INVESTMENT COMPANY INSTITUTE®

2012 Investment Company Fact Book

52nd Edition

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

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2011 Facts at a Glance

Total worldwide assets invested in mutual funds	**$23.8 trillion**
U.S. investment company total net assets*	**$13 trillion**
Mutual funds	$11.6 trillion
Exchange-traded funds	$1.0 trillion
Closed-end funds	$239 billion
Unit investment trusts	$60 billion
U.S. investment companies' share of:	
U.S. corporate equity	29%
U.S. municipal securities	26%
Commercial paper	43%
U.S. government securities	13%
U.S. household ownership of mutual funds	
Number of households owning mutual funds	52.3 million
Number of individuals owning mutual funds	90.4 million
Percentage of households owning mutual funds	44%
Median mutual fund assets of fund-owning households	$120,000
Median number of mutual funds owned	4
U.S. retirement market	
Total retirement market assets	$17.9 trillion
Percentage of households with tax-advantaged retirement savings	69%
IRA and DC plan assets invested in mutual funds	$4.7 trillion

* Components do not add to the total because of rounding.

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Letter from the Chief Economist

BRIAN REID

Chief Economist of the Investment Company Institute

A few months ago, a colleague at a member firm sent us a photograph of two new users of the *Fact Book*. He had picked up the 2011 edition at ICI's General Membership Meeting and upon returning home from the conference, dropped it off in his living room. A few hours later, he found his four-year-old son and six-year-old daughter lying on the floor busily drawing with yellow markers in their newfound coloring book. To his surprise, they had been entertaining themselves for more than an hour highlighting charts and numbers throughout the book, and his photograph captured the moment.

ICI staff took great delight in the newest and youngest fans of the *Fact Book*, but we also take satisfaction when other readers come to our attention, particularly when it is noted as an authoritative source of information. For example, the U.S. Supreme Court has cited the *Fact Book* twice in the past several years. In *Jones v. Harris*, the court referenced data from the *Fact Book* in a decision directly affecting mutual funds and how they set fees. But the court also reached for the *Fact Book* in *Kentucky v. Davis*, a 2008 case about the tax-exempt nature of municipal bonds.

Lower courts also have cited the *Fact Book*, most notably in *Brown v. Calamos*, a 2011 decision of the U.S. Court of Appeals for the Seventh Circuit involving auction market preferred stock. Judge Richard Posner wrote: "For a lucid description of the market for closed-end investment funds' AMPS and the market's demise, see [the] *2011 Investment Company Fact Book*." And in a 2006 case involving the SEC's independent director rulemaking, the U.S. Court of Appeals for the District of Columbia described the *Fact Book* as a "source of statistical information relied upon by the [Securities and Exchange] Commission."

The *Fact Book* has also traveled the world, as we regularly receive international requests for copies. Institutions in India, Scotland, Japan, and Singapore are a few of the distant users to whom we have shipped *Fact Books*. With capital markets worldwide becoming increasingly integrated and developing nations growing wealthier, interest by international organizations in the asset management business and, in particular, developments in the U.S. fund industry, has increased.

As much pleasure as we take in finding a new reader, we continue to appreciate our core audience. Members, regulators, policymakers, academics, journalists, and congressional staff have relied on the *Fact Book* for years. Frequently, members will tell me that they have a row of *Fact Books* on their shelf, or how they referred a colleague to a particularly useful section. Data from the *Fact Book* frequently show up in reports, presentations, or comment letters of member firms. Congressional staff often tell our Government Affairs staff how helpful it is as a reference.

Each year, we distribute thousands of copies to those on our annual mailing list, including ICI members, congressional offices, research libraries, and independent directors. The PDF and HTML versions available on our website receive thousands of hits each month, making the *Fact Book* one of our most popular research publications. Each spring, as we are completing the new edition, we begin to receive calls and emails from regular users eager to receive the latest data and analysis for their slides or charts.

From crayons to court cases, it is fulfilling to know that each new edition of the *Fact Book* has such a wide and ever-expanding audience that relies on ICI Research to bring together the highest-quality data and scholarship about investment companies, fund shareholders, and individuals saving for retirement. This work is the essential focus of every member of the ICI Research Department. We dedicate months of effort each year to publish the *Fact Book* as part of our mission to facilitate sound, well-informed public policies affecting investment companies, their investors, and the retirement markets. Thank you for your continued interest and feedback on our research and publications.

ICI Research Staff and Publications

ICI Senior Research Staff

Chief Economist

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

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

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 analysts, and data assistants. This staff collects and disseminates data for all types of registered investment companies, offering detailed analyses of fund shareholders, the economics of investment companies, and the retirement and education savings markets.

2011 ICI Research and Statistical Publications

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 published 17 research and policy reports in 2011, examining the industry, its shareholders, and industry issues. In 2011, the Institute's Research Department released more than 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.

Industry and Financial Analysis Research Publications

- "Pricing of U.S. Money Market Funds," *ICI Research Report*, January 2011
- "Trends in the Fees and Expenses of Mutual Funds, 2010," *ICI Research Perspective*, March 2011
- "The Closed-End Fund Market, 2010," *ICI Research Perspective*, March 2011

Investor Research Publications

- *Commitment to Retirement Security: Investor Attitudes and Actions*, January 2011
- "Profile of Mutual Fund Shareholders, 2010," *ICI Research Report*, February 2011
- *The IRA Investor Profile: Traditional IRA Investors' Asset Allocation, 2007 and 2008*, September 2011
- "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2011," *ICI Research Perspective*, October 2011
- "Characteristics of Mutual Fund Investors, 2011," *ICI Research Perspective*, October 2011

Retirement Research Publications

- "Who Gets Retirement Plans and Why: An Update," *ICI Research Perspective*, March 2011
- "Defined Contribution Plan Participants' Activities 2010," *ICI Research Report*, May 2011
- "The Economics of Providing 401(k) Plans: Services, Fees, and Expenses, 2010," *ICI Research Perspective*, June 2011

- "Defined Contribution Plan Participants' Activities, First Quarter 2011," *ICI Research Report,* August 2011
- "Who Gets Retirement Plans and Why, 2010," *ICI Research Perspective*, October 2011
- "Defined Contribution Plan Participants' Activities, First Half 2011," *ICI Research Report,* October 2011
- "The Role of IRAs in U.S. Households' Saving for Retirement, 2011," *ICI Research Perspective*, November 2011
- "A Look at Private-Sector Retirement Plan Income After ERISA, 2010," *ICI Research Perspective*, December 2011
- "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2010," *ICI Research Perspective*, December 2011

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Statistical Releases

Trends in Mutual Fund Investing

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

Estimated Long-Term Mutual Fund Flows

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

Money Market Fund Assets

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

Retirement Market Data

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

Closed-End Fund Data

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

Exchange-Traded Fund Data

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

Unit Investment Trust Data

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

Worldwide Mutual Fund Market Data

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

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

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Publication of the *2012 Investment Company Fact Book* was directed by Rochelle Antoniewicz, Senior Economist, and Judy Steenstra, Senior Director of Statistical Research, working with Miriam Bridges, Managing Editor, Jennifer Smith, Senior Web Designer, and Candice Gullett, Copyeditor.

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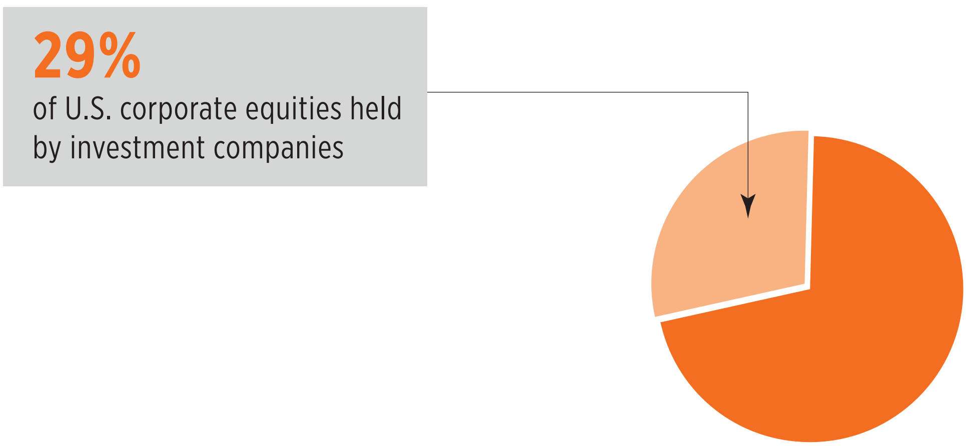
Investment companies held more than one-quarter of U.S. corporate equities in 2011



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 $13 trillion in assets at the end of 2011 for more than 92 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 2011

U.S.-registered investment companies managed $13.0 trillion at year-end 2011 (Figure 1.1), a $129 billion decrease from year-end 2010. Major U.S. stock indexes fell about 1 percent over the year, contributing to a decrease in total net assets of funds invested in domestic equity markets. Significant declines in stock prices abroad had a corresponding effect on funds invested in international equities. In addition, the value of U.S. equity and bond funds that held international assets was lowered by the strengthening of the U.S. dollar and the resulting decrease in the dollar value of the nondomestic securities held in their portfolios.

The decline in the value of U.S. fund assets was accentuated by net outflows from money market funds. Overall, mutual funds reported $100 billion of net outflows in 2011. Investors pulled $124 billion from money market funds, but added $24 billion to long-term mutual funds. In addition, mutual fund shareholders reinvested $176 billion of income dividends and $68 billion of capital gains distributions that mutual funds paid out during the year. Investor demand for exchange-traded funds (ETFs) was on pace with the previous year, with net share issuance (including reinvested dividends) of $118 billion. Unit investment trusts (UITs) had new deposits of $36 billion and closed-end funds issued $15 billion in net new shares during 2011, both up from 2010.

Americans' Continued Reliance on Investment Companies

Households are the largest group of investors in funds, and registered investment companies managed 23 percent of households' financial assets at year-end 2011, essentially unchanged from 2010 (Figure 1.2). As households have increased their reliance on funds over time, their demand for directly held stocks has been decreasing for the past decade (Figure 1.3). Household demand for directly held bonds, which tended to be relatively strong prior to the financial crisis but has been weak ever since, plummeted in 2011. In contrast, over the past decade, households' net investment in registered investment companies has been consistently positive and substantially stronger than their net purchases of directly held bonds and stocks. Households invested an average of $409 billion each year, on net, in registered investment companies versus average annual sales, on net, of $377 billion in directly held stocks and bonds over the past 11 years.

FIGURE 1.1

Investment Company Total Net Assets by Type

Billions of dollars, year-end, 1995–2011

	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	4,711
1998	5,525	156	16	94	5,790
1999	6,846	147	34	92	7,119
2000	6,965	143	66	74	7,247
2001	6,975	141	83	49	7,248
2002	6,383	159	102	36	6,680
2003	7,402	214	151	36	7,803
2004	8,095	254	228	37	8,614
2005	8,891	276	301	41	9,509
2006	10,398	297	423	50	11,168
2007	12,001	312	608	53	12,975
2008	9,604	183	531	29	10,346
2009	11,120	220	777	38	12,155
2010	11,821	234	992	51	13,097
2011	11,622	239	1,048	60	12,968

[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 invest primarily 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.

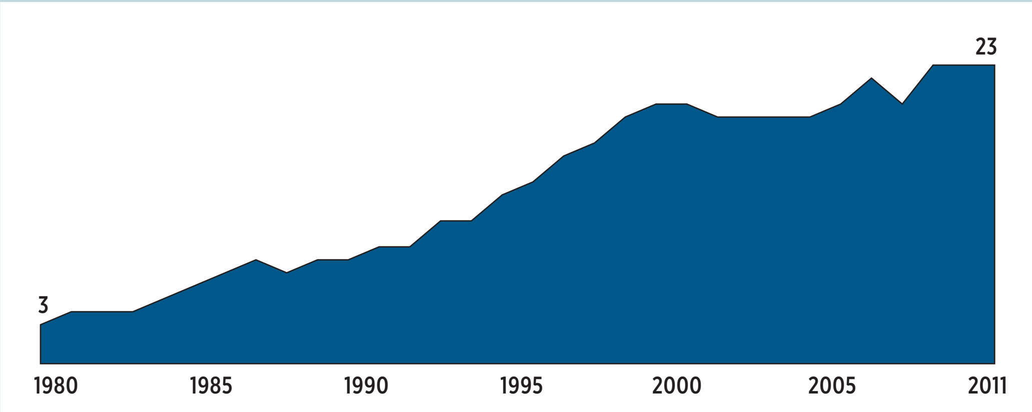
Sources: Investment Company Institute and Strategic Insight Simfund

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, explains some of households' increased reliance on investment companies during the past two decades. At year-end 2011, 9 percent of household financial assets was invested in 401(k) and other DC retirement plans, up from 7 percent in 1991. Mutual funds managed 55 percent of the assets in these plans in 2011, up from 13 percent in 1991 (Figure 1.4). IRAs made up 10 percent of household financial assets, and mutual funds managed 45 percent of IRA assets in 2011. Additionally, mutual funds managed $982 billion in variable annuities outside of retirement accounts, as well as $4 trillion of assets in taxable household accounts.

FIGURE 1.2

Share of Household Financial Assets Held in Investment Companies

Percentage of household financial assets, year-end, 1980–2011



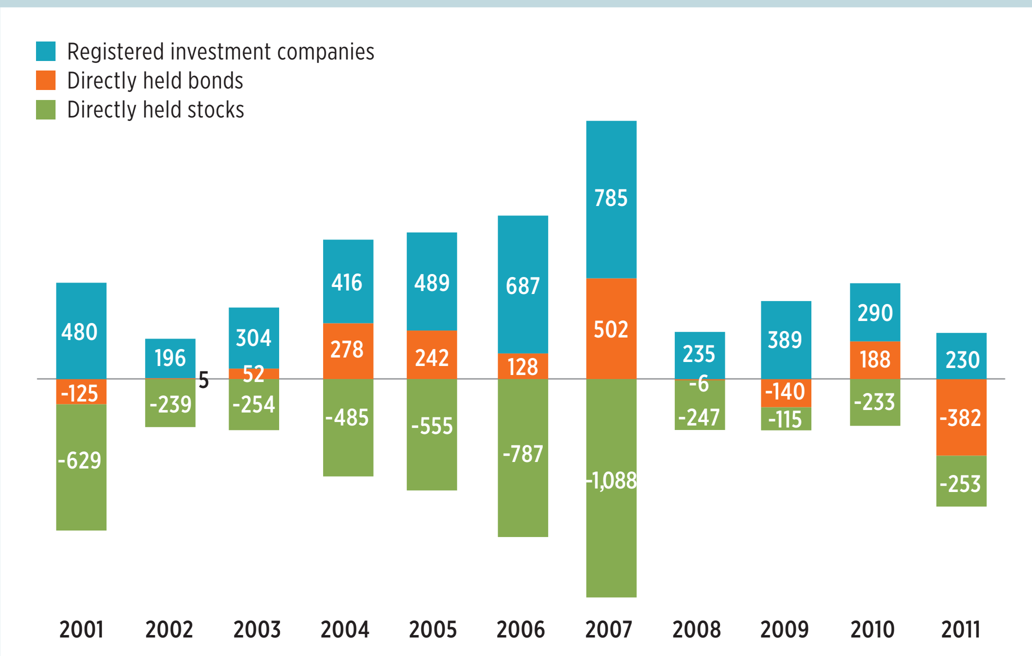
Note: Household financial assets held in registered investment companies include household holdings of ETFs, closed-end funds, UITs, and mutual funds. Mutual funds held in employer-sponsored DC plans, IRAs, and variable annuities are included.

Sources: Investment Company Institute and Federal Reserve Board

FIGURE 1.3

Household Net Investments[1] in Funds,[2] Bonds, and Stocks

Billions of dollars, 2001–2011



[1] Net new cash flow and reinvested interest and dividends are included.

[2] Data for funds include mutual funds, variable annuities, ETFs, and closed-end funds.

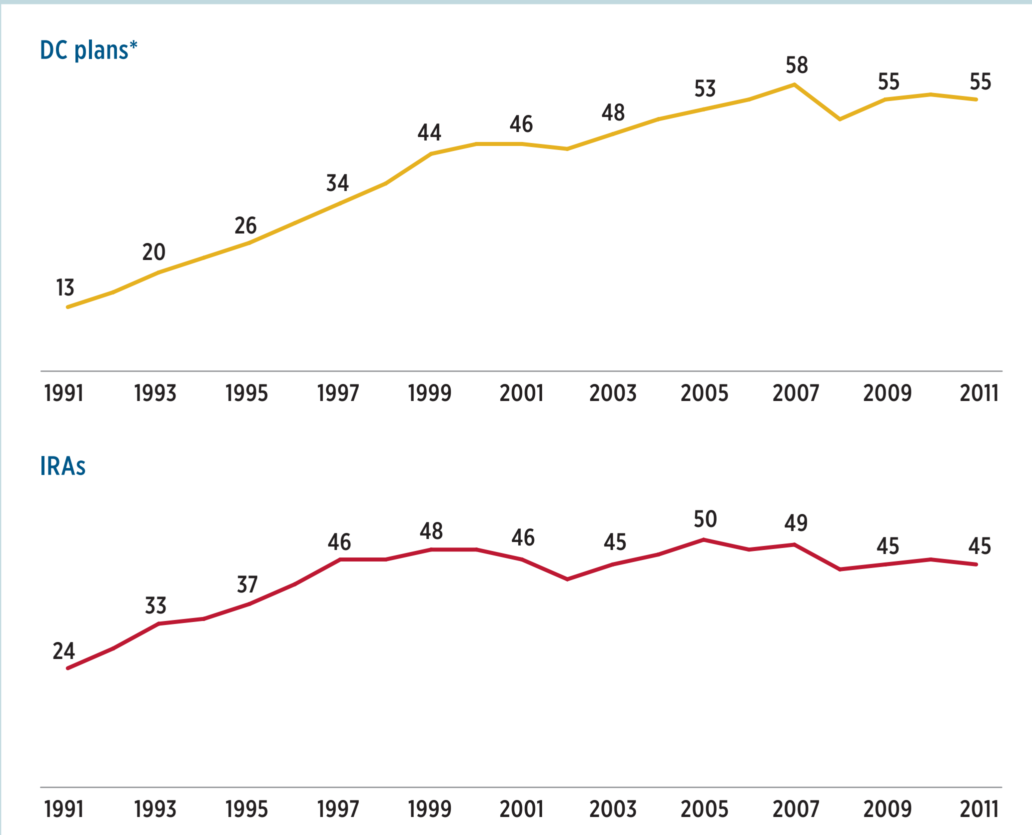
Sources: Investment Company Institute and Federal Reserve Board

Businesses and other institutional investors also rely on funds. Many institutions use money market funds to manage a portion of their cash and short-term assets. Although down from 23 percent in 2010, nonfinancial businesses held 19 percent of their cash in money market funds at year-end 2011. Institutional investors also have 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 manage their investor flows and remain fully invested in the market. Asset managers also use ETFs as part of their investment strategies, including as a hedge for their exposure to equity markets.

FIGURE 1.4

Mutual Funds in Household Retirement Accounts

Mutual fund percentage of retirement assets by type of retirement vehicle, 1991–2011



* 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

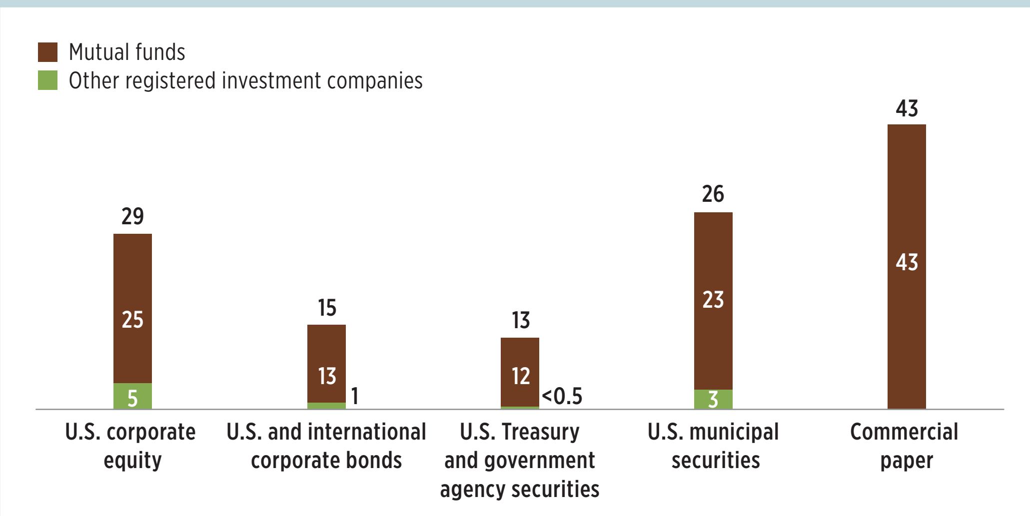
Investment companies have been among the largest investors in the domestic financial markets for much of the past 20 years. They held a significant portion of the outstanding shares of U.S.-issued stocks, bonds, and money market securities at year-end 2011. Investment companies as a whole were one of the largest groups of investors in U.S. companies, holding 29 percent of their outstanding stock at year-end 2011 (Figure 1.5).

Investment companies continued to be the largest investor in the U.S. commercial paper market—an important source of short-term funding for major U.S. and international corporations. However, mutual funds' share of the commercial paper market decreased to 43 percent of outstanding commercial paper at year-end 2011 from 45 percent at year-end 2010. 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 prime money market funds and the overall supply of commercial paper. While 2011 marked the fifth year in a row that the total dollar amount of outstanding commercial paper contracted, prime money market funds, which invest in commercial paper, also experienced larger-than-average outflows from their funds.

FIGURE 1.5

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

Percentage of total market securities held by investment companies, year-end 2011



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 2011, investment companies held 26 percent of tax-exempt debt issued by U.S. municipalities (Figure 1.5). 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 13 percent of U.S. Treasury and government agency securities at year-end 2011. Funds' role in the corporate bond market continued to expand in 2011, holding 15 percent of the outstanding debt securities in this market compared to 14 percent at year-end 2010.

Types of Intermediaries and Number of Investment Companies

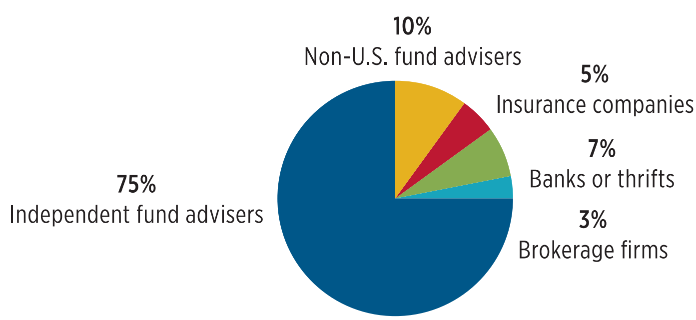
A variety of financial service companies offer registered funds in the United States. At year-end 2011, 75 percent of fund complexes were independent fund advisers (Figure 1.6), and these firms managed over 60 percent of investment company assets. Non-U.S. fund advisers, banks, thrifts, insurance companies, and brokerage firms are other types of fund complexes in the U.S. marketplace.

In 2011, there were 713 financial firms from around the world that competed in the U.S. market to provide investment management services to fund investors (Figure 1.7). 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

FIGURE 1.6

Three-Quarters of Fund Complexes Were Independent Fund Advisers

Percentage of investment company complexes by type of intermediary, year-end 2011



sponsors in the 1980s and 1990s. However, competition among these sponsors and pressure from other financial products have reversed this trend over the past decade. From year-end 2000 to year-end 2011, 539 fund sponsors left the fund business. In the same time, 464 new firms entered. 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 sponsors has occurred with larger fund sponsors acquiring some smaller fund families and with some fund sponsors liquidating funds and leaving the fund business. In addition, several other large sponsors of funds sold their fund advisory businesses. The portion of fund companies that has been able to retain assets in addition to attracting new investments has been generally lower since 2000 than during the 1990s (Figure 1.8). Two bear markets leading to outflows from equity funds and other competitive pressures affected the profitability of fund sponsors and contributed to the decline in their number over the past 12 years.

The decline in the number of investment company sponsors has been concentrated primarily among those offering mutual funds. Their exit from the industry has caused growth in the number of mutual funds to slow in recent years. Competitive dynamics also affect the number of funds

FIGURE 1.7

Number of Fund Sponsors

2001–2011

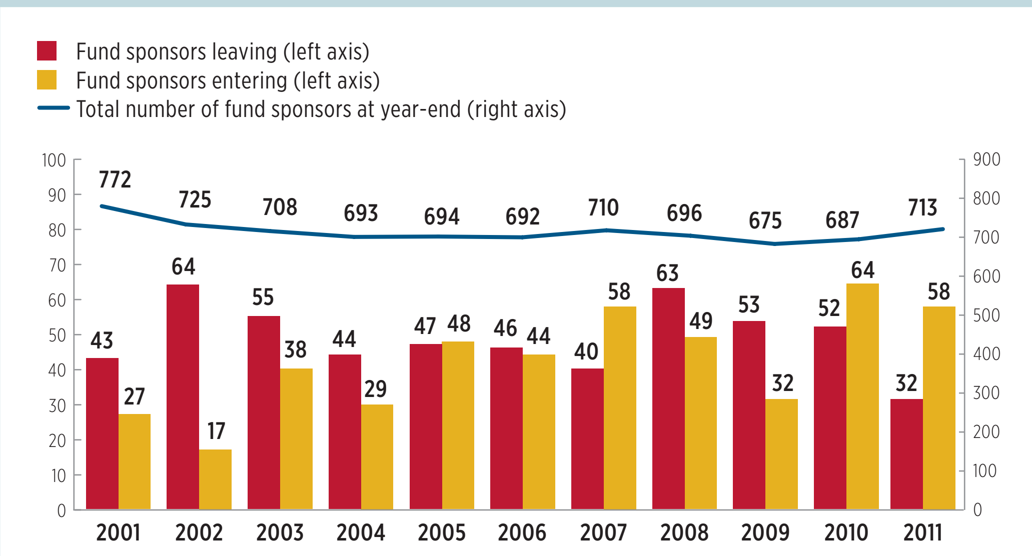
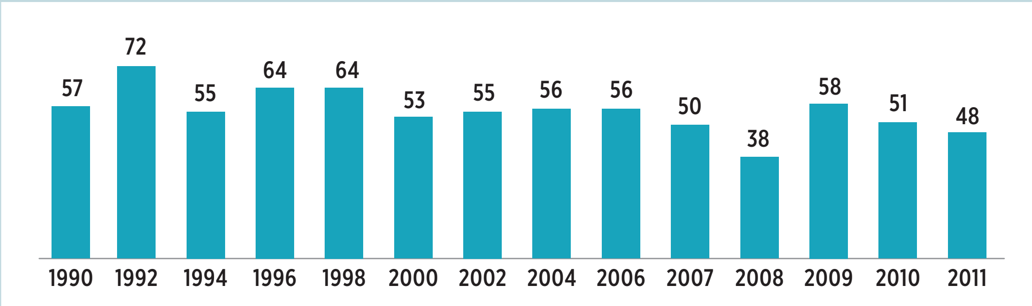


FIGURE 1.8

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

Percentage of fund complexes, selected years

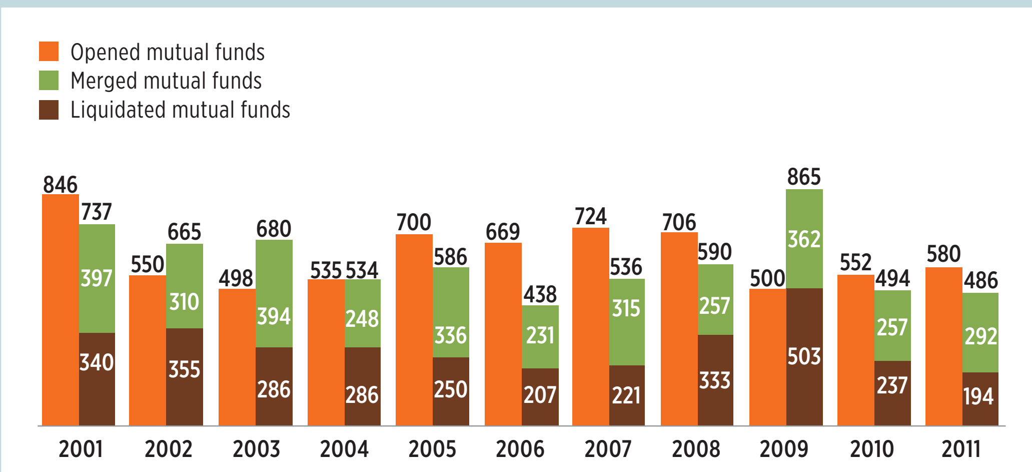


offered in any given year by the fund sponsors that remain. In particular, fund sponsors create new funds to meet investor demand, and they merge or liquidate funds that do not attract sufficient investor interest. The pace of newly opened funds increased for the second year in a row to 580 funds in 2011 but still remains below average for the previous 10 years (Figure 1.9). The rate of fund mergers and liquidations declined slightly to 486 in 2011 from 494 in 2010.

FIGURE 1.9

Number of Mutual Funds Leaving and Entering the Industry

2001–2011



Note: 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.

Unit Investment Trusts

Unit investment trusts (UITs) are registered investment companies with some characteristics of both mutual funds and closed-end funds. Like mutual funds, UITs issue redeemable shares (called "units"). Like closed-end funds, however, UITs typically issue only a specific, fixed number of shares. In contrast to open-end and closed-end funds, UITs have a predetermined termination date that varies according to the investments held in the portfolio. UITs investing in long-term bonds may remain outstanding for 20 to 30 years. UITs that invest in stocks may seek to capture capital appreciation over a period of a year or a few years. When these trusts are dissolved, proceeds from the securities are either paid to unit holders or reinvested in another trust.

There are two main categories of UITs: bond trusts and equity trusts. Bond trusts are divided into taxable and tax-free trusts. Equity trusts are divided into domestic or international/global trusts. The first UIT, which was offered in 1961, held tax-free bonds and, historically, the majority of UIT assets have been invested in bonds. However, beginning in the late 1990s, assets in equity UITs generally have exceeded assets in both taxable and tax-free bond trusts (Figure 1.10). The number of trusts outstanding decreased from the mid-1990s through the mid-2000s due to a slowdown in the number of trusts created by sponsors combined with existing trusts reaching their preset termination dates.

UITs employ a "buy-and-hold" investment strategy; once the trust's portfolio is selected, its securities typically are not traded. UITs may sell or replace a security if questions arise concerning the financial viability of the issuer or the security's creditworthiness. Most UITs hold a diversified portfolio of securities with the extent of each trust's diversification described in its prospectus. The securities in a UIT, which are listed in its prospectus, are professionally selected to meet a stated investment objective such as growth, income, or capital appreciation.

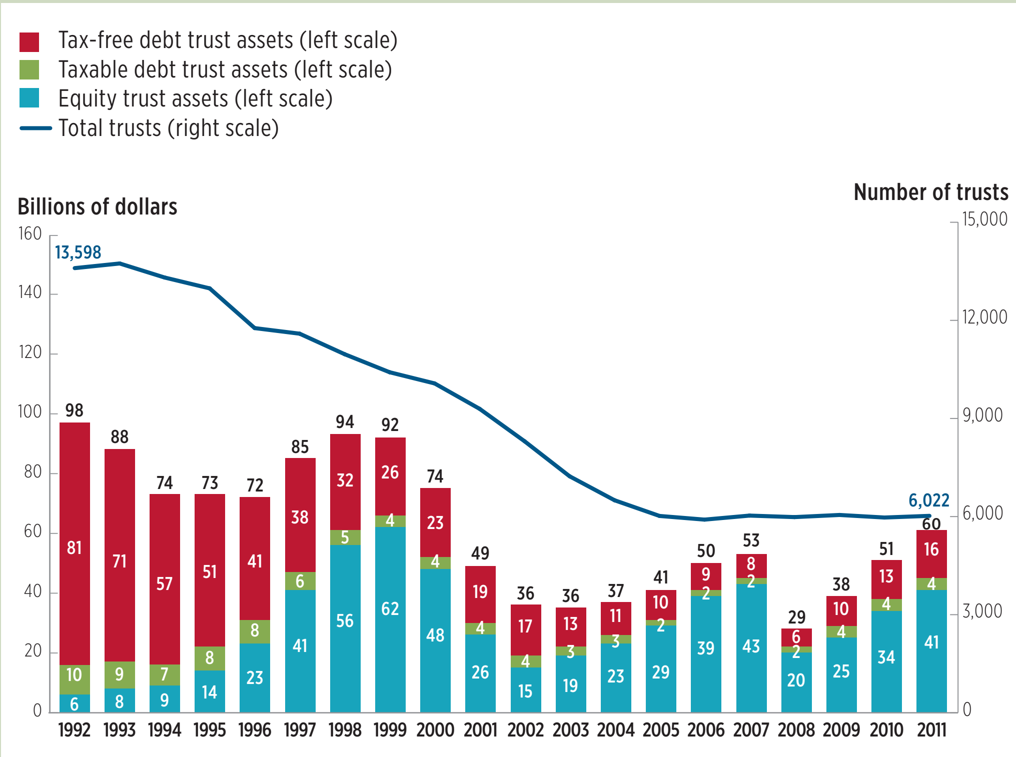
Investors can obtain UIT price quotes from brokerage or investment firms, and some but not all UITs list their prices on NASDAQ's Mutual Fund Quotation Service. Some broker-dealers offer their own trusts or sell trusts offered by nationally recognized independent sponsors. Units of these trusts may be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

While only a specific number of units of a UIT is sold in an initial public offering, many trust sponsors voluntarily maintain a secondary market where outstanding units are repurchased from initial investors and subsequently resold to other investors. Thus, an investor may be able to purchase or sell units in the secondary market. Even in the absence of a secondary market for UITs, trusts are required by law to redeem outstanding units at their net asset value (NAV), which is based upon the current market value of the underlying securities.

FIGURE 1.10

Total Net Assets and Number of UITs

Year-end, 1992–2011



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

The total number of investment companies has increased since 2005 (the low point), but still remains well below the recent peak at year-end 2000 (Figure 1.11). This overall decline is attributable to sponsors of UITs, which often have preset termination dates, creating significantly fewer new trusts between 2000 and 2005. The number of UITs has shown some fluctuation since year-end 2005 and increased in 2011 by opening 51 new trusts, on net. Closed-end fund sponsors have had little change in the total number of funds since year-end 2005 and opened only 10 new funds, on net, in 2011. ETFs have continued to open new funds at a brisk pace with 216 new funds opened, on net, in 2011. There were 1,166 ETFs at year-end 2011, nearly 15 times the number of ETFs that existed at year-end 2000.

FIGURE 1.11

Number of Investment Companies by Type

Year-end, 1995–2011

	Mutual funds[1]	Closed-end funds	ETFs[2]	UITs	Total
1995	5,761	499	2	12,979	19,241
1996	6,293	496	19	11,764	18,572
1997	6,778	486	19	11,593	18,876
1998	7,489	491	29	10,966	18,975
1999	8,003	511	30	10,414	18,958
2000	8,370	481	80	10,072	19,003
2001	8,518	491	102	9,295	18,406
2002	8,511	544	113	8,303	17,471
2003	8,426	583	119	7,233	16,361
2004	8,415	618	152	6,499	15,684
2005	8,449	634	204	6,019	15,306
2006	8,721	646	359	5,907	15,633
2007	8,746	663	629	6,030	16,068
2008	8,880	642	743	5,984	16,249
2009	8,612	627	820	6,049	16,108
2010	8,540	624	950	5,971	16,085
2011	8,684	634	1,166	6,022	16,506

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

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

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

Sources: Investment Company Institute and Strategic Insight Simfund

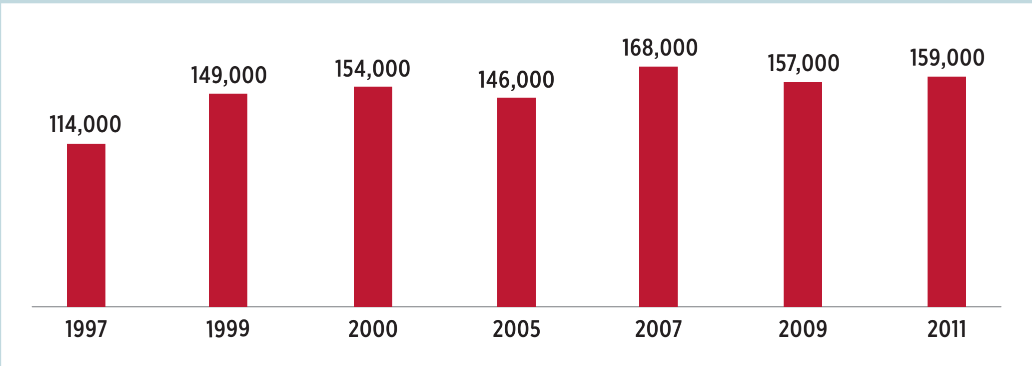
Investment Company Employment

Fund sponsors and third-party service providers offer advisory, recordkeeping, administrative, custody, and other services to a growing number of funds and their investors. From 1997 to 2011, fund industry employment in the United States grew 39 percent from 114,000 workers to 159,000 workers (Figure 1.12). Based on results of an ICI biennial survey, employment peaked in 2007 at 168,000.

FIGURE 1.12

Investment Company Industry Employment

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



*These are the years in which the ICI employment survey was conducted.

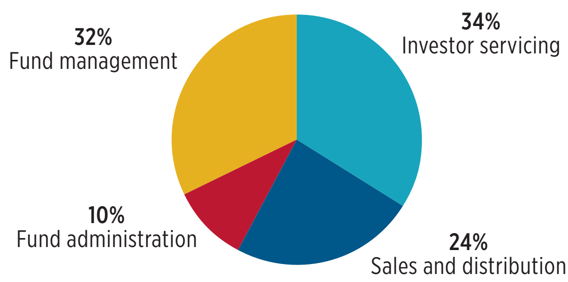
The largest group of workers provides services to fund investors and their accounts, with 34 percent of fund employees involved in these activities in March 2011 (Figure 1.13). Shareholder account servicing encompasses a wide range of activities to help investors monitor and update their accounts. These employees work in call centers and help shareholders and their financial advisers with questions about investor accounts. They also process applications for account openings and closings. Other services include retirement plan transaction processing, retirement plan participant education, participant enrollment, and plan compliance.

At the same time, 32 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 10 percent of industry employment. In 2011, distribution and sales force personnel together accounted for 24 percent of the workforce. Employees in these areas may be involved in marketing, product development and design, or investor communications and may include sales support staff, registered representatives, and supermarket representatives.

FIGURE 1.13

Investment Company Industry Employment by Job Function

Percentage of employees of fund sponsors and their service providers, March 2011



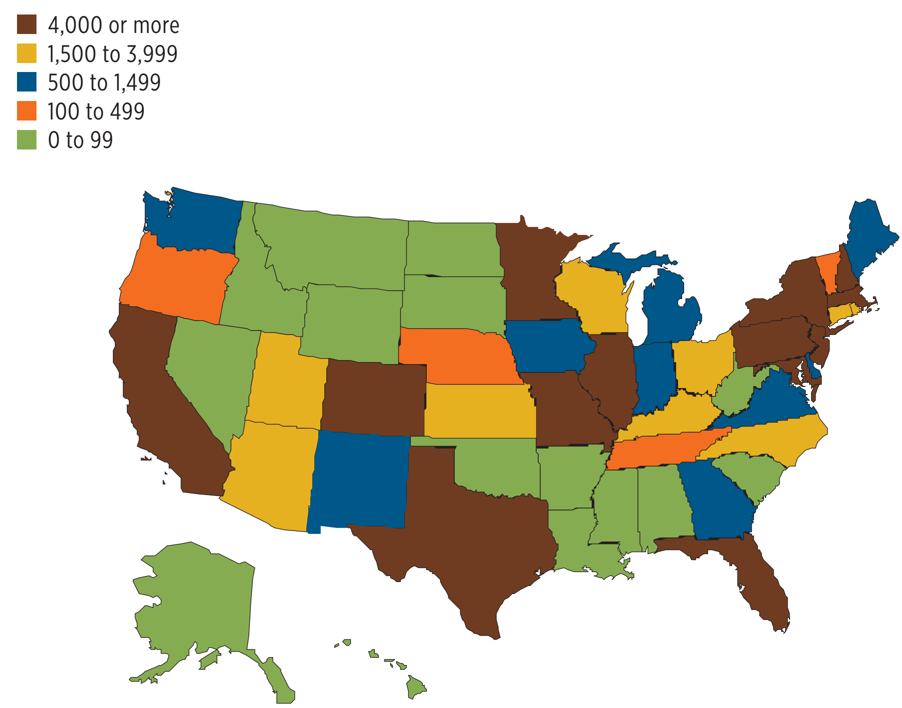
Total employment: 159,000 employees

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 March 2011 (Figure 1.14), employing 30 percent of the workers in the fund industry. 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 2011.

FIGURE 1.14

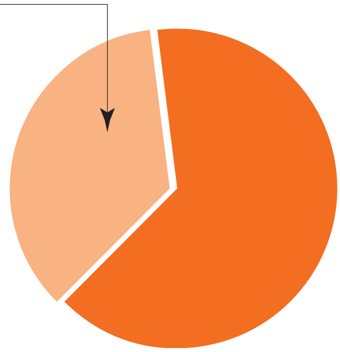
Investment Company Industry Employment by State

Estimated number of employees of fund sponsors and their service providers by state, March 2011



One-third of mutual fund assets was in bond and hybrid mutual funds

32%
was in bond and hybrid funds



Chapter Two

RECENT MUTUAL FUND TRENDS

With $11.6 trillion in assets, the U.S. mutual fund industry remained the largest in the world at year-end 2011. Total net assets decreased $199 billion from year-end 2010, as gains in bond and hybrid fund assets were more than offset by declines in equity and money market fund assets. Demand for mutual funds remained weak in 2011, with net withdrawals from all types of mutual funds amounting to $100 billion. Investor demand for certain types of mutual funds appeared to be driven in large part by the low interest rate environment, volatility in the equity market, and the slow pace of the economic growth. In 2011, money market funds continued to experience outflows, although at a slower pace than in the previous two years. Net withdrawals from equity funds picked up in 2011—their fourth consecutive year of outflows. While inflows to bond funds were still strong, they slowed from their record high in 2009. Hybrid funds remained popular with investors, with inflows increasing again in 2011.

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 Funds

Investor demand for mutual funds is influenced by a variety of factors, not least of which is funds' ability to assist investors in achieving their investment objectives. For example, U.S. households rely on equity, bond, and hybrid mutual funds to meet long-term personal financial objectives such as preparing for retirement. U.S. households, 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.

U.S. Mutual Fund Assets

The U.S. mutual fund market—with $11.6 trillion in assets under management at year-end 2011—remained the largest in the world, accounting for 49 percent of the $23.8 trillion in mutual fund assets worldwide (Figure 2.1).

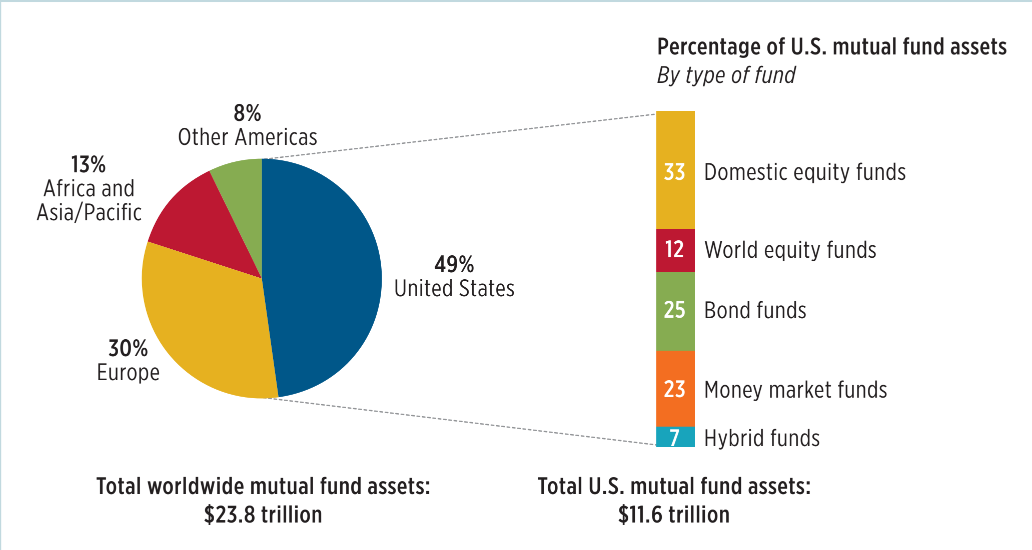
Equity funds made up 45 percent of U.S. mutual fund assets at year-end 2011 (Figure 2.1). Domestic equity funds (those that invest primarily in shares of U.S. corporations) held 33 percent of total industry assets. World equity funds (those that invest primarily in nondomestic corporations) accounted for another 12 percent. Bond funds accounted for 25 percent of U.S. mutual fund assets. Money market funds (23 percent) and hybrid funds (7 percent) held the remainder of total U.S. mutual fund assets.

More than 650 sponsors managed mutual fund assets in the United States in 2011. 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 1990, 13 remained in this top group in 2011.

FIGURE 2.1

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

Percentage of total net assets, year-end 2011



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

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 462 as of December 2011.

In this past decade, however, the percentage of industry assets at larger fund complexes has increased. The share of assets managed by the largest 25 firms increased to 73 percent in 2011 from 68 percent in 2000 (Figure 2.2). In addition, the share of assets managed by the largest 10 firms in 2011 was 53 percent, up from the 44 percent share managed by the largest 10 firms in 2000.

FIGURE 2.2

Share of Assets at the Largest Mutual Fund Complexes

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

	1990	1995	2000	2005	2010	2011
Largest 5 complexes	34	34	32	37	40	40
Largest 10 complexes	53	48	44	48	53	53
Largest 25 complexes	75	71	68	70	74	73

Several factors likely contributed to this development. One factor is the acquisition of smaller fund complexes by larger ones. Second, total returns on U.S. stocks* averaged only about 2.5 percent annually from year-end 2000 to year-end 2011 and likely held down assets managed by fund complexes that concentrate their offerings primarily in domestic equity funds—many of which tend to be smaller fund complexes. Third, in contrast, total returns on bonds† averaged 6 percent annually in the past 11 years. Finally, strong inflows over the decade to bond funds, which are fewer in number and have fewer fund sponsors than equity mutual funds, helped boost the share of assets managed by those large fund complexes that offer bond funds.

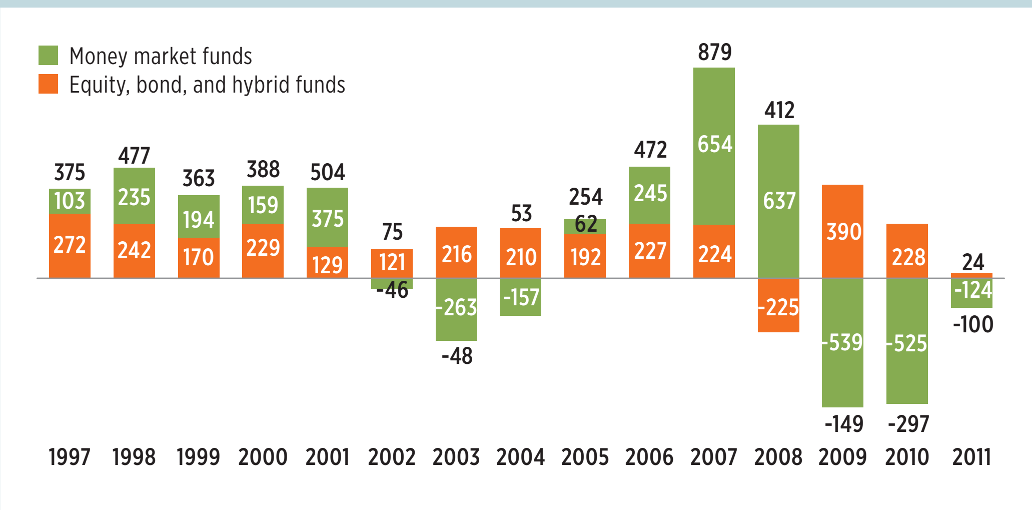
Developments in Mutual Fund Flows

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—continued to be weak in 2011. Overall, the industry had a net cash outflow of $100 billion (Figure 2.3). Investors withdrew $124 billion from money market funds, nearly all from institutional funds. In addition, investors only added $24 billion, on net, to long-term funds. In the past three years, outflows from mutual funds have totaled $546 billion. As a percentage of the average market value of assets over this period, this outflow amounted to nearly 5 percent.

FIGURE 2.3

Net New Cash Flow to Mutual Funds

Billions of dollars, 1997–2011



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

* Measured by the Wilshire 5000 Total Market Index.
† Measured by the Citigroup Broad Investment Grade Bond Index.

In 2011, global financial markets were shaken by the debt crisis in the eurozone* and the U.S. debt ceiling showdown and ongoing fiscal difficulties. The creditworthiness of many major European banks was called into question because of their exposure to sovereign bonds issued by Greece, Italy, Spain, Portugal, and Ireland. Volatility in equity markets worldwide spiked. In the United States, stock prices ended 2011 down 1 percent, after having risen over 8 percent from year-end 2010 through April 2011. In the rest of the world, stock prices† followed a steeper downward trajectory and ended 2011 down 15 percent, after also having risen 8 percent from year-end 2010 through April 2011.

In addition, the pace of economic activity in the United States weakened during 2011 as manufacturers and retailers pared back on inventory accumulation and federal, state, and local governments cut back on their spending. Continued weakness in the labor market and housing sector prompted the Federal Reserve to keep the federal funds rate in a target range of 0 percent to 0.25 percent. The Federal Reserve also exchanged $400 billion in short-term Treasury securities for longer-term Treasury securities on its balance sheet ("Operation Twist") in an attempt to flatten the yield curve and lower long-term borrowing rates for businesses and households in order to stimulate the economy.

Demand for Long-Term Mutual Funds

Investors added $24 billion in net new cash to equity, bond, and hybrid funds in 2011, down substantially from $228 billion in 2010 (Figure 2.3). Bond and hybrid funds remained popular investment choices by investors, while outflows from equity funds accelerated in 2011.

Equity Mutual Funds

Investors withdrew cash from equity funds in 2011 at a faster pace than in 2010. In 2011, net withdrawals from all equity funds amounted to $130 billion for the year, more than the $37 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.

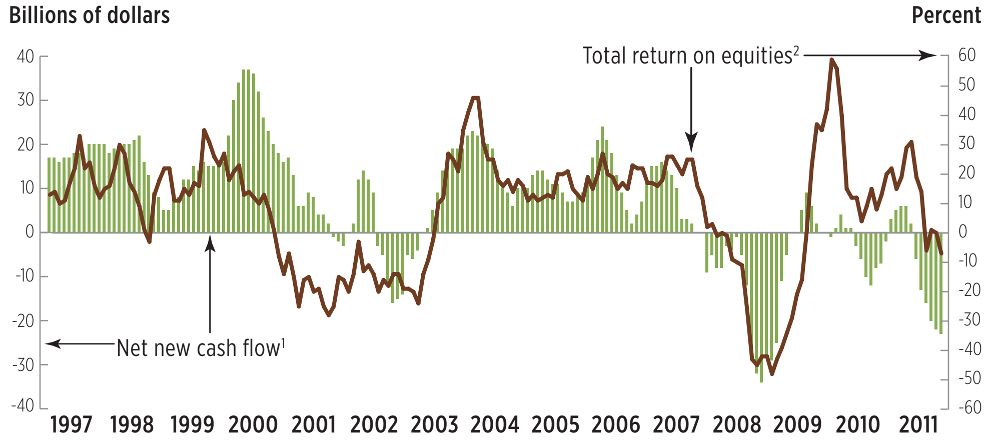
* Eurozone refers to European Union countries using the euro as their primary currency.

† Measured by the Morgan Stanley Capital International All Country World Ex-U.S. Index.

FIGURE 2.4

Net New Cash Flow to Equity Funds Related to Global Stock Price Performance

1997–2011



[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 Daily Total Return Index.

Sources: Investment Company Institute and Morgan Stanley Capital International

Over the course of 2011, the U.S. stock market was buffeted by domestic and global events and the path of U.S. stock prices followed that of a roller coaster. As the U.S. stock market rose through the first four months of 2011, domestic equity funds garnered $13 billion in net new cash. With the worsening of the debt crisis in the eurozone, the building confrontation over extending the debt ceiling in the United States, and disappointing readings on economic activity, stock prices in the United States started sliding and investors resumed withdrawing cash from domestic equity funds. Although U.S. stock prices bottomed out in early October and rose strongly through the end of the year, domestic equity funds continued to experience net outflows. For the year as a whole, U.S. stocks returned a total of about 1 percent (including dividend payments) and investors withdrew, on net, $135 billion from domestic equity funds in 2011. Domestic equity funds have had six consecutive years of withdrawals totaling $471 billion, more than expected based on the historical relationship between returns on U.S. stocks and demand for domestic equity funds.

Funds investing in nondomestic companies fared somewhat better than domestic equity funds. Although international stock markets were, at times, more turbulent than in the United States and international stock prices were down about 13 percent (including dividend payments) for the year, world equity funds received $5 billion in net new cash in 2011.

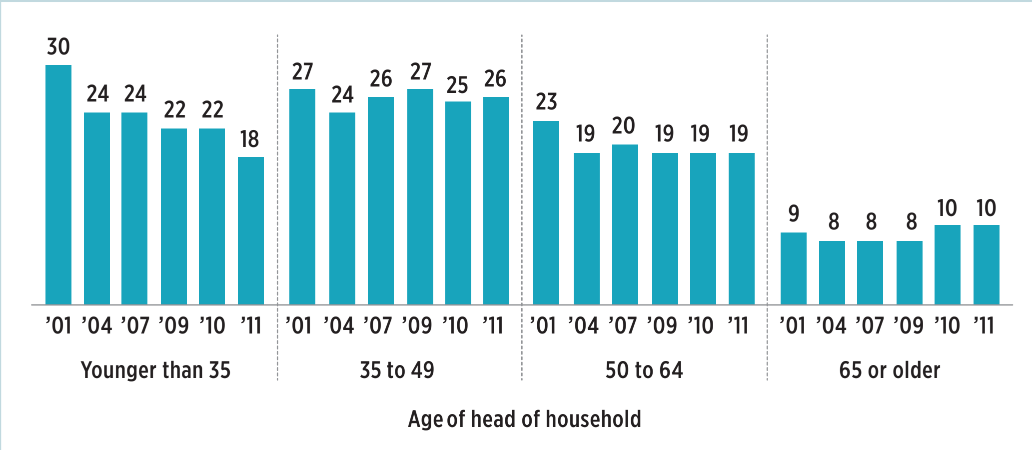
A couple of secular and demographic factors may be playing a role in tempering inflows to and boosting outflows from equity mutual funds. One secular factor that may partly explain investors' reduced demand for equity funds is a lower tolerance for risk. In the past decade, households have endured two 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 early 2000s (Figure 2.5). For example, only 19 percent of households headed by someone between 50 and 64 years of age in 2011 were willing to take above-average or substantial investment risk, compared with 23 percent of such households in 2001. Also, other data indicate that within age groups, many investors have lower holdings of equities in their 401(k) accounts compared with their same-age-group cohorts a decade earlier (Figure 2.6). In 2010, 26 percent of 401(k) participants in their fifties held more than 80 percent of their 401(k) accounts in equities (directly and through funds), down significantly from 51 percent of 401(k) participants in their fifties in 2000.

The aging of the population likely also has contributed to a reduction in the demand for equity funds. As investors grow older, willingness to take investment risk tends to decline. In 2011, only 10 percent of households headed by someone aged 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). This lower risk tolerance is apparent in investors' allocation of equities in their 401(k) accounts as they age. In 2010, 38 percent of 401(k) participants in their sixties had more than 60 percent of their 401(k) accounts invested in equities; whereas 70 percent of 401(k) participants in their forties had more than 60 percent of their 401(k) accounts invested in equities (Figure 2.6). Older investors also tend to have substantially larger financial assets than younger investors. Therefore, as the Baby Boom Generation has aged and pared back their exposure to equities, this shift may have restrained flows into equity funds.

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



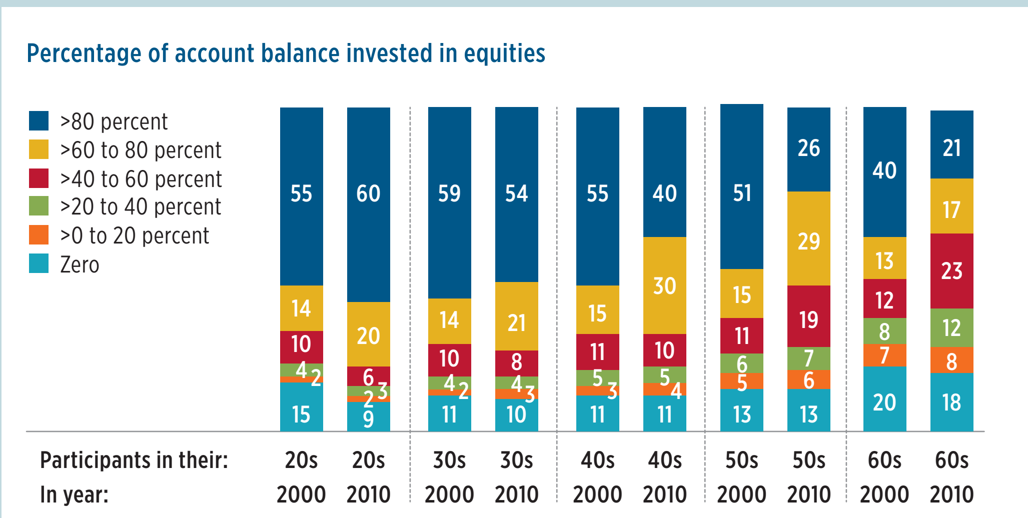
Note: Age is based on the sole or co-decisionmaker for household saving and investing.

Sources: Investment Company Institute and Federal Reserve Board

FIGURE 2.6

Exposure to Equities Has Declined Among Most 401(k) Participants

Percentage of 401(k) participants by age, year-end



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

Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project. See *ICI Research Perspective*, "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2010."

Asset-Weighted Turnover Rate

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

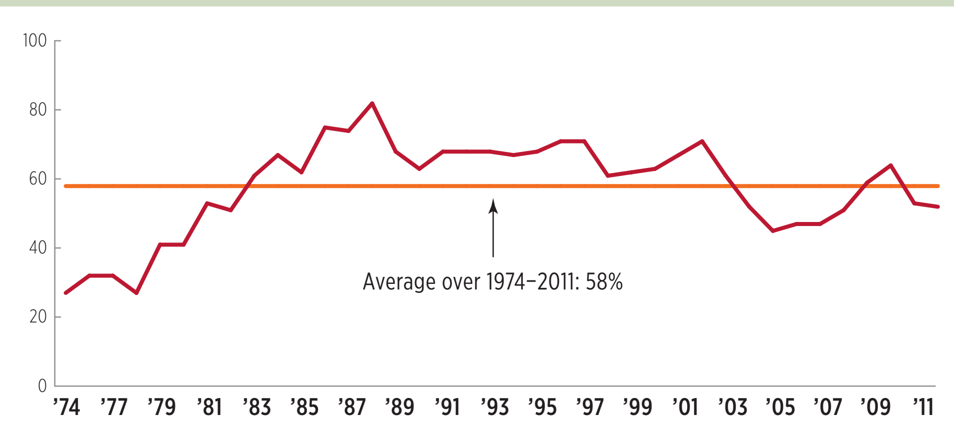
To analyze the turnover rate that shareholders actually experience in their funds, it is important to identify those funds in which shareholders are most heavily invested. Neither a simple average nor a median takes into account where fund assets are concentrated. An asset-weighted average gives more weight to funds with large amounts of assets, and accordingly, indicates the average portfolio turnover actually experienced by fund shareholders. In 2011, the asset-weighted annual turnover rate experienced by equity fund investors was 52 percent, somewhat below the average experience of the past 38 years (Figure 2.7).

Investors tend to own equity funds with relatively low turnover rates. In 2011, about half of equity fund assets were in funds with portfolio turnover rates under 35 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 2.7

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

1974–2011



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

[2] Data exclude mutual funds available as investment choices in variable annuities.

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

Bond and Hybrid Mutual Funds

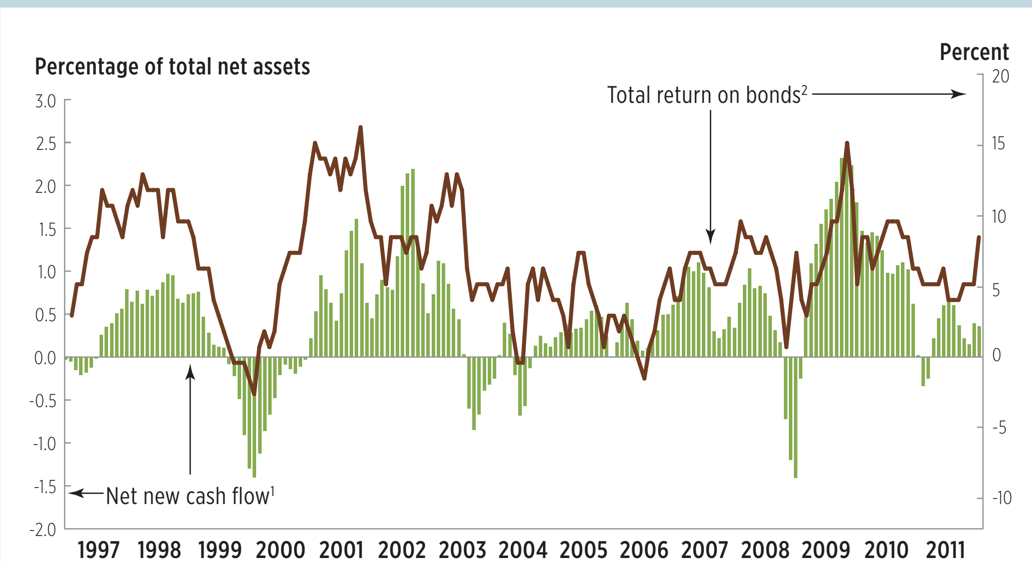
In 2011, investors added $124 billion to their bond fund holdings—a strong rate, albeit down from $241 billion in 2010 and the record $380 billion pace of net investment in 2009. Traditionally, cash flow into bond funds is highly correlated with the performance of bonds (Figure 2.8). The U.S. interest 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.

Over the past three years, low short-term interest rates and the additional yield offered by longer-tenure fixed-income securities likely enticed some investors to shift out of money market funds and into bond funds. However, as the yield curve flattened, particularly in the latter part of 2011, the incentive to switch from money market funds to bond funds diminished and possibly contributed to the slowdown in bond fund inflows. In 2009, the difference between the yield on the four-week Treasury bill and the three-year constant maturity Treasury security averaged about 130 basis points. In 2010, the average difference fell to around 100 basis points. By the second half of 2011, the average difference had declined to about 45 basis points, reflecting, in part, the impact of Operation Twist and the Federal Reserve's stated expectation that it would need to keep interest rates low until late 2014.

FIGURE 2.8

Net New Cash Flow to Bond Funds Related to Bond Returns

1997–2011



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

The pace of inflows into taxable bond funds was fairly strong through the first seven months of 2011 ($14.7 billion monthly rate), but turned negative in August as investors reacted—most likely—to the turmoil surrounding the political standoff on the U.S. budget and the downgrade of long-term U.S. Treasury debt by Standard & Poor's. Inflows into bond funds resumed in September and throughout the rest of the year, but at a lower $9.6 billion monthly rate. For the year as a whole, taxable bond funds had inflows of $136 billion.

In contrast, flows to tax-exempt bond funds were weak at the start of 2011, but strengthened toward the end of the year. Concerns regarding state and local governments' fiscal positions and the possibility of a significant increase in defaults by municipalities appeared to weigh on investors' minds for the first eight months of 2011. Through August, tax-exempt bond funds experienced outflows of $23 billion. Investor anxiety seemed to abate somewhat late in the third quarter as the steep rise in default rates did not materialize. State revenues improved and many municipalities cut services rather than be forced to skip debt payments. From September through December, tax-exempt bond funds received $11 billion in net new cash. For the year as a whole, tax-exempt bond funds had $12 billion in net outflows.

Although inflows to bond funds slowed in 2011, inflows since 2004 have been stronger than expected based on the historical relationship between bond returns and demand for bond funds. Some of the same secular and demographic factors that appear to be restraining flows to equity funds may have served to boost flows into bond funds: the reduced appetite for investment risk by investors of all ages, the aging of the U.S. population, and the increasing use of target date and other asset allocation funds, many of which are offered in a fund of funds structure. First, the decline in risk tolerance across all age groups (Figure 2.5) likely boosted flows into bond funds over the past few years. Second, the leading edge of the Baby Boom Generation has just started to retire, and because investors tend to pare back their exposure to equities as they age (Figure 2.6), it is natural for them to allocate their investments increasingly toward fixed-income securities. Last, 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 $123 billion in net new cash flow in 2011.

Investor demand for hybrid funds, which invest in a combination of stocks and bonds, remained strong in 2011, with investors adding $30 billion, on net, to these funds, up from $24 billion in 2010. Over the past three years, investors increasingly have turned to hybrid funds, with inflows amounting to $63 billion.

Funds of Funds

Funds of funds are mutual funds that primarily 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 2011. Hybrid funds of funds invest their cash in underlying equity, bond, and hybrid mutual funds.

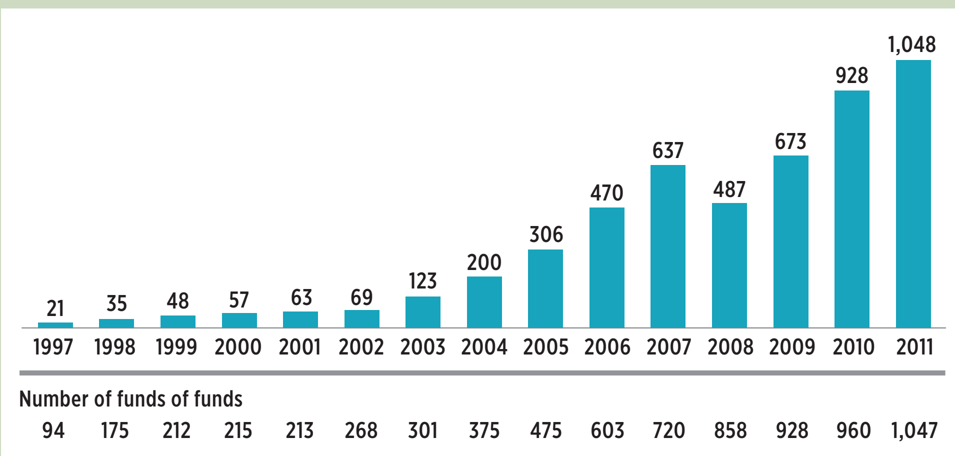
Assets of funds of funds have grown rapidly over the past decade. By the end of 2011, the number of funds of funds had grown to 1,047, and total net assets were over $1 trillion (Figure 2.9). About 60 percent of the increase in the assets of funds of funds in the past 10 years is attributable to increasing investor interest in target date funds and lifestyle funds (also known as target risk funds). The growing popularity of these funds, especially for retirement investing, likely reflects the automatic rebalancing features of these products. Target date funds allow a predetermined allocation of risk over time, and lifestyle funds maintain a predetermined risk level. Since year-end 2001, funds of funds received a total of $788 billion in net new cash, of which 57 percent was from target date and lifestyle funds.

For more information on target date and lifestyle funds, see page 126.

FIGURE 2.9

Total Net Assets and Number of Funds of Funds

Billions of dollars, 1997–2011



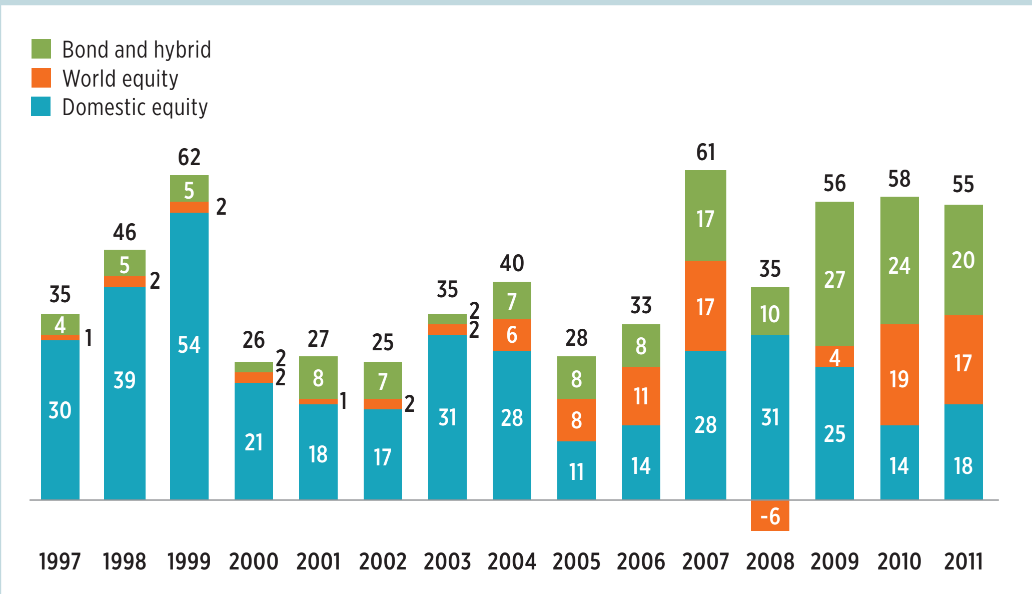
Index Mutual Funds

Index mutual funds remained popular with investors. Of households that owned mutual funds, 33 percent owned at least one index mutual fund in 2011. As of year-end 2011, 383 index funds managed total net assets of $1.1 trillion. Similar to funds of funds, demand for index funds remained strong in 2011, with investors adding $55 billion in net new cash flow to these funds (Figure 2.10). About 36 percent of the new money that flowed to index funds was invested in funds indexed to bond indexes, while nearly one-third was directed toward funds indexed to domestic stock indexes, and another 31 percent went to funds indexed to global and international stock indexes. Demand for domestic equity index funds picked up somewhat in 2011, with these funds experiencing an aggregate inflow of $18 billion.

FIGURE 2.10

Net New Cash Flow to Index Mutual Funds

Billions of dollars, 1997–2011



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 2011. Seventy-eight percent of index mutual fund assets was invested in index funds that track the S&P 500 or other domestic and international stock indexes (Figure 2.11). Funds indexed to the S&P 500 managed 34 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 16.4 percent in 2011 (Figure 2.12).

FIGURE 2.11

34 Percent of Index Fund Assets Was Invested in S&P 500 Index Mutual Funds

Percent, year-end 2011

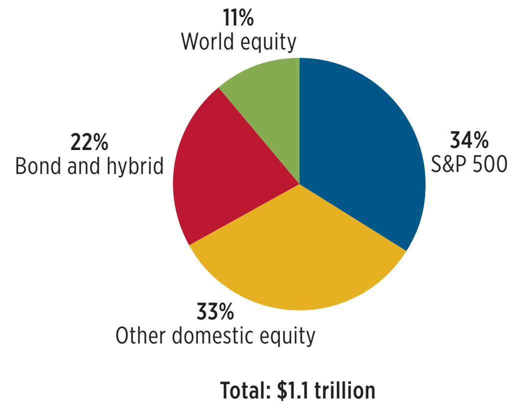
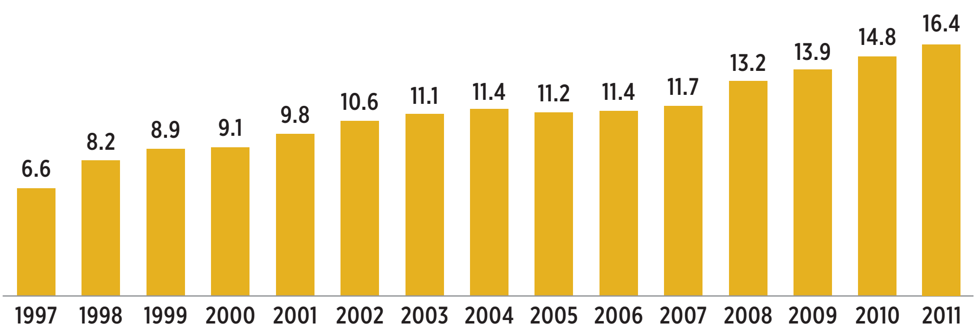


FIGURE 2.12

Equity Index Mutual Funds' Share Continued to Rise

Percentage of equity mutual fund total net assets, 1997–2011



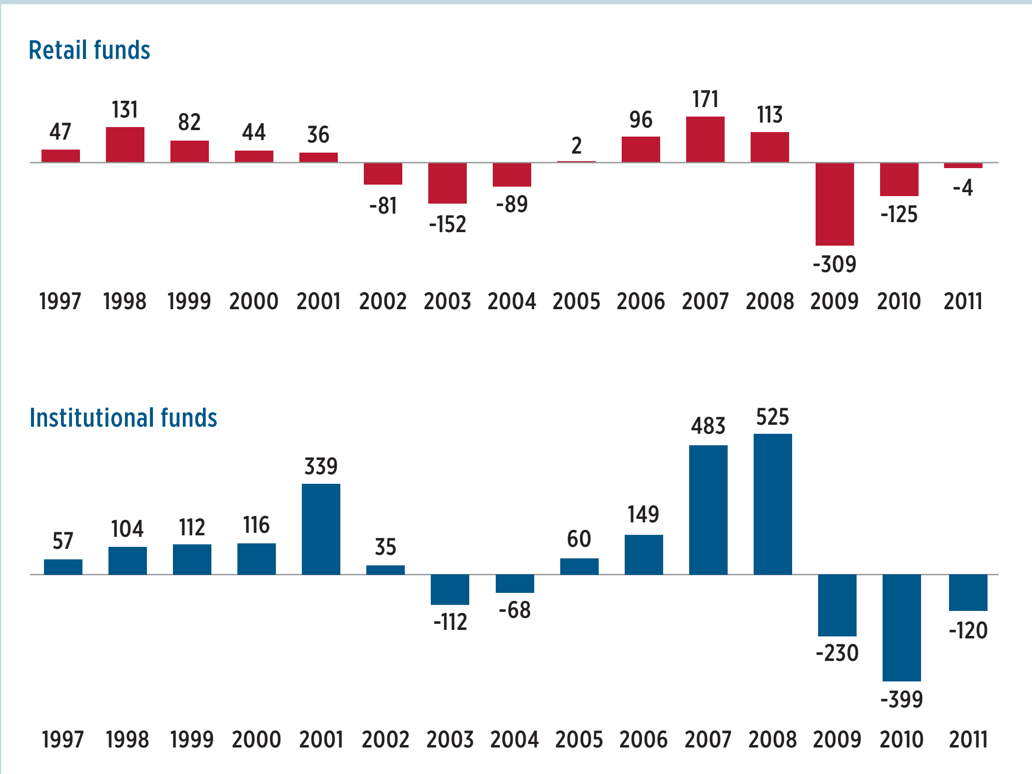
Demand for Money Market Funds

Money market funds continued to experience outflows in 2011 (Figure 2.13), but at a much reduced pace from the outflows seen in 2009 and 2010. Outflows in 2009 and 2010 were in part driven by an unwinding of the flight to safety in response to the financial crisis of 2007 and 2008. This effect likely waned in 2011, but other factors continued to limit inflows to money market funds: the low short-term interest rate environment, the European debt crisis, the potential for a default by the U.S. federal government, and the U.S. federal government's extension of unlimited deposit insurance on non-interest-bearing checking accounts.

FIGURE 2.13

Net New Cash Flow to Money Market Funds

Billions of dollars, 1997–2011



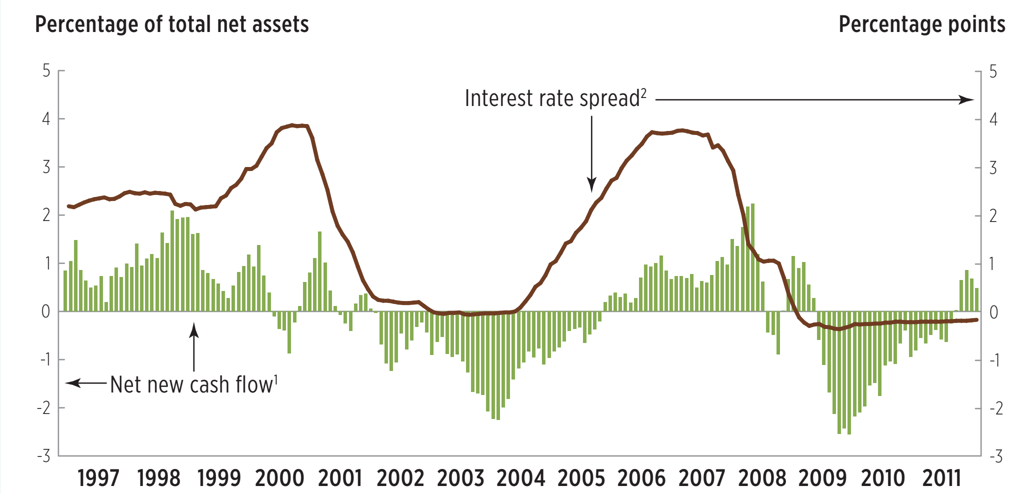
Retail Money Market Funds

Owing to Federal Reserve monetary policy, short-term interest rates continued to remain near zero in 2011. Yields on money market funds, which track short-term open market instruments such as Treasury bills, also hovered near zero, and were a bit below yields on money market deposit accounts offered by banks (Figure 2.14). Individual investors tend to withdraw cash from money market funds when the difference in interest rates between bank deposits and money market funds narrows or becomes negative. Retail money market funds, which are principally sold to individual investors, saw a $4 billion outflow in 2011, following outflows of $309 billion in 2009 and $125 billion in 2010 (Figure 2.13). The reduced outflow from money market funds in 2011 likely reflected at least two factors that offset, in part, the effect of the low-yield environment. First, the stock market declined markedly from April through early October and during this time investors may have parked cash in money market funds as a safe haven. Second, following regulatory changes, many banks reportedly altered checking account arrangements, which may have resulted in higher fees to certain deposit accounts, thus reducing their competitiveness relative to money market funds.

FIGURE 2.14

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

1997–2011



[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 $120 billion in 2011, following outflows of $230 billion in 2009 and $399 billion in 2010 (Figure 2.13). As with retail money market funds, this three-year pattern was heavily influenced by continued low interest rates and an unwinding of the flight to quality by these investors in 2007 and 2008.

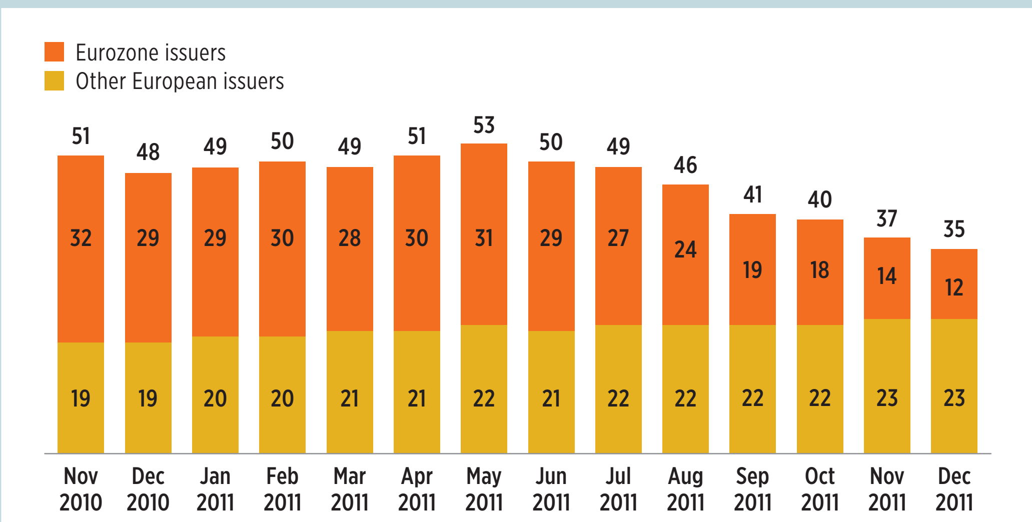
In 2011, flows to institutional money market funds were affected by two financial market shocks attributable in large measure to government gridlock: the looming U.S. federal debt ceiling crisis and deteriorating conditions in European debt markets. Reflecting concerns about solvency and liquidity in U.S. and European sovereign debt markets, investors withdrew $174 billion from institutional money market funds in June and July, more than the total for the entire year.

In response to the eurozone debt crisis, prime money market funds markedly reduced their holdings of eurozone issuers in the second half of 2011 (Figure 2.15). Prime money market funds' holdings of eurozone issuers fell to 12 percent by year-end from 31 percent at the end of May. This pattern was not uniform across Europe, however, with prime money market funds' holdings of European issuers outside the eurozone ("Other European issuers") rising slightly to 23 percent at the end of December from 22 percent of assets at the end of May. (Denmark, Switzerland, Sweden, and the United Kingdom constitute the bulk of the "Other European issuers" category.)

FIGURE 2.15

Prime Money Market Funds' Holdings of Eurozone* and Other European Issuers

Percentage of prime funds' total net assets, month-end, November 2010–December 2011



* Eurozone refers to European Union countries using the euro as their primary currency.

Note: Data exclude prime money market funds not registered under the Securities Act of 1933.

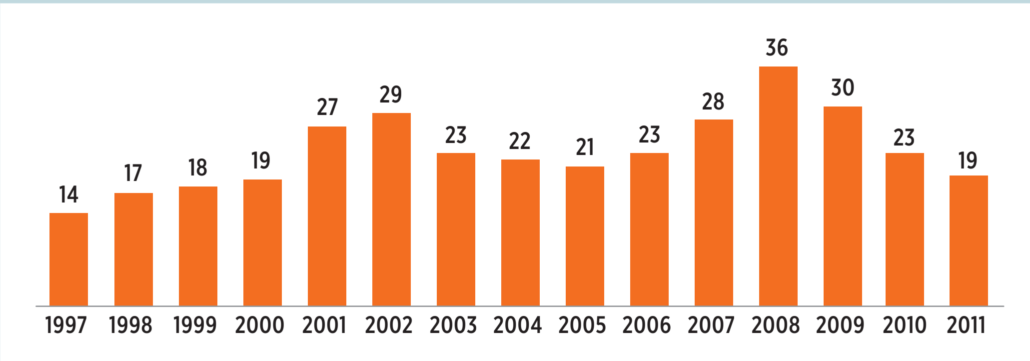
Sources: Investment Company Institute tabulation of publicly available Form N-MFP data prior to May 2011; ICI tabulation of data provided by Crane Data thereafter.

U.S. nonfinancial businesses are important users of institutional money market funds. In 2011, U.S. nonfinancial businesses continued to reduce the portion of cash balances held in money market funds (Figure 2.16). This portion reached a peak of 36 percent in 2008 and fell to 19 percent by year-end 2011. In part, the decline in 2011 may have reflected cash managers' concerns regarding the U.S. federal debt ceiling crisis and developments in Europe. In addition, regulatory changes have enticed corporate cash away from money market funds toward bank deposits. Under provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act, banks have been able to pay interest on business checking accounts and, through December 2012, can offer unlimited deposit insurance on non-interest-bearing business checking accounts.

FIGURE 2.16

Money Market Funds Managed 19 Percent of U.S. Businesses' Short-Term Assets* in 2011

Percent, year-end, 1997–2011



* 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.

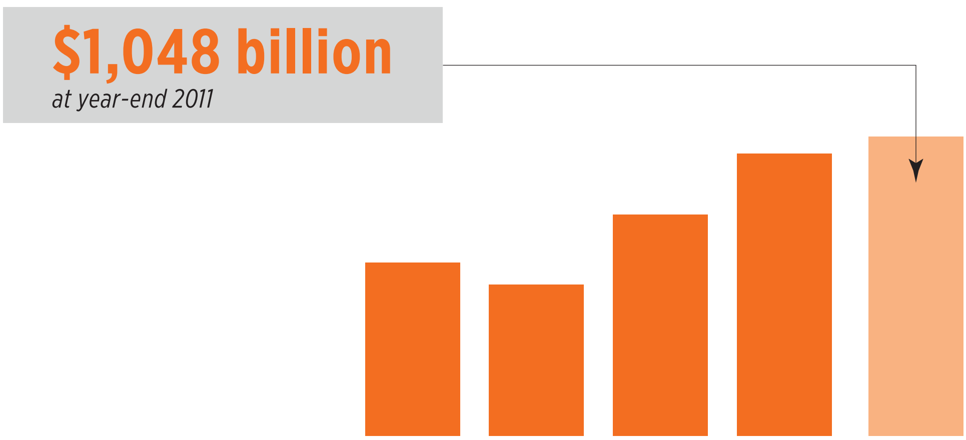
Sources: Investment Company Institute and Federal Reserve Board

For More Information

- » Understanding the Risks of Bond Mutual Funds: Are They Right for Me?
- » Frequently Asked Questions About Money Market Funds
- » "Pricing of U.S. Money Market Funds," *ICI Research Report*
- » For further analysis, visit **www.ici.org/viewpoints/financial_markets** and **www.ici.org/viewpoints/mmfs**

Available at www.ici.org.

Total net assets of ETFs reached over $1 trillion at year-end 2011



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, key operational and structural differences remain between the two types of investment products.

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

What Is an ETF?

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

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

In early 2008, the SEC first granted exemptive relief to several fund sponsors to offer fully transparent, actively managed ETFs 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.

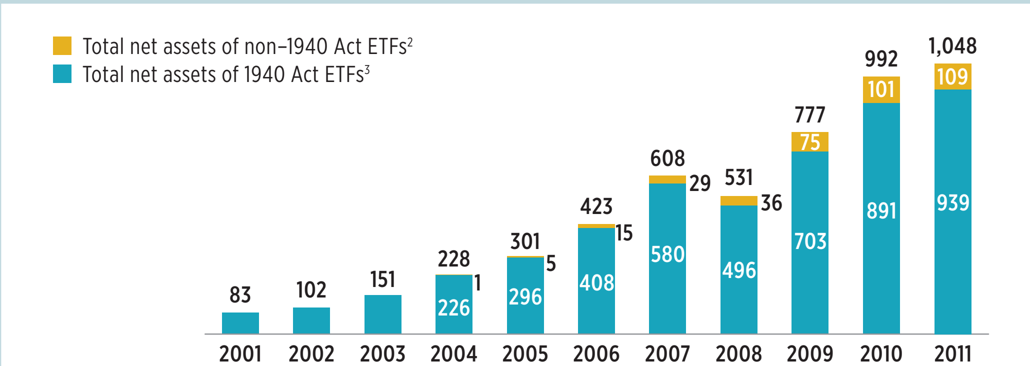
Total Net Assets of ETFs

By the end of 2011, the total number of index-based and actively managed ETFs had grown to 1,134, with total net assets of $1,048 billion (Figure 3.1).

FIGURE 3.1

Total Net Assets and Number of ETFs[1]

Billions of dollars, year-end, 2001–2011



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Number of ETFs	102	113	119	152	204	359	629	728	797	923	1,134

[1] Data for ETFs that invest primarily in other ETFs are excluded from the totals.

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

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

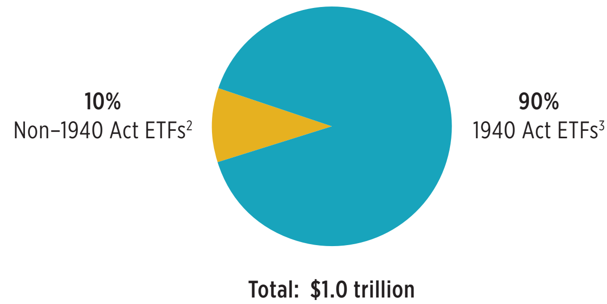
Note: Components may not add to the total because of rounding.

The vast majority of assets in ETFs are in funds registered with and regulated by the SEC under the Investment Company Act of 1940 (Figure 3.2). At year-end 2011, 10 percent of assets were held in ETFs that invest primarily in commodities, currencies, and futures and are not registered with or regulated by the SEC under the Investment Company Act of 1940. Non–1940 Act ETFs that invest in commodity or currency futures are regulated by the Commodity Futures Trading Commission (CFTC) under the Commodity Exchange Act and the SEC under the Securities Act of 1933. Those that invest solely in physical commodities or currencies are regulated by the SEC under the Securities Act of 1933.

FIGURE 3.2

Legal Structure of ETFs[1]

Percentage of total net assets, year-end 2011



[1] Data for ETFs that invest primarily in other ETFs are excluded from the totals.

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

[3] The funds in this category are 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.

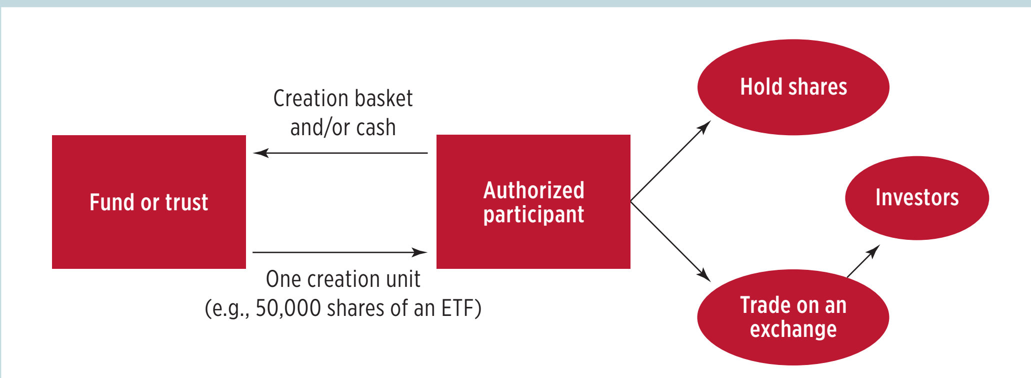
ETFs are required to publish information about their portfolio holdings daily. Each business day, the ETF publishes a “creation basket,” a specific list of names and quantities of securities and/or other assets. The creation basket is either a replicate or a sample of the ETF’s portfolio. Actively managed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

ETF shares are created when an "authorized participant"—typically a large institutional investor, such as a market maker or broker-dealer—deposits the daily creation basket and/or cash with the ETF (Figure 3.3). The ETF may require or permit an authorized participant to substitute cash for some or all of the securities or assets in the creation basket. For instance, if a security in the creation basket is difficult to obtain or may not be held by certain types of investors (as is the case with certain international 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 either can keep the ETF shares that make up the creation unit or sell all or part of them on a stock exchange. ETF shares are listed on a number of exchanges where investors can purchase them as they would shares of a publicly traded company.

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

FIGURE 3.3

Creation of an ETF



ETFs and Mutual Funds

A 1940 Act ETF is similar to a mutual fund in that it offers investors a proportionate share in a pool of stocks, bonds, and other assets. It is most commonly structured as an open-end investment company and is governed by the Investment Company Act of 1940 like other mutual funds. For example, like a mutual fund, an ETF must conform to the main investor protection mechanisms of the Investment Company Act—including limitations on leverage, daily valuation and liquidity requirements, prohibitions on transactions with affiliates, and rigorous disclosure obligations—and is required to post the mark-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 underlying value (i.e., the market value of the underlying instruments, also known as the intraday indicative value or IIV), substantial deviations tend to be short-lived for many ETFs. Two primary features of an ETF's structure promote trading of an ETF's shares at a price that approximates the ETF's underlying value: portfolio transparency and the ability for authorized participants to create or redeem ETF shares at NAV at the end of each trading day.

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

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

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

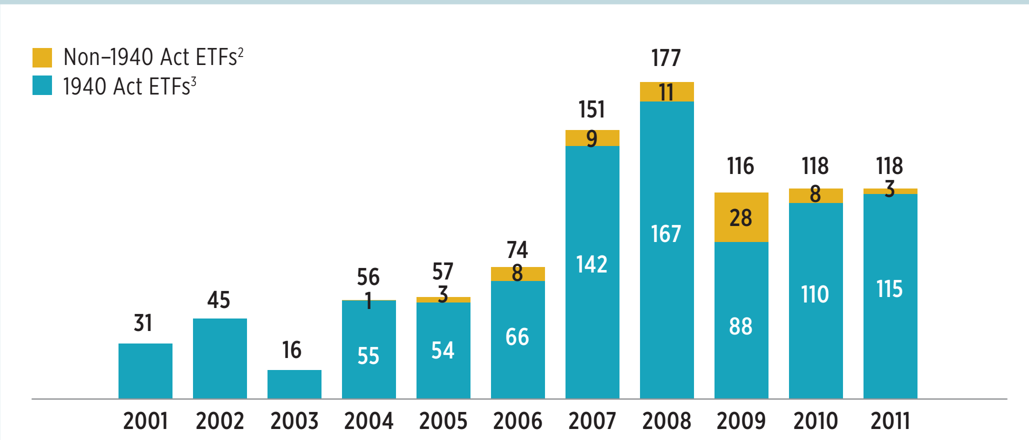
Demand for ETFs

In the past five years, demand for ETFs has increased as institutional investors have found ETFs a convenient vehicle for participating in, or hedging against, broad movements in the stock market. Increased awareness of these investment vehicles by retail investors and their financial advisers also has influenced demand for ETFs. Assets in ETFs accounted for 8 percent of total net assets managed by investment companies at year-end 2011. Net issuance of ETF shares in 2011 amounted to $118 billion, the same pace as in 2010 (Figure 3.4).

FIGURE 3.4

Net Issuance of ETF Shares[1]

Billions of dollars, 2001–2011



[1] Data for ETFs that invest primarily in other ETFs are excluded from the totals.

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

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

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

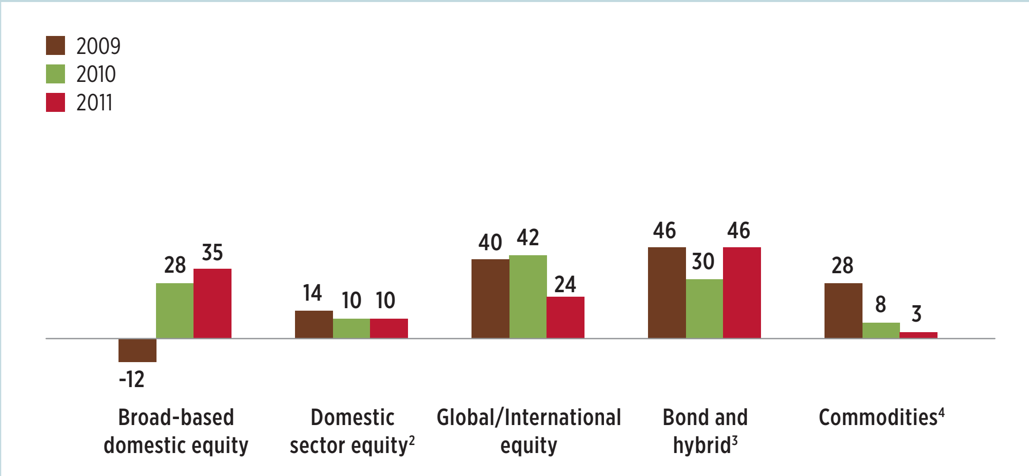
In 2011, investor demand for bond and hybrid ETFs returned to its prior record pace of 2009, and demand for broad-based domestic equity ETFs moved up from 2010 (Figure 3.5). Bond and hybrid ETFs saw net issuance of $46 billion in 2011, up from $30 billion in 2010. Net issuance of broad-based domestic equity ETFs increased to $35 billion in 2011 from $28 billion in 2010. These increases in demand offset a decline in demand for global and international ETFs and commodity ETFs. Domestic sector equity ETFs experienced net issuance of $10 billion in 2011, in line with 2010.

As of year-end 2011, large-cap domestic equity ETFs accounted for the largest proportion of all ETF assets—22 percent, or $229 billion (Figure 3.6). The second-largest category was bond and hybrid ETFs, which accounted for 18 percent ($185 billion) of all ETF assets.

FIGURE 3.5

Net Issuance of ETF Shares[1] by Investment Classification

Billions of dollars, 2009–2011



[1] Data for ETFs that invest primarily in other ETFs are excluded from the totals.

[2] This category includes funds both registered and not registered under the Investment Company Act of 1940.

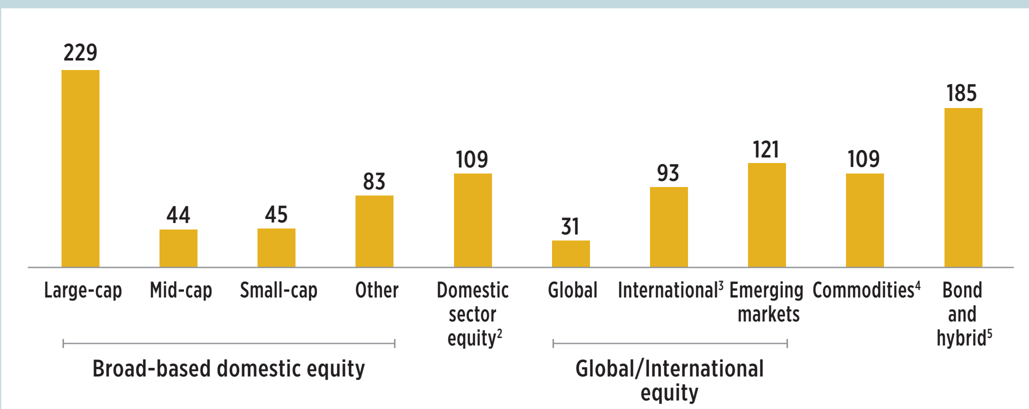
[3] Bond ETFs represented 99.84 percent of flows in the bond and hybrid category in 2011.

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

FIGURE 3.6

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

Billions of dollars, year-end 2011



[1] Data for ETFs that invest primarily in other ETFs are excluded from the totals.

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

[5] Bond ETFs represented 99.80 percent of the assets in the bond and hybrid category.

Increased investor demand for ETFs led to a rapid increase in the number of ETFs created by fund sponsors in the past decade (Figure 3.7). Over the period of 2001 to 2011, 1,231 ETFs were created with an average of almost 190 ETFs created per year in the past five years. Few ETFs had been liquidated until 2008 when market pressures appeared to come into play and sponsors began liquidating ETFs that had failed to gather sufficient assets. Liquidations occurred primarily among ETFs tracking virtually identical indexes, those focusing on specialty or niche indexes, or those using alternative weighting methodologies. In 2011, the number of liquidations fell to 15 and the total number of ETFs increased, on net, by 211 to a total of 1,134 at year-end.

FIGURE 3.7

Number of ETFs[1]

2001–2011

	Created	Liquidated	Total at year-end
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]
2010	177	51	923
2011	226	15	1,134

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

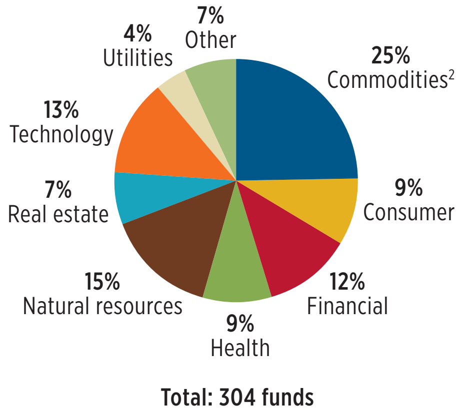
[2] In 2009, two ETFs converted from holding securities directly to investing primarily in other ETFs.

As demand for ETFs has grown, ETF sponsors have offered more funds with a greater variety of investment objectives. Sponsors have introduced ETFs that invest in particular market sectors, industries, or commodities (either directly or through the futures market). At year-end 2011, there were 304 sector and commodity ETFs with $218 billion in assets. While commodity ETFs only made up 25 percent of the number of sector and commodity ETFs (Figure 3.8), they accounted for 50 percent of the total net assets of these funds (Figure 3.9). Since their introduction in 2004, commodity ETFs have grown from just over $1 billion to $109 billion by the end of 2011. Strong net issuance and surging gold and silver prices were the primary drivers behind the increase in assets during this time. In 2011, nearly 80 percent of commodity ETF assets tracked the price of gold and silver, either by holding the metals directly or investing in the futures markets.

FIGURE 3.8

Number of Commodity and Sector ETFs[1]

Percent, year-end 2011



[1] Data for ETFs that invest primarily in other ETFs are excluded from the totals.

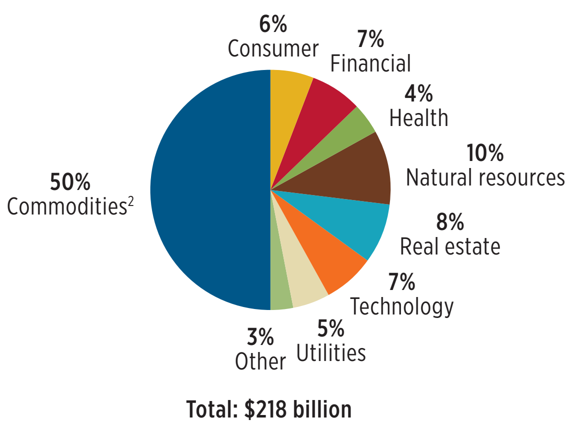
[2] This category includes funds—both registered and not registered under the Investment Company Act of 1940—that invest primarily in commodities, currencies, and futures.

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

FIGURE 3.9

Total Net Assets of Commodity and Sector ETFs[1]

Percent, year-end 2011



[1] Data for ETFs that invest primarily in other ETFs are excluded from the totals.

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

In 2011, ETF sponsors continued building on recent innovations by launching additional actively managed ETFs and ETFs that are structured as funds of funds, both of which were first introduced in 2008. During 2011, seven actively managed ETFs were launched, bringing the total number of actively managed ETFs to 34.* Excluding ETF funds of funds, actively managed ETFs held more than $5 billion in assets at year-end. ETF funds of funds are ETFs that hold and invest primarily in shares of other ETFs. At year-end 2011, there were 32 ETF funds of funds—including five ETF funds of funds that launched in 2011—with $1.6 billion in assets.

Characteristics of ETF-Owning Households

An estimated 3.5 million U.S. households held ETFs in 2011. Of households that owned mutual funds, an estimated 6 percent also owned ETFs. ETF-owning households tended to include affluent, experienced investors who owned a range of equity and fixed-income investments. In 2011, 96 percent of ETF-owning households also owned equities, either directly or through equity mutual funds or variable annuities (Figure 3.10). Sixty-eight percent of households that owned ETFs also held bonds, bond mutual funds, or fixed annuities. In addition, 31 percent of ETF-owning households owned investment real estate.

FIGURE 3.10

ETF-Owning Households Held a Broad Range of Investments

Percentage of ETF-owning households holding each type of investment, May 2011

Equity mutual funds, equities, or variable annuities (total)	**96**
Bond mutual funds, bonds, or fixed annuities (total)	**68**
Mutual funds (total)	**87**
Equity mutual funds	77
Bond mutual funds	57
Hybrid mutual funds	44
Money market funds	57
Equities	**80**
Bonds	**20**
Fixed or variable annuities	**35**
Investment real estate	**31**

Note: Multiple responses are included.

* This total includes one non–1940 Act ETF.

Some characteristics of retail ETF owners are similar to those of retail equity owners because a large number of households that owned ETFs also owned equity. For instance, households that owned ETFs—like equity-owning households—tended to have household incomes above the national median and to own at least one defined contribution (DC) retirement plan account (Figure 3.11). However, ETF-owning households also exhibit some characteristics that distinguish them from equity-owning households. For example, ETF-owning households tended to have higher incomes, greater household financial assets, and were more likely to be headed by college-educated individuals.

FIGURE 3.11

Characteristics of ETF-Owning Households

May 2011

	All U.S. households	Households owning ETFs	Households owning individual equities
Median			
Age of head of household[1]	50	52	52
Household income[2]	$48,800	$125,000	$87,500
Household financial assets[3]	$75,000	$500,000	$242,000
Percentage of households			
Household primary or co-decisionmaker for saving and investing			
Married or living with a partner	64	74	73
Widowed	10	5	7
Four-year college degree or more	31	62	49
Employed (full- or part-time)	58	69	67
Retired from lifetime occupation	30	37	30
Household owns			
IRA(s)	39	84	66
DC retirement plan account(s)	51	73	71

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

[2] Total reported is household income before taxes in 2010.

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

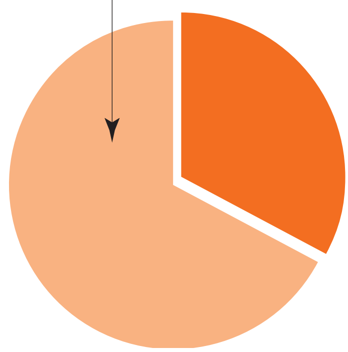
For More Information

- Exchange-Traded Funds Resource Center
- For analysis on exchange-traded funds, visit **www.ici.org/viewpoints/etfs**

Available at www.ici.org.

Two-thirds of closed-end funds were bond funds in 2011

66%
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 equities, bonds, and other securities. The market price of closed-end fund shares fluctuates like that of other publicly traded securities and is determined by supply and demand in the marketplace.

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 limited flexibility to borrow against their assets, allowing them to use leverage on a restricted basis as part of their investment strategy.

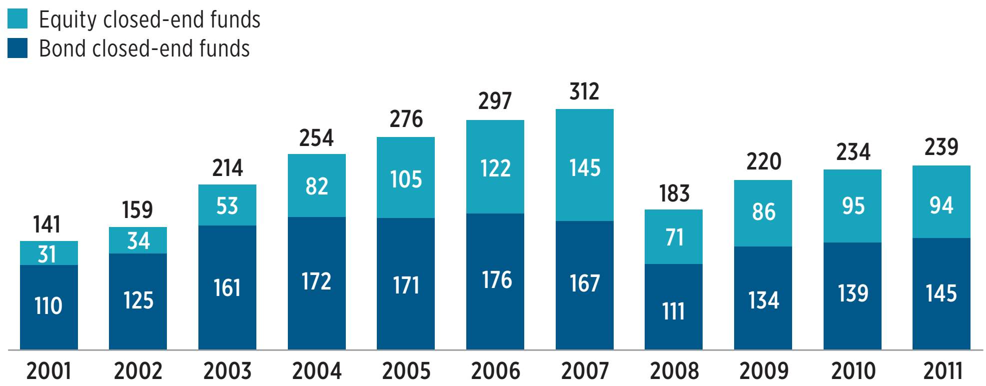
Total Net Assets of Closed-End Funds

Total net assets of closed-end funds increased to $239 billion at year-end 2011, up 2 percent from year-end 2010 but still below the recent high of $312 billion in assets at year-end 2007 (Figure 4.1). Closed-end fund assets have increased by $98 billion, on net, over the past decade.

FIGURE 4.1

Closed-End Fund Total Net Assets Increased to $239 Billion

Billions of dollars, year-end, 2001–2011



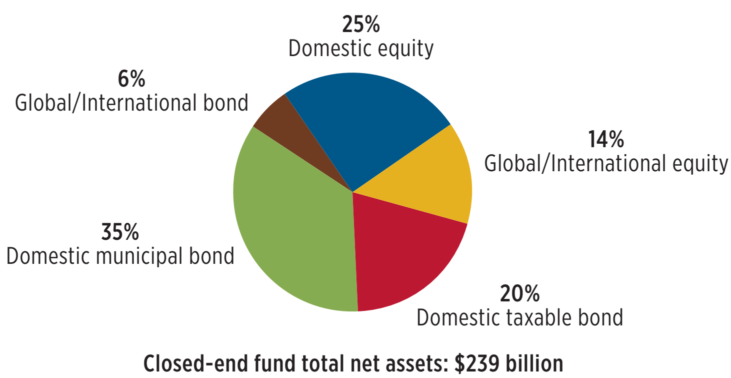
Note: Components may not add to the total because of rounding.

Historically, bond funds have accounted for a large share of assets in closed-end funds. In 2001, 78 percent of all closed-end fund assets were held in bond funds, while the remainder was held in equity funds. At year-end 2011, assets in bond closed-end funds were $145 billion, or 61 percent of closed-end fund assets (Figure 4.2). Closed-end equity funds totaled $94 billion, or 39 percent of closed-end fund assets. These relative shares have shifted 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 4.3).

FIGURE 4.2

Bond Funds Were the Largest Segment of the Closed-End Fund Market

Percentage of closed-end fund total net assets, year-end 2011



Proceeds from issuance of closed-end funds totaled $14.8 billion in 2011, up from $13.7 billion in the previous year (Figure 4.3). In 2011, issuance of closed-end bond funds totaled $9.5 billion, virtually all of which was domestic bond funds. The remaining $5.3 billion in proceeds was from issuance of closed-end equity funds. Seventy-two percent of equity closed-end fund issuance was from domestic equity closed-end funds.

Number of Closed-End Funds

The number of closed-end funds available to investors has increased over the past decade. At the end of 2011, there were 634 closed-end funds, up from 491 at the end of 2001, but still down from 663 at the end of 2007 (Figure 4.4). Bond funds were the most common type of closed-end fund, accounting for 66 percent of the total number of funds. Municipal bond funds represented 40 percent of all closed-end funds in 2011. Equity funds made up 34 percent of the total number of closed-end funds.

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, 2002–2011**

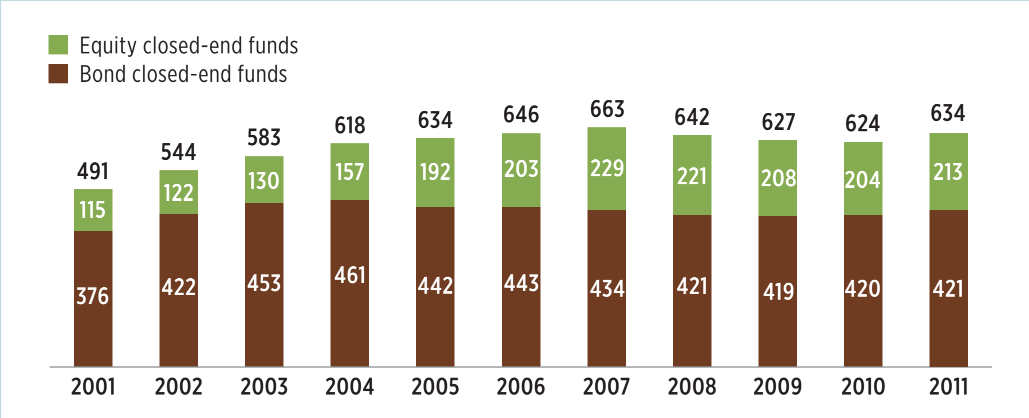
		Equity		Bond	
	Total	Domestic	Global/ International	Domestic	Global/ International
2002	$24,895	$9,191	$3	$15,701	$0
2003	40,851	11,187	50	28,582	1,032
2004	27,780	15,424	5,714	5,613	1,028
2005	21,266	12,559	6,628	1,955	124
2006	12,255	7,692	2,505	1,724	334
2007	31,086	5,973	19,764	2,654	2,695
2008	275	8	145	121	0
2009	3,499	476	485	2,221	317
2010	13,721	3,634	114	9,616	358
2011	14,808	3,791	1,469	9,547	2

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

FIGURE 4.4

Number of Closed-End Funds

Year-end, 2001–2011



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. Closed-end funds that issue preferred shares are subject to the Investment Company Act's asset coverage requirements. For each $1.00 of preferred shares issued, the fund must have $2.00 of assets at issuance and dividend declaration dates (commonly referred to as 50 percent leverage). At year-end 2011, 13 percent of the $239 billion in closed-end fund assets were preferred shares (Figure 4.5). Closed-end bond funds accounted for nearly 90 percent of outstanding preferred share assets.

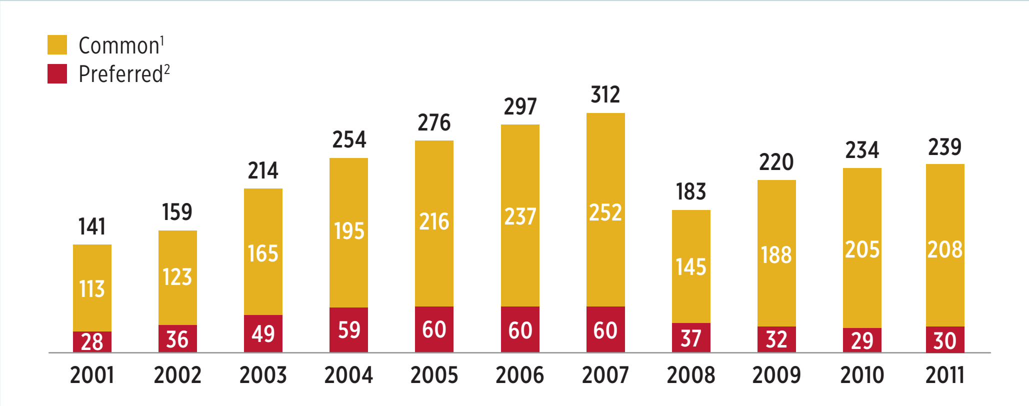
Closed-End Fund Auction Market Preferred Stock

In the early 1990s, closed-end funds began issuing a type of preferred share referred to as auction market preferred stock (AMPS). AMPS are structured to pay dividends at rates set through auctions run by an independent auction agent. Typically, shares traded hands and dividend rates were reset through auctions that were held every seven or 28 days. Investors submitted bids and sell orders through a broker-dealer, who, in turn, submitted them to an auction agent. Bids were filled to the extent shares were available, and sell orders were filled to the extent that there were bids. All filled bids received dividends at the new set dividend, or market clearing, rate.

FIGURE 4.5

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

Billions of dollars, year-end, 2001–2011



[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.

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; they failed 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.

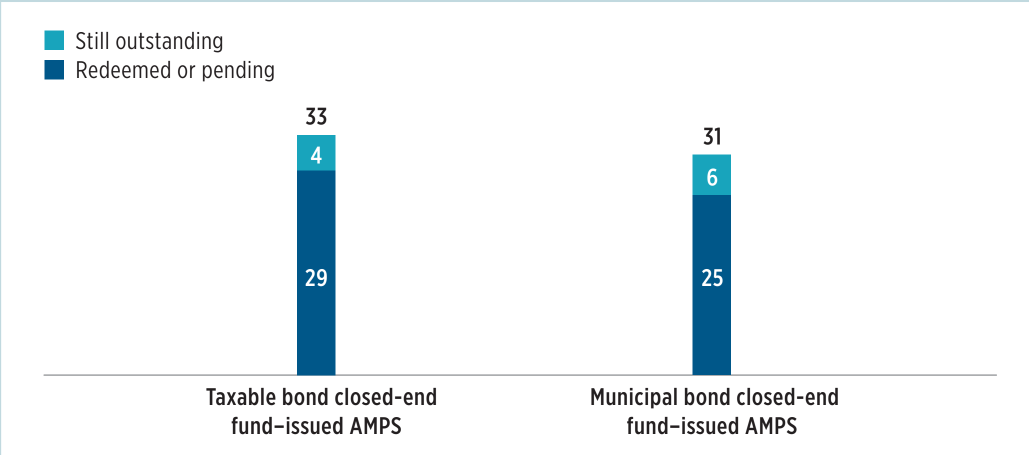
Redemption and Replacement of AMPS

As of year-end 2011, closed-end funds had redeemed, or announced plans to redeem, approximately $54 billion, or 84 percent, of the $64 billion in AMPS that were outstanding in mid-February 2008 (Figure 4.6). Closed-end funds 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. Taxable bond closed-

FIGURE 4.6

Closed-End Fund AMPS Redemptions

Billions of dollars, year-end 2011



Source: Thomas J. Herzfeld Advisors, Inc.

end funds have redeemed or announced redemptions for 88 percent of their original outstanding AMPS. Tax-exempt bond closed-end funds (also known as municipal bond funds) have redeemed or announced redemptions for approximately 81 percent of the original AMPS outstanding. To redeem AMPS while maintaining leverage, a number of these funds have issued MuniFund Term Preferred (MTP) shares and have privately placed Variable Rate Demand Preferred (VRDP) shares and Variable Rate MuniFund Term Preferred Shares (VMTPs). A few funds have conducted tender offers for their AMPS at a discount to par value.

MTP, VRDP, and VMTP Shares

A number of municipal bond closed-end funds issued—or announced their intention to issue—MTP shares in 2011. MTP shares are exchange-listed closed-end fund preferred shares that have a fixed dividend rate set at the time of issuance. MTP shares have a mandatory redemption period (typically five years) unless they are redeemed or repurchased earlier by the fund. Unlike the fixed-rate preferred stock previously issued, MTP shares were created for issuance by closed-end funds investing in municipal bonds.

Further, VRDP shares—a type of puttable preferred stock—were privately placed for municipal bond closed-end funds in 2011. They are similar to AMPS in that they pay dividends at variable rates, and sell orders are filled to the extent that there are bids. Unlike AMPS, however, rates are set through remarketings (rather than through auctions); if there are more sell orders than bids, a third party, commonly referred to as a liquidity provider, purchases the VRDP shares. Dividends are set weekly at a rate established by the remarketing agent subject to a maximum rate, which will increase over time in the event of an extended period of unsuccessful remarketing. Closed-end funds are required to redeem VRDP shares still owned by the liquidity provider if there are six months of continuous, unsuccessful remarketing.

VMTP shares—limited-term, floating-rate securities—also were privately placed by several municipal bond funds in 2011. Shares pay floating dividend rates based on an index and have a three-year mandatory term redemption unless they are redeemed earlier by the fund, at its option. They are privately placed with institutional investors, including banks, insurance companies, and mutual funds. Dividend rates are reset weekly, and dividends are paid monthly. VMTP shares do not have an unconditional demand feature but are required to be redeemed if the fund does not maintain certain asset coverage and effective leverage ratios.

Characteristics of Households Owning Closed-End Funds

An estimated 2.3 million U.S. households held closed-end funds in 2011. These households tended to include affluent, experienced investors who owned a range of equity and fixed-income investments. In 2011, 91 percent of households owning closed-end funds also owned equities, either directly or through equity mutual funds or variable annuities (Figure 4.7). Seventy-one percent of households that owned closed-end funds also held bonds, bond mutual funds, or fixed annuities. In addition, 45 percent of these households owned investment real estate. Because a large number of households that owned closed-end funds also owned equities and mutual funds, the characteristics of closed-end fund–owning households were similar in many respects to those of equity- and mutual fund–owning households. For instance, households that owned closed-end funds—like equity- and mutual fund–owning households—tended to be headed by college-educated individuals and had household incomes above the national average (Figure 4.8).

FIGURE 4.7

Closed-End Fund Investors Owned a Broad Range of Investments

Percentage of closed-end fund–owning households holding each type of investment, May 2011

Equity mutual funds, equities, or variable annuities (total)	**91**
Bond mutual funds, bonds, or fixed annuities (total)	**71**
Mutual funds (total)	**77**
Equity mutual funds	68
Bond mutual funds	57
Hybrid mutual funds	50
Money market funds	52
Equities	**73**
Bonds	**27**
Fixed or variable annuities	**41**
Investment real estate	**45**

Note: Multiple responses are included.

FIGURE 4.8

Characteristics of Closed-End Fund–Owning Households

May 2011

	All U.S. households	Households owning closed-end funds	Households owning mutual funds	Households owning individual equities
Median				
Age of head of household[1]	50	52	50	52
Household income[2]	$48,800	$122,300	$80,000	$87,500
Household financial assets[3]	$75,000	$600,000	$200,000	$242,000
Percentage of households				
Household primary or co-decisionmaker for saving and investing				
Married or living with a partner	64	81	74	73
Widowed	10	7	7	7
Four-year college degree or more	31	55	47	49
Employed (full- or part-time)	58	68	71	67
Retired from lifetime occupation	30	36	26	30
Household owns				
IRA(s)	39	76	65	66
DC retirement plan account(s)	51	72	78	71

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

[2] Total reported is household income before taxes in 2010.

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

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

For More Information

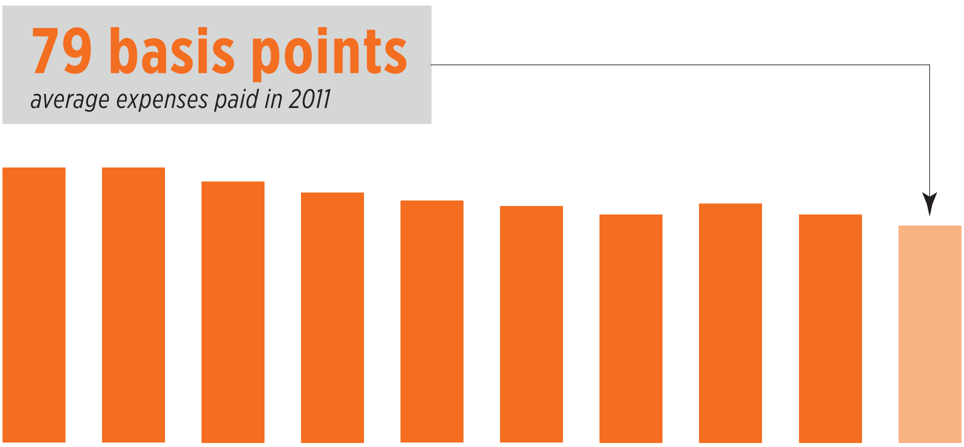
» "The Closed-End Fund Market, 2011," *ICI Research Perspective*

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

» A Guide to Closed-End Funds

Available at www.ici.org.

Expenses paid by equity fund investors dropped by 20 percent over the past 10 years



Chapter Five

MUTUAL FUND EXPENSES AND LOAD FEES

Mutual funds provide investors with a variety of investment-related services and benefits. As with any business, these benefits and services have a cost. Investors in mutual funds incur two primary types of expenses and fees: ongoing expenses and sales loads. Over the past two decades, on an asset-weighted basis, average expenses paid by mutual fund investors have fallen significantly. Asset-weighted average expense ratios for equity funds, for example, have fallen from 99 basis points in 1990 to 79 basis points in 2011, a decline of 20 percent.

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

Mutual Fund Expenses and Load Fees

Investors in mutual funds incur two primary types of expenses and fees: ongoing expenses and sales loads. Ongoing fund expenses cover portfolio management, fund administration, daily fund accounting and pricing, shareholder services (such as call centers and websites), distribution charges known as 12b-1 fees, and other miscellaneous costs of operating the fund. The expenses are represented by the expense ratio—the fund's annual operating expenses expressed as a percentage of fund assets. Since expenses are paid from fund assets, investors pay these expenses indirectly. Unlike 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).

Trends in Mutual Fund Expenses

Over the past two decades, on an asset-weighted basis, average expenses* paid by mutual fund investors have fallen significantly (Figure 5.1). In 1990, investors on average paid 99 basis points—or 99 cents—for every $100 in assets invested in equity funds.† By contrast, expenses averaged 79 basis points for equity fund investors in 2011, a decline of 20 percent from 1990. The decline in the average expense ratio of hybrid funds mimicked that of equity funds while that of bond funds was more marked, declining 30 percent, from 88 basis points in 1990 to 62 basis points in 2011.

Understanding the Decline in Fund Expense Ratios

Several factors account for the dramatic drop in expenses incurred by mutual fund investors. First, expense ratios often vary inversely with fund assets. Certain fund costs—such as transfer agency fees, accounting and audit fees, and directors' fees—are more or less fixed in dollar terms regardless of fund size. When fund assets rise, these fixed costs become smaller relative to those assets. When fund assets fall, fixed costs contribute relatively more (as a proportion of assets) to a fund's expense ratio (Figure 5.2).

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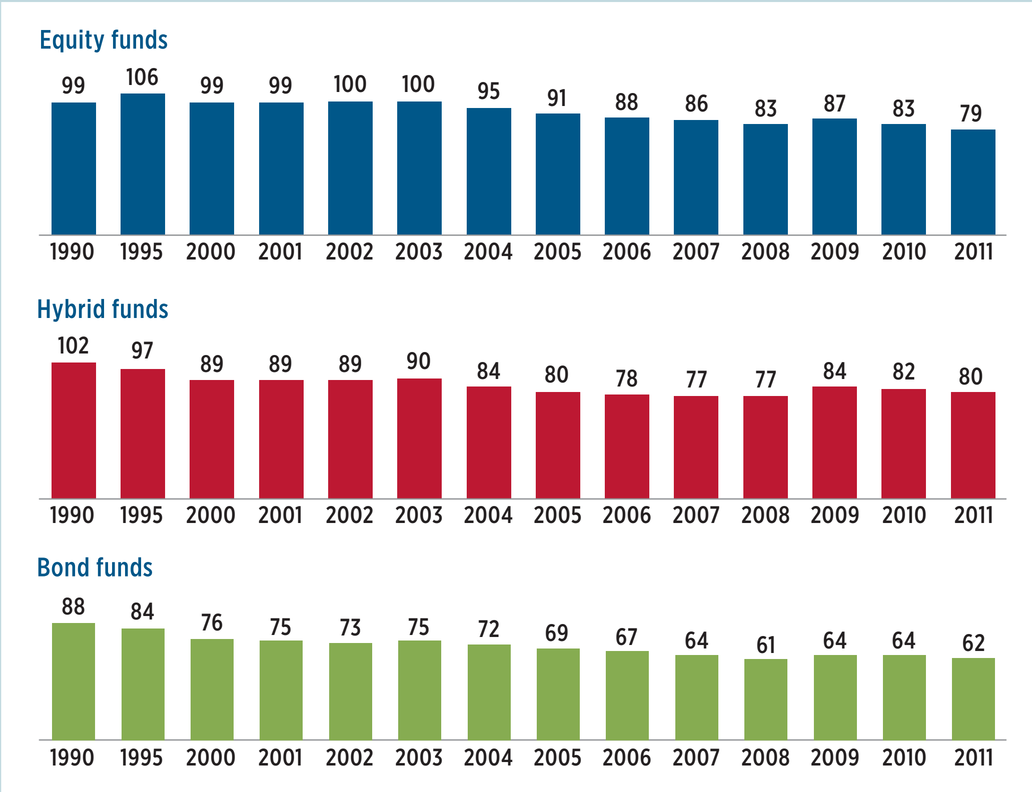
* In this chapter, unless otherwise noted, average expenses are calculated on an asset-weighted basis.

† Basis points are often used to simplify percentages written in decimal form. A basis point is a unit equal to one one-hundredth of 1 percent (0.01 percent). Thus 100 basis points equals 1 percent. When applied to $1.00, 1 basis point is $0.0001; 100 basis points equals one cent ($0.01).

FIGURE 5.1

Expenses Incurred by Mutual Fund Investors Have Declined Substantially Since 1990

Basis points, selected years



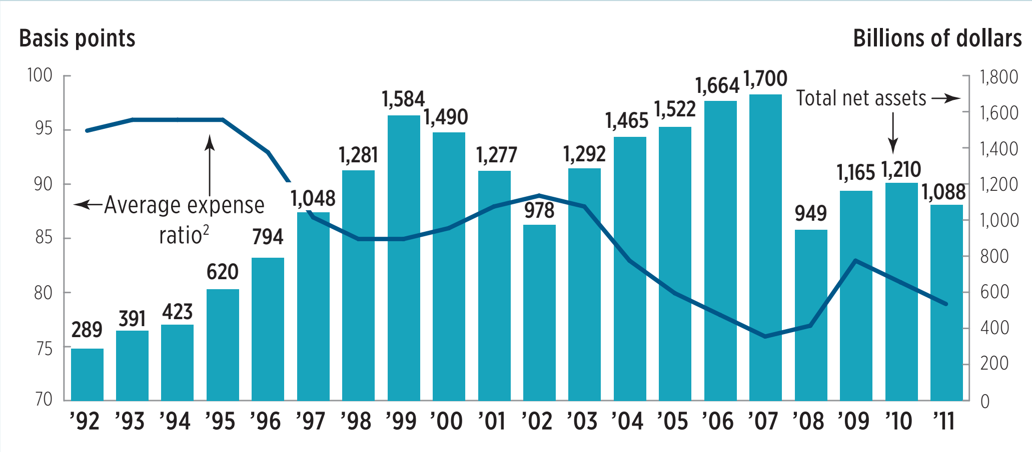
Note: Total expense ratios are measured as asset-weighted averages. Data exclude mutual funds available as investment choices in variable annuities and mutual funds that invest primarily in other mutual funds.

Sources: Investment Company Institute and Lipper

FIGURE 5.2

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

Share classes of domestic equity funds continuously in existence since 1992[1]



[1] Calculations are based on a fixed sample of share classes. Sample includes all domestic equity share classes continuously in existence since 1992, 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

Another important driver of the decline in the average expenses of long-term funds is the shift by investors toward no-load share classes,* particularly institutional no-load share classes, which tend to have lower-than-average expense ratios. This is due in large part to a change in the way investors compensate brokers and other financial professionals (see Mutual Fund Load Fees on page 77).

In addition, mutual fund expenses 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 52.3 million in 2011. Over the same period, the number of shareholder accounts rose from 61.9 million to more than 275 million. Ordinarily, such a sharp increase in demand raises fund expense ratios. Any such 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, and economies of scale resulting from the growth in fund assets.

* See page 79 for a description of no-load share classes.

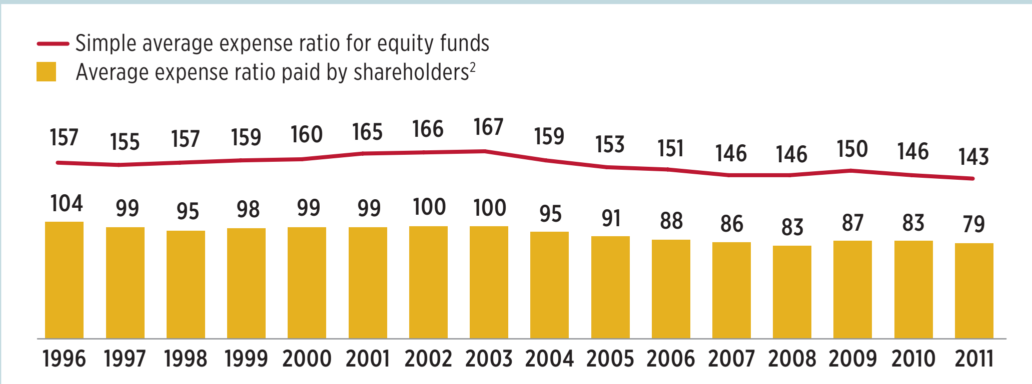
Finally, shareholder demand for lower-cost funds has consistently limited fund expense ratios. ICI research indicates that mutual fund shareholders invest predominantly in funds with lower expense ratios. This can be seen by comparing the average expense ratio on mutual funds offered in the marketplace with the average expense ratio actually paid by mutual fund shareholders (Figure 5.3).

The simple average expense ratio of equity funds (which measures the average expense ratio of all equity funds offered in the market) was 143 basis points in 2011. The average expense ratio that equity fund shareholders actually paid (the asset-weighted average expense ratio across all equity funds) was considerably lower: just 79 basis points.

FIGURE 5.3

Fund Shareholders Paid Lower-Than-Average Expenses in Equity Funds[1]

Basis points, 1996–2011



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

[2] Figure reports year-end asset-weighted average of annual expense ratios for individual funds.

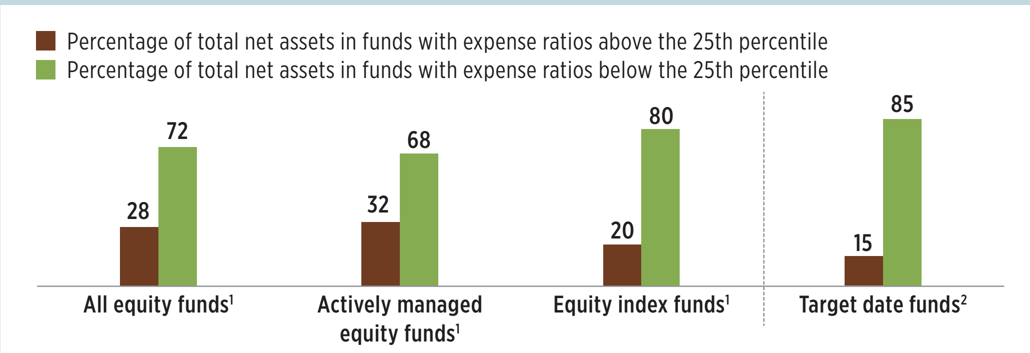
Sources: Investment Company Institute and Lipper

Another way to illustrate investors' demand for mutual funds with lower expense ratios is to identify how investors allocate their assets across mutual funds. As of year-end 2011, equity funds with expense ratios in the lowest quartile managed 72 percent of equity funds' total net assets, while the remaining 75 percent of equity funds held only 28 percent of total net assets (Figure 5.4). This pattern holds for actively managed equity funds, equity index funds, and target date funds (funds that adjust their portfolios, typically more toward fixed income, as the fund approaches and passes the fund's target date). Equity index funds with expense ratios in the lowest quartile held 80 percent of equity index fund assets at the end of 2011. Similarly, target date funds with expense ratios in the lowest quartile held 85 percent of target date fund assets.

FIGURE 5.4

Investors Prefer Least Costly Funds

Percent, year-end 2011



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

[2] Data include target date funds that invest primarily in other mutual funds.

Sources: Investment Company Institute and Lipper

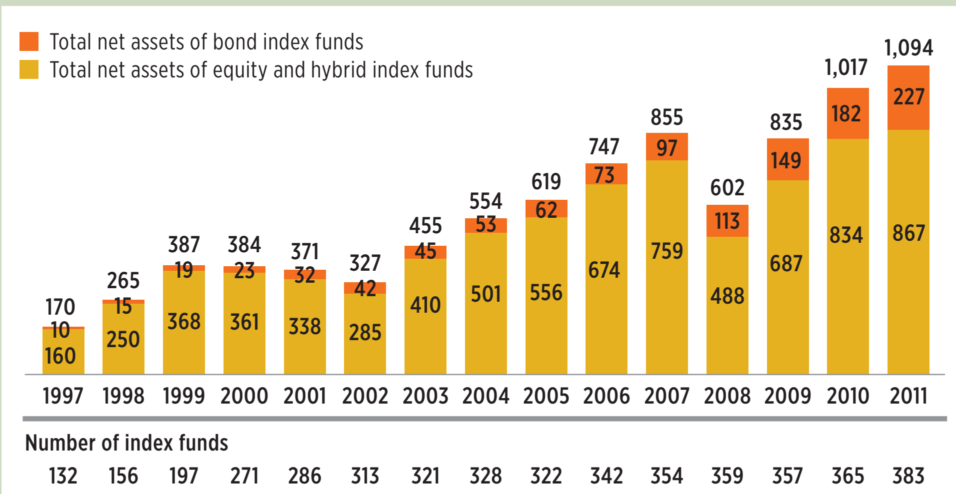
A Look at the Expenses of Index Mutual Funds

Growing investor demand for index funds also has contributed to the decline in equity and bond fund expense ratios. Index funds generally seek to track the returns on a specified index; this is often referred to as passive management. To accomplish this, funds buy and hold all, or a representative sample, of the securities in their target indexes. Index fund assets have grown substantially in the past 15 years, from $170 billion in assets in 1997 to nearly $1.1 trillion in 2011 (Figure 5.5). Although nearly 80 percent of index fund assets are invested in equity and hybrid index funds, investor demand for index bond funds has grown in the past few years.

FIGURE 5.5

Total Net Assets and Number of Index Mutual Funds* Have Increased

Billions of dollars, year-end, 1997–2011



*Index fund data exclude funds that invest primarily in other funds.

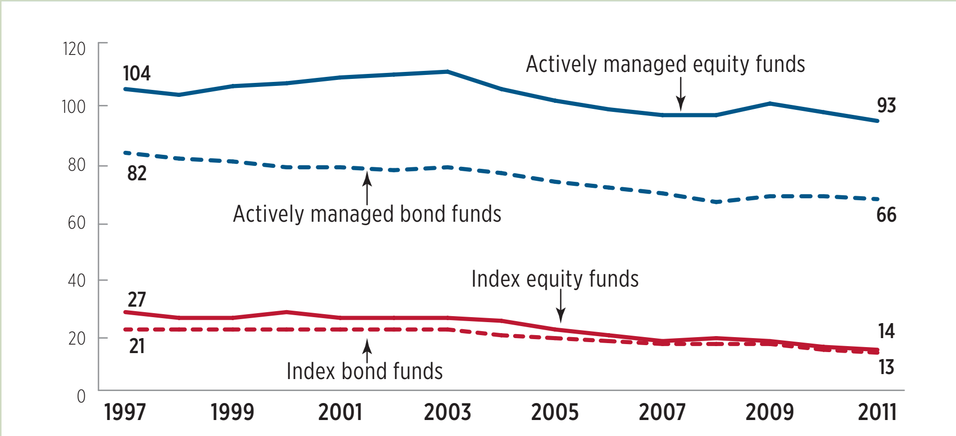
Note: Components may not add to the total because of rounding.

The growing popularity of index funds has played a role in the overall decline in fund expense ratios because index funds generally have lower expense ratios than actively managed funds (Figure 5.6). Nevertheless, average expense ratios incurred by investors in both index and actively managed funds have fallen, and by roughly the same amount. For example, from 1997 to 2011 the (asset-weighted) average expense ratio of equity index funds has fallen 13 basis points, and for actively managed equity funds, the average expense ratio

FIGURE 5.6

Expense Ratios of Actively Managed and Index Funds

Basis points, 1997–2011



Note: Expense ratios are measured as an asset-weighted average; figure excludes 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

declined 11 basis points. Similarly, average expense ratios of index and actively managed bond funds have fallen 8 and 16 basis points, respectively. This indicates that both index and actively managed funds have contributed to the decline in overall average expense ratios of mutual funds.

All else equal, the expense ratios of index funds tend to be lower than those of actively managed funds because active management is a more costly enterprise. Other factors, however, also play a role. For example, actively managed funds often bundle the cost of compensating financial professionals who may assist fund investors in the fund's expense ratio, whereas index fund investors who seek the assistance of financial professionals usually pay for that advice separately outside the fund's expense ratio (see Mutual Fund Load Fees on page 77). Also, index funds are larger on average than actively managed funds, which helps keep their expense ratios down through economies of scale. For example, in 2011, the average equity index fund had assets of $1.6 billion compared to $374 million for actively managed equity funds. Furthermore, investor demand for index funds is disproportionately concentrated in the lowest-cost funds. For example, equity index funds with expense ratios in the lowest quartile managed 80 percent of equity index fund assets at the end of 2011 (Figure 5.4).

To a certain extent, the fact that equity index assets are concentrated in the least costly index funds reflects the investment focus of index funds compared to that of actively managed funds. The assets of index funds have historically been concentrated most heavily in "large-cap blend" funds that target large-cap stock market indexes, notably the S&P 500 index. The assets of actively managed funds, on the other hand, have been more diffuse, spread among funds that focus on large-cap stocks, but also those that focus on mid- and small-cap stocks, on the international sector, or on particular sectors such as medical, electronics, or natural resources. All else equal, managing a portfolio of large-cap stocks is generally acknowledged to be less costly than managing a portfolio of mid- or small-cap, international, or sector stocks.

Understanding Differences in the Expense Ratios of Mutual Funds

To examine mutual fund expenses only through the lens of industry averages is to mask important diversity in the costs faced by funds and investors. Like the prices of most goods and services, the expenses of individual mutual funds differ considerably across the array of available products (Figure 5.7). The level of fund expenses depends on many factors, including fund investment objective, fund assets, balances in shareholder accounts, and payments to intermediaries.

FIGURE 5.7

Expense Ratios for Selected Investment Objectives

Basis points, 2011

Investment objective	10th percentile	Median	90th percentile	Asset-weighted average	Simple average
Equity funds	**78**	**135**	**220**	**80**	**144**
Aggressive growth	86	140	221	92	149
Growth	73	125	209	85	137
Sector	86	146	237	86	154
Growth and income	54	115	195	50	121
Income equity	72	116	193	85	124
International equity	94	150	232	95	157
Hybrid funds	**65**	**121**	**200**	**80**	**128**
Bond funds	**50**	**90**	**169**	**62**	**102**
Taxable bond	48	93	175	63	103
Municipal bond	51	84	160	59	99
Money market funds	**13**	**22**	**36**	**21**	**24**

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

Sources: Investment Company Institute and Lipper

Fund Investment Objective

Expenses vary by investment objective; for example, bond and money market funds tend to have lower expense ratios than equity funds. Among equity funds, expense ratios tend to be higher for funds that specialize in particular sectors—such as healthcare or real estate—or those that invest in international stocks, because such funds 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 86 basis points or less, while 10 percent have expense ratios of 221 basis points or more (Figure 5.7). Among other things, such variation reflects the fact that some aggressive growth funds focus more on small- or mid-cap stocks while others focus more on large-cap stocks. This can be significant because, as noted earlier, portfolios of small- and mid-cap stocks tend to be more costly to manage.

Fund Size 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 2011, the median long-term mutual fund had assets of $350 million (Figure 5.8). Twenty-five percent of all long-term funds had assets of $92 million or less, while another 25 percent of long-term funds had assets greater than $1.3 billion. Average fund account balances show similar variation. In 2011, 50 percent of long-term funds had average account balances of $54,261 or less. Twenty-five percent of long-term funds had average account balances of $19,612 or less. At the other extreme, 25 percent of long-term funds had average account balances of more than $204,535.

FIGURE 5.8

Fund Sizes and Average Account Balances Varied Widely

Long-term funds, year-end 2011[1, 2]

	Fund assets *Millions of dollars*	**Average account balance[3]** *Dollars*
10th percentile	$25	$9,880
25th percentile	92	19,612
Median	350	54,261
75th percentile	1,343	204,535
90th percentile	4,190	1,555,010

[1] Data 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.

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

Mutual Fund Load Fees

Many mutual fund investors engage an investment professional, such as an investment adviser or financial planner. ICI research finds that among investors owning mutual fund shares outside of retirement plans at work, 80 percent own fund shares through financial professionals. These professionals can provide many benefits to investors, from initial consultations to identify financial goals, analyze existing financial portfolios, and determine appropriate asset allocations to (depending on the type of financial professional) providing investment advice or recommendations to help achieve the investor's goals. The investment professional might also provide ongoing services, such as periodically reviewing investors' portfolios, adjusting asset allocations, and responding to investor inquiries.

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

Mutual Fund Fee Structures

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 advisers; no-load fund classes usually serve investors who purchase shares without the assistance of a financial adviser or who choose to compensate the financial adviser separately. Funds that sell through financial advisers typically offer more than one share class to provide investors with alternative ways to pay for the services of financial advisers.

12b-1 Fees

Since 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 have had flexibility to compensate financial professionals and other financial intermediaries through asset-based fees. These distribution fees, known as 12b-1 fees, provide a way for investors to pay indirectly for some or all of the services they receive from financial professionals, such as their broker, and other financial intermediaries, such as retirement plan recordkeepers and discount brokerage firms. 12b-1 fees also can be used to pay for the fund's advertising and marketing expenses, although they are primarily used to compensate financial professionals and other financial intermediaries for assisting fund investors before and after they purchase fund shares.

Load Share Classes

Load share classes—front-end load, back-end load, and level-load shares—usually include a sales load or a 12b-1 fee or both. 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. These shares generally charge a sales load—a percentage of the sales price or offering price—at the time of purchase. They also often have a 12b-1 fee of 0.25 percent (25 basis points). Front-end load shares are sometimes used in employer-sponsored retirement plans, but fund sponsors typically waive the sales load for purchases made through such retirement plans. Additionally, front-end load fees often decline as the size of an investor's initial purchase rises, and some fund providers offer discounted load fees when an investor has total balances exceeding a given amount in that provider's funds.

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 period of ownership. The CDSL decreases the longer the investor owns the shares and typically reaches zero after the shares have been held for 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 (25 basis points) 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.

One important element in the changing distribution structure has been a marked decline in load fees paid by mutual fund investors. The maximum front-end load fee that shareholders might pay for investing in mutual funds has changed little since 1990 (Figure 5.9). However, front-end load fees that investors actually paid have declined markedly, from nearly 4 percent in 1990 to 1 percent in 2011. This in part reflects the increasing role of mutual funds in helping investors save for retirement. Funds that normally charge front-end load fees often waive sales charges on purchases made through 401(k) plans. Also, front-end load funds offer volume discounts, waiving or reducing load fees for large initial or cumulative purchases (see Mutual Fund Fee Structures on the opposite page).

FIGURE 5.9

Front-End Sales Loads That Investors Paid Were Well Below Maximum Front-End Sales Loads That Funds Charged

Percentage of purchase amount, selected years

	Maximum front-end sales load* *Percent*			Average front-end sales load that investors actually incurred* *Percent*		
	Equity	**Hybrid**	**Bond**	**Equity**	**Hybrid**	**Bond**
1990	5.0	5.0	4.6	3.9	3.8	3.5
1995	4.8	4.7	4.1	2.5	2.4	2.1
2000	5.2	5.2	4.2	1.4	1.4	1.1
2001	5.2	5.2	4.2	1.2	1.2	1.0
2002	5.3	5.3	4.1	1.3	1.3	1.0
2003	5.3	5.1	4.1	1.3	1.3	1.0
2004	5.3	5.1	4.1	1.4	1.4	1.1
2005	5.3	5.3	4.0	1.3	1.3	1.0
2006	5.3	5.2	4.0	1.2	1.2	0.9
2007	5.4	5.2	4.0	1.2	1.1	0.9
2008	5.4	5.2	4.0	1.1	1.1	0.8
2009	5.4	5.2	3.9	1.0	1.0	0.8
2010	5.4	5.2	3.9	1.0	1.0	0.8
2011	5.4	5.2	3.9	1.0	1.0	0.7

* The maximum front-end sales load is a simple average of the highest front-end load that funds may charge as set forth in their prospectuses. The average actually incurred is the maximum sales load multiplied by the simple average of total front-end sales loads collected by the funds divided by the maximum loads that could have been collected.

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

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

Another important element in the changing distribution structure of mutual funds has been a shift toward asset-based fees. Over time, brokers and other financial professionals who sell mutual funds have increasingly been compensated through asset-based fees, which are assessed as a percentage of the assets that the financial professional manages for an investor. Investors may pay these fees indirectly through a fund's 12b-1 fee, which is included in the fund's expense ratio. As a result, funds sold through intermediaries tend to have higher expense ratios than no-load funds.

The growth in the sales of no-load funds has contributed to the decline in the expenses and fees of investing in mutual funds. No-load share classes, because they are sold directly to investors or are sold to investors through financial advisers who charge investors separately for investment advice, tend to have lower expense ratios than other funds with similar investment objectives. These share classes have received substantial inflows in recent years and are concentrated in institutional no-load share classes. In 2011, for example, institutional no-load share classes received $190 billion in net new cash flow while front-end, back-end, and level-load share classes saw considerable outflows (Figure 5.10). Cumulatively, these flows have led to a concentration of long-term fund assets in no-load share classes (Figure 5.11). Some of the shift toward no-load funds is owed to "do-it-yourself" investors. However, much of the shift represents sales of no-load funds through 401(k) plans as well as through mutual fund supermarkets, discount brokers, and full-service brokerage platforms that compensate financial advisers with asset-based fees paid outside of funds. The shift toward no-load share classes, along with the outright decline in expense ratios of individual mutual funds, has been an important factor in driving down the average expense ratio of mutual funds over time.

FIGURE 5.10

Net New Cash Flow Was Greatest in No-Load Institutional Share Classes in 2011

Billions of dollars, 2001–2011

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
All long-term funds	**$129**	**$121**	**$216**	**$210**	**$192**	**$227**	**$224**	**-$225**	**$390**	**$228**	**$24**
Load	**45**	**26**	**49**	**49**	**31**	**38**	**15**	**-145**	**30**	**-51**	**-88**
Front-end load[1]	23	19	33	46	41	42	19	-104	2	-58	-102
Back-end load[2]	-2	-18	-20	-40	-47	-47	-42	-39	-24	-27	-23
Level load[3]	23	24	28	20	17	20	24	-12	30	21	-6
Other load[4]	1	2	8	22	20	24	15	10	22	13	43
No-load[5]	**72**	**96**	**125**	**125**	**143**	**165**	**184**	**-54**	**330**	**272**	**133**
Retail or general purpose	37	47	81	90	66	71	60	-113	128	40	-57
Institutional	35	49	44	35	77	93	124	59	202	231	190
Variable annuities	**13**	**-2**	**42**	**36**	**18**	**24**	**25**	**-26**	**30**	**8**	**-21**

[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. Data exclude mutual funds that invest primarily in other mutual funds.

Sources: Investment Company Institute and Lipper

FIGURE 5.11

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

Billions of dollars, 2001–2011

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
All long-term funds	**$4,690**	**$4,118**	**$5,362**	**$6,194**	**$6,864**	**$8,059**	**$8,916**	**$5,771**	**$7,804**	**$9,017**	**$8,930**
Load	**1,937**	**1,552**	**1,956**	**2,222**	**2,409**	**2,783**	**2,977**	**1,844**	**2,334**	**2,559**	**2,442**
Front-end load[1]	1,367	1,069	1,360	1,567	1,720	2,014	2,173	1,373	1,745	1,873	1,740
Back-end load[2]	407	309	356	334	271	241	204	102	98	78	50
Level load[3]	151	149	214	252	284	334	373	235	326	378	372
Other load[4]	12	24	26	68	133	194	228	134	165	230	280
No-load[5]	**2,055**	**1,976**	**2,605**	**3,031**	**3,416**	**4,052**	**4,591**	**3,073**	**4,332**	**5,158**	**5,227**
Retail or general purpose	1,484	1,416	1,853	2,159	2,390	2,785	3,060	1,915	2,641	3,000	2,897
Institutional	571	560	752	873	1,026	1,267	1,532	1,157	1,692	2,157	2,330
Variable annuities	**698**	**591**	**802**	**941**	**1,039**	**1,225**	**1,347**	**855**	**1,138**	**1,300**	**1,261**

[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. Data exclude mutual funds that invest primarily in other mutual funds.

Sources: Investment Company Institute and Lipper

For More Information

- » "Trends in the Expenses and Fees of Mutual Funds, 2011," *ICI Research Perspective*
- » "The Economics of Providing 401(k) Plans: Services, Fees, and Expenses, 2010," *ICI Research Perspective*

Available at www.ici.org.

More than eight in 10 mutual fund–owning households held equity funds in 2011

Chapter Six

CHARACTERISTICS OF MUTUAL FUND OWNERS

Ownership of mutual funds by U.S. households has grown significantly over the past three decades. Forty-four percent of all U.S. households owned mutual funds in 2011, compared with less than 6 percent in 1980. The estimated 90 million individuals who owned mutual funds in 2011 included many different types of people across all age and income groups with a variety of financial goals. These fund investors purchase and sell mutual funds through four principal sources: investment professionals (e.g., registered investment advisers, full-service brokers, independent financial planners), employer-sponsored retirement plans, fund companies directly, and fund supermarkets.

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

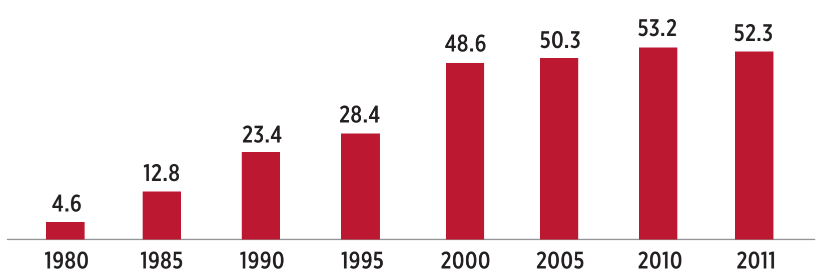
Individual and Household Ownership of Mutual Funds

In 2011, an estimated 90 million individual investors owned mutual funds and held 89 percent of total mutual fund assets at year-end. Altogether, 52.3 million households, or 44 percent of all U.S. households, owned mutual funds (Figure 6.1). Household ownership of mutual funds has remained steady over the past decade. Mutual funds represented a significant component of many U.S. households' financial holdings in 2011. Among households owning mutual funds, the median amount invested in mutual funds was $120,000 (Figure 6.2). Seventy-four percent of individuals heading households that owned mutual funds were married or living with a partner, and 47 percent were college graduates. Seventy-one percent of these individuals worked full- or part-time.

FIGURE 6.1

44 Percent of U.S. Households Owned Mutual Funds in 2011

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



	1980	1985	1990	1995	2000	2005	2010	2011
Percentage of U.S. households	5.7	14.7	25.1	28.7	45.7	44.4	45.3	44.1

Sources: Investment Company Institute and U.S. Census Bureau. See *ICI Research Perspective*, "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2011."

FIGURE 6.2

Characteristics of Mutual Fund Investors

May 2011

How Many People Own Mutual Funds?
90.4 million individuals
52.3 million U.S. households
Who Are They?
50 is the median age of the head of household
74 percent are married or living with a partner
47 percent are college graduates
71 percent are employed (full- or part-time)
17 percent are Silent or GI Generation
42 percent are Baby Boomers
25 percent are Generation X
16 percent are Generation Y
$80,000 is the median household income
What Do They Own?
$200,000 is the median household financial assets
68 percent hold more than half of their financial assets in mutual funds
65 percent own IRAs
78 percent own DC retirement plan accounts
4 mutual funds is the median number owned
$120,000 is the median mutual fund assets
81 percent own equity funds
When and How Did They Make Their First Mutual Fund Purchase?
54 percent bought their first mutual fund before 1995
62 percent purchased their first mutual fund through an employer-sponsored retirement plan
Why Do They Invest?
94 percent are saving for retirement
49 percent hold mutual funds to reduce taxable income
48 percent are saving for emergencies
24 percent are saving for education

Sources: Investment Company Institute and U.S. Census Bureau. See *ICI Research Perspective*, "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2011"; *ICI Research Perspective*, "Characteristics of Mutual Fund Investors, 2011"; and *ICI Research Report*, "Profile of Mutual Fund Shareholders, 2011."

Mutual Fund Ownership by Age and Income

The incidence of mutual fund ownership in 2011 was greatest among households in their peak earning and saving years, that is, between the ages of 35 and 64 (Figure 6.3). About half of all households in this age group owned mutual funds. Almost one-third of households younger than 35 owned mutual funds and for households aged 65 or older, 37 percent owned mutual funds.

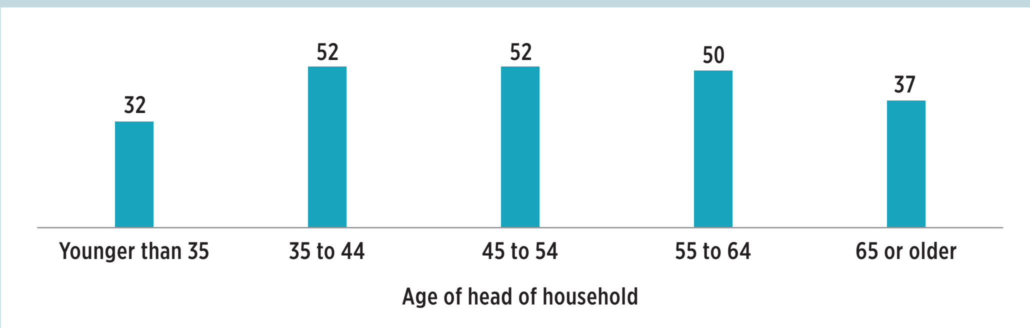
Among mutual fund–owning households in 2011, 66 percent were headed by individuals between the ages of 35 and 64 (Figure 6.4). Sixteen percent of mutual fund–owning households were headed by individuals younger than 35, and 18 percent were headed by individuals 65 or older. The median age of individuals heading households owning mutual funds was 50 (Figure 6.2). Like the U.S. population as a whole, the population of mutual fund–owning households is aging. Thirty-nine percent of mutual fund–owning households were headed by individuals 55 or older in 2011 compared with 26 percent in 1994 (Figure 6.4).

U.S. households owning mutual funds represent a range of incomes. About 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; 17 percent had incomes between $75,000 and $99,999; and the remaining 38 percent had incomes of $100,000 or more (Figure 6.5). The median household income of mutual fund–owning households was $80,000 (Figure 6.2).

FIGURE 6.3

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

Percentage of U.S. households within each age group, May 2011



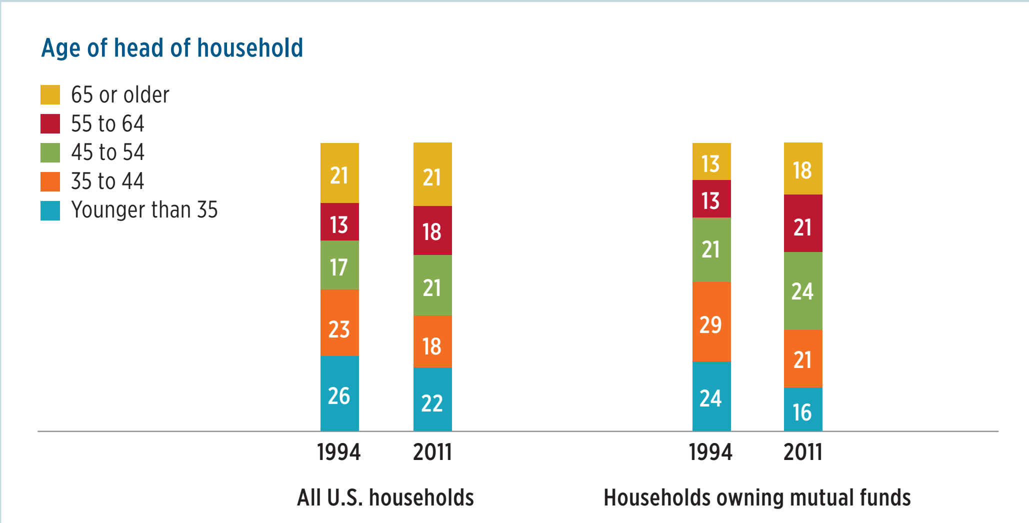
Note: Age is based on the sole or co-decisionmaker for household saving and investing.

Sources: Investment Company Institute and U.S. Census Bureau. See *ICI Research Perspective*, "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2011."

FIGURE 6.4

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

Percentage of households by mutual fund ownership status and age group, May 1994 and May 2011



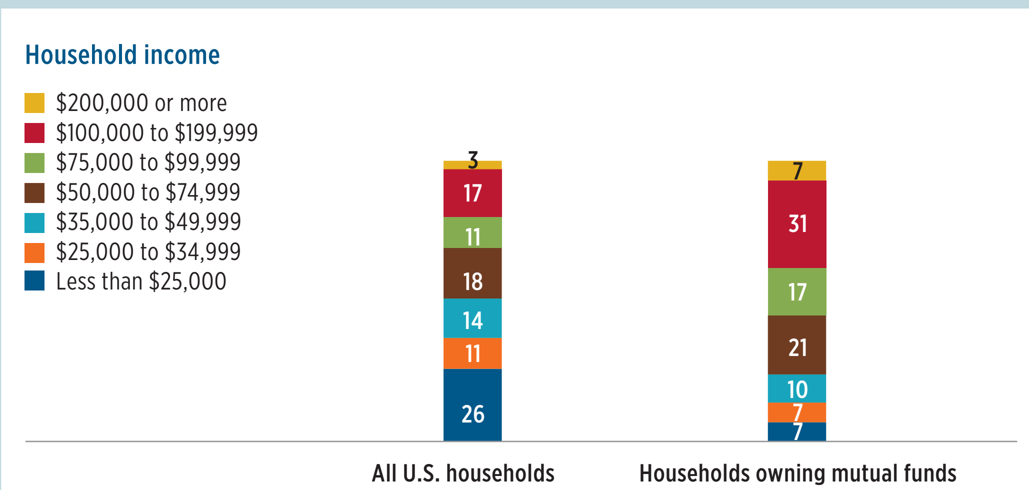
Note: Age is based on the sole or co-decisionmaker for household saving and investing.

Sources: Investment Company Institute and U.S. Census Bureau. See *ICI Research Perspective*, "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2011."

FIGURE 6.5

Most Households That Own Mutual Funds Have Moderate Incomes

Percent distribution of all U.S. households and households owning mutual funds by household income, May 2011



Note: Total reported is household income before taxes in 2010.

Sources: Investment Company Institute and U.S. Census Bureau. See *ICI Research Perspective*, "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2011."

Although individuals across all income groups own mutual funds, households with higher incomes are more likely to own mutual funds than lower-income households. In 2011, 68 percent of all U.S. households with incomes of $50,000 or more owned mutual funds, compared with 21 percent of households with incomes of less than $50,000 (Figure 6.6). In fact, lower-income households are less likely to have any type of savings. The typical household with income less than $50,000 had $10,000 in savings and investments, while the typical household with income of $50,000 or more held $200,000 in savings and investments.

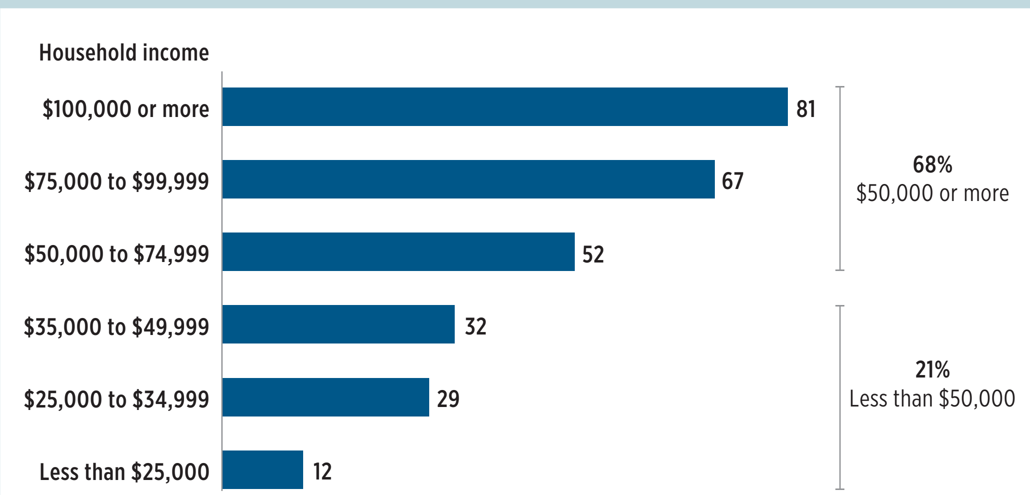
Savings Goals of Mutual Fund Investors

Mutual funds play a key role in achieving both the long- and short-term savings goals of U.S. households. In 2011, 94 percent of mutual fund–owning households indicated that saving for retirement was one of their household's financial goals (Figure 6.2). Seventy-three percent indicated that retirement saving was their household's primary financial goal. Ninety-one percent of households that owned mutual funds held shares inside workplace retirement plans, individual retirement accounts (IRAs), and other tax-deferred accounts. Households were more likely to invest their retirement assets in long-term mutual funds than in money market funds. Defined contribution (DC) retirement plans and IRA assets held in equity, bond, and hybrid mutual funds totaled $4.3 trillion in 2011 and accounted for 48 percent of those funds' assets industrywide, whereas retirement account assets in money market funds were $375 billion, or 14 percent of those funds' assets industrywide.

FIGURE 6.6

Ownership of Mutual Funds Increases with Household Income

Percentage of U.S. households within each income group, May 2011



Note: Total reported is household income before taxes in 2010.

Sources: Investment Company Institute and U.S. Census Bureau. See *ICI Research Perspective*, "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2011."

Retirement is not the only financial goal for households' mutual fund investments. Nearly half of mutual fund–owning households reported that reducing their taxable income was one of their goals; 48 percent listed saving for emergencies as a goal; and 24 percent reported saving for education among their goals (Figure 6.2).

Where Investors Own Mutual Funds

The importance of retirement saving among mutual fund investors also is reflected in where they own their funds. As 401(k) and other employer-sponsored DC retirement plans have become increasingly popular in the workplace, the fraction of households that make their first foray into mutual fund investing inside their employer-sponsored retirement plans has increased. Among those households that made their first mutual fund purchase in 2005 or later, 74 percent did so inside an employer-sponsored retirement plan (Figure 6.7). Among those households that made their first purchase before 1990, 55 percent did so inside an employer-sponsored retirement plan.

In 2011, 69 percent of mutual fund–owning households owned funds inside employer-sponsored retirement plans, with 32 percent owning funds only inside such plans (Figure 6.8). Sixty-eight percent of mutual fund–owning households owned funds outside of employer-sponsored retirement accounts, with 31 percent owning funds only outside such plans. For mutual fund–owning households without funds in workplace accounts, 64 percent held funds in traditional or Roth IRAs, and in many cases, these IRAs held assets rolled over from 401(k)s or other employer-sponsored retirement plans (defined benefit or DC plans).

FIGURE 6.7

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

Percentage of U.S. households owning mutual funds, May 2011

	Year of household's first mutual fund purchase					Memo: all mutual fund–owning households
	Before 1990	1990 to 1994	1995 to 1999	2000 to 2004	2005 or later	
Source of first mutual fund purchase						
Inside employer-sponsored retirement plan	55	64	68	60	74	62
Outside employer-sponsored retirement plan	45	36	32	40	26	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 Research Perspective*, "Characteristics of Mutual Fund Investors, 2011."

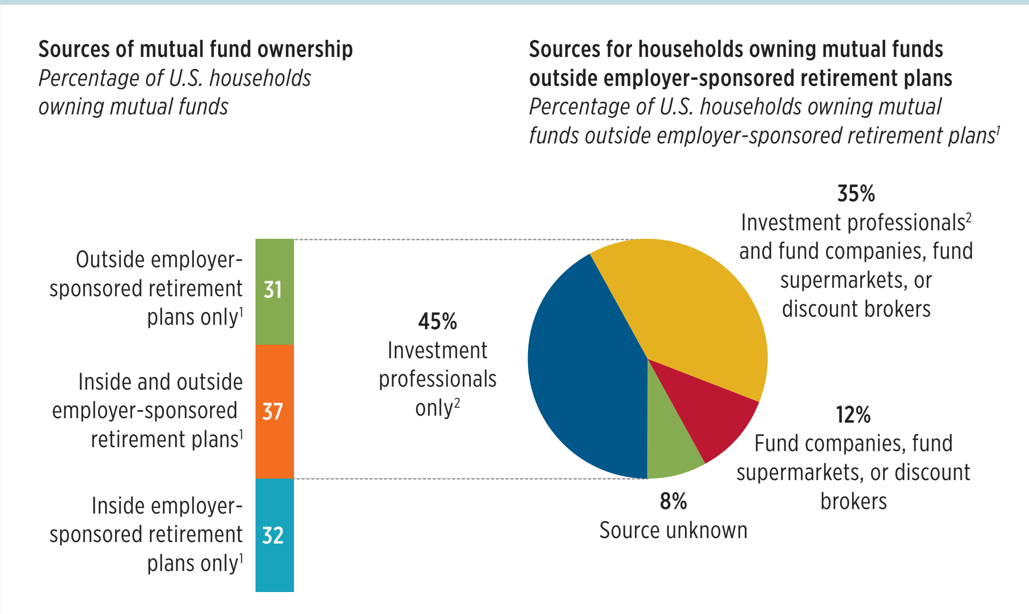
Sources of Mutual Fund Purchases

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 with the help of an investment professional (Figure 6.8). Investment professionals include registered investment advisers, full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, and accountants. Forty-five percent of investors who owned funds outside employer-sponsored retirement plans purchased their funds solely with professional financial help, while another 35 percent owned funds purchased from investment professionals, fund companies directly, or discount brokers. Twelve percent solely owned funds purchased directly from fund companies or discount brokers.

FIGURE 6.8

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

May 2011



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

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

Source: *ICI Research Perspective*, "Characteristics of Mutual Fund Investors, 2011"

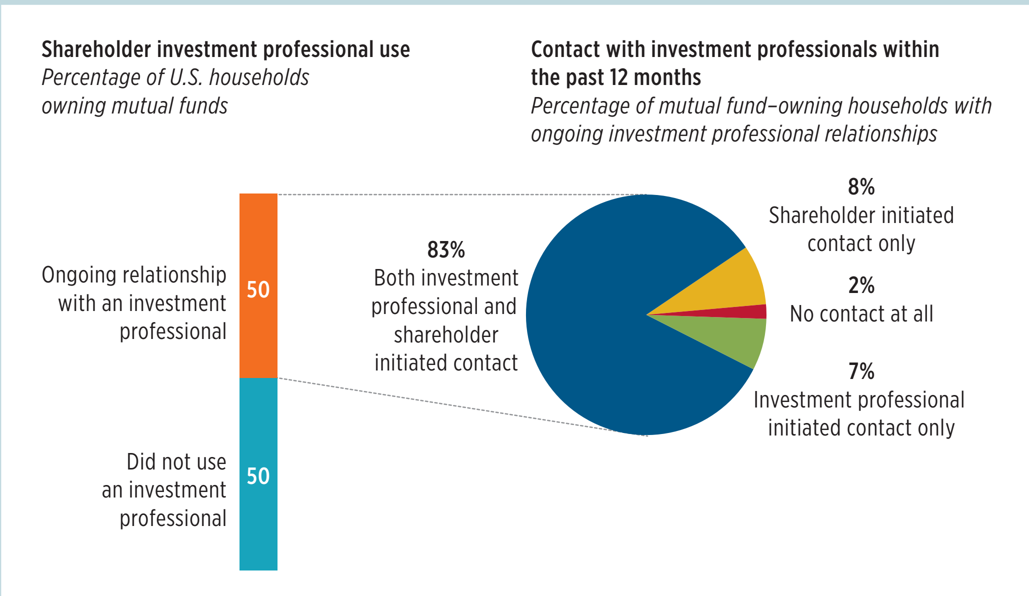
Investment Professional Contact in 2010 and 2011

Half of all mutual fund–owning households indicated they had ongoing relationships with an investment professional (Figure 6.9). Between June 2010 and May 2011, nearly all of these households had contact with their investment professionals. Eighty-three percent of shareholders who reported using professional assistance indicated that both they and their investment professional initiated contact during this time period. Another 8 percent reported contact initiated only by the shareholder, and 7 percent reported contact initiated only by their investment professional.

FIGURE 6.9

Half of Mutual Fund Shareholders Used an Investment Professional

May 2011



Source: *ICI Research Perspective*, "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2011"

Shareholder Sentiment, Willingness to Take Investment Risk, and Confidence

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

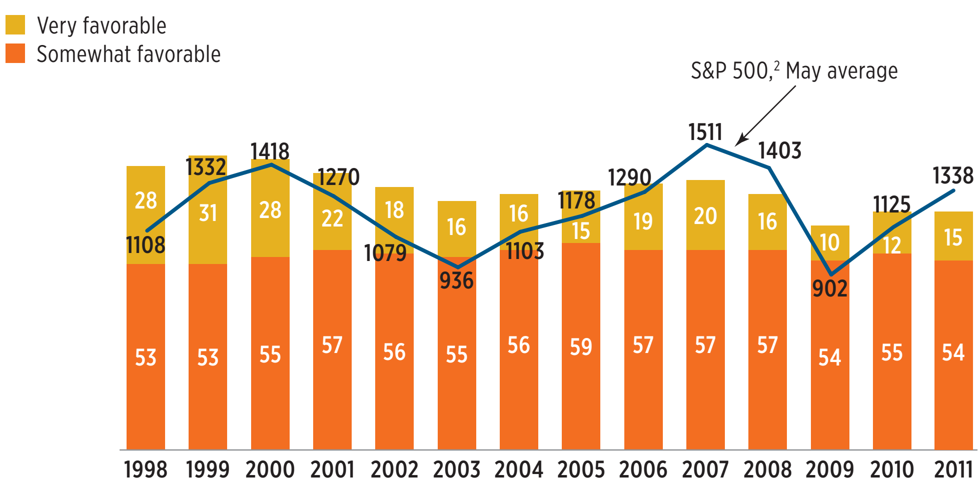
After falling during the market decline in 2008 and 2009, mutual fund favorability rebounded somewhat as the stock market gained in 2010 and 2011. Sixty-nine percent of shareholders familiar with mutual fund companies had "very" or "somewhat" favorable impressions of fund companies in 2011, up from 64 percent in 2009 (Figure 6.10).

FIGURE 6.10

Mutual Fund Shareholder Sentiment Rises and Falls with Stock Market Performance

Percentage of mutual fund shareholders familiar with mutual fund companies, 1998–2011

Mutual fund industry favorability rating[1]



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total percentage with positive opinions[1]	81	84	83	79	74	71	72	74	76	77	73	64	67	69

[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.

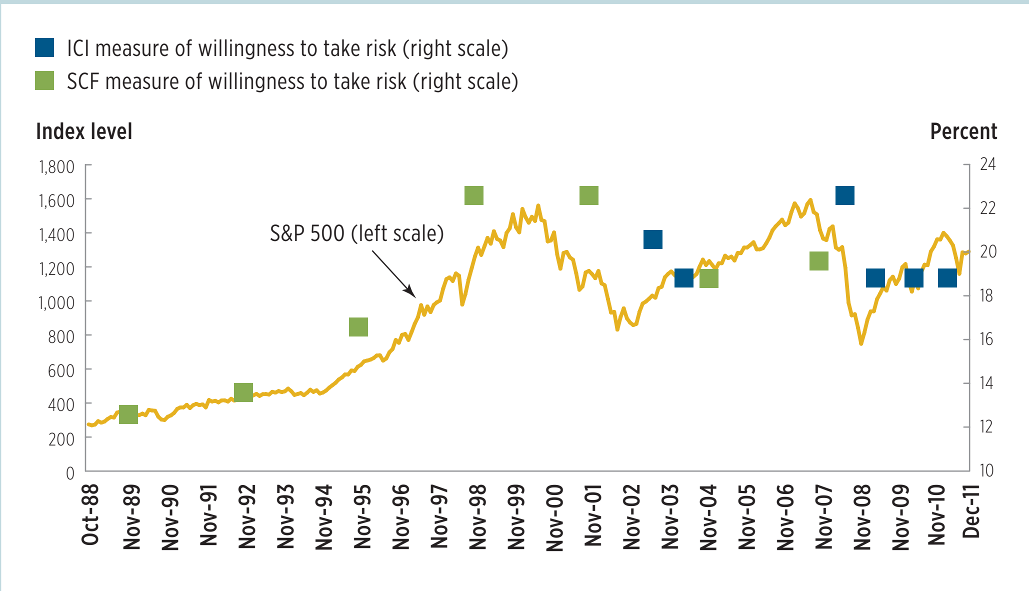
Sources: Investment Company Institute and Standard & Poor's. See *ICI Research Perspective*, "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2011."

Among all U.S. households, the percentage willing to take above-average or substantial investment risk also tends to move with stock market performance (Figure 6.11). U.S. households become less tolerant of investment risk in times of poor stock market performance. For example, willingness to take risk was lower from 2008 to 2011, compared to time periods of higher stock market gains. Households owning mutual funds also have expressed less willingness to take investment risk in recent years. In May 2008, 36 percent of mutual fund–owning households were willing to take

FIGURE 6.11

Households' Willingness to Take Investment Risk Tends to Move with the S&P 500 Stock Index

Percentage of U.S. households willing to take above-average or substantial investment risk, 1988–2011

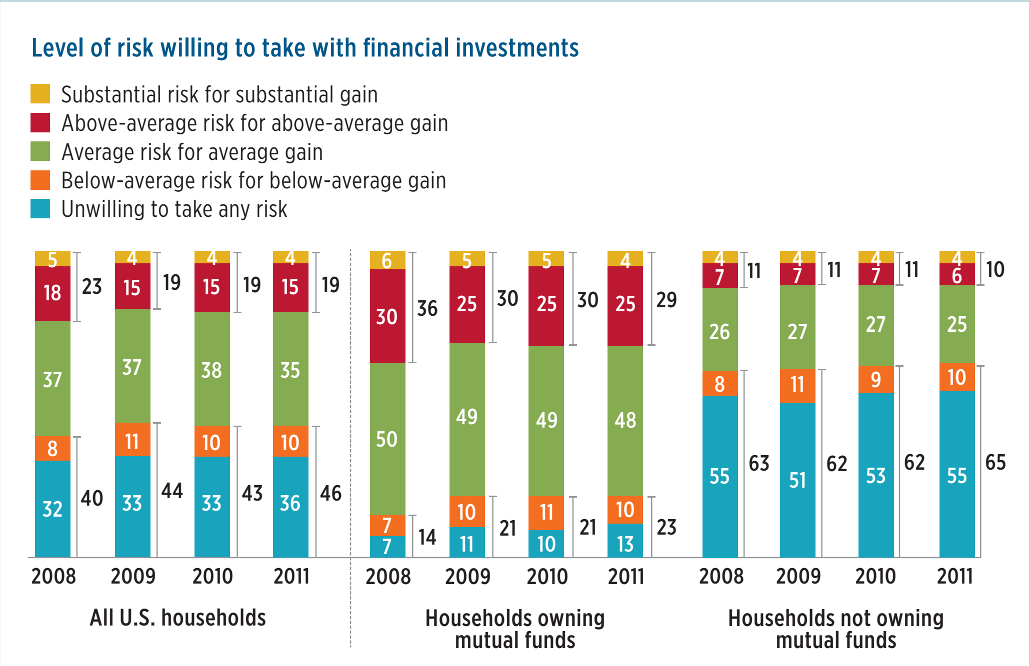


Sources: ICI Annual Mutual Fund Shareholder Tracking Survey, Federal Reserve Board Survey of Consumer Finances (SCF), and Standard & Poor's

FIGURE 6.12

Households' Willingness to Take Investment Risk

Percentage of U.S. households by mutual fund ownership status; May, 2008–2011



Source: *ICI Research Perspective*, "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2011"

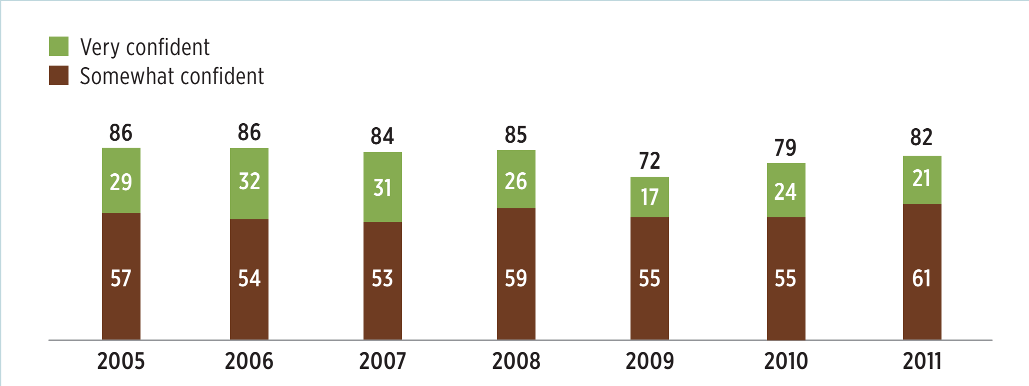
above-average or substantial risk with their investments (Figure 6.12). By May 2011, this fraction had fallen to 29 percent of mutual fund–owning households.

Investors' confidence that mutual funds are helping them reach their financial goals has a similar pattern to shareholder sentiment. Investor confidence declined a bit in the wake of the financial market crisis. In 2009, 72 percent of fund shareholders said they were confident in mutual funds' ability to help them achieve their financial goals, compared with 85 percent in 2008 (Figure 6.13). Over 2010 and 2011, confidence rose. In 2011, 82 percent of all fund shareholders said they were confident in mutual funds' ability to help them achieve their financial goals. Indeed, more than one-fifth of fund investors in 2011 were "very" confident that mutual funds could help them meet their financial goals.

FIGURE 6.13

Mutual Fund Shareholders' Confidence Rose in 2011

Percentage of all mutual fund shareholders by level of confidence that mutual funds can help them meet their investment goals, 2005–2011



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

Source: *ICI Research Perspective*, "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2011"

Shareholders' Use of the Internet

A vast majority of shareholders use the Internet to access financial accounts and other investment information. In 2011, 91 percent of U.S. households owning mutual funds had Internet access (Figure 6.14), up from 68 percent in 2000—the first year in which ICI measured shareholders' access to the Internet. Similar to all U.S. households and households owning DC plans, 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, almost eight in 10 mutual fund–owning households with Internet access used the Internet daily.

FIGURE 6.14

Internet Access Is Widespread Among Mutual Fund–Owning Households

Percentage of households with Internet access, May 2005 and May 2011

	All U.S. households		Mutual fund–owning households		Households with DC plans[1]	
	Had Internet access in 2005	Had Internet access in 2011	Had Internet access in 2005	Had Internet access in 2011	Had Internet access in 2005	Had Internet access in 2011
Age of head of household[2]						
Younger than 35	82	92	94	94	93	95
35 to 49	81	90	91	98	90	97
50 to 64	74	78	90	93	87	90
65 or older	34	51	60	72	58	72
Education level						
High school graduate or less	51	64	75	82	74	82
Some college or associate's degree	82	85	87	90	90	92
College or postgraduate degree	89	92	94	96	95	97
Household income[3]						
Less than $50,000	53	65	72	78	73	79
$50,000 to $99,999	84	91	89	93	90	94
$100,000 to $149,999	93	96	94	99	95	99
$150,000 or more	95	95	96	96	97	96
Total	**70**	**78**	**87**	**91**	**86**	**91**

[1] DC plans include 401(k), 403(b), 457, and other DC plans.

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

[3] Total reported is household income before taxes in the prior year.

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

Source: *ICI Research Perspective*, "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2011"

FIGURE 6.15

Most Mutual Fund Shareholders Used the Internet for Financial Purposes

Percentage of U.S. households with Internet access by mutual fund ownership and online activities in the past 12 months,[1, 2] May 2011

	Households owning mutual funds	Households not owning mutual funds
Accessed email	**92**	**82**
Used Internet for a financial purpose (total)	**84**	**63**
Accessed any type of financial account, such as bank or investment accounts	82	57
Obtained investment information	58	22
Bought or sold investments online	19	8
Used Internet for a nonfinancial purpose (total)	**90**	**77**
Obtained information about products and services other than investments	82	68
Bought or sold something other than investments online	83	62

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

[2] For this survey, the past 12 months were June 2010 through May 2011.

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

Source: *ICI Research Perspective*, "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2011"

In 2011, 84 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 6.15). In addition, mutual fund–owning households were much more likely than households not owning mutual funds to engage in common online activities, such as accessing email, obtaining information about products and services other than investments, or purchasing products and services other than investments. Younger shareholders, shareholders with higher education levels, and shareholders with higher household incomes all reported the highest levels of Internet use (Figure 6.16). Within these groups, about nine in 10 used the Internet for financial and nonfinancial purposes.

FIGURE 6.16

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

Percentage of U.S. households with Internet access by mutual fund ownership and online activities in past 12 months,[1, 2] May 2011

	Accessed email	Used Internet for a financial purpose	Used Internet for a nonfinancial purpose
Age of head of household[3]			
Younger than 35	96	90	95
35 to 49	97	90	93
50 to 64	89	81	90
65 or older	85	72	81
Education level			
High school graduate or less	81	71	77
Some college or associate's degree	93	82	92
College or postgraduate degree	97	91	95
Household income[4]			
Less than $50,000	87	70	83
$50,000 to $99,999	92	81	89
$100,000 to $149,999	93	93	93
$150,000 or more	99	95	97
Total	**92**	**84**	**90**

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

[2] For this survey, the past 12 months were June 2010 through May 2011.

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

[4] Total reported is household income before taxes in 2010.

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

Source: *ICI Research Perspective*, "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2011"

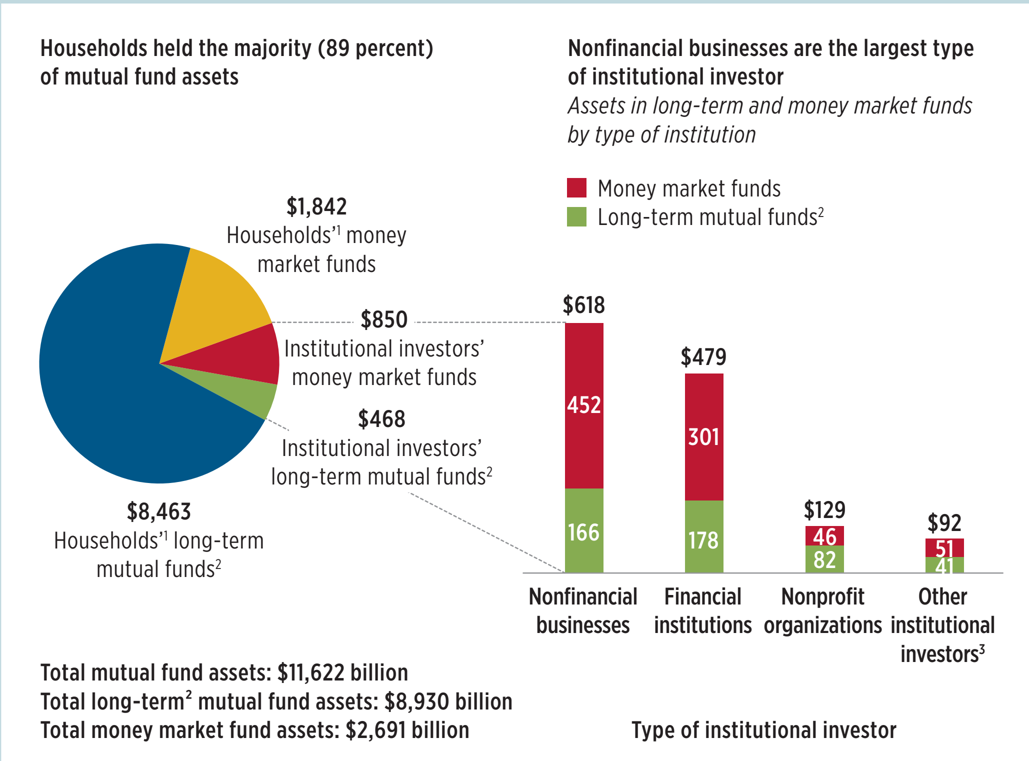
Institutional Ownership of Mutual Funds

Nonfinancial businesses, financial institutions, nonprofit organizations, and other institutional investors held 11 percent of mutual fund assets at year-end 2011 (Figure 6.17). Institutional investor data exclude mutual fund holdings by fiduciaries, retirement plans, and variable annuities, which are considered to be held primarily by individual investors (households).

FIGURE 6.17

Institutional and Household Ownership of Mutual Funds

Billions of dollars, year-end 2011



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

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

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

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

As of year-end 2011, nonfinancial businesses were the largest segment of institutional investors in mutual funds, holding $618 billion in corporate and similar accounts (Figure 6.17). These firms primarily use mutual funds as a cash management tool, and 73 percent of their mutual fund holdings were money market funds. Business investments in funds do not include assets held by funds in retirement plans on behalf of employees in employer-sponsored retirement plans, since those assets are considered employee assets rather than employer assets.

Financial institutions—which include credit unions, investment clubs, banks, and insurance companies—were the second-largest component of institutional investors in mutual funds. Financial institutions held $479 billion in fund assets at year-end 2011 (Figure 6.17). Nonprofit organizations and other institutional investors held $129 billion and $92 billion, respectively, in mutual fund accounts. Institutional investors overwhelmingly held money market funds as their primary type of mutual fund. Across all types of institutional investors, 64 percent of investments in mutual funds were in money market funds at year-end 2011.

For More Information

» "Profile of Mutual Fund Shareholders, 2011," *ICI Research Report*

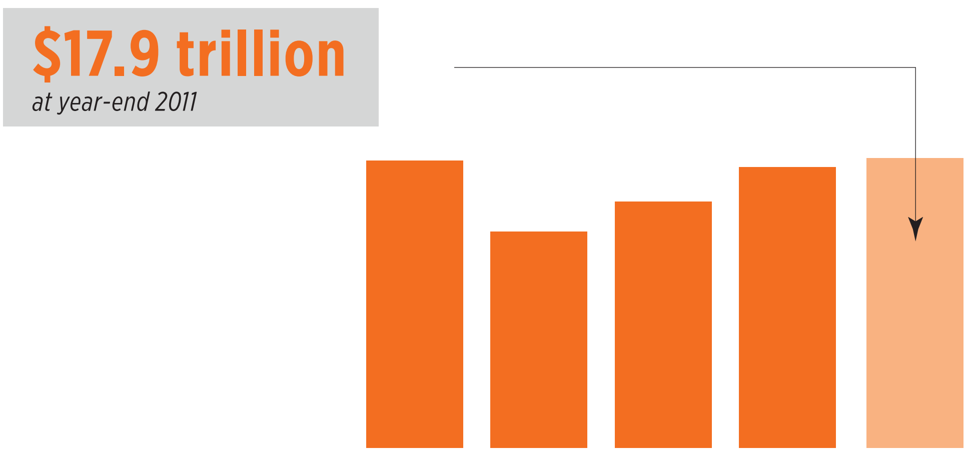
» "Characteristics of Mutual Fund Investors, 2011," *ICI Research Perspective*

» "Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2011," *ICI Research Perspective*

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

Available at www.ici.org.

U.S. retirement assets were $17.9 trillion in 2011



Chapter Seven

RETIREMENT AND EDUCATION SAVINGS

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

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

The U.S. Retirement System

In retirement, Americans rely on a combination of resources including Social Security benefits and income from employer-sponsored retirement plans, individual retirement accounts (IRAs), and annuities. Reliance on each of these components varies by individual.

The largest component of retiree income and the predominant income source for lower-income retirees is Social Security benefits. Social Security benefits are funded through a payroll tax equal to 12.4 percent of earnings of covered workers (6.2 percent paid by employees* and 6.2 percent paid by employers) up to a maximum taxable earnings amount ($106,800 in 2011). The Social Security benefit formula is highly progressive, with benefits representing a much higher percentage of earnings for workers with lower lifetime earnings. For individuals born in the 1940s, the Congressional Budget Office (CBO) projects that Social Security benefits will replace, on average, 71 percent of average earnings for the bottom 20 percent of retired workers ranked by lifetime earnings (Figure 7.1). This replacement rate drops to 50 percent for the second quintile of retired workers, and then declines more slowly as lifetime earnings increase. For even the top 20 percent of earners, Social Security benefits are projected to replace a considerable fraction (30 percent) of earnings. Over time, Social Security has become a system designed to be the primary means of support for retirees with low lifetime earnings and a substantial source of income for all retired workers.

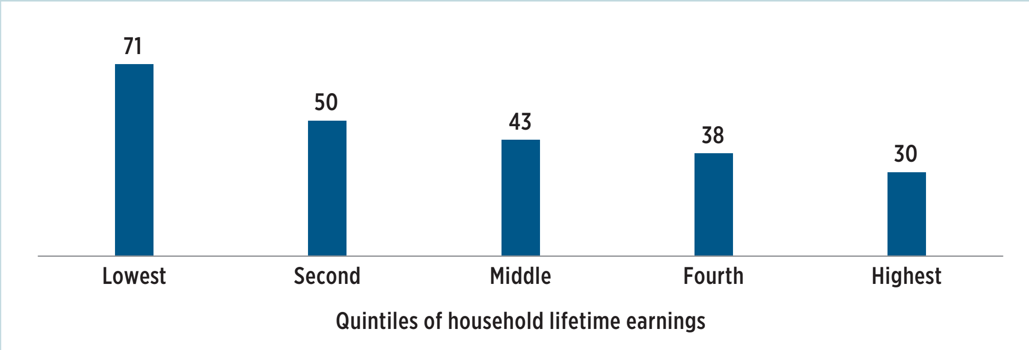
Employer-sponsored retirement plans, IRAs, and annuities also play an important role in the U.S. retirement system. Such retirement assets totaled $17.9 trillion at year-end 2011, up slightly from year-end 2010 (Figure 7.2). The largest components of retirement assets were IRAs and employer-

* For 2011 and 2012, this rate has been temporarily changed to 4.2 percent.

FIGURE 7.1

Social Security Benefit Formula Is Highly Progressive

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

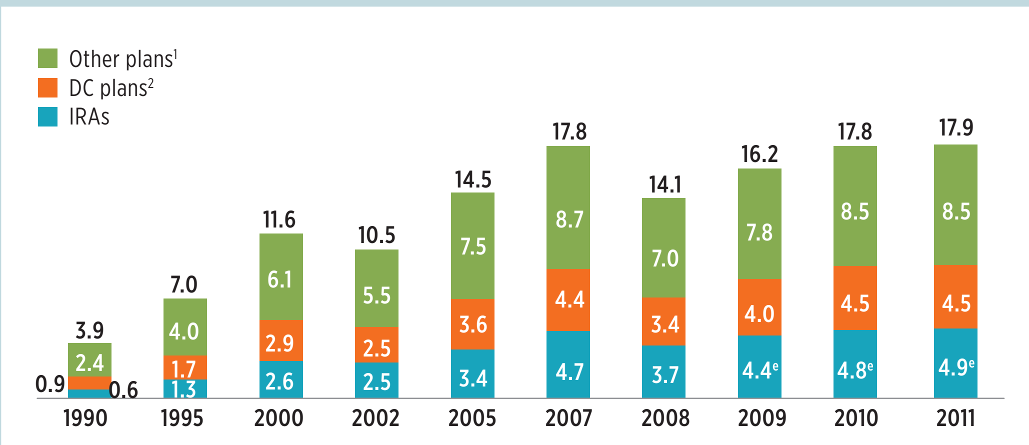


Source: Congressional Budget Office (*CBO's 2011 Long-Term Projections for Social Security: Additional Information)*

FIGURE 7.2

U.S. Retirement Assets Edged Up in 2011

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.

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. See "The U.S. Retirement Market, Fourth Quarter 2011."

sponsored defined contribution (DC) plans, holding $4.9 trillion and $4.5 trillion, respectively, at year-end 2011. Other employer-sponsored pensions include private-sector defined benefit (DB) pension funds ($2.4 trillion), state and local government employee retirement plans ($3.0 trillion), and federal government plans—which include both federal employees' DB plans and the Thrift Savings Plan ($1.5 trillion). In addition, there were $1.6 trillion in annuity reserves outside of retirement plans at year-end 2011.

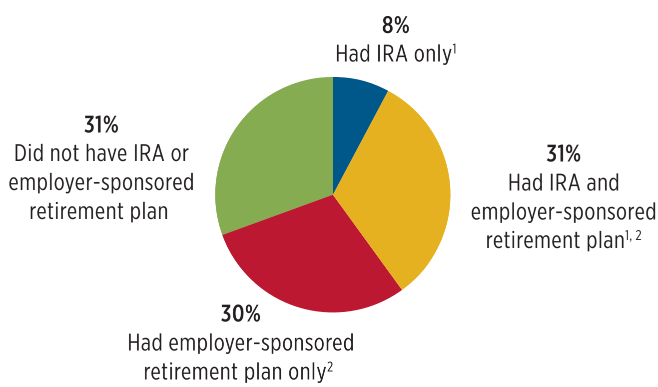
Sixty-nine percent of U.S. households (or 82 million households) reported that they had employer-sponsored retirement plans, IRAs, or both in May 2011 (Figure 7.3). Sixty-one percent of U.S. households reported that they had employer-sponsored retirement plans—that is, they had assets in DC plan accounts, were receiving or expecting to receive benefits from DB plans, or both. Thirty-nine percent of households reported having assets in IRAs. Thirty-one percent of households had both IRAs and employer-sponsored retirement plans.

Ownership of IRA and DC plan assets has become more common with each successive generation of workers. This can be seen by comparing the ownership rates of households grouped by the decade in which the household heads were born (Figure 7.4). At any given age, younger households have had higher IRA and DC plan ownership rates over time. For example, in 2011, when they were 51 to 61 years of age, 71 percent of households born in the 1950s owned IRAs or DC plan accounts. By comparison, households born a decade earlier had a 66 percent ownership rate when they were aged 51 to 61 in 2001. At younger ages, the differences between birth cohorts are even greater.

FIGURE 7.3

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

Percentage of U.S. households, May 2011



Total number of U.S. households: 118.7 million

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

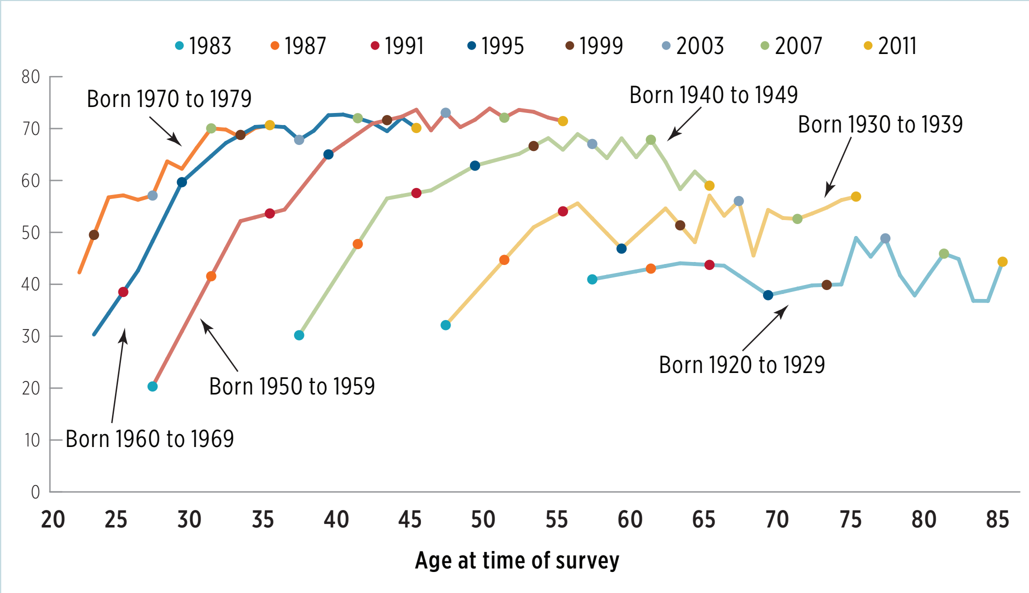
[2] Employer-sponsored retirement plans include DC and DB retirement plans.

Sources: Investment Company Institute and U.S. Census Bureau. See *ICI Research Perspective*, "The Role of IRAs in U.S. Households' Saving for Retirement, 2011."

FIGURE 7.4

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

Percentage of U.S. households owning IRAs or DC plans by decade in which household heads were born, 1983–2011



Note: Age is the average age of the 10-year birth cohort at the time of the survey. The 10-year birth cohorts are defined using the age of the head of household. Data from 2000 to 2011 are from annual household surveys conducted by ICI. Growth for the period 1983 to 2000 is estimated using the Federal Reserve Board Survey of Consumer Finances.

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

For example, 71 percent of households with heads born in the 1970s held assets in IRAs or DC plan accounts in 2011 when they were aged 31 to 41. In contrast, 54 percent of households born in the 1950s owned IRAs or DC plan accounts in 1991, when they were aged 31 to 41.

Defined Contribution Plans

DC plans provide employees with an account derived from employer or employee contributions or both, plus investment earnings or losses on those contributions, less withdrawals from the plans. Assets in employer-sponsored 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 at year-end 2011. At the end of 2011, employer-sponsored DC plans—which include 401(k) plans, 403(b) plans, 457 plans, Keoghs, and other DC plans—held an estimated $4.5 trillion in assets (Figure 7.5). With $3.1 trillion in assets at year-end

2011, 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 $941 billion in assets. The remaining $520 billion in DC plan assets was held by other DC plans without 401(k) features.

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

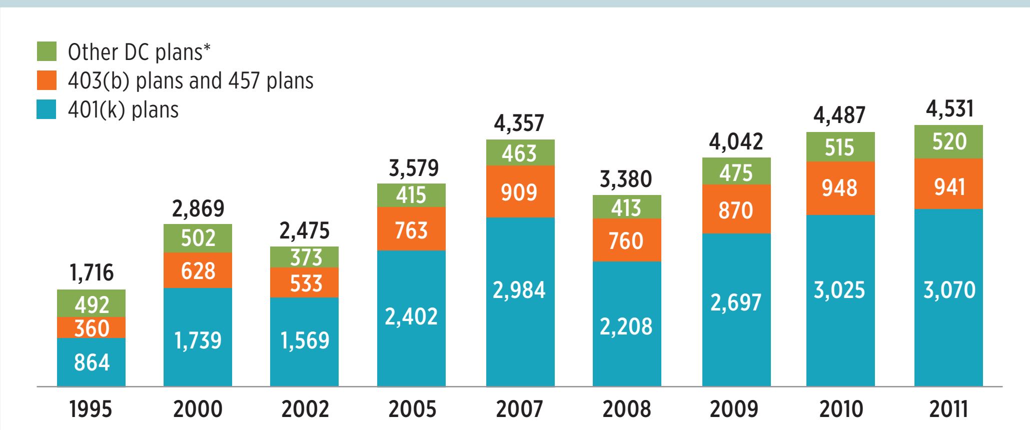
For many American workers, 401(k) plan accounts have become an important part of their retirement planning. The income these accounts provide in retirement depends, in part, on the asset allocation decisions of plan participants.

On average, younger participants allocate a larger portion of their portfolio to equities (which include equity mutual funds and other pooled equity investments; the equity portion of balanced funds, including target date funds; and company stock of their employers). According to research conducted by ICI and the Employee Benefit Research Institute (EBRI), at year-end 2010, individuals in their twenties invested 44 percent of their assets in equity funds and company stock;

FIGURE 7.5

Defined Contribution Plan Assets by Type of Plan

Billions of dollars, year-end, selected years



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

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

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

37 percent in target date funds and non–target date balanced funds; and 14 percent in guaranteed investment contracts (GICs), stable value funds, money funds, and bond funds (Figure 7.6). All told, participants in their twenties had 74 percent of their 401(k) assets in equities. By comparison, at year-end 2010, individuals in their sixties invested 41 percent of their assets in equity funds and company stock; 16 percent in target date funds and non–target date balanced funds; and 37 percent in GICs, stable value funds, money funds, and bond funds. All told, participants in their sixties had 49 percent of their 401(k) assets in equities.

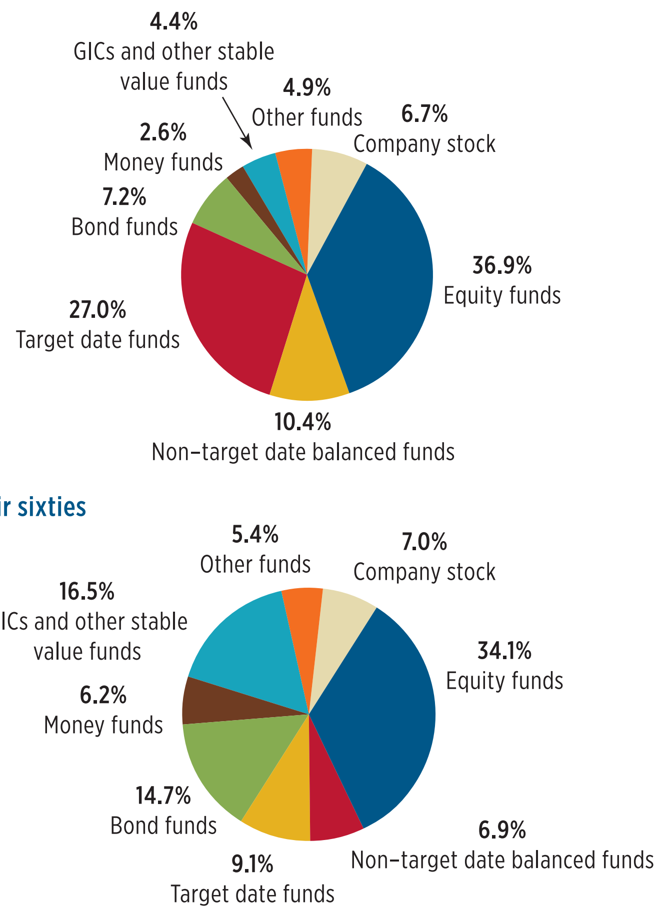
FIGURE 7.6

401(k) Asset Allocation Varied with Participant Age

Average asset allocation of 401(k) account balances, percentage of assets, year-end 2010

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 invested primarily in the security indicated. Percentages are dollar-weighted averages. Components do not add to 100 percent because of rounding.

Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project. See *ICI Research Perspective*, "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2010."

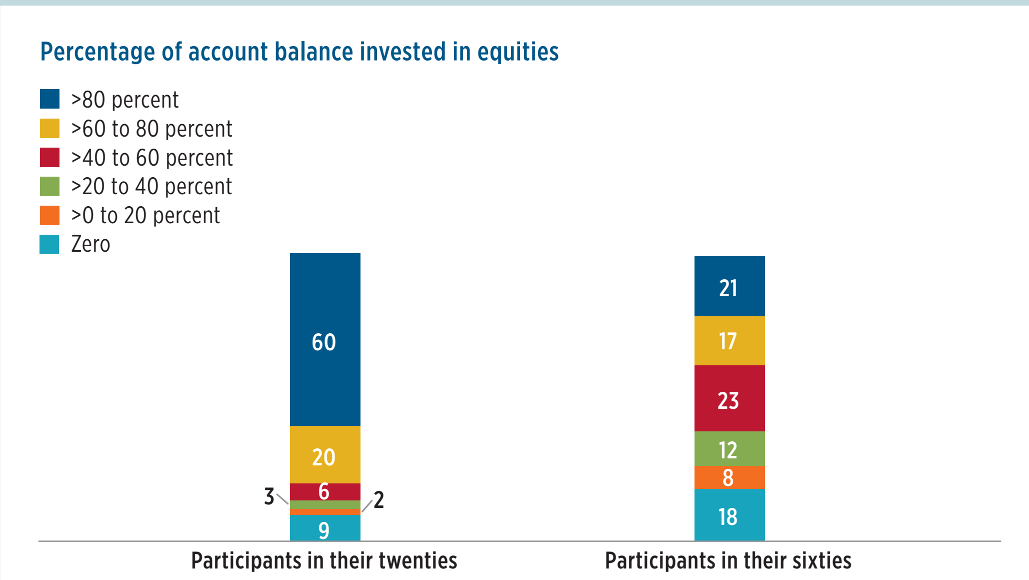
Within age groups, however, portfolio allocation varies widely. For example, at year-end 2010, 60 percent of 401(k) participants in their twenties held more than 80 percent of their account in equities and 11 percent held 20 percent or less (Figure 7.7). Of 401(k) participants in their sixties, 21 percent held more than 80 percent of their account in equities and 26 percent held 20 percent or less.

Target date funds, which were introduced in the mid-1990s, have grown rapidly in recent years. A target date fund (including both target date mutual funds and other pooled target date investments) follows a predetermined reallocation of assets over time based on a specified target retirement date. Typically the fund rebalances its portfolio to become less focused on growth and more focused on income as it approaches and passes the target date, which is usually indicated in the fund's name. Since 2006, there has been an increase in the share of 401(k) plans that offer target date funds, the share of 401(k) plan participants who are offered target date funds, and the share of 401(k) participants who invested in target date funds (Figure 7.8). At year-end 2010, target date fund assets represented 11 percent of total 401(k) assets, up from 5 percent at year-end 2006.

FIGURE 7.7

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 2010



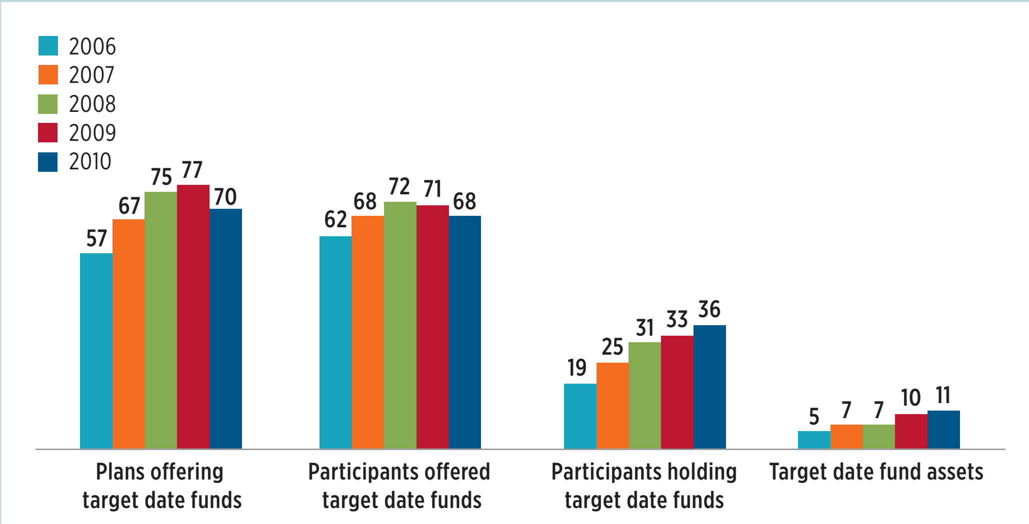
Note: Equities include equity funds, company stock, and the equity portion of balanced funds. Funds include mutual funds, bank collective trusts, life insurance separate accounts, and any pooled investment product invested primarily in the security indicated. Components may not add to 100 percent because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

Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project. See *ICI Research Perspective*, "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2010."

FIGURE 7.8

Target Date Funds' 401(k) Market Share

Percentage of total 401(k) market, year-end, 2006–2010



Note: Funds include mutual funds, bank collective trusts, life insurance separate accounts, and pooled investment products.

Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project. See *ICI Research Perspective*, "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2010."

In 2010, 70 percent of 401(k) plans offered target date funds, and 68 percent of 401(k) plan participants were offered target date funds. Because not all plan participants choose to allocate assets to the funds, the percentage of 401(k) participants with target date fund assets was lower than the percentage of participants who were offered the option. At year-end 2010, 36 percent of 401(k) participants held at least some plan assets in target date funds. In addition, because not all participants with assets in the funds allocated 100 percent of their holdings to the funds, and because participants with assets in the funds were more likely to be younger or recently hired and have lower account balances, the share of 401(k) assets invested in target date funds was lower than the share of participants invested in the funds.

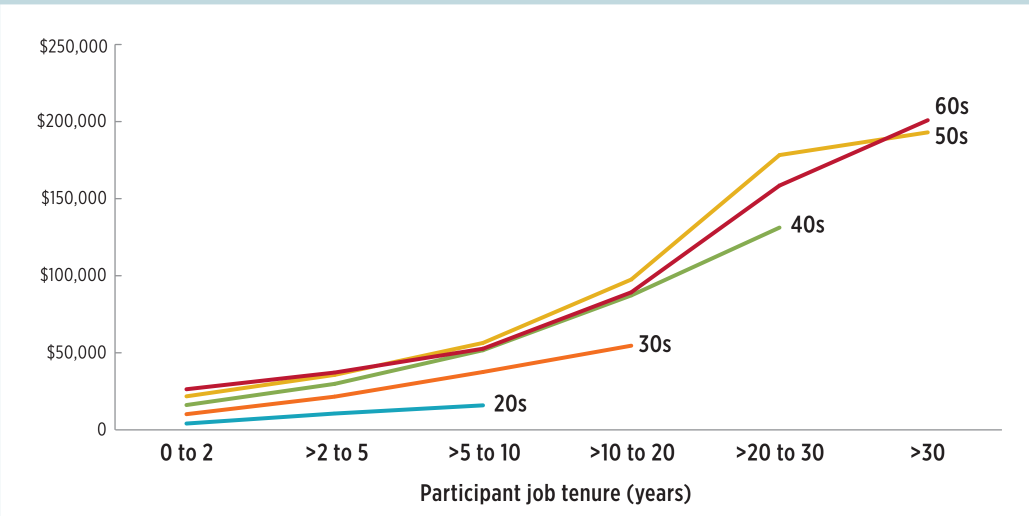
Account balances tended to be higher the longer 401(k) plan participants had been working for their current employers and the older the participant. Workers in their sixties with more than 30 years of tenure at their current employers had an average 401(k) account balance of $202,329 (Figure 7.9). The median age of 401(k) plan participants was 45 years at year-end 2010, and the median job tenure was eight years.

Most 401(k) participants do not borrow from their plans, although loan activity has edged up in recent years. At year-end 2010, 21 percent of those eligible for loans had loans outstanding. The average unpaid loan balance for these participants represented about 14 percent of their 401(k) account balances (net of the unpaid loan balances).

FIGURE 7.9

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

Average 401(k) participant account balance, year-end 2010



Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project. See *ICI Research Perspective*, "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2010."

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.

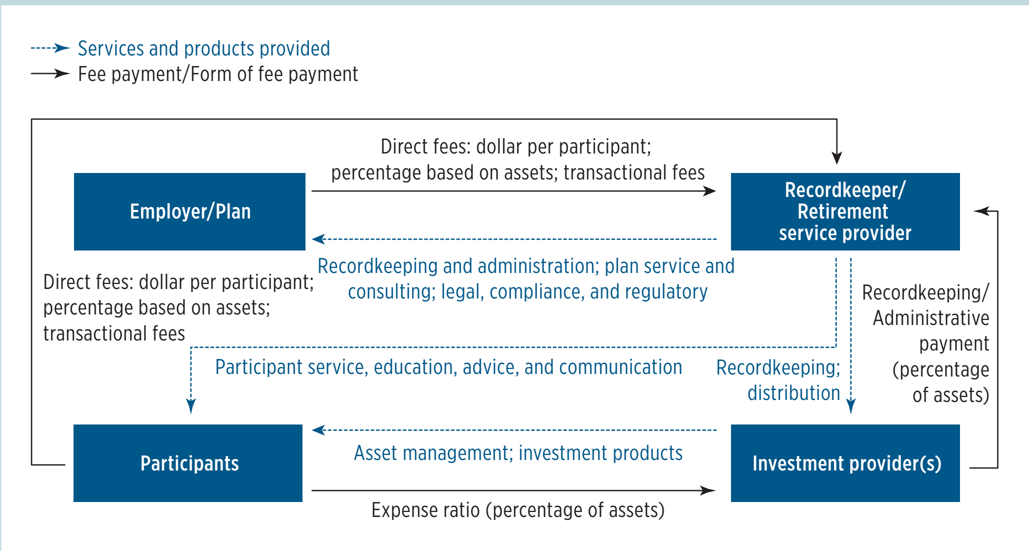
To provide and maintain 401(k) plans, employers are required to obtain a variety of administrative, participant-focused, regulatory, and compliance services. Employers offering 401(k) plans typically hire service providers to operate these plans, and these providers charge fees for their services.

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 7.10).

Participants in 401(k) plans holding mutual funds tend to invest in lower-cost funds and funds with below-average portfolio turnover. Both characteristics help to keep down the costs of investing in mutual funds through 401(k) plans. For example, at year-end 2010, 31 percent of 401(k) equity mutual fund assets were in funds that had total annual expense ratios below 0.50 percent of

FIGURE 7.10

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



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

Source: *ICI Research Perspective*, “The Economics of Providing 401(k) Plans: Services, Fees, and Expenses, 2010” fund assets, and another 47 percent had expense ratios between 0.50 percent and 1.00 percent (Figure 7.11). On an asset-weighted basis, the average total expense ratio incurred on 401(k) participants' holdings of equity mutual funds through their 401(k) plans was 0.71 percent in 2010 compared with an asset-weighted average total expense ratio of 0.84 percent for equity mutual funds industrywide. Similarly, equity mutual funds held in 401(k) accounts tend to have lower turnover in their portfolios. The asset-weighted average turnover rate of equity funds held in 401(k) accounts was 43 percent in 2010, compared with an industrywide asset-weighted average of 53 percent. Sixty percent of 401(k) assets at year-end 2011 was invested in mutual funds.

One key driver of 401(k) plan fees is plan size. A Deloitte/ICI study of 525 plan sponsors in 2011 created and analyzed a comprehensive plan fee measure, the "all-in fee." The study found that plans with more participants and larger average account balances tended to have lower all-in fees than plans with fewer participants and smaller average account balances. This observed effect likely results in part from fixed costs required to start up and run the plan, much of which are driven by legal and regulatory requirements. It appears that economies of scale 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. In addition, plans with higher participant contribution rates or automatic enrollment tended to have lower all-in fees. The study also examined the type of service provider or variables relating to the plan's relationship with the service provider, but found little impact on fees.

Individual Retirement Accounts

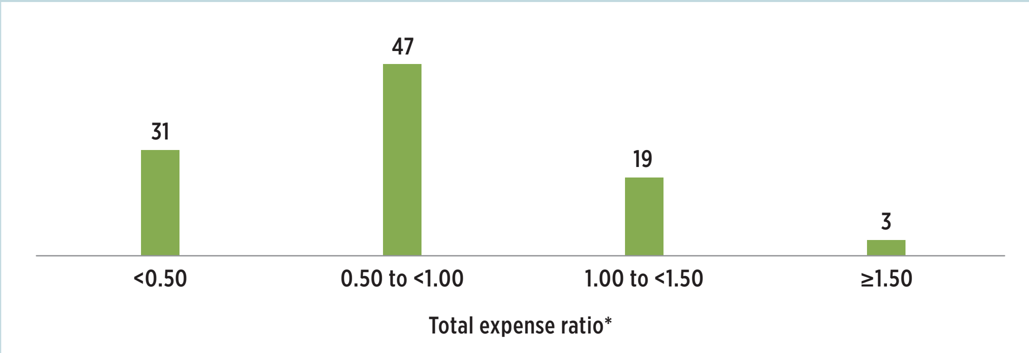
IRAs were designed with two goals when they were created in 1974 under the Employee Retirement Income Security Act (ERISA). First, they provide individuals not covered by workplace retirement plans with an opportunity to save for retirement on a tax-advantaged basis on their own. Second, they allow workers who are leaving jobs a means to preserve the tax benefits and growth opportunities that employer-sponsored retirement plans provide.

IRA assets, with $4.9 trillion at year-end 2011, accounted for 27 percent of U.S. retirement assets. Mutual fund assets held in IRAs were $2.2 trillion at year-end 2011, down slightly from year-end 2010 (Figure 7.12). Assets managed by mutual funds were the largest component of IRA assets, followed by securities held through brokerage accounts ($1.8 trillion at year-end 2011). The mutual fund industry's share of the IRA market was 45 percent at year-end 2011, compared with 46 percent at year-end 2010.

FIGURE 7.11

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

Percentage of 401(k) equity mutual fund assets, year-end 2010



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

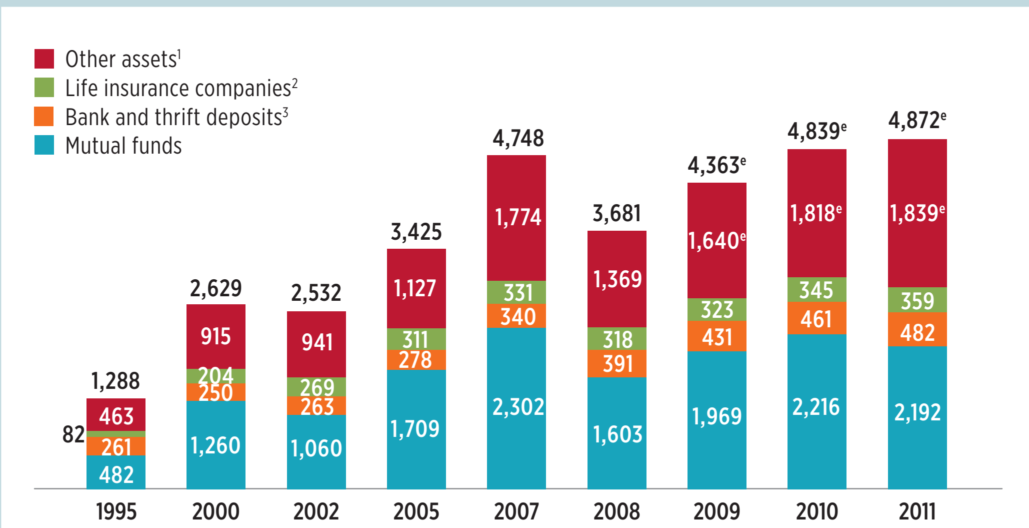
Note: Data exclude mutual funds available as investment choices in variable annuities. Equity funds include hybrid mutual funds.

Sources: Investment Company Institute and Lipper. See *ICI Research Perspective*, "The Economics of Providing 401(k) Plans: Services, Fees, and Expenses, 2010."

FIGURE 7.12

IRA Assets

Billions of dollars, year-end, selected years



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

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

[3] Bank and thrift deposits include Keogh deposits.

[e] Data are estimated.

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

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

IRA Investors

Nearly four out of ten U.S. households, or 46 million, owned at least one type of IRA as of mid-2011 (Figure 7.13). 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 almost 19 million U.S. households in mid-2011. Nearly 9 million U.S. households owned employer-sponsored IRAs (SEP IRAs, SAR-SEP IRAs, or SIMPLE IRAs).

Although most U.S. households are eligible to make contributions to IRAs, few do so. For example, only 14 percent of U.S. households contributed to any type of IRA in tax year 2010. In addition, very few eligible households made "catch-up" contributions to traditional or Roth IRAs.

Instead, investment returns and rollovers from employer-sponsored retirement plans have fueled the growth of IRAs. In any given year, a small portion of traditional IRA investors makes rollovers, but analysis of The IRA Investor Database finds that, for the most part, different groups make rollovers year-to-year. For example, of investors with IRAs at year-end 2008, 21 percent had made a rollover in 2007 or 2008, with 11 percent making a rollover in 2008, 11 percent in 2007, and only 1 percent in both years (Figure 7.14). The proportion of IRA owners that have ever made a rollover

FIGURE 7.13

46 Million U.S. Households Owned IRAs

May 2011

	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)	37.0 million	31.2%
SEP IRA	1978 (Revenue Act)	8.9 million	7.5%
SAR-SEP IRA	1986 (Tax Reform Act)		
SIMPLE IRA	1996 (Small Business Job Protection Act)		
Roth IRA	1997 (Taxpayer Relief Act)	18.6 million	15.7%
Any IRA		46.1 million	38.8%

Note: Households may own more than one type of IRA. SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs are employer-sponsored IRAs.
Sources: Investment Company Institute and U.S. Census Bureau. See *ICI Research Perspective*, "The Role of IRAs in U.S. Households' Saving for Retirement, 2011."

is higher because typically different investors make rollovers each year. Of U.S. households owning traditional IRAs in May 2011, an ICI household survey found that 55 percent (or 20 million U.S. households) had traditional IRAs that included rollover assets (Figure 7.15). In their most recent rollover, the vast majority of these households (83 percent) transferred their entire retirement plan balances into traditional IRAs.

Households owning IRAs generally are headed by middle-aged individuals (median age 53 years) with moderate household incomes (median income $75,000). These households held a median of $42,500 in IRAs. In addition, many households held multiple types of IRAs. For example, 34 percent of households with traditional IRAs also owned Roth IRAs, and 14 percent also owned employer-sponsored IRAs.

FIGURE 7.14

Rollover Activity in The IRA Investor Database™

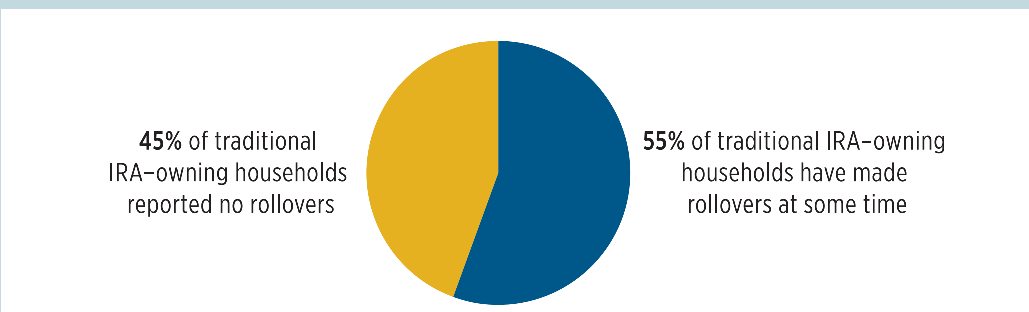
Percentage of traditional IRA investors aged 25 to 74, 2008

Source: The IRA Investor Database™

FIGURE 7.15

Rollovers Are Often a Source of Assets for Traditional IRA Investors

Percentage of households owning traditional IRAs, May 2011



Source: *ICI Research Perspective*, "The Role of IRAs in U.S. Households' Saving for Retirement, 2011"

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 7.16). Sixty-eight percent of IRA-owning households had IRA assets invested in mutual funds. About four out of five of these households, or 54 percent of all IRA-owning households, held at least a portion of their balance in equity mutual funds. Far fewer households owned other types of investments in their IRAs: 38 percent held individual equities, 36 percent held annuities, and 28 percent held bank deposits.

Younger IRA investors had more invested in equities, equity funds, and target date funds, on average, than older investors according to ICI research using The IRA Investor Database. Data at year-end 2008 show that older investors were more heavily invested in non–target date hybrid funds and fixed-income investments. For example, traditional IRA investors in their thirties had, on average, just over half of their assets invested in equities and equity funds and another 12 percent in target date funds (Figure 7.17). Investors in their sixties held 40 percent and 3 percent of their assets, respectively, in these two asset categories. In contrast, traditional IRA investors in their sixties had more than half of their assets invested in money market funds (25 percent), bonds and bond funds (21 percent), and non–target date hybrid funds (9 percent). Investors in their thirties held about one-third of their assets in these three asset categories.

FIGURE 7.16

Households Invested Their IRAs in Many Types of Assets

Percentage of U.S. households owning IRAs, May 2011

Mutual funds (total)	**68**
Equity mutual funds	54
Bond mutual funds	33
Hybrid mutual funds	30
Money market funds	28
Individual equities	**38**
Annuities (total)	**36**
Fixed annuities	24
Variable annuities	24
Bank savings accounts, money market deposit accounts, or certificates of deposit	**28**
Individual bonds (not including U.S. savings bonds)	**14**
U.S. savings bonds	**10**
ETFs	**10**
Other	**4**

Note: Multiple responses are included.

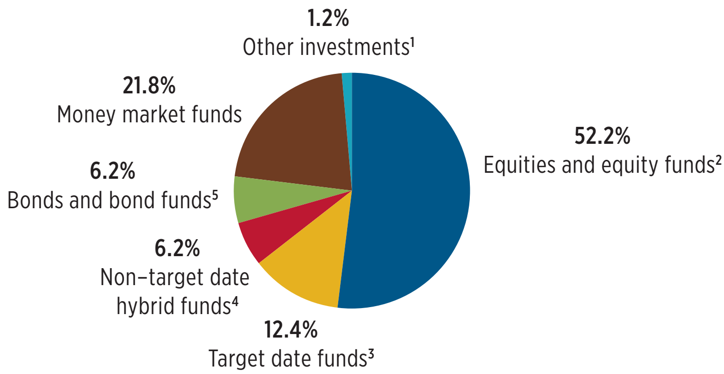
Source: *ICI Research Perspective*, "Appendix: Additional Data on IRA Ownership in 2011"

FIGURE 7.17

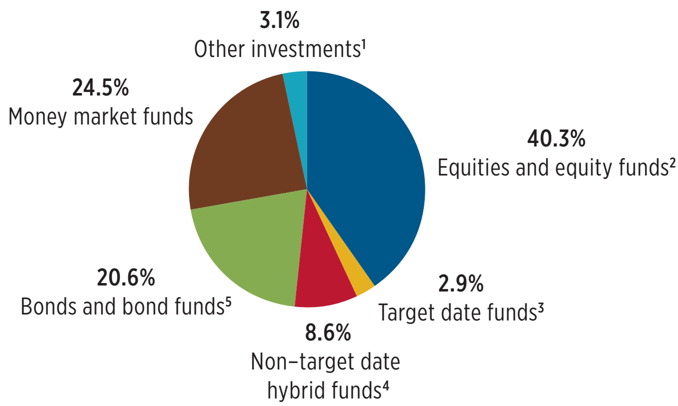
Traditional IRA Asset Allocation Varied with Investor Age

Average asset allocation of traditional IRA balances, percentage of assets, year-end 2008

Traditional IRA investors in their thirties



Traditional IRA investors in their sixties



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

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

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

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

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

Note: Percentages are dollar-weighted averages. The samples are 1.1 million traditional IRA investors aged 30 to 39 and 1.6 million traditional IRA investors aged 60 to 69 in 2008.

Source: The IRA Investor Database™

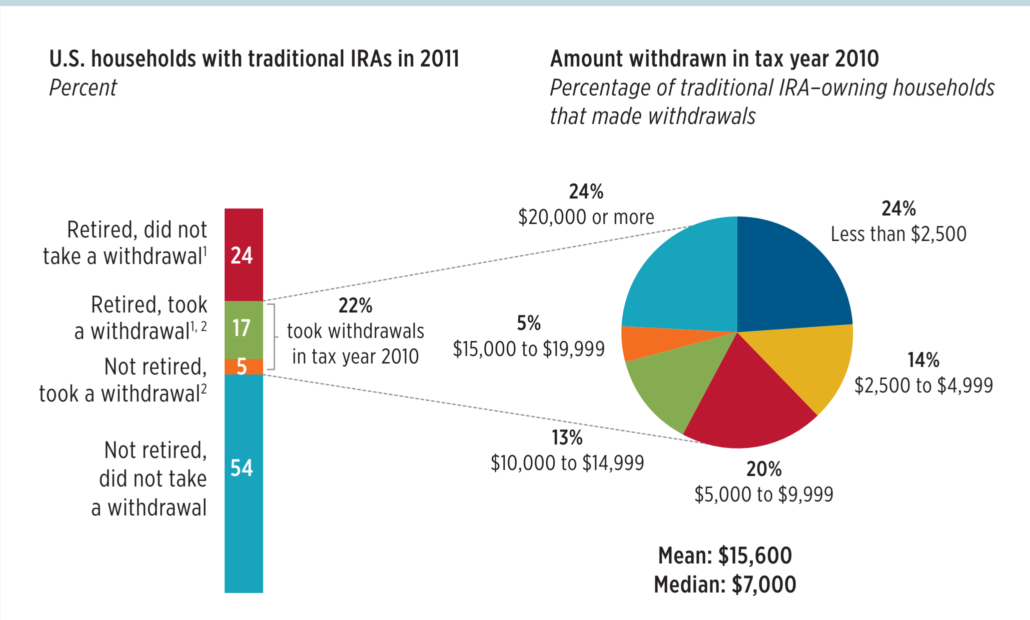
Distributions from IRAs

Of households with traditional IRAs in May 2011, 22 percent took withdrawals in tax year 2010 (Figure 7.18). Withdrawals from traditional IRAs were typically modest: the median withdrawal in tax year 2010 was $7,000 and 38 percent of withdrawals totaled less than $5,000. The median ratio of withdrawals to account balance was 9 percent.

Typically, withdrawals from traditional IRAs were taken to fulfill required minimum distributions (RMDs). An RMD is a distribution equal to a percentage of the IRA account balance, with the percentage based on remaining life expectancy. Traditional IRA owners aged 70½ or older must withdraw the minimum amount each year or pay a penalty for failing to do so. In tax year 2010, 61 percent of individuals who took traditional IRA withdrawals stated they did so to comply with RMD rules.

FIGURE 7.18

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 made a withdrawal exclude those households that withdrew the entire balance and closed their accounts in 2010.

Source: *ICI Research Perspective*, "The Role of IRAs in U.S. Households' Saving for Retirement, 2011"

Of the 22 percent of households who reported taking withdrawals in tax year 2010, 77 percent reported that the head of household or the spouse or both were retired. Of retired households that took traditional IRA withdrawals in tax year 2010, 39 percent reported using some or all of the funds to pay for living expenses (Figure 7.19). Other uses included reinvesting or saving the withdrawal amount in another account (33 percent), using the withdrawal for a healthcare expense (10 percent), and using the withdrawal for a home purchase, repair, or remodeling (18 percent).

Because current withdrawal activity may not be a good indicator of future withdrawal activity, ICI also asked about plans for future traditional IRA withdrawals. Among traditional IRA–owning households in 2011 that did not take a withdrawal in tax year 2010, 63 percent said that they were not likely to take a withdrawal before age 70½. The two most expected uses of traditional IRA withdrawals were to pay for living expenses (mentioned by 63 percent of traditional IRA–owning households in 2011 that did not take withdrawals in tax year 2010) and to pay for emergencies (mentioned by 62 percent).

FIGURE 7.19

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 2011

Use of traditional IRA withdrawal in retirement[2]	
Took withdrawals to pay for living expenses	39
Spent it on a car, boat, or big-ticket item other than a home	7
Spent it on a healthcare expense	10
Used it for an emergency	6
Used it for home purchase, repair, or remodeling	18
Reinvested or saved it in another account	33
Paid for education	4
Some other use	12

[1] The base of respondents includes the 17 percent of traditional IRA–owning households that were retired and took withdrawals reported in Figure 7.18.

[2] Multiple responses are included.

Source: *ICI Research Perspective*, “The Role of IRAs in U.S. Households’ Saving for Retirement, 2011”

The Role of Mutual Funds in Households' Retirement Savings

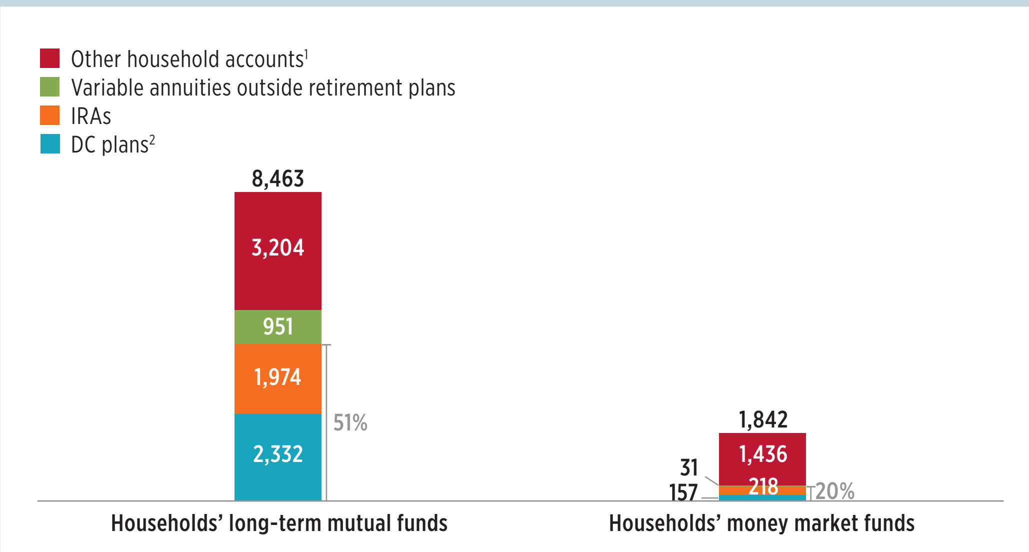
At year-end 2011, mutual funds accounted for $4.7 trillion, or 26 percent, of the $17.9 trillion U.S. retirement market. The $4.7 trillion in mutual fund retirement assets represented 40 percent of all mutual fund assets at year-end 2011. Retirement savings accounts were a significant portion of long-term mutual fund assets industrywide (48 percent), but were a relatively minor share of money market fund assets industrywide (14 percent). Similarly, as a share of households' mutual fund holdings, mutual fund assets held in DC plans and IRAs represented 51 percent of household long-term mutual funds, but only 20 percent of household money market funds (Figure 7.20).

Retirement assets invested in mutual funds primarily come from two sources: IRAs and employer-sponsored DC plans, such as 401(k) plans. Investors held slightly more mutual fund assets in DC plans than they held in IRAs. At year-end 2011, IRAs held $2.2 trillion in mutual fund assets, and employer-sponsored DC plans held $2.5 trillion (Figure 7.21). Among DC plans, 401(k) plans were the largest holder of mutual funds, with $1.8 trillion in assets. At year-end 2011, 403(b) plans held $345 billion in mutual fund assets, 457 plans held $75 billion, and other DC plans held $231 billion.

FIGURE 7.20

Households' Mutual Fund Assets by Type of Account

Billions of dollars, year-end 2011



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

[2] 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

Fifty-four percent of the $4.7 trillion in mutual fund retirement assets held in IRAs, 401(k) plans, and other retirement accounts at year-end 2011 was invested in domestic or world equity funds (Figure 7.21). By comparison, about 45 percent of overall fund industry assets—including retirement and nonretirement accounts—was invested in domestic or world equity funds at year-end 2011. Domestic equity funds alone constituted about $1.9 trillion, or 41 percent, of mutual fund retirement assets.

At year-end 2011, 25 percent of mutual fund retirement assets was invested in bond funds and money market funds. Bond funds held $792 billion, or 17 percent, of mutual fund retirement assets, and money market funds accounted for $375 billion, or 8 percent. The remaining $1.0 trillion, or approximately 21 percent, of mutual fund retirement assets was held in hybrid funds, which invest in a mix of equity, bond, and money market securities.

FIGURE 7.21

Bulk of Mutual Fund Retirement Account Assets Was Invested in Equities

Billions of dollars, year-end 2011

	Equity					
	Domestic	**World**	**Hybrid[1]**	**Bond**	**Money market**	**Total**
IRAs	**$836**	**$282**	**$441**	**$415**	**$218**	**$2,192**
DC plans	**1,078**	**319**	**559**	**377**	**157**	**2,490**
401(k) plans	760	253	456	264	104	1,838
403(b) plans	200	28	56	39	23	345
457 plans	35	10	15	14	1	75
Other DC plans[2]	83	28	32	59	29	231
Total	**1,913**	**601**	**1,001**	**792**	**375**	**4,682**

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

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

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

Target Date and Lifestyle Mutual Funds

Target date and lifestyle mutual funds, generally included in the hybrid fund category, have grown in popularity among investors and retirement plan sponsors over the past decade. As previously described, a target date fund follows a predetermined reallocation of assets over time based on a specified target retirement date, and typically the fund rebalances its portfolio to become less focused on growth and more focused on income as it approaches and passes the target date, which is usually indicated in the fund's name. A lifestyle fund maintains a predetermined risk level and generally uses words such as "conservative," "moderate," or "aggressive" in its name to indicate the fund's risk level. Assets in target date and lifestyle mutual funds totaled $638 billion at the end of 2011 (Figure 7.22), up from $604 billion at year-end 2010. Target date mutual funds' assets were up 11 percent in 2011, increasing from $340 billion to $376 billion. Assets of lifestyle mutual funds were about unchanged in 2011, falling from $264 billion to $262 billion. The bulk (91 percent) of target date mutual fund assets was held in retirement accounts, compared with 42 percent of lifestyle mutual fund assets.

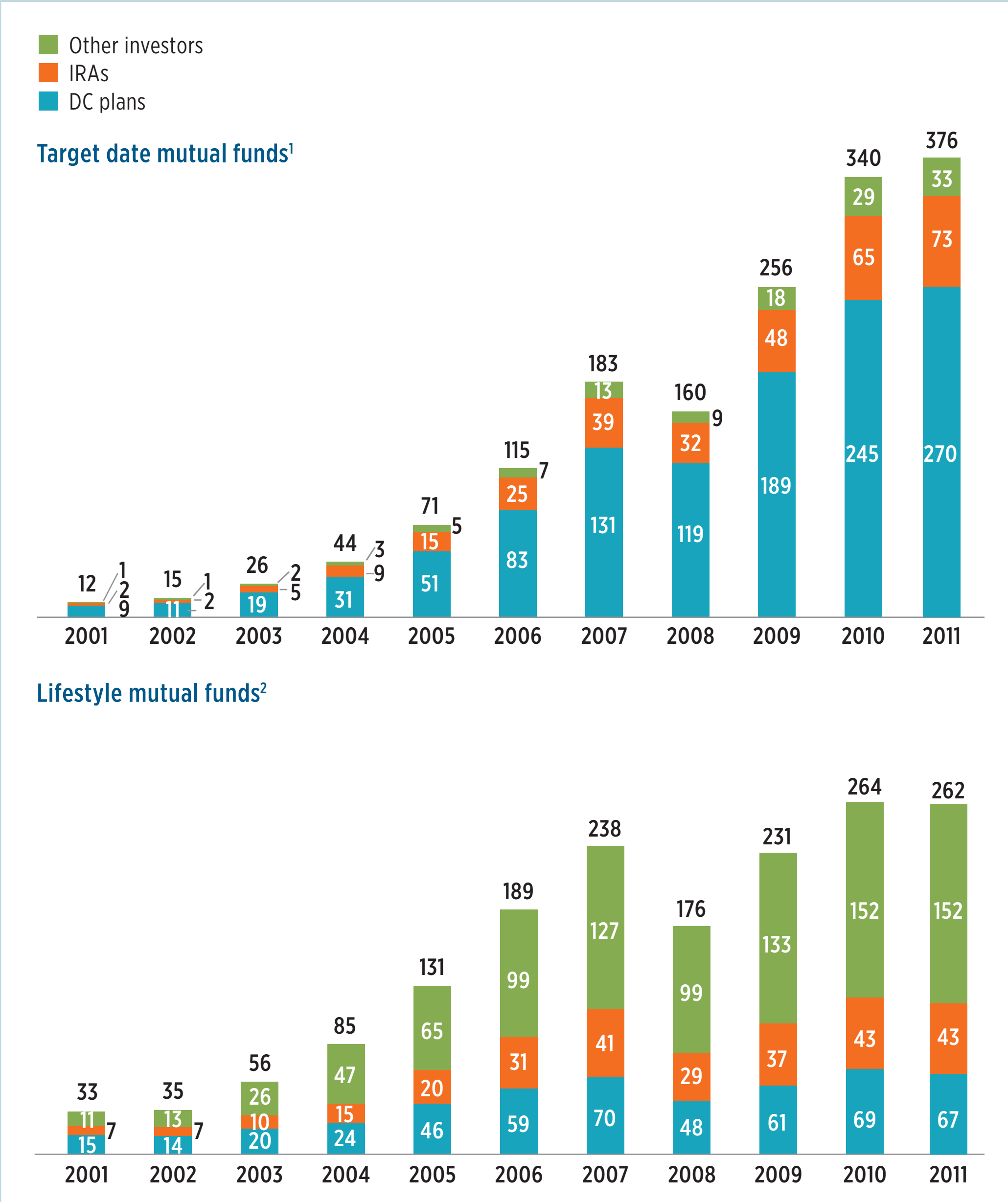
The Role of Mutual Funds in Households' Education Savings

Nearly a quarter of households that owned mutual funds in 2011 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 the Economic Growth and Tax Relief Reconciliation Act (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 Pension Protection Act (PPA) in 2006 made the EGTRRA enhancements to Section 529 plans permanent. The enactment of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 extended the EGTRRA enhancements to Coverdell ESAs for two years.

FIGURE 7.22

Target Date and Lifestyle Mutual Fund Assets by Account Type

Billions of dollars, year-end, 2001–2011



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

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

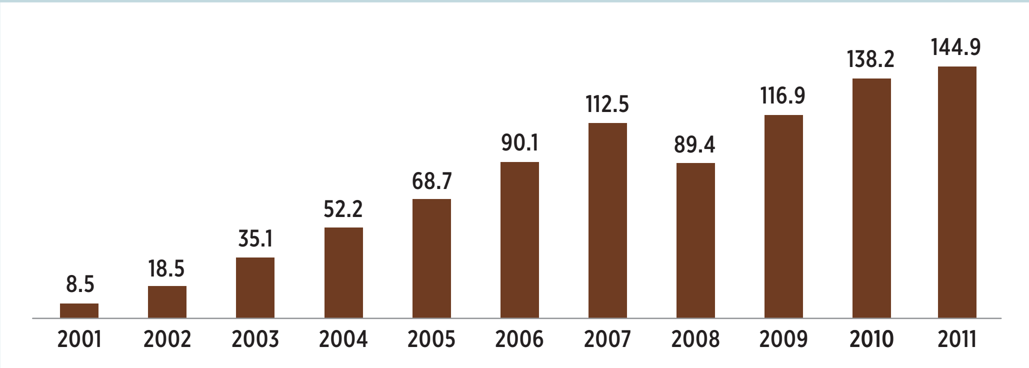
Note: Components may not add to the total because of rounding.

Assets in Section 529 savings plans increased 5 percent in 2011, with $144.9 billion in assets at the end of 2011, up from $138.2 billion at year-end 2010 (Figure 7.23). As of year-end 2011, the number of accounts was 9.5 million, and the average account size was approximately $15,500.

FIGURE 7.23

Section 529 Savings Plan Assets

Billions of dollars, year-end, 2001–2011



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

In 2011, as a group, households saving for college through 529 plans, Coverdell ESAs, or mutual funds held outside of these accounts tended to be headed by younger individuals, with 55 percent younger than 45 years of age (Figure 7.24). Heads of households saving for college had a range of educational attainment: 45 percent had less than four years of college education and 55 percent had four years of college or more. In addition, these households represented a range of incomes: 36 percent had household income less than $75,000; 16 percent earned between $75,000 and $99,999; and 48 percent had household incomes of $100,000 or more. Two-thirds of these households had children (younger than 18) in the home and 43 percent had more than one child in the home.

FIGURE 7.24

Characteristics of Households Saving for College

Percentage of U.S. households saving for college,[1] May 2011

Age of head of household[2]	
Younger than 35	22
35 to 44	33
45 to 54	25
55 to 64	11
65 or older	9
Education level	
High school graduate or less	17
Associate's degree or some college	28
Completed college	28
Some graduate school or completed graduate school	27
Household income[3]	
Less than $25,000	5
$25,000 to $34,999	6
$35,000 to $49,999	6
$50,000 to $74,999	19
$75,000 to $99,999	16
$100,000 or more	48
Number of children in home[4]	
None	33
One	24
Two	27
Three or more	16

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

[3] Total reported is household income before taxes in 2010.

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

For More Information

Retirement Market

- "The U.S. Retirement Market, Fourth Quarter 2011"
- "Defined Contribution Plan Participants' Activities, 2011," *ICI Research Report*
- "Who Gets Retirement Plans and Why, 2010," *ICI Research Perspective*
- *America's Commitment to Retirement Security: Investor Attitudes and Actions*
- "A Look at Private-Sector Retirement Plan Income After ERISA, 2010," *ICI Research Perspective*
- ICI Resources on Target Retirement Date Funds
- For analysis on key retirement issues, visit **www.ici.org/viewpoints/ret_policy** and **www.ici.org/viewpoints/ret_research**

401(k) Plans

- "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2010," *ICI Research Perspective*
- "The Economics of 401(k) Plans: Services, Fees, and Expenses, 2010," *ICI Research Perspective*
- *Inside the Structure of Defined Contribution/401(k) Plan Fees: A Study Assessing the Mechanics of What Drives the "All-In" Fee*

Individual Retirement Accounts

- "The Role of IRAs in U.S. Households' Saving for Retirement, 2011," *ICI Research Perspective*
- *The IRA Investor Profile: Traditional IRA Investors' Rollover Activity, 2007 and 2008*
- *The IRA Investor Profile: Traditional IRA Investors' Contribution Activity, 2007 and 2008*
- *The IRA Investor Profile: Traditional IRA Investors' Asset Allocation, 2007 and 2008*
- "The Evolving Role of IRAs in U.S. Retirement Planning," *ICI Research Perspective*
- Frequently Asked Questions About Individual Retirement Accounts

Available at www.ici.org.

Part Two

DATA TABLES

Data Tables

Section 1
Mutual Fund Totals

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

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Long-Term Mutual Funds

Section 4
Money Market Funds

Section 5
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Section 6
Institutional Investors in the Mutual Fund Industry

Section 7
Worldwide Mutual Fund Totals

TABLE 1

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

Year-end

Year	Total net assets *Billions of dollars*	Number of funds	Number of share classes	Number of shareholder accounts* *Thousands*
1940	$0.45	68	-	296
1945	1.28	73	-	498
1950	2.53	98	-	939
1955	7.84	125	-	2,085
1960	17.03	161	-	4,898
1965	35.22	170	-	6,709
1970	47.62	361	-	10,690
1975	45.87	426	-	9,876
1976	51.28	452	-	9,060
1977	48.94	477	-	8,693
1978	55.84	505	-	8,658
1979	94.51	526	-	9,790
1980	134.76	564	-	12,088
1981	241.37	665	-	17,499
1982	296.68	857	-	21,448
1983	292.99	1,026	-	24,605
1984	370.68	1,243	1,243	27,636
1985	495.39	1,528	1,528	34,098
1986	715.67	1,835	1,835	45,374
1987	769.17	2,312	2,312	53,717
1988	809.37	2,737	2,737	54,056
1989	980.67	2,935	2,935	57,560
1990	1,065.19	3,079	3,177	61,948
1991	1,393.19	3,403	3,587	68,332
1992	1,642.54	3,824	4,208	79,931
1993	2,069.96	4,534	5,562	94,015
1994	2,155.33	5,325	7,697	114,383
1995	2,811.29	5,725	9,007	131,219
1996	3,525.80	6,248	10,352	149,933
1997	4,468.20	6,684	12,002	170,299
1998	5,525.21	7,314	13,720	194,029
1999	6,846.34	7,791	15,262	226,212
2000	6,964.63	8,155	16,738	244,705
2001	6,974.91	8,305	18,022	248,701
2002	6,383.48	8,243	18,984	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	10,397.94	8,118	21,256	288,596
2007	12,001.46	8,026	21,621	292,555
2008	9,603.65	8,022	22,240	264,599
2009	11,120.15	7,684	21,713	269,224
2010	11,820.65	7,580	21,969	290,885
2011	11,621.60	7,637	22,366	279,715

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

TABLE 2

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

Billions of dollars, annual

Year	Total sales[1]	New sales	Exchange sales[2]	Redemptions	Exchange redemptions[3]
1945	$0.29	-	-	$0.11	-
1950	0.52	-	-	0.28	-
1955	1.21	-	-	0.44	-
1960	2.10	-	-	0.84	-
1965	4.36	$3.93	-	1.96	-
1970	4.63	3.84	-	2.99	-
1975	10.06	8.94	-	9.57	-
1976	13.72	11.92	$1.52	16.41	$1.44
1977	17.07	14.75	2.24	16.69	2.31
1978	37.16	35.40	3.97	31.53	3.94
1979	119.32	115.66	5.83	86.74	5.89
1980	247.42	238.96	10.10	216.08	9.94
1981	472.13	452.42	14.44	362.44	14.59
1982	626.94	604.09	28.25	588.35	27.86
1983	547.77	532.04	35.67	565.83	36.03
1984	680.12	661.74	36.66	607.02	37.11
1985	953.85	933.37	46.55	864.88	46.84
1986	1,204.90	1,179.40	107.75	1,015.64	107.96
1987	1,251.19	1,220.27	205.68	1,178.75	207.35
1988	1,176.81	1,143.62	134.28	1,166.67	134.24
1989	1,444.84	1,401.21	130.66	1,327.05	131.95
1990	1,564.81	1,517.41	138.79	1,470.83	140.98
1991	2,037.64	1,990.53	155.75	1,879.69	154.31
1992	2,749.68	2,704.69	197.43	2,548.28	198.15
1993	3,187.49	3,137.76	248.79	2,904.44	253.95
1994	3,075.63	3,019.76	317.55	2,928.62	325.00
1995	3,600.62	3,526.00	351.53	3,314.86	351.08
1996	4,671.44	4,586.71	504.73	4,266.20	503.94
1997	5,801.23	5,704.83	613.44	5,324.29	618.49
1998	7,230.40	7,126.92	742.97	6,649.27	743.37
1999	9,043.58	8,922.96	949.96	8,562.10	947.36
2000	11,109.54	10,970.50	1,149.75	10,586.59	1,145.42
2001	12,866.21	12,747.53	797.34	12,242.32	798.08
2002	13,168.76	13,084.32	747.34	13,011.36	745.65
2003	12,393.55	12,315.37	572.50	12,361.66	573.76
2004	12,176.96	12,086.82	408.99	12,024.72	417.95
2005	13,939.22	13,812.40	420.83	13,546.63	432.43
2006	17,409.60	17,229.04	487.71	16,752.22	492.19
2007	23,471.67	23,237.43	606.46	22,353.43	611.96
2008	26,346.74	26,132.94	733.83	25,725.81	728.82
2009	20,681.89	20,530.39	529.96	20,680.97	528.12
2010	18,193.36	18,036.57	420.04	18,318.68	434.77
2011	17,829.03	17,653.01	447.63	17,733.94	466.26

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

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

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

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

TABLE 3

Total Net Assets of the Mutual Fund Industry

Billions of dollars, year-end

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

		Long-term funds			
Year	Total	Equity	Hybrid	Bond	Money market funds
1984	$370.68	$79.73	$11.15	$46.24	$233.55
1985	495.39	111.33	17.61	122.65	243.80
1986	715.67	154.45	25.76	243.31	292.15
1987	769.17	175.45	29.25	248.37	316.10
1988	809.37	189.38	26.35	255.69	337.95
1989	980.67	245.04	35.64	271.90	428.09
1990	1,065.19	239.48	36.12	291.25	498.34
1991	1,393.19	404.73	52.23	393.78	542.44
1992	1,642.54	514.09	78.04	504.21	546.19
1993	2,069.96	740.67	144.50	619.48	565.32
1994	2,155.32	852.76	164.40	527.15	611.00
1995	2,811.29	1,249.08	210.33	598.87	753.02
1996	3,525.80	1,726.01	252.58	645.41	901.81
1997	4,468.20	2,368.02	317.11	724.18	1,058.89
1998	5,525.21	2,977.94	365.00	830.59	1,351.68
1999	6,846.34	4,041.89	378.81	812.49	1,613.15
2000	6,964.63	3,938.81	363.78	816.79	1,845.25
2001	6,974.91	3,396.31	362.16	931.13	2,285.31
2002	6,383.48	2,645.81	335.17	1,137.42	2,265.08
2003	7,402.42	3,654.79	449.06	1,258.54	2,040.02
2004	8,095.08	4,344.09	548.31	1,301.34	1,901.34
2005	8,891.11	4,886.83	609.86	1,367.60	2,026.82
2006	10,397.94	5,833.29	720.71	1,505.48	2,338.45
2007	12,001.46	6,416.79	807.14	1,691.77	3,085.76
2008	9,603.65	3,641.24	551.81	1,578.36	3,832.24
2009	11,120.15	4,879.85	695.43	2,228.98	3,315.89
2010	11,820.65	5,584.69	799.26	2,632.78	2,803.92
2011	11,621.60	5,205.11	838.70	2,886.37	2,691.42

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

TABLE 4

Total Net Assets of the Mutual Fund Industry by Investment Classification

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
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	2,141.97	552.95	1,243.89	363.78	132.47	87.67	27.68	127.76	163.20	132.79	145.21	1,611.38	233.87
2001	1,789.60	437.19	1,169.52	362.16	152.49	90.35	26.51	156.83	209.93	141.06	153.96	2,026.23	259.08
2002	1,338.16	365.15	942.50	335.17	170.47	95.66	28.07	220.44	292.66	154.40	175.73	1,988.78	276.30
2003	1,853.62	528.83	1,272.34	449.06	191.15	146.10	35.62	203.38	345.99	151.20	185.11	1,749.73	290.29
2004	2,155.33	708.91	1,479.84	548.31	213.89	146.25	45.13	185.35	382.47	145.38	182.86	1,589.34	312.00
2005	2,370.82	947.43	1,568.57	609.86	225.70	134.15	54.55	178.76	435.51	148.45	190.48	1,690.45	336.37
2006	2,690.27	1,345.36	1,797.66	720.71	255.44	144.66	74.87	166.46	499.06	155.19	209.80	1,969.42	369.03
2007	2,872.56	1,708.20	1,836.03	807.14	277.92	145.10	103.72	174.05	617.04	156.00	217.94	2,617.67	468.09
2008	1,639.43	894.71	1,107.10	551.81	225.12	102.77	99.81	205.41	607.46	135.23	202.57	3,338.56	493.68
2009	2,202.97	1,304.33	1,372.55	695.43	328.83	170.40	141.00	234.08	897.49	159.36	297.82	2,916.96	398.94
2010	2,524.32	1,543.01	1,517.36	799.26	405.88	197.19	213.94	247.09	1,095.13	156.18	317.36	2,473.92	330.01
2011	2,355.66	1,359.35	1,490.09	838.70	452.60	212.12	259.51	261.09	1,204.14	158.91	337.99	2,399.72	291.70

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

TABLE 5

Number of Funds of the Mutual Fund Industry

Year-end

Year	Total	Long-term funds		Money market funds
		Equity	Bond and income	
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			Money market funds
		Equity	Hybrid	Bond	
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	4,372	519	2,225	1,039
2001	8,305	4,701	481	2,108	1,015
2002	8,243	4,738	462	2,055	988
2003	8,125	4,592	481	2,079	973
2004	8,040	4,540	478	2,080	942
2005	7,974	4,571	482	2,051	870
2006	8,118	4,750	495	2,026	847
2007	8,026	4,742	476	2,003	805
2008	8,022	4,802	483	1,954	783
2009	7,684	4,616	471	1,893	704
2010	7,580	4,547	475	1,906	652
2011	7,637	4,581	495	1,929	632

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

TABLE 6

Number of Funds of the Mutual Fund Industry by 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
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	2,533	1,012	827	519	279	208	152	329	388	595	274	704	335
2001	2,835	1,031	835	481	276	205	139	302	373	557	256	690	325
2002	2,938	971	829	462	280	194	124	296	391	521	249	677	311
2003	2,911	893	788	481	271	195	115	299	420	529	250	660	313
2004	2,916	853	771	478	281	196	116	294	426	518	249	637	305
2005	2,940	878	753	482	273	207	117	286	428	503	237	593	277
2006	3,028	962	760	495	268	203	129	284	430	482	230	573	274
2007	2,969	1,030	743	476	271	201	145	270	441	450	225	545	260
2008	2,962	1,118	722	483	256	190	153	263	452	418	222	534	249
2009	2,759	1,177	680	471	254	182	158	264	436	379	220	476	228
2010	2,689	1,206	652	475	257	183	176	252	455	362	221	442	210
2011	2,686	1,285	610	495	252	179	205	246	484	347	216	431	201

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

TABLE 7

Number of Share Classes of the Mutual Fund Industry

Year-end

Year	Total	Long-term funds: Equity	Long-term funds: Hybrid	Long-term funds: Bond	Money market funds
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	9,039	1,027	4,817	1,855
2001	18,022	10,277	1,006	4,791	1,948
2002	18,984	10,964	1,031	4,983	2,006
2003	19,318	10,928	1,115	5,244	2,031
2004	20,029	11,369	1,197	5,417	2,046
2005	20,549	11,765	1,327	5,426	2,031
2006	21,256	12,438	1,331	5,475	2,012
2007	21,621	12,742	1,314	5,547	2,018
2008	22,240	13,289	1,359	5,602	1,990
2009	21,713	12,950	1,363	5,553	1,847
2010	21,969	12,986	1,407	5,794	1,782
2011	22,366	13,262	1,460	5,913	1,731

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

TABLE 8

Number of Share Classes of the Mutual Fund Industry by 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
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	5,137	2,225	1,677	1,027	595	465	304	689	735	1,410	619	1,331	524
2001	6,110	2,409	1,758	1,006	639	476	290	668	762	1,345	611	1,405	543
2002	6,705	2,403	1,856	1,031	687	481	289	696	891	1,303	636	1,463	543
2003	6,759	2,282	1,887	1,115	701	493	276	733	1,001	1,350	690	1,462	569
2004	7,158	2,267	1,944	1,197	744	515	287	756	1,065	1,346	704	1,470	576
2005	7,402	2,399	1,964	1,327	744	549	301	747	1,093	1,320	672	1,464	567
2006	7,774	2,678	1,986	1,331	773	552	338	737	1,137	1,271	667	1,454	558
2007	7,778	2,949	2,015	1,314	807	577	397	706	1,170	1,226	664	1,448	570
2008	7,920	3,330	2,039	1,359	816	569	463	697	1,228	1,160	669	1,444	546
2009	7,466	3,547	1,937	1,363	798	554	502	711	1,234	1,074	680	1,331	516
2010	7,371	3,718	1,897	1,407	824	578	581	715	1,324	1,067	705	1,282	500
2011	7,465	3,964	1,833	1,460	830	563	700	682	1,420	1,032	686	1,256	475

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

TABLE 9
Number of Shareholder Accounts* of the Mutual Fund Industry
Thousands, year-end

Year	Total	Long-term funds: Equity	Hybrid	Bond	Money market funds
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	163,235	13,636	19,695	48,138
2001	248,701	164,785	14,990	21,690	47,236
2002	251,123	163,406	16,286	26,051	45,380
2003	260,698	172,547	18,930	28,007	41,214
2004	269,468	181,211	21,725	28,896	37,636
2005	275,479	184,959	23,877	29,805	36,837
2006	288,596	196,122	25,540	29,867	37,067
2007	292,555	196,331	26,942	30,152	39,130
2008	264,599	170,821	25,308	30,358	38,111
2009	269,224	172,513	26,208	37,037	33,466
2010	290,885	182,501	27,379	50,399	30,606
2011	279,715	172,994	26,144	51,525	29,052

* Number of shareholder accounts includes a mix of individual and omnibus accounts.
Note: Data for funds that invest primarily in other mutual funds were excluded from the series.
Components may not add to the total because of rounding.

TABLE 10

Number of Shareholder Accounts* of the Mutual Fund Industry by 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
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	99,067	23,658	40,510	13,636	3,744	3,453	1,023	4,283	2,499	2,122	2,572	45,489	2,649
2001	99,128	22,836	42,821	14,990	4,673	3,533	990	4,983	2,943	2,045	2,522	44,425	2,811
2002	97,710	22,666	43,030	16,286	5,381	3,726	1,042	6,100	5,107	2,062	2,634	42,725	2,655
2003	101,903	24,755	45,889	18,930	5,382	4,619	1,212	5,803	6,590	1,843	2,559	38,411	2,803
2004	103,628	30,154	47,430	21,725	5,799	4,600	1,349	5,349	7,568	1,745	2,486	34,793	2,843
2005	101,436	36,349	47,174	23,877	6,085	4,449	1,728	4,852	8,502	1,715	2,476	34,031	2,806
2006	103,146	45,363	47,613	25,540	5,754	4,513	2,118	4,006	9,309	1,648	2,519	34,004	3,063
2007	99,953	50,808	45,570	26,942	5,443	4,539	2,621	3,634	9,874	1,575	2,466	35,661	3,469
2008	85,135	45,307	40,379	25,308	4,590	3,949	2,920	4,239	10,914	1,375	2,370	34,497	3,614
2009	85,592	48,351	38,570	26,208	6,121	4,650	3,680	4,503	13,875	1,424	2,784	30,300	3,166
2010	89,956	52,162	40,383	27,379	7,504	6,798	8,219	5,108	18,130	1,490	3,150	27,435	3,171
2011	87,172	48,504	37,318	26,144	7,846	6,971	9,381	5,144	17,972	1,245	2,967	26,291	2,761

* 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	$59,014	$16,542	$10,791	$5,751	$42,472	$16,820	$16,482	$9,170
1991	76,092	19,224	13,109	6,115	56,868	19,403	29,519	7,947
1992	100,581	21,681	14,581	7,100	78,900	24,632	45,593	8,674
1993	131,438	27,928	15,462	12,466	103,510	30,909	60,100	12,501
1994	130,586	37,522	16,018	21,505	93,063	26,604	56,035	10,425
1995	142,540	41,846	18,078	23,769	100,694	28,678	60,318	11,698
1996	146,908	46,904	19,830	27,074	100,004	28,418	59,540	12,046
1997	151,767	49,548	20,536	29,011	102,220	28,315	61,992	11,912
1998	155,749	47,540	22,529	25,011	108,208	34,127	63,628	10,454
1999	146,940	41,191	24,696	16,494	105,749	30,888	64,513	10,348
2000	143,066	36,543	24,557	11,986	106,523	28,581	68,266	9,676
2001	141,185	31,009	22,261	8,748	110,176	26,606	74,467	9,102
2002	158,664	33,584	26,596	6,988	125,081	25,643	90,024	9,414
2003	213,799	52,730	42,987	9,743	161,069	55,428	94,102	11,539
2004	253,801	81,832	63,762	18,071	171,969	64,230	94,884	12,855
2005	276,419	104,989	77,124	27,865	171,430	64,119	94,606	12,705
2006	297,368	121,518	87,772	33,745	175,851	68,051	94,569	13,231
2007	311,824	144,898	87,569	57,329	166,926	62,281	88,963	15,682
2008	182,525	71,307	44,783	26,525	111,218	32,947	67,380	10,891
2009	219,719	85,985	51,489	34,496	133,735	42,388	77,687	13,660
2010	234,122	95,084	58,844	36,239	139,039	47,230	76,844	14,965
2011	238,798	93,763	60,230	33,533	145,035	46,597	84,006	14,433
Proceeds from issuance* *Annual*								
2002	$24,895	$9,194	$9,191	$3	$15,701	$2,309	$13,392	$0
2003	40,851	11,237	11,187	50	29,614	25,587	2,995	1,032
2004	27,780	21,138	15,424	5,714	6,642	5,608	5	1,028
2005	21,266	19,187	12,559	6,628	2,080	1,924	31	124
2006	12,255	10,197	7,692	2,505	2,057	1,528	196	334
2007	31,086	25,737	5,973	19,764	5,349	2,221	433	2,695
2008	275	153	8	145	121	121	0	0
2009	3,499	961	476	485	2,538	876	1,345	317
2010	13,721	3,747	3,634	114	9,973	2,374	7,242	358
2011	14,808	5,260	3,791	1,469	9,549	1,000	8,547	2

* 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	248	92	41	51	156	85	53	18
1991	280	92	40	52	188	86	87	15
1992	372	104	43	61	268	99	149	20
1993	494	118	48	70	376	120	227	29
1994	510	136	50	86	374	123	219	32
1995	499	140	49	91	359	119	207	33
1996	496	141	50	91	355	118	205	32
1997	486	134	45	89	352	115	205	32
1998	491	127	44	83	364	123	211	30
1999	511	123	49	74	388	117	241	30
2000	481	122	53	69	359	109	220	30
2001	491	115	51	64	376	109	240	27
2002	544	122	63	59	422	105	292	25
2003	583	130	75	55	453	129	297	27
2004	618	157	96	61	461	136	295	30
2005	634	192	121	71	442	131	280	31
2006	646	203	129	74	443	134	276	33
2007	663	229	137	92	434	131	269	34
2008	642	221	128	93	421	128	260	33
2009	627	208	117	91	419	127	260	32
2010	624	204	117	87	420	130	258	32
2011	634	213	125	88	421	133	256	32

TABLE 13

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

Millions of dollars, year-end

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

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

TABLE 14

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

Year-end

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

[1] This category includes funds both registered and not registered under the Investment Company Act of 1940.

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

[3] The funds in this category are not registered under the Investment Company Act of 1940.

[4] Data for ETFs that invest primarily in other ETFs are excluded from the totals.

Sources: Investment Company Institute and Strategic Insight Simfund

TABLE 15

Exchange-Traded Funds: Net Issuance by Type of Fund

Millions of dollars, annual

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

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

TABLE 16

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

Year	Assets *Millions of dollars, year-end*				Number of trusts *Year-end*				New deposits *Millions of dollars, annual*			
	Total trusts	Equity	Taxable debt	Tax-free debt	Total trusts	Equity	Taxable debt	Tax-free debt	Total trusts	Equity	Taxable debt	Tax-free debt
1990	$105,390	$4,192	$9,456	$91,742	12,131	171	722	11,238	$7,489	$495	$1,349	$5,644
1991	102,828	4,940	9,721	88,167	12,388	168	678	11,542	8,195	900	1,687	5,609
1992	97,925	6,484	9,976	81,465	13,598	230	745	12,623	8,909	1,771	2,385	4,752
1993	87,574	8,494	8,567	70,513	13,740	258	679	12,803	9,359	3,206	1,598	4,555
1994	73,682	9,285	7,252	57,144	13,310	306	568	12,436	8,915	3,265	1,709	3,941
1995	73,125	14,019	8,094	51,013	12,979	301	578	12,100	11,264	6,743	1,154	3,367
1996	72,204	22,922	8,485	40,796	11,764	378	591	10,795	21,662	18,316	800	2,546
1997	84,761	40,747	6,480	37,533	11,593	563	513	10,517	38,546	35,855	771	1,919
1998	93,943	56,413	5,380	32,151	10,966	872	414	9,680	47,675	45,947	562	1,166
1999	91,970	62,128	4,283	25,559	10,414	1,081	409	8,924	52,046	50,629	343	1,074
2000	74,161	48,060	3,502	22,599	10,072	1,554	369	8,149	43,649	42,570	196	883
2001	49,249	26,467	3,784	18,999	9,295	1,500	324	7,471	19,049	16,927	572	1,550
2002	36,016	14,651	4,020	17,345	8,303	1,247	366	6,690	11,600	9,131	862	1,607
2003	35,826	19,024	3,311	13,491	7,233	1,206	320	5,707	12,731	10,071	931	1,729
2004	37,267	23,201	2,635	11,432	6,499	1,166	295	5,038	17,125	14,559	981	1,585
2005	40,894	28,634	2,280	9,980	6,019	1,251	304	4,464	22,598	21,526	289	782
2006	49,662	38,809	2,142	8,711	5,907	1,566	319	4,022	29,057	28,185	294	578
2007	53,040	43,295	2,066	7,680	6,030	1,964	327	3,739	35,836	35,101	298	438
2008	28,543	20,080	2,007	6,456	5,984	2,175	343	3,466	23,590	22,335	557	698
2009	38,336	24,774	3,668	9,894	6,049	2,145	438	3,466	22,293	16,159	2,201	3,933
2010	50,567	34,112	3,780	12,675	5,971	2,212	491	3,268	30,936	25,003	928	5,006
2011	59,665	40,523	3,602	15,540	6,022	2,381	512	3,129	36,026	31,900	765	3,361

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

TABLE 17
Liquid Assets and Liquidity Ratio of Long-Term Mutual Funds
Year-end

	Liquid assets *Millions of dollars*				Liquidity ratio* *Percent*			
Year	Total	Equity funds	Hybrid funds	Bond funds	Total	Equity funds	Hybrid funds	Bond funds
1986	$30,611	$14,612	$2,514	$13,485	7.2%	9.5%	9.8%	5.5%
1987	37,930	16,319	2,730	18,881	8.4	9.3	9.3	7.6
1988	44,980	17,742	2,986	24,252	9.5	9.4	11.3	9.5
1989	44,603	25,602	5,747	13,253	8.1	10.4	16.1	4.9
1990	48,440	27,344	4,225	16,872	8.5	11.4	11.7	5.8
1991	60,385	30,657	3,318	26,410	7.1	7.6	6.4	6.7
1992	73,984	42,417	6,595	24,972	6.7	8.3	8.5	5.0
1993	99,436	57,539	16,774	25,123	6.6	7.8	11.6	4.1
1994	120,430	70,885	20,093	29,453	7.8	8.3	12.2	5.6
1995	141,755	97,743	19,494	24,518	6.9	7.8	9.3	4.1
1996	151,988	107,667	18,067	26,254	5.8	6.2	7.2	4.1
1997	198,826	145,565	24,761	28,500	5.8	6.1	7.8	3.9
1998	191,393	143,516	25,569	22,307	4.6	4.8	7.0	2.7
1999	219,098	174,692	20,656	23,750	4.2	4.3	5.5	2.9
2000	277,164	225,343	26,169	25,652	5.4	5.7	7.2	3.1
2001	222,475	170,582	27,056	24,837	4.7	5.0	7.5	2.7
2002	208,939	120,657	25,288	62,994	5.1	4.6	7.5	5.5
2003	259,580	154,998	31,244	73,337	4.8	4.2	7.0	5.8
2004	306,756	184,156	36,224	86,375	5.0	4.2	6.6	6.6
2005	302,922	190,662	42,355	69,906	4.4	3.9	6.9	5.1
2006	346,491	218,635	64,004	63,853	4.3	3.7	8.9	4.2
2007	381,277	266,441	64,070	50,766	4.3	4.2	7.9	3.0
2008	296,237	185,799	52,802	57,636	5.1	5.1	9.6	3.7
2009	365,824	170,931	50,737	144,155	4.7	3.5	7.3	6.5
2010	331,187	194,728	56,874	79,585	3.7	3.5	7.1	3.0
2011	301,908	181,419	66,102	54,387	3.4	3.5	7.9	1.9

* 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

Year	EQUITY FUNDS			HYBRID FUNDS	BOND FUNDS						
	Capital appreciation	World	Total return		Corporate	High yield	World	Government	Strategic income	State muni	National muni
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	7.8	4.4	7.2	4.6	8.4	-0.9	-2.6	4.0	3.1	3.5
2001	5.3	6.2	4.2	7.5	5.7	7.1	-4.4	-0.4	1.7	2.3	3.1
2002	4.9	5.7	3.6	7.5	3.9	7.5	-3.4	0.4	13.0	2.6	4.2
2003	4.1	5.8	3.8	7.0	6.1	5.4	3.4	1.5	11.3	2.2	3.7
2004	4.2	5.6	3.7	6.6	4.4	6.2	8.6	3.9	10.7	2.9	6.5
2005	3.8	5.3	3.2	6.9	3.3	5.4	6.8	1.1	8.0	2.6	5.7
2006	3.6	4.3	3.5	8.9	0.0	5.8	13.6	-4.0	7.9	2.1	4.4
2007	4.1	5.2	3.3	7.9	-0.2	5.0	17.2	-2.4	2.8	1.8	4.6
2008	5.2	6.1	4.1	9.6	2.2	11.8	12.4	2.7	1.7	1.7	4.9
2009	3.9	3.9	2.4	7.3	6.6	5.9	9.7	3.7	7.5	2.8	6.0
2010	3.7	4.5	2.1	7.1	3.1	6.4	11.3	-2.7	1.5	2.1	5.2
2011	3.7	4.4	2.3	7.9	3.9	7.8	13.4	0.7	-3.7	3.2	6.7

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

TABLE 19

Net New Cash Flow* of Long-Term Mutual Funds

Millions of dollars, annual

Year	Total	Equity funds	Hybrid funds	Bond funds
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	314,510	-35,645	-49,990
2001	129,188	32,856	8,602	87,729
2002	120,583	-29,553	8,507	141,629
2003	215,843	144,208	38,472	33,163
2004	209,851	172,040	48,543	-10,732
2005	192,086	123,976	36,997	31,114
2006	227,106	148,494	18,348	60,264
2007	224,033	74,151	41,555	108,327
2008	-225,019	-228,498	-26,063	29,542
2009	390,403	-138	10,108	380,433
2010	227,817	-36,910	23,572	241,155
2011	24,405	-129,650	29,812	124,243

* 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

Year	Net new cash flow[1]	Sales			Redemptions		
		New + exchange	New[2]	Exchange[3]	Regular + exchange	Regular[4]	Exchange[5]
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	314,510	1,973,498	1,319,875	653,623	1,658,989	1,033,077	625,912
2001	32,856	1,328,511	951,787	376,724	1,295,655	890,456	405,198
2002	-29,553	1,214,944	894,704	320,240	1,244,497	876,460	368,038
2003	144,208	1,074,914	838,220	236,694	930,706	708,118	222,588
2004	172,040	1,096,876	927,286	169,590	924,836	759,125	165,711
2005	123,976	1,193,201	1,017,718	175,483	1,069,225	878,663	190,563
2006	148,494	1,418,172	1,215,461	202,710	1,269,678	1,047,678	222,000
2007	74,151	1,730,595	1,507,843	222,752	1,656,443	1,389,474	266,970
2008	-228,498	1,525,801	1,331,918	193,883	1,754,299	1,480,508	273,791
2009	-138	1,197,395	1,035,807	161,587	1,197,533	1,017,373	180,159
2010	-36,910	1,394,916	1,225,134	169,782	1,431,826	1,239,920	191,906
2011	-129,650	1,491,627	1,321,501	170,126	1,621,276	1,416,909	204,367

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

[2] New sales are the dollar value of new purchases of mutual fund shares. This does not include shares purchased through reinvestment of dividends in existing accounts.

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

[4] Regular redemptions are the dollar value of shareholder liquidation of mutual fund shares.

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

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

Components may not add to the total because of rounding.

TABLE 21

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

Millions of dollars, annual

Year	Net new cash flow[1]	Sales: New + exchange	Sales: New[2]	Sales: Exchange[3]	Redemptions: Regular + exchange	Redemptions: Regular[4]	Redemptions: Exchange[5]
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	-35,645	72,216	58,655	13,561	107,861	78,007	29,854
2001	8,602	88,022	69,871	18,151	79,420	61,761	17,660
2002	8,507	94,651	76,570	18,080	86,144	67,857	18,288
2003	38,472	115,833	96,698	19,134	77,360	63,718	13,643
2004	48,543	137,909	120,341	17,568	89,366	76,609	12,757
2005	36,997	135,277	118,059	17,218	98,280	83,144	15,136
2006	18,348	138,470	119,851	18,619	120,122	100,316	19,806
2007	41,555	201,853	178,539	23,314	160,298	138,366	21,932
2008	-26,063	170,880	144,525	26,355	196,943	155,564	41,379
2009	10,108	157,107	133,231	23,877	146,999	119,999	27,000
2010	23,572	180,910	157,471	23,439	157,338	134,126	23,212
2011	29,812	226,950	198,158	28,791	197,137	164,968	32,170

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

[2] New sales are the dollar value of new purchases of mutual fund shares. This does not include shares purchased through reinvestment of dividends in existing accounts.

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

[4] Regular redemptions are the dollar value of shareholder liquidation of mutual fund shares.

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

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

Components may not add to the total because of rounding.

Data Section 3

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]
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	-49,990	247,857	185,679	62,178	297,848	219,156	78,692
2001	87,729	391,050	299,072	91,978	303,321	224,632	78,688
2002	141,629	513,264	400,456	112,808	371,635	283,839	87,796
2003	33,163	519,999	427,904	92,095	486,836	375,898	110,938
2004	-10,732	400,525	345,189	55,335	411,257	342,051	69,206
2005	31,114	411,110	359,127	51,983	379,996	324,048	55,948
2006	60,264	452,847	397,722	55,125	392,583	334,840	57,743
2007	108,327	596,286	510,974	85,312	487,959	416,210	71,749
2008	29,542	717,646	589,110	128,536	688,104	591,111	96,992
2009	380,433	1,022,102	872,001	150,102	641,670	531,223	110,447
2010	241,155	1,109,394	983,795	125,599	868,239	753,144	115,095
2011	124,243	1,133,120	1,005,156	127,964	1,008,877	892,257	116,620

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

TABLE 23

Net New Cash Flow* of Long-Term Mutual Funds by 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
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	306,938	53,055	-45,483	-35,645	-7,294	-12,623	-3,368	-16,636	4,078	-5,520	-8,626
2001	18,200	-21,751	36,407	8,602	9,992	5,979	-1,377	25,756	35,974	6,633	4,772
2002	-35,572	-3,314	9,332	8,507	9,660	8,974	-231	53,855	52,753	5,718	10,899
2003	67,277	24,154	52,777	38,472	7,455	23,307	3,293	-21,102	27,049	-8,062	1,224
2004	47,062	71,336	53,642	48,543	12,007	-10,164	5,365	-22,870	20,279	-8,220	-7,129
2005	14,073	106,347	3,556	36,997	5,383	-16,151	8,536	-11,769	40,427	910	3,777
2006	7,006	148,525	-7,037	18,348	11,712	-2,498	10,612	-17,044	42,446	3,718	11,319
2007	-34,679	139,433	-30,602	41,555	10,488	-2,370	20,002	-960	70,283	3,378	7,506
2008	-105,441	-80,304	-42,753	-26,063	-22,238	1,498	5,411	22,137	14,960	-2,241	10,015
2009	-5,690	27,939	-22,388	10,108	64,965	18,142	23,029	21,311	183,896	6,094	62,996
2010	-57,403	57,972	-37,479	23,572	50,770	4,476	53,152	5,368	116,157	-2,837	14,069
2011	-108,219	5,103	-26,534	29,812	33,086	11,434	39,296	5,152	47,056	-9,898	-1,883

* 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
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	764,315	335,035	220,525	58,655	40,272	22,743	7,388	24,894	49,356	17,156	23,869
2001	480,494	249,066	222,227	69,871	56,063	32,699	7,566	59,923	86,771	25,710	30,341
2002	437,235	243,772	213,698	76,570	62,792	38,780	9,129	95,404	126,040	27,600	40,710
2003	421,888	203,692	212,639	96,698	74,286	63,970	15,643	75,258	133,513	21,994	43,240
2004	496,312	182,571	248,403	120,341	73,503	38,388	16,499	43,873	121,557	17,690	33,678
2005	533,985	237,038	246,695	118,059	68,528	32,824	23,104	37,386	137,000	22,351	37,934
2006	607,166	349,663	258,632	119,851	78,758	31,348	27,733	35,181	152,196	25,753	46,754
2007	733,086	472,278	302,478	178,539	89,445	40,667	43,609	41,483	211,759	29,570	54,441
2008	676,608	366,356	288,955	144,525	84,539	42,862	52,158	72,756	236,346	30,576	69,873
2009	530,169	285,150	220,488	133,231	150,022	59,198	58,782	102,331	361,401	28,439	111,828
2010	600,716	380,201	244,217	157,471	177,238	70,681	106,093	93,448	399,050	28,547	108,738
2011	641,741	399,462	280,297	198,158	204,540	92,333	115,848	89,814	392,625	19,807	90,189

* 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
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	422,743	166,367	64,513	13,561	8,742	10,224	1,564	16,412	9,062	5,311	10,863
2001	231,132	86,605	58,987	18,151	16,761	10,998	1,427	26,105	17,653	5,369	13,663
2002	197,401	71,631	51,208	18,080	15,921	11,057	2,137	37,807	26,658	5,656	13,571
2003	140,739	41,398	54,557	19,134	15,149	16,633	3,220	20,143	22,443	4,315	10,192
2004	101,053	27,290	41,248	17,568	11,038	7,460	1,854	11,007	15,091	2,788	6,096
2005	97,966	38,105	39,411	17,218	8,527	6,180	2,648	10,332	14,897	3,013	6,385
2006	105,811	56,511	40,389	18,619	8,426	6,094	2,604	11,206	16,518	3,456	6,821
2007	101,639	68,630	52,483	23,314	13,425	6,730	4,396	13,138	31,249	5,704	10,669
2008	92,488	47,797	53,598	26,355	17,961	6,985	8,353	32,243	38,196	7,069	17,729
2009	77,375	46,958	37,254	23,877	23,745	12,397	7,513	22,369	58,923	5,180	19,976
2010	75,615	55,813	38,355	23,439	23,479	10,530	7,992	19,207	45,276	3,856	15,259
2011	80,339	39,908	49,880	28,791	23,885	11,619	8,611	18,450	47,733	3,736	13,930

* 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
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	519,601	284,331	229,145	78,007	45,248	30,834	9,715	36,424	43,614	22,089	31,231
2001	444,127	260,945	185,384	61,761	49,704	27,005	8,431	38,523	55,371	18,929	26,669
2002	444,971	241,080	190,408	67,857	56,378	30,009	9,768	54,879	79,430	21,757	31,618
2003	360,216	182,277	165,625	63,718	67,399	44,317	12,790	81,975	102,273	26,894	40,250
2004	442,689	120,693	195,744	76,609	62,532	45,343	11,155	61,404	99,174	23,978	38,465
2005	501,435	146,179	231,049	83,144	63,145	45,582	15,495	47,455	97,428	21,162	33,782
2006	575,843	220,431	251,404	100,316	66,529	33,621	17,589	48,653	110,566	22,023	35,860
2007	734,040	343,173	312,260	138,366	81,598	41,286	25,417	44,956	150,230	25,798	46,926
2008	751,817	418,839	309,852	155,564	106,845	40,223	48,778	67,650	232,402	32,179	63,035
2009	529,513	256,777	231,084	119,999	94,796	44,410	39,055	79,802	194,063	22,810	56,287
2010	647,256	316,894	275,770	134,126	129,379	67,676	55,196	87,213	291,248	29,118	93,314
2011	729,469	382,999	304,441	164,968	173,091	82,388	77,267	86,368	352,734	28,429	91,980

* 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
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	360,520	164,016	101,377	29,854	11,061	14,756	2,605	21,518	10,726	5,899	12,126
2001	249,299	96,477	59,422	17,660	13,127	10,712	1,940	21,749	13,080	5,517	12,563
2002	225,236	77,636	65,165	18,288	12,675	10,854	1,729	24,476	20,515	5,782	11,764
2003	135,135	38,659	48,794	13,643	14,581	12,978	2,781	34,528	26,635	7,477	11,958
2004	107,614	17,832	40,264	12,757	10,003	10,670	1,833	16,346	17,195	4,721	8,438
2005	116,444	22,617	51,502	15,136	8,528	9,573	1,721	12,032	14,043	3,291	6,760
2006	130,128	37,219	54,653	19,806	8,943	6,320	2,135	14,778	15,702	3,468	6,397
2007	135,364	58,302	73,304	21,932	10,784	8,481	2,586	10,626	22,495	6,098	10,678
2008	122,719	75,618	75,454	41,379	17,893	8,127	6,323	15,212	27,180	7,707	14,552
2009	83,721	47,393	49,046	27,000	14,006	9,043	4,211	23,587	42,365	4,714	12,520
2010	86,478	61,147	44,281	23,212	20,568	9,059	5,737	20,074	36,921	6,121	16,615
2011	100,829	51,268	52,270	32,170	22,250	10,129	7,897	16,744	40,568	5,011	14,022

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

TABLE 28

Annual Redemption Rates of Long-Term Mutual Funds

Percent

	Narrow redemption rate[1]				Broad redemption rate[2]			
Year	Total	Equity funds	Hybrid funds	Bond funds	Total	Equity funds	Hybrid funds	Bond funds
1986	19.8%	19.6%	23.8%	19.6%	38.6%	50.9%	30.2%	30.7%
1987	26.5	23.4	28.5	28.3	56.7	73.0	40.7	47.5
1988	20.0	18.2	27.1	20.5	36.9	45.9	35.8	30.4
1989	17.9	17.1	18.7	18.4	31.9	38.0	25.7	27.7
1990	17.5	18.4	15.7	17.0	31.0	37.7	23.0	26.2
1991	16.4	16.6	15.9	16.4	28.1	33.1	22.2	24.1
1992	17.0	13.4	11.2	21.5	28.8	26.7	17.1	32.7
1993	17.8	14.7	10.6	22.6	29.9	28.7	16.3	33.8
1994	21.6	17.7	16.7	28.3	35.2	31.6	24.2	43.2
1995	17.4	16.2	15.1	20.3	28.9	29.4	21.3	30.5
1996	17.0	16.2	13.8	20.1	30.0	30.7	19.8	32.0
1997	17.9	17.7	13.7	20.5	30.5	31.9	18.9	31.0
1998	19.7	20.0	16.0	20.4	32.2	34.0	21.7	30.6
1999	21.7	21.2	19.1	25.1	34.5	34.9	26.0	36.8
2000	25.7	25.9	21.0	26.9	39.9	41.6	29.0	36.6
2001	24.0	24.3	17.0	25.7	34.2	35.3	21.9	34.7
2002	27.9	29.0	19.5	27.4	38.7	41.2	24.7	35.9
2003	24.2	22.5	16.2	31.4	31.5	29.5	19.7	40.6
2004	20.4	19.0	15.4	26.7	24.7	23.1	17.9	32.1
2005	19.7	19.0	14.4	24.3	23.7	23.2	17.0	28.5
2006	19.9	19.5	15.1	23.3	23.9	23.7	18.1	27.3
2007	22.9	22.7	18.1	26.0	27.2	27.0	21.0	30.5
2008	30.3	29.4	22.9	36.2	35.9	34.9	29.0	42.1
2009	24.6	23.9	19.2	27.9	29.3	28.1	23.6	33.7
2010	25.3	23.7	17.9	31.0	29.2	27.4	21.1	35.7
2011	27.6	26.3	20.1	32.3	31.5	30.1	24.1	36.6

[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.

Data Section 3

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	1,718,220	264,925	238,030	245,182	151,988	5,649
1997	3,409,315	2,358,205	282,183	292,901	266,324	198,826	10,876
1998	4,173,531	3,004,181	286,577	389,225	292,395	191,393	9,760
1999	5,233,194	4,059,536	293,542	388,385	267,428	219,098	5,204
2000	5,119,386	3,910,053	309,757	349,062	269,342	277,164	4,008
2001	4,689,603	3,424,439	379,544	371,721	289,658	222,475	1,766
2002	4,118,402	2,687,826	481,193	418,055	320,475	208,939	1,915
2003	5,362,398	3,760,844	504,511	502,441	331,988	259,580	3,036
2004	6,193,746	4,489,420	536,964	533,748	318,349	306,756	8,508
2005	6,864,287	5,054,534	612,846	550,506	330,944	302,922	12,535
2006	8,059,484	6,024,552	645,569	667,780	359,167	346,491	15,925
2007	8,915,703	6,611,157	749,225	783,881	369,084	381,277	21,079
2008	5,771,412	3,735,149	704,797	676,875	336,899	296,237	21,455
2009	7,804,259	5,096,540	851,054	1,023,556	449,931	365,824	17,354
2010	9,016,728	5,857,476	1,083,061	1,258,407	479,306	331,187	7,291
2011	8,930,173	5,494,725	1,230,535	1,391,881	503,240	301,908	7,884
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	6.1	6.8	5.3	5.4	0.1
2001	100.0	73.0	8.1	7.9	6.2	4.7	0.0
2002	100.0	65.3	11.7	10.2	7.8	5.1	0.0
2003	100.0	70.1	9.4	9.4	6.2	4.8	0.1
2004	100.0	72.5	8.7	8.6	5.1	5.0	0.1
2005	100.0	73.6	8.9	8.0	4.8	4.4	0.2
2006	100.0	74.8	8.0	8.3	4.5	4.3	0.2
2007	100.0	74.2	8.4	8.8	4.1	4.3	0.2
2008	100.0	64.7	12.2	11.7	5.8	5.1	0.4
2009	100.0	65.3	10.9	13.1	5.8	4.7	0.2
2010	100.0	65.0	12.0	14.0	5.3	3.7	0.1
2011	100.0	61.5	13.8	15.6	5.6	3.4	0.1

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								
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	93.6	0.1	0.5	0.0	5.7	0.0	3,938,813
2001	100.0	94.2	0.1	0.6	0.0	5.0	0.0	3,396,315
2002	100.0	94.1	0.5	0.9	0.0	4.6	0.0	2,645,812
2003	100.0	95.0	0.2	0.5	0.0	4.2	0.0	3,654,790
2004	100.0	95.2	0.1	0.5	0.0	4.2	0.1	4,344,088
2005	100.0	95.4	0.1	0.4	0.0	3.9	0.1	4,886,827
2006	100.0	95.6	0.1	0.4	0.0	3.7	0.1	5,833,291
2007	100.0	95.2	0.1	0.4	0.0	4.2	0.2	6,416,789
2008	100.0	93.9	0.2	0.5	0.0	5.1	0.3	3,641,244
2009	100.0	95.7	0.1	0.5	0.0	3.5	0.1	4,879,849
2010	100.0	95.7	0.2	0.5	0.0	3.5	0.1	5,584,692
2011	100.0	95.4	0.3	0.6	0.0	3.5	0.1	5,205,108
Hybrid funds								
1997	100.0%	54.2%	16.1%	20.7%	0.3%	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	57.9	13.5	22.6	0.4	5.5	0.1	378,809
2000	100.0	58.6	13.5	20.3	0.3	7.2	0.1	363,782
2001	100.0	59.3	12.0	20.9	0.2	7.5	0.2	362,158
2002	100.0	57.4	11.9	22.8	0.2	7.5	0.1	335,167
2003	100.0	62.1	10.5	20.0	0.3	7.0	0.0	449,064
2004	100.0	63.2	11.0	18.7	0.4	6.6	0.1	548,314
2005	100.0	62.3	10.4	19.9	0.4	6.9	0.0	609,858
2006	100.0	60.9	10.0	19.8	0.3	8.9	0.1	720,709
2007	100.0	60.3	10.3	21.1	0.3	7.9	0.1	807,145
2008	100.0	55.2	9.8	24.6	0.4	9.6	0.4	551,807
2009	100.0	58.5	9.8	23.5	0.4	7.3	0.5	695,433
2010	100.0	61.5	8.5	22.0	0.5	7.1	0.4	799,259
2011	100.0	60.0	9.0	21.7	0.5	7.9	0.9	838,700
Bond funds								
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	31.1	32.8	3.1	0.3	816,791
2001	100.0	1.0	35.7	29.6	31.0	2.7	0.0	931,130
2002	100.0	0.6	37.7	28.1	28.1	5.5	0.0	1,137,423
2003	100.0	0.7	35.9	31.2	26.3	5.8	0.1	1,258,544
2004	100.0	0.7	36.3	31.6	24.3	6.6	0.4	1,301,344
2005	100.0	0.7	39.7	29.9	24.0	5.1	0.6	1,367,601
2006	100.0	0.8	37.5	33.3	23.7	4.2	0.5	1,505,484
2007	100.0	1.0	38.9	34.9	21.7	3.0	0.6	1,691,769
2008	100.0	0.6	40.8	33.2	21.2	3.7	0.5	1,578,362
2009	100.0	0.8	34.9	37.4	20.1	6.5	0.4	2,228,978
2010	100.0	0.9	38.1	40.0	18.0	3.0	-0.1	2,632,777
2011	100.0	0.8	39.4	40.8	17.3	1.9	-0.2	2,886,366

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
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	27,266	11,109	49,839	66,277	23,979	9,646	32,652
2001	82,967	21,576	10,621	50,770	62,306	19,445	9,359	33,502
2002	82,065	20,617	9,753	51,694	62,413	18,684	8,784	34,945
2003	85,926	24,448	9,866	51,612	66,870	22,189	8,795	35,886
2004	98,130	34,761	11,993	51,376	78,252	31,449	10,519	36,284
2005	115,500	42,478	14,842	58,180	94,023	38,475	13,093	42,455
2006	143,496	60,160	18,764	64,572	119,073	54,232	16,692	48,149
2007	181,024	77,606	24,210	79,208	151,788	69,618	21,418	60,752
2008	181,646	70,191	25,282	86,172	152,668	63,254	22,472	66,942
2009	168,126	58,965	21,108	88,053	140,465	53,181	18,413	68,872
2010	180,987	62,127	21,028	97,832	152,341	56,318	18,830	77,193
2011	202,271	68,678	23,058	110,534	172,755	62,424	20,769	89,562

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
1986	$17,661	$13,942	$1,240	$2,478	$14,275	$11,851	$778	$1,646
1987	22,926	18,603	1,605	2,718	17,816	15,449	1,056	1,312
1988	6,354	4,785	620	948	4,769	3,883	364	522
1989	14,766	12,665	540	1,562	9,710	8,744	348	617
1990	8,017	6,833	443	742	5,515	4,975	255	285
1991	13,917	11,961	861	1,095	9,303	8,242	485	576
1992	22,089	17,294	1,488	3,306	14,906	12,233	1,134	1,538
1993	35,905	27,705	3,496	4,704	25,514	19,954	2,697	2,862
1994	29,744	26,351	2,411	981	24,864	22,038	2,093	733
1995	54,271	50,204	3,343	724	46,866	43,550	2,845	471
1996	100,489	88,212	10,826	1,451	87,416	76,638	9,769	1,009
1997	182,764	160,744	19,080	2,941	164,916	145,358	17,360	2,198
1998	164,989	138,681	21,572	4,737	151,105	127,473	19,698	3,935
1999	237,624	219,484	16,841	1,299	206,508	190,300	15,229	979
2000	325,841	306,444	18,687	709	298,429	280,302	17,530	596
2001	68,626	60,127	6,067	2,432	64,820	57,021	5,735	2,064
2002	16,097	10,519	915	4,663	14,749	9,821	895	4,033
2003	14,397	7,796	721	5,880	12,956	7,201	674	5,081
2004	54,741	41,587	6,297	6,858	49,896	38,070	5,906	5,920
2005	129,042	113,219	11,599	4,224	117,556	103,257	10,730	3,569
2006	256,915	236,007	18,695	2,213	236,466	217,091	17,484	1,891
2007	413,691	377,805	32,225	3,660	380,975	347,721	30,064	3,191
2008	132,406	110,693	8,168	13,545	123,273	103,621	7,756	11,897
2009	15,680	6,077	535	9,069	14,370	5,752	518	8,101
2010	42,909	15,723	1,277	25,909	38,922	14,770	1,194	22,958
2011	72,910	51,138	3,219	18,554	67,885	47,812	3,079	16,993

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

TABLE 33

Total Portfolio, Common Stock, and Other Securities: Purchases, Sales, and Net Purchases by 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
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	7,099,016	6,721,414	377,601	3,835,880	3,733,227	102,653	3,263,136	2,988,188	274,949
2008	7,353,591	7,295,027	58,564	3,656,187	3,715,889	-59,701	3,697,404	3,579,139	118,265
2009	6,935,485	6,454,416	481,069	2,645,461	2,543,649	101,812	4,290,024	3,910,767	379,257
2010	7,297,050	6,844,884	452,166	2,781,495	2,736,567	44,928	4,515,555	4,108,317	407,238
2011	9,434,774	9,008,534	426,240	3,010,989	3,013,760	-2,771	6,423,785	5,994,774	429,011

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
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	3,524,301	3,268,157	256,144	3,393,433	3,146,024	247,409	130,869	122,134	8,735
2001	2,712,589	2,598,491	114,097	2,570,665	2,464,360	106,306	141,923	134,132	7,792
2002	2,144,329	2,116,517	27,812	2,018,512	2,000,926	17,586	125,817	115,591	10,226
2003	1,968,412	1,825,510	142,902	1,903,363	1,759,089	144,274	65,049	66,421	-1,372
2004	2,280,453	2,112,152	168,301	2,217,243	2,053,920	163,323	63,211	58,233	4,978
2005	2,673,545	2,526,428	147,117	2,592,421	2,452,663	139,758	81,124	73,765	7,359
2006	3,233,978	3,066,297	167,681	3,130,757	2,966,772	163,985	103,222	99,525	3,697
2007	3,762,690	3,660,572	102,119	3,583,829	3,490,723	93,106	178,861	169,848	9,013
2008	3,632,142	3,701,802	-69,660	3,364,331	3,428,464	-64,133	267,811	273,338	-5,527
2009	2,752,296	2,677,975	74,321	2,433,616	2,338,654	94,962	318,679	339,320	-20,641
2010	2,802,950	2,815,185	-12,235	2,539,602	2,517,412	22,190	263,348	297,773	-34,425
2011	2,933,235	2,960,043	-26,809	2,735,077	2,766,858	-31,782	198,158	193,185	4,973

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 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
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	320,774	347,041	-26,267	158,599	174,230	-15,631	162,175	172,811	-10,636
2001	367,752	344,152	23,600	157,543	136,089	21,455	210,209	208,064	2,145
2002	341,667	321,042	20,625	145,334	128,782	16,552	196,333	192,260	4,073
2003	363,185	314,333	48,852	137,769	113,587	24,182	225,415	200,746	24,669
2004	410,273	342,905	67,368	164,003	133,420	30,583	246,270	209,485	36,784
2005	387,996	337,319	50,677	165,848	150,666	15,182	222,148	186,654	35,494
2006	389,706	365,090	24,617	187,974	194,289	-6,316	201,733	170,801	30,932
2007	508,589	445,558	63,032	236,980	226,561	10,419	271,609	218,997	52,612
2008	553,800	538,976	14,825	273,920	267,023	6,897	279,880	271,953	7,928
2009	450,084	420,248	29,837	196,696	191,719	4,977	253,388	228,529	24,860
2010	499,633	454,872	44,761	222,647	202,417	20,230	276,985	252,455	24,531
2011	574,023	523,269	50,754	248,095	224,862	23,232	325,929	298,407	27,522

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
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	1,077,851	1,082,994	-5,143	8,640	10,164	-1,524	1,069,211	1,072,830	-3,618
2001	1,608,189	1,450,470	157,719	8,724	9,209	-485	1,599,465	1,441,261	158,204
2002	1,532,973	1,369,832	163,141	12,517	12,045	472	1,520,456	1,357,787	162,669
2003	1,950,009	1,858,923	91,086	13,246	12,036	1,211	1,936,762	1,846,887	89,875
2004	1,619,455	1,564,216	55,239	9,679	11,239	-1,560	1,609,776	1,552,977	56,799
2005	1,772,833	1,668,419	104,414	6,831	7,476	-645	1,766,001	1,660,943	105,058
2006	2,113,695	1,966,736	146,959	11,338	11,175	163	2,102,357	1,955,560	146,796
2007	2,827,736	2,615,285	212,451	15,070	15,942	-872	2,812,666	2,599,343	213,323
2008	3,167,648	3,054,250	113,399	17,936	20,402	-2,466	3,149,713	3,033,848	115,865
2009	3,733,105	3,356,193	376,911	15,149	13,276	1,873	3,717,956	3,342,918	375,039
2010	3,994,467	3,574,827	419,641	19,246	16,738	2,508	3,975,222	3,558,089	417,133
2011	5,927,516	5,525,222	402,295	27,818	22,039	5,779	5,899,699	5,503,182	396,516

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

TABLE 37
Total Net Assets and Number of Shareholder Accounts of Money Market Funds by Type of Fund
Year-end

	Total net assets *Millions of dollars*				Number of shareholder accounts* *Thousands*			
		Taxable				Taxable		
Year	Total	Government	Prime	Tax-exempt	Total	Government	Prime	Tax-exempt
1986	$292,152	$63,736	$164,610	$63,806	16,313	2,397	13,256	660
1987	316,096	67,589	187,087	61,420	17,675	2,484	14,348	842
1988	337,954	61,298	210,897	65,758	18,570	1,684	15,947	939
1989	428,093	74,685	283,939	69,470	21,314	1,814	18,359	1,141
1990	498,341	109,376	305,189	83,777	22,969	2,283	19,294	1,391
1991	542,442	138,111	314,346	89,984	23,556	2,557	19,306	1,693
1992	546,194	151,043	300,310	94,841	23,647	2,826	18,945	1,876
1993	565,319	149,180	312,701	103,439	23,585	2,806	18,780	1,999
1994	611,005	148,139	352,972	109,894	25,383	3,047	20,299	2,037
1995	753,018	181,494	449,829	121,695	30,144	3,823	24,042	2,279
1996	901,807	223,790	540,146	137,871	32,200	4,241	25,688	2,271
1997	1,058,886	254,223	647,005	157,658	35,624	4,643	28,342	2,638
1998	1,351,678	312,907	854,061	184,711	38,847	4,452	32,009	2,386
1999	1,613,146	333,726	1,079,523	199,897	43,616	4,843	36,344	2,428
2000	1,845,248	359,166	1,252,212	233,869	48,138	4,941	40,548	2,649
2001	2,285,310	463,764	1,562,465	259,081	47,236	6,792	37,632	2,811
2002	2,265,075	455,507	1,533,271	276,297	45,380	6,800	35,925	2,655
2003	2,040,022	410,481	1,339,249	290,291	41,214	5,960	32,451	2,803
2004	1,901,336	380,238	1,209,099	311,999	37,636	5,619	29,174	2,843
2005	2,026,822	399,892	1,290,557	336,373	36,837	5,530	28,501	2,806
2006	2,338,451	426,819	1,542,603	369,029	37,067	4,297	29,707	3,063
2007	3,085,760	759,934	1,857,735	468,092	39,130	4,682	30,978	3,469
2008	3,832,236	1,489,740	1,848,817	493,680	38,111	5,410	29,087	3,614
2009	3,315,893	1,106,879	1,810,078	398,935	33,466	5,308	24,992	3,166
2010	2,803,922	855,021	1,618,896	330,006	30,606	4,511	22,924	3,171
2011	2,691,422	965,129	1,434,595	291,697	29,052	4,506	21,785	2,761

* Number of shareholder accounts includes a mix of individual and omnibus accounts.
Note: Data for funds that invest primarily in other mutual funds were excluded from the series.
Components may not add to the total because of rounding.

TABLE 38
Number of Funds and Number of Share Classes of Money Market Funds by Type of Fund
Year-end

Year	Number of funds: Total	Number of funds: Taxable: Government	Number of funds: Taxable: Prime	Number of funds: Tax-exempt	Number of share classes: Total	Number of share classes: Taxable: Government	Number of share classes: Taxable: Prime	Number of share classes: Tax-exempt
1986	487	147	213	127	487	147	213	127
1987	543	154	235	154	543	154	235	154
1988	610	159	274	177	610	159	274	177
1989	673	160	310	203	673	160	310	203
1990	741	176	329	236	762	183	339	240
1991	820	211	341	268	871	228	363	280
1992	864	235	350	279	914	248	368	298
1993	920	265	362	293	1,009	286	386	337
1994	963	276	373	314	1,261	368	490	403
1995	997	284	392	321	1,380	404	549	427
1996	988	277	392	319	1,453	413	592	448
1997	1,013	279	406	328	1,549	442	633	474
1998	1,026	277	410	339	1,627	462	675	490
1999	1,045	281	423	341	1,730	488	742	500
2000	1,039	276	428	335	1,855	533	798	524
2001	1,015	272	418	325	1,948	575	830	543
2002	988	262	415	311	2,006	582	881	543
2003	973	253	407	313	2,031	575	887	569
2004	942	242	395	305	2,046	580	890	576
2005	870	223	370	277	2,031	572	892	567
2006	847	216	357	274	2,012	576	878	558
2007	805	202	343	260	2,018	568	880	570
2008	783	198	336	249	1,990	577	867	546
2009	704	179	297	228	1,847	560	771	516
2010	652	165	277	210	1,782	544	738	500
2011	632	165	266	201	1,731	543	713	475

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

Data Section 4

TABLE 39

Total Net Assets of Money Market Funds by Type of Fund

Millions of dollars, year-end

	All money market funds				Retail money market funds				Institutional money market funds			
		Taxable				Taxable				Taxable		
Year	Total	Government	Prime	Tax-exempt	Total	Government	Prime	Tax-exempt	Total	Government	Prime	Tax-exempt
1996	$901,807	$223,790	$540,146	$137,871	$592,604	$94,786	$387,705	$110,113	$309,203	$129,003	$152,441	$27,758
1997	1,058,886	254,223	647,005	157,658	663,408	100,991	439,670	122,747	395,478	153,232	207,334	34,911
1998	1,351,678	312,907	854,061	184,711	835,255	121,664	571,465	142,126	516,423	191,243	282,596	42,585
1999	1,613,146	333,726	1,079,523	199,897	964,686	132,915	675,986	155,785	648,460	200,812	403,537	44,111
2000	1,845,248	359,166	1,252,212	233,869	1,061,923	141,122	741,762	179,039	783,325	218,044	510,450	54,830
2001	2,285,310	463,764	1,562,465	259,081	1,132,956	167,712	775,760	189,484	1,152,354	296,052	786,706	69,597
2002	2,265,075	455,507	1,533,271	276,297	1,062,103	154,460	715,618	192,025	1,202,973	301,047	817,653	84,272
2003	2,040,022	410,481	1,339,249	290,291	935,557	138,621	606,324	190,612	1,104,465	271,860	732,926	99,679
2004	1,901,336	380,238	1,209,099	311,999	849,472	123,964	533,714	191,794	1,051,864	256,274	675,385	120,205
2005	2,026,822	399,892	1,290,557	336,373	872,557	123,763	545,389	203,406	1,154,265	276,129	745,168	132,968
2006	2,338,451	426,819	1,542,603	369,029	1,004,092	138,218	641,830	224,043	1,334,359	288,601	900,773	144,986
2007	3,085,760	759,934	1,857,735	468,092	1,220,122	182,423	752,109	285,590	1,865,639	577,511	1,105,626	182,503
2008	3,832,236	1,489,740	1,848,817	493,680	1,361,966	285,658	773,095	303,212	2,470,271	1,204,082	1,075,722	190,467
2009	3,315,893	1,106,879	1,810,078	398,935	1,068,659	204,095	629,219	235,345	2,247,234	902,784	1,180,860	163,590
2010	2,803,922	855,021	1,618,896	330,006	945,332	178,256	561,132	205,944	1,858,590	676,764	1,057,763	124,062
2011	2,691,422	965,129	1,434,595	291,697	940,178	197,427	546,781	195,970	1,751,244	767,702	887,815	95,727

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

TABLE 40

Net New Cash Flow* of Money Market Funds by Type of Fund

Millions of dollars, annual

	All money market funds				Retail money market funds				Institutional money market funds			
		Taxable				Taxable				Taxable		
Year	Total	Government	Prime	Tax-exempt	Total	Government	Prime	Tax-exempt	Total	Government	Prime	Tax-exempt
1996	$89,422	$20,572	$58,935	$9,915	$52,886	$6,181	$39,505	$7,200	$36,536	$14,391	$19,430	$2,715
1997	103,466	20,129	69,107	14,231	46,620	4,781	32,081	9,758	56,846	15,347	37,026	4,473
1998	235,457	45,178	167,909	22,370	130,992	15,835	100,428	14,728	104,465	29,343	67,481	7,642
1999	193,681	8,486	174,957	10,238	82,006	-757	72,935	9,827	111,675	9,243	102,021	411
2000	159,365	14,494	118,308	26,563	43,623	-727	25,679	18,672	115,741	15,222	92,629	7,891
2001	375,291	85,910	268,040	21,340	36,262	12,714	13,530	10,017	339,029	73,196	254,510	11,323
2002	-45,937	-10,923	-51,268	16,254	-80,690	-10,530	-71,489	1,328	34,753	-393	20,220	14,925
2003	-263,403	-52,327	-220,850	9,774	-151,649	-20,771	-125,971	-4,908	-111,754	-31,556	-94,880	14,682
2004	-156,713	-35,584	-139,155	18,027	-88,836	-15,716	-75,555	2,434	-67,876	-19,869	-63,600	15,592
2005	62,085	13,115	28,075	20,895	2,205	-3,674	-4,912	10,791	59,880	16,790	32,988	10,103
2006	245,236	19,041	200,763	25,432	96,174	9,616	70,533	16,024	149,062	9,425	130,230	9,408
2007	654,469	319,126	251,321	84,022	171,270	38,044	82,533	50,693	483,199	281,082	168,787	33,329
2008	637,158	697,455	-73,532	13,235	112,632	97,393	1,476	13,763	524,526	600,063	-75,008	-528
2009	-539,139	-414,767	-28,741	-95,631	-308,729	-104,306	-136,829	-67,595	-230,410	-310,461	108,088	-28,036
2010	-524,658	-253,927	-201,359	-69,372	-125,283	-27,218	-69,667	-28,398	-399,375	-226,708	-131,692	-40,975
2011	-123,961	106,118	-191,425	-38,654	-4,130	18,523	-12,940	-9,714	-119,831	87,594	-178,485	-28,940

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

TABLE 41

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

Millions of dollars, annual

		Sales			Redemptions		
Year	Net new cash flow[1]	New + exchange	New[2]	Exchange[3]	Regular + exchange	Regular[4]	Exchange[5]
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	62,085	12,493,636	12,317,491	176,145	12,431,551	12,260,771	170,779
2006	245,236	15,707,260	15,496,005	211,256	15,462,024	15,269,381	192,643
2007	654,469	21,315,158	21,040,071	275,087	20,660,689	20,409,382	251,307
2008	637,158	24,452,446	24,067,387	385,059	23,815,288	23,498,625	316,663
2009	-539,139	18,683,752	18,489,354	194,399	19,222,891	19,012,375	210,516
2010	-524,658	15,771,387	15,670,167	101,220	16,296,045	16,191,487	104,558
2011	-123,961	15,248,942	15,128,198	120,744	15,372,904	15,259,802	113,102

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

[2] New sales are the dollar value of new purchases of mutual fund shares. This does not include shares purchased through reinvestment of dividends in existing accounts.

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

[4] Regular redemptions are the dollar value of shareholder liquidation of mutual fund shares.

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

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

Components may not add to the total because of rounding.

TABLE 42

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

Millions of dollars, annual

Year	Paid dividends: Total	Paid dividends: Taxable money market funds	Paid dividends: Tax-exempt money market funds	Reinvested dividends: Total	Reinvested dividends: Taxable money market funds	Reinvested dividends: Tax-exempt money market funds
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	90,154	8,064	72,771	66,887	5,884
2001	79,307	73,361	5,946	56,367	51,949	4,418
2002	32,251	29,397	2,854	22,033	19,940	2,093
2003	17,041	15,124	1,917	11,314	9,916	1,398
2004	18,374	15,891	2,482	11,883	10,077	1,807
2005	50,186	43,547	6,638	32,803	27,951	4,852
2006	96,425	85,020	11,405	61,489	53,268	8,220
2007	127,908	113,178	14,730	82,457	71,938	10,519
2008	93,857	82,727	11,130	61,135	53,455	7,680
2009	18,619	16,590	2,030	11,035	9,999	1,037
2010	7,161	6,708	453	4,447	4,196	252
2011	5,237	4,888	349	3,261	3,074	187

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

TABLE 43

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

Year-end

Year	Total net assets *Millions of dollars*	U.S. Treasury bills	Other Treasury securities	U.S. government agency issues	Repurchase agreements	Certificates of deposit	Eurodollar CDs	Commercial paper	Bank notes[1]	Corporate notes[2]	Other assets[3]	Average maturity *Days*
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	44.8	4.8	7.4	4.0	–	–	1.1	35
1988	61,298	5.0	9.7	20.5	58.4	1.2	0.1	3.2	–	–	2.0	28
1989	74,685	5.0	6.9	20.6	62.7	0.2	0.1	3.0	–	–	1.4	31
1990	109,376	11.1	12.2	20.6	45.7	0.0	0.0	0.3	–	–	9.9	46
1991	138,111	21.5	16.5	20.3	40.9	0.0	0.0	0.4	–	–	0.3	58
1992	151,043	26.0	16.5	21.6	34.7	0.0	0.0	0.5	–	–	0.6	55
1993	149,180	30.3	14.1	20.7	32.8	0.0	0.0	0.3	–	–	1.8	61
1994	148,139	24.4	12.6	26.3	34.1	0.0	0.0	0.4	0.0%	–	2.1	37
1995	181,494	19.8	13.9	28.5	34.1	0.0	0.0	0.5	0.0	–	3.1	48
1996	223,790	17.7	18.5	25.4	35.2	0.0	0.1	0.7	0.0	–	2.4	49
1997	254,223	15.2	17.6	25.1	37.8	0.1	0.0	1.2	0.1	–	2.8	50
1998	312,907	14.3	17.7	30.4	33.4	0.3	0.0	1.7	0.1	0.2%	2.0	52
1999	333,726	17.1	13.0	37.1	28.2	0.1	0.0	1.4	0.1	1.1	1.9	48
2000	359,166	14.5	10.3	31.7	37.2	0.0	0.0	2.1	0.1	1.2	2.9	45
2001	463,764	19.1	9.1	34.4	31.6	0.2	0.0	0.7	0.0	1.7	3.3	55
2002	455,507	20.3	6.4	33.1	35.4	0.1	0.0	0.8	0.0	1.7	2.0	52
2003	410,481	19.9	7.2	33.9	36.2	0.3	0.0	0.9	0.0	1.9	-0.2	52
2004	380,238	21.3	4.9	34.6	35.9	0.2	0.0	0.9	0.1	0.9	1.2	36
2005	399,892	15.8	4.4	28.1	49.9	0.0	0.0	0.3	0.1	0.8	0.5	27
2006	426,819	14.9	4.0	21.6	58.6	0.1	0.0	0.4	0.0	0.1	0.3	32
2007	759,934	16.3	5.1	24.1	53.7	0.3	0.0	0.2	0.0	0.0	0.2	31
2008	1,489,740	30.5	6.2	36.2	26.8	0.0	0.0	0.1	0.1	0.2	-0.1	48
2009	1,106,879	25.6	6.0	35.4	30.6	0.0	0.0	1.0	0.2	0.3	0.7	47
2010	855,021	22.9	8.5	33.3	33.0	0.0	0.0	0.9	0.1	0.4	1.0	47
2011	965,129	23.2	13.3	28.7	31.7	0.0	0.0	1.0	0.1	0.4	1.6	45

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

TABLE 44

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

Year-end

Year	Total net assets *Millions of dollars*	U.S. Treasury bills	Other Treasury securities	U.S. government agency issues	Repurchase agreements	Certificates of deposit	Eurodollar CDs	Commercial paper	Bank notes[1]	Corporate notes[2]	Other assets[3]	Average maturity *Days*
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	2.7	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	–	–	7.5	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%	–	12.6	38
1995	449,829	1.4	0.9	9.2	6.2	8.9	4.5	52.5	3.7	–	12.8	60
1996	540,146	0.5	1.6	9.0	5.1	12.8	4.3	51.0	2.3	–	13.4	56
1997	647,005	0.4	0.5	5.4	5.3	14.7	3.7	52.0	3.2	–	14.7	57
1998	854,061	0.4	0.8	9.6	4.6	13.0	3.6	48.7	3.9	5.8%	9.6	58
1999	1,079,523	0.3	0.3	6.8	4.8	12.8	3.9	49.2	3.1	8.4	10.4	49
2000	1,252,212	0.3	0.1	6.2	4.3	11.6	6.5	50.4	3.6	10.4	6.5	53
2001	1,562,465	0.5	0.3	12.3	5.9	15.0	7.3	41.7	1.5	11.0	4.5	58
2002	1,533,271	1.3	0.3	11.8	8.1	13.8	7.0	40.1	1.4	12.0	4.2	54
2003	1,339,249	1.4	0.3	14.9	8.1	11.6	5.1	35.6	2.0	16.2	4.6	59
2004	1,209,099	0.3	0.1	11.9	8.5	14.1	5.8	33.9	2.6	17.9	4.8	41
2005	1,290,557	0.6	0.1	4.1	11.9	14.5	6.0	38.5	2.3	17.9	4.1	38
2006	1,542,603	0.1	0.2	2.9	9.9	13.9	4.4	39.6	2.2	21.6	5.2	49
2007	1,857,735	0.8	0.2	3.1	11.3	15.2	5.5	36.9	4.0	16.7	6.3	44
2008	1,848,817	1.9	0.5	12.7	8.4	21.5	4.7	34.1	3.1	9.3	3.8	47
2009	1,810,078	2.3	1.3	8.9	8.3	31.6	5.5	28.1	2.9	6.4	4.7	50
2010	1,618,896	2.7	1.9	7.8	12.8	28.6	6.7	24.3	3.2	6.2	5.8	44
2011	1,434,595	3.1	3.9	9.4	13.1	25.9	4.2	24.6	2.6	6.3	7.0	39

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

TABLE 45

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

	Total net assets *Millions of dollars, year-end*			Net new cash flow[2] *Millions of dollars, annual*			Number of funds *Year-end*			Number of share classes *Year-end*		
Year	Total	Equity	Hybrid and bond	Total	Equity	Hybrid and bond	Total	Equity	Hybrid and bond	Total	Equity	Hybrid and bond
1990	$1,426	$211	$1,215	$131	-$21	$152	20	11	9	20	11	9
1991	2,313	403	1,910	475	97	378	20	10	10	20	10	10
1992	3,722	651	3,072	1,134	205	929	21	10	11	21	10	11
1993	5,403	900	4,503	1,160	154	1,006	24	12	12	24	12	12
1994	6,170	1,367	4,803	567	342	225	32	15	17	32	15	17
1995	9,063	2,288	6,774	1,135	633	502	36	19	17	37	19	18
1996	13,404	4,596	8,808	2,457	1,572	885	45	24	21	56	28	28
1997	21,480	7,580	13,900	3,380	1,617	1,763	94	41	53	148	58	90
1998	35,368	12,212	23,156	6,376	2,006	4,370	175	75	100	305	112	193
1999	48,310	18,676	29,634	6,572	3,392	3,180	212	83	129	394	137	257
2000	56,911	14,318	42,592	10,401	3,962	6,440	215	68	147	414	109	305
2001	63,385	13,310	50,075	8,929	1,707	7,222	213	67	146	450	107	343
2002	68,960	12,333	56,627	11,593	2,006	9,588	268	78	190	625	133	492
2003	123,091	23,597	99,494	29,900	4,035	25,865	301	84	217	720	139	581
2004	199,552	34,541	165,011	50,520	6,941	43,579	375	79	296	963	143	820
2005	306,016	49,665	256,351	79,480	7,846	71,634	475	98	377	1,298	204	1,094
2006	469,597	83,563	386,034	101,324	17,172	84,151	603	127	476	1,859	280	1,579
2007	637,025	103,687	533,338	126,326	18,273	108,053	720	129	591	2,357	314	2,043
2008	486,579	66,465	420,114	61,547	6,787	54,760	858	131	727	2,810	332	2,478
2009	672,707	53,639	619,068	69,427	3,721	65,706	928	122	806	2,996	316	2,680
2010	928,145	97,940	830,206	134,251	18,415	115,836	960	132	828	3,091	333	2,758
2011	1,047,906	97,772	950,134	123,484	4,893	118,592	1,047	137	910	3,349	334	3,015

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

TABLE 46

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

Millions of dollars, annual

	Sales									Redemptions								
	New + exchange			New[3]			Exchange[4]			Regular + exchange			Regular[5]			Exchange[6]		
Year	Total	Equity	Hybrid and bond	Total	Equity	Hybrid and bond	Total	Equity	Hybrid and bond	Total	Equity	Hybrid and bond	Total	Equity	Hybrid and bond	Total	Equity	Hybrid and bond
1990	$416	$68	$348	$351	$58	$293	$65	$10	$55	$285	$89	$196	$186	$87	$99	$100	$3	$97
1991	772	192	580	579	142	437	194	50	143	298	95	203	185	79	105	113	16	97
1992	1,617	371	1,246	1,255	294	961	362	76	286	483	166	318	303	130	174	180	36	144
1993	1,953	358	1,594	1,533	293	1,240	419	65	354	793	205	588	453	156	297	340	49	291
1994	1,781	583	1,197	1,341	389	952	439	194	245	1,213	241	972	682	166	517	531	75	456
1995	2,362	987	1,376	1,750	692	1,059	612	295	317	1,227	354	873	768	233	535	459	121	338
1996	4,522	2,321	2,201	3,621	1,847	1,774	901	474	428	2,066	749	1,317	1,290	519	771	776	230	546
1997	6,317	2,858	3,459	4,753	2,017	2,736	1,565	842	723	2,937	1,241	1,696	1,749	774	975	1,189	468	721
1998	12,931	4,398	8,532	9,938	3,578	6,360	2,993	821	2,172	6,554	2,392	4,162	3,766	1,541	2,225	2,788	850	1,938
1999	16,749	6,861	9,888	12,759	5,575	7,184	3,990	1,287	2,703	10,177	3,469	6,708	6,638	2,553	4,084	3,540	916	2,624
2000	24,092	6,971	17,120	18,607	5,862	12,745	5,485	1,109	4,375	13,690	3,010	10,680	9,250	2,546	6,704	4,440	464	3,976
2001	22,577	4,810	17,767	17,606	4,087	13,519	4,971	723	4,248	13,647	3,103	10,545	9,546	2,447	7,099	4,101	655	3,446
2002	28,193	5,957	22,236	23,063	5,026	18,037	5,131	931	4,200	16,600	3,951	12,649	12,209	3,257	8,952	4,391	694	3,697
2003	46,962	7,423	39,539	38,444	6,166	32,277	8,518	1,257	7,261	17,062	3,388	13,674	12,785	2,816	9,970	4,277	573	3,704
2004	76,821	11,737	65,083	63,136	9,645	53,492	13,685	2,093	11,592	26,301	4,797	21,504	19,845	4,098	15,747	6,456	699	5,757
2005	122,861	14,343	108,518	106,077	11,612	94,466	16,784	2,732	14,052	43,381	6,497	36,884	35,351	5,591	29,760	8,030	906	7,124
2006	163,087	27,451	135,636	138,852	22,042	116,810	24,234	5,408	18,826	61,763	10,278	51,485	49,046	8,714	40,332	12,717	1,564	11,153
2007	226,952	35,283	191,669	193,609	27,776	165,833	33,343	7,507	25,836	100,626	17,010	83,616	81,950	13,769	68,181	18,676	3,242	15,435
2008	214,546	30,017	184,529	183,646	24,219	159,427	30,900	5,798	25,101	152,999	23,230	129,769	121,254	18,283	102,970	31,746	4,947	26,799
2009	189,554	20,355	169,200	170,188	18,448	151,739	19,366	1,906	17,460	120,127	16,633	103,494	101,651	14,852	86,799	18,476	1,781	16,695
2010	307,631	36,829	270,802	282,257	35,447	246,810	25,374	1,382	23,992	173,380	18,414	154,966	151,272	16,770	134,502	22,109	1,644	20,464
2011	359,763	27,075	332,688	331,590	25,731	305,859	28,173	1,343	26,829	236,278	22,182	214,096	207,914	20,481	187,433	28,364	1,701	26,663

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

TABLE 47

Index Mutual Funds: Total Net Assets and Net New Cash Flow

Millions of dollars

	Total net assets Year-end					Net new cash flow* Annual				
		Equity					Equity			
Year	Total	S&P 500	Other domestic	World	Hybrid and bond	Total	S&P 500	Other domestic	World	Hybrid and bond
1993	$27,460	$19,445	$3,338	$1,281	$3,396	$6,350	$3,916	$953	$501	$980
1994	32,078	22,257	3,863	2,095	3,863	3,298	1,821	515	436	525
1995	57,042	41,744	6,442	2,846	6,009	11,808	8,816	1,038	512	1,442
1996	97,759	73,856	11,241	4,124	8,538	24,780	18,447	3,192	1,033	2,108
1997	170,302	129,857	21,221	5,329	13,894	34,847	25,208	5,230	818	3,591
1998	264,998	201,791	35,051	7,962	20,193	46,143	30,977	8,499	1,568	5,099
1999	387,411	284,588	63,386	13,130	26,307	61,603	38,063	16,102	2,241	5,197
2000	384,039	272,462	72,028	12,625	26,923	25,592	10,783	10,672	1,660	2,477
2001	370,560	249,452	73,598	11,128	36,381	26,735	9,113	8,846	1,194	7,582
2002	327,417	200,989	69,426	11,050	45,952	25,255	4,818	12,152	1,669	6,616
2003	455,293	273,691	112,469	18,218	50,903	35,234	14,231	16,537	2,199	2,266
2004	554,044	317,826	147,819	28,236	60,163	40,130	11,739	16,078	5,661	6,651
2005	618,699	334,012	171,377	42,792	70,518	27,877	-317	11,731	8,456	8,007
2006	747,468	379,765	218,303	66,647	82,752	32,974	-5,908	20,283	10,674	7,925
2007	854,715	394,593	257,935	95,667	106,520	61,139	-1,440	29,095	16,903	16,582
2008	601,728	252,956	178,045	50,125	120,602	34,927	7,666	23,398	-6,003	9,866
2009	835,422	328,647	256,473	92,507	157,795	55,976	8,195	16,666	4,000	27,115
2010	1,016,713	375,949	325,400	122,751	192,612	57,560	-808	15,023	19,076	24,269
2011	1,094,296	376,582	357,735	121,445	238,534	55,044	-6,868	24,603	17,202	20,108

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

TABLE 48

Index Mutual Funds: Number of Funds and Number of Share Classes

Year-end

	Number of funds					Number of share classes				
		Equity					Equity			
Year	Total	S&P 500	Other domestic	World	Hybrid and bond	Total	S&P 500	Other domestic	World	Hybrid and bond
1993	69	38	15	6	10	73	42	15	6	10
1994	81	42	17	7	15	95	53	17	10	15
1995	87	48	18	7	14	110	63	19	11	17
1996	105	60	22	7	16	143	86	25	11	21
1997	132	72	27	12	21	205	115	38	21	31
1998	156	86	37	15	18	252	148	52	25	27
1999	197	97	59	20	21	323	166	95	31	31
2000	271	120	100	25	26	465	221	164	42	38
2001	286	126	110	24	26	518	238	197	43	40
2002	313	132	124	28	29	578	255	221	53	49
2003	321	128	134	30	29	601	253	243	56	49
2004	328	127	146	28	27	633	262	269	55	47
2005	322	119	147	29	27	647	258	279	62	48
2006	342	125	158	33	26	697	272	304	70	51
2007	354	125	161	36	32	735	276	316	80	63
2008	359	122	164	41	32	754	278	317	95	64
2009	357	113	152	49	43	757	259	292	107	99
2010	365	111	162	50	42	776	253	302	121	100
2011	383	111	170	57	45	858	260	338	144	116

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

TABLE 49

Index Mutual Funds: New Sales and Exchange Sales

Millions of dollars, annual

	New + exchange					New[1]					Exchange[2]				
		Equity					Equity					Equity			
Year	Total	S&P 500	Other domestic	World	Hybrid and bond	Total	S&P 500	Other domestic	World	Hybrid and bond	Total	S&P 500	Other domestic	World	Hybrid and bond
1993	$13,267	$8,898	$1,560	$746	$2,064	$11,208	$7,826	$1,283	$455	$1,644	$2,059	$1,072	$277	$291	$420
1994	11,850	7,976	1,283	824	1,767	10,172	7,103	1,130	579	1,361	1,677	874	153	245	405
1995	21,845	15,903	2,107	1,019	2,815	17,665	13,087	1,883	800	1,895	4,180	2,816	224	219	920
1996	42,680	31,828	4,893	1,855	4,103	34,903	26,165	4,182	1,463	3,093	7,776	5,663	711	392	1,010
1997	73,274	54,494	10,219	2,173	6,388	54,093	41,160	6,562	1,816	4,555	19,181	13,334	3,657	357	1,834
1998	102,843	75,186	15,515	3,014	9,128	79,382	59,457	11,405	2,157	6,362	23,461	15,728	4,109	857	2,767
1999	145,582	101,675	26,755	4,544	12,608	112,686	81,540	18,994	3,232	8,920	32,896	20,135	7,761	1,312	3,688
2000	136,385	92,019	29,055	6,085	9,225	107,344	75,990	20,147	4,857	6,351	29,041	16,029	8,908	1,228	2,875
2001	122,247	72,936	28,057	4,641	16,612	94,018	58,654	20,961	3,945	10,458	28,229	14,282	7,096	697	6,154
2002	127,752	68,085	34,211	5,161	20,295	99,640	57,060	24,922	4,505	13,154	28,112	11,026	9,289	656	7,141
2003	136,830	67,688	44,593	5,998	18,550	104,703	54,472	31,680	5,178	13,372	32,127	13,216	12,913	820	5,178
2004	159,310	74,967	53,947	9,403	20,992	128,162	63,371	40,622	7,915	16,253	31,148	11,597	13,325	1,488	4,739
2005	163,344	70,763	56,374	13,523	22,684	131,335	58,818	43,402	11,275	17,840	32,009	11,945	12,971	2,248	4,844
2006	189,914	69,619	73,488	19,890	26,918	152,436	59,125	57,535	16,061	19,715	37,478	10,494	15,953	3,828	7,203
2007	259,419	93,691	92,182	30,523	43,023	200,041	76,300	72,054	23,633	28,054	59,378	17,391	20,129	6,889	14,969
2008	249,581	87,082	82,210	26,262	54,027	201,211	74,131	64,794	22,358	39,928	48,369	12,951	17,416	3,903	14,099
2009	243,411	69,398	66,332	24,960	82,721	181,737	60,024	52,154	19,406	50,154	61,674	9,374	14,178	5,554	32,567
2010	279,016	70,013	84,022	50,914	74,066	212,865	59,437	64,661	32,063	56,704	66,151	10,577	19,361	18,851	17,362
2011	331,136	93,679	107,185	44,919	85,352	268,611	80,167	83,075	36,824	68,545	62,526	13,512	24,110	8,096	16,807

[1] New sales are the dollar value of new purchases of mutual fund shares. This does not include shares purchased through reinvestment of dividends in existing accounts.

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

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

Components may not add to the total because of rounding.

TABLE 50

Index Mutual Funds: Redemptions and Exchange Redemptions

Millions of dollars, annual

	Regular + exchange					Regular[1]					Exchange[2]				
		Equity					Equity					Equity			
Year	Total	S&P 500	Other domestic	World	Hybrid and bond	Total	S&P 500	Other domestic	World	Hybrid and bond	Total	S&P 500	Other domestic	World	Hybrid and bond
1993	$6,917	$4,982	$607	$245	$1,084	$5,278	$3,996	$449	$118	$715	$1,639	$986	$158	$127	$369
1994	8,552	6,155	768	387	1,241	7,134	5,383	645	243	863	1,418	772	123	144	379
1995	10,037	7,087	1,069	507	1,373	7,723	5,732	935	337	719	2,314	1,355	135	170	654
1996	17,900	13,382	1,700	822	1,995	13,578	10,330	1,429	566	1,253	4,321	3,052	271	256	742
1997	38,427	29,286	4,988	1,355	2,797	24,753	19,824	2,468	779	1,681	13,674	9,462	2,520	576	1,116
1998	56,700	44,208	7,016	1,446	4,029	40,024	32,563	4,256	973	2,232	16,676	11,646	2,760	473	1,797
1999	83,979	63,612	10,653	2,303	7,411	60,809	48,336	7,050	1,276	4,146	23,170	15,276	3,603	1,027	3,265
2000	110,793	81,237	18,383	4,425	6,749	80,788	61,735	11,961	2,814	4,278	30,005	19,501	6,422	1,611	2,471
2001	95,512	63,823	19,211	3,447	9,030	68,474	47,792	12,746	2,582	5,353	27,038	16,030	6,465	865	3,677
2002	102,497	63,267	22,059	3,492	13,679	74,963	48,625	15,223	2,819	8,296	27,534	14,642	6,835	673	5,383
2003	101,596	53,457	28,056	3,800	16,284	76,804	42,814	20,548	3,407	10,035	24,792	10,643	7,508	393	6,249
2004	119,180	63,228	37,869	3,742	14,341	90,044	50,340	26,886	3,061	9,756	29,136	12,888	10,982	681	4,585
2005	135,467	71,080	44,643	5,067	14,677	102,053	54,621	32,287	4,108	11,036	33,414	16,459	12,356	959	3,641
2006	156,940	75,527	53,205	9,215	18,993	118,530	59,556	39,117	6,775	13,083	38,410	15,971	14,088	2,441	5,910
2007	198,280	95,131	63,087	13,620	26,441	141,059	71,405	43,001	10,076	16,576	57,221	23,726	20,086	3,544	9,865
2008	214,654	79,416	58,812	32,264	44,161	167,817	62,324	43,152	28,067	34,275	46,837	17,092	15,660	4,197	9,887
2009	187,435	61,203	49,666	20,960	55,605	133,211	49,794	38,171	17,725	27,521	54,223	11,409	11,495	3,236	28,084
2010	221,456	70,821	68,999	31,839	49,797	162,503	56,993	54,796	14,737	35,977	58,953	13,828	14,203	17,102	13,820
2011	276,092	100,548	82,582	27,717	65,245	219,628	81,877	64,671	20,333	52,748	56,464	18,671	17,911	7,384	12,497

[1] Regular redemptions are the dollar value of shareholder liquidation of mutual fund shares.

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

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

TABLE 51

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

Year	Total	Equity	Hybrid	Bond	Money market	Total	Equity	Hybrid	Bond	Money market
	Total net assets *Millions of dollars, year-end*					Net new cash flow[2] *Millions of dollars, annual*				
1993	$4,900	$529	$487	$304	$3,580	$470	$197	-$5	$51	$226
1994	4,929	421	628	234	3,646	-132	40	29	-59	-142
1995	9,093	1,408	1,907	428	5,349	2,055	394	140	35	1,485
1996	9,574	1,420	2,003	446	5,705	610	612	-135	23	110
1997	10,961	2,066	2,284	518	6,092	505	430	-56	43	89
1998	13,273	2,564	2,578	709	7,423	1,197	285	-267	159	1,019
1999	18,114	6,859	2,304	860	8,090	138	57	-482	161	402
2000	18,762	6,961	1,764	1,034	9,004	917	844	-451	73	451
2001	25,303	6,528	1,604	1,348	15,823	542	-244	-172	221	737
2002	26,491	7,143	1,847	1,418	16,083	1,944	1,488	284	124	48
2003	40,075	21,187	4,076	2,381	12,431	8,385	9,560	1,735	821	-3,731
2004	66,422	47,220	8,647	2,914	7,640	18,637	19,096	3,329	393	-4,180
2005	101,134	77,625	12,673	3,910	6,926	25,053	21,470	3,486	945	-848
2006	154,252	122,485	18,086	5,475	8,207	33,430	27,798	3,586	1,202	845
2007	221,421	172,980	28,641	8,518	11,282	46,391	33,833	7,805	2,157	2,595
2008	181,159	128,606	27,430	9,419	15,704	46,413	32,395	8,687	1,957	3,373
2009	281,649	208,824	42,271	13,401	17,153	36,806	28,814	6,998	2,460	-1,466
2010	359,190	270,316	55,858	16,144	16,873	40,288	30,090	7,735	2,211	252
2011	355,048	258,012	65,602	19,055	12,378	20,231	8,061	7,010	2,464	2,695
	Number of funds *Year-end*					Number of share classes *Year-end*				
1993	28	10	5	7	6	28	10	5	7	6
1994	44	17	7	12	8	44	17	7	12	8
1995	52	21	10	13	8	52	21	10	13	8
1996	53	23	10	12	8	53	23	10	12	8
1997	57	25	11	13	8	57	25	11	13	8
1998	63	30	16	10	7	63	30	16	10	7
1999	79	45	16	12	6	79	45	16	12	6
2000	127	85	18	17	7	160	111	18	23	8
2001	184	122	28	24	10	237	149	47	30	11
2002	281	186	36	44	15	422	261	67	70	24
2003	461	314	53	77	17	641	416	90	109	26
2004	703	457	107	119	20	944	591	164	157	32
2005	826	517	155	133	21	1,302	777	276	211	38
2006	965	588	212	142	23	1,678	938	462	238	40
2007	1,147	676	277	168	26	1,967	1,054	598	270	45
2008	1,328	747	369	187	25	2,196	1,134	732	286	44
2009	1,380	737	425	194	24	2,321	1,179	784	317	41
2010	1,414	758	413	220	23	2,401	1,225	769	367	40
2011	1,481	786	430	243	22	2,535	1,262	819	415	39

[1] Retirement mutual funds include 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.

Data Section 5

TABLE 52

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

Millions of dollars, annual

	Sales								Redemptions							
	New[3]				Exchange[4]				Regular[5]				Exchange[6]			
Year	Equity	Hybrid	Bond	Money market	Equity	Hybrid	Bond	Money market	Equity	Hybrid	Bond	Money market	Equity	Hybrid	Bond	Money market
1993	$242	$14	$90	$13,907	$188	$1	$60	(*)	$67	$17	$55	$13,681	$165	$3	$44	(*)
1994	94	91	60	14,760	204	5	26	$2	61	59	65	14,903	197	9	79	$1
1995	1,342	411	128	17,250	207	14	26	11	923	250	93	15,766	232	36	26	10
1996	1,325	440	141	18,998	196	24	27	20	752	501	101	18,887	157	98	44	22
1997	864	442	186	21,575	169	36	38	11	441	475	136	21,470	162	59	45	27
1998	1,073	463	333	23,867	254	23	56	36	789	670	183	22,867	253	83	47	17
1999	1,189	445	464	29,494	161	15	45	22	1,184	857	307	29,085	109	86	41	30
2000	2,269	364	452	31,729	194	10	25	44	1,533	746	353	31,279	87	80	51	42
2001	1,383	346	642	40,007	348	20	83	229	1,691	519	441	39,492	284	20	63	8
2002	3,148	791	858	59,587	574	73	228	61	2,019	548	925	59,549	215	32	37	51
2003	10,367	2,322	1,753	58,887	2,314	181	137	163	2,897	714	950	62,488	225	53	119	293
2004	24,646	4,457	1,870	39,237	1,247	163	107	177	6,469	1,199	1,457	43,156	328	92	126	438
2005	33,883	5,455	2,155	41,290	1,568	216	170	193	13,362	2,011	1,199	41,876	619	174	181	456
2006	49,245	7,089	2,342	45,463	3,630	517	253	322	23,967	3,679	1,201	44,426	1,110	342	193	514
2007	75,190	14,407	4,525	33,373	4,005	643	530	808	43,376	6,782	2,539	30,640	1,985	463	359	945
2008	75,317	16,709	5,335	44,770	5,182	1,587	730	1,336	43,013	8,235	3,578	41,809	5,091	1,375	529	924
2009	67,802	14,589	7,876	41,075	17,992	3,064	1,471	914	38,782	7,074	4,827	42,422	18,199	3,581	2,060	1,032
2010	85,085	18,853	7,536	72,488	14,972	1,564	710	657	55,481	11,192	5,170	72,277	14,486	1,490	866	616
2011	89,388	22,197	7,832	96,064	10,565	2,383	1,174	939	79,001	15,431	5,833	93,704	12,892	2,139	709	603

[1] Retirement mutual funds include 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 within the same fund group.
(*) = less than $500,000
Note: Components may not add to the total because of rounding.

Data Section 5

TABLE 53

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

	Total net assets *Millions of dollars, year-end*			Net new cash flow[2] *Millions of dollars, annual*			Number of funds *Year-end*			Number of share classes *Year-end*		
Year	Total	Target date	Lifestyle	Total	Target date	Lifestyle	Total	Target date	Lifestyle	Total	Target date	Lifestyle
1995	$2,746	$487	$2,259	$1,194	$185	$1,009	26	6	20	50	10	40
1996	6,497	805	5,693	2,583	216	2,367	44	9	35	70	9	61
1997	14,314	1,408	12,906	4,138	193	3,945	77	12	65	141	17	124
1998	25,413	4,508	20,905	6,015	1,153	4,862	110	17	93	199	23	176
1999	34,849	7,014	27,835	4,928	1,311	3,618	130	19	111	240	30	210
2000	39,716	8,788	30,928	7,581	3,598	3,983	146	24	122	279	42	237
2001	45,467	12,372	33,095	7,696	3,795	3,902	147	25	122	351	82	269
2002	49,425	14,902	34,523	8,095	3,708	4,386	171	25	146	432	82	350
2003	81,733	25,901	55,832	19,040	7,221	11,819	192	45	147	499	120	379
2004	129,170	43,756	85,414	28,336	12,903	15,432	241	84	157	740	263	477
2005	202,017	71,223	130,794	57,166	22,256	34,910	324	127	197	1,128	465	663
2006	303,594	114,560	189,034	66,792	33,023	33,769	422	184	238	1,558	783	775
2007	420,863	182,905	237,958	91,920	56,200	35,720	494	245	249	1,840	1,035	805
2008	335,421	159,830	175,591	54,424	41,897	12,527	613	338	275	2,218	1,367	851
2009	486,540	255,590	230,950	52,116	43,442	8,674	643	379	264	2,353	1,513	840
2010	603,926	339,772	264,155	48,615	44,431	4,184	638	377	261	2,327	1,491	836
2011	637,742	375,810	261,932	40,369	41,558	-1,189	674	412	262	2,483	1,619	864

[1] Categories include data for funds that invest primarily in other funds.

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

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

TABLE 54

Target Date and Lifestyle Mutual Funds:[1] Components of Net New Cash Flow[2]

Millions of dollars, annual

	Sales						Redemptions					
	New[3]			Exchange[4]			Regular[5]			Exchange[6]		
Year	Total	Target date	Lifestyle	Total	Target date	Lifestyle	Total	Target date	Lifestyle	Total	Target date	Lifestyle
1995	$1,289	$282	$1,008	$364	$9	$355	$304	$100	$203	$155	$5	$151
1996	3,393	622	2,771	564	12	552	989	406	583	385	11	373
1997	5,580	513	5,067	1,066	33	1,033	1,763	331	1,432	746	22	723
1998	8,856	1,306	7,549	2,782	1,354	1,428	3,557	641	2,916	2,066	867	1,199
1999	10,663	1,831	8,832	3,144	1,707	1,436	6,102	1,000	5,102	2,776	1,227	1,549
2000	15,034	4,267	10,767	4,621	2,845	1,776	8,302	1,654	6,648	3,772	1,861	1,912
2001	15,408	4,787	10,621	4,179	2,576	1,602	8,510	1,844	6,665	3,381	1,724	1,656
2002	18,235	5,282	12,953	3,691	2,307	1,384	10,901	2,340	8,561	2,930	1,541	1,389
2003	27,581	8,083	19,498	5,321	3,390	1,931	11,038	2,521	8,518	2,824	1,731	1,093
2004	41,670	16,442	25,228	8,713	5,474	3,239	17,571	6,274	11,296	4,477	2,739	1,738
2005	77,111	26,754	50,358	11,647	7,692	3,955	25,919	8,633	17,287	5,673	3,558	2,116
2006	89,497	39,913	49,584	17,113	11,157	5,956	31,232	12,662	18,571	8,586	5,385	3,201
2007	137,672	76,155	61,517	23,456	17,041	6,415	56,637	28,507	28,131	12,570	8,490	4,080
2008	127,517	78,539	48,978	22,099	16,120	5,979	73,878	38,386	35,492	21,314	14,375	6,938
2009	118,467	80,328	38,138	15,172	11,554	3,618	68,193	39,388	28,805	13,329	9,053	4,277
2010	149,974	107,618	42,356	20,606	16,623	3,983	104,940	67,373	37,567	17,025	12,437	4,588
2011	172,419	131,660	40,759	22,271	17,914	4,356	131,978	90,802	41,176	22,343	17,215	5,129

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

TABLE 55

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

	Total net assets *Millions of dollars, year-end*				Net new cash flow* *Millions of dollars, annual*				Number of funds *Year-end*			
Year	Total	Equity	Hybrid and bond	Money market	Total	Equity	Hybrid and bond	Money market	Total	Equity	Hybrid and bond	Money market
1990	$28,749	$14,974	$8,355	$5,420	$3,083	$1,866	$323	$895	331	145	134	52
1991	91,056	69,138	13,734	8,184	6,174	5,097	1,498	-420	354	150	147	57
1992	109,868	80,934	21,046	7,888	12,884	8,708	4,363	-188	366	157	151	58
1993	152,403	104,823	39,740	7,841	26,088	16,423	9,834	-169	428	192	176	60
1994	176,370	121,153	44,339	10,878	22,066	15,998	3,763	2,305	507	245	202	60
1995	259,813	187,702	60,042	12,069	20,824	18,604	2,214	5	665	344	250	71
1996	349,341	260,959	73,189	15,193	40,133	32,699	5,063	2,371	800	435	290	75
1997	473,331	364,286	92,571	16,474	40,470	33,743	6,316	411	937	535	323	79
1998	615,152	474,961	116,337	23,853	44,259	27,857	10,362	6,040	1,162	703	377	82
1999	818,958	656,874	128,352	33,732	38,543	30,736	-461	8,267	1,353	867	405	81
2000	816,800	652,802	130,961	33,037	48,461	57,431	-6,908	-2,063	1,562	1,049	433	80
2001	742,258	558,476	139,027	44,756	21,583	4,160	8,736	8,687	1,750	1,249	412	89
2002	638,949	438,825	152,054	48,070	-1,286	-13,045	11,432	327	1,903	1,391	420	92
2003	837,443	618,729	183,062	35,652	29,827	34,852	7,047	-12,071	1,889	1,365	436	88
2004	973,910	738,270	202,280	33,361	33,505	33,753	2,434	-2,683	1,881	1,351	443	87
2005	1,072,894	822,021	217,174	33,699	16,404	13,417	4,286	-1,299	1,882	1,356	443	83
2006	1,266,934	974,341	250,401	42,192	29,712	17,345	6,866	5,501	1,926	1,392	453	81
2007	1,399,770	1,054,677	292,369	52,723	31,929	1,937	22,740	7,251	1,895	1,371	446	78
2008	929,506	599,714	254,821	74,971	-6,138	-30,670	4,994	19,538	1,892	1,372	441	79
2009	1,194,991	796,710	340,985	57,296	11,359	-3,084	33,249	-18,806	1,855	1,327	455	73
2010	1,348,250	892,048	407,649	48,554	-2,034	-25,363	33,040	-9,711	1,804	1,282	452	70
2011	1,310,323	808,678	452,772	48,873	-20,565	-47,768	27,067	136	1,784	1,259	461	64

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

TABLE 56

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

Millions of dollars, annual

	Sales								Redemptions							
	New[2]				Exchange[3]				Regular[4]				Exchange[5]			
Year	Total	Equity	Hybrid and bond	Money market	Total	Equity	Hybrid and bond	Money market	Total	Equity	Hybrid and bond	Money market	Total	Equity	Hybrid and bond	Money market
1990	$9,994	$4,714	$1,808	$3,473	$1,082	$450	$183	$449	$6,993	$2,941	$1,465	$2,587	$1,000	$357	$203	$440
1991	16,408	9,034	3,368	4,006	838	331	174	333	10,294	3,967	1,920	4,407	778	301	124	352
1992	24,779	13,294	6,634	4,851	1,568	740	350	478	12,014	4,745	2,348	4,921	1,450	581	273	596
1993	42,392	22,738	13,146	6,508	1,131	576	325	230	16,352	6,425	3,410	6,517	1,084	467	227	390
1994	48,010	25,661	10,907	11,443	7,017	4,064	429	2,525	25,933	9,941	6,830	9,161	7,029	3,786	742	2,501
1995	53,101	31,661	9,326	12,114	8,674	4,984	727	2,963	32,283	13,201	7,234	11,849	8,668	4,840	606	3,223
1996	84,933	53,188	13,056	18,689	12,656	7,190	864	4,602	44,729	20,497	8,041	16,191	12,726	7,182	815	4,729
1997	105,222	67,005	15,290	22,926	24,210	13,017	2,348	8,846	65,377	33,408	9,905	22,063	23,586	12,871	1,417	9,298
1998	141,464	83,457	23,227	34,780	37,136	18,967	5,502	12,668	99,141	54,024	14,964	30,153	35,199	20,542	3,403	11,254
1999	212,025	130,900	22,005	59,120	40,818	22,080	2,985	15,753	174,418	100,392	22,276	51,750	39,883	21,853	3,174	14,856
2000	334,936	221,802	21,271	91,863	36,326	22,834	1,840	11,652	287,230	165,935	27,733	93,561	35,571	21,269	2,285	12,017
2001	346,166	196,586	34,951	114,628	31,716	15,928	5,185	10,604	325,676	190,433	28,054	107,189	30,623	17,921	3,346	9,356
2002	342,193	183,447	48,489	110,256	34,170	16,428	7,160	10,583	344,224	194,345	38,937	110,942	33,425	18,574	5,281	9,570
2003	283,007	169,008	54,428	59,572	28,791	15,307	5,944	7,540	253,526	136,143	46,551	70,832	28,445	13,319	6,774	8,351
2004	261,715	170,245	46,429	45,042	26,407	14,396	5,711	6,300	228,278	136,345	44,381	47,552	26,340	14,543	5,325	6,472
2005	246,396	162,636	47,972	35,789	19,598	10,599	3,403	5,595	230,118	148,152	44,388	37,578	19,472	11,666	2,702	5,104
2006	280,246	192,146	51,255	36,846	22,318	10,823	3,425	8,070	250,509	173,247	44,403	32,859	22,344	12,376	3,412	6,555
2007	343,676	218,460	73,880	51,336	37,045	19,701	8,247	9,097	317,242	215,780	55,973	45,488	31,550	20,444	3,413	7,693
2008	380,412	198,447	93,797	88,169	25,445	11,112	5,114	9,220	390,179	227,664	90,371	72,144	21,816	12,564	3,546	5,706
2009	314,988	152,208	101,252	61,528	22,650	14,589	3,767	4,294	303,501	155,499	69,771	78,231	22,778	14,382	1,999	6,397
2010	338,923	165,821	140,137	32,964	17,325	6,755	6,742	3,828	340,704	189,423	108,880	42,401	17,578	8,517	4,959	4,102
2011	333,793	146,905	150,636	36,252	16,269	6,816	6,865	2,589	354,376	191,649	125,818	36,910	16,251	9,840	4,616	1,795

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

TABLE 57

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

Millions of dollars, year-end

Year	Total	Equity	Hybrid	Bond	Money market
Total					
2000	$6,964,634	$3,938,813	$363,782	$816,791	$1,845,248
2001	6,974,913	3,396,315	362,158	931,130	2,285,310
2002	6,383,477	2,645,812	335,167	1,137,423	2,265,075
2003	7,402,420	3,654,790	449,064	1,258,544	2,040,022
2004	8,095,082	4,344,088	548,314	1,301,344	1,901,336
2005	8,891,108	4,886,827	609,858	1,367,601	2,026,822
2006	10,397,935	5,833,291	720,709	1,505,484	2,338,451
2007	12,001,463	6,416,789	807,145	1,691,769	3,085,760
2008	9,603,649	3,641,244	551,807	1,578,362	3,832,236
2009	11,120,153	4,879,849	695,433	2,228,978	3,315,893
2010	11,820,650	5,584,692	799,259	2,632,777	2,803,922
2011	11,621,595	5,205,108	838,700	2,886,366	2,691,422
Individual accounts					
2000	$6,242,568	$3,731,261	$352,363	$747,001	$1,411,942
2001	6,102,362	3,219,079	350,277	849,187	1,683,820
2002	5,520,545	2,493,959	325,557	1,044,017	1,657,011
2003	6,533,961	3,445,125	436,936	1,158,046	1,493,854
2004	7,179,056	4,073,026	532,632	1,197,913	1,375,485
2005	7,776,090	4,552,171	591,549	1,231,382	1,400,988
2006	9,061,311	5,403,594	697,789	1,349,281	1,610,647
2007	10,350,407	5,941,253	781,965	1,505,971	2,121,219
2008	7,871,141	3,343,695	536,493	1,412,480	2,578,473
2009	9,325,166	4,448,477	675,261	2,004,189	2,197,239
2010	10,069,083	5,066,835	773,936	2,345,951	1,882,361
2011[p]	9,940,439	4,718,519	808,928	2,582,893	1,830,099
Institutional accounts*					
2000	$722,066	$207,552	$11,419	$69,790	$433,306
2001	872,551	177,236	11,881	81,943	601,490
2002	862,932	151,853	9,610	93,406	608,064
2003	868,459	209,665	12,128	100,498	546,168
2004	916,026	271,062	15,682	103,431	525,851
2005	1,115,018	334,656	18,309	136,219	625,834
2006	1,336,624	429,697	22,920	156,203	727,804
2007	1,651,056	475,536	25,180	185,798	964,541
2008	1,732,508	297,549	15,314	165,882	1,253,763
2009	1,794,987	431,372	20,172	224,789	1,118,654
2010	1,751,567	517,857	25,323	286,826	921,561
2011[p]	1,681,156	486,589	29,772	303,473	861,323

* 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 58

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

Millions of dollars, year-end

Year		Total	Business corporations	Financial institutions[1]	Nonprofit organizations	Other[2]
2003	**Total**	**$868,459**	**$404,153**	**$304,365**	**$94,343**	**$65,598**
	Equity	209,665	76,670	70,568	33,548	28,879
	Hybrid	12,128	4,663	4,567	2,180	718
	Bond	100,498	33,546	18,467	32,576	15,908
	Money market	546,168	289,273	210,763	26,040	20,093
2004	**Total**	**916,026**	**425,113**	**293,830**	**94,236**	**102,846**
	Equity	271,062	89,358	88,337	37,888	55,479
	Hybrid	15,682	6,027	5,824	2,683	1,148
	Bond	103,431	30,168	20,378	29,078	23,808
	Money market	525,851	299,560	179,291	24,587	22,412
2005	**Total**	**1,115,018**	**486,615**	**351,195**	**99,657**	**177,551**
	Equity	334,656	99,806	102,896	43,286	88,669
	Hybrid	18,309	6,123	7,369	2,689	2,128
	Bond	136,219	28,475	25,545	25,340	56,858
	Money market	625,834	352,211	215,385	28,341	29,896
2006	**Total**	**1,336,624**	**594,403**	**395,227**	**113,693**	**233,302**
	Equity	429,697	131,576	117,160	53,935	127,027
	Hybrid	22,920	7,365	8,787	3,382	3,387
	Bond	156,203	34,187	26,407	25,537	70,072
	Money market	727,804	421,275	242,873	30,840	32,817
2007	**Total**	**1,651,056**	**726,476**	**471,738**	**134,046**	**318,795**
	Equity	475,536	132,885	117,337	59,159	166,155
	Hybrid	25,180	7,749	10,410	3,182	3,839
	Bond	185,798	37,387	30,379	24,279	93,754
	Money market	964,541	548,455	313,613	47,425	55,048
2008	**Total**	**1,732,508**	**816,807**	**515,209**	**118,319**	**282,172**
	Equity	297,549	72,655	68,665	32,341	123,889
	Hybrid	15,314	4,702	5,889	1,865	2,858
	Bond	165,882	28,844	26,898	22,709	87,432
	Money market	1,253,763	710,606	413,758	61,405	67,993
2009	**Total**	**1,794,987**	**803,562**	**505,319**	**127,714**	**358,392**
	Equity	431,372	108,428	94,483	44,028	184,434
	Hybrid	20,172	6,504	7,570	2,504	3,593
	Bond	224,789	46,975	39,028	29,183	109,602
	Money market	1,118,654	641,655	364,238	51,999	60,762
2010	**Total**	**1,751,567**	**671,450**	**501,262**	**136,181**	**442,673**
	Equity	517,857	123,523	114,681	49,010	230,643
	Hybrid	25,323	8,331	9,552	2,801	4,639
	Bond	286,826	54,790	52,388	33,438	146,209
	Money market	921,561	484,805	324,642	50,932	61,183
2011[p]	**Total**	**1,681,156**	**619,495**	**478,979**	**130,277**	**452,406**
	Equity	486,589	102,666	111,338	44,934	227,651
	Hybrid	29,772	10,495	10,521	3,339	5,418
	Bond	303,473	54,317	56,391	35,781	156,985
	Money market	861,323	452,017	300,729	46,224	62,352

[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.

TABLE 59

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

Millions of dollars, year-end

Year		Total	Business corporations	Financial institutions[2]	Nonprofit organizations	Other[3]
2000	**Total**	**$409,466**	**$201,985**	**$158,334**	**$22,987**	**$26,160**
	Institutional funds	305,180	137,226	134,543	14,951	18,460
	Retail funds	104,286	64,759	23,791	8,037	7,699
2001	**Total**	**575,181**	**300,471**	**219,136**	**27,975**	**27,599**
	Institutional funds	469,332	235,735	195,688	18,212	19,698
	Retail funds	105,849	64,736	23,448	9,764	7,902
2002	**Total**	**578,112**	**303,148**	**226,645**	**27,673**	**20,646**
	Institutional funds	485,717	247,775	202,489	20,205	15,248
	Retail funds	92,395	55,373	24,156	7,468	5,398
2003	**Total**	**509,439**	**266,884**	**198,158**	**24,873**	**19,523**
	Institutional funds	426,835	217,867	176,770	18,535	13,663
	Retail funds	82,604	49,017	21,389	6,339	5,859
2004	**Total**	**480,298**	**271,790**	**165,395**	**22,936**	**20,178**
	Institutional funds	404,084	223,647	149,570	16,274	14,593
	Retail funds	76,215	48,143	15,825	6,662	5,585
2005	**Total**	**569,730**	**317,580**	**198,300**	**26,146**	**27,704**
	Institutional funds	479,977	266,053	173,229	20,393	20,302
	Retail funds	89,753	51,527	25,071	5,753	7,401
2006	**Total**	**667,533**	**383,030**	**224,721**	**29,134**	**30,648**
	Institutional funds	575,482	318,958	210,539	21,925	24,060
	Retail funds	92,051	64,072	14,182	7,209	6,588
2007	**Total**	**888,949**	**499,298**	**292,684**	**44,878**	**52,089**
	Institutional funds	781,610	429,237	270,180	36,668	45,525
	Retail funds	107,339	70,061	22,504	8,210	6,564
2008	**Total**	**1,185,071**	**667,478**	**392,734**	**59,763**	**65,096**
	Institutional funds	1,071,548	592,128	367,951	51,757	59,712
	Retail funds	113,523	75,351	24,783	8,005	5,384
2009	**Total**	**1,056,842**	**599,907**	**348,618**	**50,423**	**57,894**
	Institutional funds	967,766	537,985	331,451	44,574	53,756
	Retail funds	89,075	61,922	17,167	5,849	4,138
2010	**Total**	**876,365**	**456,210**	**311,557**	**49,830**	**58,768**
	Institutional funds	798,146	403,388	294,813	44,805	55,139
	Retail funds	78,219	52,822	16,743	5,025	3,629
2011[p]	**Total**	**828,615**	**430,120**	**292,692**	**45,051**	**60,753**
	Institutional funds	752,995	378,733	275,877	41,496	56,889
	Retail funds	75,620	51,387	16,814	3,555	3,864

[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.

TABLE 60

Worldwide Total Net Assets of Mutual Funds*

Millions of U.S. dollars, year-end

	2005	2006	2007	2008	2009	2010	2011
World	**$17,757,360**	**$21,808,884**	**$26,131,496**	**$18,920,057**	**$22,952,806**	**$24,699,170**	**$23,779,874**
Americas	**9,750,205**	**11,470,489**	**13,423,089**	**10,581,988**	**12,585,776**	**13,586,843**	**13,513,324**
Argentina	3,626	6,153	6,789	3,867	4,470	5,179	6,808
Brazil	302,927	418,771	615,365	479,321	783,970	980,448	997,891
Canada	490,518	566,298	698,397	416,031	565,156	636,947	753,606
Chile	13,969	17,700	24,444	17,587	34,227	38,243	33,425
Costa Rica	804	1,018	1,203	1,098	1,309	1,470	1,266
Mexico	47,253	62,614	75,428	60,435	70,659	98,094	92,743
Trinidad and Tobago	N/A	N/A	N/A	N/A	5,832	5,812	5,989
United States	8,891,108	10,397,935	12,001,463	9,603,649	11,120,153	11,820,650	11,621,595
Europe	**6,002,310**	**7,803,877**	**8,934,861**	**6,231,116**	**7,545,535**	**7,903,389**	**7,220,298**
Austria	109,002	128,236	138,709	93,269	99,628	94,670	81,038
Belgium	115,314	137,291	149,842	105,057	106,721	96,288	81,505
Bulgaria	N/A	N/A	N/A	226	256	302	291
Czech Republic	5,334	6,488	7,595	5,260	5,436	5,508	4,445
Denmark	75,187	95,601	104,083	65,182	83,024	89,800	84,891
Finland	45,415	67,804	81,136	48,750	66,131	71,210	62,193
France	1,362,671	1,769,258	1,989,690	1,591,082	1,805,641	1,617,176	1,382,068
Germany	296,787	340,325	372,072	237,986	317,543	333,713	293,011
Greece	32,011	27,604	29,807	12,189	12,434	8,627	5,213
Hungary	6,113	8,472	12,573	9,188	11,052	11,532	7,193
Ireland	546,242	855,011	951,371	720,486	860,515	1,014,104	1,061,051
Italy	450,514	452,798	419,687	263,588	279,474	234,313	180,754
Liechtenstein	13,970	17,315	25,103	20,489	30,329	35,387	32,606
Luxembourg	1,635,785	2,188,278	2,685,065	1,860,763	2,293,973	2,512,874	2,277,465
Malta	N/A	N/A	N/A	N/A	N/A	N/A	2,132
Netherlands	94,357	108,560	113,759	77,379	95,512	85,924	69,156
Norway	40,111	54,075	74,709	41,157	71,170	84,505	79,999
Poland	17,651	28,959	45,542	17,782	23,025	25,595	18,463
Portugal	28,801	31,214	29,732	13,572	15,808	11,004	7,321
Romania	109	247	390	326	1,134	1,713	2,388
Russia	2,417	5,659	7,175	2,026	3,182	3,917	3,072
Slovakia	3,031	3,168	4,762	3,841	4,222	4,349	3,191
Slovenia	N/A	2,486	4,219	2,067	2,610	2,663	2,279
Spain	316,864	367,918	396,534	270,983	269,611	216,915	195,220
Sweden	119,103	176,968	194,955	113,331	170,277	205,449	179,707
Switzerland	116,669	159,517	176,282	135,052	168,260	261,893	273,061
Turkey	21,760	15,462	22,609	15,404	19,426	19,545	14,048
United Kingdom	547,092	755,163	897,460	504,681	729,141	854,413	816,537
Asia and Pacific	**1,939,251**	**2,456,492**	**3,678,325**	**2,037,536**	**2,715,234**	**3,067,323**	**2,921,277**
Australia	700,068	864,234	1,192,988	841,133	1,198,838	1,455,850	1,440,128
China	N/A	N/A	434,063	276,303	381,207	364,985	339,037
Hong Kong	460,517	631,055	818,421	N/A	N/A	N/A	N/A
India	40,546	58,219	108,582	62,805	130,284	111,421	87,519
Japan	470,044	578,883	713,998	575,327	660,666	785,504	745,383
Korea, Rep. of	198,994	251,930	329,979	221,992	264,573	266,495	226,716
New Zealand	10,332	12,892	14,925	10,612	17,657	19,562	23,709
Pakistan	N/A	2,164	4,956	1,985	2,224	2,290	2,984
Philippines	1,449	1,544	2,090	1,263	1,488	2,184	2,363
Taiwan	57,301	55,571	58,323	46,116	58,297	59,032	53,437
Africa	**65,594**	**78,026**	**95,221**	**69,417**	**106,261**	**141,615**	**124,976**
South Africa	65,594	78,026	95,221	69,417	106,261	141,615	124,976

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

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

Data Section 7

TABLE 61

Worldwide Number of Mutual Funds*

Year-end

	2005	2006	2007	2008	2009	2010	2011
World	**56,867**	**61,855**	**66,347**	**69,032**	**67,551**	**69,518**	**72,657**
Americas	**13,763**	**14,475**	**15,459**	**16,459**	**16,953**	**18,018**	**19,799**
Argentina	200	223	241	253	252	254	281
Brazil	2,685	2,907	3,381	4,169	4,744	5,618	6,513
Canada	1,695	1,764	2,038	2,015	2,075	2,117	2,655
Chile	683	926	1,260	1,484	1,691	1,912	2,150
Costa Rica	110	100	93	85	64	68	63
Mexico	416	437	420	431	407	434	464
Trinidad and Tobago	N/A	N/A	N/A	N/A	36	35	36
United States	7,974	8,118	8,026	8,022	7,684	7,580	7,637
Europe	**30,060**	**33,151**	**35,210**	**36,780**	**34,899**	**35,292**	**35,713**
Austria	881	948	1,070	1,065	1,016	1,016	1,003
Belgium	1,391	1,549	1,655	1,828	1,845	1,797	1,723
Bulgaria	N/A	N/A	N/A	81	85	90	92
Czech Republic	51	52	66	76	78	80	80
Denmark	471	494	500	489	483	490	500
Finland	333	376	379	389	377	366	368
France	7,758	8,092	8,243	8,301	7,982	7,791	7,744
Germany	1,076	1,199	1,462	1,675	2,067	2,106	2,051
Greece	247	247	230	239	210	213	196
Hungary	91	161	212	270	264	276	152
Ireland	2,127	2,531	2,898	3,097	2,721	2,899	3,085
Italy	1,035	989	924	742	675	650	659
Liechtenstein	200	233	391	335	348	409	437
Luxembourg	7,222	7,919	8,782	9,351	9,017	9,353	9,462
Malta	N/A	N/A	N/A	N/A	N/A	N/A	59
Netherlands	515	473	450	458[a]	N/A	N/A	495
Norway	419	524	511	530	487	507	507
Poland	150	157	188	210	208	214	226
Portugal	169	175	180	184	171	171	173
Romania	23	32	41	52	51	56	105
Russia	257	358	533	528	480	462	472
Slovakia	43	43	54	56	54	58	63
Slovenia	N/A	96	106	125	125	130	137
Spain	2,672	3,235	2,940	2,944	2,588	2,486	2,474
Sweden	464	474	477	508	506	504	508
Switzerland	510	609	567	572	509	653	664
Turkey	275	282	294	304	286	311	337
United Kingdom	1,680	1,903	2,057	2,371	2,266	2,204	1,941
Asia and Pacific	**12,427**	**13,479**	**14,847**	**14,909**	**14,795**	**15,265**	**16,198**
Australia	N/A	N/A	N/A	N/A	N/A	N/A	N/A
China	N/A	N/A	341	429	547	660	831
Hong Kong	1,009	1,099	1,162	N/A	N/A	N/A	N/A
India	445	468	555	551	590	658	680
Japan	2,640	2,753	2,997	3,333	3,656	3,905	4,196
Korea, Rep. of	7,279	8,030	8,609	9,384	8,703	8,687	9,064
New Zealand	563	613	623	643	702	700	709
Pakistan	N/A	31	64	83	96	125	137
Philippines	32	38	40	43	41	43	47
Taiwan	459	447	456	443	460	487	534
Africa	**617**	**750**	**831**	**884**	**904**	**943**	**947**
South Africa	617	750	831	884	904	943	947

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

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

N/A = not available

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

TABLE 62

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

Millions of U.S. dollars, annual

	2005	2006	2007	2008	2009	2010	2011
World	**$968,789**	**$1,296,993**	**$1,533,657**	**$275,712**	**$272,564**	**$191,218**	**$101,239**
Americas	**424,360**	**725,055**	**1,204,350**	**606,199**	**80,499**	**-39,015**	**167,606**
Argentina	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Brazil	5,293	21,083	16,880	-32,653	47,317	58,316	49,995
Canada	31,220	36,579	61,286	17,495	12,074	23,797	37,032
Chile	N/A	3,113	3,282	-1,167	9,921	416	-423
Costa Rica	N/A	N/A	N/A	N/A	N/A	171	432
Mexico	6,849	11,377	10,154	-3,418	8,572	18,382	4,005
Trinidad and Tobago	N/A	N/A	N/A	N/A	-150	-45	107
United States	380,998	652,903	1,112,748	625,942	2,765	-140,052	76,460
Europe	**459,913**	**427,527**	**101,766**	**-443,035**	**166,653**	**218,363**	**-122,470**
Austria	16,240	3,402	-4,864	-18,147	-4,746	-2,301	-6,675
Belgium	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bulgaria	N/A	N/A	N/A	-151	8	51	8
Czech Republic	642	59	198	-1,561	-263	55	-536
Denmark	12,950	5,646	1,893	-4,000	2,419	5,204	2,537
Finland	6,371	13,229	3,535	-11,387	5,475	936	-1,709
France	76,442	133,843	-49,354	-68,351	6,164	-110,856	-125,565
Germany	10,557	-10,472	-18,531	-32,746	11,935	13,835	-5,018
Greece	-7,810	-9,598	-2,643	-11,382	-1,124	-1,424	-1,489
Hungary	1,777	-42	2,436	-1,755	776	936	-1,136
Ireland	N/A	N/A	N/A	N/A	N/A	133,942	85,666
Italy	-19,216	-59,828	-81,538	-107,691	-10,925	-29,921	-41,900
Liechtenstein	1,363	782	3,636	2,317	5,087	261	353
Luxembourg	293,331	299,906	255,689	-102,257	95,059	152,608	-31,962
Malta	N/A	N/A	N/A	N/A	N/A	N/A	-53
Netherlands	-9,313	11	-5,732	-6,117[a]	N/A	225	-9,532
Norway	8,231	4,676	6,870	40	6,689	4,807	4,380
Poland	N/A	N/A	N/A	-1,423	859	1,278	-1,764
Portugal	1,645	-1,843	-5,707	-11,169	1,120	-3,684	-2,858
Romania	20	97	93	125	760	561	351
Russia	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Slovakia	1,207	-512	689	-897	80	308	-1,040
Slovenia	N/A	18	637	-433	27	21	-103
Spain	26,962	-3,852	-23,273	-84,149	-15,858	-30,938	-11,803
Sweden	7,518	7,735	2,228	3,754	10,203	7,371	5,843
Switzerland	9,218	11,681	15,074	17,851	7,343	4,063	9,067
Turkey	N/A	N/A	N/A	N/A	2,324	2,608	-1,228
United Kingdom	21,778	32,589	430	-3,506	43,241	68,417	13,696
Asia and Pacific	**75,420**	**135,467**	**217,849**	**105,561**	**13,908**	**-3,092**	**49,474**
Australia	N/A	N/A	N/A	N/A	N/A	N/A	N/A
China	N/A	N/A	N/A	35,721[b]	-35,612	-15,115	27,179
Hong Kong	1,195	3,613	6,834	N/A	N/A	N/A	N/A
India	4,915	11,766	27,357	2,754	43,029	-35,950	532
Japan	77,458	99,625	120,308	5,430	32,571	68,847	33,028
Korea, Rep. of	13,585	25,292	61,081	58,818	-27,836	-19,604	-15,605
New Zealand	-555	-196	254	226	1,363	1,281	1,784
Pakistan	N/A	425	2,922	-612	-3	-208	769
Philippines	300	-241	-15	-453	11	318	536
Taiwan	-21,478	-4,817	-892	3,677	385	-2,661	1,252
Africa	**9,096**	**8,944**	**9,692**	**6,987**	**11,504**	**14,962**	**6,629**
South Africa	9,096	8,944	9,692	6,987	11,504	14,962	6,629

[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, the Republic of Korea, and New Zealand, which include home- and foreign-domiciled funds.

[a] Year-end data are not available. Data are for January through September.

[b] Data are only for October through December.

N/A = not available

Note: 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

Data Section 7

Appendix A

How U.S.-Registered Investment Companies Operate and the Core Principles Underlying Their Regulation

This appendix provides an overview of how investment company operations and features serve investors, examines the tax treatment of funds, and describes the core principles underlying investment company regulation.

The Origins of Pooled Investing

The investment company concept dates to the late 1700s in Europe, according to K. Geert Rouwenhorst in *The Origins of Mutual Funds*, when "a Dutch merchant and broker…invited subscriptions from investors to form a trust…to provide an opportunity to diversify for small investors with limited means."

The emergence of "investment pooling" in England in the 1800s brought the concept closer to U.S. shores. In 1868, the Foreign and Colonial Government Trust formed in London. This trust resembled the U.S. fund model in basic structure, providing "the investor of moderate means the same advantages as the large capitalists…by spreading the investment over a number of different stocks."

Perhaps more importantly, the British fund model established a direct link with U.S. securities markets, helping to finance the development of the post–Civil War U.S. economy. The Scottish American Investment Trust, formed on February 1, 1873, by fund pioneer Robert Fleming, invested in the economic potential of the United States, chiefly through American railroad bonds. Many other trusts followed that not only targeted investment in America, but also led to the introduction of the fund investing concept on U.S. shores in the late 1800s and early 1900s.

The first mutual, or "open-end," fund was introduced in Boston in March 1924. The Massachusetts Investors Trust introduced important innovations to the investment company concept by establishing a simplified capital structure, continuous offering of shares, the ability to redeem shares rather than hold them until dissolution of the fund, and a set of clear investment restrictions and policies.

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

Four Principal Securities Laws Govern Investment Companies

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

The Different Types of U.S. Investment Companies

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

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

Money market funds are one type of mutual fund; a defining feature of money market funds is that they seek to maintain a stable NAV. Money market funds offer investors a variety of features, including liquidity, a market-based rate of return, and the goal of returning principal, all at a reasonable cost. These funds are registered investment companies that are regulated by the Securities and Exchange Commission (SEC) under the U.S. federal securities laws, including Rule 2a-7 under the Investment Company Act. That rule, which was substantially enhanced in 2010, contains numerous risk-limiting conditions intended to help a fund achieve the objective of maintaining a stable NAV using amortized cost accounting or penny rounding or both. Typically money market fund shares are publicly offered to all types of investors.

Unlike mutual funds, **closed-end funds** do not issue redeemable shares. Instead, they issue a fixed number of shares that trade intraday on stock exchanges at market-determined prices. Investors in a closed-end fund buy or sell shares through a broker, just as they would trade the shares of any publicly traded company. For more information on closed-end funds, see chapter 4 on page 57.

ETFs are described as a hybrid of other types of investment companies. They are structured and legally classified as mutual funds or UITs (discussed below), but trade intraday on stock exchanges like closed-end funds. ETFs only buy and sell fund shares directly to authorized participants in large blocks, often 50,000 shares or more. For more information on ETFs, see chapter 3 on page 43.

UITs are also a hybrid, with some characteristics of mutual funds and some of closed-end funds. Like closed-end funds, UITs typically issue only a specific, fixed number of shares, called "units." Like mutual funds, the units are redeemable, but unlike mutual funds, generally the UIT sponsor will maintain a secondary market in the units so that redemptions do not deplete the UIT's assets. A UIT does not actively trade its investment portfolio, instead 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. For more information on UITs, see page 16.

The Organization of a Mutual Fund

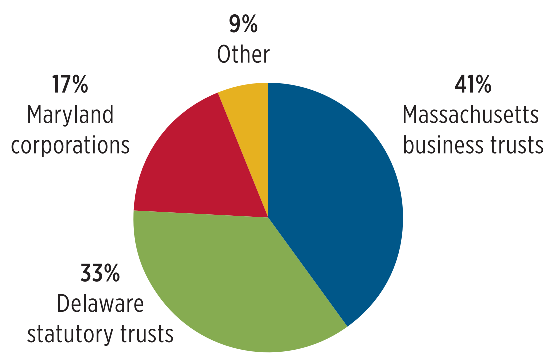
A mutual fund typically is organized under state law either as a corporation or a business trust (sometimes called a statutory trust). The three most popular forms of organization are Massachusetts business trusts, Maryland corporations, and Delaware statutory trusts (Figure A.1).[1]

Massachusetts business trusts are the most popular of these trusts, largely as a function of history. The very first mutual fund was formed as a Massachusetts business trust, which was a popular form of organization at the time for pools that invested in real estate or public utilities. That fund, the Massachusetts Investors Trust, provided a model for other funds to follow, leading to widespread use of Massachusetts business trusts throughout much of the industry's early history. Developments in the late 1980s gave asset management companies other attractive choices. In 1987, Maryland amended its corporate statute to align with interpretations of the Investment Company Act of 1940 concerning when funds are required to hold annual meetings, thereby making a Maryland corporation more competitive with the Massachusetts business trust as a form of organization for mutual funds. In 1988, Delaware—already a popular domicile for U.S. corporations—adopted new statutory provisions devoted specifically to business trusts (since renamed statutory trusts). As a result of these developments, many mutual funds created in the last 25 years have been organized as Maryland corporations or Delaware statutory trusts.

FIGURE A.1

The Most Popular Forms of Mutual Fund Organization

Percentage of funds, year-end 2011



Number of funds: 9,697

Note: 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.

[1] More than 800 funds, or about 9 percent, have chosen other forms of organization, such as limited liability partnerships, or other domiciles, such as Ohio or Minnesota.

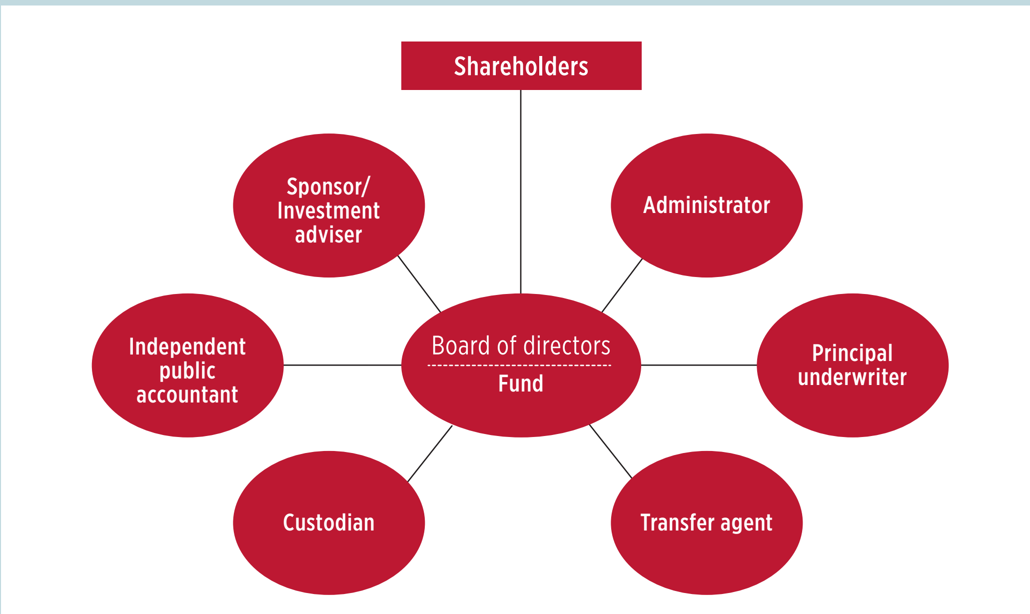
Mutual funds have officers and directors (if the fund is a corporation) or trustees (if the fund is a business trust).[2] The fund's board plays an important role, described in more detail on page 211, in overseeing fund operations.

Unlike other companies, a mutual fund is typically externally managed; it is not an operating company and it has no employees in the traditional sense. Instead, a fund relies upon third parties or service providers—either affiliated organizations or independent contractors—to invest fund assets and carry out other business activities. Figure A.2 shows the primary types of service providers usually relied upon by a fund.

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

FIGURE A.2

Organization of a Mutual Fund



[2] For ease of reference, this appendix refers to all directors and trustees as *directors* and all boards as *boards of directors*.

Shareholders

Like shareholders of other companies, mutual fund shareholders have specific voting rights. These include the right to elect directors at meetings called for that purpose and the right to approve material changes in the terms of a fund's contract with its investment adviser, the entity that manages the fund's assets. For example, a fund's management fee cannot be increased and a fund's investment objectives or fundamental policies cannot be changed unless a majority of shareholders vote to approve the increase or change.

Sponsors

Setting up a mutual fund is a complicated process performed by the fund's sponsor, which is typically the fund's investment adviser. The fund sponsor has a variety of responsibilities. For example, it must assemble the group of third parties needed to launch the fund, including the persons or entities charged with managing and operating the fund. The sponsor provides officers and affiliated directors to oversee the fund and recruits unaffiliated persons to serve as independent directors.

Some of the major steps in the process of starting a mutual fund include organizing the fund under state law, registering the fund with the SEC as an investment company pursuant to the Investment Company Act of 1940, and registering the fund shares for sale to the public pursuant to the Securities Act of 1933.[3] Unless otherwise exempt from doing so, the fund 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 sponsor or adviser in the form of an initial investment.

Advisers

Investment advisers have overall responsibility for directing the fund's investments and handling its business affairs. The investment advisers have their own employees, including investment professionals who work on behalf of the fund's shareholders and determine which securities to buy and sell in the fund's portfolio, consistent with the fund's investment objectives and policies. In addition to managing the fund's portfolio, the adviser often serves as administrator to the fund, providing various "back-office" services. As noted earlier, a fund's investment adviser is often the fund's initial sponsor and its initial shareholder through the seed money invested to create the fund.

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

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

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 prepare and file SEC, tax, shareholder, and other reports. Fund administrators also help maintain compliance procedures and internal controls, subject to oversight by the fund's board and CCO.

Principal Underwriters

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

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

Transfer Agents

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

Auditors

Auditors certify the fund's financial statements. The auditors' oversight role is described more fully on page 212.

Tax Features of Mutual Funds

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

To qualify as a regulated investment company (RIC) under subchapter M, at least 90 percent of a mutual fund's gross income must be derived from certain sources, including dividends, interest, payments with respect to securities loans, and gains from the sale or other disposition of stock, securities, or foreign currencies. In addition, at the close of each quarter of the fund's taxable year, at least 50 percent of the value of the fund's total net assets must consist of cash, cash items, government securities, securities of other funds, and investments in other securities which, with respect to any one issuer, represent neither more than 5 percent of the assets of the fund nor more than 10 percent of the voting securities of the issuer. Further, no more than 25 percent of the fund's assets may be invested in the securities of any one issuer (other than government securities or the securities of other funds), the securities (other than the securities of other funds) of two or more issuers 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 nearly all of their income and capital gains each year.

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

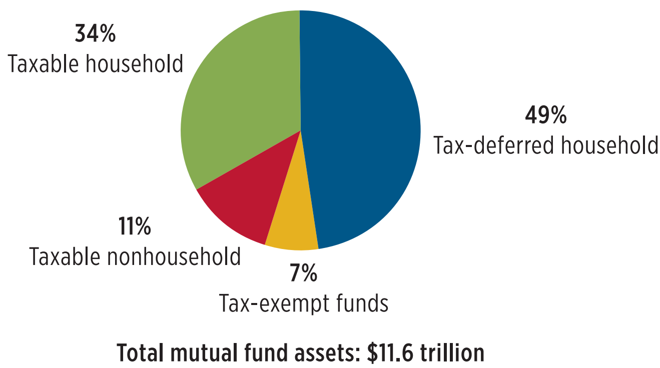
Mutual Fund Assets by Tax Status

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 2011, 7 percent of all mutual fund assets were held in tax-exempt funds, and 49 percent were invested in tax-deferred accounts held by households.

FIGURE A.3

56 Percent of Mutual Fund Total Net Assets Were Held in Tax-Deferred Accounts and Tax-Exempt Funds

Percentage of assets, year-end 2011



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

Types of Distributions

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

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 in effect through 2012 provides a top tax rate of 15 percent on certain "qualified dividend" income. Some dividends paid by mutual funds may qualify for this lower tax rate.

Long-term capital gains distributions represent a fund's net gains, if any, from the sale of securities held in its portfolio for more than one year. Legislation in effect through 2012 also provides a top tax rate of 15 percent on investors' long-term capital gains; 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 (preliquidation)
- After taxes on fund distributions and an assumed redemption of fund shares (postliquidation)

Types of Taxable Shareholder Transactions

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

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

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 $208 billion in dividends to fund shareholders in 2011 (Figure A.4). Bond and money market funds accounted for 56 percent of all dividend distributions in 2011. Fifty-six percent of all dividend distributions were paid to tax-exempt fund shareholders and tax-deferred household accounts. Another 38 percent were paid to taxable household accounts.

FIGURE A.4

Dividend Distributions

Billions of dollars, 1998–2011

	Tax-deferred household and tax-exempt funds	Taxable household	Taxable nonhousehold	Total
1998	$61	$63	$15	$138
1999	75	72	18	164
2000	75	87	24	186
2001	68	72	22	162
2002	59	44	12	114
2003	57	38	8	103
2004	65	42	10	117
2005	84	62	20	166
2006	114	91	35	240
2007	143	120	47	309
2008	136	102	37	276
2009	107	65	15	187
2010	108	69	11	188
2011	116	80	11	208

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

Mutual Fund Capital Gains Distributions

Capital gains distributions represent a fund's net gains, if any, from the sale of securities held in its portfolio. When gains from these sales exceed losses, they are distributed to fund shareholders. Mutual funds distributed $73 billion in capital gains to shareholders in 2011 (Figure A.5). Fifty-three percent of these distributions were paid to tax-deferred household accounts, and another 41 percent were paid to taxable household accounts. Equity, bond, and hybrid funds can distribute capital gains, but equity funds typically account for the bulk of distributions. In 2011, 24 percent of stock fund share classes made a capital gains distribution, and nearly two-thirds of these share classes distributed more than 2.0 percent of their assets as capital gains.

FIGURE A.5

Capital Gains Distributions*

Billions of dollars, 1998–2011

	Tax-deferred household	Taxable household	Taxable nonhousehold	Total
1998	$98	$61	$6	$165
1999	145	82	11	238
2000	197	115	13	326
2001	51	16	2	69
2002	10	6	1	16
2003	8	6	1	14
2004	30	21	3	55
2005	77	45	8	129
2006	163	80	14	257
2007	256	135	22	414
2008	96	30	7	132
2009	11	4	1	16
2010	21	18	3	43
2011	39	30	4	73

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

The amount of a shareholder's gain or loss on fund shares is determined by the difference between the "cost basis" of the shares (generally, the purchase price—including sales loads—of the shares, whether acquired with cash or reinvested dividends) and the sale price. Many funds voluntarily provide cost basis information to shareholders or compute gains and losses for shares sold. In 2012, new tax rules require all brokers and funds to provide cost basis information to shareholders, as well as to indicate whether any gains or losses are long-term or short-term, for fund shares acquired on or after January 2, 2012.

Tax-Exempt Funds

Tax-exempt bond funds pay dividends earned from municipal bond interest. This income is exempt from federal income tax and, in some cases, state and local taxes. Tax-exempt money market funds invest in short-term municipal securities or equivalent instruments and also pay exempt-interest dividends. Even though income from these funds generally is tax-exempt, investors must report it on their income tax returns. Tax-exempt funds provide investors with this information and typically explain how to handle 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.

Core Principles Underlying the Regulation of U.S. Investment Companies

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

Transparency

Funds are subject to more extensive disclosure requirements than any other comparable financial product, such as separately managed accounts, collective investment trusts, and private pools. The cornerstone of the disclosure regime for mutual funds and ETFs is the prospectus.[4] Mutual funds and ETFs are required to maintain a current prospectus, which provides investors with information about the fund, including its investment objectives, investment strategies, risks, fees and expenses, and performance, as well as how to purchase, redeem, and exchange fund shares. Importantly, the key parts of this disclosure with respect to performance information and fees and expenses are standardized to facilitate comparisons by investors. Mutual funds and ETFs may provide investors with a "summary prospectus" containing key information about the fund, while making more information available on the Internet and on paper upon request.

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

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

The prospectus, SAI, and certain other required information are contained in the fund's registration statement, which is filed electronically with the SEC and is publicly available via the SEC's Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system. Mutual fund and ETF registration statements are amended at least once each year to ensure that financial statements and other information do not become stale.[5] These funds also amend registration statements throughout the year as necessary to reflect material changes to their disclosure.

In addition to registration statement disclosure, funds provide shareholders with several other disclosure documents. Shareholders receive audited annual and unaudited semiannual reports within 60 days after the end and the midpoint of the fund's fiscal year. These reports contain updated financial statements, a list of the fund's portfolio securities,[6] management's discussion of financial performance, and other information current as of the date of the report.

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

The combination of prospectuses, SAIs, annual and semiannual shareholder reports, Form N-Qs, and Form N-PXs provide the investing public, regulators, media, and other interested parties with far more information on funds than is available for other types of investments. This information is easily and readily available from most funds and the SEC. It is also available from 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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5 Section 10(a)(3) of the Securities Act of 1933 prohibits investment companies that make a continuous offering of shares from using a registration statement with financial information that is more than 16 months old. As a result, mutual funds and ETFs must amend their registration statements within four months after the end of their fiscal year.

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

Daily Valuation and Liquidity

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

The daily pricing process is a critically important core compliance function that involves numerous staff, the fund board, and pricing vendors. The fair valuation process, a part of the overall pricing process, receives particular scrutiny from funds, their boards of directors, regulators, and independent auditors. Under SEC rules, all funds must adopt written policies and procedures that address the circumstances under which securities may be fair valued, and must establish criteria for determining how to assign fair values in particular instances.[7]

This daily valuation process results in a NAV for the fund. The NAV is the price used for all mutual fund share transactions—new purchases, sales (redemptions), and exchanges from one fund to another within the same fund family.[8] It represents the current mark-to-market value of all the fund's assets, minus liabilities (e.g., fund expenses), divided by the total number of outstanding shares. Mutual funds release their daily NAVs to investors and others after they complete the pricing process, generally around 6:00 p.m. eastern time. Daily fund prices are available through fund toll-free telephone services, websites, and other means.

The Investment Company Act of 1940 requires mutual funds to process transactions based upon "forward pricing," meaning that shareholders receive the next computed NAV following the fund's receipt of their transaction order. For example, for a fund that prices its shares at 4:00 p.m.,[9] orders received prior to 4:00 p.m. receive the NAV determined that same day at 4:00 p.m. Orders received after 4:00 p.m. receive the NAV determined at 4:00 p.m. on the next business day. Forward pricing is an important protection for mutual fund shareholders. It is designed to minimize the ability of shareholders to take advantage of fluctuations in the price of the securities in the fund's portfolio that occur after the fund calculates its NAV.

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

8 The pricing process is also critical for ETFs, although for slightly different reasons. ETFs operate like mutual funds with respect to transactions with "authorized participants" who trade with the ETF in large blocks, often of 50,000 shares or more. The NAV is the price used for these large transactions. Closed-end funds are not required to strike a daily NAV, but most do so in order to provide the market with the ability to calculate the difference between the fund's market price and its NAV. That difference is called the fund's "premium" or "discount."

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

When a shareholder redeems shares in a mutual fund, he or she can expect to be paid promptly. Mutual funds may not suspend redemptions of their shares (subject to certain extremely limited exceptions)[10] or delay payments of redemption proceeds for more than seven days.

SEC guidelines require a mutual fund to have at least 85 percent of its assets in liquid securities.[11] In part to ensure that redemptions can be made, a security is generally deemed to be liquid if it can be sold or disposed of in the ordinary course of business within seven days at approximately the price at which the mutual fund has valued it. Many funds adopt a specific policy with respect to investments in illiquid securities; these policies are sometimes more restrictive than the SEC requirements.

Oversight and Accountability

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

Fund Boards

Mutual funds, closed-end funds, and most ETFs have boards. A fund's board of directors is elected by the 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 is handled by the fund's investment adviser or administrator pursuant to a contract with the fund.

Investment company directors review and approve major contracts with service providers (including, notably, the fund's investment adviser), approve policies and procedures to ensure the fund's compliance with the federal securities laws, and undertake oversight and review of the performance of the fund's operations. Directors devote substantial time and consider large amounts of information in fulfilling these duties, in part because they must perform all their duties in "an informed and deliberate manner."

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[10] An example of such an exception would be an emergency that affects markets or funds, such as the assassination of President John F. 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.

[11] Money market funds are held to a stricter standard, and must limit illiquid investments to 5 percent of the portfolio.

Unlike boards of operating companies, these fund boards must maintain a particular level of independence. The Investment Company Act of 1940 requires at least 40 percent of the members of a fund board to be independent from fund management. An independent director is a fund director who does not have any significant business relationship with a mutual fund's adviser or underwriter. In practice, most fund boards have far higher percentages of independent directors. As of year-end 2010, independent directors made up three-quarters of boards in more than 90 percent of fund complexes.

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.

Compliance Programs

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

Regulatory Oversight

Internal oversight is accompanied by a number of forms of external oversight and accountability. Funds are subject to inspections, examinations, and enforcement by their primary regulator, the SEC. Funds 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

A fund's financial statement disclosure is also subject to several internal and external checks. For example, annual reports include audited financial statements certified by a certified public accounting firm subject to oversight by the Public Company Accounting Oversight Board (PCAOB). This ensures that the financial statements are prepared in conformity with generally accepted accounting principles (GAAP) and 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 of 1940 fosters simplicity by prohibiting complex capital structures and limiting funds' use of leverage.

The Investment Company Act imposes various requirements on the capital structure of mutual funds, closed-end funds, and ETFs, including limitations on the issuance of "senior securities" and borrowing. These limitations greatly minimize the possibility that a fund's liabilities will exceed the value of its assets.

Generally speaking, a senior security is any debt that takes priority over the fund's shares, such as a loan or preferred stock. The SEC 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. A fund generally can cover an obligation by owning the instrument underlying that obligation. For example, a fund that wants to take a short position in a certain stock can comply with the Investment Company Act by owning an equivalent long position in that stock. The fund can also cover by earmarking or segregating liquid securities equal in value to the fund's potential exposure from the leveraged transaction. The assets set aside to cover the potential future obligation must be liquid, unencumbered, and marked-to-market daily. They may not be used to cover other obligations and, if disposed of, must be replaced.

The Investment Company Act also limits borrowing. With the exception of certain privately arranged loans and temporary loans, any promissory note or other indebtedness would generally be considered a prohibited senior security.[12] 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.

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,[13] nearly all funds use a bank custodian for domestic securities. International securities are required to be held in the custody of an international bank or securities depository.

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

The strict rules on the custody and reconciliation of fund assets are designed to prevent the types of theft and other fraud-based losses that have occurred in less-regulated investment products.[14] Shareholders are further insulated from these types of losses by a provision in the Investment

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

[13] 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.

[14] Ponzi schemes and other frauds involving the misappropriation of assets in unregistered pools or private accounts have comprised a significant portion of SEC enforcement cases in recent years.

Company Act that requires all mutual funds to have fidelity bonds designed to protect them against possible instances of employee larceny or embezzlement.

Prohibitions on Transactions with Affiliates

The Investment Company Act of 1940 contains a number of strong and detailed prohibitions on transactions between the fund and fund insiders or affiliated organizations (such as the corporate parent of the fund's adviser). Many of these prohibitions were part of the original statutory text of the Act, enacted in response to instances of overreaching and self-dealing by fund insiders during the 1920s in the purchase and sale of portfolio securities, loans by funds, and investments in related funds. The SEC's Division of Investment Management has said that "for more than 50 years, [the affiliated transaction prohibitions] have played a vital role in protecting the interests of shareholders and in preserving the industry's reputation for integrity; they continue to be among the most important of the Act's many protections."[15]

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

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

Diversification

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

The securities laws set higher standards for funds that elect to be diversified. If a fund elects to be diversified, the Investment Company Act requires that, with respect to at least 75 percent of the portfolio, no more than 5 percent may be invested in the securities of any one issuer and no

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[15] See *Protecting Investors: A Half Century of Investment Company Regulation*, Report of the Division of Investment Management, Securities and Exchange Commission (May 1992), available at 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.

investment may represent more than 10 percent of the outstanding voting securities of any issuer. Diversification is not mandatory, but all mutual funds, closed-end funds, and ETFs must disclose whether or not they are diversified under the Act's standards.

In practice, most funds that elect to be diversified are much more highly diversified than they need to be to meet these two tests. As of December 2011, for example, the median number of stocks held by U.S. equity funds was 96.[16]

[16] This number is the median (the midpoint of a range of numbers that are arranged in order of value) among U.S. actively managed and index equity funds, excluding sector funds.

Appendix B

Significant Events in Fund History

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

1955	The first U.S.-based international mutual fund is introduced.
1961	The first tax-free unit investment trust is offered. The NAIC changes its name to the Investment Company Institute (ICI) and welcomes fund advisers and underwriters as members.
1962	The Self-Employed Individuals Tax Retirement Act creates savings opportunities (Keogh plans) for self-employed individuals.
1971	Money market funds are introduced.
1974	The Employee Retirement Income Security Act (ERISA) creates the individual retirement account (IRA) for workers not covered by employer-sponsored retirement plans.
1976	The Tax Reform Act of 1976 permits the creation of municipal bond funds. The first retail index fund is offered.
1978	The Revenue Act of 1978 creates new Section 401(k) retirement plans and simplified employee pensions (SEPs).
1981	The Economic Recovery Tax Act establishes "universal" IRAs for all workers. IRS proposes regulations for Section 401(k).
1986	The Tax Reform Act of 1986 reduces IRA deductibility.
1987	ICI welcomes closed-end funds as members.
1990	Mutual fund assets top $1 trillion.
1993	The first exchange-traded fund (ETF) shares are issued.
1996	Enactment of the National Securities Markets Improvement Act of 1996 (NSMIA) provides a more rational system of state and federal regulation, giving the SEC exclusive jurisdiction for registering and regulating mutual funds, exchange-listed securities, and larger advisers. States retain their antifraud authority and responsibility for regulating non-exchange-listed offerings and smaller advisers. The Small Business Job Protection Act creates SIMPLE plans for employees of small businesses.
1997	The Taxpayer Relief Act of 1997 creates the Roth IRA and eliminates restrictions on portfolio management that disadvantage fund shareholders.

1998	The SEC approves the most significant disclosure reforms in the history of U.S. mutual funds, encompassing "plain English," fund profiles, and improved risk disclosure.
1999	The Gramm-Leach-Bliley Act modernizes financial services regulation and enhances financial privacy.
2001	Enactment of the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001 significantly expands retirement savings opportunities for millions of working Americans.
2003	The Jobs and Growth Tax Relief Reconciliation Act (JGTRRA) provides mutual fund shareholders with the full benefits of lower tax rates on dividends and capital gains.
2006	Enactment of the Pension Protection Act (PPA) and the Tax Increase Prevention and Reconciliation Act provides incentive for investors young and old to save more in tax-deferred and taxable investment accounts.
2008	The 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	The SEC adopts new rules and amendments to regulations governing money market funds. In *Jones v. Harris*, the U.S. Supreme Court unanimously upholds the *Gartenberg* standard under which courts have long considered claims of excessive fund advisory fees. Enactment of the RIC Modernization Act streamlines and updates technical tax rules, benefiting shareholders by making funds more efficient.
2011	In *Business Roundtable et al. v. SEC*, the United States Court of Appeals for the District of Columbia Circuit vacated the SEC's proxy access rule for failing to adequately evaluate the rule's costs and benefits.

Glossary

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

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

aggressive. An investment approach that accepts above-average risk of loss in return for potentially above-average investment returns. Contrast **conservative**.

aggressive growth fund. An investment fund that invests in securities with higher risk in return for potentially higher returns or gains.

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

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

asset allocation. A method of investing by which investors include a range of different investment classes—such as stocks, bonds, and cash equivalents—in their portfolios. See **diversification**.

asset class. A group of securities or investments that have similar characteristics and behave similarly in the marketplace. Three common asset classes are equities (e.g., stocks), fixed income (e.g., bonds), and cash equivalents (e.g., money market funds).

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

auction market preferred stock (AMPS). A type of preferred share of closed-end funds. AMPS are structured to pay dividends at rates set through auctions run by an independent auction agent.

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

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

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

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

balanced fund. A fund with an investment objective of both long-term growth and income, to be achieved through investment in stocks and bonds.

basis point. One one-hundredth of 1 percent (0.01 percent); thus, 100 basis points equal 1 percent. When applied to $1.00, 1 basis point is $0.0001; 100 basis points equals one cent ($0.01). Basis points are often used to simplify percentages written in decimal form.

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

benchmark. A standard against which the performance of a security or a mutual fund can be measured. For example, Barclays Capital Aggregate Bond Index is a benchmark index for many bond mutual funds. Many equity mutual funds are benchmarked to the S&P 500 index. See also **index**.

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

bond fund. A fund that invests primarily in bonds and other debt instruments.

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

break the dollar. A phrase used to describe when the net asset value (NAV) of a money market fund is repriced from its stable $1.00 NAV, an event that could be triggered by a deviation greater than one-half of 1 percent (one-half cent, or $0.0050) between the fund's mark-to-market value (shadow price) and its stable $1.00 NAV. Also known as *break the buck*.

broker. See **broker-dealer**.

broker-dealer. A broker is a person or company engaged in the business of effecting transactions in securities for the account of others, often paid by commission. A dealer is any person or company engaged in the business of buying and selling securities for their own account. A broker-dealer is a firm that acts as both a broker and a dealer.

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

capital gain. An increase in the value of an investment, calculated by the difference between the net purchase price and the net sale price. Contrast **capital loss**.

capital gains distributions. Profits distributed to shareholders resulting from the sale of securities held in the fund's portfolio.

capital loss. A decline in the value of an investment, calculated by the difference between the purchase price and the net sale price. Contrast **capital gain**.

catch-up contribution. Individuals aged 50 or older are permitted to make contributions to an individual retirement account (IRA) or employer-sponsored retirement savings plan in excess of the annual contribution limit. In 2010, the catch-up limit was $1,000 for IRAs, $2,500 for SIMPLE plans, and $5,500 for 401(k) plans.

certificate of deposit (CD). A savings certificate entitling the bearer to receive interest. A CD bears a fixed maturity date, has a specified fixed interest rate, and can be issued in any denomination. CDs are generally issued by commercial banks and are currently insured by the Federal Deposit Insurance Corporation (FDIC) up to a maximum of $250,000. CDs are generally offered at terms ranging from one month to five years.

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

commercial paper. Short-term, unsecured notes issued by a corporation to meet immediate short-term needs for cash, such as the financing of accounts payable, inventories, and short-term liabilities. Maturities typically range from overnight to 270 days. Commercial paper is usually issued by corporations with high credit ratings and sold at a discount from face value.

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

common stock. An investment that represents a share of ownership in a corporation.

compounding. The cumulative effect that reinvesting an investment's earnings can have by generating additional earnings of its own. Over time, compounding can produce significant growth in the value of an investment.

conservative. An investment approach that aims to grow capital over the long term, focusing on minimizing risk. Contrast **aggressive**.

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

corporate bond. A bond issued by a corporation, rather than by a government. The credit risk for a corporate bond is based on the ability of the issuing company to repay the bond.

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

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

credit quality. A term used in portfolio management to describe the creditworthiness of an issuer of fixed-income securities and to indicate the likelihood that the issuer will be able to repay its debt.

credit risk. The possibility that a bond issuer may not be able to pay interest or repay its debt. Also known as *default risk*. See also **default**.

credit spread. The additional yield required of a debt security beyond that of a risk-free alternative (such as a U.S. Treasury instrument of the same maturity).

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

default. A failure by an issuer to: (1) pay principal or interest when due, (2) meet nonpayment obligations, such as reporting requirements, or (3) comply with certain covenants in the document authorizing the issuance of a bond (an indenture).

defined benefit (DB) plan. An employer-sponsored pension plan where the amount of future benefits an employee will receive from the plan is defined, typically by a formula based on salary history and years of service. The amount of contributions the employer is required to make will depend on the investment returns experienced by the plan and the benefits promised. Contrast **defined contribution plan**.

defined contribution (DC) plan. An employer-sponsored retirement plan, such as a 401(k) plan or a 403(b) plan, in which contributions are made to individual participant accounts. Depending on the type of DC plan, contributions may be made by the employee, the employer, or both. The employee's benefits at retirement or termination of employment are based on the employee and employer contributions and earnings and losses on those contributions. See also **401(k) plan**. Contrast **defined benefit plan**.

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

director. Mutual fund directors oversee the management and operations of a fund organized as a corporation and have a fiduciary duty to represent the interests of shareholders. Because a fund has no employees, it relies on the adviser and other service providers to run the fund's day-to-day operations. Directors focus on the performance and fees of these entities under their respective contracts, and monitors potential conflicts of interest. Fund directors have the same responsibilities as fund trustees. See also **independent director** and **trustee**.

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

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

dividend. Money that an investment fund or company pays to its shareholders, typically from its investment income, after expenses. The amount is usually expressed on a per-share basis.

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

education IRA. See **Coverdell Education Savings Account (ESA)**.

emerging market. Generally, economies that are in the process of growth and industrialization, such as those in Africa, Asia, Eastern Europe, the Far East, Latin America, and the Middle East. While relatively undeveloped, these economies may hold significant growth potential in the future. May also be called developing markets.

equity. A security or investment representing ownership in a company—unlike a bond, which represents a loan to a borrower. Often used interchangeably with **stock**.

equity fund. A fund that concentrates its investments in equities. Also known as a *stock fund*.

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

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

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

expense ratio. A measure of what it costs to operate a fund—disclosed in the prospectus and shareholder reports—expressed as a percentage of its assets.

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

fair value. The price for a security which the fund might reasonably expect to receive upon its current sale.

federal funds. Non-interest-bearing deposits held by member banks at the Federal Reserve.

Financial Industry Regulatory Authority (FINRA). A self-regulatory organization with authority over U.S. broker-dealer firms that distribute mutual fund shares as well as other securities. FINRA operates under the supervision of the SEC.

financial statements. The written record of the financial status of a fund or company, usually published in the annual report. The record generally includes a balance sheet, income statement, and other financial statements and disclosures.

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

fixed-income securities. Securities that pay a fixed rate of return in the form of interest or dividend income.

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

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

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

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

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

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

funds of funds. Mutual funds that primarily hold and invest in shares of other mutual funds rather than investing directly in individual securities.

fund supermarket. A brokerage platform that provides access to funds from a wide range of fund families.

government securities. Any debt obligation issued by a government or its agencies (e.g., Treasury bills issued by the United States). See also **U.S. Treasury securities**.

growth and income fund. A fund that has a dual strategy of capital appreciation (growth) and current income generation through dividends or interest payments.

growth fund. A fund that invests primarily in the stocks of companies with above-average risk in return for potentially above-average gains. These companies often pay small or no dividends and their stock prices tend to be more volatile from day to day.

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.

income fund. A fund that primarily seeks current income generation rather than capital appreciation.

independent director. A fund director or trustee who does not have any significant business relationship with a mutual fund's adviser or underwriter. An independent director better enables the fund board to provide an independent check on the fund's management. See also **director** and **trustee**.

index. A measure of a section of the stock market that tracks the performance of companies and serves as a benchmark against which to evaluate a fund's performance. The most common indexes for equity funds are the Dow Jones Industrial Average and the Standard & Poor's 500 index. See also **benchmark**.

index mutual fund. A fund designed to track the performance of a market index. The fund's portfolio of securities is either a replicate or a representative sample of the designated market index. Often referred to as passively managed portfolios.

individual retirement account (IRA). A tax-deferred account set up by or for an individual to hold and invest funds for retirement.

inflation. The overall general upward price movement of goods and services in an economy, generally as a result of increased spending that exceeds the supply of goods on the market. Inflation is one of the major risks to investors over the long term because it erodes the purchasing power of their savings.

inflation risk. The risk that the purchasing power of the future value of assets or income will be lower due to inflation.

initial public offering (IPO). A corporation's or closed-end fund's first offering of stock or fund shares to the public.

institutional investor. The businesses, nonprofit organizations, and other similar investors who own funds and other securities on behalf of their organizations. This classification of investors differs from individual or household investors who own the majority of investment company assets.

interest/interest rate. The fee charged by a lender to a borrower, usually expressed as an annual percentage of the principal.

interest rate risk. Risk of gain or loss on a security due to possible changes in interest-rate levels. When interest rates rise, the market value of a debt security will fall, and vice versa.

intraday indicative value (IIV). A real-time estimate of an exchange-traded fund's (ETF) intraday value. Third-party providers calculate and disseminate this measure every 15 to 60 seconds during securities market trading hours.

investment adviser. See **adviser**.

investment company. A corporation, trust, or partnership that invests pooled shareholder dollars in securities appropriate to the organization's objective. Mutual funds, closed-end funds, unit investment trusts, and exchange-traded funds are the main types of SEC-registered investment companies.

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

investment return. The gain or loss on an investment over a certain period, expressed as a percentage. Income and capital gains or losses are included in calculating the investment return.

investment risk. The possibility of losing some or all of the amounts invested or not gaining value in an investment.

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

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

level load. A combination of an annual 12b-1 fee (typically 1 percent) and a contingent deferred sales load fee (also often 1 percent) imposed by funds when shares are sold within the first year after purchase. See also **contingent deferred sales load** and **12b-1 fee**.

lifecycle fund. See **target date fund**.

lifestyle fund. Mutual funds that maintain a predetermined risk level and generally use words such as "conservative," "moderate," or "aggressive" in their names to indicate the fund's risk level. Also known as *target risk fund*.

liquidity. The ability to gain ready access to invested money. Mutual funds are liquid because their shares can be redeemed for the next computed net asset value (NAV) on any business day. In the securities market, a security is said to be liquid if the spread between bid and ask prices is narrow and reasonably sized trades can take place at those quotes.

load. See **sales charge**.

load fund. A mutual fund that imposes a sales charge—either when fund shares are purchased (front-end load) or redeemed (contingent deferred sales load)—or a fund that charges a 12b-1 fee greater than 0.25 percent.

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

management fee. The amount paid by a mutual fund to the investment adviser for its services.

market value. The price at which a security was last traded or a price based on its current ask or bid prices.

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

money market. The global financial market for short-term borrowing and lending where short-term instruments such as Treasury bills (T-bills), commercial paper, and repurchase agreements are bought and sold.

money market fund. A mutual fund that invests in short-term, high-grade fixed-income securities, and seeks the highest level of income consistent with preservation of capital (i.e., maintaining a stable share price).

MuniFund Term Preferred (MTP) shares. Exchange-listed closed-end fund preferred shares that have a fixed dividend rate set at the time of issuance. MTP shares have a mandatory redemption period (usually five years) unless they are redeemed or repurchased earlier by the fund. Unlike fixed-rate preferred stock previously issued, MTP shares were created for issuance by closed-end funds investing in municipal bonds.

mutual fund. An investment company registered with the SEC that buys a portfolio of securities selected by a professional investment adviser to meet a specified financial goal (investment objective). Mutual funds can have actively managed portfolios, 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 (NAV). See also **open-end investment company**.

net asset value (NAV). The per-share value of an investment company, calculated by subtracting the fund's liabilities from the current market value of its assets and dividing by the number of shares outstanding. Mutual funds calculate their NAVs at least once daily.

net new cash flow. The dollar value of new sales minus redemptions, plus net exchanges. A positive number indicates new sales plus exchanges into funds exceeded redemptions plus exchanges out of funds. A negative number indicates redemptions plus exchanges out of funds exceeded new sales plus exchanges into funds.

no-load fund. A mutual fund whose shares are sold without a sales commission and without a 12b-1 fee of more than 0.25 percent per year.

open-end investment company. The legal name for a mutual fund, indicating that it stands ready to redeem (buy back) its shares from investors.

operating expenses. Business costs paid from a fund's assets. These include management fees, 12b-1 fees, and other expenses.

payroll deduction plan. An arrangement that some employers offer where employees can authorize their employer to deduct a specified amount from their salaries at stated times to buy mutual fund shares.

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

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

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

portfolio turnover rate. A measure of how frequently securities are bought and sold within a fund during a year. The portfolio turnover rate is usually expressed as a percentage of the total value of a fund.

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

principal. See **face value**.

prospectus. The official document that describes an investment company to prospective investors. The prospectus contains information required by the SEC, such as investment objectives and policies, risks, services, and fees.

puttable preferred stock. See **Variable Rate Demand Preferred (VRDP) shares**.

redeem. To sell mutual fund shares back to the fund. Mutual fund shares may be redeemed on any business day. An investor receives the next computed share price, called net asset value (NAV), minus any deferred sales charge or redemption fee.

redemption price. The amount per share that mutual fund shareholders receive when they redeem.

registered investment company. A company that is required to register as an "investment company" with the SEC under the Investment Company Act of 1940 and is also required to register the public offering of its shares under the Securities Act of 1933. The definition of investment company in the Investment Company Act of 1940 generally includes any company that is engaged primarily in the business of investing, reinvesting, or trading in securities.

regulated investment company (RIC). An investment company or trust eligible under subchapter M of the Internal Revenue Code to eliminate tax at the fund level by distributing all of its taxable income to its shareholders. The fund's income thus is taxed only once, at the investor level. To qualify as a RIC, a corporation must be registered at all times during the taxable year under the Investment Company Act of 1940 and must derive at least 90 percent of its income from certain sources, including dividends, interest, and capital gains. It also must distribute at least 90 percent of the dividends and interest received. Mutual funds and closed-end funds are both regulated investment companies.

reinvestment privilege. An option whereby shareholders may elect to use dividend and capital gains distributions to automatically buy additional fund shares.

repurchase agreements. A form of short-term funding for dealers. The dealer sells the securities to investors, usually on an overnight basis, and buys them back at a higher price reflecting the cost of funding.

required minimum distribution (RMD). Minimum distribution rules require that beginning at age 70½, the entire amount of a traditional IRA be distributed over the expected life of the individual (or the joint lives of the individual and designated beneficiary). Distributing less than the required amount will result in a tax penalty. Roth IRAs are not subject to required minimum distributions during the account holder's lifetime.

return. The gain or loss of a security in a particular period. It is usually quoted as a percentage.

RIC. See **regulated investment company**.

risk. The gain or loss on an investment. A positive return indicates a gain, and a negative return indicates a loss.

risk/return tradeoff. The principle that an investment must offer a higher expected return as compensation for the likelihood of higher volatility in returns.

risk tolerance. An investor's willingness to lose some or all of an investment in exchange for greater potential returns.

rollover. The transfer of an investor's assets from one qualified retirement plan (including an IRA) to another—due to changing jobs, for instance—without a tax penalty.

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

sales charge. An amount charged for the sale of some fund shares, usually those sold by brokers or other sales professionals. By regulation, mutual fund sales charges are capped. The charge may vary depending on the amount invested and the fund chosen. Also known as the *load*.

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

secondary market. Market in which an investor purchases or sells certain investment company shares (closed-end, UIT, and ETF) from another investor through an intermediary such as a broker-dealer.

sector fund. A fund that invests in a particular or specialized segment of the marketplace, such as stocks of companies in the software, healthcare, or real estate industries.

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

securitization. The process of aggregating similar instruments, such as loans or mortgages, into a negotiable security, such as the creation of mortgage-backed securities.

security. A general term for stocks, bonds, mutual funds, and other investments.

semiannual report. A report a fund sends to its shareholders that discusses the fund's performance over the first six months of the fiscal year and identifies the securities in the fund's portfolio on the last business day of the first six months of the fiscal year. See also **annual report**.

separate account. An insurance company account that is segregated or separate from the insurance company's general assets. Also refers to a fund managed by an investment adviser for a single plan.

SEP IRA (simplified employee pension plan). A retirement program created in 1978 that consists of individual retirement accounts for all eligible employees, to which the employer can contribute according to certain rules. A fairly simple, inexpensive plan to establish and administer, a SEP IRA can be attractive to small businesses and self-employed individuals.

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

share. A representation of ownership in a company or investment fund. Also a synonym for stock.

share classes. Some mutual funds offer investors different types of shares known as classes (e.g., Class A, institutional shares). Each class will invest in the same portfolio of securities and will have the same investment objectives and policies, but each class will have different shareholder services and/or distribution arrangements with different fees and expenses and, therefore, different performance results. A multiclass structure offers investors the ability to select a fee and expense structure that is most appropriate for their investment goals (including the time that they expect to remain invested in the fund).

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

short-term fund. See **money market fund**.

SIMPLE IRA (savings incentive match plan for employees). A simplified tax-favored retirement plan created in 1996 that small employers can set up for the benefit of their employees.

stable value fund. An investment fund that seeks to preserve principal and to provide consistent returns and liquidity. Stable value funds include collective investment funds sponsored by banks or trust companies or contracts issued by insurance companies.

Standard & Poor's 500 index (S&P 500). A daily measure of stock market performance based on 500 U.S. stocks chosen for market size, liquidity, and industry group representation.

statement of additional information (SAI). The supplementary document to a prospectus that contains more detailed information about a fund; also known as "Part B" of the prospectus.

stock. A share of ownership or equity in a corporation.

stock fund. See **equity fund**.

summary prospectus. A short-form prospectus that mutual funds and exchange-traded funds (ETFs) may use with investors if the fund meets certain requirements, including making the long-form prospectus and additional information available online or in paper upon request. See also **prospectus**.

target date fund. A hybrid fund that follows a predetermined reallocation of risk over a working career and into retirement for a person expecting to retire at the target date of the fund (which is usually included in the fund's name). These funds invest in a mix of asset classes and typically rebalance their portfolios over time to become more conservative and income producing. Also known as *lifecycle fund*.

target risk fund. See **lifestyle fund**.

total net assets. The total amount of assets, less any liabilities, a fund holds as of a certain date.

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

traditional IRA. The first type of individual retirement account, created in 1974. Individuals may make tax-deductible or nondeductible (depending on income and other requirements) contributions to these accounts. See also **individual retirement account (IRA)**.

transfer agent. The internal or external organization that a mutual fund uses to prepare and maintain records relating to shareholder accounts.

Treasury bill (T-bill). A short-term debt obligation of the U.S. government with a maturity of less than one year. T-bills are sold in denominations of $1,000 up to a maximum purchase of $5 million and commonly have maturities of one month (four weeks), three months (13 weeks), or six months (26 weeks).

trustee. A member of the board of trustees of a fund organized as a business or statutory trust. Mutual fund trustees oversee the management and operations of the fund and have a fiduciary duty to represent the interests of shareholders. Fund trustees have the same responsibilities as fund directors. See also **director**.

12b-1 fee. A mutual fund fee, named for the SEC rule that permits it, used to pay distribution costs, such as compensation to financial advisers for initial and ongoing assistance. If a fund has a 12b-1 fee, it will be disclosed in the fee table of a fund's prospectus.

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

unit investment trust (UIT). A type of fund with some characteristics of mutual funds and some of closed-end funds. Like mutual funds, UITs issue redeemable shares. Like closed-end funds, however, UITs typically issue only a specific, fixed number of shares. A UIT does not actively trade its investment portfolio, instead buying and holding a set of particular investments until a set termination date, at which time the trust is dissolved and proceeds are paid to shareholders.

U.S. Treasury securities. Debt securities issued by the U.S. government and secured by its full faith and credit. Treasury securities are the debt financing instruments of the U.S. federal government, and they are often referred to simply as Treasuries. There are four types of Treasury securities: Treasury bills, Treasury bonds, Treasury notes, and Treasury inflation protected securities (TIPS). See also **Treasury bill**.

variable annuity. An investment contract sold by an insurance company; capital is accumulated, often through mutual fund investments, with the option to convert to an income stream in retirement.

Variable Rate Demand Preferred (VRDP) shares. A type of puttable preferred stock that is similar to auction market preferred stock (AMPS) in that they pay dividends at variable rates, and sell orders are filled to the extent there are bids. Rates are set through remarketings, and if there are more sell orders than bids, a third party (commonly referred to as a liquidity provider) purchases the VRDP shares.

withdrawal plan. A fund service allowing shareholders to receive income or principal payments from their fund account at regular intervals.

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

yield curve. The graphical depiction of the relationship between the yield on bonds of the same credit quality but different maturities. The most frequently reported yield curve compares the yields on three-month, two-year, five-year, and 30-year U.S. Treasury securities. This yield curve is used as a benchmark for other debt in the market, such as mortgage rates or bank lending rates.

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