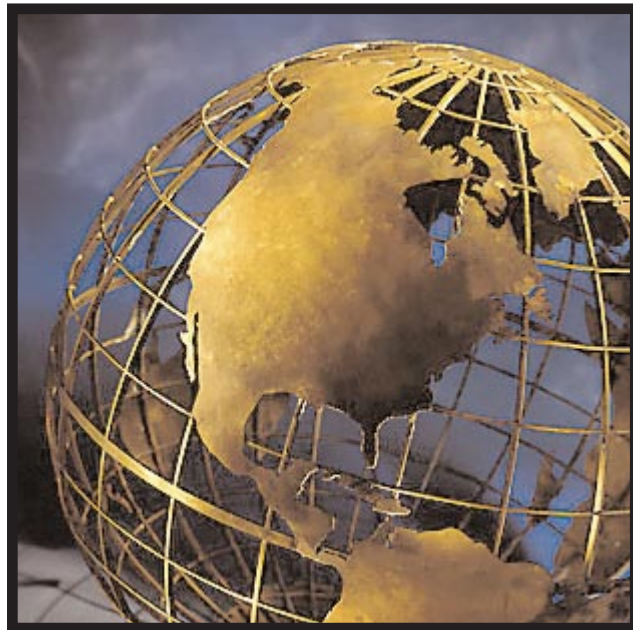


INVESTMENT COMPANY INSTITUTE
ANNUAL REPORT
1998

CONTINUING A TRADITION OF INTEGRITY:
INTO THE NEW MILLENNIUM



“Our industry has earned the trust
of American investors and policymakers.

Our future will depend upon
maintaining and strengthening
this public confidence.”

INVESTMENT COMPANY INSTITUTE
Annual Report 1998

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INSTITUTE PRESIDENT MATTHEW P. FINK

ABOUT THE

Investment Company Institute

The Investment Company Institute (ICI) is the national association of the investment company industry. Its mission is to advance the interests of investment companies and their shareholders, to promote public understanding of the investment company business, and to serve the public interest by encouraging adherence to high ethical standards by all elements of the business. As the only association of U.S. investment companies without regard to distribution method or affiliation, the Institute is dedicated to the interests of the entire investment company industry and all of its shareholders. The Institute represents members and their shareholders before legislative and regulatory bodies at both the federal and state levels, spearheads investor awareness initiatives, disseminates industry information to the public and the media, provides policy and other research, and seeks to maintain high industry standards.

Established in New York in 1940 as the National Association of Investment Companies, the association changed its name to the Investment Company Institute in 1961 and, in 1970, relocated to Washington, DC. The association was originally formed by industry leaders who supported the enactment of the Investment Company Act of 1940, legislation that provided the strong regulatory structure that has been responsible for much of the industry's success.

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LETTER TO MEMBERS

Serving Shareholders

This past year's market volatility tested many of the investment company industry's basic principles. After a number of very rewarding years, there was turmoil in foreign stock markets and significant volatility—upward and downward—in the U.S. markets.

This volatility presented important litmus tests for our industry. The first test was whether our long-term efforts to educate shareholders have been successful. As the year drew to a close, it appeared that shareholders had learned the advantages of asset allocation and diversification as well as the value of maintaining a long-term perspective.

The second test concerns how well we serve investors during difficult times. Again, we fared well by providing shareholders with information, effective service and liquidity. The mutual fund industry's long-term record of serving investors in good times and bad remains intact after a very eventful 1998.



John J. Brennan
Institute Chairman

Matthew P. Fink
Institute President

The investment company industry has a history of serving shareholders by:

- ▶ Supporting strong and effective government regulation;
- ▶ Addressing problems when they arise;
- ▶ Supporting regulatory modernization allowing innovations in products and services to meet the changing needs of investors; and
- ▶ Working for enactment of laws to encourage personal savings and investment.

This history of putting shareholders' interests first has been fundamental to the mutual fund industry's success and is the key to our future as we prepare for the new millennium.

Continuing this tradition in 1998, the Institute worked to improve communications with shareholders. The SEC's adoption of rules to streamline the mutual fund prospectus and adopt the fund profile represented major steps forward in achieving comprehensive disclosure reform. The Institute also continued its investor awareness efforts to educate shareholders about the costs associated with mutual fund investing.


The Institute supported efforts to help Americans save and invest for the long term. Important pension reform and retirement security legislation designed to enhance retirement savings opportunities, both through employer-sponsored pension plans and investments in IRAs, was supported by the Institute. In addition, the Institute played a leading role in discussions of technology issues to ensure the integrity of mutual fund operations and shareholder information.

Currently, the Institute represents more than 95 percent of investment company industry assets, with membership of 7,408 mutual funds, 449 closed-end funds and eight sponsors of unit investment trusts.

As we prepare for the new millennium, the mutual fund industry continues to serve an important role in the financial affairs of many Americans, a role that brings with it enormous responsibilities. The way the industry addresses these responsibilities will affect not only its future, but the futures of more than 77 million Americans who rely on mutual funds for their retirement security and other long-term investment goals.



John J. Brennan,
Institute Chairman



Matthew P. Fink,
Institute President

prepare 1 to set in order, to make things ready

2 make suitable; fit; adapt; train



“The continued success of the mutual fund industry depends on maintaining investor confidence. It is essential that the industry aim for the smoothest possible transition into the 21st century.”

INSTITUTE CHAIRMAN JOHN J. BRENNAN

SECTION I

Preparing for the New Millennium

THE YEAR 2000

The Institute supports regulatory efforts to ensure that all market participants are prepared for the information-processing challenges of the Year 2000 (Y2K). Y2K compliance is an extremely high priority matter for mutual fund firms and continues to receive serious attention at senior management levels.

Because mutual funds are subject to a stringent and unique regulatory regime under the Investment Company Act of 1940, they have a special and heightened sense of urgency with respect to Y2K. The mutual fund industry recognizes the need to devote substantial efforts to resolve Y2K issues to

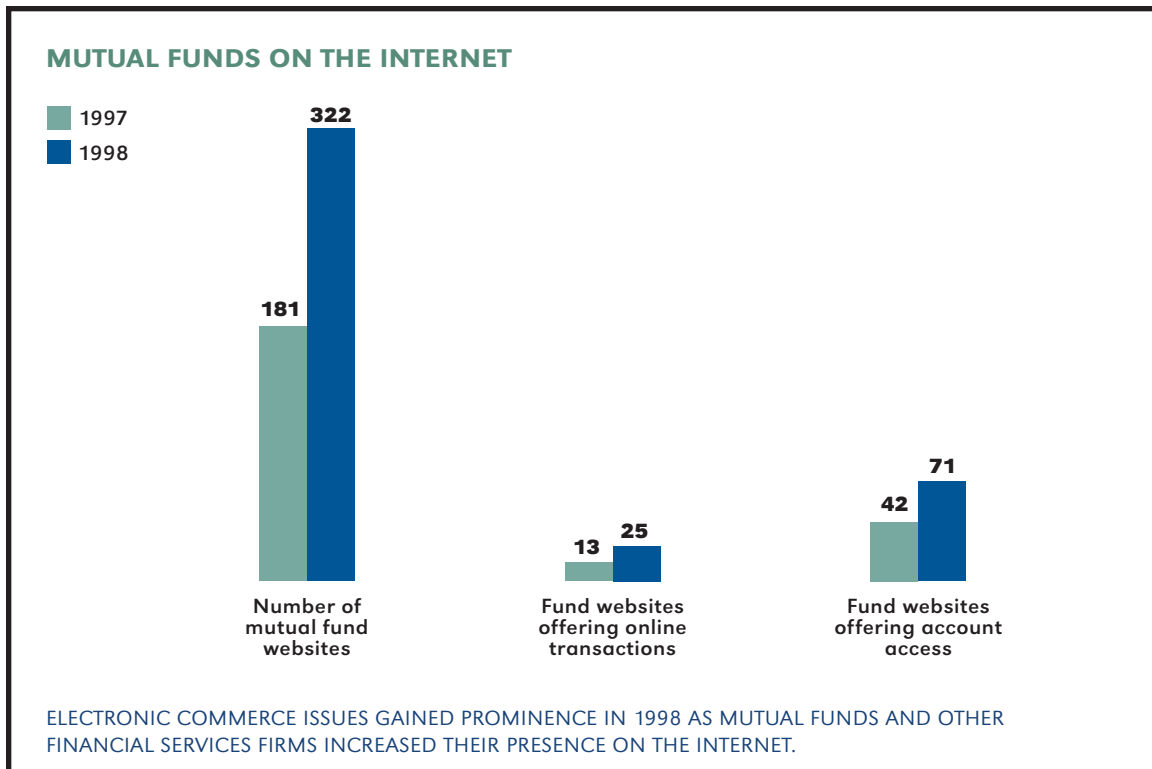
ensure funds meet investor expectations and comply with the law. Funds' Y2K compliance efforts span both internal computer systems and programs and those that interface with third parties. Major mutual fund service providers also are methodically and diligently working on Y2K issues with their mutual fund clients.

The fund industry is keeping the Securities and Exchange Commission apprised about the status of Y2K compliance efforts through Institute member surveys and informal contacts with SEC staff. Fund organizations also are actively communicating with fund shareholders about Y2K issues, not only through prospectus

disclosure but also on their websites, in newsletters and brochures, and in response to telephone inquiries.

The Institute strongly supports the efforts of the Senate’s Special Committee on the Year 2000 Technology Problem, its co-chairs, Senator Robert Bennett (R-UT) and Senator Christopher Dodd (D-CT), and SEC Chairman Arthur Levitt to promote meaningful Y2K disclosure by securities issuers. These efforts will increase the availability of reliable information, which enhances an adviser’s ability to make sound judgments on behalf of a fund and its shareholders.

In testimony before the Special Committee, the Institute explained that the mutual fund industry has for some time been engaged in internal efforts to identify and remediate Y2K problems. “Mutual funds are subject to a stringent and unique regulatory system under the Investment Company Act of 1940. Other businesses may face the risk of damaging customer relationships because of Y2K—mutual funds face that risk and the simultaneous risk of failing to comply with critical legal requirements,” Institute President Matthew P. Fink testified.



ELECTRONIC COMMERCE

The Administration, Congress and regulators have intensified their focus on electronic commerce issues, spurred by rapid technological change. The Institute has supported legislative and regulatory efforts in this area that enhance the ability of funds to use new technologies in order to provide services to their shareholders. These efforts include the enactment of a moratorium on certain state and local taxes on Internet activities and the liberalization of restrictions on the ability of funds and their affiliates to use encryption technology.



Paul G. Haaga, (left), Executive Vice President, Capital Research & Management Company, and Stephen M. Case, Chairman and CEO, America Online, Inc., confer during the Institute's General Membership Meeting, where Case discussed the Internet's impact on the delivery of financial services.

DATA PRIVACY

The growth of electronic commerce also has led to a greater focus on data privacy concerns. The Institute believes that any regulations adopted in this area must take into account the unique structure of mutual funds, under which various entities provide services to fund shareholders. Imposing unnecessary burdens on the ability of these entities to share data among themselves could hamper the ability of the mutual fund industry to serve investors.

expand 1 to enlarge upon a topic and develop in detail
2 to work out or show the full form



“As they plan for the future,
the challenge facing working Americans today
is to prepare for their financial needs in retirement.

People will need far more than what
Social Security will provide.”

INSTITUTE EXECUTIVE VICE PRESIDENT JULIE DOMENICK

SECTION II

Expanding Retirement Security Opportunities

An important area of Institute activity focuses on retirement security. The ability of working Americans to look forward to a dignified retirement is a bedrock of American life. But securing the goal seems elusive to many. It need not be this way. There are prudent steps investors and policy makers could take now that would give future generations the power to put a secure and comfortable retirement within reach.

The nation's retirement income policy rests on three programs — the Social Security system, individual savings (including traditional and Roth IRAs) and employer-sponsored retirement plans. These programs are designed to work in concert to enable

Americans to enjoy a reasonable standard of living in retirement. Lawmakers should continue this three-pillar approach and consider ways to increase the effectiveness and reach of each program. Assuring that Americans have available all necessary tools and avenues to save for their retirement is especially important in light of our nation's changing demographic profile. As a result of increases in longevity, coupled with the aging of the baby boom generation, it is vital that the retirement needs of the population be adequately addressed. The Institute participates in the congressional debate on retirement security in a manner designed to preserve worthwhile aspects of the present system and effect positive

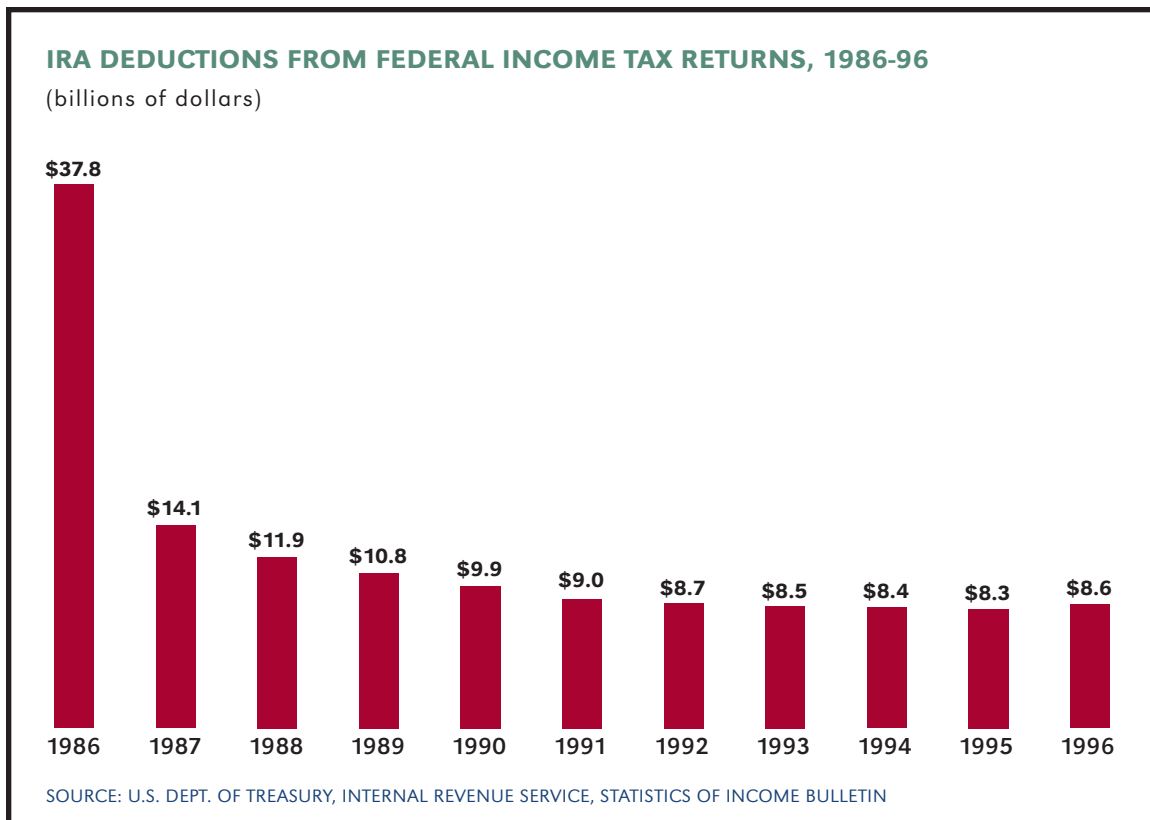
change. In particular, the Institute works in support of initiatives that encourage long-term saving by Americans.

EMPLOYER-SPONSORED RETIREMENT PLANS

The Institute is a strong proponent of policy measures that establish comprehensive and understandable retirement plans that are responsive to the needs of a mobile workforce and the nation's vital small businesses. Specific retirement security program goals supported by the Institute include enhanced pension portability, increased pension coverage for employees of small businesses, "catch-up" provisions

for Americans who have been out of the workforce for a period of years, increased contribution limits for 401(k) and SIMPLE plans and restoration of the simple, universal IRA. When Congress restricted the deductibility of IRA contributions in 1986, IRA participation rates declined by 40 percent among those families who continued to be eligible to fully deduct their contributions. The lesson is clear. When tax rules are complicated, individuals stop investing.

In testimony supporting House retirement security legislation, the Institute noted that it would "make retirement plan rules more responsive to the needs of today's workforce and the savings patterns of most



Americans, ease the administrative complexity that employers—especially small employers—confront when seeking to establish retirement plans, and create significant incentives for individuals to save for retirement in their employer-sponsored plans.”

INDIVIDUAL RETIREMENT ACCOUNTS (IRAs)

The Institute has a long history of supporting the IRA, which has become an important way for millions of Americans to save for retirement. In July, Congress passed the “Taxpayer Relief Act of 1997.” Strongly supported by the Institute, the 1997 legislation established the Roth IRA and the Education IRA, and expanded the traditional IRA. The 1998 technical corrections clarified significant issues relating to Roth IRA conversions, Education IRAs, and distributions from IRAs.

SOCIAL SECURITY

The public policy debate on Social Security reform gained momentum this past year with the introduction of several reform bills and a series of public hearings. A common theme of the legislative proposals was the preservation of the Social Security program coupled with some form of individual investment accounts for working Americans. If lawmakers include individual accounts as



Bridget A. Macaskill, President and CEO, OppenheimerFunds, Inc., at the Institute’s General Membership Meeting, stresses the importance of educating Americans about the importance of saving for retirement. “We have a constant responsibility to teach investors the fundamentals, to stress the basics. Our job isn’t over.”

part of Social Security reform, they also should ensure that appropriate investor protections, similar to those found in the securities laws, are put in place. Since many participants in the Social Security system may have little or no experience with long-term savings, the creation of an individual account program would need to be preceded and accompanied by a significant public education campaign about the principles of investing, markets, risks and product disclosure.

To ensure an orderly transition to a new system, the Institute believes that all individuals entering the system should first have their individual accounts invested in a government-sponsored fund or funds. At some designated point in time, individuals should be given the option of electing investments in addition to government-run funds. There are several reason why this is an important feature:

- ▶ The additional choices will enable participants to select investments that meet their own objectives, taking into account factors such as age, income and risk tolerance;

- ▶ In the absence of such an option, government-managed pools quickly would become extremely large and, as a result, have unintended impacts on the markets;
- ▶ Private managers would compete against the government funds on cost, performance and service, thus improving the system, and;
- ▶ Many private managers already have well-established infrastructures to handle similar accounts. It is important that the system be designed at the outset to accommodate privately managed accounts and that additional legislative



Institute Chairman John J. Brennan (left), Chairman and CEO of The Vanguard Group, Inc., and William M. Lyons, President and Chief Operating Officer of American Century Investments, participated as delegates at The National Summit on Retirement Savings.

or regulatory action not be required to permit them as options.

Considering Social Security reform within the context of improving retirement security, lawmakers also should ensure that other retirement programs are expanded and that the rules governing them are simplified. The success of IRAs, employer-sponsored plans and other such programs will reduce the strains on Social Security. Enhancing these programs is very important, even if lawmakers do not establish an individual account component to Social Security.

RETIREMENT SECURITY SUMMITS

Along with supporting national policies that enhance Americans' retirement savings opportunities, the Institute seeks to help the public understand the need to prepare for retirement. The Institute and other investment company industry representatives served as delegates to the first National Summit on Retirement Savings, held in Washington in June. The Summit was mandated by Congress in the 1997 "SAVER Act," which also directs the Department of Labor to convene regular summits in the future to emphasize the need for personal saving and to identify barriers to that goal. A series of



SEC Chairman Arthur Levitt (left) listens as Lawrence Lasser, President and CEO of Putnam Funds, represents the mutual fund industry during a national Saving and Investing Week Town Meeting.

recommendations arising from the Summit were reported to Congress. The Institute and industry representatives also participated in a White House Summit on Social Security in December. The Summit's goal was to set the stage for Social Security reform efforts expected in 1999. The Institute also is active in promoting retirement saving education in other forums, such as the American Savings Education Council and the Department of Labor's and the SEC's nationwide education programs.

enhance 1 to make greater; augment; heighten
2 to improve the quality or condition of



“As we approach the 21st century... I ask you
to consider the principal reason for the
industry’s recent success—the individual investor.”

SEC DIRECTOR OF THE DIVISION OF INVESTMENT MANAGEMENT PAUL F. ROYE

SECTION III

Enhancing Disclosure and Investor Awareness

Full disclosure is the touchstone of the mutual fund industry and serves millions of investors. Standardized tables and plain-English descriptions give everyone, including investors and those who advise them, the tools needed to make informed investment decisions. Although the disclosure requirements for mutual funds are more extensive than those for any other financial product, the Institute continues to support improvements that will aid investors in understanding the risks and rewards of mutual fund investing. "We have a constant responsibility to teach investors about the fundamentals, to stress the basics. Our job isn't over," Bridget A. Macaskill, President and CEO

of OppenheimerFunds Inc., said during the keynote session of the Institute's 1998 General Membership Meeting.

With 77 million Americans now investing in mutual funds, the effectiveness of funds' communications with investors is a matter of utmost importance. The mutual fund industry is committed to ensuring that shareholders are fully informed when making decisions about their personal finances and their futures. The industry and the SEC have devoted enormous attention over the years to standards governing fund prospectuses, shareholder reports, advertisements and sales literature.

FEE TRENDS AND DISCLOSURE

The cost of investing in mutual funds attracted increased public attention in 1998. Because this attention highlighted the shortage of credible, methodologically sound statistics, the Institute undertook a comprehensive study of mutual fund fee levels. The Institute also released a new publication in its Investor Awareness Series designed to answer frequently asked questions about mutual fund fees.

The Institute's research showed that the cost of owning equity mutual funds has decreased significantly during the past 18 years. This is also a period in which shareholders have increasingly turned to



At an Institute research conference, Institute Chief Economist John Rea releases an Institute study showing a 33 percent decline in the overall cost of investing in equity funds since 1980.

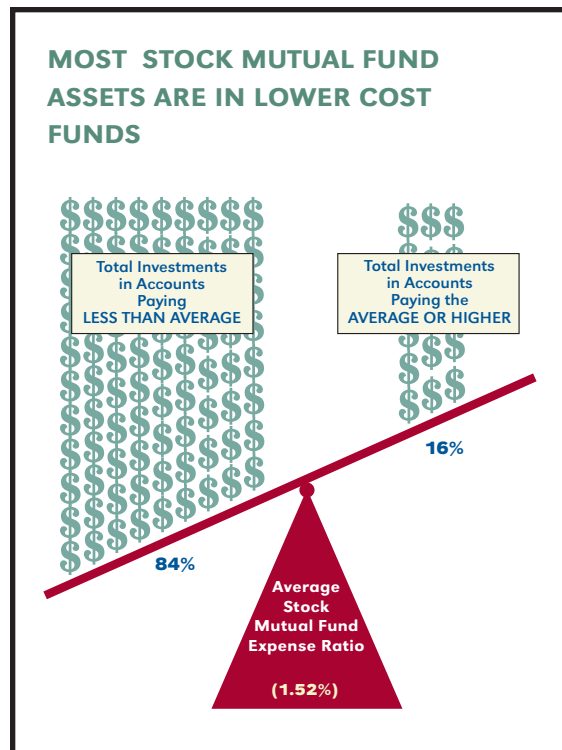
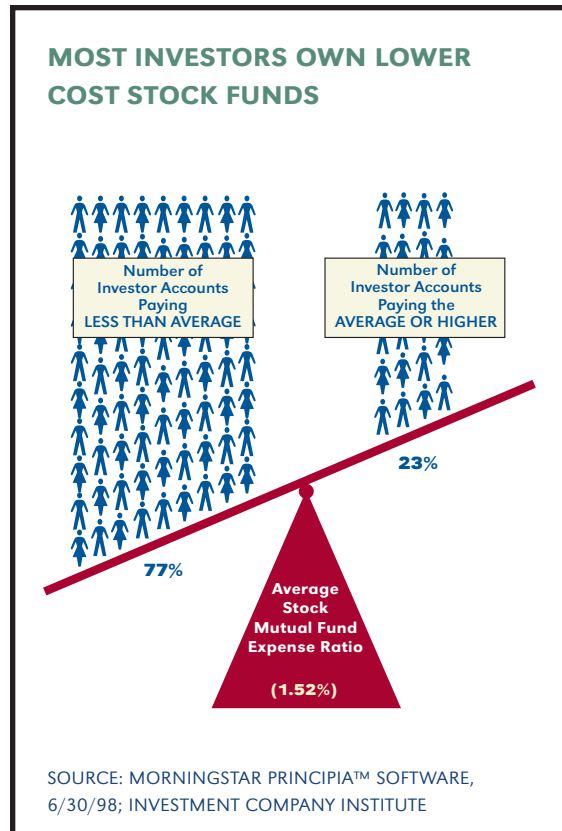
mutual funds to help meet their retirement and other long-term investing goals, and have received greater services from their funds. Since 1980, the total cost of acquiring and holding equity mutual fund shares has dropped by more than one-third, to an average of 1.49 percent of their investments in 1997 from 2.25 percent of their investments in 1980.

The research also found evidence of economies of scale among equity funds. Large funds had substantially lower operating expenses than small funds. In addition, the 100 largest funds in 1997 that were established before 1980 experienced both rapid growth and falling operating expense ratios between 1980 and 1997. Among these 100 funds, those that grew most posted the largest reductions in operating expense ratios. Although the Institute's research found significant economies of scale at individual equity funds, it is important to remember that, by definition, economies of scale can be fairly examined only on a fund-by-fund basis, not on an industrywide basis.

In addition, the research suggests that investors are sensitive to cost. Although investors have a wide range of cost ratios to choose from, they clearly tend to concentrate their purchases among lower-cost equity funds. Previous Institute research determined that an overwhelming majority of shareholders' equity fund accounts (77 percent) is in mutual funds that charge annual fees below the industry's simple average.

The Institute's research evaluated fee trends using a measure called total shareholder cost. This measure represents the cost that an investor would expect to incur in purchasing and holding mutual fund shares. It accounts for all major fees, expenses and sales charges relevant to decision-making, and is comparable to the fee information required by the U.S. Securities and Exchange Commission in every mutual fund prospectus.

The Institute, along with other industry representatives, testified before the House Commerce Subcommittee on Finance and Hazardous Materials during a hearing on competitiveness in the fund industry. "Competition is working in the interests of investors," Institute President Matthew P. Fink testified. "Mutual funds fiercely compete to attract and earn the loyalty of investors. Mutual funds compete on many levels, including performance,

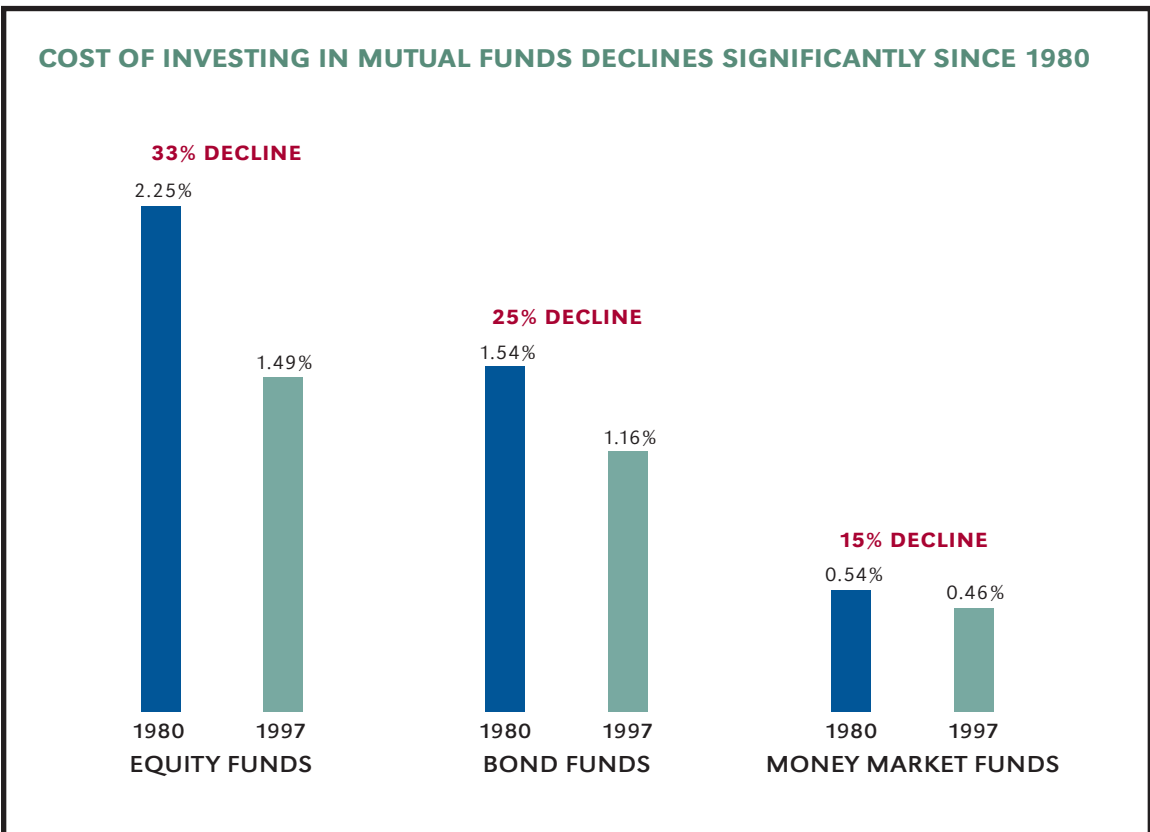




Paul F. Roye, Director of the Division of Investment Management at the SEC, tells fund executives at an Institute conference that the SEC will continue to focus on fund disclosure, especially follow-up work on the disclosure reforms enacted in the spring.

investment philosophy, experience, specialized expertise and service. And let there be no doubt in anyone’s mind— mutual funds compete vigorously based on price.” The Institute also testified that the current disclosure system is working well in the interests of investors and that most shareholders are invested in funds with expense ratios below the simple industry average.

One reason why so many investors own low-cost mutual funds is that information about mutual fund fees is widely and readily available. The Securities and Exchange Commission requires a fee table





Institute President Matthew P. Fink (left), SEC Chairman Arthur Levitt and Institute Executive Vice President Julie Domenick talk following testimony on mutual fund disclosure before the House Subcommittee on Finance chaired by Representative Mike Oxley (R-Ohio).

to be included at the front of every fund prospectus. There has also been a quantum leap in investor education in the last five years.

While it appears, based on the Institute's research, that so many investors are developing appropriate sensitivity to fees as an element of informed investing, it does not mean that the job is complete. The challenge of educating investors—about fees and other important elements of mutual fund investing—is a continuing responsibility. The industry remains fully committed to working with Congress, the SEC and others on a variety of investor education efforts, and is ready to consider measures that promise to improve investor awareness.

PROSPECTUS DISCLOSURE REFORM

The Institute is committed to ensuring that shareholders are fully informed when making decisions about their personal finances and their futures. This commitment is reflected in the Institute's long history of support for disclosure that is meaningful and understandable to investors. For example, the Institute strongly supported the simplification of the mutual fund prospectus approved last year by the SEC. The overall effect of the simplification was to focus the prospectus on essential information about a particular fund and to minimize disclosure of technical, legal and operational matters common to all funds. This unnecessary detail had made disclosure documents

lengthier and more confusing. Upon adoption of the rule amendments, Institute President Matthew P. Fink commended SEC Chairman Levitt for “spearheading the reforms that will simplify the mutual fund prospectus...Millions of American investors will benefit.”

THE PROFILE

The SEC also authorized mutual funds to use a “profile,” a concise new disclosure document designed to convey essential information about a fund. The SEC’s actions represent the culmination of many years of work on the part of the Institute and the fund industry to make mutual fund



At an Institute conference on securities law, Institute General Counsel Craig Tyle states that the adoption by the SEC of a series of proposals to reform mutual fund disclosure “represents the culmination of years of efforts—both by the SEC and by mutual funds—to design and utilize disclosure documents that provide meaningful and useful information to investors.”

prospectuses more meaningful and understandable to investors. Funds became eligible to use the profile on July 1, 1998.

PLAIN ENGLISH

In a related development, the SEC adopted other important rule amendments that require mutual funds and other registrants to use “plain English” in the preparation of their prospectuses. The plain-English rule amendments, with which funds must comply simultaneously with the other simplification reforms, are intended to make prospectuses more concise and understandable. The Institute supported this initiative and new plain-English prospectuses have been released by many fund companies. Late in the year, the Institute submitted to the SEC recommendations based on the work of a member advisory group to streamline mutual fund shareholder reports to make them more usable by average investors.

INVESTOR AWARENESS

The Institute spearheads fund industry policy initiatives, including improved understanding of fees and expenses and retirement security, by promoting investor awareness. Highlights of these efforts during 1998 included the development of a mutual fund module for use at the SEC’s nationwide Town Meetings, where industry executives of local Institute members

participate. The Institute also played a leading role in the SEC's first annual Facts on Saving and Investing Campaign, and in the first National Summit on Retirement Savings.

The Institute produced several new publications in its Investor Awareness Series in 1998. These included a brochure, *Frequently Asked Questions About Mutual Fund Fees*, and *A Guide to Understanding Mutual Funds*, with an insert, *Questions You Should Ask Before You Invest in a Mutual Fund*. The Institute also produced a video companion to the printed guide. The SEC incorporated the guide and other Institute materials into its "Financial Facts Tool Kit," and federal and state legislators used the guide in local district programs. The Institute has distributed thousands of copies of the guide through federal and state legislative and regulatory offices. The SEC also added a link from its website to the guide on the Institute's website.

The Institute also coordinated participation in investor awareness coalitions, including the American Savings Education Council (ASEC) and the Alliance for Investor Education (AIE). In June, ASEC cosponsored with the Department of Labor the first of three Retirement Summits, which are intended to increase public awareness of the importance of retirement planning and identify ways to promote greater retirement savings. Senior industry executives attended as delegates.



The Institute's public website, www.ici.org, continued to enhance the Institute's ability to communicate policy positions and reinforce its role as an authoritative source of economic information; strengthen and extend the Institute's media contacts; offer simplified and convenient access to publicly available materials; and demonstrate support for investor awareness.

The ICI Education Foundation, with the American University School of Communication, continues to honor outstanding achievements in financial reporting. To date, more than 74 journalists have received Awards for Excellence in Personal Finance Reporting for their work to help increase investor awareness of financial issues and products.

support 1 to give approval to or be in favor of
2 to give courage, faith or confidence



“The key to our future success
is widespread public confidence in mutual fund investing.
Supporting legislative and regulatory reforms
engenders public confidence.”

INSTITUTE PRESIDENT MATTHEW P. FINK

SECTION IV

Supporting Effective Legislation and Regulation

Advancing the interests of investment companies and their shareholders through strong legislation and effective regulation is a hallmark of the Institute. These advances are possible because legislators, regulators and the public have confidence in the industry. This widespread public confidence in mutual funds is no accident. In a 1997 report, the General Accounting Office noted that the Securities and Exchange Commission has observed that the mutual fund industry has “generally been free of major scandal,”* a record of accomplishment that has earned the trust of American investors and policymakers. To maintain that trust, the strong law and regulations

that underpin the industry must be preserved. There must be a strong SEC that vigorously enforces securities laws. But above all, to succeed the industry itself must be committed to strong regulation and to the best interests of investors.

FINANCIAL SERVICES MODERNIZATION

Congress continues to pursue the modernization of the nation’s financial services industry, currently regulated, in part, by the Depression-era Glass-Steagall Act. The Institute has long supported financial services reform legislation that protects investors through functional regulation

* Personal Investment Activities of Investment Company Personnel, Report of the Division of IM, SEC, September, 1994.

while ensuring fair competition. In 1998, the Institute testified in support of the most recent reform bill (H.R. 10), which would allow banking, securities and insurance firms to affiliate under a “bank holding company” framework. The Institute’s testimony recognized the importance of the Federal Reserve Board’s role in managing the nation’s economy but also called for clarifying and tightening the proposed role of the Federal Reserve as “umbrella regulator” to ensure against duplicate regulation and to ensure that the FRB is not authorized to impose unsuitable bank-type regulation on mutual funds. The Institute also has strongly opposed suggestions that mutual funds should be subjected to community reinvestment obligations.

IRS REFORM AND CAPITAL GAINS

The Institute supports initiatives that reduce tax compliance burdens on mutual funds and their shareholders and bring tax laws in line with today’s securities markets and investment practices. Following enactment of the “Taxpayer Relief Act of 1997,” which repealed the 30-percent test for mutual funds and lowered the maximum capital gains tax rate, the Institute sought

guidance from the IRS to clarify new capital gains rules. Subsequently, the IRS decided to allow funds to report to shareholders either percentages or dollar amounts for various categories of long-term capital gains distributed in 1997. The 1998 IRS reform law included a reduction generally eliminating the 28 percent capital gains rate.

BOND FUND VOLATILITY RATINGS

Since the NASD Regulation, Inc. (NASDR) first proposed allowing bond fund “risk” ratings for mutual fund sales material two years ago, there has been much study, analysis and debate regarding the proposal. Advocates argued that the ratings should be allowed on the theory that greater information can only help investors. The Institute and others, however, asserted that certain types of subjective information, including risk ratings, can be inherently misleading, and as a result, not helpful to investors. The Institute has serious reservations about the use of “risk” ratings in mutual fund sales material. However, the Institute generally supports NASDR’s proposal to allow these ratings for a trial period, in large part, because conditions



Institute President Matthew P. Fink (right) greets Representative Thomas Bliley (R-VA), Chairman of the House Commerce Committee, prior to a hearing on price competition in the mutual fund and bond industries.

proposed for the use of these ratings would address many—though not all—of their potential hazards. The Institute has urged the SEC and NASDR to vigorously resist arguments to weaken these conditions and put investors at risk. In particular, the Institute supports requirements that the volatility ratings be based on objective factors, be in narrative form, meet timeliness standards, and be accompanied by clear, comprehensive disclosures. The Institute will continue to support efforts to refine the bond fund volatility ratings program to better serve investors.

INVESTMENT ADVISERS

The SEC recently adopted rule amendments to the Investment Advisers Act that address issues arising from the implementation of the “National Securities Markets Improvement Act of 1996” (NSMIA), historic securities reform legislation that achieved regulatory uniformity for mutual funds at the national level. NSMIA is the federal law that recognized the SEC as the regulator of the industry and made uniform the federal regulation of investment advisers with assets exceeding \$25 million. The rule amendments revise the number of

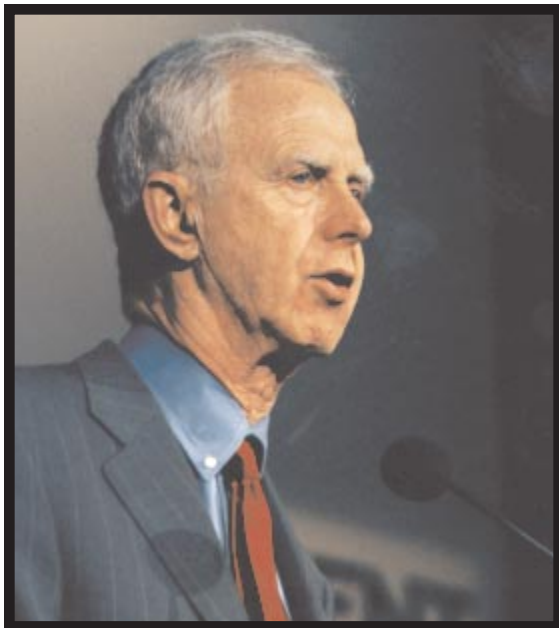
accommodation clients an investment adviser representative may have without triggering state registration requirements. Individual states continue to rewrite their securities laws to comply with NSMIA requirements. Substantial progress has been made. As of year-end 1998, 35 states had updated their securities acts, with both California and Massachusetts taking action in 1998 to conform to the federal law.

U.S. TRADE AND MARKET ACCESS

As investors turn increasingly to the global marketplace, the Institute works with representatives of foreign nations and U.S. government officials to encourage foreign

regulatory improvements that would enhance the competitiveness of U.S. money management firms abroad. For example, the Institute worked closely with U.S. trade negotiators during negotiations between the United States and approximately 100 trading partners in the World Trade Organization (WTO). In a significant step forward, negotiators reached an agreement in which the United States committed to maintaining its open market in financial services while other countries, including many emerging market nations, committed to allowing access to foreign firms. The agreement will provide a measure of legal certainty for members interested in offering asset management services outside the United States.

In 1998, the Institute strongly supported an international tax bill that included an Administration proposal under which distributions received by foreign citizens investing in U.S. bond funds would no longer be subject to U.S. withholding tax. The Institute also is actively involved in specific regulatory issues affecting Institute members' ability to operate abroad. For



SEC Chairman Arthur Levitt asks fund executives attending the Institute's General Membership Meeting: "Are you honoring the enormous amount of confidence that the investing public has placed in you?"

example, the Institute sought clarification when the Financial Services Authority (FSA), the chief securities regulator in the United Kingdom, ruled that investment advertisements on Internet sites that could be viewed in the United Kingdom were subject to U.K. regulation. The Institute sought clarification so that websites of U.S. mutual funds that were not marketing their shares to U.K. residents would not be affected. Recently, substantial progress was made when the FSA issued guidance agreeing that Institute-proposed safeguards would “reduce investor protection concerns.”

SOFT-DOLLAR ISSUES

The Institute strongly encourages its member firms to maintain a very high standard regarding soft-dollar and other brokerage allocation practices of their operations in the interests of fund shareholders. In 1998, the SEC staff issued a report summarizing its findings from a series of sweep exams of soft-dollar practices of a number of broker-dealers and investment advisers, including advisers to mutual funds. Soft-dollar arrangements as well as other brokerage

allocation practices have been—and likely will continue to be—the subject of public and regulatory focus. Soft-dollar practices are strictly regulated under the securities laws, and, in the case of mutual funds, also are overseen by funds’ boards of directors.

SEC FUNDING

The Institute consistently supports a well-funded SEC. The Institute believes that adequate financial resources for the SEC are essential to continue effective regulatory oversight and afford important investor protection and awareness initiatives, such as the nationwide “Facts on Saving and Investing Campaign.” However, at present, the securities industry pays far more in fees each year than is allocated to the SEC for regulatory oversight. The Institute believes that fees in excess of the SEC appropriation should not be considered general revenue. Instead, fee levels should be lowered to a level commensurate with the SEC appropriation.

profile 1 a view of anything in contour

2 a graph presenting or summarizing data



“You’ve raised more than capital.
You’ve raised our nation’s
standard of living—and you’ve lifted
our vision for the future.”

SEC CHAIRMAN ARTHUR LEVITT

SECTION V

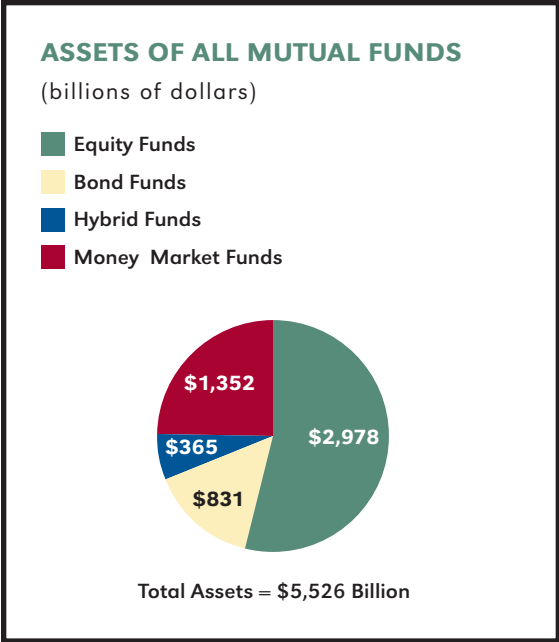
1998: Industry Profile

An estimated 44.4 million U.S. households, or 77.3 million individual investors, owned mutual funds in 1998.* The majority of mutual fund shareholders in the United States are middle-class, middle-age, and experienced investors, who typically have owned funds for about 10 years. Though not insensitive to market movements, mutual fund shareholders demonstrate a long-term perspective to investing. Several studies have shown that mutual fund shareholders are patient during stock market breaks and sharp selloffs. For example, an Institute analysis found no instances of large-scale or panicked selling of mutual fund shares over the past 55 years. Instead, shareholders' response to stock price declines tends to be spread over time.

THE FINANCIAL MARKET ENVIRONMENT IN 1998

Mutual fund investors' long-term perspective was tested in 1998 by events in the United States and other world financial markets. Although a favorable economic environment buoyed the U.S. stock market during the year, many stock indexes experienced their largest intrayear declines since 1990. Financial developments abroad were particularly mixed, as stock prices rose in much of Europe but fell in many emerging markets. Mutual fund assets increased 24 percent in this environment, rising to \$5.5 trillion from \$4.5 trillion the year before. About half of the growth was attributable

* The 1998 estimate includes, for the first time, household ownership of funds through variable annuities. The estimate also incorporates an improved method for determining ownership through employer-sponsored pension plans. For these reasons, the 1998 ownership estimate is not comparable to those in previous years and does not reflect total growth in the number of households owning funds over 1997.



to net new investments by fund shareholders. The inflows to mutual funds came predominantly from U.S. households, which continue to shift their assets from direct to indirect holdings of stocks and other investment securities. The movement away from direct equity holdings, in particular, has been an important source of growth for the mutual fund industry during the past several years. It reflects, in part, the household demand for tax-deferred investments through employer-sponsored pension plans and Individual Retirement Accounts. These plans now comprise nearly 20 percent of all household financial assets, almost double the amount recorded in the mid-1980s.

MUTUAL FUND ASSETS AND CASH FLOW BY TYPE OF FUND

Equity Funds

Assets in equity mutual funds grew 26 percent in 1998, to \$2.98 trillion from \$2.37 trillion. That growth rate, the slowest for equity funds since 1994, was attributable to weaker market performance and slower inflows from investors. Net investor inflows to equity funds slowed to \$157 billion in 1998, dropping from \$227 billion in 1997. During the second half of 1998 flows to equity funds slowed considerably. Overall, the response of equity fund shareholders to the summer selloff in the stock market was muted. For example, net outflows from domestic equity funds totaled only 0.5 percent of assets in August even though major market indexes posted their largest declines since 1990.

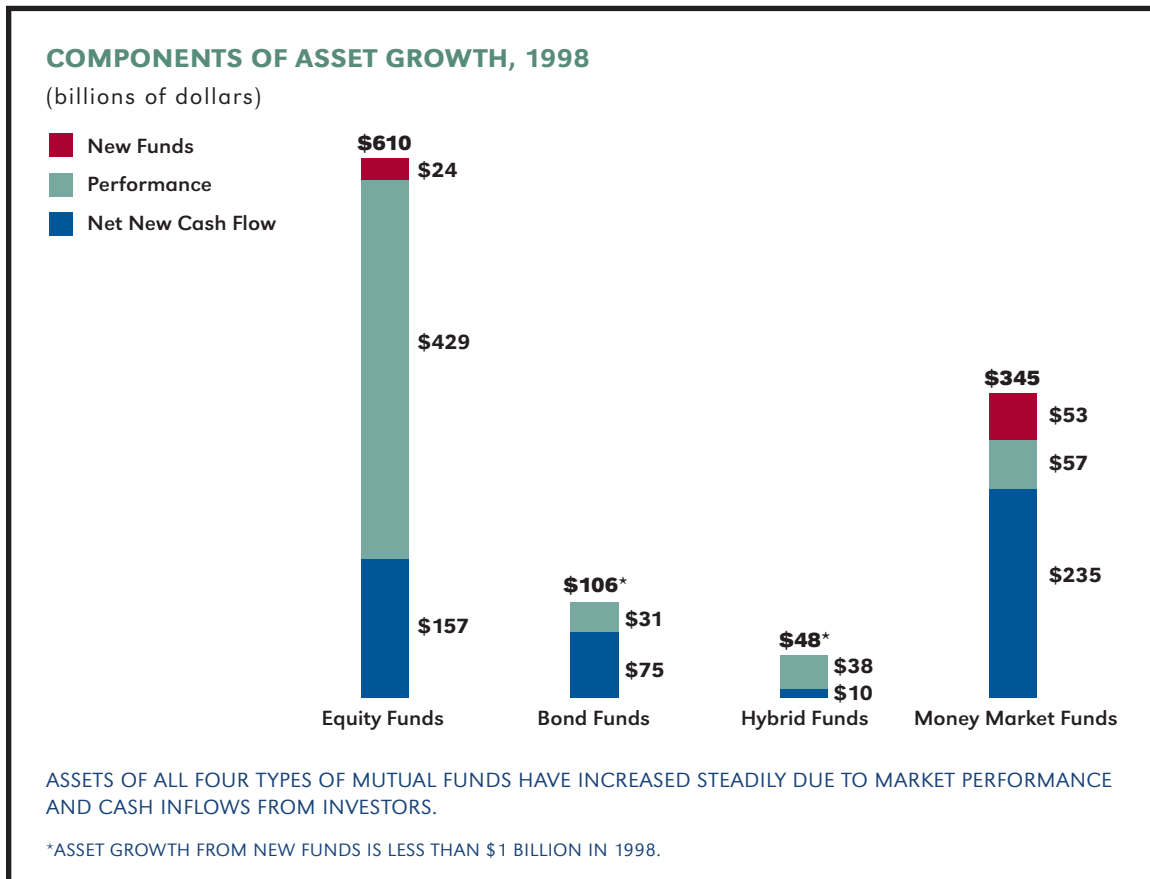
Bond and Money Market Funds

Assets in bond and money market funds increased at a faster pace. Assets in money market funds grew 27 percent in 1998, to \$1.35 trillion from \$1.06 trillion. Money market mutual funds posted net investor inflow of \$235 billion in 1998. The increased inflow appears to have been driven largely by a favorable interest rate environment.

Inflows began the year well ahead of the previous year's pace and strengthened even further with the decline in short-term interest rates in the fall. Assets in bond funds rose 15 percent in 1998 to \$831 billion from \$724 billion in 1997. Inflows from investors rose to \$75 billion in 1998 from \$28 billion in 1997. As in prior years, inflows to bond funds increased as interest rates fell and returns on bond funds rose. Continuing the upward trend from late 1997, flows to bond funds stayed strong in 1998, averaging about \$6.2 billion a month.

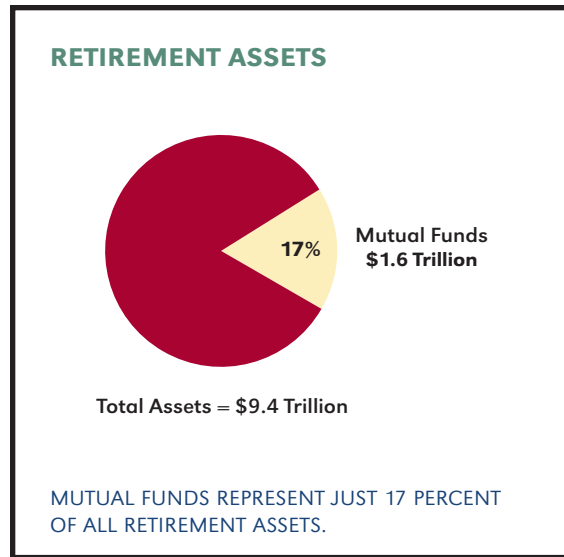
Hybrid Funds

Assets in hybrid funds—funds investing in both stocks and bonds—rose 15 percent in 1998, to \$365. Inflows, which accounted for about one-quarter of the increase in assets, slowed to \$10.5 billion in 1998 from \$16.5 billion in 1997. During the first seven months of the year, the net inflow was slightly ahead of that during the same period in 1997. With the selloff in stock prices in mid-summer, these funds experienced a small outflow in August that continued through October. Net inflows resumed in November and December.



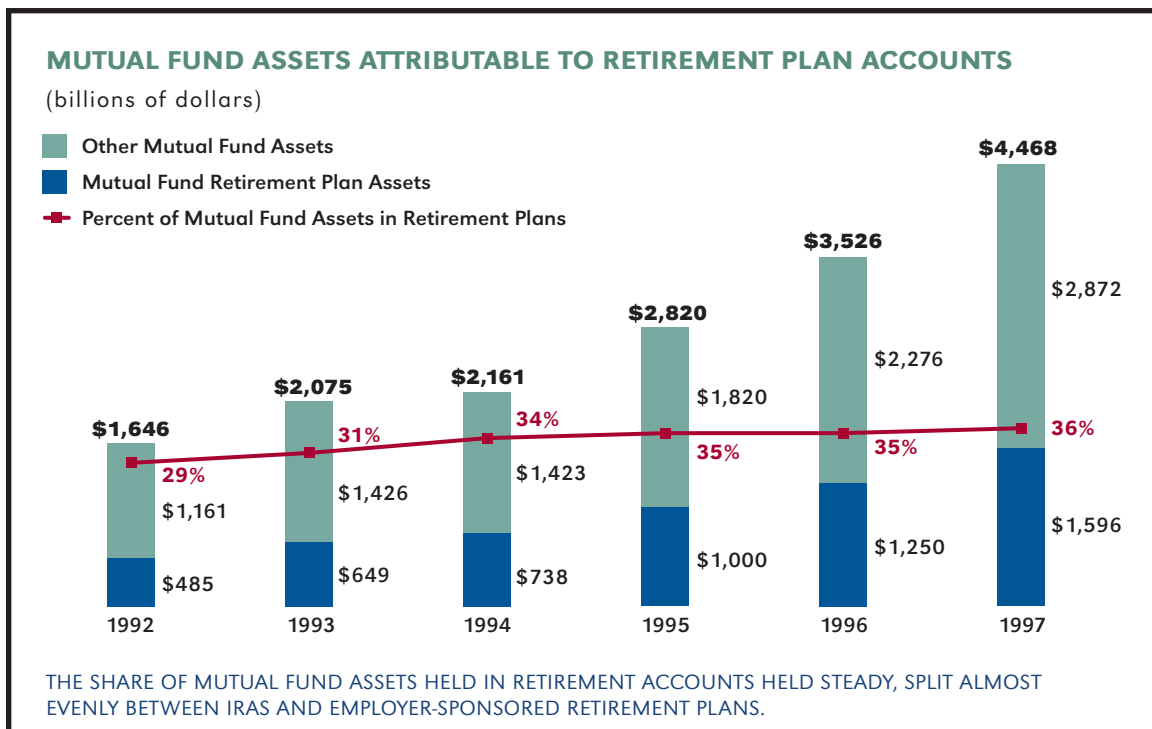
MUTUAL FUNDS AND THE RETIREMENT MARKET

Investing for retirement is a primary goal for most mutual fund shareholders. Retirement plans, including IRAs, plans for the self-employed, and 401(k) and other employer-sponsored plans, hold slightly more than one-third of mutual fund industry assets, according to the most recent data available. The share of mutual fund assets in retirement plans, \$1.6 trillion at year-end 1997, has remained fairly stable at 35 percent of industry assets since 1994. Yet, funds hold a relatively small percentage of the nation's retirement assets. Of the \$9.4 trillion of assets in U.S. retirement plans, the \$1.6 trillion held by the mutual fund industry represents approximately 17 percent.



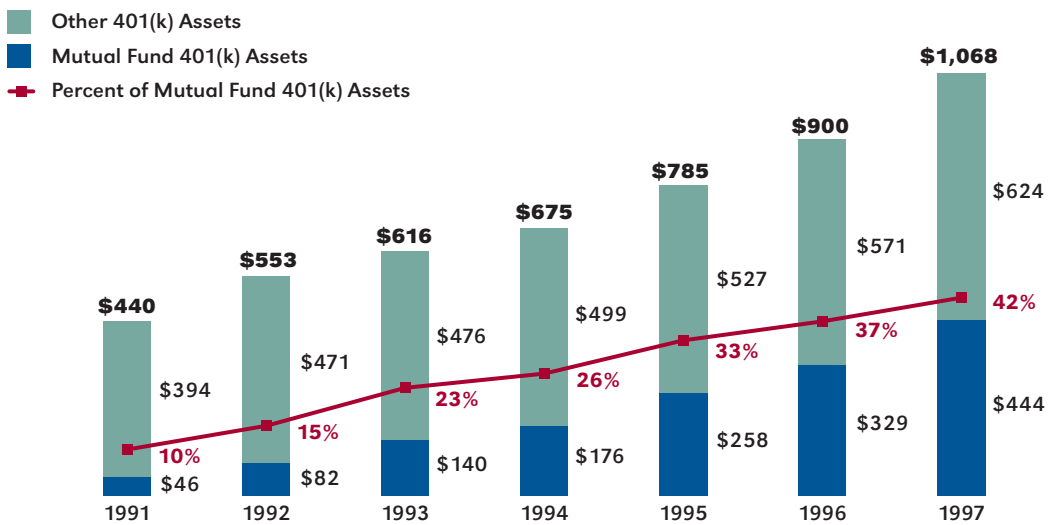
SOURCES OF GROWTH FOR MUTUAL FUND RETIREMENT ASSETS

An estimated 70 percent of the \$346 billion increase in mutual fund retirement holdings during 1997 came from asset appreciation, while the remaining 30



401(K) PLAN ASSETS INVESTED IN MUTUAL FUNDS

(billions of dollars)



SPONSORS OF 401(K) PLANS HAVE INCREASINGLY CHOSEN MUTUAL FUNDS AS INVESTMENT OPTIONS.

percent, approximately \$104 billion, derived from new investments by IRA, 401(k), and other employer-sponsored plan investors. Investments from employer-sponsored plans, in particular, accounted for a sizable portion of the new retirement money entering mutual funds. The mutual fund holdings in these plans were \$734 billion at the end of 1997. One aspect of the employer-sponsored plan market, 401(k) plans, accounted for \$444 billion of fund industry assets.

IRAs still hold slightly more mutual fund assets than do employer-sponsored plans. At year-end 1997, mutual fund IRA assets totaled \$822 billion, or 52 percent, of the fund industry's retirement assets. As with

employer-sponsored plans, the investment performance of the funds accounted for the majority of the \$180 billion increase in mutual fund IRA assets during the year.

Although the Tax Reform Act of 1986 scaled back eligibility for tax-deductible contributions, the IRA market has continued to grow, largely through rollovers from employer-sponsored plans. IRA holdings grew 28 percent in 1997 to \$822 billion. Investment performance accounted for two-thirds of the growth, with net new cash flow from investors accounting for the remainder.

govern 1 to influence the action or conduct of
2 to determine a rule or law for



SECTION VI

Institute Governing Groups

BOARD OF GOVERNORS

(as of 12/31/98)

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The Vanguard Group, Inc.

Margo N. Alexander

Mitchell Hutchins Asset Management Inc.

Lynn L. Anderson

Frank Russell Investment Management
Company

Edward J. Boudreau, Jr.

John Hancock Funds, Inc.

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Alliance Capital Management L.P.

J. Richard Carnall

PFPC Inc.

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Scudder Kemper Investments, Inc.

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The Pioneer Group, Inc.

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Independent Director – Scudder Funds

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The Chase Manhattan Bank, N.A.

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Independent Director – Dreyfus Funds

Terry K. Glenn

Merrill Lynch Asset Management

BOARD OF GOVERNORS, CONTINUED

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Thomas L. Hansberger

Hansberger Global Investors, Inc.

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Eaton Vance Corp.

Robert L. Hechler

Waddell & Reed, Inc.

David F. Hill

SAFECO Mutual Funds

Robert E. Holley

PaineWebber Incorporated

Stephen H. Hopkins

J.P. Morgan Funds Management

Rupert H. Johnson, Jr.

Franklin Resources, Inc.

Thomas W. Jones

SSBC Asset Management Group

David J. Kundert

Banc One Investment Management Group

Lawrence J. Lasser

Putnam Investment Management, Inc.

Kenneth R. Leibler

Liberty Financial Companies, Inc.

Thomas P. Lemke

Strong Capital Management, Inc.

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Independent Director – Delaware Funds

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SEI Asset Management

William M. Lyons

American Century Investments

Gordon S. Macklin

Independent Director – Franklin Funds

Bruce K. MacLaury

Independent Director – Vanguard Funds

John J. McCormack, Jr.

TIAA-CREF Enterprises

John W. McGonigle

Federated Investors, Inc.

John P. McNulty

Goldman, Sachs & Co.

Michael J. Perini

Merrill Lynch Defined and Managed Funds

Marguerite A. Piret

Independent Director – Pioneer Funds

Don G. Powell

Van Kampen Mutual Funds

Robert C. Pozen

Fidelity Management & Research Company

Arnold M. Reichman

Warburg Pincus Asset Management, Inc.

Michael J. C. Roth

USAA Investment Management Company

Brian M. Storms

Prudential Investments

Stephen B. Timbers

Northern Trust Global Investments

Thomas L. West, Jr.

American General Retirement Services

EXECUTIVE COMMITTEE

(as of 12/31/98)

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The Dreyfus Corporation

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Investment Company Institute

Terry K. Glenn

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AIM Management Group Inc.

Paul G. Haaga, Jr.

Capital Research & Management Company

Rupert H. Johnson, Jr.

Franklin Resources, Inc.

Lawrence J. Lasser

Putnam Investment Management, Inc.

William M. Lyons

American Century Investments

John W. McGonigle

Federated Investors, Inc.

Don G. Powell

Van Kampen Mutual Funds

Robert C. Pozen

Fidelity Management & Research Company

Arnold M. Reichman

Warburg Pincus Asset Management, Inc.

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Merrill Lynch Asset Management

Closed-end Investment Company Committee

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MFS Investment Management

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T. Rowe Price Associates, Inc.

Director Services Committee

Dawn-Marie Driscoll, CHAIR
Independent Director – Scudder Funds

Federal Legislation Committee

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Capital Research & Management Company

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Alison Baumann, CHAIR
Franklin/Templeton Distributors, Inc.

International Committee

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Scudder Kemper Investments, Inc.

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Pioneering Services Corporation

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Patricia Heselton, CHAIR
Franklin Templeton Trust Company

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Brian S. Mattes, CHAIR
The Vanguard Group, Inc.

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Loretta McCarthy, CHAIR
OppenheimerFunds, Inc.

Sales Force Marketing Committee

Robert A. Leo, CHAIR
MFS Fund Distributors, Inc.

SEC Rules Committee

Henry H. Hopkins, CHAIR
T. Rowe Price Associates, Inc.

Shareholder Communications Committee

Mary Kay Coleman, CHAIR
The AIM Family of Funds

Small Funds Committee

Lynne M. Cannon, CHAIR
Stratton Mutual Funds

State Liaison Committee

Steven J. Paggioli, CHAIR
Professionally Managed Portfolios

Tax Committee

Deborah Pege, CHAIR
Fidelity Investments

Unit Investment Trust Committee

Michael J. Perini, CHAIR
Merrill Lynch Defined and Managed Funds

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(as of 12/31/98)

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Vice President – Strategic Analysis

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Vice President – Human Resources

Elizabeth Powell

Vice President – Public Information

John D. Rea

Vice President – Research & Chief Economist

Thomas S. Simmons

Vice President – Administration

Leslie Woolley

Vice President – Legislative Affairs

Russell G. Galer

Senior Counsel

Amy B. R. Lancellotta

Senior Counsel

Keith D. Lawson

Senior Counsel

Mary S. Podesta

Senior Counsel

INVESTMENT COMPANY MEMBERS

Figures appearing next to the member complex name represent the number of member open- and closed-end funds within that complex.

A

AAL Funds, (The) – 12
ABN AMRO Asset Management – 17
Accrued Equities – 1
Adams Express Co. – 2
Advantage Advisers, Inc. – 3
Advantus Capital Management – 11
Advisors Series Trust – 15
Aegis Value Fund – 1
Aegon Equity Group – 33
Aetna – 43
AGA Series Trust – 7
AIG Fund Group – 1
AIM Group – 90
Alger Funds – 18
Alleghany Funds – 12
Alliance Capital Management L.P. – 117
Allied Capital Corporation – 1
Allmerica Funds – 20
American AAdvantage Funds – 18
American Century Investments – 70
American Diversified Funds – 1
American Growth Fund – 1
American National – 11
American Odyssey Funds, Inc. – 6
American Skandia – 44
Amerindo Funds Inc. – 1
AmeriPrime Funds – 15
Amway – 1
Anchor Investment Management Corp. – 5
Aquila Group of Funds – 14
Aquinas Funds, Inc., (The) – 4
Ariel Mutual Funds – 3
ARM Financial Group – 4
Armstrong Associates, Inc. – 1
Artisan Partners L.P. – 4
ASM Fund, Inc. – 1
Aster Capital Management – 2
Atlas Funds – 13

B

Badgley, Phelps & Bell, Inc. – 2
Bailard, Biehl & Kaiser – 3
Baker Fentress – 1
Bancroft/Ellsworth – 2
Bank of America – 28
Barclays Global Investors – 10
Baron Capital – 3
Barr Rosenberg Mutual Funds – 6
Battery Park Funds, Inc. – 1

Baupost Group, L.L.C., (The) – 1
Baxter Financial Corp. – 2
BEA Associates – 11
Bear Stearns – 10
Berger Funds – 16
Bergstrom Capital Corp. – 1
Berkeley Funds – 2
Bernstein – 11
BISYS Fund Services Group – 224
Bjurman Funds, (The) – 1
BNY Hamilton Funds, Inc. – 10
Boston 1784 Funds – 17
Boston Partners Asset Management – 5
Boves Funds – 1
Bramwell Funds, Inc., (The) – 1
Brandes Investment Trust – 1
Bridges – 1
Bridgeway – 6
Brinson Funds, (The) – 12
Brown Brothers Harriman & Co. – 11
Brundage, Story and Rose – 3
BSG Funds, (The) – 1
BT Alex. Brown – 49
Bullfinch Fund, Inc. – 2
Burnham Group – 1

C

Cadre – 3
Calamos Family of Funds – 5
Caldwell & Orkin Funds, Inc. – 1
Calvert Group – 26
Canada Life – 6
Cancelmo Capital Management, Inc. – 1
Capital Mgmt. Associates, Inc. – 3
Capital Mortgage Management Inc. – 1
Capital Research & Management – 41
Capstone Group of Mutual Funds – 10
Carillon Investments – 6
Central Securities Corp. – 1
Centurion Counsel, Inc. – 1
Century Capital Management, Inc. – 1
Chaconia – 1
Chapman Company – 5
Chase Vista Mutual Funds – 55
CIGNA – 5
CIMCO Inc. – 7
Citibank Funds – 33
Citizens Funds – 5

Clemente Capital, Inc. – 2
Cohen & Steers Capital Management, Inc. – 5
Commonwealth Shareholder Services – 11
Concorde Funds, Inc. – 2
Conseco Capital Management, Inc. – 13
CornerCap Group of Funds – 2
Countrywide Funds – 18
Crowley Group, (The) – 2
Cutler Trust, (The) – 2

D

Daruma Funds, Inc. – 1
Davis Selected Advisers, L.P. – 15
Dean Family of Funds – 4
Declaration Investment Advisors – 1
Delaware Investments/Lincoln National – 112
Denver Investment Advisors LLC – 9
Dessauer Asset Management – 1
Deutsche Funds – 14
Directed Services, Inc. – 24
Diversified Investors Fund Group – 13
DLB Fund Group – 8
Dodge & Cox – 3
Domini Social Investments, LLC – 2
Dresher Funds – 2
Dreyfus Corporation, (The) – 181
Driehaus Capital Management, Inc. – 5

E

Eastcliff Funds – 4
Eaton Vance – 97
Eclipse Funds – 4
Elite Group, (The) – 2
Endeavor Management Co. – 16
Enterprise Group of Funds, Inc. – 24
Evergreen Funds – 90

F

Farm Bureau – 7
FBR Family of Funds – 4
Federated Investors – 214
Fenimore – 2
FFTW Funds, Inc. – 9
Fidelity Investments – 237
First Austin Capital Management – 2
First Eagle Funds – 2
First Investors – 51
First Pacific Mutual Fund, Inc. – 3

First Variable – 8
 Firstar Funds, Inc. – 30
 Firsthand Funds – 4
 Fleet Investment Group – 43
 Fleming Capital Management – 3
 Fortis Financial Group – 15
 Forum Financial Group – 28
 Forward Funds, Inc. – 5
 Founders – 11
 France Growth Fund – 1
 Frank Russell Investment Company – 32
 Franklin Templeton Group of Funds – 122
 Freedom Capital Management – 9
 Fremont Mutual Funds – 13
 Frontier Funds, Inc. – 1
 Fundamental Family of Funds – 5
 Funds Distributor Inc. – 18

G

Gabelli Funds – 28
 Gannett Welsh & Kotler Funds – 2
 Gateway Trust – 3
 GE Investments – 39
 General American Investors – 1
 Global Asset Management – 7
 Goldman Sachs & Co. – 68
 Golf Associated Fund – 1
 Govett Funds – 4
 Gradison Mutual Funds – 7
 Granum Value Fund – 1
 Great Hall Investment Funds, Inc. – 5
 Green Century Funds – 2
 Greenspring Fund – 1
 Griffin Financial Services – 9
 Growth Fund of Washington – 1
 Guardian Investor Services Corporation – 9
 Guinness Flight Investment Funds – 7

H

Hambrecht & Quist Capital Management – 2
 Hansberger Global Investors, Inc. – 4
 Harbor Fund – 9
 Harris & Harris Group, Inc. – 1
 Harris Associates Investment Trust – 6
 Hartford – 23
 Hawthorne – 2
 Heartland Group – 9
 Heritage Funds – 13
 Herzfeld Advisors – 1
 Hilliard-Lyons – 3
 Holland Capital Management, L.P. – 1
 HomeState Group – 3
 Homestead Funds, Inc. – 5
 Horace Mann – 7

Hough Group of Funds, (The) – 2
 HSBC Funds – 8
 Hudson Investors Fund – 1
 Hughes Funds – 1
 Hyperion Capital Management, Inc. – 4

I

IAA Trust Mutual Funds – 6
 IAI Group – 12
 ICON Funds – 17
 IDS Mutual Fund Group – 61
 Impact Management Investment Trust – 1
 ING Funds Trust – 14
 Integrity Mutual Funds – 8
 INVESCO Funds Group – 54
 Investor Service Center, Inc. – 9
 Investors Management Group – 10
 Investors Research Fund, Inc. – 1
 IPS Funds – 1
 Irish Investment Fund, (The) – 1
 Ironwood Capital Management – 1
 Isaak Bond Investments – 2
 Ivy Mackenzie Group of Funds – 19

J

J.P. Morgan – 50
 Jackson National – 36
 Janus – 21
 Jefferson Pilot Financial – 11
 John Hancock Funds – 53
 Johnson Investment Counsel, Inc. – 5
 Jones & Babson, Inc. – 18
 Jurika & Voyles Fund Group – 3

K

Kaufmann Fund – 1
 Kenilworth Fund, Inc. – 1
 Kenwood Funds – 1
 KeyCorp – 31
 Kirr, Marbach & Company – 1
 Kobren Insight Funds – 3
 Kobrick Cendant Funds, Inc. – 3
 Kopp Funds, Inc. – 1
 KPM Investment Management, Inc. – 2

L

La Crosse Funds – 1
 Labrador Mutual Fund – 1
 Lake Forest Funds – 2
 Lazard Freres – 16
 Lebenthal – 3
 Legg Mason – 31
 Lexington – 17
 Liberty Funds Distributor/Liberty Financial – 54
 LKCM Funds – 5

London Pacific Life and Annuity Company – 7
 Longleaf Partners Funds – 4
 Lord Abbett – 35
 Lutheran Brotherhood – 15

M

MainStay Funds – 48
 Mairs and Power, Inc. – 2
 Managers Funds, (The) – 10
 Manning & Napier – 23
 Manulife North America – 36
 MAP Funds – 3
 Markman MultiFund Trust – 3
 Marsico Funds – 2
 MAS Funds – 27
 Massachusetts Financial Services Company – 129
 Matthew 25 Fund Inc. – 1
 Matthews International Funds – 4
 Maxus Investment Group – 5
 Meeder & Associates – 10
 Mentor Investment Group – 22
 Mercury Investment Management – 4
 Merrill Lynch Asset Management – 187
 Merriman Investment Trust – 5
 Mexico Fund, Inc., (The) – 1
 Monterey Mutual Fund – 9
 Montgomery Funds, (The) – 30
 Monument Group, Inc., (The) – 3
 MONY – 7
 Morgan Grenfell – 22
 Morgan Keegan – 1
 Morgan Stanley Dean Witter Advisors Inc. – 132
 Morgan Stanley Dean Witter Investment Management – 40
 Mosaic Funds – 15
 Muhlenkamp – 1
 Munder Capital Management – 38
 Mutual of America – 11
 Mutual Selection – 1

N

NationsBanc Advisors, Inc. – 61
 Nationwide Advisory Services, Inc. – 19
 Navellier Securities Corporation – 8
 Neuberger Berman, LLC – 35
 Nicholas-Applegate – 23
 Nomura – 4
 North American Funds – 17
 Northern Trust Mutual Funds – 43
 Northstar – 12
 Northwestern Mutual – 9
 Nottingham Company, (The) – 13
 Numeric Investors L.P. – 5
 Nuveen – 100

Nvest Companies, L.P. – 88

O

Oak Ridge Investments – 1
Oak Value Capital Management, Inc. – 1
Oberweis Asset Management, Inc. – 3
OFFITBANK – 16
Ohio National Fund – 29
Olstein Funds – 1
One Group Family of Mutual Funds, (The) – 34
OpCap Advisors – 7
OppenheimerFunds/MassMutual – 83
Orbitex Management, Inc. – 4
O’Shaughnessy Capital Management, Inc. – 4

P

Pacholder Fund, Inc. – 1
Pacific Advisors Fund Inc. – 4
PaineWebber – 74
Papp (L. Roy) & Associates – 5
Parnassus Investments – 4
PATHFINDER FUND – 1
Pax World – 3
Payden & Rygel – 21
PB Series Trust – 9
PBHG Funds, (The) – 27
Penn Series Funds, Inc. – 9
Perritt Capital Management – 1
Phillips Capital Investments – 1
Phoenix Investment Partners, Ltd. – 41
Pilgrim America Group – 8
PIMCO Advisors L.P. – 55
Pioneer Group, Inc., (The) – 34
PNC Financial Services Group – 44
Polestar Management Company, Inc. – 1
Potomac Funds – 7
Preferred Group, (The) – 8
Primary Trend Funds – 3
Principal – 41
Principal Preservation Portfolios, Inc. – 9
Principled Equity Market Fund – 1
Professionally Managed Portfolios – 20
Profit Funds Investment Trust – 1
ProFunds – 7
Protective Investment Company – 7
Providentmutual Investment Mgmt. Co. – 5
Prudential Mutual Funds – 86
Public Service Investment – 1
Purissima Funds, (The) – 3
Putnam Funds – 113

Q

Quantitative Group of Funds – 6

R

R.O.C. Taiwan Fund – 1
Rainier Investment Management – 4
Republic Funds – 10
Righttime Family of Funds – 4
RNC Mutual Fund Group, Inc. – 2
Robertson, Stephens Investment Management Co. – 10
Robinson Capital Management, Inc. – 1
Rodney Square – 10
Roulston & Co. – 3
Royce Funds, (The) – 16
Rydex Series Trust – 21

S

SAFECO – 19
Salomon Brothers – 26
Saturna Capital Corporation – 7
Schafer Capital Management – 1
Schroder Fund Advisors Inc. – 14
SchwabFunds – 35
Schwartz Investment Counsel, Inc. – 1
Scudder Kemper Investments – 174
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Security Capital – 1
SEI Investments – 250
Seligman – 52
Sentinel – 13
Sentry – 1
SG Cowen Securities Corporation – 7
Sheffield Funds, (The) – 2
SIFE – 1
Sit Mutual Funds – 13
Skyline Funds – 3
Smith Barney, Inc. – 129
Smith Breeden Associates – 7
SoGen Funds, (The) – 5
SSgA Funds – 22
STAAR SYSTEM – 6
Standish Funds – 19
State Farm – 4
State Street Research – 23
Stein Roe & Farnham Incorporated – 30
Stratton Mutual Funds – 4
Stratus Funds – 5
Strong Funds – 53
SunAmerica Group – 70
Swiss Helvetia Fund, Inc., (The) – 1

T

T. Rowe Price – 88
Tax Free Fund of Vermont – 1
Third Avenue Funds – 4

Thomas White Funds Family – 1
Thompson, Plumb & Associates – 3
Thurlow Funds, (The) – 1
TIAA-CREF – 15
Timothy Partners, Ltd. – 1
TIP Funds – 17
Tocqueville – 4
Torry Fund, (The) – 1
Touchstone Family of Funds – 16
Transamerica Investment Services – 1
Transamerica Investors, Inc. – 9
Trust Company of the West – 22
Tweedy, Browne Fund Inc. – 2

U

U.S. Global Investors Funds – 15
U.S. Trust Company – 34
UBS Private Investor Funds – 1
Unified Funds, (The) – 4
Uniplan, Inc. – 1
United Asset Management – 59
United Funds – 36
Universal Capital Investment – 1
USAA – 42

V

VALIC – 14
Value Line – 16
Van Deventer & Hoch – 1
Van Eck – 15
Van Kampen Investments Inc. – 110
Vanguard Group, (The) – 97
Venture Lending & Leasing, Inc. – 1
Volumetric – 1

W

Wade Fund – 1
Wanger Asset Management, L.P. – 9
Warburg Pincus Funds – 46
Wasatch Advisors – 6
Waterhouse Asset Management, Inc. – 4
Wayne Hummer – 3
Weiss Peck & Greer – 12
Weitz & Company – 5
Wells Asset Management – 1
Wells Fargo – 44
Weston Financial Group – 2
William Blair Mutual Funds, Inc. – 6
Williamsburg Investment Trust – 12
WM Group of Funds – 41
Wood Struthers & Winthrop – 10

Y

Yorktown Management – 5

Z

Z-Seven Fund – 1
Zweig Mutual Funds – 10



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