock fund shareholders actually paid (the asset-weighted average expense ratio across all stock funds) was considerably lower: just 0.86 percent of stock fund assets. Thus, investors actually paid expense ratios at the lower end of the range of funds available in the market.

FIGURE 5.3

Fund Shareholders Paid Lower-Than-Average Expenses in Stock Funds[1, 2]

Percent, 1995–2009



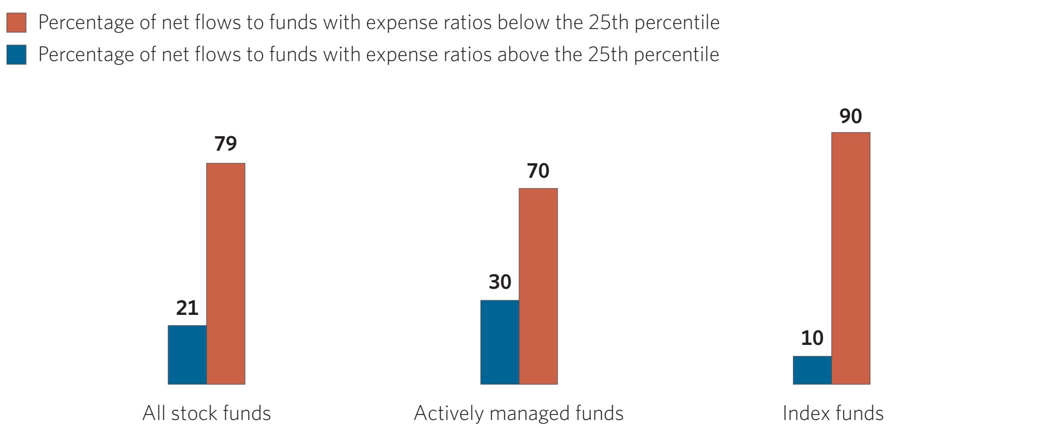
[1] *Figures exclude mutual funds available as investment choices in variable annuities and mutual funds that invest primarily in other mutual funds.*
[2] *Stock funds include equity and hybrid funds.*
[3] *Figure reports asset-weighted average of annual expense ratios for individual funds.*
Sources: Investment Company Institute and Lipper

Another way to illustrate that investors demand mutual funds with lower expense ratios is to identify how investors allocate their new purchases of mutual fund shares. During the 10-year period of 2000 to 2009, stock funds with expense ratios in the lowest quartile received 79 percent of the net new cash flow, while the remaining 75 percent of funds received only 21 percent of the net new cash (Figure 5.4). This pattern holds for actively managed funds, and is even more pronounced for index stock funds. Index stock funds with expense ratios in the lowest quartile garnered 90 percent of the net new cash flow over the past decade.

FIGURE 5.4

Least Costly Stock Funds Attracted Most of the Net New Cash[1, 2]

2000–2009



[1]Figures exclude mutual funds available as investment choices in variable annuities and mutual funds that invest primarily in other mutual funds.
[2]Stock funds include equity and hybrid funds.
Sources: Investment Company Institute and Lipper

Factors Influencing Mutual Fund Expenses

As is true of the prices of most goods and services, expense ratios differ considerably across the range of mutual funds (Figure 5.5). The level of fund fees depends on the fund investment objective, fund assets, balances in shareholder accounts, the number and kinds of services that a fund offers, and other factors.

Fund Investment Objective

Expenses vary by type of fund; for example, bond and money market funds tend to have lower expense ratios than equity funds. Among equity funds, expense ratios tend to be higher among funds that specialize in particular sectors—"sector" funds, such as healthcare or real estate—or those that invest in international stocks, which tend to be more costly to manage.

Even within a particular type of investment objective, there can be considerable variation in fund expense ratios. For example, 10 percent of aggressive growth equity funds have expense ratios of 0.91 percent or less, while 10 percent have expense ratios of 2.33 percent or more (Figure 5.5). Such variation reflects the fact that such funds are not all identical. Some aggressive growth funds may choose to focus more on small- or mid-cap stocks while others may focus more on large cap stocks. This can be significant because portfolios of small- and mid-cap stocks tend to be more costly to manage.

FIGURE 5.5

Expense Ratios for Selected Investment Objectives*

Percent, 2009

Investment objective	10th percentile	Median	90th percentile	Average *Asset-weighted*	Average *Simple*
Equity funds	**0.82**	**1.44**	**2.28**	**0.87**	**1.52**
Aggressive growth	0.91	1.49	2.33	1.03	1.58
Growth	0.78	1.33	2.16	0.91	1.43
Sector funds	0.92	1.62	2.50	0.98	1.70
Growth and income	0.52	1.21	2.00	0.56	1.25
Income equity	0.75	1.24	1.98	0.85	1.32
International equity	0.99	1.60	2.45	1.02	1.67
Hybrid funds	**0.63**	**1.20**	**2.00**	**0.84**	**1.28**
Bond funds	**0.52**	**0.96**	**1.73**	**0.65**	**1.08**
Taxable bond	0.50	0.99	1.80	0.65	1.09
Municipal bond	0.55	0.92	1.62	0.64	1.07
Money market funds	**0.22**	**0.50**	**0.91**	**0.34**	**0.54**

**Figures exclude mutual funds available as investment choices in variable annuities and mutual funds that invest primarily in other mutual funds.*
Sources: Investment Company Institute and Lipper

Fund and Average Fund Account Size

Other factors—such as fund size and average fund account size—also help explain differences in fund expense ratios. These two factors vary widely across the industry. In 2009, the median long-term mutual fund had assets of $318 million (Figure 5.6). Twenty-five percent of all long-term funds had assets of $83 million or less, while another 25 percent of long-term funds had assets greater than $1.1 billion. Average fund account balances show similar variation. In 2009, 50 percent of long-term funds had average account balances of $39,818 or less. Twenty-five percent of long-term funds had average account balances of $14,949 or less. At the other extreme, 25 percent of long-term funds had average account balances of more than $138,262.

All else equal, larger mutual funds tend to have lower-than-average expense ratios because of economies of scale. Funds with higher account balances also tend to have lower expense ratios than other funds. This reflects the fact that each account, regardless of its size, requires a relatively fixed level of service. For example, account statements must be mailed periodically to account holders. Funds that cater primarily to institutional investors—who typically invest large amounts of money—tend to have higher average account balances. Funds that primarily serve retail investors typically have lower average account balances.

FIGURE 5.6

Fund Sizes and Average Account Balances Varied Widely

Long-term funds, year-end 2009[1, 2]

	Fund assets *Millions of dollars*	Average account balances[3] *Dollars*
10th percentile	$23	$8,298
25th percentile	83	14,949
Median	318	39,818
75th percentile	1,104	138,262
90th percentile	3,783	1,141,941

[1] *Figures exclude mutual funds available as investment choices in variable annuities and mutual funds that invest primarily in other mutual funds.*
[2] *Long-term funds include equity, hybrid, and bond funds.*
[3] *Average account balance is calculated at the fund level as total fund assets divided by the total number of shareholder accounts, which includes a mix of individual and omnibus accounts.*

A Look at the Fees and Expenses of S&P 500 Index Mutual Funds

There are nearly 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.

For example, all S&P 500 funds share the goal of mirroring the return on the S&P 500 index, a well-known index of 500 large cap U.S. 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. Required minimum investments range widely for S&P 500 index funds, from $100 for some retail funds to more than $25 million among S&P 500 funds that cater to institutions. S&P 500 funds also differ in terms of certain fees that investors may pay out of pocket, such as account maintenance fees. Finally, some S&P 500 funds are sold through intermediaries (load funds), while others are not (no-load funds).

FIGURE 5.7

Investor Assets Were Concentrated in S&P 500 Index Mutual Funds with the Lowest Expense Ratios

Percentage of total net assets of S&P 500 index mutual funds, year-end 2009

**The total expense ratio, which is reported as a percentage of fund assets, includes fund operating expenses and 12b-1 fees.*
Note: Figures exclude mutual funds available as investment choices in variable annuities.
Sources: Investment Company Institute and Lipper

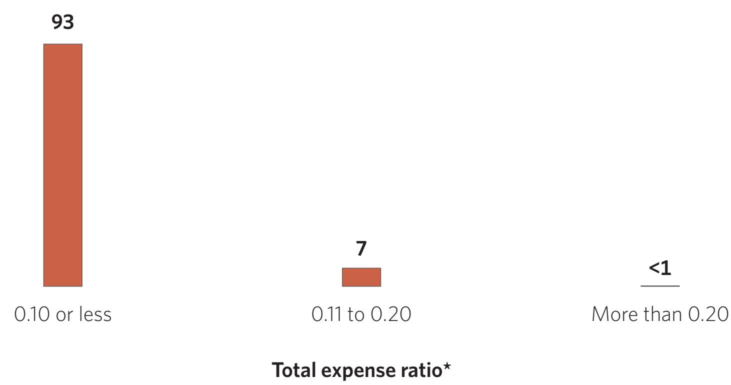
Because S&P 500 funds are not all identical, their expense ratios differ. Larger funds and funds with higher average account balances tend to have lower-than-average expense ratios because of economies of scale. Funds sold through intermediaries tend to have higher expense ratios than comparable no-load funds 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 2009, over half of the assets that investors held in S&P 500 funds were held in the least costly funds—those with expense ratios of 0.10 percent or less (Figure 5.7). Similarly, these lower-cost funds have garnered the bulk of investors' net new purchases of shares of S&P 500 index mutual funds. From 2000 to 2009, 93 percent of the total net new cash flow to S&P 500 funds went to those funds with expense ratios of 0.10 percent or less (Figure 5.8).

FIGURE 5.8

Investors' Net Purchases of S&P 500 Index Mutual Funds Were Concentrated in Least Costly Funds

Percentage of net new cash flow of S&P 500 index mutual funds, 2000–2009



**The total expense ratio, which is reported as a percentage of fund assets, includes fund operating expenses and 12b-1 fees.*
Note: Percentages do not add to 100 percent because of rounding. Figures exclude mutual funds available as investment choices in variable annuities.
Sources: Investment Company Institute and Lipper

Because larger funds typically have lower expense ratios, the expense ratios of individual funds often fall as those funds grow. This is illustrated in Figure 5.9, which tracks over time the expense ratios of domestic equity funds existing in 1990, along with the growth in their assets. Generally, the expense ratios of these funds declined as their total net assets rose, and vice versa. For example, from 1990 to 2009, the average expense ratio of this group of funds fell 13 percent (12 basis points), reflecting trend growth in their assets. On the other hand, when the assets of these funds declined—as during the bear markets that began in 2000 and 2007—their average expense ratio rose.

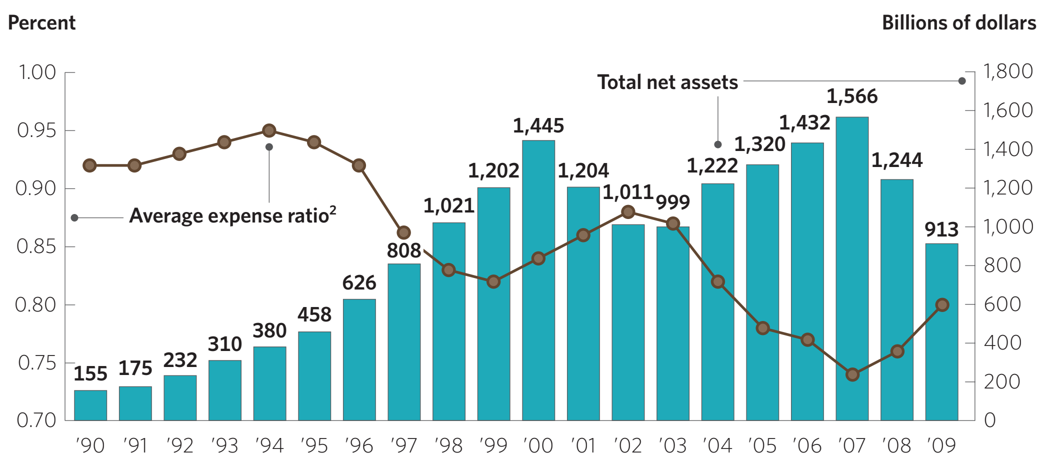
Payments to Intermediaries

Another factor that helps explain variation in fund fees is whether funds are sold through intermediaries, such as brokers or registered financial advisers. These professionals help investors define their investment goals, select appropriate funds, and provide ongoing advice and service. Financial advisers are compensated for these services, in part, through a particular kind of fund fee, known as a 12b-1 fee, which is included in a fund's expense ratio. Funds sold through intermediaries tend to have higher expense ratios than other funds (no-load funds). No-load funds are sold directly to investors or are sold to investors through financial advisers who charge investors separately for investment advice. Thus, no-load funds tend to have lower expense ratios than other funds with similar investment objectives.

FIGURE 5.9

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

Share classes of domestic equity funds continuously in existence since 1990[1]



[1]Calculations are based on a fixed sample of share classes. Sample includes all domestic equity share classes continuously in existence since 1990, excluding mutual funds available as investment choices in variable annuities and mutual funds that invest primarily in other mutual funds.
[2]Average expense ratio is an asset-weighted average.
Sources: Investment Company Institute and Lipper

The Changing Distribution Structure of Mutual Funds

Many mutual fund investors pay for the services of a professional financial adviser. ICI research finds that among investors owning mutual fund shares outside of retirement plans at work, 80 percent own fund shares through professional financial advisers. Financial advisers typically devote time and attention to prospective investors before investors 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 the investor's goals. Advisers also provide ongoing services, such as periodically reviewing investors' portfolios, adjusting asset allocations, and responding to customer inquiries.

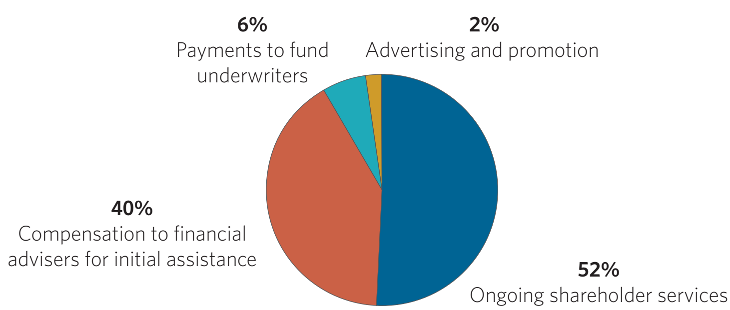
Thirty years ago, fund shareholders could only compensate financial advisers for their assistance through a front-end load—a one-time, upfront payment for current and future services (see "Mutual Fund Share Classes" on page 74). After 1980, when the U.S. Securities and Exchange Commission (SEC) adopted Rule 12b-1 under the Investment Company Act of 1940, funds and their shareholders had greater flexibility in compensating financial advisers. Rule 12b-1 and subsequent regulatory action established a framework under which investors pay indirectly for some or all of the services they receive from financial advisers through 12b-1 fees—asset-based fees that are included in a fund's expense ratio.

Under this framework, 12b-1 fees may also be used to compensate financial intermediaries, such as retirement plan recordkeepers and discount brokerage firms, for the services they provide to fund shareholders. Although they may also be used to pay for advertising and marketing, 12b-1 fees are primarily used to compensate financial advisers and other financial intermediaries for assisting fund investors before and after they purchase fund shares (Figure 5.10).

FIGURE 5.10

Most 12b-1 Fees Used to Pay for Shareholder Services

Percentage of 12b-1 fees collected, 2004



Source: ICI Fundamentals, *"How Mutual Funds Use 12b-1 Fees"*

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 own fund shares purchased through financial advisors; no-load fund classes usually serve investors who purchase shares without the assistance of a financial adviser or choose to compensate the financial adviser separately. About two-thirds of all mutual funds offer two or more share classes. Funds that typically 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—front-end load, back-end load, and level-load 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 and other investment professionals for their services.

Front-end load shares, which are predominantly Class A shares, represent the traditional means of paying for securities-related assistance. Front-end load shares generally charge a sales load at the time of purchase, which is a percentage of the sales price or offering price. Front-end load shares also often have a 12b-1 fee of about 0.25 percent. Front-end load shares are sometimes used in employer-sponsored retirement plans, but fund sponsors typically waive the sales load for purchases made through such retirement plans.

Back-end load shares, which are primarily Class B shares, typically do not have a front-end load. Investors using back-end load shares pay for services provided by financial advisers through a combination of an annual 12b-1 fee and a contingent deferred sales load (CDSL). The CDSL is paid if fund shares are redeemed before a given number of years of ownership. The CDSL decreases the longer the investor owns the shares and reaches zero typically after the shares have been held six or seven years. After six to eight years, back-end load shares usually convert to a share class with a lower 12b-1 fee. For example, Class B shares typically convert to Class A shares after a specified number of years.

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

No-Load Share Classes

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

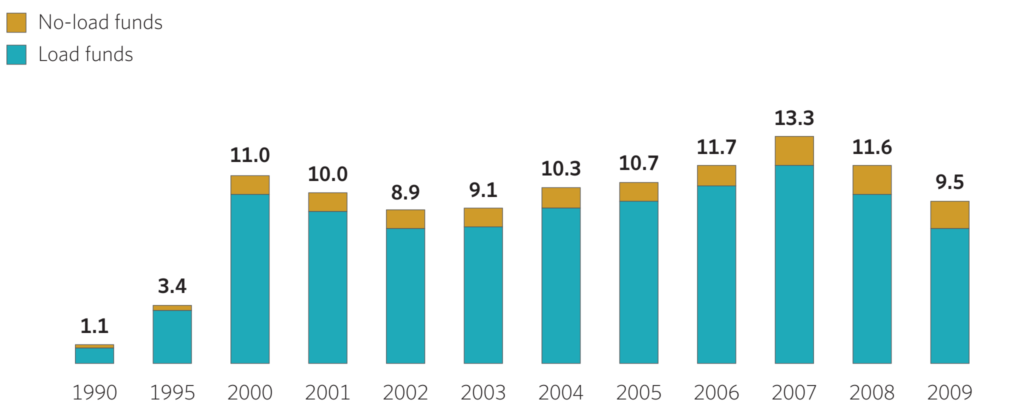
The introduction of Rule 12b-1 changed the means by which financial advisers were compensated. The maximum front-end load fees that funds might charge declined sharply as funds adopted 12b-1 fees as an alternative way to compensate financial advisers and intermediaries for providing services to fund shareholders. Since 1990, 12b-1 fees paid by shareholders rose from $1.1 billion to $9.5 billion (Figure 5.11). This increase reflects, in part, the roughly tenfold increase in mutual fund assets and the twofold increase in the number of households owning funds since 1990.

In recent years, the system for compensating financial intermediaries for distributing mutual fund shares and assisting investors has continued to evolve. For example, maximum front-end-load fees have stabilized, but front-end load fee payments (as a percentage of assets) have continued to decline. This, in large measure, reflects the discounts from the maximum front-end load that investors often receive when making large share purchases or purchases through 401(k) plans.

FIGURE 5.11

12b-1 Fees Paid Reflect Asset Growth and Shift in Source of Financial Advisers' Compensation

Billions of dollars, selected years*



**Figures exclude mutual funds available as investment choices in variable annuities and mutual funds that invest primarily in other mutual funds.*

Sources: Investment Company Institute and Lipper

There has also been a shift by investors toward no-load share classes. No-load share classes have consistently attracted more net new cash than load share classes in recent years (Figure 5.12). In 2009, for example, no-load share classes of long-term funds garnered $323 billion in net new cash, compared to only $39 billion for load share classes. Cumulatively, these flows have led to a concentration of long-term fund assets in no-load share classes; by 2009, no-load share classes of long-term funds had $4.3 trillion in total net assets in 2009, compared to $2.3 trillion in load share classes (Figure 5.13). The shift toward no-load funds should not be taken as indicating that investors are eschewing advice from financial advisers. To be sure, some of the flows to no-load funds owe to "do-it-yourself" investors. However, much of the shift represents a change in the way investors compensate their financial advisers, with many investors now paying for financial advice directly out of their pockets instead of indirectly through their mutual funds. Flows from 401(k) plans and other retirement accounts also are often invested in no-load funds.

FIGURE 5.12

Net New Cash Flow Was Greatest in No-Load Share Classes

Billions of dollars, 2003–2009

	2003	2004	2005	2006	2007	2008	2009
All long-term funds	**$216**	**$210**	**$192**	**$227**	**$223**	**-$226**	**$388**
Load	**48**	**44**	**30**	**33**	**14**	**-146**	**39**
Front-end load[1]	33	49	47	48	20	−99	19
Back-end load[2]	−19	−38	−48	−48	−44	−39	−24
Level load[3]	27	21	19	21	25	−12	37
Other load[4]	8	13	11	12	13	5	8
No-load[5]	**126**	**130**	**145**	**170**	**185**	**-54**	**323**
Retail	83	94	79	77	59	−104	138
Institutional	43	35	66	93	126	50	185
Variable annuities	**42**	**36**	**18**	**24**	**25**	**-27**	**26**

[1]Front-end load > 1 percent. Primarily includes A shares; includes sales where front-end loads are waived.
[2]Front-end load = 0 percent and CDSL > 2 percent. Primarily includes B shares.
[3]Front-end load ≤ 1 percent, CDSL ≤ 2 percent, and 12b-1 fee > 0.25 percent. Primarily includes C shares; excludes institutional share classes.
[4]All other load share classes not classified as front-end load, back-end load, or level load. Primarily includes retirement share classes known as R shares.
[5]Front-end load = 0 percent, CDSL = 0 percent, and 12b-1 fee ≤ 0.25 percent.
Note: Components may not add to the total because of rounding.
Sources: Investment Company Institute and Lipper

FIGURE 5.13

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

Billions of dollars, 2003–2009

	2003	2004	2005	2006	2007	2008	2009
All long-term funds	$5,362	$6,194	$6,864	$8,058	$8,915	$5,770	$7,805
Load	**1,946**	**2,196**	**2,373**	**2,696**	**2,875**	**1,790**	**2,339**
Front-end load[1]	1,354	1,568	1,754	2,027	2,193	1,387	1,805
Back-end load[2]	355	337	280	247	209	105	104
Level load[3]	214	252	287	345	387	240	344
Other load[4]	23	39	52	76	86	59	86
No-load[5]	**2,614**	**3,057**	**3,452**	**4,139**	**4,694**	**3,126**	**4,330**
Retail	1,870	2,189	2,463	2,877	3,163	1,989	2,710
Institutional	744	868	990	1,261	1,532	1,137	1,620
Variable annuities	**802**	**941**	**1,039**	**1,223**	**1,346**	**854**	**1,135**

[1] *Front-end load > 1 percent. Primarily includes A shares; includes sales where front-end loads are waived.*
[2] *Front-end load = 0 percent and CDSL > 2 percent. Primarily includes B shares.*
[3] *Front-end load ≤ 1 percent, CDSL ≤ 2 percent, and 12b-1 fee > 0.25 percent. Primarily includes C shares; excludes institutional share classes.*
[4] *All other load share classes not classified as front-end load, back-end load, or level load. Primarily includes retirement share classes known as R shares.*
[5] *Front-end load = 0 percent, CDSL = 0 percent, and 12b-1 fee ≤ 0.25 percent.*
Note: Components may not add to the total because of rounding.
Sources: Investment Company Institute and Lipper

For More Information

» "Trends in the Fees and Expenses of Mutual Funds, 2009," *Investment Company Institute Fundamentals*

» "The Economics of Providing 401(k) Plans: Services, Fees, and Expenses, 2008," *Investment Company Institute Fundamentals*

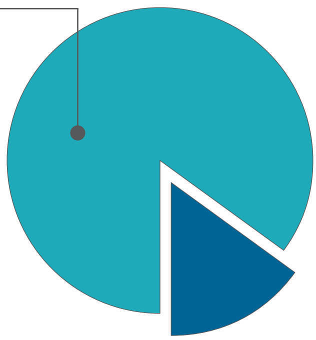
Available at www.ici.org.

Households held majority of

mutual fund assets in 2009

85%

held by households



Chapter Six

Characteristics of Mutual Fund Owners

Ownership of mutual funds has grown significantly in the past 30 years. Forty-three percent of all U.S. households owned mutual funds in 2009, compared with less than 6 percent in 1980. The estimated 87 million individuals who owned mutual funds in 2009 included many different types of people across all age and income groups with a variety of financial goals. These fund investors purchase and sell mutual funds through four principal sources: professional financial advisers (e.g., full-service brokers, independent financial planners), employer-sponsored retirement plans, fund companies directly, and fund supermarkets.

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

Individual and Household Ownership of Mutual Funds

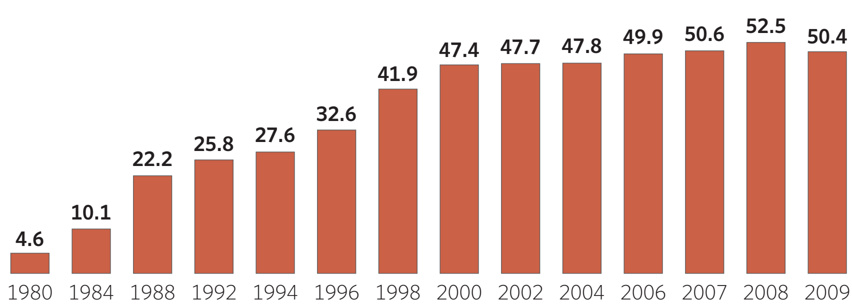
In 2009, an estimated 87 million individual investors owned mutual funds and held 84 percent of total mutual fund assets at year-end. Altogether, 50.4 million households, or 43 percent of all U.S. households, owned funds (Figure 6.1).

Mutual funds represented a significant component of many U.S. households' financial holdings in 2009. Among households owning mutual funds, the median amount invested in mutual funds was $80,000 (Figure 6.2). Seventy-six percent of individuals heading households that owned mutual funds were married or living with a partner, and 47 percent were college graduates. Seventy-four percent of these individuals worked full- or part-time.

FIGURE 6.1

43 Percent of U.S. Households Owned Mutual Funds in 2009

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



	1980	1984	1988	1992	1994	1996	1998	2000	2002	2004	2006	2007	2008	2009
Percentage of U.S. households	5.7	11.9	24.4	27.0	28.4	32.7	40.9	44.5	43.6	42.7	43.6	43.6	45.0	43.0

Sources: Investment Company Institute and U.S. Census Bureau. See ICI Fundamentals, *"Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2009."*

FIGURE 6.2

Characteristics of Mutual Fund Investors

May 2009

How Many People Own Mutual Funds?

87 million individuals

50.4 million U.S. households

Who Are They?

50 years of age (median head of household)

76 percent are married or living with a partner

47 percent are college graduates

74 percent are employed (full- or part-time)

18 percent are Silent or GI Generation

44 percent are Baby Boomers

25 percent are Generation X

13 percent are Generation Y

$80,000, median household income

What Do They Own?

$150,000, median household financial assets

66 percent hold more than half of their financial assets in mutual funds

67 percent own IRAs

78 percent own DC retirement plan accounts

4 mutual funds, median number owned

$80,000, median mutual fund assets

77 percent own equity funds

How and When Did They Make Their First Fund Purchase?

54 percent bought their first fund before 1995

62 percent purchased their first mutual fund through an employer-sponsored retirement plan

Why Do They Invest?

94 percent are saving for retirement

49 percent hold mutual funds to reduce taxable income

46 percent are saving for emergencies

26 percent are saving for education

Sources: Investment Company Institute and U.S. Census Bureau. See ICI Fundamentals, *"Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2009";* ICI Fundamentals, *"Characteristics of Mutual Fund Investors, 2009"; and* Profile of Mutual Fund Shareholders, 2009.

Mutual Fund Ownership by Age and Income

Of all mutual fund–owning households, 67 percent were headed by individuals between the ages of 35 and 64, the group considered to be in their peak earning and saving years. Seventeen percent of mutual fund–owning households were headed by individuals younger than 35, and 16 percent were headed by individuals 65 or older. Eighteen percent of all individuals heading households owning mutual funds were members of the Silent or GI Generation (born between 1904 and 1945); 44 percent were members of the Baby Boom Generation (born between 1946 and 1964); 25 percent were members of Generation X (born between 1965 and 1976); and 13 percent were members of Generation Y (born between 1977 and 2001). The median age of individuals heading households owning mutual funds was 50 (Figure 6.2).

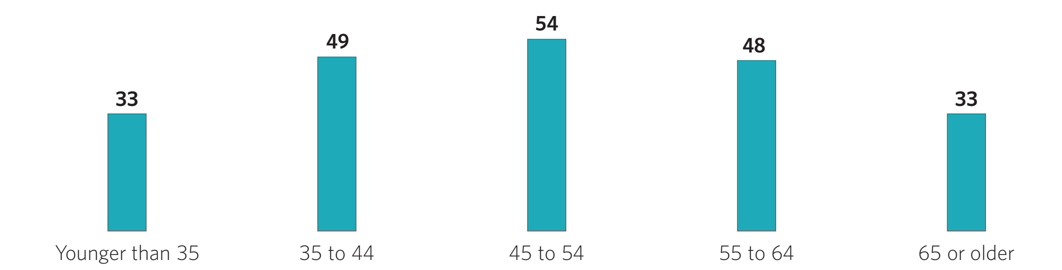
Within specific age ranges, the incidence of mutual fund ownership in 2009 was greatest among households between the ages of 35 and 64 (Figure 6.3). About half of all households in this age group owned mutual funds. In both the younger-than-35 and the 65-or-older age groups, one-third of households owned mutual funds.

Nearly one-quarter of mutual fund–owning households had household incomes of less than $50,000; 21 percent had household incomes between $50,000 and $74,999; 19 percent had incomes between $75,000 and $99,999; and the remaining 36 percent had incomes of $100,000 or more. The median household income of mutual fund–owning households was $80,000 (Figure 6.2).

FIGURE 6.3

Incidence of Mutual Fund Ownership Greatest Among 35- to 64-Year-Olds

Percentage of U.S. households within each age group,* May 2009



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

Sources: Investment Company Institute and U.S. Census Bureau. See ICI Fundamentals, "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2009."

The incidence of mutual fund ownership increases with household income (Figure 6.4). In 2009, the incidence of mutual fund ownership was 10 percent for households with incomes of less than $25,000, and rose to 77 percent for households with incomes of $100,000 or more. Fifty-eight percent of households owning funds had incomes between $25,000 and $100,000.

Savings Goals of Mutual Fund Investors

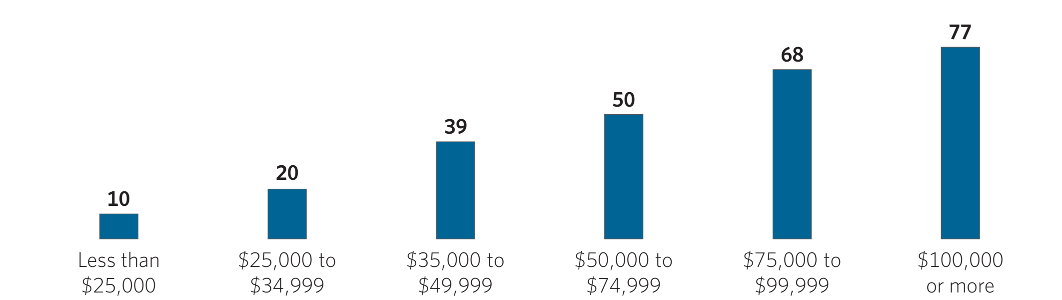
Mutual funds play a key role in achieving both the long- and short-term savings goals of U.S. households. In 2009, 76 percent of mutual fund–owning households indicated that their primary financial goal for their fund investments was saving for retirement. Ninety percent of households that owned mutual funds held shares inside workplace retirement plans, individual retirement accounts (IRAs), and other tax-deferred accounts. Households were more likely to invest their retirement assets in long-term mutual funds than in money market funds. Defined contribution (DC) retirement plans and IRA assets held in stock, bond, and hybrid mutual funds totaled $3.7 trillion in 2009 and accounted for 47 percent of those funds' assets, whereas retirement account assets in money market funds were $394 billion, or 12 percent of those funds' assets.

Retirement is not the only financial goal for households' mutual fund investments. Forty-nine percent of mutual fund–owning households reported that reducing their taxable income was one of their goals; 46 percent listed saving for an emergency as a goal; and 26 percent reported saving for education among their goals (Figure 6.2).

FIGURE 6.4

Incidence of Mutual Fund Ownership Increases with Household Income

Percentage of U.S. households within each income group,* May 2009



**Total reported is household income before taxes in 2008.*

Sources: Investment Company Institute and U.S. Census Bureau. See ICI Fundamentals*, "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2009."*

Where Investors Own Mutual Funds

The importance of retirement saving among mutual fund investors also is reflected in where they own their funds. As 401(k) and other employer-sponsored retirement plans have become increasingly popular in the workplace, the fraction of households that make their first foray into mutual fund investing inside their employer plans has increased. Among those households that made their first mutual fund purchase in 2000 or later, 68 percent did so inside an employer-sponsored plan (Figure 6.5). Among those households that made their first purchase before 1990, 56 percent did so inside an employer-sponsored plan.

In 2009, 68 percent of fund investors owned funds inside an employer-sponsored retirement plan, with 31 percent owning funds only inside such plans (Figure 6.6). Sixty-nine percent of mutual fund investors owned funds outside of employer-sponsored retirement accounts, but many of these investors were also saving for retirement outside workplace retirement plans. Indeed, 52 percent of mutual fund–owning households held funds in their IRAs. In many cases, these IRAs held assets rolled over from 401(k)s or other employer-sponsored retirement plans.

FIGURE 6.5

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

Percentage of U.S. households owning mutual funds, May 2009

	Year of household's first mutual fund purchase				Memo: all mutual fund–owning households
	Before 1990	1990 to 1994	1995 to 1999	2000 or later	
Source of first mutual fund purchase					
Inside employer-sponsored retirement plan	56	62	65	68	62
Outside employer-sponsored retirement plan	44	38	35	32	38

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

Sources: Investment Company Institute and U.S. Census Bureau. See ICI Fundamentals, *"Characteristics of Mutual Fund Investors, 2009."*

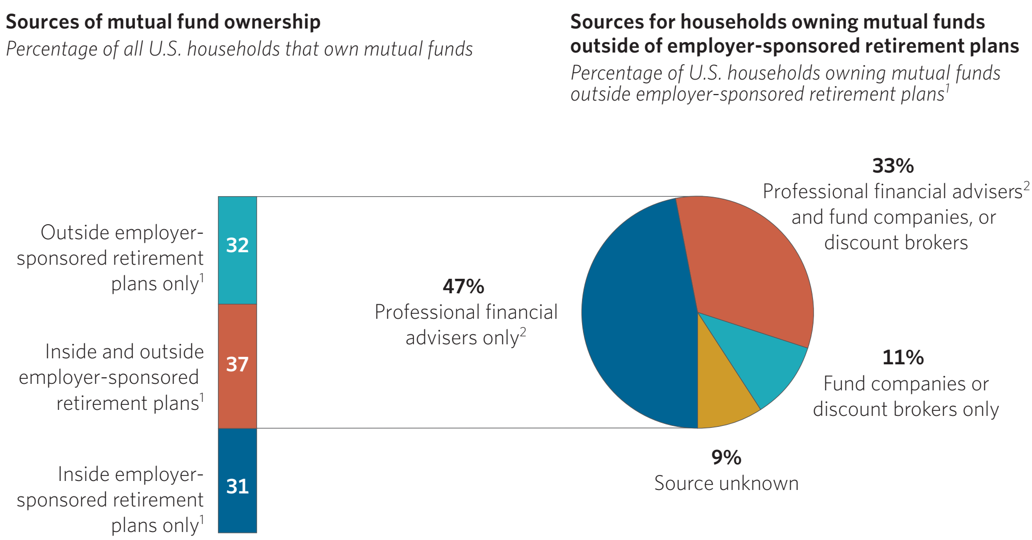
Sources of Mutual Fund Purchases

Households owning mutual funds outside of workplace retirement plans purchased their funds through a variety of sources. Indeed, 80 percent of those that owned funds outside a workplace retirement plan held funds purchased through a professional adviser. Professional advisers may include full-service brokers, discount brokers, independent advisers (Figure 6.6), financial planners, mutual fund company representatives, advisers at a bank, insurance agents, accountants, and lawyers. Forty-seven percent of investors who owned funds outside employer-sponsored retirement plans owned funds solely through advisers, while another 33 percent owned funds purchased from advisers, fund companies directly, or discount brokers. Eleven percent solely owned funds purchased directly from fund companies or discount brokers.

FIGURE 6.6

More Than Two-Thirds of Mutual Fund–Owning Households Held Shares Inside Employer-Sponsored Retirement Plans

May 2009



[1]*Employer-sponsored retirement plans include DC plans (401(k) plans, 403(b) plans, 457 plans, Keoghs, and other DC plans without 401(k) features) and employer-sponsored IRAs (SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs).*

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

Source: Profile of Mutual Fund Shareholders, 2009

Adviser Contact in 2008 and 2009

Half of all mutual fund shareholders indicated they had ongoing relationships with financial advisers (Figure 6.7). Between June 2008 and May 2009—a year of considerable market turmoil—nearly all shareholders with advisers had contact with their advisers. Seventy-five percent of shareholders who reported using an adviser indicated that both they and their advisers initiated contact during this time period. Another 13 percent reported contact initiated only by the shareholder, and 7 percent reported contact initiated only by their adviser.

Those who own funds outside DC retirement plans typically hold mutual 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 (Figure 6.8), and shareholders on average have had a relationship with the fund company offering the fund(s) for eight years (Figure 6.9).

FIGURE 6.7

Half of Mutual Fund Shareholders Used an Adviser

Percentage of all mutual fund–owning households, May 2009

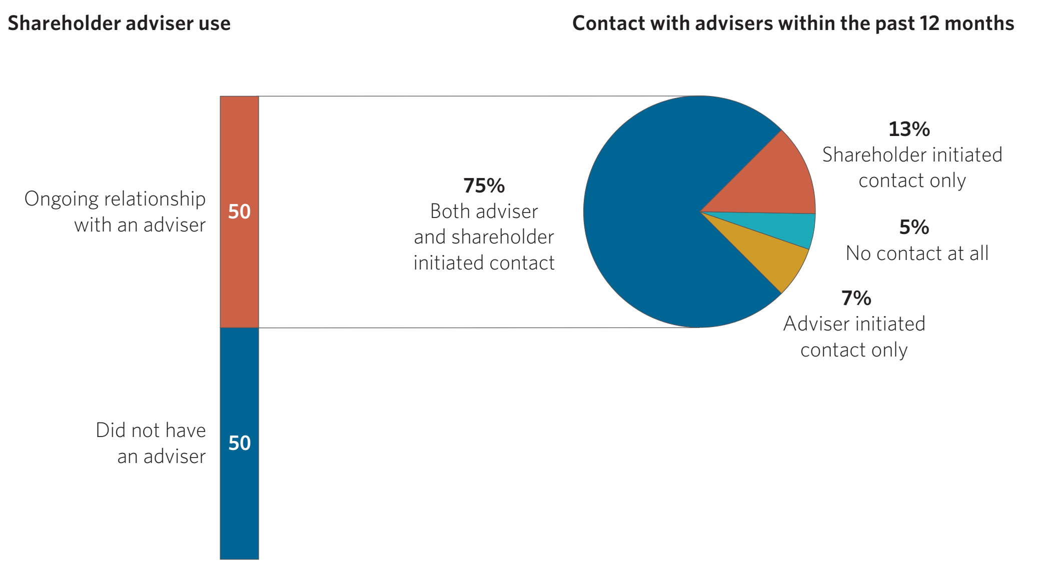
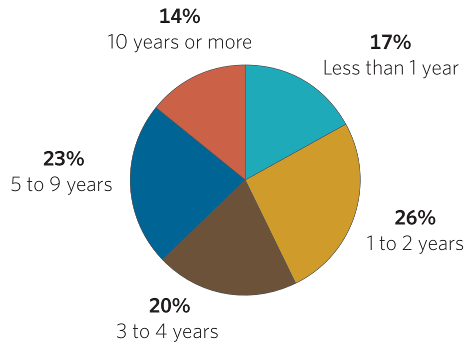


FIGURE 6.8

The Average Mutual Fund Account Has Been Open for Five Years

Percentage of mutual fund accounts held outside DC retirement plans by age of account, year-end 2009

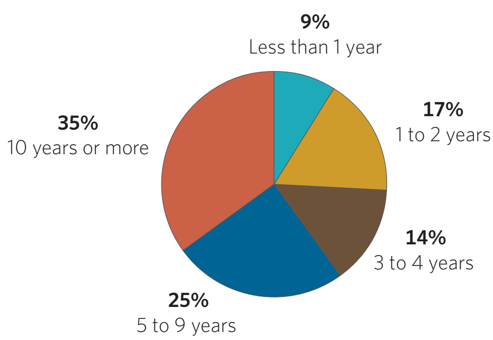


Mean: 5 years
Median: 4 years

FIGURE 6.9

The Average Shareholder Tenure with a Fund Company Is Eight Years

Percentage of mutual fund shareholders by tenure of shareholder with the fund company, year-end 2009



Mean: 8 years
Median: 7 years

Shareholder Sentiment and Willingness to Take Investment Risk

Shareholder sentiment generally moves with stock market performance because of the impact on mutual fund returns. For example, mutual fund companies' favorability rose in the late 1990s along with stock prices (measured by the S&P 500), then declined between May 2000 and May 2003 as stock prices fell, and increased after 2003 as the stock market gained (Figure 6.10).

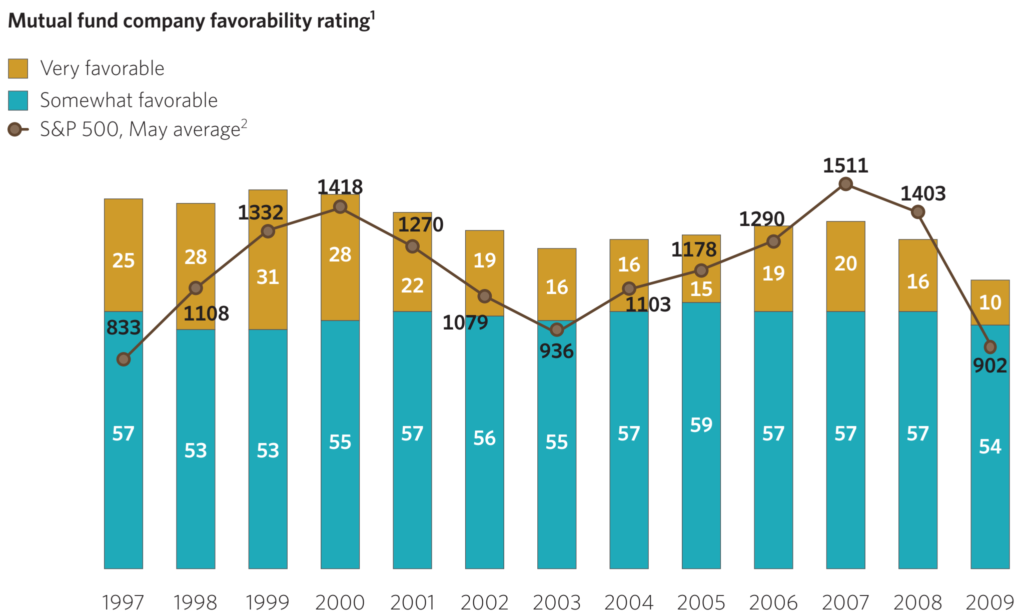
The percentage of fund shareholders with positive opinions about the mutual fund industry declined in 2009. Sixty-four percent of shareholders familiar with mutual fund companies had "very" or "somewhat" favorable impressions of fund companies, down from 73 percent in 2008 (Figure 6.10). The share of fund investors with "very" favorable impressions of fund companies also declined. In 2009, 10 percent of fund investors had a "very" favorable view of the industry, compared with 16 percent in 2008 and 20 percent in 2007.

Shareholders' willingness to take risk with their investments declined between May 2008 and May 2009. In May 2008, 37 percent of shareholders were willing to take substantial or above-average risk with their investments (Figure 6.11). By May 2009, this fraction had fallen to 30 percent of shareholders.

FIGURE 6.10

Shareholder Sentiment Rises and Falls with Stock Market Performance

Percentage of mutual fund shareholders familiar with mutual fund companies, 1997–2009



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total percentage with positive opinions[1]	82	81	84	83	79	75	71	73	74	76	77	73	64

[1]*The mutual fund industry favorability rating is the percentage of mutual fund shareholders familiar with the mutual fund industry who have a "very" or "somewhat" favorable impression of the fund industry.*

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

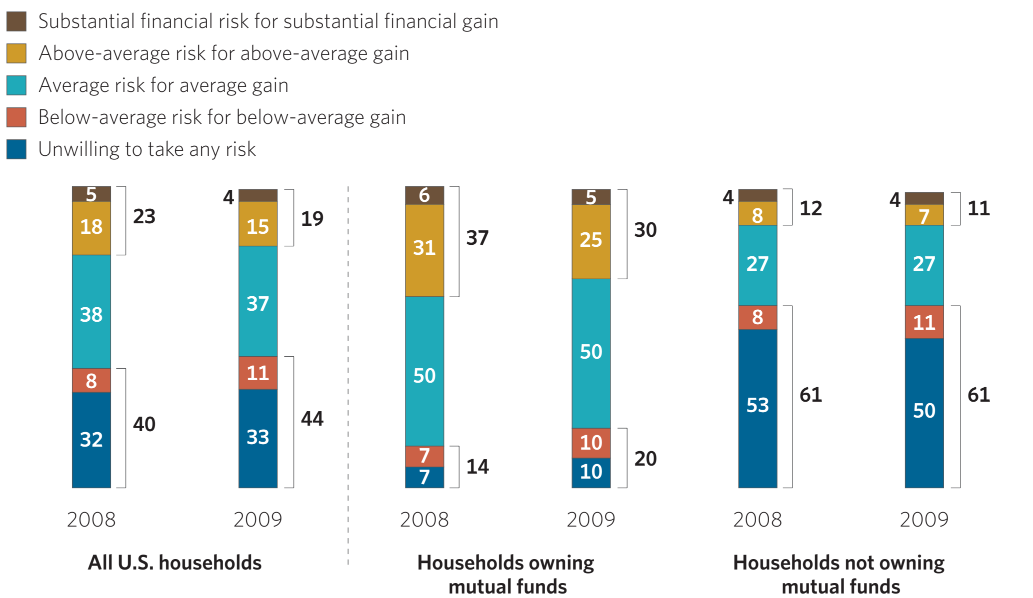
Sources: Investment Company Institute and Standard & Poor's. See ICI Fundamentals, "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2009."

Shareholder sentiment varies by risk tolerance. Shareholders who indicated they have a higher tolerance for risk when investing were more favorable towards the mutual fund industry than shareholders who indicated less tolerance for risk (Figure 6.12). In May 2009, 75 percent of shareholders who were willing to take above-average or substantial investment risk had favorable views of the mutual fund industry.

FIGURE 6.11

Households' Willingness to Take Investment Risk

Percentage of U.S. households by mutual fund ownership status, May 2008 and May 2009



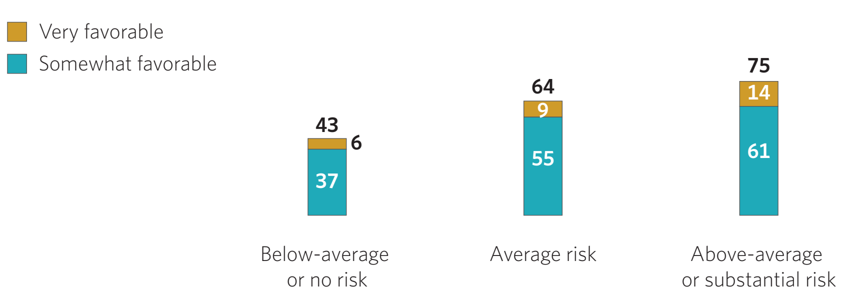
Note: Components may not add to 100 percent because of rounding.

FIGURE 6.12

Shareholder Sentiment Rises with Shareholders' Investment Risk Tolerance

Percentage of mutual fund shareholders familiar with mutual fund companies by willingness to take investment risk, May 2009

Mutual fund company favorability rating*



**The mutual fund industry favorability rating is the percentage of mutual fund shareholders familiar with the mutual fund industry who have a "very" or "somewhat" favorable impression of the fund industry.*

Source: ICI Fundamentals, "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2009"

Shareholders' Use of the Internet

Some shareholders use the Internet to access fund and other investment information. In 2009, 90 percent of U.S. households owning mutual funds had Internet access, up from 68 percent in 2000—the first year in which ICI measured shareholders' access to the Internet (Figure 6.13). Similar to the national pattern, the incidence of Internet access traditionally has been greatest among younger mutual fund shareholders. Increases in Internet access among older shareholder segments, however, have narrowed the generational gap considerably. Overall, nearly eight in 10 mutual fund–owning households with Internet access used the Internet daily.

FIGURE 6.13

Internet Access Widespread Among Mutual Fund–Owning Households

Percentage of U.S. households owning mutual funds with Internet access, April 2000 and May 2009

	Household had Internet access in 2000[1]	Household had Internet access in 2009
Respondent age		
Younger than 35	83	95
35 to 49	75	97
50 to 64	60	92
65 or older	30	70
Respondent education		
High school graduate or less	39	78
Some college or associate's degree	68	92
College or postgraduate degree	81	96
Household income[2]		
Less than $50,000	47	78
$50,000 to $99,999	77	91
$100,000 to $149,999	92	98
$150,000 or more	94	98
Total	**68**	**90**

[1] *In 2000, shareholders not using the Internet in the past 12 months or solely using the Internet for email were not counted as having Internet access.*

[2] *Total reported is household income before taxes in prior year.*

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

Source: ICI Fundamentals, *"Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2009"*

In 2009, 82 percent of shareholders with Internet access went online for financial purposes, most often to obtain investment information or check their bank or investment accounts (Figure 6.14). In addition, mutual fund–owning households were much more likely than non-fund-owning households to engage in common online activities, such as accessing email, obtaining information about products and services other than investments, or purchasing products and services other than investments.

FIGURE 6.14

Most Mutual Fund Shareholders Used the Internet for Financial Purposes

Percentage of fund-owning and non-fund-owning households with Internet access[1] by online activities,[2] May 2009

	Households owning mutual funds	Households not owning mutual funds
Accessed email	93	83
Used Internet for a financial purpose (total)	**82**	**60**
Accessed any type of financial account, such as bank or investment accounts	80	56
Obtained investment information	61	25
Bought or sold investments online	23	8
Used Internet for a nonfinancial purpose (total)	**92**	**80**
Obtained information about products and services other than investments	85	71
Bought or sold something other than investments online	82	62

[1] *Online activities are based on responding household's primary or co-decisionmaker for saving and investing.*
[2] *For this survey, the past 12 months were June 2008 through May 2009.*
Note: Internet access includes access to the Internet at home, work, or some other location.
Source: ICI Fundamentals, *"Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2009"*

Younger shareholders, shareholders with higher education levels, and shareholders with higher household incomes all reported the highest levels of Internet use for financial and nonfinancial purposes (Figure 6.15). About nine in 10 members of these groups indicated using the Internet for these online tasks.

FIGURE 6.15

Shareholders' Use of the Internet by Age, Education, and Income for 2009

Percentage of U.S. households with Internet access by mutual fund ownership and online activities in past 12 months,[1, 2] May 2009

	Accessed email	Used Internet for a financial purpose	Used Internet for a nonfinancial purpose
Respondent age			
Younger than 35	96	92	98
35 to 49	96	86	93
50 to 64	92	81	91
65 or older	80	63	79
Respondent education			
High school graduate or less	82	65	80
Some college or associate's degree	93	83	94
College or postgraduate degree	97	89	95
Household income[3]			
Less than $50,000	84	67	83
$50,000 to $99,999	93	82	91
$100,000 to $149,999	96	89	95
$150,000 or more	97	91	98
Total	93	82	92

[1] *Online activities are based on the household's sole or co-decisionmaker for saving and investing.*
[2] *For this survey, the past 12 months were June 2008 through May 2009.*
[3] *Total reported is household income before taxes in 2008.*
Note: Internet access includes access to the Internet at home, work, or some other location.
Source: ICI Fundamentals, *"Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2009"*

For More Information

» *Profile of Mutual Fund Shareholders, 2009*

» "Characteristics of Mutual Fund Investors, 2009," *Investment Company Institute Fundamentals*

» "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2009," *Investment Company Institute Fundamentals*

Available at www.ici.org.

Institutional Ownership

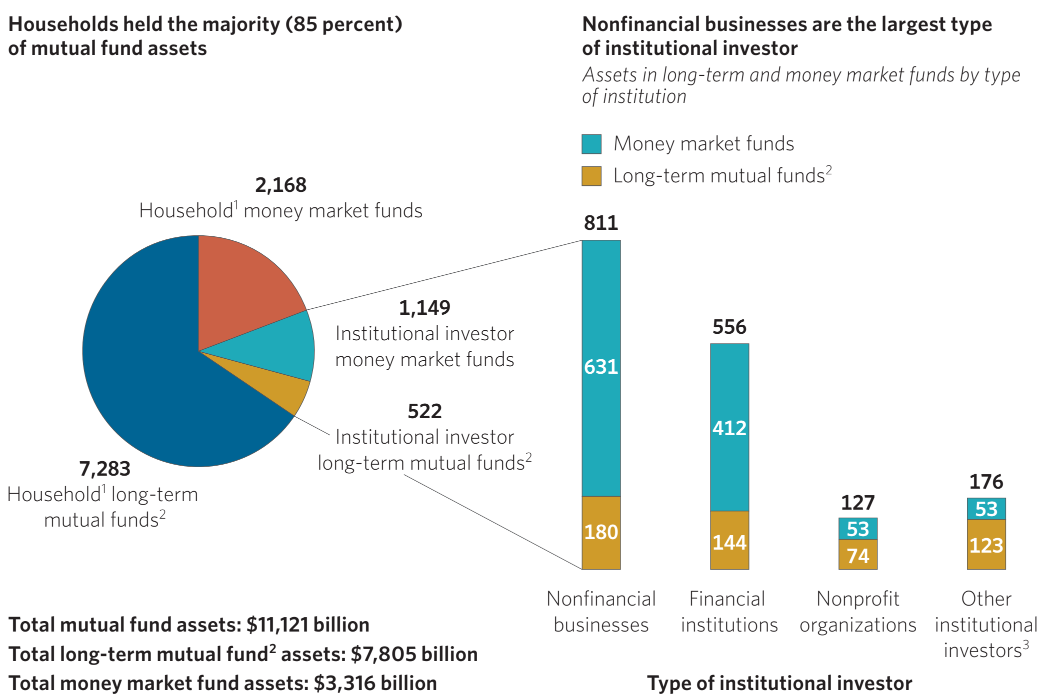
Nonfinancial businesses, financial institutions, nonprofit organizations, and other institutional investors held 15 percent of mutual fund assets at year-end 2009 (Figure 6.16). Institutional investor data exclude mutual fund holdings by fiduciaries, retirement plans, and variable annuities, which are primarily attributed to individual investors. As of December 31, 2009, nonfinancial businesses were the largest segment of institutional investors in mutual funds, holding $811 billion in corporate and similar accounts. These firms primarily use mutual funds as a cash management tool, and 78 percent of their mutual funds holdings were money market funds. Business investments in funds do not include assets held by funds in retirement plans on behalf of employees in employer-sponsored retirement plans, since those assets are considered employee rather than employer assets.

Financial institutions—which include credit unions, investment clubs, banks, and insurance companies—were the second-largest component of institutional investors in mutual funds. Financial institutions held $556 billion in fund assets at year-end 2009. Nonprofit organizations and other institutional investors held $127 billion and $176 billion, respectively, in mutual fund accounts. Institutional investors overwhelmingly held money market funds as the primary type of mutual fund. Across all types of institutional investors, 69 percent of investments in mutual funds were in money market funds at year-end 2009.

FIGURE 6.16

Institutional and Household Ownership of Mutual Funds

Billions of dollars, year-end 2009



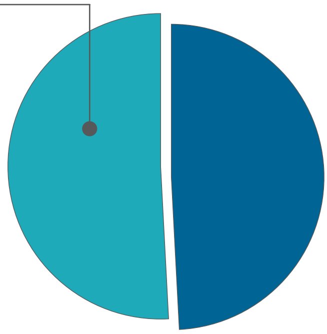
[1] *Mutual funds held as investments in variable annuities and 529 plans are counted as household holdings of mutual funds.*
[2] *Long-term mutual funds include stock, hybrid, and bond mutual funds.*
[3] *This category includes state and local governments and other institutional accounts not classified.*
Note: Components may not add to the total because of rounding.

Half of assets in DC plans were

invested in mutual funds in 2009

51%

of DC plan assets in mutual funds



Chapter Seven

The Role of Mutual Funds in Retirement and Education Savings

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

This chapter analyzes the role of mutual funds 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 tax-advantaged savings vehicles.

The U.S. Retirement Market

U.S. retirement assets increased to $16.0 trillion at year-end 2009, up 14 percent from year-end 2008 but still 11 percent lower than the $18.0 trillion in retirement assets as of year-end 2007 (Figure 7.1). Retirement market assets are held in a variety of tax-advantaged plan types. The largest components of retirement assets were individual retirement accounts (IRAs) and employer-sponsored defined contribution (DC) plans, holding $4.2 trillion and $4.1 trillion, respectively, at year-end 2009.

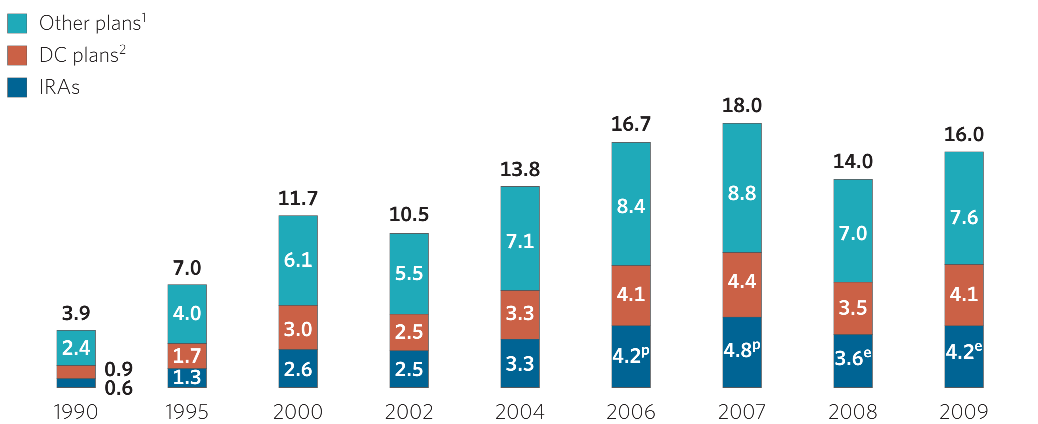
Other employer-sponsored pensions include private-sector defined benefit (DB) pension plans ($2.1 trillion); state and local government employee retirement plans ($2.8 trillion); and federal government DB plans and the federal employees' Thrift Savings Plan ($1.3 trillion). In addition, there were $1.4 trillion in annuity reserves outside of retirement plans at year-end 2009.

Eighty million, or 68 percent of, U.S. households reported that they had employer-sponsored retirement plans, IRAs, or both in May 2009 (Figure 7.2). Sixty percent of U.S. households reported that they had an employer-sponsored retirement plan—that is, they had assets in DC plan accounts, were receiving or expecting to receive benefits from DB plans, or both. Thirty-nine percent of households reported having assets in IRAs. Thirty-one percent of households had both IRAs and employer-sponsored retirement plans.

FIGURE 7.1

U.S. Retirement Assets Increased in 2009

Trillions of dollars, year-end, selected years



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

[2] *DC plans include 403(b) plans, 457 plans, and private employer-sponsored DC plans (including 401(k) plans).*

[e] *Data are estimated.*

[p] *Data are preliminary.*

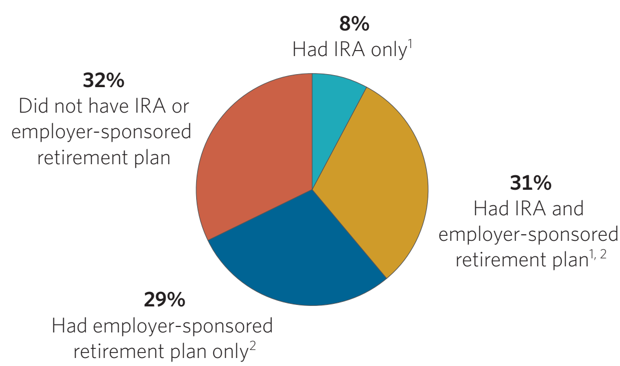
Note: Components may not add to the total because of rounding.

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

FIGURE 7.2

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

Percentage of U.S. households, May 2009



Total number of U.S. households: 117 million

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

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

Sources: Investment Company Institute and U.S. Census Bureau. See ICI Fundamentals, *"The Role of IRAs in U.S. Households' Saving for Retirement, 2009."*

Individual Retirement Accounts

Judging by the incidence of IRA ownership among U.S. households, IRAs are an important component in Americans' retirement savings strategy. Created in 1974 under the Employee Retirement Income Security Act (ERISA), IRAs were designed with two goals. First, they provide individuals not covered by workplace retirement plans with an opportunity to save for retirement on their own. Second, they allow workers who are leaving a job a means to preserve the tax benefits and growth opportunities that employer-sponsored retirement plans provide.

Since 1990, assets in IRAs have grown primarily due to the investment performance of the securities held in IRA portfolios and rollovers into traditional IRAs from employer-sponsored retirement plans. Although they represent only a small portion of the overall IRA market, assets in two new types of IRAs—SIMPLE IRAs and Roth IRAs—have grown rapidly since they were introduced in the late 1990s. The Economic Growth and Tax Relief Reconciliation Act (EGTRRA), enacted in 2001, increased the amount that investors—especially those aged 50 or older—can contribute to IRAs. The Pension Protection Act (PPA), enacted in 2006, made these EGTRRA enhancements permanent.

At year-end 2009, IRA assets totaled $4.2 trillion, up 18 percent from year-end 2008 (Figure 7.3). Mutual fund assets held in IRAs were $2.0 trillion at year-end 2009, an increase of $368 billion, or 23 percent, from year-end 2008. Assets managed by mutual funds were the largest component of IRA assets, followed by securities held directly through brokerage accounts ($1.5 trillion at year-end 2009). The mutual fund industry's share of the IRA market increased to an estimated 46 percent at year-end 2009, up from 44 percent at year-end 2008 but still below the 48 percent share reached in 2007.

FIGURE 7.3

IRA Assets

Billions of dollars, year-end, 1990–2009

	Mutual funds	Bank and thrift deposits[1]	Life insurance companies[2]	Securities held directly through brokerage accounts[3]	Total IRA assets
1990	$139	$266	$40	$191	$637
1991	187	283	45	262	776
1992	235	275	50	313	873
1993	319	263	62	350	993
1994	345	255	70	386	1,056
1995	470	261	81	476	1,288
1996	589	259	92	527	1,467
1997	773	254	136	565	1,728
1998	972	249	157	772	2,150
1999	1,265	243	203	940	2,651
2000	1,239	250	203	937	2,629
2001	1,167	255	211	987	2,619
2002	1,037	263	268	965	2,533
2003	1,317	268	285	1,123[e]	2,993[e]
2004	1,509	269	283	1,238	3,299
2005	1,688	278	308	1,378[e]	3,652[e]
2006	2,015	313	318	1,562[p]	4,207[p]
2007	2,288	340	325[e]	1,831[p]	4,784[p]
2008	1,585	391	310[e]	1,293[e]	3,579[e]
2009	1,953	431	303[e]	1,544[e]	4,230[e]

[1] *Bank and thrift deposits include Keogh deposits.*

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

[3] *Category excludes mutual fund assets held through brokerage accounts, which are included in mutual funds.*

[e] *Data are estimated.*

[p] *Data are preliminary.*

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

IRA Investors

Nearly four out of 10 U.S. households, or 46 million, owned IRAs as of mid-2009 (Figure 7.4). "Traditional" IRAs—defined as those IRAs first allowed under ERISA—were the most common type of IRA, owned by 37 million U.S. households. Roth IRAs—first made available in 1998 under the Taxpayer Relief Act of 1997—were owned by 17 million U.S. households in mid-2009. Nearly 10 million U.S. households owned employer-sponsored IRAs (SIMPLE IRAs, SEP IRAs, or SAR-SEP IRAs).

In 2009, an ICI survey found that households owning IRAs generally are headed by middle-aged individuals (median age of 52 years) with moderate household incomes (median income of $75,000). These households held a median of $30,000 in IRAs. In addition, many households held multiple types of IRAs. For example, 29 percent of households with traditional IRAs also owned Roth IRAs, and 15 percent also owned employer-sponsored IRAs.

FIGURE 7.4

46 Million U.S. Households Owned IRAs

May 2009

	Year created	Number of U.S. households with type of IRA	Percentage of U.S. households with type of IRA
Traditional IRA	1974 (Employee Retirement Income Security Act)	36.6 million	31.2%
SEP IRA	1978 (Revenue Act)	9.6 million	8.2%
SAR-SEP IRA	1986 (Tax Reform Act)		
SIMPLE IRA	1996 (Small Business Job Protection Act)		
Roth IRA	1997 (Taxpayer Relief Act)	17.0 million	14.5%
Any IRA		46.1 million	39.3%

Note: Households may own more than one type of IRA. SIMPLE IRAs, SEP IRAs, and SAR-SEP IRAs are employer-sponsored IRAs.
Sources: Investment Company Institute and U.S. Census Bureau. See ICI Fundamentals, *"The Role of IRAs in U.S. Households' Saving for Retirement, 2009."*

Although most U.S. households were eligible to make contributions to IRAs, few did so. Only 15 percent of U.S. households contributed to any type of IRA in tax year 2008. In addition, very few eligible households made "catch-up" contributions to traditional or Roth IRAs.

Instead, investment returns and rollovers from employer-sponsored retirement plans have fueled the growth of IRAs. In 2009, nearly 20 million U.S. households (or 54 percent of all U.S. households owning traditional IRAs) had traditional IRAs that included rollover assets. In their most recent rollover, the vast majority of these households (89 percent) transferred their entire retirement plan balances into traditional IRAs.

IRA owners are more likely to hold mutual funds, especially long-term mutual funds, in their IRA portfolios than any other type of investment (Figure 7.5). Two-thirds of IRA-owning households had IRA assets invested in mutual funds, with most of these households holding at least a portion of their balance in stock mutual funds. Far fewer households owned other types of investments in their IRAs: 37 percent held individual stocks, 34 percent held annuities, and 27 percent held bank deposits.

FIGURE 7.5

Households Invested Their IRAs in Many Types of Assets

Percentage of U.S. households owning IRAs, May 2009*

Mutual funds (total)	**66**
Stock mutual funds	54
Bond mutual funds	32
Hybrid mutual funds	27
Money market funds	27
Individual stocks	**37**
Annuities (total)	**34**
Fixed annuities	24
Variable annuities	21
Bank savings accounts, money market deposit accounts, or certificates of deposit	**27**
Individual bonds (not including U.S. savings bonds)	**13**
U.S. savings bonds	**11**
ETFs	**6**
Other	**4**

**Multiple responses are included.*

Source: ICI Fundamentals, *"Appendix: Additional Data on IRA Ownership in 2009"*

Defined Contribution Plans

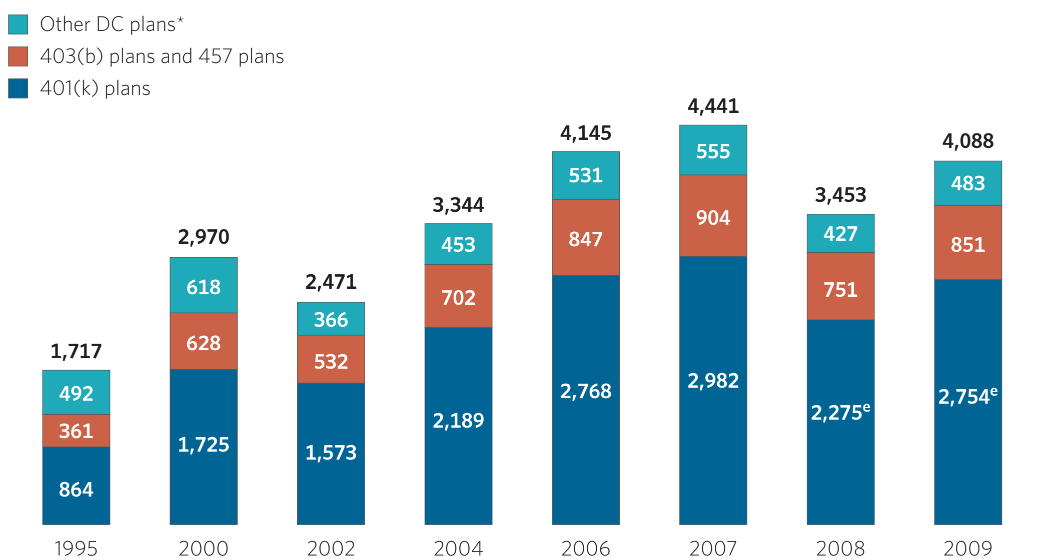
Employer-sponsored DC plans provide employees with an account derived from employer contributions or employee deferrals of earnings or both, plus any investment earnings or losses on those contributions. Assets in DC plans have grown more rapidly than assets in other types of employer-sponsored retirement plans over the past quarter-century, increasing from 27 percent of employer plan assets in 1985 to 40 percent of assets at year-end 2009.

At the end of 2009, employer-sponsored DC plans—which include 401(k) plans, 403(b) plans, 457 plans, Keoghs, and other DC plans—held an estimated $4.1 trillion in assets (Figure 7.6). With $2.8 trillion in assets at year-end 2009, 401(k) plans held the largest share of employer-sponsored DC plan assets. Two types of plans similar to 401(k) plans—403(b) plans, which allow employees of educational institutions and certain nonprofit organizations to receive deferred compensation, and 457 plans, which allow employees of state and local governments and certain tax-exempt organizations to receive deferred compensation—held another $851 billion in assets. The remaining $483 billion in DC plan assets were held by other DC plans without 401(k) features.

FIGURE 7.6

Defined Contribution Plan Assets by Type of Plan

Billions of dollars, year-end, selected years



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

[e] Data are estimated.

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

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

At the end of 2009, $1.5 trillion of 401(k) plan assets were invested in mutual funds (Figure 7.7). Mutual funds' share of the 401(k) market increased to an estimated 55 percent at year-end 2009, up from 51 percent at year-end 2008 but still below the 57 percent share reached in 2007.

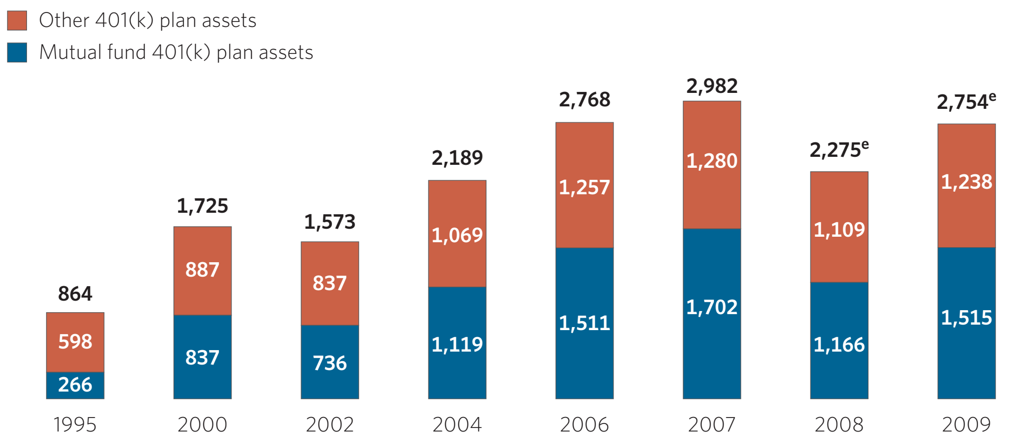
401(k) Participants: Asset Allocations, Account Balances, and Loans

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

FIGURE 7.7

401(k) Plan Assets

Billions of dollars, year-end, selected years



[e] 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

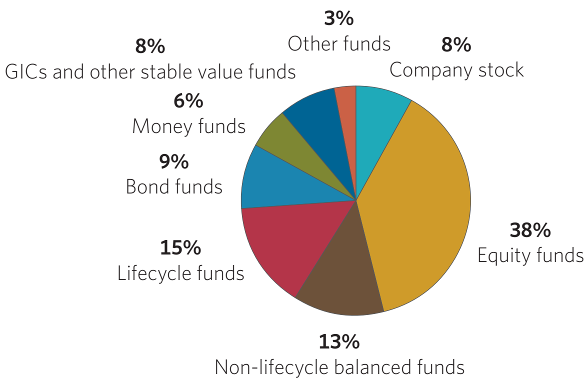
According to research conducted by ICI and the Employee Benefit Research Institute (EBRI), the asset allocations of 401(k) plan participants vary depending on a variety of factors, including demographics. For example, younger participants tend to allocate a larger portion of their account balances to equity securities (which include equity mutual funds and other pooled equity investments and company stock of their employer) and balanced funds, while older participants are more likely to invest in fixed-income securities such as money funds, bond funds, and guaranteed investment contracts (GICs) and other stable value funds. On average, at year-end 2008, individuals in their twenties invested 46 percent of their assets in equity funds and company stock; 28 percent in lifecycle funds and non-lifecycle balanced funds; and 23 percent in GICs, stable value funds, money funds, and bond funds (Figure 7.8). By comparison, individuals in their sixties invested 36 percent of their assets in equity securities; 14 percent in lifecycle funds and non-lifecycle balanced funds; and 47 percent in fixed-income securities.

FIGURE 7.8

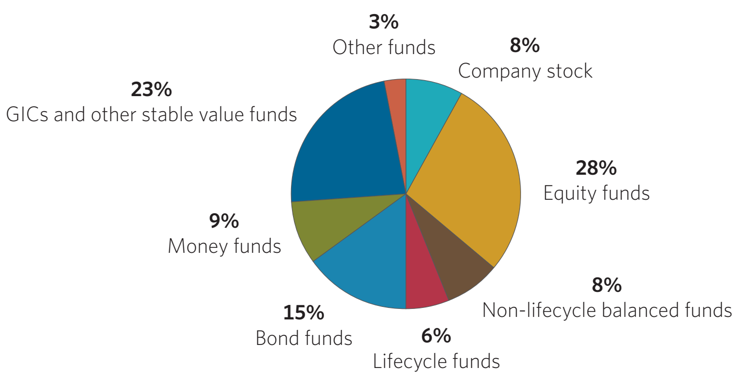
401(k) Asset Allocation Varied with Participant Age

Average asset allocation of 401(k) account balances, percentage, year-end 2008

Participants in their twenties



Participants in their sixties



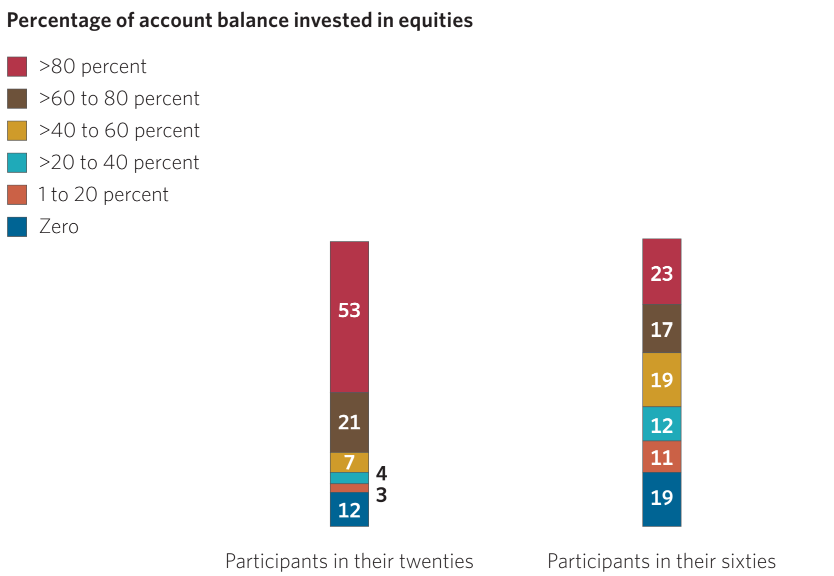
Note: Funds include mutual funds, bank collective trusts, life insurance separate accounts, and any pooled investment product primarily invested in the security indicated.
Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project. See ICI Perspective, "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2008."

Within age groups, the allocation of account balances to equities (equity funds, company stock, and the equity portion of balanced funds) varies widely (Figure 7.9). For example, at year-end 2008, 53 percent of individuals in their twenties held more than 80 percent of their account in equities and 15 percent held 20 percent or less. Of individuals in their sixties, 23 percent held more than 80 percent of their account in equities and 30 percent held 20 percent or less.

FIGURE 7.9

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

Asset allocation distribution of 401(k) participant account balance to equities, percentage of participants, year-end 2008



Note: Equities include equity funds, company stock, and the equity portion of balanced funds. Funds include mutual funds, bank collective trusts, life insurance separate accounts, and any pooled investment product primarily invested in the security indicated. Percentages may not add to 100 percent because of rounding.

Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project. See ICI Perspective, *"401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2008."*

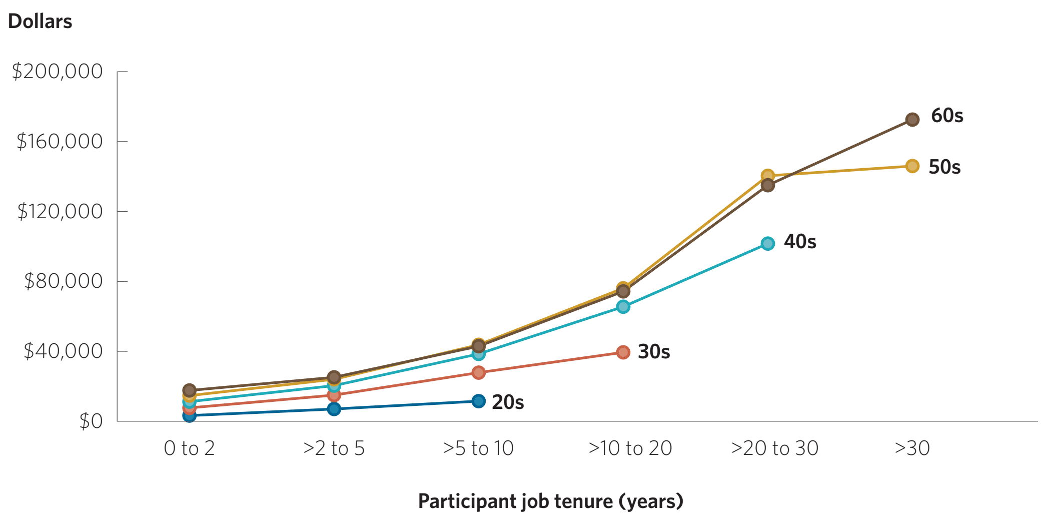
The median age of 401(k) plan participants was 44 years at year-end 2008, and the average account balance, excluding plan loans, was $45,519. Account balances tended to be higher the longer 401(k) plan participants had been working for their current employers and the older the participant. Workers in their sixties with at least 30 years of tenure at their current employers had an average 401(k) account balance of $172,555 (Figure 7.10).

Most 401(k) participants did not borrow from their plans. At year-end 2008, only 18 percent of those eligible for loans had loans outstanding. The average unpaid loan balance for these participants represented about 16 percent of their remaining account balances (net of the unpaid loan balances).

FIGURE 7.10

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

Average 401(k) participant account balance, year-end 2008



Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project. See ICI Perspective, *"401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2008."*

Services and Expenses in 401(k) Plans

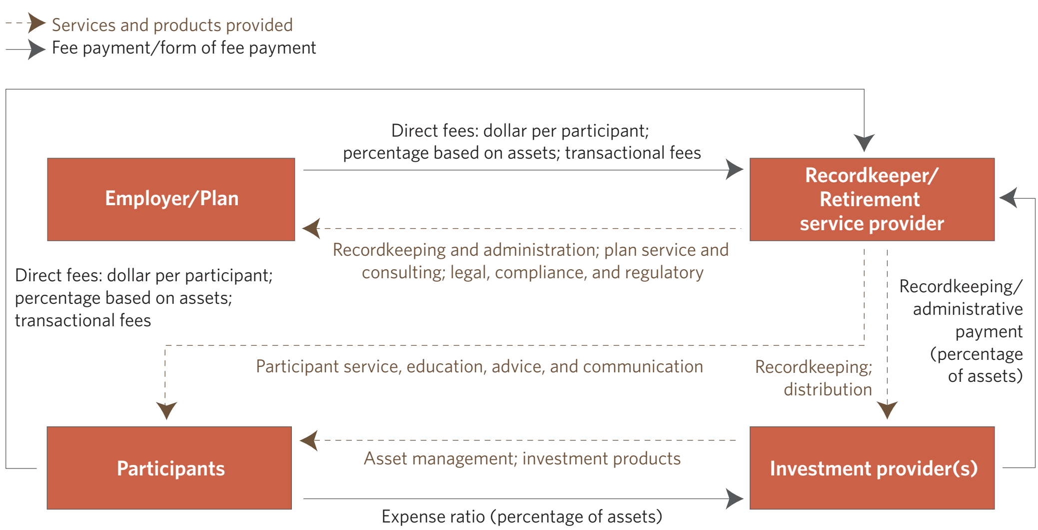
Employers are confronted with two competing economic pressures: the need to attract and retain quality workers with competitive compensation packages and the need to keep their products and services competitively priced. In deciding whether to offer 401(k) plans to their workers, employers must decide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

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

As with any employee benefit, the employer generally determines how the costs will be shared between the employer and employee. Fees can be paid directly by the plan sponsor (i.e., employer), directly by the plan participants (i.e., employees), indirectly by the participants through fees or other reductions in returns paid to the investment provider, or by some combination of these methods (Figure 7.11).

FIGURE 7.11

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



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

Source: ICI Fundamentals, *"The Economics of Providing 401(k) Plans: Services, Fees, and Expenses, 2008"*

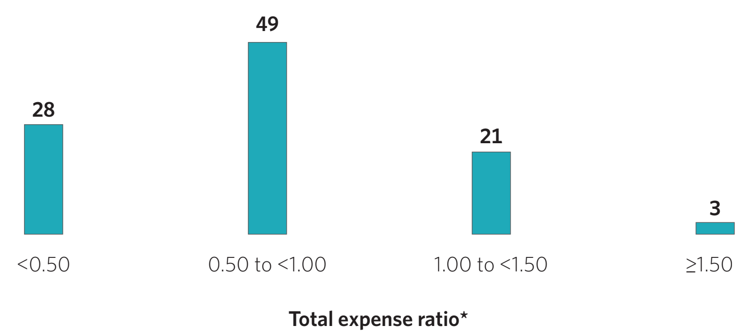
As noted, 55 percent of 401(k) assets at year-end 2009 were invested in mutual funds. Participants in 401(k) plans holding mutual funds tend to invest in lower-cost funds with below-average portfolio turnover. Both characteristics help keep down the costs of investing in mutual funds through 401(k) plans. For example, at year-end 2008, 28 percent of 401(k) stock mutual fund assets were in funds that had total annual expense ratios below 0.50 percent of fund assets, and another 49 percent had expense ratios between 0.50 percent and 1.00 percent (Figure 7.12). On an asset-weighted basis, the average total expense ratio incurred on 401(k) participants' holdings of stock mutual funds through their 401(k) plans was 0.72 percent in 2008, compared with an asset-weighted average total expense ratio of 0.84 percent for stock mutual funds industrywide. Similarly, stock mutual funds held in 401(k) accounts tend to have lower turnover in their portfolios. The asset-weighted average turnover rate of stocks funds held in 401(k) accounts was 50 percent in 2008, compared with an industrywide asset-weighted average of 59 percent.

A Deloitte/ICI study of 130 plan sponsors in late 2008 created and analyzed a comprehensive plan fee measure. The study found a range of fees across 401(k) plans and that a key driver of the "all-in fee" is plan size. Specifically, plans with more participants and larger average account balances tended to have lower "all-in" fees than plans with fewer participants and smaller average account balances. This observed effect likely results in part from fixed costs required to start up and run the plan, much of which are driven by legal and regulatory requirements. It appears that economies are gained as a plan grows in size because these fixed costs can be spread over more participants or a larger asset base or both. The Deloitte/ICI study also found that employers that sponsor smaller plans (plans with less than $10 million in assets), on average, paid a larger share of plan fees than employers sponsoring larger plans (plans with $10 million or more in assets).

FIGURE 7.12

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

Percentage of 401(k) stock mutual fund assets, year-end 2008



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

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

Sources: Investment Company Institute and Lipper. See ICI Fundamentals, *"The Economics of Providing 401(k) Plans: Services, Fees, and Expenses, 2008."*

Distributions from Defined Contribution Plans and IRAs

With participant-directed DC plans and IRAs representing an increasing share of household retirement assets, the decisions participants make about distributing those assets in retirement have become an issue of increasing interest to plan sponsors, financial institutions, and policymakers.

Defined Contribution Plans

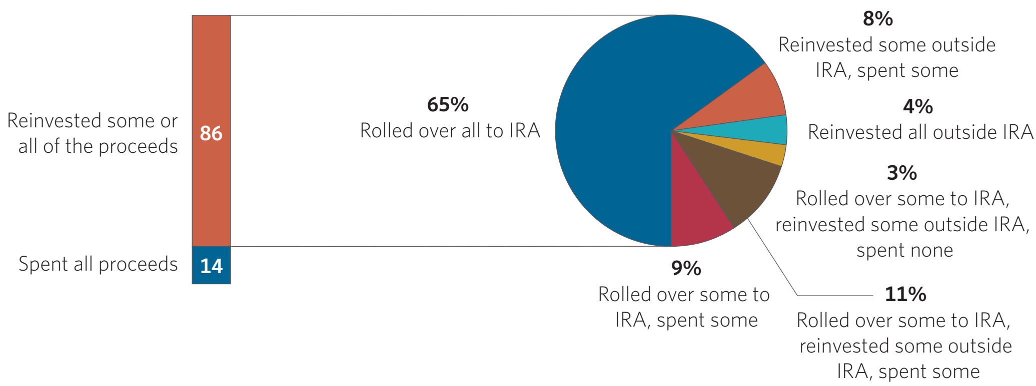
In late 2007, ICI surveyed recent retirees who had actively participated in DC plans about how they used plan proceeds at retirement. Just over half (52 percent) of surveyed DC plan retirees received all their distributions as a lump sum, and another 7 percent received a portion of their distributions as a lump sum. The remainder deferred withdrawal, received their distribution as annuities or installment payments, or chose some combination of options that did not include a lump sum.

Of respondents who received a lump-sum distribution, 86 percent of respondents rolled over some or all of the balance to an IRA or otherwise reinvested the assets (Figure 7.13). The remaining 14 percent spent all the proceeds of the distribution. Because retirees who spent some or all of their lump-sum distributions tended to have lower account balances, only 7 percent of the total dollars distributed as a lump sum at retirement were spent immediately.

FIGURE 7.13

Use of Lump-Sum Distributions at Retirement

Percentage of respondents*



**Based upon respondents' recall. Responses are from a survey of employees retiring between 2002 and 2007 who were interviewed in the fall of 2007.*

Source: Investment Company Institute, Defined Contribution Plan Distribution Choices at Retirement

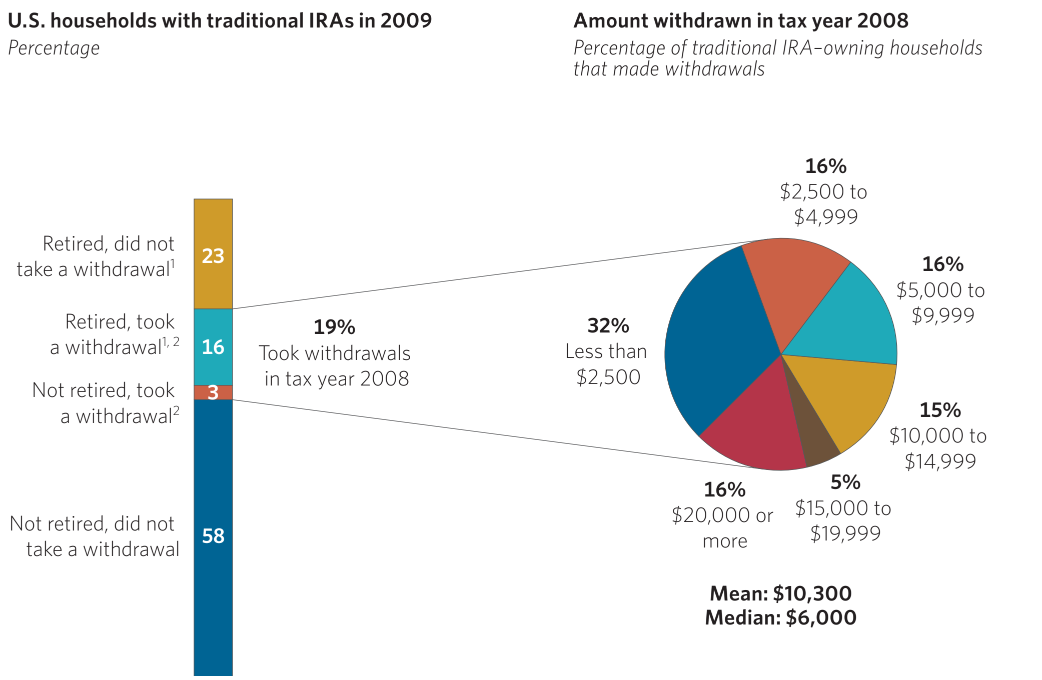
IRAs

In May 2009, ICI surveyed households that owned IRAs and asked a series of questions about withdrawals. Few households withdraw money from their IRAs in any given year, and most withdrawals are retirement related. Of households with traditional IRAs in 2009, 81 percent did not take withdrawals (Figure 7.14). Only 19 percent reported taking withdrawals in tax year 2008, and of those households, 84 percent reported someone in the household was retired from their lifetime occupation.

Withdrawals from traditional IRAs were typically modest: the median withdrawal was $6,000 and 32 percent of withdrawals totaled less than $2,500. The median ratio of withdrawals to account balance was 8 percent. Typically, withdrawals from traditional IRAs were taken to fulfill required minimum distributions (RMDs). The RMD is a percentage of the IRA balance, with the percentage based on life expectancy. Traditional IRA owners aged 70½ or older must withdraw a minimum amount each year or pay a penalty for failing to do so. Sixty-four percent of individuals who took withdrawals in tax year 2008 did so to meet RMDs.

FIGURE 7.14

Withdrawals from Traditional IRAs Are Infrequent



[1]The household was considered retired if either the head of household or spouse responded affirmatively to "are you retired from your lifetime occupation?"
[2]Households that no longer owned traditional IRAs were not included.
Source: ICI Fundamentals, *"The Role of IRAs in U.S. Households' Saving for Retirement, 2009"*

Among households where either the head of household or spouse was retired, 44 percent reported using traditional IRA withdrawals to pay for living expenses (Figure 7.15). Nearly one-third of retired households with traditional IRA withdrawals in tax year 2008 cited reinvesting or saving the withdrawal amount in another account. Fourteen percent reported using the withdrawal for an emergency. Nineteen percent reported using the withdrawal for a healthcare expense.

Because current withdrawal activity may not be a good indicator of future withdrawal activity, ICI also asked about future plans. Among traditional IRA-owning households in 2009 that did not take a withdrawal in tax year 2008, 64 percent said that they were not likely to take a withdrawal before age 70½ (Figure 7.16).

FIGURE 7.15

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

Percentage of traditional IRA-owning households[1] in which either the head of household or spouse is retired, May 2009

Purpose of traditional IRA withdrawal in retirement[2]	
Took withdrawals to pay for living expenses	44
Spent it on a car, boat, or big-ticket item other than a home	6
Spent it on a healthcare expense	19
Used it for an emergency	14
Used it for home purchase, repair, or remodeling	15
Reinvested or saved it in another account	31
Paid for education	3
Some other purpose	12

[1]*The base of respondents includes the 16 percent of traditional IRA-owning households that were retired and took withdrawals reported in Figure 7.14.*

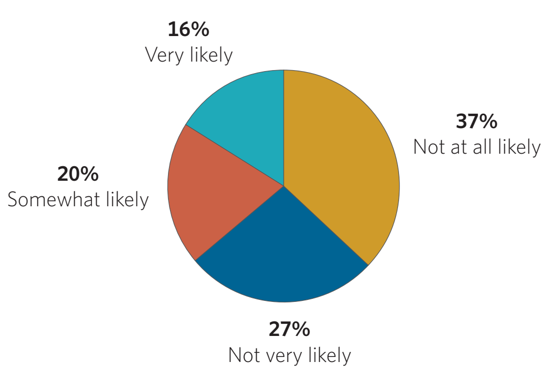
[2]*Multiple responses are included.*

Source: ICI Fundamentals, *"The Role of IRAs in U.S. Households' Saving for Retirement, 2009"*

FIGURE 7.16

Likelihood of Withdrawing from Traditional IRA Before Age 70½

Percentage of traditional IRA-owning households in 2009 that did not take a withdrawal in tax year 2008



Source: ICI Fundamentals, *"The Role of IRAs in U.S. Households' Saving for Retirement, 2009"*

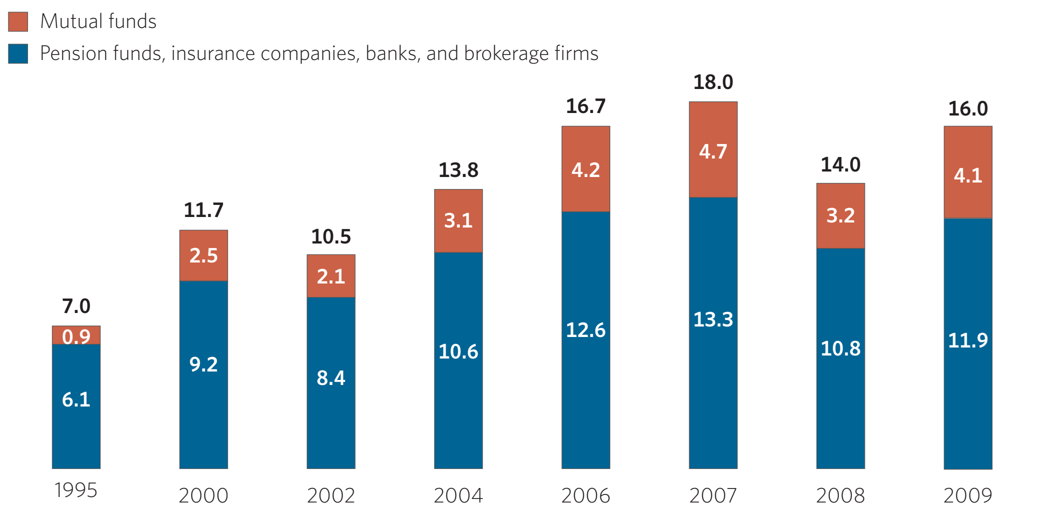
The Role of Mutual Funds in Households' Retirement Savings

At year-end 2009, mutual funds accounted for $4.1 trillion, or 25 percent, of the $16.0 trillion U.S. retirement market (Figure 7.17). The remaining $11.9 trillion of year-end 2009 retirement market assets were managed by pension funds, insurance companies, banks, and brokerage firms. The $4.1 trillion in mutual fund retirement assets represented 36 percent of all mutual fund assets at year-end 2009. Retirement savings accounts were a significant portion of long-term mutual fund assets (47 percent), but were a relatively minor share of money market fund assets (12 percent). Similarly, as a share of households' mutual fund holdings, retirement savings represented 50 percent of households' long-term mutual funds, but only 18 percent of households' money market funds (Figure 7.18).

FIGURE 7.17

Mutual Fund Share of Retirement Market

Trillions of dollars, year-end, selected years

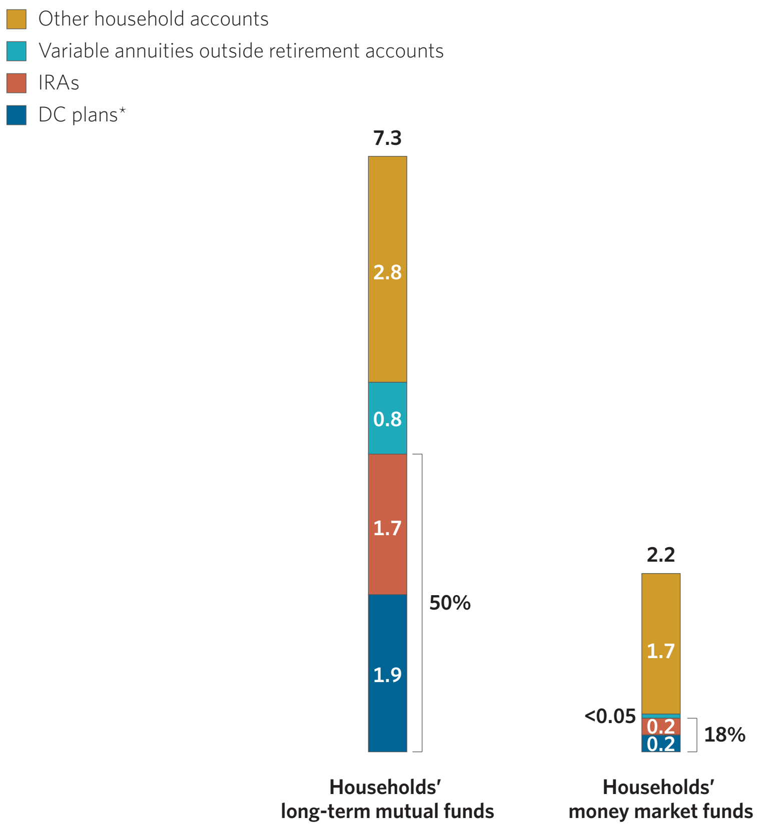


Note: Components may not add to the total because of rounding.
Sources: Investment Company Institute, Federal Reserve Board, National Association of Government Defined Contribution Administrators, American Council of Life Insurers, and Internal Revenue Service Statistics of Income Division

FIGURE 7.18

Households' Mutual Fund Assets by Type of Account

Trillions of dollars, year-end 2009



*DC plans include 401(k) plans, 403(b) plans, 457 plans, Keoghs, and other DC plans without 401(k) features.
Note: Components may not add to the total because of rounding.

Mutual fund retirement assets primarily come from two sources: IRAs and employer-sponsored DC plans, such as 401(k) plans. Investors held roughly the same amount of mutual fund assets in IRAs as they did in employer-sponsored DC plans. At year-end 2009, IRAs held $2.0 trillion in mutual fund assets, and employer-sponsored DC plans had $2.1 trillion (Figure 7.19). Among DC plans, 401(k) plans were the largest holder of mutual funds, with $1.5 trillion in assets. At year-end 2009, 403(b) plans held $328 billion in mutual fund assets, 457 plans held $65 billion, and other DC plans held $193 billion.

FIGURE 7.19

Mutual Fund Retirement Account Assets

Billions of dollars, year-end, 1995–2009

	Total mutual fund retirement assets	Employer-sponsored DC plan mutual fund assets*	IRA mutual fund assets
1995	$914	$445	$470
1996	1,180	591	589
1997	1,558	785	773
1998	1,972	1,000	972
1999	2,572	1,307	1,265
2000	2,530	1,291	1,239
2001	2,394	1,227	1,167
2002	2,131	1,094	1,037
2003	2,727	1,410	1,317
2004	3,143	1,634	1,509
2005	3,526	1,838	1,688
2006	4,174	2,159	2,015
2007	4,697	2,409	2,288
2008	3,224	1,639	1,585
2009	4,054	2,102	1,953

**DC plans include 401(k) plans, 403(b) plans, 457 plans, Keoghs, and other DC plans without 401(k) features.*
Note: Components may not add to the total because of rounding.

Types of Mutual Funds Used by Retirement Plan Investors

Of the $4.1 trillion in mutual fund retirement assets held in IRAs, 401(k) plans, and other retirement accounts at year-end 2009, $2.3 trillion, or 58 percent, were invested in domestic or foreign equity funds (Figure 7.20). Domestic equity funds alone constituted about $1.8 trillion, or 44 percent, of mutual fund retirement assets. By comparison, about 45 percent of overall fund industry assets—including retirement and nonretirement accounts—were invested in domestic and foreign equity funds at year-end 2009.

At year-end 2009, $1.0 trillion, or about 25 percent, of mutual fund retirement assets were invested in fixed-income funds (bond or money market funds). Bond funds held $606 billion, or 15 percent, of mutual fund retirement assets, and money market funds accounted for $394 billion, or 10 percent. The remaining $709 billion, or approximately 17 percent, of mutual fund retirement assets were held in hybrid funds, which invest in a mix of equity and fixed-income securities.

FIGURE 7.20

Bulk of Mutual Fund Retirement Account Assets Were Invested in Equities

Billions of dollars, year-end 2009

	Equity					
	Domestic	Foreign	Hybrid[1]	Bond	Money market	Total
IRAs	$823	$263	$314	$323	$230	$1,953
DC plans	965	294	395	283	165	2,102
401(k) plans	661	230	319	198	108	1,515
403(b) plans	200	31	42	32	23	328
Other DC plans[2]	105	33	33	53	33	258
Total	1,788	557	709	606	394	4,054

[1]Hybrid funds invest in a mix of equities and fixed-income securities. The bulk of lifecycle and lifestyle mutual funds are counted in this category.
[2]Other DC plans include 457 plans, Keoghs, and other DC plans without 401(k) features.
Note: Components may not add to the total because of rounding.

Lifestyle and lifecycle mutual funds

Lifestyle and lifecycle mutual funds, generally included in the hybrid fund category, have grown in popularity among investors and retirement plan sponsors in recent years. Lifestyle mutual funds, also referred to as target risk 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 mutual funds, also referred to as target date funds, 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 as they approach and pass the target date, which is usually indicated in the fund's name.

Assets in lifestyle and lifecycle mutual funds totaled $511 billion at the end of 2009 (Figure 7.21), up from $336 billion at year-end 2008. Lifestyle mutual funds' assets were up 45 percent in 2009, rising from $176 billion to $255 billion. Assets of lifecycle funds were up 60 percent in 2009, increasing from $160 billion to $256 billion. The bulk (84 percent) of lifecycle mutual fund assets were held in retirement accounts, compared with 45 percent of lifestyle mutual fund assets.

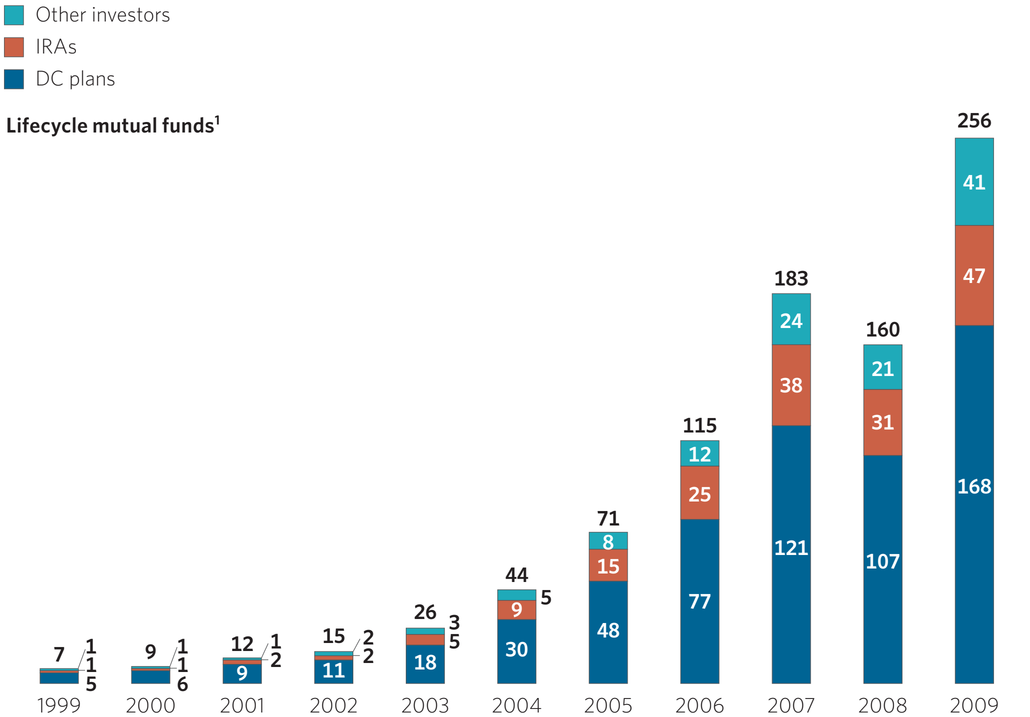
The Role of Mutual Funds in Households' Education Savings

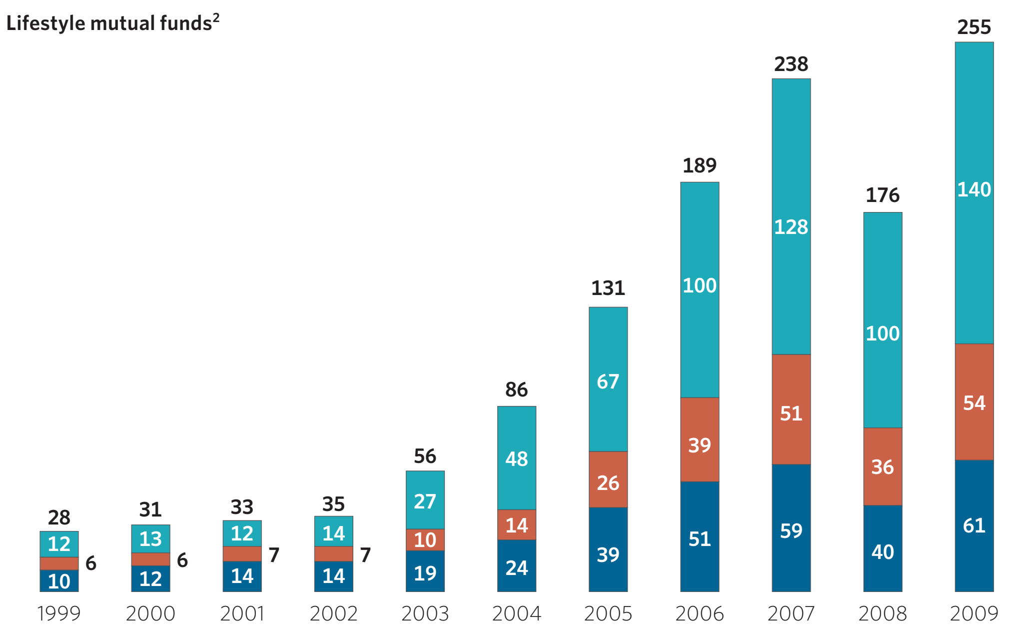
ICI research finds that 26 percent of households that owned mutual funds in 2009 cited education as a financial goal for their fund investments. Nevertheless, the demand for education savings vehicles has been historically modest since their introduction in the 1990s, partly because of their limited availability and investors' lack of familiarity with them. The 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. The enactment of the PPA in 2006 made permanent the EGTRRA enhancements to Section 529 plans.

FIGURE 7.21

Lifecycle and Lifestyle Mutual Fund Assets by Account Type

Billions of dollars, year-end, 1999–2009





[1] *A lifecycle mutual fund typically rebalances to an increasingly conservative portfolio as it approaches and passes the target date of the fund, which is usually included in the fund's name.*

[2] *A lifestyle mutual fund maintains a predetermined risk level and generally uses words such as "conservative," "aggressive," or "moderate" in the fund's name.*

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

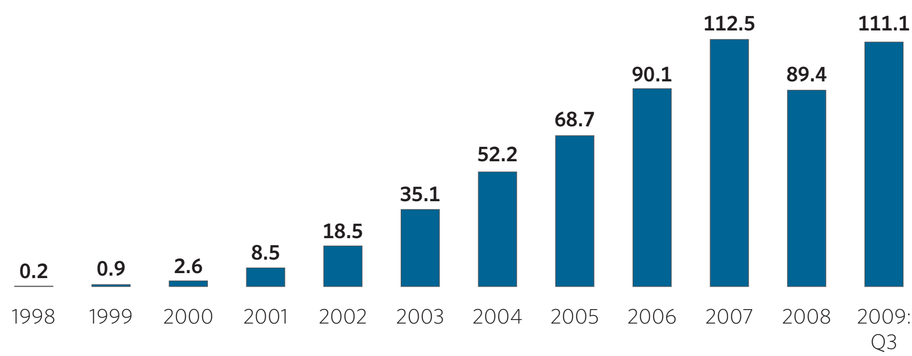
Assets in Section 529 savings plans increased 24 percent in the first three quarters of 2009, with $111.1 billion in assets at the end of the third quarter of 2009, up from $89.4 billion at year-end 2008 (Figure 7.22). As of September 30, 2009, there were 9.4 million accounts.

In ICI's Annual Mutual Fund Shareholder Tracking Survey, it is possible to identify households saving for college through Section 529 plans, Coverdell ESAs, or mutual funds (Figure 7.23). In 2009, as a group, households saving for college tended to be headed by younger individuals—57 percent were younger than 45. Heads of households saving for college had a range of educational attainment: 53 percent had not completed college and 47 percent had college degrees or higher education. In addition, these households represented a range of incomes: 40 percent had household income less than $75,000; 16 percent earned between $75,000 and $99,999; and 44 percent had household incomes of $100,000 or more. Almost three-quarters of these households had children (younger than 18) still in the home; nearly half had more than one child.

FIGURE 7.22

Section 529 Savings Plan Assets

Billions of dollars, end-of-period, 1998–2009:Q3



Note: Data were estimated for a few individual state observations in order to construct a continuous time series.
Sources: Investment Company Institute, College Savings Plans Network, College Savings Foundation, and Financial Research Corporation

For More Information

- "The Evolving Role of IRAs in U.S. Retirement Planning," *Investment Company Institute Perspective*
- "The Role of IRAs in U.S. Households' Saving for Retirement, 2009," *Investment Company Institute Fundamentals*
- *Enduring Confidence in the 401(k) System: Investor Attitudes and Actions*
- *Defined Contribution / 401(k) Fee Study: Inside the Structure of Defined Contribution / 401(k) Plan Fees: A Study Assessing the Mechanics of What Drives the "All-In" Fee*
- Frequently Asked Questions About IRAs

Available at www.ici.org.

FIGURE 7.23

Demographics of Households Saving for College

Percentage of U.S. households saving for college,[1] May 2009

Age of head of household[2]	
Younger than 35	24
35 to 44	33
45 to 54	25
55 to 64	10
65 or older	8
Education level of head of household[2]	
High school graduate or less	24
Associate's degree or some college	29
Completed college	20
Some graduate school or completed graduate school	27
Household income[3]	
Less than $25,000	6
$25,000 to $34,999	4
$35,000 to $49,999	10
$50,000 to $74,999	20
$75,000 to $99,999	16
$100,000 or more	44
Number of children in home[4]	
None	26
One	29
Two	31
Three or more	14

[1] *Households saving for college are households that own education savings plans (Coverdell ESAs or 529 plans) or responded that paying for education was one of their financial goals for their mutual funds.*
[2] *Head of household is the sole or co-decisionmaker for saving and investing.*
[3] *Total reported is household income before taxes in 2008.*
[4] *The number of children reported is children younger than 18 living in the home.*

Part Two

Data Tables

Data Tables

Section 1

U.S. Mutual Fund Totals

Section 2

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

Section 3

U.S. Long-Term Mutual Funds

Section 4

U.S. Money Market Funds

Section 5

Additional Categories of U.S. Mutual Funds

Section 6

Institutional Investors in the U.S. Mutual Fund Industry

Section 7

Worldwide Mutual Fund Totals

TABLE 1

Total Net Assets, Number of Funds, Number of Share Classes, and Number of Shareholder Accounts of the U.S. Mutual Fund Industry

Year-end

Year	Total net assets *Billions of dollars*	Number of funds	Number of share classes	Number of shareholder accounts* *Thousands*
1940	$0.45	68	–	296
1945	1.28	73	–	498
1950	2.53	98	–	939
1955	7.84	125	–	2,085
1960	17.03	161	–	4,898
1965	35.22	170	–	6,709
1970	47.62	361	–	10,690
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	6,383.48	8,243	18,984	251,123
2003	7,402.42	8,125	19,318	260,698
2004	8,095.08	8,040	20,029	269,468
2005	8,891.11	7,974	20,549	275,479
2006	10,396.51	8,117	21,256	288,596
2007	12,000.64	8,026	21,620	292,590
2008	9,602.60	8,022	22,233	264,597
2009	11,120.73	7,691	21,726	270,949

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

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

TABLE 2

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

Billions of dollars, annual

Year	Total sales[1]	New sales	Exchange sales[2]	Redemptions	Exchange redemptions[3]
1945	$0.29	–	–	$0.11	–
1950	0.52	–	–	0.28	–
1955	1.21	–	–	0.44	–
1960	2.10	–	–	0.84	–
1965	4.36	$3.93	–	1.96	–
1970	4.63	3.84	–	2.99	–
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	3,075.63	3,019.76	317.55	2,928.62	325.00
1995	3,600.62	3,526.00	351.53	3,314.86	351.08
1996	4,671.44	4,586.71	504.73	4,266.20	503.94
1997	5,801.23	5,704.83	613.44	5,324.29	618.49
1998	7,230.40	7,126.92	742.97	6,649.27	743.37
1999	9,043.58	8,922.96	949.96	8,562.10	947.36
2000	11,109.54	10,970.50	1,149.75	10,586.59	1,145.42
2001	12,866.21	12,747.53	797.34	12,242.32	798.08
2002	13,168.76	13,084.32	747.34	13,011.36	745.65
2003	12,393.72	12,315.54	572.50	12,361.83	573.76
2004	12,176.97	12,086.83	408.99	12,024.75	417.95
2005	13,939.25	13,812.42	420.83	13,546.66	432.43
2006	17,409.58	17,229.02	487.71	16,752.21	492.19
2007	23,471.66	23,237.43	606.46	22,353.72	611.96
2008	26,346.52	26,132.74	733.84	25,725.88	728.78
2009	20,681.86	20,530.38	529.96	20,681.94	528.01

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

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

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

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

TABLE 3

Total Net Assets of the U.S. Mutual Fund Industry

Billions of dollars, year-end

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

Year	Total	Long-term funds			Money market funds
		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	6,383.48	2,662.46	325.49	1,130.45	2,265.08
2003	7,402.42	3,684.16	430.47	1,247.77	2,040.02
2004	8,095.08	4,383.98	519.29	1,290.48	1,901.34
2005	8,891.11	4,939.70	567.30	1,357.28	2,026.82
2006	10,396.51	5,910.50	653.15	1,494.41	2,338.45
2007	12,000.64	6,515.87	718.98	1,680.03	3,085.76
2008	9,602.60	3,704.27	499.50	1,566.60	3,832.24
2009	11,120.73	4,957.58	640.75	2,206.20	3,316.20

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

TABLE 4

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

Billions of dollars, year-end

	EQUITY FUNDS				BOND FUNDS							MONEY MARKET FUNDS	
Year	Capital appreciation	World	Total return	HYBRID FUNDS	Corporate	High yield	World	Government	Strategic income	State muni	National muni	Taxable	Tax-exempt
1984	$41.68	$5.19	$32.86	$11.15	$3.30	$7.40	$0.03	$10.63	$4.09	$4.78	$16.01	$209.75	$23.80
1985	56.85	7.94	46.55	17.61	4.98	13.48	0.06	58.32	6.36	11.52	27.92	207.55	36.25
1986	70.53	15.47	68.45	25.76	9.08	24.59	0.52	122.06	11.37	25.81	49.86	228.35	63.81
1987	79.31	17.43	78.71	29.25	9.47	24.16	2.14	123.11	12.53	27.79	49.17	254.68	61.42
1988	83.09	17.98	88.31	26.35	10.46	33.43	3.02	111.40	10.65	32.41	54.32	272.20	65.76
1989	107.23	23.59	114.22	35.64	11.68	28.49	3.06	109.60	13.41	41.21	64.45	358.62	69.47
1990	113.37	28.30	97.81	36.12	25.80	19.15	13.02	104.43	8.61	49.55	70.70	414.56	83.78
1991	178.73	39.52	186.48	52.23	36.60	26.33	27.71	134.24	14.70	65.81	88.39	452.46	89.98
1992	235.06	45.68	233.34	78.04	48.16	34.47	31.02	172.68	21.63	85.48	110.78	451.35	94.84
1993	321.18	114.13	305.36	144.50	68.29	48.97	32.91	188.67	26.05	113.59	141.01	461.88	103.44
1994	361.62	161.19	329.95	164.40	64.78	45.08	23.60	140.44	25.95	104.82	122.49	501.11	109.89
1995	572.34	196.51	480.23	210.33	84.75	59.70	24.83	143.00	33.30	117.30	135.99	631.32	121.69
1996	781.72	285.20	659.10	252.58	100.61	78.90	25.74	130.63	56.47	116.96	136.10	763.94	137.87
1997	1,075.27	346.37	946.39	317.11	119.35	104.91	25.99	128.89	73.15	126.54	145.35	901.23	157.66
1998	1,404.71	391.64	1,181.59	365.00	143.51	117.44	24.64	144.35	102.05	139.96	158.63	1,166.97	184.71
1999	2,115.06	585.25	1,341.58	378.81	157.68	116.90	22.94	138.58	104.90	127.89	143.59	1,413.25	199.90
2000	2,153.72	542.67	1,265.54	346.28	140.64	90.28	19.94	133.34	149.15	132.72	145.12	1,612.11	233.14
2001	1,797.35	428.80	1,192.02	346.32	160.97	94.28	19.07	164.24	191.55	140.99	154.03	2,027.20	258.11
2002	1,340.75	358.00	963.71	325.49	179.42	100.40	21.08	233.50	267.53	154.14	174.38	1,990.29	274.78
2003	1,858.21	516.10	1,309.86	430.47	201.12	153.98	27.19	219.94	311.42	150.94	183.16	1,751.65	288.37
2004	2,157.25	689.67	1,537.05	519.29	224.63	155.93	36.35	205.64	340.21	145.10	182.62	1,590.99	310.35
2005	2,377.09	919.58	1,643.03	567.30	239.79	144.17	44.72	201.37	388.47	148.14	190.61	1,692.82	334.00
2006	2,699.55	1,314.14	1,896.81	653.15	272.17	156.50	62.04	186.61	452.20	154.87	210.03	1,972.05	366.40
2007	2,890.52	1,667.47	1,957.87	718.98	299.78	156.97	87.35	195.03	567.07	155.63	218.21	2,620.69	465.08
2008	1,649.43	866.53	1,188.31	499.50	246.08	111.58	87.51	226.17	557.55	134.87	202.84	3,340.78	491.46
2009	2,215.44	1,274.42	1,467.72	640.75	357.42	187.55	124.15	271.10	808.84	158.96	298.18	2,918.75	397.45

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

TABLE 5

Number of Funds of the U.S. Mutual Fund Industry

Year-end

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

Year	Total	Long-term funds: Equity funds	Long-term funds: Hybrid funds	Long-term funds: Bond funds	Money market funds
1984	1,243	459	89	270	425
1985	1,528	562	103	403	460
1986	1,835	678	121	549	487
1987	2,312	824	164	781	543
1988	2,737	1,006	179	942	610
1989	2,935	1,069	189	1,004	673
1990	3,079	1,099	193	1,046	741
1991	3,403	1,191	212	1,180	820
1992	3,824	1,325	235	1,400	864
1993	4,534	1,586	282	1,746	920
1994	5,325	1,886	361	2,115	963
1995	5,725	2,139	412	2,177	997
1996	6,248	2,570	466	2,224	988
1997	6,684	2,951	501	2,219	1,013
1998	7,314	3,512	526	2,250	1,026
1999	7,791	3,952	532	2,262	1,045
2000	8,155	4,385	523	2,208	1,039
2001	8,305	4,716	483	2,091	1,015
2002	8,243	4,747	473	2,035	988
2003	8,125	4,599	508	2,045	973
2004	8,040	4,546	510	2,042	942
2005	7,974	4,585	505	2,014	870
2006	8,117	4,768	508	1,994	847
2007	8,026	4,763	489	1,969	805
2008	8,022	4,828	493	1,918	783
2009	7,691	4,659	474	1,853	705

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

TABLE 6

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

Year-end

	EQUITY FUNDS				BOND FUNDS							MONEY MARKET FUNDS	
Year	Capital appreciation	World	Total return	HYBRID FUNDS	Corporate	High yield	World	Government	Strategic income	State muni	National muni	Taxable	Tax-exempt
1984	306	29	124	89	30	36	1	45	47	37	74	331	94
1985	365	43	154	103	33	43	1	93	59	75	99	350	110
1986	439	57	182	121	35	57	4	139	67	122	125	360	127
1987	514	81	229	164	42	70	16	201	86	217	149	389	154
1988	578	109	319	179	58	103	28	248	85	245	175	433	177
1989	597	128	344	189	59	105	30	266	101	260	183	470	203
1990	621	155	323	193	120	106	41	252	64	272	191	505	236
1991	645	206	340	212	144	95	61	281	76	331	192	552	268
1992	717	239	369	235	183	89	89	335	76	414	214	585	279
1993	850	306	430	282	251	90	115	405	89	531	265	627	293
1994	994	423	469	361	304	95	138	457	109	707	305	649	314
1995	1,110	528	501	412	358	104	159	429	116	710	301	676	321
1996	1,325	668	577	466	386	119	173	422	143	686	295	669	319
1997	1,538	768	645	501	372	134	186	407	187	649	284	685	328
1998	1,894	890	728	526	350	183	188	395	234	615	285	687	339
1999	2,208	950	794	532	336	208	175	374	282	605	282	704	341
2000	2,542	1,005	838	523	305	214	144	351	326	594	274	705	334
2001	2,853	1,014	849	483	293	211	131	320	323	556	257	691	324
2002	2,956	946	845	473	298	200	116	314	338	519	250	678	310
2003	2,931	862	806	508	291	199	105	315	357	527	251	661	312
2004	2,935	819	792	510	301	199	106	313	357	516	250	638	304
2005	2,969	838	778	505	294	208	105	307	361	501	238	594	276
2006	3,069	915	784	508	289	208	113	309	364	481	230	574	273
2007	3,018	980	765	489	292	207	123	301	372	449	225	546	259
2008	3,019	1,061	748	493	281	196	130	294	380	417	220	535	248
2009	2,825	1,118	716	474	275	187	132	297	365	378	219	478	227

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

TABLE 7

Number of Share Classes of the U.S. Mutual Fund Industry

Year-end

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	18,984	11,002	1,046	4,930	2,006
2003	19,318	10,953	1,175	5,159	2,031
2004	20,029	11,395	1,274	5,314	2,046
2005	20,549	11,821	1,374	5,323	2,031
2006	21,256	12,506	1,358	5,380	2,012
2007	21,620	12,824	1,341	5,437	2,018
2008	22,233	13,390	1,382	5,473	1,988
2009	21,726	13,108	1,357	5,412	1,849

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

TABLE 8

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

Year-end

	EQUITY FUNDS				BOND FUNDS							MONEY MARKET FUNDS	
Year	Capital appreciation	World	Total return	HYBRID FUNDS	Corporate	High yield	World	Government	Strategic income	State muni	National muni	Taxable	Tax-exempt
1984	306	29	124	89	30	36	1	45	47	37	74	331	94
1985	365	43	154	103	33	43	1	93	59	75	99	350	110
1986	439	57	182	121	35	57	4	139	67	122	125	360	127
1987	514	81	229	164	42	70	16	201	86	217	149	389	154
1988	578	109	319	179	58	103	28	248	85	245	175	433	177
1989	597	128	344	189	59	105	30	266	101	260	183	470	203
1990	632	166	330	200	121	109	45	258	64	291	199	522	240
1991	666	227	355	224	146	100	70	293	77	352	206	591	280
1992	785	263	404	258	201	100	111	382	82	466	242	616	298
1993	1,033	385	527	349	307	115	152	522	109	708	346	672	337
1994	1,362	630	664	517	434	135	205	679	150	1,187	473	858	403
1995	1,660	845	782	637	557	172	248	697	167	1,341	521	953	427
1996	2,099	1,155	957	753	637	202	289	711	207	1,352	537	1,005	448
1997	2,704	1,449	1,156	877	647	264	335	743	300	1,415	563	1,075	474
1998	3,464	1,770	1,408	968	648	378	348	762	392	1,365	590	1,137	490
1999	4,231	1,969	1,585	1,031	669	452	334	760	503	1,380	618	1,230	500
2000	5,167	2,203	1,709	1,024	655	479	287	731	601	1,407	620	1,332	523
2001	6,159	2,371	1,794	998	682	491	271	698	655	1,342	614	1,406	542
2002	6,761	2,338	1,903	1,046	729	498	270	732	763	1,297	641	1,464	542
2003	6,827	2,195	1,931	1,175	753	507	254	766	842	1,344	693	1,463	568
2004	7,223	2,172	2,000	1,274	801	528	260	797	881	1,340	707	1,471	575
2005	7,512	2,280	2,029	1,374	809	557	268	794	906	1,314	675	1,465	566
2006	7,909	2,549	2,048	1,358	837	567	298	796	947	1,268	667	1,455	557
2007	7,948	2,802	2,074	1,341	871	597	336	783	963	1,223	664	1,450	568
2008	8,118	3,161	2,111	1,382	890	589	386	782	1,000	1,157	669	1,447	541
2009	7,691	3,378	2,039	1,357	868	571	419	803	1,001	1,071	679	1,333	516

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

TABLE 9

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

Thousands, year-end

		Long-term funds			
Year	Total	Equity funds	Hybrid funds	Bond funds	Money market funds
1984	27,636	9,623	983	3,186	13,845
1985	34,098	11,061	1,323	6,780	14,935
1986	45,374	15,509	2,101	11,450	16,313
1987	53,717	20,371	2,732	12,939	17,675
1988	54,056	19,658	2,575	13,253	18,570
1989	57,560	20,348	2,727	13,170	21,314
1990	61,948	22,157	3,203	13,619	22,969
1991	68,332	25,648	3,620	15,509	23,556
1992	79,931	32,730	4,532	19,023	23,647
1993	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	251,123	164,295	15,579	25,869	45,380
2003	260,698	174,060	17,672	27,752	41,214
2004	269,468	183,241	20,004	28,587	37,636
2005	275,479	187,990	21,206	29,446	36,837
2006	288,596	200,020	21,967	29,541	37,067
2007	292,590	201,292	22,338	29,830	39,130
2008	264,597	175,634	20,752	30,100	38,111
2009	270,949	178,749	21,590	37,144	33,466

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

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

Components may not add to the total because of rounding.

TABLE 10

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

Thousands, year-end

	EQUITY FUNDS				BOND FUNDS							MONEY MARKET FUNDS	
Year	Capital appreciation	World	Total return	HYBRID FUNDS	Corporate	High yield	World	Government	Strategic income	State muni	National muni	Taxable	Tax-exempt
1984	5,976	713	2,934	983	414	698	4	788	337	198	745	13,556	288
1985	6,736	806	3,519	1,323	485	1,073	6	3,279	418	381	1,139	14,435	499
1986	8,240	1,631	5,638	2,101	659	1,744	47	5,985	603	722	1,691	15,654	660
1987	10,557	2,171	7,644	2,732	708	1,974	156	6,666	694	874	1,866	16,833	842
1988	10,312	2,034	7,312	2,575	772	2,488	255	6,293	508	1,000	1,938	17,631	939
1989	10,172	2,062	8,114	2,727	810	2,409	237	5,847	584	1,147	2,138	20,173	1,141
1990	11,427	3,077	7,653	3,203	1,389	2,204	680	5,394	310	1,323	2,318	21,578	1,391
1991	13,628	3,478	8,542	3,620	1,678	1,992	1,306	5,846	432	1,631	2,624	21,863	1,693
1992	17,842	4,203	10,685	4,532	2,073	2,041	1,725	7,181	799	2,163	3,041	21,771	1,876
1993	22,003	7,122	13,430	6,741	2,463	2,373	1,878	7,226	977	2,579	3,639	21,587	1,999
1994	28,407	12,162	17,379	10,251	2,849	2,440	1,435	6,359	1,010	3,232	3,482	23,342	2,037
1995	35,758	13,195	20,387	10,926	3,160	2,816	1,283	6,395	1,132	2,621	3,409	27,866	2,271
1996	44,731	15,651	24,919	12,026	3,632	3,189	1,214	5,559	1,152	2,473	3,187	29,929	2,271
1997	53,101	17,912	30,666	12,856	3,722	3,756	1,116	4,918	1,344	2,289	2,995	32,986	2,638
1998	63,288	18,515	37,754	14,138	4,333	4,168	844	4,984	1,651	2,487	3,020	36,461	2,386
1999	83,170	21,833	42,388	14,252	4,760	4,110	783	4,871	1,448	2,228	2,754	41,187	2,428
2000	100,065	22,758	41,124	13,066	3,892	3,532	657	4,539	2,240	2,120	2,573	45,489	2,649
2001	99,973	22,036	43,639	14,257	4,813	3,605	632	5,120	2,822	2,044	2,524	44,425	2,811
2002	98,426	21,879	43,991	15,579	5,523	3,818	713	6,360	4,759	2,060	2,636	42,725	2,655
2003	102,534	23,941	47,585	17,672	5,529	4,783	897	6,186	5,957	1,841	2,559	38,412	2,802
2004	104,095	29,227	49,919	20,004	5,966	4,784	1,038	5,891	6,677	1,744	2,487	34,794	2,842
2005	102,088	35,318	50,584	21,206	6,369	4,626	1,355	5,438	7,468	1,713	2,476	34,032	2,805
2006	104,071	44,229	51,720	21,967	6,184	4,700	1,742	4,552	8,197	1,647	2,519	34,006	3,061
2007	101,094	49,555	50,643	22,338	5,936	4,711	2,140	4,072	8,930	1,575	2,466	35,662	3,467
2008	86,276	43,790	45,568	20,752	5,175	4,106	2,549	4,894	9,631	1,375	2,370	34,498	3,613
2009	87,154	48,012	43,582	21,590	7,003	4,821	3,570	5,336	12,120	1,447	2,848	30,301	3,166

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

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

TABLE 11

Closed-End Funds: Total Net Assets and Proceeds from Issuance by Type of Fund

Millions of dollars

		Equity funds			Bond funds			
Year	Total	Total equity	Domestic	Global/ International	Total bond	Domestic taxable	Domestic municipal	Global/ International
Total net assets *Year-end*								
1990	$59,106	$16,634	$10,791	$5,843	$42,472	$16,820	$16,482	$9,170
1991	76,164	19,296	13,109	6,187	56,868	19,403	29,519	7,947
1992	100,666	21,766	14,581	7,185	78,900	24,632	45,593	8,674
1993	131,520	28,010	15,462	12,548	103,510	30,909	60,100	12,501
1994	130,675	37,611	16,018	21,594	93,063	26,604	56,035	10,425
1995	142,619	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	155,814	47,606	22,529	25,077	108,208	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	141,251	31,075	22,261	8,814	110,176	26,606	74,467	9,102
2002	158,805	33,724	26,596	7,128	125,081	25,643	90,024	9,414
2003	214,088	53,019	42,987	10,032	161,069	55,428	94,102	11,539
2004	254,296	82,327	63,762	18,565	171,969	64,230	94,884	12,855
2005	277,017	105,588	77,124	28,464	171,430	64,119	94,606	12,705
2006	298,328	122,477	87,772	34,705	175,851	68,051	94,569	13,231
2007	312,795	146,174	87,569	58,604	166,622	62,281	88,659	15,682
2008	187,986	75,658	46,807	28,851	112,328	33,727	67,710	10,891
2009	228,174	92,599	53,969	38,630	135,575	43,973	77,942	13,660
Proceeds from issuance* *Annual*								
2002	$24,911	$9,210	$9,191	$18	$15,701	$2,309	$13,392	-
2003	40,963	11,349	11,187	161	29,614	25,587	2,995	$1,032
2004	27,867	21,225	15,424	5,801	6,642	5,608	5	1,028
2005	21,266	19,187	12,559	6,628	2,080	1,924	31	124
2006	12,333	10,275	7,692	2,583	2,057	1,528	196	334
2007	31,193	25,844	5,973	19,871	5,349	2,221	433	2,695
2008	330	208	8	200	121	121	-	-
2009	3,900	1,652	476	1,176	2,248	876	1055	317

**Data are not available for years prior to 2002. The data include proceeds from the issuance of initial and additional public offerings of closed-end fund shares.*

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

TABLE 12

Closed-End Funds: Number of Funds by Type of Fund

Year-end

		Equity funds			Bond funds			
Year	Total	Total equity	Domestic	Global/ International	Total bond	Domestic taxable	Domestic municipal	Global/ International
1990	249	93	41	52	156	85	53	18
1991	281	93	40	53	188	86	87	15
1992	373	105	43	62	268	99	149	20
1993	495	119	48	71	376	120	227	29
1994	511	137	50	87	374	123	219	32
1995	500	141	49	92	359	119	207	33
1996	497	142	50	92	355	118	205	32
1997	487	135	45	90	352	115	205	32
1998	492	128	44	84	364	123	211	30
1999	512	124	49	75	388	117	241	30
2000	482	123	53	70	359	109	220	30
2001	492	116	51	65	376	109	240	27
2002	545	123	63	60	422	105	292	25
2003	584	131	75	56	453	129	297	27
2004	619	158	96	62	461	136	295	30
2005	635	193	121	72	442	131	280	31
2006	647	204	129	75	443	134	276	33
2007	664	230	137	93	434	131	269	34
2008	642	221	127	94	421	128	260	33
2009	627	208	116	92	419	127	260	32

TABLE 13

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

Millions of dollars, year-end

		INVESTMENT OBJECTIVE						LEGAL STATUS			
		Equity						Registered			Memo
		Domestic equity									
Year	Total	Broad-based	Sector[1]	Global/ International	Commodities[2]	Hybrid	Bond	Index	Actively managed	Nonregistered[2]	Funds of funds[3]
1993	$464	$464	-	-	-	-	-	$464	-	-	-
1994	424	424	-	-	-	-	-	424	-	-	-
1995	1,052	1,052	-	-	-	-	-	1,052	-	-	-
1996	2,411	2,159	-	$252	-	-	-	2,411	-	-	-
1997	6,707	6,200	-	506	-	-	-	6,707	-	-	-
1998	15,568	14,058	$484	1,026	-	-	-	15,568	-	-	-
1999	33,873	29,374	2,507	1,992	-	-	-	33,873	-	-	-
2000	65,585	60,529	3,015	2,041	-	-	-	65,585	-	-	-
2001	82,993	74,752	5,224	3,016	-	-	-	82,993	-	-	-
2002	102,143	86,985	5,919	5,324	-	-	$3,915	102,143	-	-	-
2003	150,983	120,430	11,901	13,984	-	-	4,667	150,983	-	-	-
2004	227,540	163,730	20,315	33,644	$1,335	-	8,516	226,205	-	$1,335	-
2005	300,820	186,832	28,975	65,210	4,798	-	15,004	296,022	-	4,798	-
2006	422,550	232,487	43,655	111,194	14,699	-	20,514	407,850	-	14,699	-
2007	608,422	300,930	64,117	179,702	28,906	$119	34,648	579,517	-	28,906	-
2008	531,288	266,161	58,374	113,684	35,728	132	57,209	495,314	$245	35,728	$97
2009	777,128	304,044	82,073	209,315	74,508	169	107,018	701,586	1,014	74,528	824

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

TABLE 14

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

Year-end

		INVESTMENT OBJECTIVE							LEGAL STATUS			
		Equity							Registered			Memo
		Domestic equity										
Year	Total	Broad-based	Sector[1]	Global/ International	Commodities[2]	Hybrid	Bond		Index	Actively managed	Nonregistered[2]	Funds of funds[3]
1993	1	1	-	-	-	-	-		1	-	-	-
1994	1	1	-	-	-	-	-		1	-	-	-
1995	2	2	-	-	-	-	-		2	-	-	-
1996	19	2	-	17	-	-	-		19	-	-	-
1997	19	2	-	17	-	-	-		19	-	-	-
1998	29	3	9	17	-	-	-		29	-	-	-
1999	30	4	9	17	-	-	-		30	-	-	-
2000	80	29	26	25	-	-	-		80	-	-	-
2001	102	34	34	34	-	-	-		102	-	-	-
2002	113	34	32	39	-	-	8		113	-	-	-
2003	119	39	33	41	-	-	6		119	-	-	-
2004	152	60	42	43	1	-	6		151	-	1	-
2005	204	81	65	49	3	-	6		201	-	3	-
2006	359	133	119	85	16	-	6		343	-	16	-
2007	629	197	191	159	28	5	49		601	-	28	-
2008	728	204	186	225	45	6	62		670	13	45	15
2009	797	222	181	244	47	5	98		727	21	49	23

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

TABLE 15

Exchange-Traded Funds: Net Issuance by Type of Fund

Millions of dollars, annual

		INVESTMENT OBJECTIVE						LEGAL STATUS			
		Equity						Registered			Memo
		Domestic equity									
Year	Total	Broad-based	Sector[1]	Global/ International	Commodities[2]	Hybrid	Bond	Index	Actively managed	Nonregistered[2]	Funds of funds[3]
1993	$442	$442	–	–	–	–	–	$442	–	–	–
1994	−28	−28	–	–	–	–	–	−28	–	–	–
1995	443	443	–	–	–	–	–	443	–	–	–
1996	1,108	842	–	$266	–	–	–	1,108	–	–	–
1997	3,466	3,160	–	306	–	–	–	3,466	–	–	–
1998	6,195	5,158	$484	553	–	–	–	6,195	–	–	–
1999	11,929	10,221	1,596	112	–	–	–	11,929	–	–	–
2000	42,508	40,591	1,033	884	–	–	–	42,508	–	–	–
2001	31,012	26,911	2,735	1,366	–	–	–	31,012	–	–	–
2002	45,302	35,477	2,304	3,792	–	–	$3,729	45,302	–	–	–
2003	15,810	5,737	3,587	5,764	–	–	721	15,810	–	–	–
2004	56,375	29,084	6,514	15,645	$1,353	–	3,778	55,021	–	$1,353	–
2005	56,729	16,941	6,719	23,455	2,859	–	6,756	53,871	–	2,859	–
2006	73,995	21,589	9,780	28,423	8,475	–	5,729	65,520	–	8,475	–
2007	150,617	61,152	18,122	48,842	9,062	$122	13,318	141,555	–	9,062	–
2008	177,220	88,105	30,296	25,243	10,567	58	22,952	166,372	$281	10,567	$107
2009	116,466	−11,842	14,350	39,599	28,388	15	45,954	87,332	724	28,410	237

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

TABLE 16

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

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

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

TABLE 17

Liquid Assets and Liquidity Ratio of Long-Term Mutual Funds

Year-end

	Liquid assets *Millions of dollars*				Liquidity ratio* *Percent*			
Year	Total	Equity funds	Hybrid funds	Bond funds	Total	Equity funds	Hybrid funds	Bond funds
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	186,273	35,072	85,411	5.0	4.2	6.8	6.6
2005	302,922	194,196	40,227	68,499	4.4	3.9	7.1	5.0
2006	345,064	227,639	53,146	64,279	4.3	3.9	8.1	4.3
2007	379,668	275,136	54,378	50,153	4.3	4.2	7.6	3.0
2008	295,045	192,326	45,119	57,600	5.1	5.2	9.0	3.7
2009	363,658	176,790	46,676	140,192	4.7	3.6	7.3	6.4

**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.

Data Section 3

TABLE 18

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

Percent, year-end

	EQUITY FUNDS				BOND FUNDS						
Year	Capital appreciation	World	Total return	HYBRID FUNDS	Corporate	High yield	World	Government	Strategic income	State muni	National muni
1984	9.9%	10.7%	8.0%	7.9%	5.7%	5.8%	10.5%	14.2%	10.1%	3.4%	8.1%
1985	8.2	11.5	10.5	8.0	4.8	5.7	-4.5	10.5	6.7	1.8	3.5
1986	8.7	9.4	10.2	9.8	6.3	5.0	21.1	6.7	10.8	2.5	3.0
1987	10.2	11.5	7.9	9.3	7.9	7.3	22.2	8.2	11.2	4.3	6.5
1988	10.5	7.1	8.8	11.3	13.1	7.0	17.3	11.5	17.8	4.4	7.2
1989	11.0	7.2	10.7	16.1	8.6	6.9	14.8	4.3	13.5	2.4	3.5
1990	12.0	11.7	10.6	11.7	8.6	11.4	43.7	1.3	8.0	2.7	4.7
1991	8.6	8.7	6.3	6.4	7.9	5.4	30.5	5.5	7.0	2.8	3.8
1992	10.3	9.6	5.9	8.5	8.4	5.7	22.8	2.3	6.5	2.8	3.8
1993	8.5	10.6	6.0	11.6	8.8	4.6	17.9	0.9	7.5	2.1	3.5
1994	9.1	10.8	6.2	12.2	10.2	7.9	20.0	2.8	8.6	2.8	4.5
1995	8.5	8.6	6.7	9.3	6.3	7.0	12.3	1.5	7.3	2.1	3.5
1996	6.6	7.0	5.4	7.2	5.3	6.7	9.0	-0.6	11.2	2.4	3.6
1997	6.4	8.0	5.1	7.8	4.8	5.3	8.7	0.8	9.8	2.1	2.8
1998	5.0	5.8	4.3	7.0	3.2	4.6	6.1	-3.0	8.7	1.7	2.4
1999	4.5	5.3	3.6	5.5	5.5	4.3	6.9	-4.6	8.2	2.1	2.5
2000	6.0	7.7	4.5	6.9	4.7	8.4	4.3	-2.6	3.1	3.1	3.5
2001	5.3	6.3	4.3	7.5	5.7	6.9	3.3	-0.3	0.4	2.3	3.1
2002	4.9	5.8	3.8	7.3	4.1	6.8	3.6	0.5	13.1	2.6	4.1
2003	4.1	5.7	3.9	6.8	6.2	5.3	6.1	1.1	12.3	2.2	3.7
2004	4.2	5.4	3.8	6.8	4.7	5.9	9.8	2.5	12.0	2.9	6.5
2005	3.8	5.1	3.5	7.1	3.8	5.1	6.1	0.3	8.8	2.6	5.7
2006	3.7	4.3	3.8	8.1	0.4	5.5	13.4	-4.9	9.5	2.1	4.4
2007	4.1	5.1	3.6	7.6	0.1	4.9	14.6	-4.9	4.6	1.8	4.6
2008	5.2	6.3	4.4	9.0	3.0	11.1	7.7	-0.5	3.6	1.7	4.9
2009	3.9	4.0	2.7	7.3	6.7	5.5	8.6	3.8	7.7	2.8	6.0

**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.

TABLE 19

Net New Cash Flow* of Long-Term Mutual Funds

Millions of dollars, annual

Year	Total	Equity funds	Hybrid funds	Bond funds
1984	$19,194	$4,336	$1,801	$13,058
1985	73,490	6,643	3,720	63,127
1986	129,991	20,386	6,988	102,618
1987	29,776	19,231	3,748	6,797
1988	−23,119	−14,948	−3,684	−4,488
1989	8,731	6,774	3,183	−1,226
1990	21,211	12,915	1,483	6,813
1991	106,213	39,888	7,089	59,236
1992	171,696	78,983	21,832	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	177,863	42,745	−10,782
2005	192,086	135,651	25,203	31,232
2006	227,092	159,454	7,069	60,569
2007	223,748	91,286	23,694	108,768
2008	−225,209	−233,903	−18,880	27,574
2009	389,549	−8,814	22,837	375,526

**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 20

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

Millions of dollars, annual

		Sales			Redemptions		
Year	Net new cash flow[1]	New + exchange	New[2]	Exchange[3]	Regular + exchange	Regular[4]	Exchange[5]
1984	$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	177,863	1,106,597	935,111	171,486	928,733	762,176	166,557
2005	135,651	1,209,990	1,031,819	178,171	1,074,339	882,485	191,854
2006	159,454	1,437,285	1,231,613	205,672	1,277,831	1,054,189	223,643
2007	91,286	1,758,315	1,531,552	226,763	1,667,029	1,397,782	269,248
2008	−233,903	1,539,563	1,341,364	198,199	1,773,466	1,490,929	282,538
2009	−8,814	1,205,486	1,047,569	157,918	1,214,300	1,028,391	185,909

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

TABLE 21

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

Millions of dollars, annual

		Sales			Redemptions		
Year	Net new cash flow[1]	New + exchange	New[2]	Exchange[3]	Regular + exchange	Regular[4]	Exchange[5]
1984	$1,801	$4,118	$3,842	$276	$2,318	$2,017	$301
1985	3,720	7,502	6,976	526	3,782	3,161	621
1986	6,988	13,535	12,342	1,194	6,548	5,162	1,386
1987	3,748	14,948	12,419	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
2006	7,069	123,437	107,232	16,205	116,367	97,437	18,930
2007	23,694	182,906	162,624	20,282	159,212	138,312	20,900
2008	−18,880	164,434	141,316	23,117	183,313	149,905	33,408
2009	22,837	160,294	131,728	28,566	137,457	115,687	21,770

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

TABLE 22

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

Millions of dollars, annual

		Sales			Redemptions		
Year	Net new cash flow[1]	New + exchange	New[2]	Exchange[3]	Regular + exchange	Regular[4]	Exchange[5]
1984	$13,058	$25,554	$20,774	$4,780	$12,497	$7,344	$5,152
1985	63,127	83,359	74,485	8,874	20,232	13,094	7,137
1986	102,618	158,874	138,240	20,634	56,256	35,776	20,480
1987	6,797	123,528	93,725	29,803	116,731	69,627	47,104
1988	−4,488	72,174	47,378	24,796	76,662	51,558	25,103
1989	−1,226	71,770	48,602	23,168	72,996	48,517	24,480
1990	6,813	80,608	57,074	23,534	73,795	47,959	25,836
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	−10,782	396,222	341,550	54,672	407,004	338,419	68,586
2005	31,232	407,115	355,676	51,438	375,882	320,739	55,143
2006	60,569	448,750	394,173	54,577	388,182	331,205	56,976
2007	108,768	587,518	503,185	84,333	478,750	408,248	70,502
2008	27,574	710,127	582,666	127,461	682,553	586,385	96,168
2009	375,526	1,010,761	861,685	149,077	635,236	525,425	109,810

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

TABLE 23

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

Millions of dollars, annual

	EQUITY FUNDS				BOND FUNDS						
Year	Capital appreciation	World	Total return	HYBRID FUNDS	Corporate	High yield	World	Government	Strategic income	State muni	National muni
1984	$1,694	$949	$1,694	$1,801	$175	$1,215	−$3	$7,367	−$37	$1,882	$2,460
1985	1,575	770	4,298	3,720	935	4,366	19	42,762	1,200	5,652	8,194
1986	3,071	4,200	13,115	6,988	3,468	9,618	429	57,450	3,416	12,105	16,132
1987	7,432	−568	12,368	3,748	608	610	673	2,892	1,114	1,864	−964
1988	−7,210	−2,402	−5,336	−3,684	−200	3,209	609	−13,655	464	2,878	2,209
1989	−64	1,210	5,628	3,183	774	−2,875	−84	−12,812	1,738	6,484	5,550
1990	4,610	6,812	1,493	1,483	1,269	−5,229	7,615	−7,574	791	6,192	3,749
1991	23,509	3,959	12,421	7,089	6,016	1,682	10,282	17,337	2,685	11,112	10,121
1992	43,171	7,044	28,768	21,832	6,881	4,604	−3,003	29,643	4,389	13,205	15,162
1993	48,247	38,441	40,573	44,229	11,958	8,467	750	6,186	4,867	18,998	19,333
1994	42,854	44,248	27,424	23,105	715	−972	−6,800	−39,862	−102	−6,242	−9,208
1995	72,452	11,512	40,428	3,899	6,366	8,258	−4,248	−13,670	4,101	−2,221	−4,670
1996	99,511	47,516	69,910	12,177	6,368	12,486	−2,202	−13,771	5,772	−1,953	−3,940
1997	94,495	37,846	94,766	16,499	11,077	16,851	−1,287	−9,494	10,405	353	520
1998	82,591	7,527	66,757	10,311	20,121	13,602	−1,166	8,899	17,955	7,999	7,200
1999	160,190	11,224	16,151	−13,705	6,195	−2,546	−2,179	−2,201	8,802	−4,583	−7,568
2000	310,710	49,793	−51,136	−30,728	−7,736	−12,306	−2,208	−16,346	2,968	−5,513	−8,625
2001	17,179	−21,764	36,551	9,518	11,149	7,195	−1,022	27,872	30,919	6,631	4,961
2002	−36,783	−2,819	12,052	7,520	8,808	10,580	167	58,370	46,284	5,720	10,684
2003	66,854	22,573	62,889	31,897	7,902	26,335	3,040	−18,729	20,160	−8,056	977
2004	46,556	66,689	64,618	42,745	11,534	−9,327	5,810	−19,376	14,263	−8,239	−5,448
2005	13,867	104,845	16,939	25,203	6,229	−15,607	7,739	−9,720	37,551	881	4,159
2006	7,434	148,493	3,527	7,069	14,060	−2,818	9,617	−20,603	45,194	3,647	11,472
2007	−32,076	138,961	−15,599	23,694	11,388	−2,679	18,206	−2,736	73,715	3,337	7,536
2008	−104,375	−82,490	−47,039	−18,880	−22,119	−700	5,227	23,052	14,295	−2,239	10,058
2009	−11,483	30,709	−28,040	22,837	70,402	22,381	22,236	35,111	156,310	6,082	63,003

*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 24

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

Millions of dollars, annual

	EQUITY FUNDS				BOND FUNDS						
Year	Capital appreciation	World	Total return	HYBRID FUNDS	Corporate	High yield	World	Government	Strategic income	State muni	National muni
1984	$9,024	$1,480	$6,083	$3,842	$658	$1,939	$4	$8,571	$759	$2,346	$6,496
1985	13,736	1,698	9,613	6,976	1,357	5,162	24	48,267	1,809	6,433	11,433
1986	21,395	7,076	22,303	12,342	4,066	12,645	432	78,991	4,873	14,505	22,728
1987	30,529	6,829	27,736	12,419	3,224	8,285	1,073	51,019	4,574	9,909	15,642
1988	12,417	2,206	11,018	4,601	1,738	7,856	1,348	15,940	2,923	7,104	10,469
1989	19,943	4,245	22,629	9,334	2,514	7,607	740	10,966	3,679	10,046	13,049
1990	27,234	11,273	24,364	8,021	5,545	3,372	8,639	13,206	2,093	11,430	12,789
1991	44,081	9,860	36,251	13,789	13,242	4,546	14,556	37,187	4,028	16,571	17,931
1992	68,960	13,225	52,124	26,586	24,014	9,362	12,664	70,148	7,167	21,554	26,957
1993	99,309	40,651	73,679	50,866	37,045	14,375	14,193	65,850	9,058	29,828	36,917
1994	112,063	68,396	72,428	50,436	37,167	11,852	8,324	27,386	6,581	16,677	21,971
1995	142,591	53,555	86,792	36,038	28,686	15,415	4,889	21,993	9,477	13,355	15,983
1996	221,530	88,669	132,173	48,494	36,433	22,989	6,441	20,757	15,936	15,588	18,684
1997	275,013	120,065	183,986	56,856	42,472	33,312	7,773	24,106	24,104	19,029	23,886
1998	344,980	132,747	221,827	68,853	53,039	41,872	7,533	38,607	33,863	25,406	29,056
1999	500,938	181,670	235,992	68,582	51,509	32,360	5,620	38,138	38,372	22,931	27,536
2000	769,435	330,280	222,123	58,350	43,763	23,171	5,911	26,450	43,706	17,152	23,868
2001	481,878	247,123	224,196	70,290	60,866	33,747	6,127	63,180	77,281	25,701	30,341
2002	438,471	241,195	218,751	77,089	66,736	40,269	7,566	102,936	111,889	27,578	39,250
2003	423,289	199,315	224,997	91,353	79,333	66,433	13,410	82,784	120,205	21,967	39,906
2004	497,246	174,546	263,318	116,163	76,513	39,662	14,881	52,187	107,795	17,631	32,881
2005	535,118	230,860	265,841	107,409	72,424	33,956	20,261	46,053	122,748	22,259	37,975
2006	609,881	343,719	278,013	107,232	85,305	32,691	25,777	41,003	136,912	25,615	46,871
2007	737,790	464,508	329,255	162,624	98,122	42,457	38,309	48,153	192,249	29,469	54,426
2008	681,565	353,061	306,738	141,316	91,546	42,921	46,299	87,386	214,081	30,483	69,951
2009	533,818	282,023	231,728	131,728	161,217	66,221	53,785	124,945	315,282	28,333	111,902

*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 25

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

Millions of dollars, annual

	EQUITY FUNDS				BOND FUNDS						
Year	Capital appreciation	World	Total return	HYBRID FUNDS	Corporate	High yield	World	Government	Strategic income	State muni	National muni
1984	$6,878	$245	$4,996	$276	$234	$750	$1	$299	$255	$353	$2,888
1985	8,039	434	7,089	526	435	1,411	4	1,718	588	742	3,975
1986	20,019	3,619	13,585	1,194	1,192	2,792	37	4,096	1,197	2,242	9,079
1987	47,382	4,434	22,686	2,528	1,595	3,398	438	6,001	1,898	3,903	12,569
1988	31,041	1,451	10,693	1,658	1,650	4,364	605	4,979	1,451	3,077	8,670
1989	30,650	1,676	10,201	1,805	1,748	3,396	367	4,575	1,463	3,360	8,259
1990	29,022	3,804	8,635	1,700	2,108	2,279	816	5,370	535	3,429	8,998
1991	39,712	4,357	12,357	3,122	3,874	3,392	1,280	10,356	935	3,814	9,913
1992	45,976	6,327	15,108	6,369	6,008	6,228	2,475	11,784	1,184	5,021	13,113
1993	57,080	18,074	18,563	11,525	6,690	6,694	4,179	9,795	1,435	6,121	18,340
1994	62,488	33,316	17,968	9,998	5,465	7,875	3,355	7,807	2,066	9,424	19,063
1995	95,586	30,313	25,017	7,813	6,776	6,995	2,016	7,279	1,868	10,808	20,071
1996	138,835	52,450	40,666	9,595	6,920	9,773	2,996	7,666	2,507	10,599	24,748
1997	172,140	65,594	63,488	13,423	7,977	12,588	3,323	9,757	3,770	8,309	19,971
1998	217,434	77,380	70,828	15,630	13,106	13,920	2,924	20,792	8,178	7,485	16,858
1999	304,719	111,442	76,084	14,411	13,505	13,000	1,367	23,142	6,602	6,984	17,056
2000	440,123	149,077	64,844	13,473	9,193	10,268	1,333	16,715	8,161	5,309	10,865
2001	242,090	75,707	59,692	17,480	17,686	11,093	1,162	26,694	16,216	5,367	13,666
2002	211,506	57,568	52,693	17,119	16,486	11,262	1,799	39,068	24,398	5,654	13,573
2003	144,106	38,134	56,509	18,010	15,622	16,948	2,804	21,452	19,831	4,312	10,194
2004	101,336	26,993	43,157	16,336	11,227	7,694	1,541	12,433	12,893	2,788	6,096
2005	98,357	37,693	42,121	15,074	8,796	6,463	2,186	11,442	13,153	3,012	6,386
2006	106,301	55,916	43,455	16,205	9,028	6,310	2,229	11,727	15,006	3,456	6,821
2007	102,364	67,786	56,613	20,282	14,921	6,940	3,658	13,942	28,499	5,704	10,669
2008	93,500	46,648	58,051	23,117	19,925	7,251	7,138	34,481	33,867	7,069	17,730
2009	72,190	44,448	41,279	28,566	24,974	12,920	6,693	24,248	55,088	5,180	19,975

*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 26

Redemptions* of Long-Term Mutual Funds by Investment Classification

Millions of dollars, annual

	EQUITY FUNDS				BOND FUNDS						
Year	Capital appreciation	World	Total return	HYBRID FUNDS	Corporate	High yield	World	Government	Strategic income	State muni	National muni
1984	$6,804	$589	$3,277	$2,017	$356	$848	$5	$1,243	$635	$517	$3,741
1985	11,396	1,122	5,040	3,161	436	1,179	7	6,479	690	985	3,318
1986	14,004	2,958	9,089	5,162	872	3,128	28	21,045	1,645	2,677	6,381
1987	19,892	5,044	13,665	7,848	2,233	5,900	489	40,407	3,176	5,733	11,689
1988	16,268	3,663	13,316	7,521	1,891	5,527	731	28,056	2,687	4,290	8,377
1989	17,859	2,895	16,476	5,780	2,000	8,133	768	22,889	2,398	4,248	8,080
1990	19,810	4,198	20,480	5,619	4,366	6,798	1,326	20,314	1,288	5,143	8,724
1991	23,982	5,645	23,766	7,030	8,387	3,856	4,476	22,883	1,446	6,030	9,081
1992	29,209	6,730	25,526	7,265	17,633	5,652	12,462	37,589	2,343	8,310	12,583
1993	47,885	10,183	33,876	11,828	24,966	7,255	11,190	52,251	3,487	10,647	17,404
1994	68,498	28,854	43,745	25,761	32,827	10,506	13,016	56,835	5,512	18,399	25,265
1995	81,950	37,830	50,622	28,241	23,342	9,390	7,912	33,731	5,198	15,209	19,470
1996	126,349	44,950	69,233	31,915	29,487	12,096	8,194	29,956	9,326	16,145	19,782
1997	183,157	79,102	99,763	38,926	30,745	18,013	8,220	30,288	13,747	16,965	22,267
1998	261,491	119,842	152,924	54,649	35,368	27,247	8,010	31,552	17,445	17,204	21,949
1999	367,674	171,238	205,233	71,076	44,569	32,125	7,091	36,639	28,068	25,176	32,299
2000	521,452	282,214	234,907	74,510	49,098	30,805	7,536	37,693	38,719	22,077	31,229
2001	446,398	259,106	187,375	61,037	53,531	26,799	6,762	39,908	50,531	18,921	26,482
2002	446,713	238,726	193,384	68,977	60,998	29,877	7,798	58,159	71,416	21,733	30,374
2003	361,946	179,596	168,993	64,073	71,926	43,779	10,732	86,906	95,929	26,861	37,163
2004	444,123	117,321	200,733	77,223	65,891	45,667	9,199	66,640	91,098	23,938	35,986
2005	502,767	141,522	238,196	82,631	66,142	46,136	13,275	53,933	86,713	21,099	33,442
2006	578,170	214,487	261,532	97,437	70,899	35,174	16,538	57,300	93,515	21,957	35,823
2007	736,505	335,638	325,638	138,312	87,940	43,340	21,457	53,427	129,465	25,738	46,881
2008	756,149	407,310	327,470	149,905	115,045	42,410	42,569	82,032	209,179	32,084	63,066
2009	533,444	248,772	246,175	115,687	100,918	47,459	34,529	89,578	173,872	22,716	56,353

*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 27

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

Millions of dollars, annual

	EQUITY FUNDS				BOND FUNDS						
Year	Capital appreciation	World	Total return	HYBRID FUNDS	Corporate	High yield	World	Government	Strategic income	State muni	National muni
1984	$7,404	$187	$6,109	$301	$362	$626	$4	$260	$417	$301	$3,184
1985	8,804	240	7,363	621	422	1,027	3	744	507	538	3,896
1986	24,340	3,537	13,684	1,386	918	2,691	13	4,592	1,009	1,964	9,294
1987	50,587	6,787	24,389	3,353	1,979	5,173	349	13,721	2,182	6,215	17,486
1988	34,400	2,396	13,731	2,422	1,697	3,484	614	6,519	1,223	3,013	8,553
1989	32,799	1,817	10,726	2,176	1,488	5,745	424	5,465	1,006	2,673	7,679
1990	31,837	4,068	11,027	2,619	2,018	4,082	515	5,836	549	3,524	9,313
1991	36,301	4,613	12,422	2,792	2,712	2,399	1,078	7,323	831	3,243	8,642
1992	42,556	5,778	12,938	3,858	5,508	5,334	5,680	14,700	1,619	5,060	12,326
1993	60,257	10,101	17,793	6,334	6,810	5,347	6,432	17,208	2,138	6,305	18,520
1994	63,200	28,610	19,227	11,568	9,091	10,193	5,463	18,220	3,238	13,944	24,977
1995	83,775	34,525	20,759	11,711	5,754	4,762	3,241	9,211	2,045	11,174	21,254
1996	134,505	48,653	33,696	13,997	7,498	8,180	3,446	12,238	3,345	11,995	27,590
1997	169,502	68,712	52,944	14,854	8,627	11,036	4,163	13,070	3,722	10,021	21,069
1998	218,332	82,759	72,974	19,523	10,656	14,943	3,613	18,947	6,641	7,688	16,764
1999	277,794	110,650	90,692	25,622	14,250	15,780	2,074	26,842	8,104	9,322	19,861
2000	377,396	147,350	103,197	28,041	11,595	14,939	1,916	21,818	10,181	5,897	12,128
2001	260,390	85,488	59,962	17,215	13,872	10,846	1,550	22,095	12,048	5,517	12,564
2002	240,047	62,856	66,008	17,711	13,416	11,075	1,400	25,476	18,587	5,780	11,766
2003	138,596	35,280	49,624	13,393	15,127	13,267	2,443	36,058	23,947	7,475	11,960
2004	107,904	17,529	41,124	12,531	10,316	11,016	1,413	17,356	15,327	4,720	8,438
2005	116,841	22,185	52,828	14,650	8,849	9,889	1,432	13,283	11,638	3,291	6,761
2006	130,579	36,656	56,408	18,930	9,374	6,644	1,851	16,033	13,210	3,467	6,398
2007	135,725	57,695	75,828	20,900	13,715	8,735	2,304	11,403	17,568	6,098	10,678
2008	123,290	74,889	84,358	33,408	18,546	8,462	5,640	16,784	24,474	7,707	14,557
2009	84,047	46,990	54,872	21,770	14,871	9,300	3,713	24,504	40,188	4,714	12,520

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

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

TABLE 28

Annual Redemption Rates of Long-Term Mutual Funds

Percent

	Narrow redemption rate[1]				Broad redemption rate[2]			
Year	Total	Equity funds	Hybrid funds	Bond funds	Total	Equity funds	Hybrid funds	Bond funds
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
2006	19.9	19.4	16.0	23.2	23.9	23.6	19.1	27.2
2007	22.9	22.5	20.2	25.7	27.2	26.8	23.2	30.2
2008	30.3	29.2	24.6	36.1	35.9	34.7	30.1	42.0
2009	24.6	23.7	20.3	27.9	29.3	28.0	24.1	33.7

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

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

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

TABLE 29

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

Millions of dollars, year-end

Year	Total net assets	Common and preferred stocks	Long-term U.S. government bonds	Corporate bonds	Municipal bonds	Liquid assets	Other
1990	$566,849	$216,451	$128,153	$45,365	$117,084	$48,440	$11,356
1991	850,744	381,289	163,093	87,571	149,439	60,385	8,967
1992	1,096,342	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	1,718,189	264,965	238,022	245,182	151,988	5,649
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	3,424,386	379,397	371,929	289,656	222,475	1,760
2002	4,118,402	2,687,870	481,348	417,818	320,510	208,939	1,917
2003	5,362,398	3,760,438	506,452	500,774	332,120	259,580	3,034
2004	6,193,746	4,490,100	537,492	532,578	318,335	306,756	8,486
2005	6,864,287	5,055,340	612,917	549,667	330,881	302,922	12,559
2006	8,058,057	6,024,671	645,575	667,610	359,160	345,064	15,977
2007	8,914,884	6,612,403	749,857	782,836	369,043	379,668	21,077
2008	5,770,368	3,736,251	704,772	675,993	336,810	295,045	21,497
2009	7,804,530	5,096,671	847,906	1,028,645	449,935	363,658	17,714
Percent, year-end							
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
2006	100.0	74.8	8.0	8.3	4.5	4.3	0.2
2007	100.0	74.2	8.4	8.8	4.1	4.3	0.2
2008	100.0	64.7	12.2	11.7	5.8	5.1	0.4
2009	100.0	65.3	10.9	13.2	5.8	4.7	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 30

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

Year-end

Year	Total net assets	Common and preferred stocks	Long-term U.S. government bonds	Corporate bonds	Municipal bonds	Liquid assets	Other	Total net assets *Millions of dollars*
Equity funds								
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	4,383,977
2005	100.0	95.1	0.2	0.7	0.0	3.9	0.1	4,939,700
2006	100.0	95.1	0.3	0.6	0.0	3.9	0.1	5,910,500
2007	100.0	94.7	0.3	0.6	0.0	4.2	0.2	6,515,871
2008	100.0	93.2	0.4	0.9	0.0	5.2	0.3	3,704,270
2009	100.0	95.0	0.4	1.0	0.0	3.6	0.1	4,957,576
Hybrid funds								
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	20.0	0.5	7.1	0.1	567,304
2006	100.0	60.1	10.6	20.6	0.4	8.1	0.1	653,146
2007	100.0	59.1	10.5	22.2	0.4	7.6	0.2	718,982
2008	100.0	54.7	10.0	25.0	0.5	9.0	0.8	499,500
2009	100.0	58.1	9.4	24.0	0.4	7.3	0.8	640,749
Bond funds								
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	1,290,477
2005	100.0	0.7	39.8	29.7	24.2	5.0	0.5	1,357,283
2006	100.0	0.7	37.5	33.1	23.9	4.3	0.5	1,494,411
2007	100.0	0.9	39.0	34.7	21.8	3.0	0.6	1,680,032
2008	100.0	0.6	40.9	33.0	21.3	3.7	0.5	1,566,598
2009	100.0	0.7	34.9	37.4	20.3	6.4	0.3	2,206,204

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

Data Section 3

TABLE 31

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

Millions of dollars, annual

	Paid dividends				Reinvested dividends			
Year	Total	Equity funds	Hybrid funds	Bond funds	Total	Equity funds	Hybrid funds	Bond funds
1984	$7,238	$2,613[e]	$583[e]	$4,042[e]	$4,656	$1,882	$432	$2,342
1985	12,719	3,229	1,098	8,392	7,731	2,321	768	4,642
1986	22,689	6,328	1,499	14,862	13,991	3,706	1,087	9,197
1987	31,708	7,246	1,934	22,528	18,976	4,841	1,476	12,659
1988	31,966	6,554	1,873	23,539	17,494	4,476	1,217	11,801
1989	34,102	10,235	2,165	21,702	20,584	7,119	1,383	12,082
1990	33,156	8,787	2,350	22,018	21,124	6,721	1,725	12,678
1991	35,145	9,007	2,337	23,801	24,300	7,255	1,907	15,139
1992	58,608	17,023	4,483	37,102	30,393	8,845	2,937	18,611
1993	73,178	20,230	6,810	46,137	38,116	12,174	4,270	21,672
1994	61,261	17,279	6,896	37,086	39,136	12,971	5,043	21,122
1995	67,229	22,567	9,052	35,610	46,635	18,286	6,929	21,421
1996	73,282	25,061	9,844	38,378	53,213	21,345	8,196	23,672
1997	79,522	27,597	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	36,132	10,924	51,076	78,253	32,643	9,575	36,036
2005	115,500	44,405	13,216	57,879	94,023	40,200	11,601	42,223
2006	143,496	62,546	16,708	64,243	119,073	56,416	14,777	47,879
2007	181,005	81,490	20,904	78,611	151,773	73,135	18,373	60,265
2008	181,628	74,702	21,344	85,582	152,650	67,379	18,848	66,422
2009	168,106	62,457	18,240	87,409	140,444	56,377	15,721	68,345

[e] 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

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

Millions of dollars, annual

	Paid capital gains				Reinvested capital gains			
Year	Total	Equity funds	Hybrid funds	Bond funds	Total	Equity funds	Hybrid funds	Bond funds
1984	$6,019	$5,247[e]	$553[e]	$219[e]	$5,122	$4,655	$338	$129
1985	4,895	3,699	739	457	3,751	3,091	398	261
1986	17,661	13,942	1,240	2,478	14,275	11,851	778	1,646
1987	22,926	18,603	1,605	2,718	17,816	15,449	1,056	1,312
1988	6,354	4,785	620	948	4,769	3,883	364	522
1989	14,766	12,665	540	1,562	9,710	8,744	348	617
1990	8,017	6,833	443	742	5,515	4,975	255	285
1991	13,917	11,961	861	1,095	9,303	8,242	485	576
1992	22,089	17,294	1,488	3,306	14,906	12,233	1,134	1,538
1993	35,905	27,705	3,496	4,704	25,514	19,954	2,697	2,862
1994	29,744	26,351	2,411	981	24,864	22,038	2,093	733
1995	54,271	50,204	3,343	724	46,866	43,550	2,845	471
1996	100,489	88,212	10,826	1,451	87,416	76,638	9,769	1,009
1997	182,764	160,744	19,080	2,941	164,916	145,358	17,360	2,198
1998	164,989	138,681	21,572	4,737	151,105	127,473	19,698	3,935
1999	237,624	219,484	16,841	1,299	206,508	190,300	15,229	979
2000	325,841	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
2006	256,915	236,333	18,507	2,076	236,466	217,329	17,359	1,778
2007	413,599	379,933	30,214	3,453	380,944	349,628	28,313	3,003
2008	132,346	109,984	8,848	13,514	123,214	102,976	8,375	11,863
2009	15,590	6,013	413	9,163	14,280	5,690	402	8,188

[e] *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.

Data Section 3

TABLE 33

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

Millions of dollars, annual

	Total portfolio			Common stock			Other securities		
Year	Purchases	Sales	Net purchases	Purchases	Sales	Net purchases	Purchases	Sales	Net purchases
1984	$119,273	$98,934	$20,338	$56,588	$50,900	$5,688	$62,685	$48,035	$14,650
1985	259,496	186,985	72,511	80,719	72,577	8,142	178,777	114,408	64,369
1986	500,597	365,087	135,509	134,446	118,026	16,421	366,150	247,062	119,089
1987	530,601	485,271	45,330	198,859	176,004	22,855	331,741	309,267	22,474
1988	410,509	421,223	−10,713	112,742	128,815	−16,073	297,767	292,407	5,359
1989	471,744	445,453	26,291	142,771	141,694	1,077	328,973	303,759	25,214
1990	554,720	505,780	48,940	166,398	146,580	19,817	388,322	359,199	29,123
1991	735,674	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	4,018,969	3,807,392	211,578	2,176,363	2,141,754	34,609	1,842,606	1,665,638	176,968
2003	4,281,605	3,998,766	282,840	2,054,379	1,884,711	169,667	2,227,227	2,114,054	113,173
2004	4,310,180	4,019,273	290,907	2,390,924	2,198,578	192,346	1,919,256	1,820,695	98,561
2005	4,834,374	4,532,166	302,208	2,765,100	2,610,805	154,296	2,069,274	1,921,362	147,912
2006	5,737,379	5,398,123	339,257	3,330,068	3,172,237	157,832	2,407,311	2,225,886	181,425
2007	7,099,174	6,721,565	377,609	3,836,033	3,733,373	102,660	3,263,141	2,988,192	274,949
2008	7,353,837	7,295,295	58,542	3,656,365	3,716,096	−59,731	3,697,472	3,579,199	118,273
2009	6,936,007	6,454,679	481,328	2,645,906	2,543,825	102,081	4,290,100	3,910,854	379,247

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

TABLE 34

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

Millions of dollars, annual

	Total portfolio			Common stock			Other securities		
Year	Purchases	Sales	Net purchases	Purchases	Sales	Net purchases	Purchases	Sales	Net purchases
1984	$54,933	$49,853	$5,080	$49,098	$44,213	$4,885	$5,835	$5,640	$195
1985	77,327	70,685	6,642	66,762	61,599	5,163	10,565	9,086	1,479
1986	129,723	111,233	18,491	110,016	96,512	13,504	19,708	14,721	4,987
1987	196,902	175,292	21,611	170,715	150,705	20,009	26,188	24,586	1,601
1988	119,861	130,821	−10,959	100,888	113,635	−12,747	18,973	17,186	1,788
1989	148,346	144,753	3,593	128,998	127,026	1,973	19,348	17,728	1,621
1990	187,592	169,373	18,218	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	2,155,044	2,124,816	30,228	2,020,835	2,004,534	16,301	134,210	120,282	13,927
2003	1,988,427	1,836,437	151,989	1,909,039	1,758,296	150,743	79,388	78,142	1,246
2004	2,301,377	2,124,279	177,098	2,220,847	2,053,012	167,835	80,530	71,267	9,263
2005	2,700,517	2,542,079	158,438	2,597,749	2,452,835	144,914	102,768	89,243	13,525
2006	3,266,606	3,090,366	176,241	3,142,625	2,973,088	169,538	123,981	117,278	6,703
2007	3,789,320	3,668,180	121,140	3,587,999	3,480,523	107,476	201,321	187,657	13,664
2008	3,628,231	3,697,255	−69,025	3,343,662	3,411,421	−67,758	284,568	285,835	−1,266
2009	2,777,208	2,701,357	75,851	2,431,329	2,340,619	90,710	345,879	360,738	−14,859

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

TABLE 35

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

Millions of dollars, annual

	Total portfolio			Common stock			Other securities		
Year	Purchases	Sales	Net purchases	Purchases	Sales	Net purchases	Purchases	Sales	Net purchases
1984	$11,589	$9,258	$2,331	$7,129	$5,822	$1,308	$4,459	$3,436	$1,023
1985	19,647	14,915	4,732	13,378	10,513	2,865	6,269	4,402	1,867
1986	34,746	28,007	6,739	21,894	19,451	2,443	12,853	8,556	4,297
1987	48,335	44,168	4,168	26,282	23,989	2,293	22,053	20,179	1,874
1988	28,070	31,455	−3,384	10,628	13,833	−3,205	17,442	17,622	−179
1989	26,747	24,864	1,883	12,459	13,598	−1,139	14,288	11,266	3,022
1990	31,003	27,042	3,961	13,329	11,849	1,480	17,674	15,192	2,481
1991	42,937	34,656	8,281	18,658	15,435	3,223	24,279	19,221	5,058
1992	64,429	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	342,381	322,890	19,491	144,079	126,045	18,034	198,302	196,844	1,457
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
2006	394,594	376,305	18,289	180,083	191,767	−11,684	214,511	184,537	29,973
2007	526,860	481,372	45,489	238,098	241,933	−3,835	288,763	239,439	49,324
2008	615,808	597,325	18,484	302,599	291,603	10,996	313,209	305,721	7,488
2009	471,593	438,702	32,891	204,538	195,621	8,918	267,054	243,081	23,973

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

TABLE 36

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

Millions of dollars, annual

	Total portfolio			Common stock			Other securities		
Year	Purchases	Sales	Net purchases	Purchases	Sales	Net purchases	Purchases	Sales	Net purchases
1984	$52,751	$39,823	$12,928	$361	$865	−$504	$52,390	$38,958	$13,432
1985	162,522	101,385	61,137	579	465	114	161,943	100,919	61,024
1986	336,127	225,848	110,279	2,537	2,062	475	333,590	223,785	109,805
1987	285,363	265,812	19,551	1,862	1,310	553	283,501	264,502	18,999
1988	262,577	258,947	3,630	1,226	1,347	−121	261,351	257,600	3,751
1989	296,651	275,836	20,815	1,314	1,071	243	295,337	274,765	20,572
1990	336,125	309,364	26,761	1,161	1,101	60	334,964	308,264	26,700
1991	440,962	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	1,591,441	1,537,025	54,415	9,165	10,447	−1,282	1,582,276	1,526,578	55,698
2005	1,740,178	1,636,024	104,153	6,402	6,863	−461	1,733,776	1,629,161	104,615
2006	2,076,179	1,931,453	144,727	7,360	7,382	−22	2,068,820	1,924,071	144,749
2007	2,782,994	2,572,014	210,980	9,937	10,918	−981	2,773,057	2,561,096	211,961
2008	3,109,798	3,000,715	109,083	10,104	13,072	−2,969	3,099,695	2,987,642	112,052
2009	3,687,206	3,314,620	372,586	10,039	7,585	2,454	3,677,167	3,307,034	370,132

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

TABLE 37

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

Year-end

	Total net assets Millions of dollars				Number of shareholder accounts* Thousands			
		Taxable				Taxable		
Year	Total	Government	Non-government	Tax-exempt	Total	Government	Non-government	Tax-exempt
1984	$233,554	$51,800	$157,951	$23,802	13,845	2,282	11,274	289
1985	243,802	55,705	151,849	36,249	14,935	2,351	12,085	499
1986	292,152	63,736	164,610	63,806	16,313	2,397	13,256	660
1987	316,096	67,589	187,087	61,420	17,675	2,484	14,348	842
1988	337,954	61,298	210,897	65,758	18,570	1,684	15,947	939
1989	428,093	74,685	283,939	69,470	21,314	1,814	18,359	1,141
1990	498,341	109,376	305,189	83,777	22,969	2,283	19,294	1,393
1991	542,442	138,111	314,346	89,984	23,556	2,557	19,306	1,693
1992	546,194	151,043	300,310	94,841	23,647	2,826	18,945	1,876
1993	565,319	149,180	312,701	103,439	23,585	2,806	18,780	1,999
1994	611,005	148,139	352,972	109,894	25,379	3,047	20,295	2,037
1995	753,018	181,494	449,829	121,695	30,137	3,823	24,042	2,271
1996	901,807	220,802	543,134	137,871	32,200	4,154	25,774	2,271
1997	1,058,886	251,116	650,111	157,658	35,624	4,557	28,429	2,638
1998	1,351,678	309,628	857,340	184,711	38,847	4,371	32,090	2,386
1999	1,613,146	330,343	1,082,906	199,897	43,616	4,767	36,420	2,428
2000	1,845,248	355,395	1,256,715	233,137	48,138	4,860	40,630	2,649
2001	2,285,310	448,544	1,578,652	258,114	47,236	5,086	39,339	2,811
2002	2,265,075	440,794	1,549,498	274,784	45,380	4,919	37,806	2,655
2003	2,040,022	396,740	1,354,908	288,373	41,214	3,990	34,421	2,802
2004	1,901,336	367,503	1,223,488	310,346	37,636	3,530	31,264	2,842
2005	2,026,822	386,125	1,306,698	333,998	36,837	3,113	30,919	2,805
2006	2,338,451	408,624	1,563,423	366,404	37,067	3,288	30,718	3,061
2007	3,085,760	736,554	1,884,132	465,075	39,130	3,484	32,178	3,467
2008	3,832,236	1,467,736	1,873,040	491,460	38,111	4,167	30,332	3,613
2009	3,316,196	1,064,464	1,854,287	397,445	33,466	3,106	27,194	3,166

*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.

Data Section 4

TABLE 38

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

Year-end

	Number of funds				Number of share classes			
		Taxable				Taxable		
Year	Total	Government	Non-government	Tax-exempt	Total	Government	Non-government	Tax-exempt
1984	425	158	173	94	425	158	173	94
1985	460	151	199	110	460	151	199	110
1986	487	147	213	127	487	147	213	127
1987	543	154	235	154	543	154	235	154
1988	610	159	274	177	610	159	274	177
1989	673	160	310	203	673	160	310	203
1990	741	176	329	236	762	183	339	240
1991	820	211	341	268	871	228	363	280
1992	864	235	350	279	914	248	368	298
1993	920	265	362	293	1,009	286	386	337
1994	963	276	373	314	1,261	368	490	403
1995	997	284	392	321	1,380	404	549	427
1996	988	276	393	319	1,453	412	593	448
1997	1,013	278	407	328	1,549	441	634	474
1998	1,026	276	411	339	1,627	461	676	490
1999	1,045	280	424	341	1,730	487	743	500
2000	1,039	274	431	334	1,855	531	801	523
2001	1,015	269	422	324	1,948	571	835	542
2002	988	259	419	310	2,006	578	886	542
2003	973	250	411	312	2,031	571	892	568
2004	942	239	399	304	2,046	576	895	575
2005	870	220	374	276	2,031	568	897	566
2006	847	213	361	273	2,012	572	883	557
2007	805	199	347	259	2,018	564	886	568
2008	783	195	340	248	1,988	573	874	541
2009	705	175	303	227	1,849	539	794	516

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

TABLE 39

Total Net Assets and Net New Cash Flow of Money Market Funds by Type of Fund

	All money market funds				Retail money market funds				Institutional money market funds			
		Taxable				Taxable				Taxable		
Year	Total	Government	Non-government	Tax-exempt	Total	Government	Non-government	Tax-exempt	Total	Government	Non-government	Tax-exempt
Total net assets *Millions of dollars, year-end*												
1999	$1,613,146	$330,343	$1,082,906	$199,897	$964,686	$129,531	$679,369	$155,785	$648,460	$200,812	$403,537	$44,111
2000	1,845,248	355,395	1,256,715	233,137	1,059,187	136,712	743,436	179,039	786,061	218,684	513,279	54,098
2001	2,285,310	448,544	1,578,652	258,114	1,131,804	153,530	788,790	189,484	1,153,506	295,014	789,862	68,630
2002	2,265,075	440,794	1,549,498	274,784	1,062,833	141,330	729,479	192,025	1,202,242	299,464	820,019	82,759
2003	2,040,022	396,740	1,354,908	288,373	936,899	126,832	619,455	190,612	1,103,123	269,908	735,453	97,761
2004	1,901,336	367,503	1,223,488	310,346	850,733	113,165	545,773	191,794	1,050,603	254,337	677,714	118,552
2005	2,026,822	386,125	1,306,698	333,998	873,650	111,861	558,383	203,406	1,153,171	274,264	748,315	130,592
2006	2,338,451	408,624	1,563,423	366,404	1,004,978	121,590	659,344	224,043	1,333,474	287,034	904,079	142,361
2007	3,085,760	736,554	1,884,132	465,075	1,221,501	160,868	775,043	285,590	1,864,259	575,685	1,109,088	179,486
2008	3,832,236	1,467,736	1,873,040	491,460	1,361,342	263,857	794,274	303,212	2,470,894	1,203,880	1,078,767	188,248
2009	3,316,196	1,064,464	1,854,287	397,445	1,069,962	167,246	667,371	235,345	2,246,234	897,218	1,186,916	162,100
Net new cash flow *Millions of dollars, annual*												
1999	$193,681	$8,651	$174,792	$10,238	$82,006	−$592	$72,770	$9,827	$111,675	$9,243	$102,021	$411
2000	159,365	14,677	118,697	25,991	42,779	−265	24,372	18,672	116,586	14,942	94,325	7,319
2001	375,291	86,144	268,035	21,112	36,240	12,945	13,278	10,017	339,050	73,199	254,757	11,094
2002	−45,937	−10,248	−51,424	15,735	−78,803	−9,322	−70,809	1,328	32,866	−926	19,385	14,407
2003	−263,403	−51,177	−221,544	9,318	−151,043	−19,260	−126,874	−4,908	−112,361	−31,916	−94,670	14,226
2004	−156,713	−34,519	−140,511	18,318	−88,918	−14,669	−76,683	2,434	−67,795	−19,851	−63,828	15,883
2005	62,082	12,364	29,483	20,234	2,011	−4,533	−4,244	10,788	60,071	16,897	33,727	9,446
2006	245,236	15,213	205,033	24,990	95,941	5,444	74,473	16,024	149,295	9,769	130,560	8,966
2007	654,476	314,896	255,758	83,821	171,712	33,991	87,028	50,693	482,764	280,905	168,730	33,129
2008	637,122	699,699	−76,655	14,078	111,504	97,963	−185	13,727	525,618	601,737	−76,470	351
2009	−539,148	−407,680	−36,576	−94,891	−307,130	−95,802	−143,734	−67,595	−232,018	−311,878	107,158	−27,297

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

TABLE 40

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

Millions of dollars, annual

		Sales			Redemptions		
Year	Net new cash flow[1]	New + exchange	New[2]	Exchange[3]	Regular + exchange	Regular[4]	Exchange[5]
1984	$35,077	$640,021	$620,536	$19,485	$604,944	$586,990	$17,953
1985	−5,293	848,451	826,858	21,592	853,743	831,067	22,676
1986	33,552	1,026,745	978,041	48,704	993,193	948,656	44,537
1987	10,072	1,147,877	1,049,034	98,843	1,137,805	1,062,671	75,133
1988	106	1,130,639	1,066,003	64,636	1,130,534	1,074,346	56,188
1989	64,132	1,359,616	1,296,458	63,158	1,295,484	1,235,527	59,957
1990	23,179	1,461,537	1,389,439	72,098	1,438,358	1,372,764	65,594
1991	6,068	1,841,131	1,778,491	62,640	1,835,063	1,763,106	71,957
1992	−16,006	2,449,766	2,371,925	77,841	2,465,772	2,382,976	82,796
1993	−13,890	2,756,282	2,665,987	90,295	2,770,172	2,673,464	96,707
1994	8,525	2,725,201	2,586,478	138,722	2,716,675	2,599,400	117,275
1995	89,381	3,234,216	3,097,225	136,990	3,144,834	3,001,968	142,866
1996	89,422	4,156,985	3,959,014	197,971	4,067,563	3,868,772	198,791
1997	103,466	5,127,328	4,894,226	233,102	5,023,863	4,783,096	240,767
1998	235,457	6,407,574	6,129,140	278,434	6,172,116	5,901,590	270,526
1999	193,681	8,080,959	7,719,310	361,649	7,887,278	7,540,912	346,367
2000	159,365	9,826,677	9,406,287	420,391	9,667,312	9,256,350	410,962
2001	375,291	11,737,291	11,426,804	310,487	11,362,000	11,065,468	296,533
2002	−45,937	12,008,801	11,712,587	296,215	12,054,738	11,783,209	271,530
2003	−263,403	11,177,118	10,952,544	224,574	11,440,521	11,213,929	226,592
2004	−156,713	10,860,499	10,694,008	166,492	11,017,212	10,846,935	170,277
2005	62,082	12,493,663	12,317,518	176,145	12,431,581	12,260,802	170,779
2006	245,236	15,707,260	15,496,005	211,256	15,462,024	15,269,381	192,643
2007	654,476	21,315,157	21,040,070	275,087	20,660,681	20,409,373	251,307
2008	637,122	24,452,449	24,067,390	385,059	23,815,327	23,498,664	316,663
2009	−539,148	18,683,801	18,489,402	194,399	19,222,949	19,012,433	210,516

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

TABLE 41

Paid and Reinvested Dividends of Money Market Funds by Type of Fund

Millions of dollars, annual

	Paid dividends			Reinvested dividends		
Year	Total	Taxable money market funds	Tax-exempt money market funds	Total	Taxable money market funds	Tax-exempt money market funds
1984	$16,435	$15,435	$1,000	$13,730	$13,061	$669
1985	15,708	14,108	1,600	12,758	11,760	998
1986	14,832	12,432	2,400	11,514	9,981	1,533
1987	15,654	12,833	2,821	11,946	10,136	1,810
1988	21,618	17,976	3,642	15,692	13,355	2,337
1989	28,619	24,683	3,936	23,050	20,294	2,756
1990	30,258	26,448	3,810	26,282	23,226	3,056
1991	28,604	25,121	3,483	22,809	19,998	2,811
1992	20,280	17,197	3,083	14,596	12,567	2,029
1993	18,991	15,690	3,302	11,615	10,007	1,607
1994	23,737	20,504	3,233	16,739	14,626	2,113
1995	37,038	32,855	4,183	27,985	24,873	3,111
1996	42,555	38,446	4,108	31,516	28,448	3,068
1997	48,843	44,185	4,658	37,979	34,425	3,554
1998	57,375	52,164	5,211	43,443	39,580	3,863
1999	69,004	63,229	5,775	50,648	46,602	4,046
2000	98,219	90,165	8,054	72,771	66,895	5,876
2001	79,307	73,391	5,916	56,367	51,971	4,397
2002	32,251	29,419	2,832	22,033	19,954	2,080
2003	17,041	15,140	1,901	11,314	9,924	1,389
2004	18,374	15,915	2,458	11,883	10,097	1,786
2005	50,186	43,610	6,576	32,803	28,003	4,800
2006	96,425	85,072	11,353	61,489	53,315	8,173
2007	127,908	113,316	14,592	82,457	72,041	10,417
2008	93,858	82,809	11,048	61,135	53,509	7,626
2009	18,619	16,600	2,019	11,035	10,007	1,028

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

Asset Composition of Taxable Government Money Market Funds as a Percentage of Total Net Assets

Year-end

Year	Total net assets *Millions of dollars*	U.S. Treasury bills	Other Treasury securities	U.S. government agency issues	Repurchase agreements	Certificates of deposit	Eurodollar CDs	Commercial paper	Bank notes[1]	Corporate notes[2]	Other assets[3]	Average maturity *Days*
1985	$55,705	23.9%	4.9%	15.9%	38.2%	2.9%	6.3%	6.2%	–	–	1.6%	44
1986	63,736	22.8	7.9	14.4	39.1	4.1	4.9	4.3	–	–	2.5	51
1987	67,589	4.6	11.2	22.0	44.9	4.8	7.4	4.0	–	–	1.1	35
1988	61,298	5.0	9.7	20.5	58.4	1.2	0.1	3.2	–	–	2.0	28
1989	74,685	5.0	6.9	20.6	62.7	0.2	0.1	3.0	–	–	1.5	31
1990	109,376	11.1	12.2	20.6	45.7	0.0	0.0	0.3	–	–	9.9	46
1991	138,111	21.5	16.5	20.3	40.9	0.0	0.0	0.4	–	–	0.3	58
1992	151,043	26.0	16.5	21.6	34.7	0.0	0.0	0.5	–	–	0.6	55
1993	149,180	30.3	14.1	20.7	32.8	0.0	0.0	0.3	–	–	1.8	61
1994	148,139	24.4	12.6	26.3	34.0	0.0	0.0	0.4	0.0%	–	2.2	37
1995	181,494	19.8	13.9	28.5	34.1	0.0	0.0	0.5	0.0	–	3.1	48
1996	220,802	17.5	18.0	25.7	35.7	0.0	0.1	0.7	0.0	–	2.3	48
1997	251,116	15.1	17.2	25.4	38.3	0.1	0.0	1.2	0.1	–	2.5	49
1998	309,628	13.8	17.8	30.7	33.7	0.3	0.0	1.6	0.1	0.2%	1.7	52
1999	330,343	16.5	13.1	37.5	28.5	0.1	0.0	1.4	0.1	1.1	1.8	48
2000	355,395	14.1	10.4	32.0	37.6	0.0	0.0	2.1	0.1	1.2	2.6	45
2001	448,544	19.2	9.3	34.5	31.1	0.2	0.0	0.6	0.0	1.8	3.2	55
2002	440,794	20.4	6.6	32.8	35.5	0.1	0.0	0.8	0.0	1.7	2.0	52
2003	396,740	20.3	7.3	33.6	36.2	0.3	0.0	0.9	0.0	1.9	–0.5	52
2004	367,503	21.4	5.0	34.3	35.8	0.2	0.0	0.9	0.1	0.9	1.1	36
2005	386,125	15.8	4.5	28.6	49.4	0.0	0.0	0.3	0.1	0.9	0.5	27
2006	408,624	15.1	4.1	21.7	58.2	0.1	0.0	0.4	0.0	0.1	0.2	31
2007	736,554	16.5	5.2	24.2	53.5	0.3	0.0	0.2	0.0	0.0	0.1	31
2008	1,467,736	30.8	6.3	35.8	26.8	0.0	0.0	0.1	0.1	0.2	–0.1	48
2009	1,064,464	25.8	6.3	34.7	31.1	0.0	0.0	0.9	0.2	0.3	0.8	47

[1] Prior to 1994, bank notes are included in other assets.
[2] Prior to 1998, corporate notes are included in other assets.
[3] Other assets include banker's acceptances, municipal securities, and cash reserves.
Note: Data for funds that invest primarily in other mutual funds were excluded from the series.
Components may not add to 100 percent because of rounding.

TABLE 43

Asset Composition of Taxable Non-Government Money Market Funds as a Percentage of Total Net Assets

Year-end

Year	Total net assets *Millions of dollars*	U.S. Treasury bills	Other Treasury securities	U.S. government agency issues	Repurchase agreements	Certificates of deposit	Eurodollar CDs	Commercial paper	Bank notes[1]	Corporate notes[2]	Other assets[3]	Average maturity *Days*
1985	$151,849	4.6%	1.0%	6.1%	3.1%	10.0%	10.2%	55.4%	-	-	9.5%	42
1986	164,610	3.6	1.6	3.6	4.4	10.0	11.6	56.0	-	-	9.3	42
1987	187,087	1.0	0.9	6.5	4.8	16.2	8.9	52.3	-	-	9.4	34
1988	210,897	1.0	0.2	2.8	2.8	15.2	14.1	54.6	-	-	9.4	32
1989	283,939	1.3	0.8	2.0	2.8	14.4	9.3	62.3	-	-	7.1	43
1990	305,189	4.4	2.2	4.7	2.9	6.9	8.9	65.5	-	-	4.7	48
1991	314,346	5.7	2.9	4.2	3.7	10.6	6.9	60.1	-	-	5.8	56
1992	300,310	2.7	2.5	7.5	4.9	10.4	6.9	57.7	-	-	7.4	59
1993	312,701	2.6	2.4	11.9	5.9	8.0	3.2	52.6	-	-	13.3	58
1994	352,972	2.4	1.3	11.4	5.6	6.4	4.5	53.4	2.4%	-	12.7	38
1995	449,829	1.4	0.9	9.2	6.2	8.9	4.5	52.5	3.7	-	12.7	60
1996	543,134	0.7	1.8	8.9	5.1	12.7	4.3	50.7	2.3	-	13.5	56
1997	650,111	0.5	0.7	5.4	5.3	14.7	3.7	51.8	3.2	-	14.8	57
1998	857,340	0.6	0.8	9.5	4.6	12.9	3.6	48.5	3.9	5.8%	9.7	58
1999	1,082,906	0.5	0.3	6.8	4.8	12.8	3.9	49.0	3.1	8.4	10.4	49
2000	1,256,715	0.5	0.1	6.2	4.3	11.6	6.5	50.3	3.6	10.4	6.6	53
2001	1,578,652	0.6	0.3	12.4	6.3	14.8	7.2	41.3	1.5	10.9	4.6	58
2002	1,549,498	1.5	0.3	12.1	8.3	13.7	6.9	39.7	1.4	11.9	4.3	54
2003	1,354,908	1.5	0.4	15.2	8.4	11.5	5.1	35.2	2.0	16.1	4.8	59
2004	1,223,488	0.5	0.1	12.2	8.8	13.9	5.7	33.5	2.6	17.7	5.0	41
2005	1,306,698	0.8	0.1	4.2	12.4	14.3	5.9	38.1	2.3	17.7	4.2	38
2006	1,563,423	0.2	0.2	3.1	10.6	13.7	4.3	39.1	2.2	21.3	5.3	49
2007	1,884,132	1.0	0.2	3.3	11.9	14.9	5.4	36.4	3.9	16.5	6.4	44
2008	1,873,040	2.0	0.5	13.2	8.7	21.2	4.7	33.7	3.1	9.2	3.8	47
2009	1,854,287	2.7	1.2	10.0	8.6	30.8	5.3	27.6	2.8	6.2	4.7	50

[1] *Prior to 1994, bank notes are included in other assets.*
[2] *Prior to 1998, corporate notes are included in other assets.*
[3] *Other assets include banker's acceptances, municipal securities, and cash reserves.*
Note: Data for funds that invest primarily in other mutual funds were excluded from the series.
Components may not add to 100 percent because of rounding.

TABLE 44

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

	Total net assets Millions of dollars, year-end			Net new cash flow* Millions of dollars, annual			Number of funds Year-end			Number of share classes Year-end		
Year	Total	Equity	Hybrid and bond	Total	Equity	Hybrid and bond	Total	Equity	Hybrid and bond	Total	Equity	Hybrid and bond
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	14,403	54,557	11,593	2,097	9,496	268	103	165	625	194	431
2003	123,091	28,509	94,582	29,900	4,780	25,120	301	111	190	720	214	506
2004	199,552	41,784	157,768	50,520	8,022	42,497	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
2006	471,024	96,366	374,658	101,336	18,473	82,862	604	161	443	1,860	338	1,522
2007	638,664	116,203	522,461	126,476	18,303	108,173	721	174	547	2,359	394	1,965
2008	487,753	76,224	411,528	61,694	7,731	53,963	864	182	682	2,820	416	2,404
2009	674,268	73,680	600,588	69,381	7,521	61,860	931	172	759	2,999	412	2,587

*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 45

Funds of Funds: Components of Net New Cash Flow[1]

Millions of dollars, annual

	Sales									Redemptions								
	New + exchange			New[2]			Exchange[3]			Regular + exchange			Regular[4]			Exchange[5]		
Year	Total	Equity	Hybrid and bond	Total	Equity	Hybrid and bond	Total	Equity	Hybrid and bond	Total	Equity	Hybrid and bond	Total	Equity	Hybrid and bond	Total	Equity	Hybrid and bond
1989	$368	$75	$293	$314	$74	$241	$54	$2	$52	$200	$72	$128	$130	$71	$59	$69	$1	$68
1990	416	68	348	351	58	293	65	10	55	285	89	196	186	87	99	100	3	97
1991	772	192	580	579	142	437	194	50	143	298	95	203	185	79	105	113	16	97
1992	1,617	371	1,246	1,255	294	961	362	76	286	483	166	318	303	130	174	180	36	144
1993	1,953	358	1,594	1,533	293	1,240	419	65	354	793	205	588	453	156	297	340	49	291
1994	1,781	583	1,197	1,341	389	952	439	194	245	1,213	241	972	682	166	517	531	75	456
1995	2,362	987	1,376	1,750	692	1,059	612	295	317	1,227	354	873	768	233	535	459	121	338
1996	4,522	2,321	2,201	3,621	1,847	1,774	901	474	428	2,066	749	1,317	1,290	519	771	776	230	546
1997	6,317	2,858	3,459	4,753	2,017	2,736	1,565	842	723	2,937	1,241	1,696	1,749	774	975	1,189	468	721
1998	12,931	4,398	8,532	9,938	3,578	6,360	2,993	821	2,172	6,554	2,392	4,162	3,766	1,541	2,225	2,788	850	1,938
1999	16,749	6,861	9,888	12,759	5,575	7,184	3,990	1,287	2,703	10,177	3,469	6,708	6,638	2,553	4,084	3,540	916	2,624
2000	24,092	9,346	14,746	18,607	7,539	11,068	5,485	1,806	3,678	13,690	4,245	9,445	9,250	3,199	6,052	4,440	1,046	3,394
2001	22,577	5,735	16,842	17,606	4,893	12,712	4,971	842	4,129	13,647	3,877	9,770	9,546	3,111	6,435	4,101	766	3,335
2002	28,193	6,780	21,414	23,063	5,787	17,276	5,131	993	4,138	16,600	4,683	11,917	12,209	3,865	8,344	4,391	818	3,573
2003	46,962	8,711	38,251	38,444	7,260	31,184	8,518	1,451	7,068	17,062	3,931	13,131	12,785	3,276	9,509	4,277	655	3,622
2004	76,821	13,709	63,112	63,136	11,451	51,685	13,685	2,258	11,427	26,301	5,687	20,614	19,845	4,809	15,036	6,456	878	5,578
2005	122,861	16,760	106,102	106,077	13,986	92,091	16,784	2,774	14,010	43,381	8,052	35,329	35,351	7,034	28,317	8,030	1,018	7,012
2006	163,102	30,217	132,885	138,868	24,870	113,998	24,234	5,347	18,888	61,766	11,743	50,023	49,050	10,060	38,990	12,717	1,683	11,033
2007	227,161	37,535	189,626	193,818	30,079	163,739	33,343	7,457	25,887	100,685	19,232	81,453	82,009	15,901	66,108	18,676	3,331	15,345
2008	214,825	33,734	181,091	183,922	28,011	155,911	30,904	5,723	25,181	153,131	26,003	127,129	121,326	21,042	100,284	31,805	4,961	26,845
2009	189,715	26,503	163,212	170,343	24,324	146,019	19,372	2,180	17,192	120,334	18,982	101,352	101,742	17,026	84,716	18,592	1,956	16,636

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

TABLE 46

Index Funds: Total Net Assets and Net New Cash Flow

Millions of dollars

Year	Total net assets Year-end					Net new cash flow* Annual				
		Equity					Equity			
	Total	S&P 500	Other domestic	Global/ International	Hybrid and bond	Total	S&P 500	Other domestic	Global/ International	Hybrid and bond
1993	$27,460	$19,445	$3,338	$1,281	$3,396	$6,350	$3,916	$953	$501	$980
1994	32,078	22,257	3,863	2,095	3,863	3,298	1,821	515	436	525
1995	56,498	40,938	6,442	2,927	6,192	11,632	8,664	1,038	508	1,422
1996	96,915	72,745	11,241	4,213	8,716	24,611	18,291	3,192	1,027	2,100
1997	169,132	128,310	21,221	5,385	14,215	34,811	25,073	5,230	781	3,727
1998	264,012	200,216	34,948	8,028	20,821	46,572	31,116	8,503	1,567	5,385
1999	386,578	283,149	63,090	13,206	27,134	61,993	38,340	16,051	2,234	5,368
2000	383,666	271,269	71,740	12,693	27,963	26,015	11,104	10,634	1,670	2,607
2001	370,556	248,315	73,348	11,161	37,733	27,010	9,135	8,838	1,171	7,865
2002	327,828	199,983	69,229	11,052	47,563	25,340	4,748	12,167	1,668	6,757
2003	455,446	272,259	112,258	18,222	52,707	35,270	14,152	16,557	2,200	2,362
2004	555,961	317,826	147,819	28,244	62,073	39,937	11,479	16,078	5,664	6,717
2005	620,603	334,012	171,377	42,805	72,410	27,833	−317	11,731	8,460	7,959
2006	749,480	379,765	218,303	66,647	84,764	33,011	−5,908	20,283	10,678	7,959
2007	856,941	394,593	257,935	95,667	108,747	61,340	−1,440	29,095	16,903	16,783
2008	603,053	252,956	178,045	50,125	121,927	34,195	7,705	23,398	−6,003	9,095
2009	836,568	328,647	256,884	92,177	158,860	55,792	8,195	16,411	4,257	26,929

**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 47

Index Funds: Number of Funds and Number of Share Classes

Year-end

	Number of funds					Number of share classes				
		Equity					Equity			
Year	Total	S&P 500	Other domestic	Global/ International	Hybrid and bond	Total	S&P 500	Other domestic	Global/ International	Hybrid and bond
1993	69	38	15	6	10	73	42	15	6	10
1994	81	42	17	7	15	95	53	17	10	15
1995	90	47	18	8	17	114	62	19	13	20
1996	108	59	22	8	19	147	85	25	13	24
1997	135	71	27	13	24	206	111	38	23	34
1998	158	85	36	16	21	252	144	51	27	30
1999	199	96	58	21	24	322	162	93	33	34
2000	276	119	99	26	32	466	217	161	44	44
2001	288	125	109	26	28	516	234	194	46	42
2002	314	131	123	29	31	574	251	218	54	51
2003	326	127	133	31	35	605	249	240	57	59
2004	335	127	146	29	33	644	262	269	56	57
2005	329	119	147	30	33	658	258	279	63	58
2006	348	125	158	33	32	707	272	304	70	61
2007	357	125	161	36	35	739	276	316	80	67
2008	361	122	164	41	34	756	278	317	95	66
2009	359	113	154	48	44	756	259	297	103	97

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

TABLE 48

Index Funds: New Sales and Exchange Sales

Millions of dollars, annual

	New + exchange					New[1]					Exchange[2]				
		Equity					Equity					Equity			
Year	Total	S&P 500	Other domestic	Global/ International	Hybrid and bond	Total	S&P 500	Other Domestic	Global/ International	Hybrid and bond	Total	S&P 500	Other domestic	Global/ International	Hybrid and bond
1993	$13,267	$8,898	$1,560	$746	$2,064	$11,208	$7,826	$1,283	$455	$1,644	$2,059	$1,072	$277	$291	$420
1994	11,850	7,976	1,283	824	1,767	10,172	7,103	1,130	579	1,361	1,677	874	153	245	405
1995	21,638	15,642	2,107	1,026	2,862	17,524	12,896	1,883	803	1,942	4,113	2,746	224	223	920
1996	42,451	31,515	4,893	1,861	4,182	34,745	25,924	4,182	1,468	3,171	7,706	5,591	711	393	1,011
1997	73,072	54,077	10,219	2,184	6,591	54,029	40,890	6,562	1,825	4,752	19,042	13,187	3,657	360	1,839
1998	103,095	74,968	15,508	3,044	9,574	79,679	59,288	11,399	2,186	6,806	23,415	15,680	4,109	858	2,768
1999	145,891	101,523	26,688	4,618	13,062	113,054	81,445	18,929	3,306	9,373	32,837	20,077	7,759	1,312	3,689
2000	136,663	91,916	28,955	6,142	9,649	107,683	75,946	20,055	4,908	6,775	28,980	15,970	8,900	1,235	2,875
2001	122,670	72,643	28,009	4,680	17,338	94,603	58,516	20,924	3,979	11,184	28,067	14,127	7,085	701	6,154
2002	128,264	67,720	34,171	5,216	21,158	100,308	56,848	24,891	4,552	14,017	27,956	10,871	9,280	663	7,141
2003	137,152	67,307	44,568	6,000	19,277	105,172	54,237	31,658	5,178	14,098	31,980	13,070	12,910	822	5,179
2004	159,443	74,441	53,947	9,408	21,647	128,518	63,071	40,622	7,916	16,908	30,925	11,370	13,325	1,492	4,739
2005	163,790	70,763	56,374	13,529	23,124	131,777	58,818	43,402	11,277	18,280	32,012	11,945	12,971	2,252	4,844
2006	190,424	69,619	73,488	19,895	27,423	152,943	59,125	57,535	16,064	20,220	37,480	10,494	15,953	3,831	7,203
2007	260,043	93,691	92,182	30,523	43,647	200,665	76,300	72,054	23,633	28,678	59,378	17,391	20,129	6,889	14,969
2008	249,940	87,086	82,210	26,262	54,383	201,568	74,133	64,794	22,358	40,283	48,371	12,953	17,416	3,903	14,099
2009	243,707	69,398	66,724	24,571	83,014	182,028	60,024	52,544	19,017	50,443	61,679	9,374	14,179	5,554	32,571

[1] New sales are the dollar value of new purchases of mutual fund shares. This does not include shares purchased through reinvestment of dividends in existing accounts.
[2] Exchange sales are the dollar value of mutual fund shares switched into funds within the same fund group.
Note: Data for funds that invest primarily in other mutual funds were excluded from the series.
Components may not add to the total because of rounding.

TABLE 49

Index Funds: Redemptions and Exchange Redemptions

Millions of dollars, annual

	Regular + exchange					Regular[1]					Exchange[2]				
		Equity					Equity					Equity			
Year	Total	S&P 500	Other domestic	Global/ International	Hybrid and bond	Total	S&P 500	Other Domestic	Global/ International	Hybrid and bond	Total	S&P 500	Other domestic	Global/ International	Hybrid and bond
1993	$6,917	$4,982	$607	$245	$1,084	$5,278	$3,996	$449	$118	$715	$1,639	$986	$158	$127	$369
1994	8,552	6,155	768	387	1,241	7,134	5,383	645	243	863	1,418	772	123	144	379
1995	10,006	6,978	1,069	518	1,440	7,720	5,665	935	344	777	2,285	1,313	135	174	663
1996	17,840	13,224	1,700	834	2,082	13,569	10,234	1,429	576	1,329	4,272	2,990	271	258	753
1997	38,260	29,005	4,988	1,403	2,864	24,697	19,657	2,468	824	1,748	13,563	9,348	2,520	579	1,116
1998	56,523	43,852	7,006	1,477	4,189	39,987	32,359	4,246	997	2,385	16,535	11,492	2,760	480	1,804
1999	83,898	63,183	10,637	2,384	7,694	60,941	48,121	7,036	1,357	4,428	22,957	15,062	3,601	1,028	3,266
2000	110,648	80,812	18,322	4,472	7,042	80,853	61,514	11,909	2,860	4,570	29,795	19,298	6,413	1,612	2,472
2001	95,660	63,508	19,170	3,509	9,473	68,732	47,583	12,714	2,640	5,796	26,928	15,926	6,457	868	3,677
2002	102,924	62,971	22,004	3,547	14,401	75,467	48,402	15,178	2,870	9,018	27,457	14,569	6,826	678	5,383
2003	101,882	53,155	28,011	3,800	16,915	77,136	42,554	20,508	3,407	10,666	24,746	10,601	7,503	393	6,249
2004	119,506	62,962	37,869	3,745	14,931	90,409	50,115	26,886	3,062	10,346	29,098	12,847	10,982	683	4,585
2005	135,957	71,080	44,643	5,069	15,165	102,542	54,621	32,287	4,109	11,524	33,415	16,459	12,356	960	3,641
2006	157,412	75,527	53,205	9,216	19,464	119,001	59,556	39,117	6,775	13,554	38,411	15,971	14,088	2,441	5,910
2007	198,703	95,131	63,087	13,620	26,864	141,458	71,405	43,001	10,076	16,976	57,244	23,726	20,086	3,544	9,889
2008	215,745	79,381	58,812	32,264	45,288	168,906	62,286	43,152	28,067	35,401	46,839	17,094	15,660	4,197	9,887
2009	187,916	61,203	50,313	20,315	56,085	133,686	49,794	38,817	17,079	27,996	54,229	11,409	11,496	3,236	28,089

[1] *Regular redemptions are the dollar value of shareholder liquidation of mutual fund shares.*
[2] *Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into other funds in the same fund group.*
Note: Data for funds that invest primarily in other mutual funds were excluded from the series.
Components may not add to the total because of rounding.

TABLE 50

Lifestyle and Lifecycle Funds:[1] Total Net Assets, Net New Cash Flow, Number of Funds, and Number of Share Classes

	Total net assets *Millions of dollars, year-end*			Net new cash flow[2] *Millions of dollars, annual*			Number of funds *Year-end*			Number of share classes *Year-end*		
Year	Total	Lifestyle	Lifecycle	Total	Lifestyle	Lifecycle	Total	Lifestyle	Lifecycle	Total	Lifestyle	Lifecycle
1995	$2,746	$2,259	$487	$1,194	$1,009	$185	26	20	6	50	40	10
1996	6,497	5,693	805	2,583	2,367	216	44	35	9	70	61	9
1997	14,314	12,906	1,408	4,138	3,945	193	77	65	12	141	124	17
1998	25,413	20,905	4,508	6,015	4,862	1,153	110	93	17	199	176	23
1999	34,849	27,835	7,014	4,928	3,618	1,311	130	111	19	240	210	30
2000	39,716	30,928	8,788	7,581	3,983	3,598	146	122	24	279	237	42
2001	45,467	33,095	12,372	7,696	3,902	3,795	147	122	25	351	269	82
2002	49,425	34,523	14,902	8,095	4,386	3,708	171	146	25	432	350	82
2003	81,795	55,894	25,901	19,081	11,860	7,221	194	149	45	503	383	120
2004	129,337	85,581	43,756	28,429	15,525	12,903	243	159	84	744	481	263
2005	202,213	130,990	71,223	57,195	34,939	22,256	327	200	127	1,134	669	465
2006	303,797	189,237	114,560	66,779	33,757	33,022	425	241	184	1,564	781	783
2007	421,064	238,160	182,905	91,911	35,712	56,200	497	252	245	1,846	811	1,035
2008	335,542	175,704	159,837	54,395	12,498	41,897	619	277	342	2,226	855	1,371
2009	510,971	255,368	255,603	52,293	8,849	43,444	654	271	383	2,370	853	1,517

[1] *Categories include data for funds that invest primarily in other funds.*
[2] *Net new cash flow is the dollar value of new sales minus redemptions combined with net exchanges.*
Note: Components may not add to the total because of rounding.

TABLE 51

Lifestyle and Lifecycle Funds:[1] Components of Net New Cash Flow[2]

Millions of dollars, annual

	Sales						Redemptions					
	New[3]			Exchange[4]			Regular[5]			Exchange[6]		
Year	Total	Lifestyle	Lifecycle	Total	Lifestyle	Lifecycle	Total	Lifestyle	Lifecycle	Total	Lifestyle	Lifecycle
1995	$1,289	$1,008	$282	$364	$355	$9	$304	$203	$100	$155	$151	$5
1996	3,393	2,771	622	564	552	12	989	583	406	385	373	11
1997	5,580	5,067	513	1,066	1,033	33	1,763	1,432	331	746	723	22
1998	8,856	7,549	1,306	2,782	1,428	1,354	3,557	2,916	641	2,066	1,199	867
1999	10,663	8,832	1,831	3,144	1,436	1,707	6,102	5,102	1,000	2,776	1,549	1,227
2000	15,034	10,767	4,267	4,621	1,776	2,845	8,302	6,648	1,654	3,772	1,912	1,861
2001	15,408	10,621	4,787	4,179	1,602	2,576	8,510	6,665	1,844	3,381	1,656	1,724
2002	18,235	12,953	5,282	3,691	1,384	2,307	10,901	8,561	2,340	2,930	1,389	1,541
2003	27,620	19,536	8,083	5,324	1,935	3,390	11,039	8,518	2,521	2,824	1,093	1,731
2004	41,768	25,325	16,442	8,724	3,250	5,474	17,585	11,310	6,274	4,478	1,739	2,739
2005	77,165	50,412	26,754	11,662	3,969	7,692	25,956	17,323	8,633	5,677	2,119	3,558
2006	89,527	49,614	39,912	17,128	5,971	11,157	31,286	18,625	12,662	8,589	3,204	5,385
2007	137,698	61,543	76,155	23,468	6,427	17,041	56,678	28,172	28,507	12,576	4,087	8,490
2008	127,528	48,988	78,539	22,103	5,983	16,120	73,916	35,529	38,387	21,319	6,944	14,375
2009	119,357	39,020	80,337	15,265	3,711	11,554	68,892	29,497	39,395	13,437	4,384	9,053

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

TABLE 52

Retirement Funds:[1] Total Net Assets, Net New Cash Flow, Number of Funds, and Number of Share Classes

Year	Total	Equity	Hybrid	Bond	Money market	Total	Equity	Hybrid	Bond	Money market
	Total net assets *Millions of dollars, year-end*					Net new cash flow[2] *Millions of dollars, annual*				
1993	$5,333	$529	$920	$304	$3,580	$531	$197	$57	$51	$226
1994	5,978	606	1,464	261	3,646	49	161	84	−54	−142
1995	10,775	1,571	3,289	567	5,349	2,568	524	433	126	1,485
1996	13,376	3,036	4,051	585	5,705	1,608	1,172	309	18	110
1997	16,831	4,836	5,085	819	6,092	1,467	1,015	209	155	89
1998	23,566	6,390	8,650	1,102	7,423	2,684	604	839	222	1,019
1999	38,818	17,538	11,901	1,289	8,090	2,949	1,466	962	119	402
2000	42,470	18,911	13,102	1,458	8,999	6,060	2,429	3,160	19	451
2001	52,755	17,532	16,399	2,043	16,782	6,039	1,011	3,957	412	659
2002	54,166	15,853	18,670	2,551	17,092	5,950	1,743	3,778	417	13
2003	89,847	38,519	32,205	5,761	13,362	14,802	8,746	8,582	1,057	−3,583
2004	134,132	65,687	53,279	6,595	8,571	27,168	15,970	14,885	504	−4,190
2005	190,799	93,290	82,113	7,631	7,766	41,360	18,381	23,077	865	−962
2006	284,318	137,473	128,098	9,423	9,324	62,464	26,476	33,638	1,254	1,096
2007	413,303	183,938	204,424	12,558	12,383	95,425	31,952	58,790	2,141	2,542
2008	340,882	134,432	177,819	11,821	16,810	78,676	29,751	44,807	754	3,363
2009	544,508	217,295	289,116	19,620	18,478	75,340	26,566	45,094	5,110	−1,431
	Number of funds *Year-end*					Number of share classes *Year-end*				
1993	29	10	6	7	6	29	10	6	7	6
1994	59	20	17	14	8	63	20	21	14	8
1995	78	30	22	18	8	82	30	26	18	8
1996	85	34	26	17	8	86	34	27	17	8
1997	91	37	27	19	8	97	37	33	19	8
1998	106	44	37	18	7	113	44	44	18	7
1999	126	61	39	20	6	140	61	53	20	6
2000	182	105	46	25	6	228	129	64	29	6
2001	233	140	50	33	10	312	165	99	37	11
2002	332	207	56	53	16	502	285	114	78	25
2003	521	330	94	79	18	783	456	180	120	27
2004	813	502	170	121	20	1,245	686	358	170	31
2005	939	554	229	134	22	1,743	864	617	223	39
2006	1,086	621	300	141	24	2,306	1,022	998	245	41
2007	1,287	701	397	162	27	2,788	1,134	1,337	271	46
2008	1,486	782	499	179	26	3,238	1,227	1,682	284	45
2009	1,535	770	545	194	26	3,473	1,290	1,808	332	43

[1] *Retirement category includes share classes and funds that are primarily available to retirement plans or IRAs. The table includes data for funds that invest primarily in other funds.*

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

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

TABLE 53

Retirement Funds:[1] Components of Net New Cash Flow[2]

Millions of dollars, annual

	Sales								Redemptions							
	New[3]				Exchange[4]				Regular[5]				Exchange[6]			
Year	Equity	Hybrid	Bond	Money market	Equity	Hybrid	Bond	Money market	Equity	Hybrid	Bond	Money market	Equity	Hybrid	Bond	Money market
1993	$242	$96	$90	$13,907	$188	$23	$60	*	$67	$42	$55	$13,681	$165	$20	$44	*
1994	270	186	67	14,760	207	27	26	$2	118	101	67	14,903	198	29	80	$1
1995	746	894	266	17,250	267	49	36	11	214	430	118	15,766	275	81	58	10
1996	1,550	1,398	177	18,998	348	68	60	20	447	1,001	125	18,887	279	157	94	22
1997	1,882	1,203	326	21,575	755	151	95	11	1,259	1,028	194	21,470	364	118	72	27
1998	2,160	1,953	498	23,867	594	1,421	122	36	1,720	1,536	313	22,867	431	999	84	17
1999	4,198	2,780	581	29,494	720	1,807	101	22	2,862	2,168	449	29,085	590	1,456	113	30
2000	7,631	4,806	1,065	31,729	1,623	2,791	113	44	5,437	2,626	804	31,279	1,388	1,811	354	42
2001	6,288	5,695	1,586	40,556	959	3,096	231	229	5,309	2,705	1,066	40,120	927	2,129	339	8
2002	7,476	6,327	1,673	62,320	1,318	2,459	453	69	6,232	3,286	1,458	62,194	819	1,721	251	182
2003	14,582	10,491	2,458	62,392	3,133	3,696	267	181	8,263	3,726	1,440	65,487	707	1,878	227	669
2004	28,146	20,447	2,911	43,321	1,628	5,659	165	184	13,252	8,322	2,398	47,039	552	2,899	173	657
2005	36,131	30,331	2,784	45,453	1,766	7,819	187	190	18,622	11,277	1,916	46,153	895	3,797	190	452
2006	52,057	43,584	3,372	49,738	3,871	11,527	268	322	28,216	15,747	2,182	48,450	1,235	5,726	203	514
2007	77,156	84,805	5,702	37,841	4,262	17,450	539	808	47,290	34,590	3,731	35,162	2,175	8,875	368	945
2008	76,940	87,764	6,206	49,053	5,323	17,309	732	1,336	47,222	44,810	5,652	46,102	5,289	15,455	532	924
2009	68,792	87,432	11,646	44,293	18,280	14,089	1,530	982	41,797	44,598	5,982	45,674	18,710	11,829	2,084	1,032

[1] *Retirement category includes share classes and funds that are primarily available to retirement plans or IRAs. The table includes data for funds that invest primarily in other funds.*
[2] *Net new cash flow is the dollar value of new sales minus redemptions combined with net exchanges.*
[3] *New sales are the dollar value of new purchases of mutual fund shares. This does not include shares purchased through reinvestment of dividends in existing accounts.*
[4] *Exchange sales are the dollar value of mutual fund shares switched into funds within the same fund family.*
[5] *Regular redemptions are the dollar value of shareholder liquidation of mutual fund shares.*
[6] *Exchange redemptions are the dollar value of mutual fund shares switched out of funds and into other funds in the same fund group.*
*Components are less than $500,000.
Note: Components may not add to the total because of rounding.

TABLE 54

Variable Annuity Funds: Total Net Assets, Net New Cash Flow, and Number of Funds

	Total net assets Millions of dollars, year-end				Net new cash flow* Millions of dollars, annual				Number of funds Year-end			
Year	Total	Equity	Hybrid and bond	Money market	Total	Equity	Hybrid and bond	Money market	Total	Equity	Hybrid and bond	Money market
1984	$4,470	$2,173	$777	$1,520	$369	$100	$82	$188	94	36	29	29
1985	6,904	3,445	1,865	1,593	548	226	426	−103	132	51	44	37
1986	11,127	5,782	3,493	1,853	3,126	1,892	1,109	126	143	55	50	38
1987	15,445	8,705	4,026	2,715	2,623	1,744	194	685	196	80	76	40
1988	16,948	9,270	4,323	3,355	−932	−1,144	−204	415	279	120	108	51
1989	25,009	14,432	6,535	4,043	202	243	−107	66	323	141	128	54
1990	28,749	14,974	8,355	5,420	3,083	1,866	323	895	331	145	134	52
1991	91,056	69,138	13,734	8,184	6,174	5,097	1,498	−420	354	150	147	57
1992	109,868	80,934	21,046	7,888	12,884	8,708	4,363	−188	366	157	151	58
1993	152,403	104,823	39,740	7,841	26,088	16,423	9,834	−169	428	192	176	60
1994	176,370	121,153	44,339	10,878	22,066	15,998	3,763	2,305	507	245	202	60
1995	259,813	187,702	60,042	12,069	20,824	18,604	2,214	5	665	344	250	71
1996	349,341	260,959	73,189	15,193	40,133	32,699	5,063	2,371	800	435	290	75
1997	473,331	364,286	92,571	16,474	40,470	33,743	6,316	411	937	535	323	79
1998	615,152	474,961	116,337	23,853	44,259	27,857	10,362	6,040	1,162	703	377	82
1999	818,958	656,874	128,352	33,732	38,543	30,736	−461	8,267	1,353	867	405	81
2000	816,800	658,176	125,587	33,037	48,461	56,420	−5,896	−2,063	1,562	1,054	428	80
2001	742,258	563,179	134,324	44,756	21,583	3,280	9,616	8,687	1,750	1,254	407	89
2002	638,949	438,987	151,892	48,070	−1,286	−14,077	12,465	327	1,903	1,392	419	92
2003	837,443	618,521	183,270	35,652	29,827	34,293	7,606	−12,071	1,889	1,368	433	88
2004	973,910	737,294	203,256	33,361	33,505	32,714	3,474	−2,683	1,881	1,353	441	87
2005	1,072,894	820,095	219,100	33,699	16,404	12,557	5,146	−1,299	1,882	1,359	440	83
2006	1,265,507	971,926	251,389	42,192	29,700	17,598	6,601	5,501	1,925	1,394	450	81
2007	1,398,396	1,053,107	292,566	52,723	32,279	3,349	21,679	7,250	1,895	1,375	442	78
2008	929,228	602,251	252,006	74,971	−6,041	−27,448	1,869	19,538	1,895	1,379	437	79
2009	1,192,473	796,865	338,010	57,599	8,529	−9,747	37,091	−18,815	1,857	1,340	443	74

*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 55

Variable Annuity Funds: Components of Net New Cash Flow[1]

Millions of dollars, annual

	Sales								Redemptions							
	New[2]				Exchange[3]				Regular[4]				Exchange[5]			
Year	Total	Equity	Hybrid and bond	Money market	Total	Equity	Hybrid and bond	Money market	Total	Equity	Hybrid and bond	Money market	Total	Equity	Hybrid and bond	Money market
1989	$6,692	$3,024	$1,366	$2,302	$1,214	$493	$155	$566	$6,564	$2,782	$1,436	$2,346	$1,139	$491	$192	$456
1990	9,994	4,714	1,808	3,473	1,082	450	183	449	6,993	2,941	1,465	2,587	1,000	357	203	440
1991	16,408	9,034	3,368	4,006	838	331	174	333	10,294	3,967	1,920	4,407	778	301	124	352
1992	24,779	13,294	6,634	4,851	1,568	740	350	478	12,014	4,745	2,348	4,921	1,450	581	273	596
1993	42,392	22,738	13,146	6,508	1,131	576	325	230	16,352	6,425	3,410	6,517	1,084	467	227	390
1994	48,010	25,661	10,907	11,443	7,017	4,064	429	2,525	25,933	9,941	6,830	9,161	7,029	3,786	742	2,501
1995	53,101	31,661	9,326	12,114	8,674	4,984	727	2,963	32,283	13,201	7,234	11,849	8,668	4,840	606	3,223
1996	84,933	53,188	13,056	18,689	12,656	7,190	864	4,602	44,729	20,497	8,041	16,191	12,726	7,182	815	4,729
1997	105,222	67,005	15,290	22,926	24,210	13,017	2,348	8,846	65,377	33,408	9,905	22,063	23,586	12,871	1,417	9,298
1998	141,464	83,457	23,227	34,780	37,136	18,967	5,502	12,668	99,141	54,024	14,964	30,153	35,199	20,542	3,403	11,254
1999	212,025	130,900	22,005	59,120	40,818	22,080	2,985	15,753	174,418	100,392	22,276	51,750	39,883	21,853	3,174	14,856
2000	334,936	221,862	21,211	91,863	36,326	22,853	1,821	11,652	287,230	166,996	26,673	93,561	35,571	21,299	2,255	12,017
2001	346,166	196,420	35,118	114,628	31,716	16,184	4,928	10,604	325,676	191,212	27,275	107,189	30,623	18,112	3,155	9,356
2002	342,193	182,572	49,365	110,256	34,170	16,465	7,123	10,583	344,224	194,507	38,775	110,942	33,425	18,607	5,249	9,570
2003	283,007	168,340	55,095	59,572	28,791	15,457	5,794	7,540	253,526	136,083	46,611	70,832	28,445	13,421	6,673	8,351
2004	261,715	169,312	47,362	45,042	26,407	14,451	5,656	6,300	228,278	136,466	44,260	47,552	26,340	14,582	5,285	6,472
2005	246,396	161,730	48,877	35,789	19,598	10,601	3,402	5,595	230,118	148,108	44,431	37,578	19,472	11,666	2,702	5,104
2006	280,231	192,669	50,717	36,846	22,318	10,826	3,422	8,070	250,506	173,519	44,128	32,859	22,344	12,378	3,410	6,555
2007	343,952	219,740	72,878	51,334	37,045	19,701	8,247	9,097	317,169	215,649	56,031	45,488	31,550	20,442	3,414	7,693
2008	380,758	202,167	90,422	88,169	25,445	11,160	5,065	9,220	390,429	228,193	90,092	72,144	21,816	12,583	3,527	5,706
2009	312,751	154,920	96,255	61,576	22,650	6,875	11,480	4,294	304,094	157,160	68,646	78,288	22,778	14,382	1,999	6,397

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

TABLE 56

Total Net Assets of Mutual Funds Held in Individual and Institutional Accounts

Millions of dollars, year-end

Year	Total	Equity funds	Hybrid funds	Bond funds	Money market funds
Total					
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	6,383,477	2,662,461	325,493	1,130,448	2,265,075
2003	7,402,420	3,684,162	430,467	1,247,770	2,040,022
2004	8,095,082	4,383,977	519,292	1,290,477	1,901,336
2005	8,891,108	4,939,700	567,304	1,357,283	2,026,822
2006	10,396,508	5,910,500	653,146	1,494,411	2,338,451
2007	12,000,645	6,515,871	718,982	1,680,032	3,085,760
2008	9,602,605	3,704,270	499,500	1,566,598	3,832,236
2009	11,120,725	4,957,576	640,749	2,206,204	3,316,196
Individual accounts					
2000	$6,236,408	$3,749,630	$333,154	$741,692	$1,411,931
2001	6,096,701	3,237,316	332,172	843,414	1,683,799
2002	5,514,626	2,507,212	313,143	1,037,277	1,656,995
2003	6,525,833	3,469,849	414,271	1,147,865	1,493,848
2004	7,172,601	4,106,358	499,845	1,187,432	1,378,966
2005	7,775,358	4,601,287	545,626	1,223,469	1,404,975
2006	9,058,241	5,472,167	627,415	1,339,319	1,619,340
2007	10,327,329	6,028,711	690,054	1,494,670	2,113,893
2008	7,838,005	3,400,839	480,382	1,401,503	2,555,281
2009[P]	9,283,601	4,524,488	615,888	1,981,232	2,161,993
Institutional accounts*					
2000	$728,226	$212,292	$13,121	$69,496	$433,317
2001	878,212	180,847	14,143	81,710	601,511
2002	868,851	155,248	12,350	93,171	608,081
2003	876,587	214,313	16,196	99,904	546,174
2004	922,481	277,619	19,447	103,046	522,370
2005	1,115,751	338,413	21,677	133,814	621,846
2006	1,338,267	438,333	25,730	155,092	719,111
2007	1,673,316	487,159	28,927	185,362	971,867
2008	1,764,599	303,431	19,118	165,095	1,276,956
2009[P]	1,837,125	433,088	24,862	224,972	1,154,203

**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.*

[P] Data are preliminary.

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

Components may not add to the total because of rounding.

Data Section 6

TABLE 57

Total Net Assets of Institutional Investors in Mutual Funds by Type of Institution and Type of Fund

Millions of dollars, year-end

Year		Total	Business corporations	Financial institutions[1]	Nonprofit organizations	Other[2]
2001	All funds	$878,212	$426,702	$301,401	$89,143	$60,966
	Equity	180,847	75,414	55,060	30,323	20,052
	Hybrid	14,143	7,034	3,629	1,452	2,028
	Bond	81,710	30,169	13,081	28,216	10,243
	Money market	601,511	314,084	229,631	29,152	28,643
2002	All funds	868,851	414,108	314,708	86,734	53,301
	Equity	155,248	56,570	56,755	23,710	18,213
	Hybrid	12,350	5,027	4,282	1,089	1,952
	Bond	93,171	32,780	16,519	32,323	11,549
	Money market	608,081	319,731	237,152	29,611	21,587
2003	All funds	876,587	408,534	304,365	94,343	69,345
	Equity	214,313	79,352	70,561	33,639	30,760
	Hybrid	16,196	6,784	4,625	2,185	2,602
	Bond	99,904	33,119	18,416	32,479	15,890
	Money market	546,174	289,278	210,763	26,040	20,093
2004	All funds	922,481	426,716	293,679	93,954	108,132
	Equity	277,619	92,729	88,157	38,098	58,634
	Hybrid	19,447	7,461	6,047	2,656	3,283
	Bond	103,046	29,931	20,271	29,051	23,792
	Money market	522,370	296,595	179,204	24,149	22,422
2005	All funds	1,115,751	488,196	351,683	99,833	176,038
	Equity	338,413	104,814	101,942	43,576	88,080
	Hybrid	21,677	6,756	7,651	2,632	4,639
	Bond	133,814	28,467	26,022	25,675	53,651
	Money market	621,846	348,159	216,069	27,951	29,668
2006	All funds	1,338,267	597,030	399,165	112,753	229,320
	Equity	438,333	138,602	119,942	53,568	126,221
	Hybrid	25,730	7,721	10,063	2,748	5,199
	Bond	155,092	34,406	28,637	26,134	65,915
	Money market	719,111	416,302	240,522	30,302	31,985
2007	All funds	1,673,316	735,435	491,008	133,385	313,488
	Equity	487,159	142,058	120,743	58,864	165,494
	Hybrid	28,927	7,919	12,792	2,454	5,763
	Bond	185,362	41,102	30,760	25,206	88,295
	Money market	971,867	544,356	326,713	46,860	53,937
2008	All funds	1,764,599	828,388	550,203	119,428	266,581
	Equity	303,431	83,778	70,225	32,367	117,061
	Hybrid	19,118	5,560	8,038	1,471	4,049
	Bond	165,095	36,478	26,736	23,386	78,494
	Money market	1,276,956	702,571	445,204	62,204	66,977
2009[p]	All funds	1,837,125	820,474	556,822	129,279	330,549
	Equity	433,088	122,619	96,945	44,412	169,112
	Hybrid	24,862	6,959	11,263	1,811	4,828
	Bond	224,972	60,130	36,483	30,137	98,223
	Money market	1,154,203	630,766	412,131	52,919	58,386

[1] *Financial institutions include credit unions, investment clubs, accounts of banks not held as fiduciaries, insurance companies, and other financial organizations.*

[2] *Other institutional investors include state and local governments, funds holding mutual fund shares, and other institutional accounts not classified.*

[p] *Data are preliminary.*

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

Components may not add to the total because of rounding.

Data Section 6

TABLE 58

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

Millions of dollars, year-end

Year		Total	Business corporations	Financial institutions[2]	Nonprofit organizations	Other[3]
2000	All funds	$409,551	$202,016	$158,334	$23,039	$26,161
	Institutional funds	305,338	137,307	134,553	15,017	18,462
	Retail funds	104,213	64,710	23,781	8,023	7,699
2001	All funds	575,326	300,607	219,138	27,975	27,606
	Institutional funds	469,441	235,877	195,672	18,197	19,694
	Retail funds	105,886	64,730	23,466	9,778	7,912
2002	All funds	578,412	303,438	226,650	27,676	20,649
	Institutional funds	485,966	248,059	202,487	20,198	15,222
	Retail funds	92,446	55,378	24,163	7,478	5,427
2003	All funds	509,803	267,236	198,164	24,876	19,526
	Institutional funds	427,045	218,103	176,777	18,525	13,641
	Retail funds	82,758	49,133	21,387	6,352	5,886
2004	All funds	477,161	269,150	165,323	22,503	20,184
	Institutional funds	403,925	223,580	149,522	16,253	14,569
	Retail funds	73,236	45,569	15,801	6,250	5,615
2005	All funds	566,298	314,073	198,996	25,756	27,473
	Institutional funds	479,262	264,878	173,938	20,385	20,060
	Retail funds	87,037	49,196	25,057	5,371	7,413
2006	All funds	659,280	379,117	221,751	28,599	29,813
	Institutional funds	565,704	321,595	198,267	22,620	23,222
	Retail funds	93,576	57,522	23,484	5,978	6,591
2007	All funds	896,990	496,719	304,982	44,317	50,973
	Institutional funds	788,437	432,957	273,521	37,569	44,391
	Retail funds	108,553	63,761	31,461	6,747	6,583
2008	All funds	1,209,515	660,799	424,145	60,519	64,052
	Institutional funds	1,099,759	588,140	399,658	53,352	58,609
	Retail funds	109,757	72,659	24,487	7,167	5,443
2009[p]	All funds	1,092,879	589,737	396,325	51,321	55,497
	Institutional funds	1,006,286	530,111	378,765	46,126	51,284
	Retail funds	86,593	59,626	17,559	5,195	4,213

[1] *Institutional funds are sold primarily to institutional investors or institutional accounts. This includes accounts that are purchased by an institution, such as a business, financial, or nonprofit organization. Retail funds are sold primarily to individual investors and include variable annuity mutual funds.*

[2] *Financial institutions include credit unions, investment clubs, accounts of banks not held as fiduciaries, insurance companies, and other financial organizations.*

[3] *Other institutional investors include state and local governments, funds holding mutual fund shares, and other institutional accounts not classified.*

[p] *Data are preliminary.*

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

Components may not add to the total because of rounding.

Data Section 6

TABLE 59

Worldwide Total Net Assets of Mutual Funds*

Millions of U.S. dollars, year-end

	2003	2004	2005	2006	2007	2008	2009
World	**$14,036,330**	**$16,152,936**	**$17,757,311**	**$21,807,505**	**$26,130,686**	**$18,919,014**	**$22,964,267**
Americas	**7,957,560**	**8,780,593**	**9,750,205**	**11,469,062**	**13,422,271**	**10,580,945**	**12,597,242**
Argentina	1,916	2,355	3,626	6,153	6,789	3,867	4,470
Brazil	171,596	220,586	302,927	418,771	615,365	479,321	783,970
Canada	338,369	413,772	490,518	566,298	698,397	416,031	565,156
Chile	8,552	12,588	13,969	17,700	24,444	17,587	34,227
Costa Rica	2,754	1,053	804	1,018	1,203	1,098	1,309
Mexico	31,953	35,157	47,253	62,614	75,428	60,435	81,552[a]
Trinidad and Tobago	N/A	N/A	N/A	N/A	N/A	N/A	5,832
United States	7,402,420	8,095,082	8,891,108	10,396,508	12,000,645	9,602,605	11,120,726
Europe	**4,682,836**	**5,640,452**	**6,002,261**	**7,803,906**	**8,934,864**	**6,231,116**	**7,545,531**
Austria	87,982	103,709	109,002	128,236	138,709	93,269	99,628
Belgium	98,724	118,373	115,314	137,291	149,842	105,057	106,721
Bulgaria	N/A	N/A	N/A	N/A	N/A	226	256
Czech Republic	4,083	4,860	5,331	6,490	7,595	5,260	5,436
Denmark	49,533	64,799	75,199	95,620	104,082	65,182	83,024
Finland	25,601	37,658	45,415	67,804	81,136	48,750	66,131
France	1,148,446	1,370,954	1,362,671	1,769,258	1,989,690	1,591,082	1,805,641
Germany	276,319	295,997	296,787	340,325	372,072	237,986	317,543
Greece	38,394	43,106	32,011	27,604	29,807	12,189	12,434
Hungary	3,936	4,966	6,068	8,523	12,577	9,188	11,052
Ireland	360,425	467,620	546,242	855,011	951,371	720,486	860,515
Italy	478,734	511,733	450,514	452,798	419,687	263,588	279,474
Liechtenstein	8,936	12,543	13,970	17,315	25,103	20,489	30,329
Luxembourg	1,104,112	1,396,131	1,635,785	2,188,278	2,685,065	1,860,763	2,293,973
Netherlands	93,573	102,134	94,357	108,560	113,759	77,379	95,512
Norway	21,994	29,907	40,122	54,065	74,709	41,157	71,170
Poland	8,576	12,014	17,652	28,957	45,542	17,782	23,025
Portugal	26,985	30,514	28,801	31,214	29,732	13,572	15,808
Romania	29	72	109	247	390	326	1,134
Russia	851	1,347	2,417	5,659	7,175	2,026	3,182
Slovakia	1,061	2,168	3,035	3,171	4,762	3,841	4,222
Slovenia	N/A	N/A	N/A	2,484	4,219	2,067	2,610
Spain	255,344	317,538	316,864	367,918	396,534	270,983	269,611
Sweden	87,746	107,064	119,059	176,943	194,955	113,331	170,276
Switzerland	90,772	94,407	116,669	159,515	176,282	135,052	168,260
Turkey	14,157	18,112	21,761	15,463	22,609	15,404	19,426
United Kingdom	396,523	492,726	547,103	755,156	897,460	504,681	729,141
Asia and Pacific	**1,361,473**	**1,677,887**	**1,939,251**	**2,456,511**	**3,678,330**	**2,037,536**	**2,715,233**
Australia	518,411	635,073	700,068	864,254	1,192,992	841,133	1,198,838
China	N/A	N/A	N/A	N/A	434,063	276,303	381,207
Hong Kong	255,811	343,638	460,517	631,055	818,421	N/A	N/A
India	29,800	32,846	40,546	58,219	108,582	62,805	130,284
Japan	349,148	399,462	470,044	578,883	713,998	575,327	660,666
Korea, Rep. of	121,663	177,417	198,994	251,930	329,979	221,992	264,573
New Zealand	9,641	11,171	10,332	12,892	14,924	10,612	17,657
Pakistan	N/A	N/A	N/A	2,164	4,956	1,985	2,224
Philippines	792	952	1,449	1,544	2,090	1,263	1,488
Taiwan	76,205	77,328	57,301	55,571	58,323	46,116	58,297
Africa	**34,460**	**54,006**	**65,594**	**78,026**	**95,221**	**69,417**	**106,261**
South Africa	34,460	54,006	65,594	78,026	95,221	69,417	106,261

**Funds of funds are not included except for France, Italy, and Luxembourg. Data include home-domiciled funds, except for Hong Kong, Korea, and New Zealand, which include home- and foreign-domiciled funds.*

[a] Year-end data are not available. Data are as of September.

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/research#statistics***.*

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

TABLE 60

Worldwide Number of Mutual Funds*

Year-end

	2003	2004	2005	2006	2007	2008	2009
World	**54,568**	**55,523**	**56,867**	**61,854**	**66,347**	**69,032**	**65,735**
Americas	**13,920**	**14,063**	**13,763**	**14,474**	**15,459**	**16,459**	**16,982**
Argentina	186	186	200	223	241	253	252
Brazil	2,805	2,859	2,685	2,907	3,381	4,169	4,744
Canada	1,887	1,915	1,695	1,764	2,038	2,015	2,075
Chile	414	537	683	926	1,260	1,484	1,691
Costa Rica	129	115	110	100	93	85	64
Mexico	374	411	416	437	420	431	429[a]
Trinidad and Tobago	N/A	N/A	N/A	N/A	N/A	N/A	36
United States	8,125	8,040	7,974	8,117	8,026	8,022	7,691
Europe	**28,541**	**29,306**	**30,060**	**33,151**	**35,210**	**36,780**	**33,054**
Austria	833	840	881	948	1,070	1,065	1,016
Belgium	1,224	1,281	1,391	1,549	1,655	1,828	N/A
Bulgaria	N/A	N/A	N/A	N/A	N/A	81	85
Czech Republic	58	53	51	52	66	76	78
Denmark	400	423	471	494	500	489	483
Finland	249	280	333	376	379	389	377
France	7,902	7,908	7,758	8,092	8,243	8,301	7,982
Germany	1,050	1,041	1,076	1,199	1,462	1,675	2,067
Greece	265	262	247	247	230	239	210
Hungary	96	97	91	161	212	270	264
Ireland	1,978	2,088	2,127	2,531	2,898	3,097	2,721
Italy	1,012	1,142	1,035	989	924	742	675
Liechtenstein	137	171	200	233	391	335	348
Luxembourg	6,578	6,855	7,222	7,919	8,782	9,351	9,017
Netherlands	593	542[2]	515	473	450	458[2]	N/A
Norway	375	406	419	524	511	530	487
Poland	112	130	150	157	188	210	208
Portugal	160	163	169	175	180	184	171
Romania	20	19	23	32	41	52	51
Russia	132	210	257	358	533	528	480
Slovakia	37	40	43	43	54	56	54
Slovenia	N/A	N/A	N/A	96	106	125	125
Spain	2,471	2,559	2,672	3,235	2,940	2,944	2,588
Sweden	485	461	464	474	477	508	506
Switzerland	441	385	510	609	567	572	509
Turkey	241	240	275	282	294	304	286
United Kingdom	1,692	1,710	1,680	1,903	2,057	2,371	2,266
Asia and Pacific	**11,641**	**11,617**	**12,427**	**13,479**	**14,847**	**14,909**	**14,795**
Australia	N/A	N/A	N/A	N/A	N/A	N/A	N/A
China	N/A	N/A	N/A	N/A	341	429	547
Hong Kong	963	1,013	1,009	1,099	1,162	N/A	N/A
India	350	394	445	468	555	551	590
Japan	2,617	2,552	2,640	2,753	2,997	3,333	3,656
Korea, Rep. of	6,726	6,636	7,279	8,030	8,609	9,384	8,703
New Zealand	563	553	563	613	623	643	702
Pakistan	N/A	N/A	N/A	31	64	83	96
Philippines	21	24	32	38	40	43	41
Taiwan	401	445	459	447	456	443	460
Africa	**466**	**537**	**617**	**750**	**831**	**884**	**904**
South Africa	466	537	617	750	831	884	904

**Funds of funds are not included except for France, Italy, and Luxembourg. Data include home-domiciled funds, except for Hong Kong, Korea, and New Zealand, which include home- and foreign-domiciled funds.*

[a] Year-end data are not available. Data are as of September.

N/A = not available

Note: For more worldwide mutual fund statistics, visit ICI's website at www.ici.org/research#statistics.

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

TABLE 61

Worldwide Net Sales[1] of Mutual Funds[2]

Millions of U.S. dollars, annual

	2003	2004	2005	2006	2007	2008	2009
World	**$312,355**	**$457,014**	**$969,332**	**$1,296,979**	**$1,533,361**	**$275,471**	**$272,173**
Americas	**60,586**	**167,316**	**424,433**	**725,044**	**1,204,057**	**605,953**	**80,108**
Argentina	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Brazil	19,507	1,611	5,293	21,083	16,880	−32,653	47,317
Canada	3,793	18,453	31,295	36,579	61,288	17,494	12,073
Chile	1,329	3,235	N/A	3,113	3,282	−1,168	9,920
Costa Rica	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mexico	5,333	767	6,850	11,378	10,153	−3,419	9,067[a]
Trinidad and Tobago	N/A	N/A	N/A	N/A	N/A	N/A	−149
United States	30,624	143,250	380,996	652,890	1,112,454	625,698	1,880
Europe	**258,500**	**235,145**	**459,786**	**427,524**	**101,765**	**−443,031**	**166,653**
Austria	4,010	6,874	16,240	3,402	−4,864	−18,146	−4,746
Belgium	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bulgaria	N/A	N/A	N/A	N/A	N/A	−150	9
Czech Republic	73	−77	641	59	198	−1,561	−262
Denmark	7,655	9,259	12,950	5,647	1,894	−4,000	2,419
Finland	5,038	6,512	6,371	13,230	3,534	−11,387	5,475
France	73,314	66,216	76,441	133,843	−49,354	−68,352	6,164
Germany	6,045	−8,688	10,557	−10,473	−18,531	−32,746	11,934
Greece	3,940	51	−7,810	−9,598	−2,644	−11,382	−1,124
Hungary	N/A	N/A	1,760	−39	2,436	−1,755	775
Ireland	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Italy	6,725	−37,142	−19,215	−59,828	−81,538	−107,691	−10,924
Liechtenstein	3,844	2,444	1,363	781	3,636	2,318	5,086
Luxembourg	94,260	142,199	293,331	299,906	255,689	−102,258	95,059
Netherlands	N/A	802	−9,312	10	−5,732	−6,118[a]	N/A
Norway	2,548	2,967	8,231	4,676	6,871	40	6,689
Poland	N/A	N/A	N/A	N/A	N/A	−1,423	859
Portugal	1,930	534	1,644	−1,843	−5,708	−11,168	1,121
Romania	−11	28	26	97	94	126	760
Russia	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Slovakia	N/A	593	1,095	−512	688	−896	81
Slovenia	N/A	N/A	N/A	18	638	−432	27
Spain	28,282	30,611	26,961	−3,852	−23,273	−84,148	−15,859
Sweden	6,011	5,400	7,517	7,733	2,228	3,753	10,203
Switzerland	−1,348	−2,185	9,218	11,682	15,074	17,851	7,342
Turkey	N/A	N/A	N/A	N/A	N/A	N/A	2,324
United Kingdom	16,183	8,746	21,778	32,588	430	−3,505	43,241
Asia and Pacific	**−12,036**	**48,005**	**76,016**	**135,467**	**217,847**	**105,562**	**13,908**
Australia	N/A	N/A	N/A	N/A	N/A	N/A	N/A
China	N/A	N/A	N/A	N/A	N/A	35,721[b]	−35,612
Hong Kong	3,239	2,639	1,195	3,613	6,834	N/A	N/A
India	7,917	338	4,914	11,765	27,358	2,754	43,029
Japan	−7,141	22,430	77,458	99,625	120,307	5,429	32,572
Korea, Rep. of	−24,617	31,541	14,180	25,292	61,080	58,819	−27,836
New Zealand	−2	−132	−554	−196	254	227	1,363
Pakistan	N/A	N/A	N/A	426	2,921	−612	−3
Philippines	232	119	301	−241	−16	−453	10
Taiwan	8,336	−8,929	−21,477	−4,817	−892	3,677	385
Africa	**5,304**	**6,549**	**9,097**	**8,944**	**9,692**	**6,988**	**11,504**
South Africa	5,304	6,549	9,097	8,944	9,692	6,988	11,504

[1]Net sales is a calculation of total sales minus total redemptions plus net exchanges.
[2]Funds of funds are not included except for France, Italy, and Luxembourg. Data include home-domiciled funds, except for Hong Kong, Korea, and New Zealand, which include home- and foreign-domiciled funds.
[a]Year-end data are not available. Data are through September.
[b]Data are only for October through December 2008.
N/A = not available
Note: Components may not add to the total because of rounding.
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 appendix 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.

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 not only targeted investment in America, but led to the introduction of the fund investing concept on U.S. shores in the late 1800s and early 1900s.

The first mutual, 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 led to relatively steady growth in industry assets and number of accounts.

Four Principal Securities Laws Govern Investment Companies

The Investment Company Act of 1940	Regulates the structure and operations of investment companies through a combination of disclosure requirements and restrictions on day-to-day operations. Among other things, the Act addresses investment company capital structures, custody of assets, investment activities (particularly with respect to transactions with affiliates and other transactions involving potential conflicts of interest), and the duties of fund boards.
The Securities Act of 1933	Regulates public offerings of securities, including investment company shares. The 1933 Act also requires that all investors receive a current prospectus describing the fund.
The Securities Exchange Act of 1934	Regulates the trading, purchase, and sale of securities, including investment company shares. The Act also regulates broker-dealers, including investment company principal underwriters and others that sell investment company shares, and requires them to register with the SEC.
The Investment Advisers Act of 1940	Regulates investment advisers. Requires all advisers to registered investment companies and other large advisers to register with the SEC. The Advisers Act contains provisions requiring fund advisers to meet recordkeeping, custodial, reporting, and other regulatory responsibilities.

The Different Types of U.S. Investment Companies

Fund sponsors in the U.S. offer four types of registered investment companies: open-end investment companies (commonly called "mutual funds"), closed-end investment companies, exchange-traded funds (ETFs), and unit investment trusts (UITs).

The vast majority of investment companies are **mutual funds**, both in terms of number of funds and assets under management. Mutual funds can have actively managed portfolios, in which a professional investment adviser creates a unique mix of investments to meet a particular investment objective, or passively managed portfolios, in which the adviser seeks to track the performance of a selected benchmark or index. One hallmark of mutual funds is that they issue "redeemable securities," meaning that the fund stands ready to buy back its shares at their current net asset value, or NAV. The NAV is calculated by dividing the total market value of the fund's assets, minus its liabilities, by the number of mutual fund shares outstanding. For more information on mutual funds, see *The Organization of a Mutual Fund* on page 189.

Unlike mutual funds, **closed-end funds** do not issue redeemable shares. Instead, they issue a fixed number of shares that trade intraday on stock exchanges at market-determined prices. Investors in a closed-end fund buy or sell shares through a broker, just as they would trade the shares of any publicly traded company. For more information on closed-end funds, see chapter 4 on page 53.

ETFs are described as a hybrid of other types of investment companies. They are structured and legally classified as mutual funds or UITs (discussed below), but trade intraday on stock exchanges like closed-end funds. ETFs only buy and sell fund shares directly to certain "authorized participants" in large blocks, which are often 50,000 shares or more. For more information on ETFs, see chapter 3 on page 39.

UITs are also a hybrid, with some characteristics of mutual funds and some of closed-end funds. Like closed-end funds, UITs typically issue only a specific, fixed number of shares, called "units." Like mutual funds, the units are redeemable, but unlike mutual funds, generally the UIT sponsor will maintain a secondary market in the units to avoid depletion of the UIT's assets. A UIT does not actively trade its investment portfolio, instead buying and holding a set of particular investments until a set termination date, at which time the trust is dissolved and proceeds are paid to shareholders.

More Information About Other Types of Investment Companies

With 91 percent of industry assets, mutual funds are the most common type of investment company in 2009. The other types of investment companies—closed-end funds, exchange-traded funds, and unit investment trusts—can differ from mutual funds in terms of structure, service providers, the roles and responsibilities of the investment companies' boards, earnings, pricing and listing procedures, and taxation. Visit the Institute's website at www.ici.org for more detailed information about each type of investment company.

Closed-End Funds

» Frequently Asked Questions About Closed-End Funds and Their Use of Leverage

» A Guide to Closed-End Funds
www.ici.org/investor_ed/brochures/bro_g2_ce

Exchange-Traded Funds

» Frequently Asked Questions About Exchange-Traded Funds

» A Guide to Exchange-Traded Funds
www.ici.org/investor_ed/brochures/bro_etf

Unit Investment Trusts

» Frequently Asked Questions About Unit Investment Trusts

» A Guide to Unit Investment Trusts
www.ici.org/investor_ed/brochures/bro_g2_uits

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 owns a pro rata share of the fund's investments and 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 check-writing privileges on money market fund accounts.

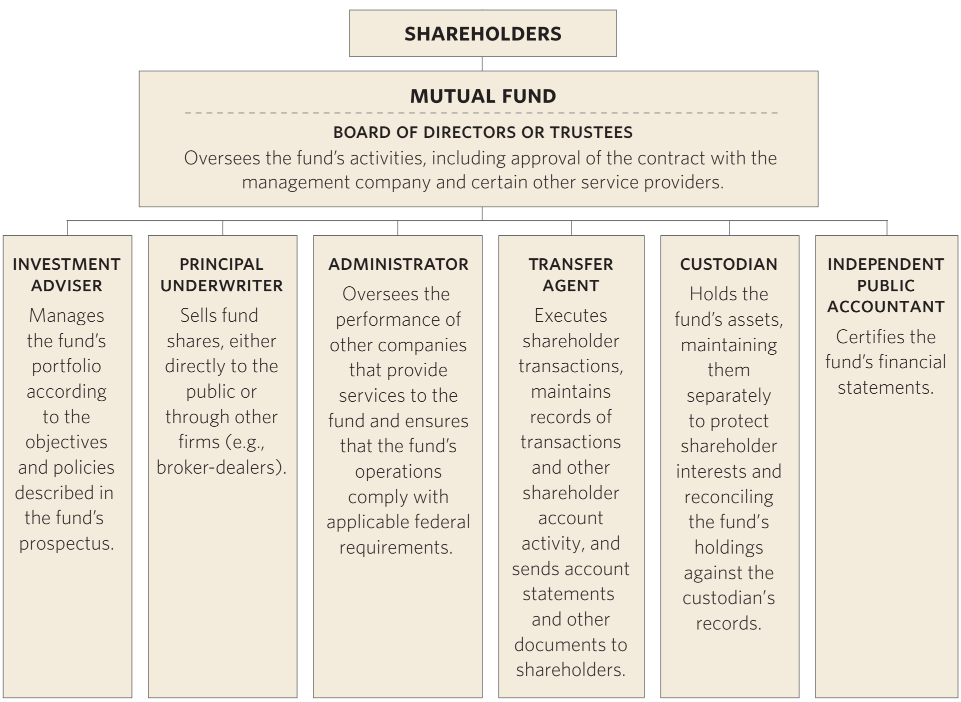
A mutual fund is organized under state law either as a corporation or a business trust (sometimes called a "statutory trust"). Mutual funds have officers and directors or trustees. In this way, mutual funds are like any other type of operating company, such as Exxon or Google.

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 that are either affiliated organizations or independent contractors to invest fund assets and carry out other business activities. The diagram below shows the primary types of service providers usually relied upon by a fund.

Although it typically has no employees, a fund is required by law to have its own written compliance program, overseen by an individual designated as a chief compliance officer. This compliance program establishes detailed procedures and internal controls designed to ensure compliance with all relevant laws and regulations.

FIGURE A.1

The Structure of a Mutual 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.

Some of the major steps in the process of starting a mutual fund include organizing the fund under state law as either a business trust or corporation, registering the fund with the SEC as an investment company pursuant to the Investment Company Act of 1940, and registering the fund shares for sale to the public pursuant to the Securities Act of 1933. Unless otherwise exempt from doing so, the fund must also make filings and pay fees to each state (except Florida) in which the fund's shares will be offered to the public. The Investment Company Act also requires that each new fund have at least $100,000 of seed capital before distributing its shares to the public; this capital is usually contributed by the adviser or other sponsor in the form of an initial investment.

For more information on the requirements for the initial registration of a mutual fund, see the SEC's Investment Company Registration and Regulation Package, available at www.sec.gov/divisions/investment/invcoreg121504.htm.

Shareholders

Investors are given comprehensive information about the fund to help them make informed decisions. A mutual fund's statutory 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. Beginning in 2009, mutual funds and ETFs may elect to provide investors with a short "summary prospectus" containing certain key information instead of the full statutory prospectus. If funds use a summary prospectus, the full statutory prospectus and additional information must be available on the Internet and in paper upon request. 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 cannot be increased unless a majority of shareholders vote to approve the increase. Furthermore, funds seeking to change investment objectives or fundamental policies must first obtain the approval of the holders of a majority of the fund's outstanding voting securities.

See chapter 6 on page 79 for more information on shareholders.

Fund Entities and Service Providers

Board 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 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.

Investment company directors must exercise the care that a reasonably prudent person would take with his or her own business. They review and approve major contracts with service providers (including, notably, the fund's investment adviser), approve policies and procedures to ensure the fund's compliance with the federal securities laws, and undertake oversight and review of the performance of the fund's operations.

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.

For more information about fund boards and directors, see page 203 in appendix B.

Investment Advisers

Investment advisers have overall responsibility for directing the fund's investments and handling its business affairs. The investment advisers have their own employees, including investment professionals who work on behalf of the funds' shareholders and determine which securities to buy and sell in the funds' portfolio, consistent with the funds' investment objectives and policies.

To protect investors, a fund's investment adviser and the adviser's employees are subject to numerous standards and legal restrictions, including restrictions on transactions that may pose conflicts of interest. Like the mutual fund, investment advisers are required to have their own written compliance programs that are overseen by chief compliance officers and establish detailed procedures and internal controls designed to ensure compliance with all relevant laws and regulations.

In addition to managing the fund's portfolio, the adviser often serves as administrator to the fund, providing various back office services.

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.

Administrators

A fund's administrator handles the many "back office" functions for a fund. For example, administrators often provide office space, clerical and fund accounting services, data processing, bookkeeping and internal auditing, and preparing and filing SEC, tax, shareholder, and other reports. Fund administrators also help maintain compliance procedures and internal controls, subject to oversight by the fund's board and chief compliance officer.

Principal Underwriters

Investors buy and redeem fund shares either directly or indirectly through the principal underwriter, also known as the fund's distributor. Principal underwriters are registered under the Securities Exchange Act of 1934 as broker-dealers, and, as such, are subject to strict rules governing how they offer and sell securities to investors.

The principal underwriter contracts with the fund to purchase and then resell fund shares to the public. A majority of both the fund's independent directors and the entire fund board must approve the contract with the principal underwriter.

Custodians

To protect fund assets, the Investment Company Act requires all mutual funds to maintain strict custody of fund assets, separate from the assets of the adviser. Although the Act permits other arrangements, nearly all funds use a bank custodian for domestic securities. A fund's custody agreement with a bank is typically far more elaborate than that used for other bank clients. The custodian's services generally include safekeeping and accounting for the fund's assets, settling securities transactions, receiving dividends and interest, providing foreign exchange capabilities, paying fund expenses, reporting failed trades, reporting cash transactions, monitoring corporate actions, and tracking loaned securities. Foreign securities are required to be held in the custody of a foreign bank or securities depository.

For more information about custody, see page 206 in appendix B.

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, including call centers, to respond to shareholder inquiries.

Fund Pricing: Net Asset Value and the Pricing Process

By law, investors are able to redeem mutual fund shares each business day. As a result, fund shares are very liquid investments. Most mutual funds continually offer new shares to investors. Many fund companies also allow shareholders to transfer money—or make "exchanges"—from one fund to another within the same fund family. Mutual funds process investors' 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 (e.g., fund expenses), 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. An investor may determine the value of his or her pro rata share of the mutual fund by multiplying the number of shares owned by the fund's NAV. Federal law requires that a fund's NAV be calculated at least once 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 1940 Act requires "forward pricing," meaning that shareholders who purchase or redeem shares must receive the next computed share price (NAV) following the fund's receipt of the transaction order. Under forward pricing, orders received prior to 4:00 p.m. receive the price determined that same day at 4:00 p.m.; orders received after 4:00 p.m. receive the price determined at 4:00 p.m. on the next business day.

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, a fair value as determined in good faith.

FIGURE A.2

Determining Share Price

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

$$\text{Share price or net asset value (NAV)}\ \mathbf{\$11.88} = \frac{\text{Market value in dollars of securities minus liabilities}\ \mathbf{\$6{,}000{,}000 - \$60{,}000}}{\text{Number of investor shares outstanding}\ \mathbf{500{,}000}}$$

Share prices can be found on most major financial websites or in the financial pages of most major newspapers.

Most funds price their securities at 4:00 p.m. eastern time, when the New York Stock Exchange closes. A mutual fund typically obtains the prices for securities it holds from a market data vendor, which is a company that collects prices on a wide variety of securities. Fund accounting agents internally validate the prices received from a vendor by subjecting them to various control procedures. In many instances, funds may use more than one pricing service either to ensure accuracy or to receive prices for a wide variety of securities held in its portfolio (e.g., stocks or bonds).

Mutual funds release their daily NAVs to investors and others after they complete the pricing process, generally around 6:00 p.m. eastern time. Daily fund prices are available through fund toll-free telephone services, websites, and other means.

Tax Features of Funds

Mutual funds are subject to special tax rules set forth in subchapter M of the Internal Revenue Code. Unlike most corporations, mutual funds are not subject to taxation on their income and capital gains at the entity level, provided that they meet certain gross income, asset, and distribution requirements.

To qualify as a "regulated investment company," or a "RIC," under subchapter M, at least 90 percent of a mutual fund's gross income must be derived from certain sources, including dividends, interest, payments with respect to securities loans, and gains from the sale or other disposition of stock or securities or foreign currencies. In addition, at the close of each quarter of the fund's taxable year, at least 50 percent of the value of the fund's total net assets must consist of cash, cash items, government securities, securities of other funds, and investments in other securities which, with respect to any one issuer, 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. Further, no more than 25 percent of the fund's assets may be invested in the securities of any one issuer (other than government securities or the securities of other funds), the securities (other than the securities of other funds) of two or more issuers which the fund controls and are engaged in similar trades or businesses, or the securities of one or more qualified publicly traded partnerships.

If a mutual fund satisfies the gross income and asset tests and thus qualifies as a RIC, the fund is not subject to tax on its income and capital gains, provided that the RIC distributes at least 90 percent of its income (other than net capital gains) each year. A RIC may retain up to 10 percent of its income and all capital gains, but the retained income is taxed at regular corporate tax rates. Therefore, mutual funds generally distribute substantially all of their income and capital gains each year.

The Internal Revenue Code also imposes a 4 percent excise tax on RICs, unless a RIC distributes by December 31 at least 98 percent of its ordinary income earned during the calendar year, and 98 percent of its net capital gain earned during the 12-month period ending on October 31 of the calendar year. Mutual funds typically seek to avoid this charge by electing to distribute their income each year.

Mutual Fund Assets by Tax Status

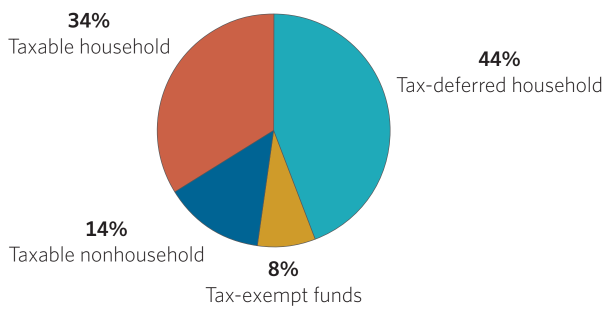
Mutual funds generally distribute all earnings—capital gains and ordinary dividends—each year to shareholders, and are taxed only on amounts retained. Fund investors are ultimately responsible for paying tax on a fund's earnings, whether they receive the distributions in cash or reinvest them in additional 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 and variable annuities. As of year-end 2009, 8 percent of all mutual fund assets were held in tax-exempt funds, and 44 percent were invested in tax-deferred accounts held by households (Figure A.3).

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

FIGURE A.3

52 Percent of Mutual Fund Assets Were Held in Tax-Deferred Accounts and Tax-Exempt Funds

Percent, year-end 2009



Total mutual fund assets: $11.1 trillion

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 and are taxed at the investor's ordinary income tax rate. Legislation enacted in 2003 lowered the top tax rate on certain "qualified dividend" income to 15 percent, and legislation enacted in 2006 extended these lower rates through 2010. Some dividends paid by mutual funds may qualify for this lower tax rate.

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. 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 ultimately are responsible for paying tax on their share of 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).

Mutual Fund Dividend Distributions

Dividend distributions represent income—primarily from interest and dividends earned by securities in a fund's portfolio—after expenses are paid by the fund. Mutual funds distributed $187 billion in dividends to fund shareholders in 2009 (Figure A.4). Mutual fund dividends declined in 2009 largely due to less cash invested in money market funds. Bond and money market funds accounted for 57 percent of all dividend distributions in 2009. Fifty-five percent of all dividend distributions were paid to tax-exempt fund shareholders and tax-deferred household accounts. Another 36 percent were paid to taxable accounts.

FIGURE A.4

Dividend Distributions

Billions of dollars, 1998–2009

	Tax-deferred household and tax-exempt funds	Taxable household	Taxable nonhousehold	Total
1998	$61	$62	$16	$138
1999	74	71	19	164
2000	74	86	27	186
2001	68	72	23	162
2002	58	44	13	114
2003	56	38	9	103
2004	64	42	10	117
2005	82	63	21	166
2006	111	93	36	240
2007	138	123	48	309
2008	132	105	39	275
2009	102	67	17	187

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

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 $16 billion in capital gains to shareholders in 2009 (Figure A.5). Sixty-three percent of these distributions were paid to tax-deferred household accounts, and another 25 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 distributions. In 2009, 7 percent of stock fund share classes made a capital gain distribution, and half of these share classes distributed at least 1 percent of their assets as capital gains.

FIGURE A.5

Capital Gain Distributions*

Billions of dollars, 1998–2009

	Tax-deferred household	Taxable household	Taxable nonhousehold	Total
1998	$97	$61	$7	$165
1999	144	82	11	238
2000	196	116	13	326
2001	50	16	2	69
2002	9	6	1	16
2003	7	6	1	14
2004	30	21	4	55
2005	75	46	8	129
2006	158	84	15	257
2007	248	141	24	414
2008	92	32	8	132
2009	10	4	1	16

**Capital gain distributions include long-term and short-term capital gains.*
Note: Components may not add to the total because of rounding.

Types of Taxable Shareholder Transactions

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

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

The amount of a shareholder's gain or loss on fund shares is determined by the difference between the "cost basis" of the shares (generally, the purchase price—including sales loads—of the shares, whether acquired with cash or reinvested dividends) and the sale price. Many funds 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 generally is 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 also may be subject to the federal alternative minimum tax.

Appendix B:

Core Principles Underlying the Regulation of Mutual Funds and Other Registered Investment Companies

This appendix provides an overview of the core principles of mutual funds and other registered investment companies that provide important protections for shareholders.

Embedded in the structure and regulation[1] of mutual funds and other registered investment companies[2] are several core principles that provide important protections for shareholders.

Transparency

Funds are subject to more extensive disclosure requirements than any other comparable financial product, such as separately managed accounts, collective investment trusts, and private pools. The cornerstone of the disclosure regime for mutual funds and ETFs is the prospectus.[3] Mutual funds and ETFs are required to maintain a current prospectus, which provides investors with information about the fund, including its investment objectives, investment strategies, risks, fees and expenses, and performance, as well as how to purchase, redeem, and exchange fund shares. Importantly, the key parts of this disclosure with respect to performance information and fees and expenses are standardized to facilitate comparisons by investors.

[1] *Funds operate pursuant to a comprehensive regulatory scheme that has worked well for nearly 70 years. They are regulated under all four of the major federal securities laws: the Securities Act of 1933; the Securities Exchange Act of 1934; the Investment Advisers Act of 1940; and, most importantly, the Investment Company Act of 1940.*

[2] *Fund sponsors offer four types of registered investment companies in the U.S.—open-end investment companies (commonly called "mutual funds"), closed-end investment companies, exchange traded funds (ETFs), and unit investment trusts (UITs). As of December 31, 2009, assets in these funds amounted to more than $12 trillion dollars. This appendix focuses primarily on mutual funds, although many of the concepts are common to all types of registered investment companies. Hedge funds and other private investment vehicles are not registered investment companies and are not discussed in this appendix.*

[3] *Closed-end funds and UITs also provide investors with extensive disclosure, but under a slightly different regime that reflects the way shares of these funds trade. Both closed-end funds and UITs file an initial registration statement with the SEC, containing a prospectus and other information related to the initial offering of their shares to the public.*

Mutual funds and ETFs also are required to make statements of additional information (SAIs) available to investors upon request and without charge. The SAI conveys information about the fund that, while useful to some investors, is not necessarily needed to make an informed investment decision. For example, the SAI generally includes information about the history of the fund, offers detailed disclosure on certain investment policies (such as borrowing and concentration policies), and lists officers, directors, and persons who control the fund.

The prospectus, SAI, and certain other required information are contained in the fund's registration statement, which is filed electronically with the Securities and Exchange Commission and is publicly available via the SEC's Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system. Mutual fund and ETF registration statements are amended at least once each year to ensure that financial statements and other information have not become stale.[4] These funds also amend registration statements throughout the year as necessary to reflect material changes to their disclosure.

Fund disclosure continues to evolve to better serve investors' needs. For example, based on a variety of investor outreach efforts, in 2009 the SEC adopted a rule allowing mutual funds and ETFs to provide investors with a "summary prospectus" containing key information about the fund, while making more information available on the Internet and in paper upon request.

In addition to registration statement disclosure, funds provide shareholders with several other disclosure documents. Shareholders receive audited annual and unaudited semi-annual reports within 60 days after the end and the mid-point of the fund's fiscal year. These reports contain updated financial statements, a list of the fund's portfolio securities,[5] management's discussion of financial performance, and other information current as of the date of the report.

Following their first and third quarter, funds file an additional form with the SEC, Form N-Q, disclosing the complete schedule of their portfolio holdings. Finally, funds annually disclose how they voted on specific proxy issues at portfolio companies on Form N-PX. Funds are the only shareholders required to publicly disclose each and every proxy vote they cast. Funds are not required to mail Form N-Q and Form N-PX to shareholders, but the forms are publicly available via the SEC's EDGAR database.

The combination of prospectuses, SAIs, annual and semi-annual shareholder reports, Form N-Qs, and Form N-PXs provide the investing public, regulators, media, and other interested parties with far more information on funds than is available for other types of investments. This information is easily and readily available from most funds and the SEC. It is also available from any number of private-sector vendors, such as Morningstar, that are in the business of compiling publicly available information on funds in ways that might benefit investors.

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[4] *Section 10(a)(3) of the Securities Act of 1933 prohibits investment companies that make a continuous offering of shares from using a registration statement with financial information that is more than 16 months old. As a result, mutual funds and ETFs must amend their registration statements within four months after the end of their fiscal year.*

[5] *A fund is permitted to include a summary portfolio schedule in its shareholder reports in lieu of the complete schedule, provided that the complete portfolio schedule is filed with the SEC and is provided to shareholders upon request, free of charge. The summary portfolio schedule includes each of the fund's 50 largest holdings in unaffiliated issuers and each investment that exceeds 1 percent of the fund's NAV.*

Daily Valuation and Liquidity

Nearly funds offer shareholders liquidity and objective, market-based valuation of their investments at least daily. ETF and closed-end fund shares are traded intraday on stock exchanges at market-determined prices, giving shareholders "real time" liquidity and pricing. Mutual fund shares are redeemable on a daily basis at a price that reflects the current market value of the fund's portfolio securities, calculated according to pricing methodologies established by each fund's board of directors. The value of each security in the fund's portfolio is determined either by a market quotation, if a market quotation is readily available, or at "fair value" as determined in good faith.

The daily pricing process is critically important as a core compliance function that involves numerous staff, the fund board, and pricing vendors. The fair valuation process, a part of the overall pricing process, receives particular scrutiny from funds, their board of directors, regulators, and independent auditors. Under SEC rules, all funds must adopt written policies and procedures that address the circumstances under which securities may be fair valued, and must establish criteria for determining how to assign fair values in particular instances.[6]

This daily valuation process results in a net asset value, or NAV, for the fund. The NAV is the price used for all mutual fund share transactions—new purchases, sales (redemptions), and exchanges from one fund to another within the same fund family.[7] It represents the current mark-to-market value of all the fund's assets, minus liabilities (e.g., fund expenses), divided by the total number of outstanding shares.

The Investment Company Act of 1940 requires mutual funds to process transactions based upon "forward pricing," meaning that shareholders receive the next computed share price (NAV) following the fund's receipt of their transaction order. So, for a fund that prices its shares at 4:00 p.m.,[8] orders received prior to 4:00 p.m. receive the price determined that same day at 4:00 p.m. Orders received after 4:00 p.m. receive the price determined at 4:00 p.m. on the next business day. Forward pricing is an important protection for mutual fund shareholders. It is designed to minimize the ability of shareholders to take advantage of fluctuations in the price of the securities in the fund's portfolio that occur after the fund calculates its NAV.

When a shareholder redeems shares in a mutual fund, he or she can expect to be paid promptly. Mutual funds may not suspend redemptions of their shares (subject to certain extremely limited exceptions[9]) or delay payments of redemption proceeds for more than seven days.

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[6] *ICI has published several papers on the mutual fund valuation process. For more information, see ICI's two white papers entitled "Valuation and Liquidity Issues for Mutual Funds" (February 1997 and March 2002) and two installments of ICI's* Fair Value Series, *"An Introduction to Fair Valuation" (2005) and "The Role of the Board" (2007).*

[7] *The pricing process is also critical for ETFs, although for slightly different reasons. ETFs operate like mutual funds with respect to transactions with "authorized participants," who trade with the ETF in large blocks, often of 50,000 shares or more. The NAV is the price used for these large transactions.*

Closed-end funds are not required to strike a daily NAV, but most do so in order to provide the market with the ability to calculate the difference between the fund's market price and its NAV. That difference is called the fund's "premium" or "discount."

[8] *Funds must price their shares at least once per day at a time determined by the fund's board. Many funds price at 4:00 p.m. eastern time or when the New York Stock Exchange closes.*

[9] *An example of such an exception would be an emergency that affects markets or funds, such as the assassination of President Kennedy in 1963, the blackouts that affected lower Manhattan in 1990, or earthquakes and other natural disasters. The SEC must declare an emergency to exist to trigger an exception.*

SEC guidelines require a mutual fund to have at least 85 percent of its assets in liquid securities.[10] A security is generally deemed to be liquid if it can be sold or disposed of in the ordinary course of business within seven days at approximately the price at which the mutual fund has valued it. Many funds adopt a specific policy with respect to investments in illiquid securities; these policies are sometimes more restrictive than the SEC requirements.

Oversight and Accountability

All funds are subject to a strong system of oversight from both internal and external sources. Internal oversight mechanisms include boards of directors or trustees, which include independent directors, and written compliance programs overseen by chief compliance officers, both at the fund and adviser levels. External oversight is provided by the SEC, the Financial Industry Regulatory Association (FINRA), and external service providers, such as certified public accounting firms.

Fund Boards

Mutual funds, closed-end funds, and most ETFs are organized as corporations, with boards of directors, or business trusts, with boards of trustees. Unlike boards of operating companies, these fund boards must maintain a particular level of independence. The Investment Company Act requires at least 40 percent of the members of a fund board to be independent from fund management. An independent director is a fund director or trustee who does not have any significant business relationship with a mutual fund's adviser or underwriter. In practice, most fund boards have far higher percentages of independent directors or trustees. As of year-end 2008, independent directors comprised at least three-quarters of boards in almost 90 percent of fund complexes.[11]

Independent fund directors play a critical role in overseeing fund operations and are entrusted with the primary responsibility for looking after the interests of the fund's shareholders. They serve as "watchdogs" furnishing an independent check on the management of funds. Like directors of operating companies, they owe shareholders the duties of loyalty and care under state law. But independent fund directors also have specific statutory and regulatory responsibilities under the Investment Company Act, beyond the duties required of other types of directors. Among other things, for example, they oversee the performance of the fund, approve the fees paid to the investment adviser for its services, and oversee the fund's compliance program.

[10] *Effective May 28, 2010, rule amendments will hold money market funds to a stricter standard, limiting illiquid investments to 5 percent of the portfolio. See SEC Release No. IC–29132, 75 Fed. Reg. 10060 (March 4, 2010).*

[11] *See Investment Company Institute and Independent Directors Council,* Overview of Fund Governance Practices 1994–2008, *available at* ***www.ici.org/pdf/pub_09_fund_governance.pdf****.*

Compliance Programs

The internal oversight function played by the board has been greatly enhanced in recent years by the development of written compliance programs and a formal requirement that all funds have chief compliance officers (CCOs). Rules adopted in 2003 require every fund and adviser to have a CCO who administers a written compliance program reasonably designed to prevent, detect, and correct violations of the federal securities laws. Compliance programs must be reviewed at least annually for their adequacy and effectiveness, and fund CCOs are required to report directly to the independent directors.

Regulatory Oversight

Internal oversight is accompanied by a number of forms of external oversight and accountability. Funds are subject to inspections, examinations, and enforcement by their primary regulator, the SEC. Funds are also overseen by self-regulatory organizations, such as FINRA and stock exchanges; state securities regulators; and banking regulators (to the extent the fund is affiliated with a bank).

Auditors

Funds' financial statement disclosure is also subject to several internal and external checks. For example, annual reports include audited financial statements certified by a certified public accounting firm subject to oversight by the Public Company Accounting Oversight Board (PCAOB). This ensures that the financial statements are prepared in conformity with generally accepted accounting principles (GAAP) and present fairly the fund's financial position and results of operations.

Sarbanes-Oxley

Like officers of public companies, fund officers are required to make certifications and disclosures required by the Sarbanes-Oxley Act. For example, they must certify the accuracy of the financial statements.

Additional Regulation of Advisers

In addition to the system of oversight applicable directly to funds, investors enjoy protections through SEC regulation of the investment advisers that manage fund portfolios. All advisers to registered funds are required to register with the SEC, and are subject to SEC oversight and disclosure requirements. Advisers also owe a fiduciary duty to each fund they advise, meaning that they have a fundamental legal obligation to act in the best interests of the fund pursuant to a duty of undivided loyalty and utmost good faith.

Limits on Leverage

The inherent nature of a fund—a professionally managed pool of securities owned pro rata by its investors—is straightforward and easily understood by investors. The Investment Company Act fosters simplicity by prohibiting complex capital structures and limiting funds' use of leverage.

The Investment Company Act imposes various requirements on the capital structure of mutual funds, closed-end funds, and ETFs, including limitations on the issuance of "senior securities" and borrowing. Generally speaking, a senior security is any debt that takes priority over the fund's shares, such as a loan or preferred stock. These limitations greatly minimize the possibility that a fund's liabilities will exceed the value of its assets.

The SEC has historically interpreted the definition of senior security broadly, taking the view that selling securities short, purchasing securities on margin, and investing in many types of derivative instruments, among other practices, may create senior securities.

The SEC also takes the view that the Investment Company Act prohibits a fund from creating a future obligation to pay unless it "covers" the obligation.[12] A fund generally can cover an obligation by owning the instrument underlying the leveraged transaction. For example, a fund that wants to take a short position in a certain stock can comply with the Investment Company Act by owning an equivalent long position in that stock. The fund can also cover by segregating, on its custodian's books, liquid securities equal in value to the fund's potential exposure from the leveraged transaction. The assets set aside to cover the leveraged security transactions must be liquid, unencumbered, and marked-to-market daily. They may not be used to cover other obligations and, if disposed of, must be replaced.

The Investment Company Act also limits borrowing. With the exception of certain privately arranged loans and temporary loans, any promissory note or other indebtedness would generally be considered a prohibited senior security.[13] Mutual funds and ETFs are permitted to borrow from a bank if, immediately after the bank borrowing, the fund's total net assets are at least three times total aggregate borrowings. In other words, the fund must have at least 300 percent asset coverage.

Closed-end funds have a slightly different set of limitations. They are permitted to issue debt and preferred stock, subject to certain conditions, including asset coverage requirements of 300 percent for debt and 200 percent for preferred stock.

Many funds voluntarily go beyond the prohibitions in the Investment Company Act, adopting policies that further restrict their ability to issue senior securities or borrow. Funds often, for example, adopt a policy stating that they will borrow only as a temporary measure for extraordinary or emergency purposes and not to finance investment in securities. In addition, they may disclose that, in any event, borrowings will be limited to a small percentage of fund assets (such as 5 percent). These are meaningful voluntary measures, because under the Investment Company Act, a fund's policies on borrowing money and issuing senior securities cannot be changed without the approval of fund shareholders.

[12] *See* Securities Trading Practices of Registered Investment Companies, *SEC Release No. IC-10666 (April 18, 1979).*

[13] *Temporary loans cannot exceed 5 percent of the fund's total net assets and must be repaid within 60 days.*

Custody

To protect fund assets, the Investment Company Act requires all funds to maintain strict custody of fund assets, separate from the assets of the adviser. Although the Act permits other arrangements,[14] nearly all funds use a bank custodian for domestic securities. Foreign securities are required to be held in the custody of a foreign bank or securities depository.

A fund's custody agreement with a bank is typically far more elaborate than the arrangements used for other bank clients. The custodian's services generally include safekeeping and accounting for the fund's assets, settling securities transactions, receiving dividends and interest, providing foreign exchange services, paying fund expenses, reporting failed trades, reporting cash transactions, monitoring corporate actions at portfolio companies, and tracing loaned securities.

The strict rules on the custody and reconciliation of fund assets are designed to prevent the types of theft and other fraud-based losses that have occurred in less-regulated investment products.[15] Shareholders are further insulated from these types of losses by a provision in the Investment Company Act that requires all mutual funds to have fidelity bonds designed to protect them again possible instances of employee larceny and embezzlement.

Prohibitions on Transactions with Affiliates

The Investment Company Act contains a number of strong and detailed prohibitions on transactions between the fund and fund insiders or affiliated organizations (such as the corporate parent of the fund's adviser). Many of these prohibitions were part of the original statutory text of the Act, enacted in 1940 in response to instances of over-reaching and self-dealing by fund insiders during the 1920s in the purchase and sale of portfolio securities, loans by funds, and investments in related funds. The SEC's Division of Investment Management has said that "for more than 50 years, [the affiliated transaction prohibitions] have played a vital role in protecting the interests of shareholders and in preserving the industry's reputation for integrity; they continue to be among the most important of the Act's many protections."[16]

Although there are a number of affiliated transaction prohibitions in the Investment Company Act, three are particularly noteworthy:

- Generally prohibiting direct transactions between a fund and an affiliate;
- Generally prohibiting joint transactions, where the fund and affiliate are acting together vis-à-vis a third party; and
- Preventing investment banks from placing or "dumping" unmarketable securities with an affiliated fund by generally prohibiting the fund from buying securities in an offering syndicated by an affiliated investment bank.

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[14] *The Investment Company Act contains six separate custody rules for the different types of possible custody arrangements for mutual funds, closed-end funds, and ETFs. UITs are subject to a separate rule that requires the use of a bank to maintain custody.*

[15] *"Ponzi" schemes and other frauds involving the misappropriation of assets in unregistered pools or private accounts comprise a significant portion of all SEC enforcement cases. According to the SEC's Fiscal Year 2009 Performance and Accountability Report, these cases accounted for more than 20 percent of all SEC enforcement actions in fiscal year 2009. The SEC strengthened the custody rules for investment advisers outside of the registered investment company arena in 2009. See Custody of Funds or Securities of Clients by Investment Advisers, SEC Release No. IA-2968 (Dec. 30, 2009), available at* ***http://www.sec.gov/rules/final/2009/ia-2876.pdf****. (As noted above, advisers to registered funds are subject to the custody rules in the Investment Company Act.)*

[16] *See* Protecting Investors: A Half Century of Investment Company Regulation*, Report of the Division of Investment Management, Securities and Exchange Commission (May 1992), available at* ***http://www.sec.gov/divisions/investment/guidance/icreg50-92.pdf****. The Division of Investment Management is the division within the SEC responsible for the regulation of funds.*

Diversification

Both tax law and the Investment Company Act provide diversification standards for funds. Under the tax laws, all mutual funds, closed-end funds, and ETFs, as well as most UITs, qualify as "regulated investment companies" (RICs) and, as such, must meet a tax diversification test every quarter.[17] The effect of this test is that a fund with a modest cash position and no government securities would hold securities from at least 12 different issuers. Another tax diversification restriction limits the amount of an issuer's outstanding voting securities that a fund may own.

The securities laws set higher standards for funds that elect to be diversified. If a fund elects to be diversified, the Investment Company Act requires that, with respect to at least 75 percent of the portfolio, no more than 5 percent may be invested in the securities of any one issuer and no investment may represent more than 10 percent of the outstanding voting securities of any issuer. Diversification is not mandatory, but all mutual funds, closed-end funds, and ETFs must disclose whether they are diversified under the Act's standards or not.

In practice, most funds that elect to be diversified are much more highly diversified than they need to be to meet these two tests. As of December 2009, for example, the median number of stocks held by U.S. equity funds was 93.[18]

[17] *Under this test, at least half of the fund's assets generally must be invested in one or more of the following: cash, government securities, shares of other RICs, or securities with a per-issuer value of no more than 5 percent of the fund's total net assets. With respect to the other half, no more than 25 percent of the total fund may be invested with one issuer.*

[18] *This number is the median (the midpoint of a range of numbers that are arranged in order of value) among actively managed and index funds, excluding sector funds, primarily invested in equities.*

Appendix C:

Statistical Releases and Research Publications

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/research#statistics.

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.

Long-Term Mutual Fund Flows

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

Money Market Fund Assets

A weekly report on money market fund assets, by type of fund.

Mutual Fund Assets in Retirement Accounts

A quarterly report that includes individual retirement account and defined contribution plan assets and estimates of net new cash flows to retirement accounts by type of fund.

Closed-End Fund Statistics

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

Exchange-Traded Funds

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

Unit Investment Trusts

A monthly report that includes value and number of deposits of new trusts by type and maturity.

Worldwide Mutual Fund Market

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

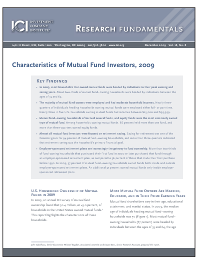
ICI Research

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. To find ICI research, visit our website at www.ici.org/research. To subscribe to ICI's statistical releases, visit the Institute's website at www.ici.org/pdf/stats_subs_order.pdf.

Perspective

Perspective is 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. The papers include analyses by Institute staff on a range of topics, including 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. *Perspective* is published several times a year.

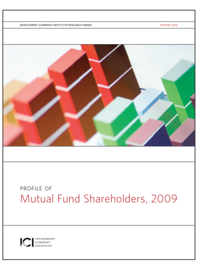
Issues of *Perspective* may be accessed through the Institute's website at www.ici.org/research/perspective.



Fundamentals

Fundamentals is 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.

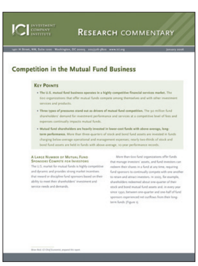
Issues of *Fundamentals* may be accessed through the Institute's website at www.ici.org/research/fundamentals.



Research Reports

Institute research reports provide a detailed examination of investor demographics and other aspects of households' financial asset ownership.

A full index of research and policy papers may be accessed through the Institute's website at www.ici.org/research/policy_research and www.ici.org/research/reports.



Research Commentary

ICI economists author this series of occasional papers that focus on current topics of interest involving mutual funds, often topics receiving media attention. 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.

Appendix D:

Significant Events in Fund History

1774	Dutch merchant and broker Adriaan van Ketwich invites subscriptions from investors to form a trust, the Eendragt Maakt Magt, with the aim of providing investment diversification opportunities to investors of limited means.
1868	The Foreign and Colonial Government Trust, the precursor to the U.S. investment fund model, is formed in London. This trust provides "the investor of moderate means the same advantages as large capitalists..."
1924	The first mutual funds are established in Boston.
1933	The Securities Act of 1933 regulates the registration and offering of new securities, including mutual fund and closed-end fund shares, to the public.
1934	The Securities Exchange Act of 1934 authorizes the Securities and Exchange Commission (SEC) to provide for fair and equitable securities markets.
1936	The Revenue Act of 1936 establishes the tax treatment of mutual funds and their shareholders. Closed-end funds were covered by the Act in 1942.
1940	The Investment Company Act of 1940 is signed into law, setting the structure and regulatory framework for registered investment companies. The forerunner to the National Association of Investment Companies (NAIC) is formed. The NAIC will become the Investment Company Institute.
1944	The NAIC begins collecting investment company industry statistics.
1951	The total number of mutual funds surpasses 100, and the number of shareholder accounts exceeds one million for the first time.
1954	Households' net purchases of fund shares exceed those of corporate stock. NAIC initiates a nationwide public information program emphasizing the role of investors in the U.S. economy and explaining the concept of investment companies.
1955	The first U.S.-based international mutual fund is introduced.

1961	The first tax-free unit investment trust is offered. The NAIC changes its name to the Investment Company Institute (ICI) and welcomes fund advisers and underwriters as members.
1962	The Self-Employed Individuals Tax Retirement Act creates savings opportunities (Keogh plans) for self-employed individuals.
1971	Money market funds are introduced.
1974	The Employee Retirement Income Security Act (ERISA) creates the individual retirement account (IRA) for workers not covered by employer-sponsored retirement plans.
1976	The Tax Reform Act of 1976 permits the creation of municipal bond funds. The first retail index fund is offered.
1978	The Revenue Act of 1978 creates new Section 401(k) retirement plans and simplified employee pensions (SEPs).
1981	The Economic Recovery Tax Act establishes "universal" IRAs for all workers. IRS proposes regulations for Section 401(k).
1986	The Tax Reform Act of 1986 reduces IRA deductibility.
1987	ICI welcomes closed-end funds as members.
1989	Mutual fund assets top $1 trillion.
1993	The first exchange-traded fund (ETF) shares are issued.
1996	Enactment of the National Securities Markets Improvement Act of 1996 (NSMIA) provides a more rational system of state and federal regulation, giving the SEC exclusive jurisdiction for registering and regulating mutual funds, exchange listed securities, and larger advisers. States retain their anti-fraud authority and responsibility for regulating non-exchange listed offerings and smaller advisers. The Small Business Job Protection Act creates SIMPLE plans for employees of small businesses.
1997	The Taxpayer Relief Act of 1997 creates the Roth IRA and eliminates restrictions on portfolio management that disadvantage fund shareholders.
1998	The SEC approves the most significant disclosure reforms in the history of U.S. mutual funds, encompassing "plain English," fund profiles, and improved risk disclosure.
1999	The Gramm-Leach-Bliley Act modernizes financial services regulation and enhances financial privacy.

2001	Enactment of the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001 significantly expands retirement savings opportunities for millions of working Americans.
2003	The Jobs and Growth Tax Relief Reconciliation Act (JGTRRA) provides mutual fund shareholders with the full benefits of lower tax rates on dividends and capital gains.
2006	Enactment of the Pension Protection Act (PPA) and the Tax Increase Prevention and Reconciliation Act provides incentive for investors young and old to save more in tax-deferred and taxable investment accounts.
2008	SEC votes to adopt Summary Prospectus rule. Reserve Primary Fund fails to maintain $1.00 NAV, becoming the second money market fund in 25 years to "break a dollar."
2009	Money market fund assets hit $3.92 trillion, their highest level to date. The Money Market Working Group, a task force of senior industry executives, submits its report to the ICI Board. The Board endorses the Working Group's call for immediate implementation of new regulatory and oversight standards for money market funds.
2010	SEC adopts new rules and amendments to regulations governing money market funds. In *Jones v. Harris*, the U.S. Supreme Court unanimously upholds the Gartenberg standard under which courts have long considered claims of excessive fund advisory fees.

Glossary

adviser. An organization employed by a mutual fund to give professional advice on the fund's investments and asset management practices. Also known as *investment adviser*.

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

annual report. A report that a fund sends to its shareholders that discusses the fund's performance over the past fiscal year and identifies the securities in the fund's portfolio on the last business day of the fund's fiscal year. The annual report includes audited financial statements. See also **semiannual report**.

appreciation. An increase in an investment's value. Contrast **depreciation**.

assets. Securities, cash, and receivables owned by the fund.

automatic reinvestment. A fund service giving shareholders the option to purchase additional shares using dividend and capital gain distributions.

authorized participant. An entity, usually an institutional investor, that submits orders to the exchange-traded fund (ETF) for the creation and redemption of ETF "creation units."

average portfolio maturity. The average maturity of all the securities in a bond or money market fund's portfolio.

back-end load. See **contingent deferred sales load (CDSL)**.

bear market. A period during which the majority of securities prices in a particular market (such as the stock market) drop substantially. One generally accepted measure is a price decline of 20 percent or more over at least a two-month period. Contrast **bull market**.

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 amounts at which many mutual funds offer reduced fees to investors. There are two kinds of breakpoints. One kind is a reduction in sales charges (load fees) to investors when they initially purchase fund shares. The amount of the discount varies, depending upon the amount of the investment: the more invested, the greater the likelihood of surpassing a "breakpoint" and thus receiving a discount. The other kind of breakpoint is a reduction in management fees that fund advisers may charge their associated funds as fund assets surpass a given level.

broker-dealer. A firm that buys and sells mutual fund shares and other securities from and to investors, operating as either a broker or dealer depending on the transaction.

bull market. A period during which a majority of securities prices in a particular market (such as the stock market) rise substantially. Contrast **bear market**.

capital gain 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 issues a fixed number of shares that trade intraday on stock exchanges at market-determined prices. Investors in a closed-end fund buy or sell shares through a broker, just as they would trade the shares of any publicly traded company.

commission. A fee paid to a broker or other sales agent for services related to transactions in securities.

compounding. The effect of growth on reinvestment of future earnings. Over time, compounding can produce significant growth in the value of an investment.

contingent deferred sales load (CDSL). A fee imposed by some funds when shares are redeemed (sold back to the fund) during the first few years of ownership. Also known as *back-end load*.

Coverdell education savings account (ESA). This type of account, formerly known as an Education IRA, is a tax-advantaged trust or custodial account set up to pay the qualified education expenses of a designated beneficiary.

creation unit. A specified number of shares issued by an exchange-traded fund (ETF) in large blocks, generally between 25,000 and 200,000 shares. The authorized participants that buy creation units either keep the ETF shares that make up the creation unit or sell all or part of them on a stock exchange.

credit risk. The possibility that a bond issuer may not be able to pay interest or repay its debt.

custodian. An organization, usually a bank, that safeguards the securities and other assets of a mutual fund.

depreciation. A decline in an investment's value. Contrast **appreciation**.

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

diversification. The practice of investing broadly across a number of different securities, industries, or asset classes to reduce risk. Diversification is a key benefit of investing in mutual funds and other investment companies that have diversified portfolios.

dollar-cost averaging. The practice of investing a fixed amount of money at regular intervals, regardless of whether the securities markets are declining or rising, in the hopes of reducing average share cost by acquiring more shares when prices are low and fewer shares when prices are high.

education IRA. See **Coverdell education savings account (ESA)**.

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 total expenses—disclosed in the prospectus and shareholder reports—expressed as a percentage of its assets.

face value. The stated principal or redemption value of a bond; the amount that a bond's issuer must repay at the bond's maturity date.

family of funds. A group or "complex" of mutual funds, each typically with its own investment objective, managed and distributed by the same company.

Financial Industry Regulatory Authority (FINRA). A self-regulatory organization with authority over broker-dealer firms that distribute mutual fund shares as well as other securities.

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

forward pricing. The concept describing the price at which mutual fund shareholders buy or redeem fund shares. Shareholders must receive the next computed share price following the fund's receipt of a shareholder transaction order.

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

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

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

front-end load. A fee imposed by some funds at the point of purchase.

funds of funds. Mutual funds that hold and invest in shares of other mutual funds.

fund supermarket. A brokerage platform that provides access to 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 qualified (typically wealthy) investors that, unlike a mutual fund, is exempt from SEC registration.

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

income distributions. Dividends, interest, and/or short-term capital gains paid to a mutual fund's shareholders. Operating expenses are deducted from income before it is distributed to shareholders.

independent director. A fund director or trustee who does not have any significant business relationship with a mutual fund's adviser or underwriter. An independent director better enables the fund board to provide an independent check on the fund's management.

index mutual fund. A fund designed to track the performance of a market index. The fund's portfolio of securities is either a replicate or a representative sample of the designated market index.

individual retirement account (IRA). A tax-deferred account set up by or for an individual to hold and invest funds for retirement.

inflation risk. The risk that the purchasing power of the future value of assets or income will be lower due to inflation.

initial public offering (IPO). A corporation's or closed-end fund's first offering of stock or fund shares to the public.

institutional investor. The businesses, nonprofit organizations, and other similar investors who own funds and other securities on behalf of their organizations. This classification of investors differs from individual or household investors who own the majority of investment company assets.

interest rate risk. The possibility that a bond's or bond mutual fund's value will decrease due to rising interest rates.

intraday indicative value (IIV). A real-time estimate of an exchange-traded fund's (ETF) intraday value. Third-party providers calculate and disseminate this measure every 15 to 60 seconds during securities market trading hours.

investment adviser. See **adviser**.

investment company. A corporation, trust, or partnership that invests pooled shareholder dollars in securities appropriate to the organization's objective. Mutual funds, closed-end funds, unit investment trusts, and exchange-traded funds are the main types of SEC-registered investment companies.

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

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 a working career and into retirement for a person expecting to retire at the target date. These funds invest in a mix of asset classes and typically rebalance their portfolios over time to become more conservative and income-producing. Also known as *target date fund*.

lifestyle fund. Mutual funds that maintain a predetermined risk level and generally use words such as "conservative," "moderate," or "aggressive" in their names to indicate the fund's risk level. Also known as *target risk fund*.

liquidity. The ability to gain ready access to invested money. Mutual funds are liquid because their shares can be redeemed for the next computed net asset value on any business day.

load. See **sales charge**.

load fund. A mutual fund that imposes a sales charge—either when fund shares are purchased (front-end load) or redeemed (contingent deferred sales load)—or a fund that charges a 12b-1 fee greater than 0.25 percent.

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

management fee. The amount paid by a mutual fund to the investment adviser for its services.

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). Mutual funds can have actively managed portfolios, where a professional investment adviser creates a unique mix of investments to meet a particular investment objective, or passively managed portfolios, in which the adviser seeks to track the performance of a selected benchmark or index. One hallmark of mutual funds is that they issue "redeemable securities," meaning that the fund stands ready to buy back its shares at their current net asset value.

net asset value (NAV). The per-share value of an investment company, calculated by subtracting the fund's liabilities from the current market value of its assets and dividing by the number of shares outstanding. Mutual funds calculate their NAVs at least once daily.

net new cash flow. The dollar value of new sales minus redemptions, plus net exchanges. A positive number indicates new sales plus exchanges into funds exceeded redemptions plus exchanges out of funds. A negative number indicates redemptions plus exchanges out of funds exceeded new sales plus exchanges into funds.

no-load fund. A mutual fund whose shares are sold without a sales commission and without a 12b-1 fee of more than 0.25 percent per year.

open-end investment company. The legal name for a mutual fund, indicating that it stands ready to redeem (buy back) its shares from investors.

operating expenses. Business costs paid from a fund's assets. These include management fees, 12b-1 fees, and other expenses.

payroll deduction plan. An arrangement that some employers offer employees where employees can authorize their employer to deduct a specified amount from their salaries at stated times to buy mutual fund shares.

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

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

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

portfolio turnover. 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**.

prospectus. The official document that describes an investment company to prospective investors. The prospectus contains information required by the SEC, such as investment objectives and policies, risks, services, and fees.

quality. A term used in portfolio management to describe the creditworthiness of an issuer of fixed-income securities and indicate the likelihood that the issuer will be able to repay its debt.

redeem. To sell mutual fund shares back to the fund. Mutual fund shares may be redeemed on any business day. An investor receives the next computed share price, called net asset value (NAV), minus any deferred sales charge or redemption fee.

redemption price. The amount per share that mutual fund shareholders receive when they redeem.

reinvestment privilege. An option whereby shareholders may elect to use dividend and capital gain distributions to automatically buy additional fund shares.

risk/return tradeoff. The principle that an investment must offer higher potential returns as compensation for the likelihood of higher volatility in returns.

rollover. The transfer of an investor's assets from one qualified retirement plan (including an IRA) to another—due to changing jobs, for instance—without a tax penalty.

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

sales charge. An amount charged for the sale of some fund shares, usually those sold by brokers or other sales professionals. By regulation, mutual fund sales charges are capped. The charge may vary depending on the amount invested and the fund chosen.

SAR-SEP IRA (salary reduction simplified employee pension plan). A SEP IRA with a salary reduction feature (see **SEP IRA**). The Small Business Job Protection Act of 1996, which created SIMPLE IRAs, prohibited the formation of new SAR-SEP IRAs, which were created in 1986.

secondary market. Market in which an investor purchases or sells certain investment company shares (closed-end, UIT, and ETF) from another investor through an intermediary such as a broker-dealer.

Securities and Exchange Commission. See **U.S. Securities and Exchange Commission (SEC)**.

securitization. The process of aggregating similar instruments, such as loans or mortgages, into a negotiable security, such as the creation of mortgage-backed securities.

semiannual report. A report a fund sends to its shareholders that discusses the fund's performance over the first six months of the fiscal year and identifies the securities in the fund's portfolio on the last business day of the first six months of the fiscal year. See also **annual report**.

SEP IRA (simplified employee pension plan). A retirement program created in 1978 that consists of individual retirement accounts for all eligible employees, to which the employer can contribute according to certain rules. A fairly simple, inexpensive plan to establish and administer, a SEP can be attractive to small businesses and self-employed individuals.

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

share classes. Some mutual funds offer investors different types of shares known as classes. Each class will invest in the same portfolio of securities and will have the same investment objectives and policies, but each class will have different shareholder services and/or distribution arrangements with different fees and expenses and, therefore, different performance results. A multiclass structure offers investors the ability to select a fee and expense structure that is most appropriate for their investment goals (including the time that they expect to remain invested in the fund).

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

short-term fund. See **money market fund**.

SIMPLE IRA (savings incentive match plan for employees). A simplified tax-favored retirement plan created in 1996 that small employers can set up for the benefit of their employees.

Standard & Poor's 500 index (S&P 500). A daily measure of stock market performance based on 500 U.S. stocks chosen for market size, liquidity, and industry group representation.

statement of additional information (SAI). The supplementary document to a prospectus that contains more detailed information about a fund; also known as "Part B" of the prospectus.

stock. A share of ownership or equity in a corporation.

stock fund. A fund that concentrates its investments in stocks.

summary prospectus. A short-form prospectus that mutual funds and exchange-traded funds (ETFs) may use with investors if the fund meets certain requirements, including making the long-form prospectus and additional information available online or in paper upon request. See also **prospectus**.

target date fund. See **lifecycle fund**.

target risk fund. See **lifestyle fund**.

total net assets. The total amount of assets, less any liabilities, a fund holds as of a certain date.

total return. A measure of a fund's performance that encompasses all elements of return: dividends, capital 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. The first type of individual retirement account, created in 1974. Individuals may make tax-deductible or nondeductible (depending on income and other requirements) contributions to these accounts. See also **individual retirement account (IRA)**.

transfer agent. The internal or external organization that a mutual fund uses to prepare and maintain records relating to shareholder accounts.

12b-1 fee. A mutual fund fee, named for the SEC rule that permits it, used to pay distribution costs, such as compensation to financial advisers for initial and ongoing assistance. If a fund has a 12b-1 fee, it will be disclosed in the fee table of a fund's prospectus.

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

unit investment trust (UIT). A type of fund with some characteristics of mutual funds and some of closed-end funds. Like mutual funds, UITs issue redeemable shares. Like closed-end funds, however, UITs typically issue only a specific, fixed number of shares. A UIT does not actively trade its investment portfolio, instead buying and holding a set of particular investments until a set termination date, at which time the trust is dissolved and proceeds are paid to shareholders.

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

variable annuity. An investment contract sold by an insurance company; capital is accumulated, often through mutual fund investments, with the option to convert to an income stream in retirement.

withdrawal plan. A fund service allowing shareholders to receive income or principal payments from their fund account at regular intervals.

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

Index

A page number with an *f* indicates a figure; a *t* indicates a table. Page numbers in **bold** indicate a definition.

G

H

I

J

K

T

U

V

W

Y

Then and Now

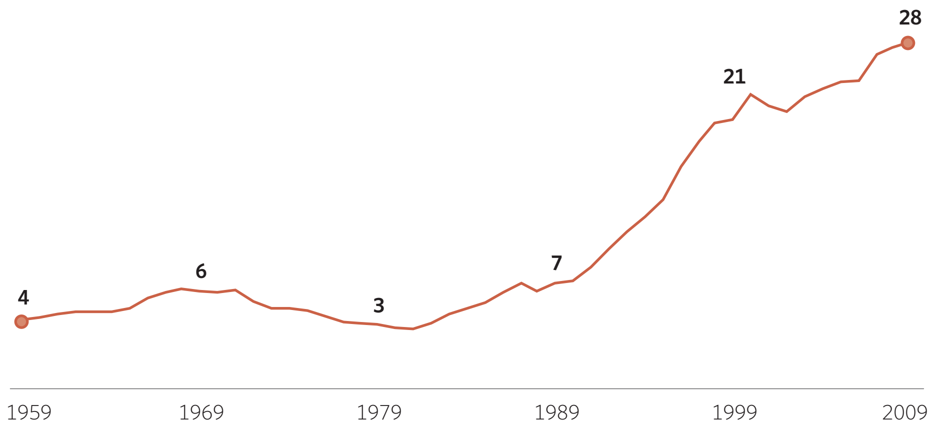
Investment Company Industry Statistics[1]

	Then	Now
Total net assets	**$21.3 billion**	**$12.2 trillion**
Mutual funds	$15.8 billion	$11.1 trillion
Closed-end funds	$5.5 billion	$228 billion
Exchange-traded funds	$0	$777 billion
Unit investment trusts	<$1 billion	$38 billion
Number of mutual funds[2]	**155**	**8,624**
Number of mutual fund shareholder accounts	**4.3 million**	**270.9 million**
Total mutual fund distributions	**$846 million**	**$202 billion**
Capital gain distributions	$427 million	$16 billion
Dividend distributions	$419 million	$187 billion

[1]Statistics are for 1959 and 2009.
[2]Category includes funds that invest primarily in other funds.
Note: Components may not add to the total because of rounding.

Investment Companies' Share of U.S. Corporate Equity

Percent, year-end, 1959–2009



Sources: Investment Company Institute and World Federation of Exchanges

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