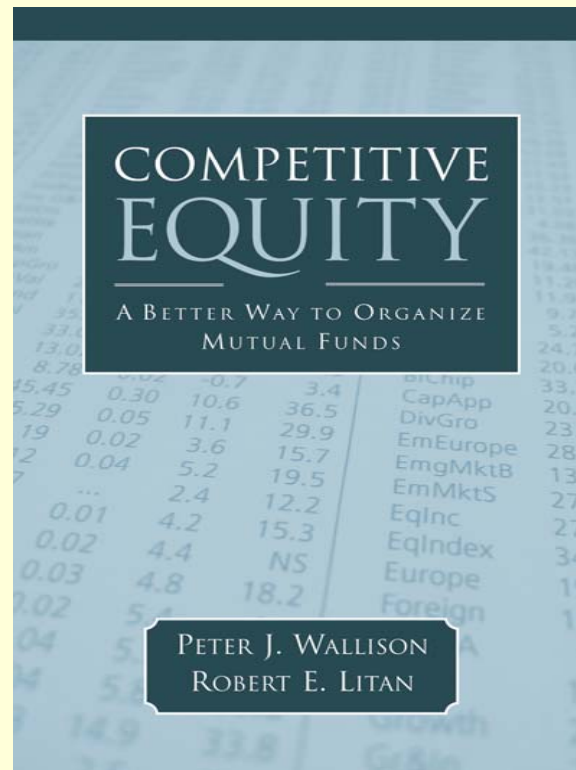


Competitive Equity: A Better Way to Organize Mutual Funds

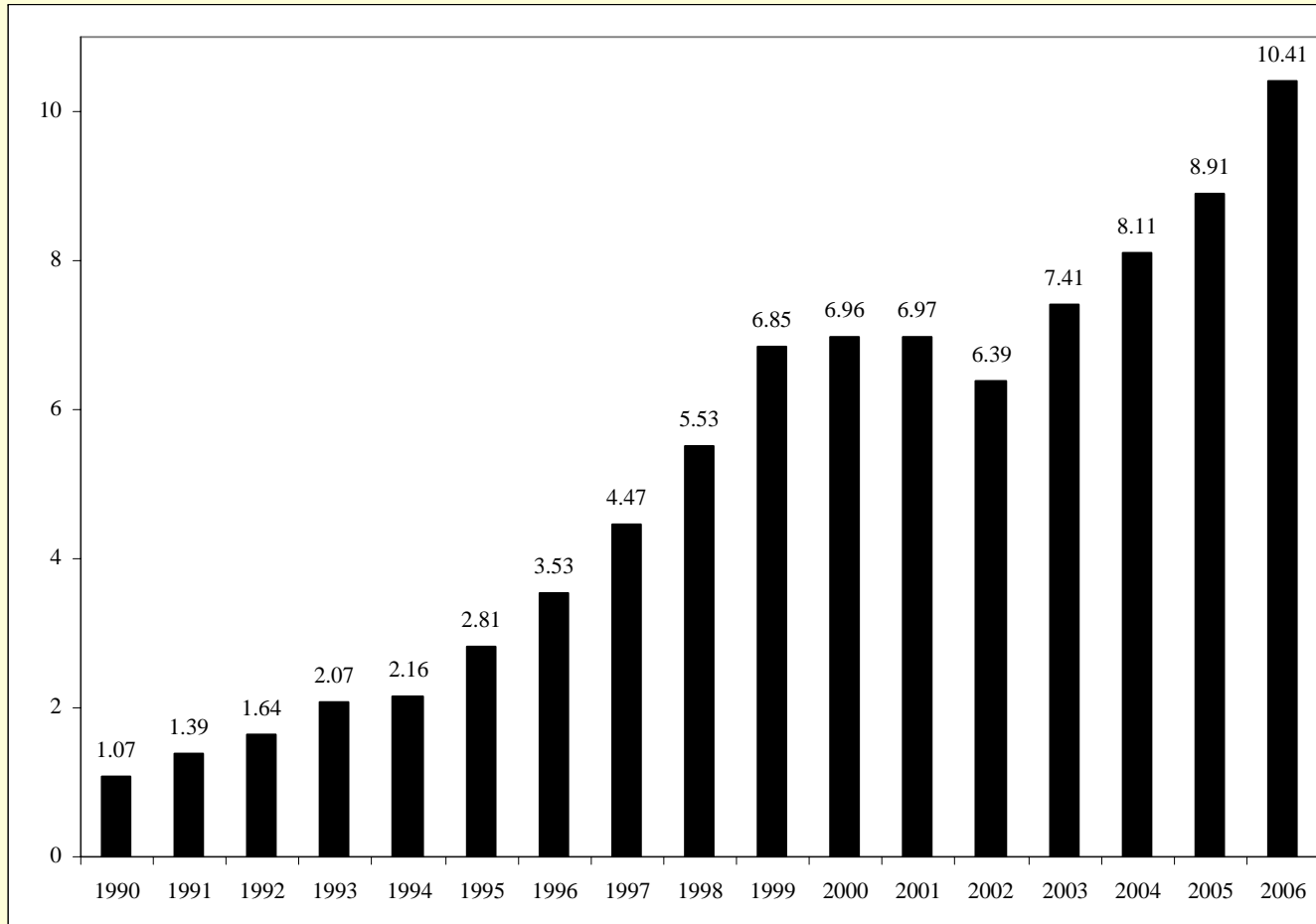
By Peter J. Wallison and Robert E. Litan

AEI Press, 2007



Presentation by Robert E. Litan

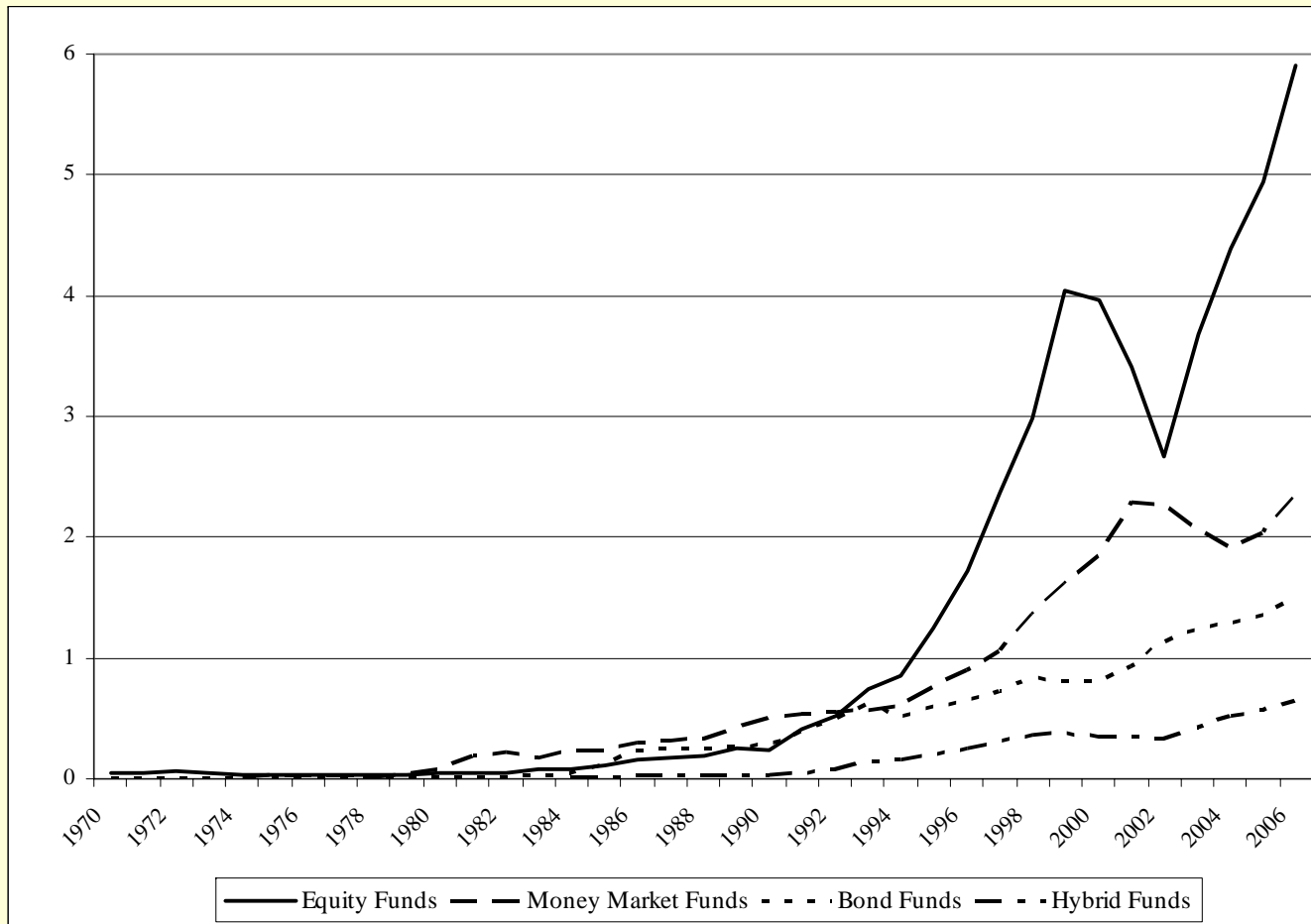
Net Assets of All U.S. Mutual Funds (Trillions of Dollars)



Source: ICI, *2006 Investment Company Fact Book*, 71 and "Trends in Mutual Fund Investing, December 2006," http://www.ici.org/stats/latest/trends_12_06.html (accessed February 16, 2007).

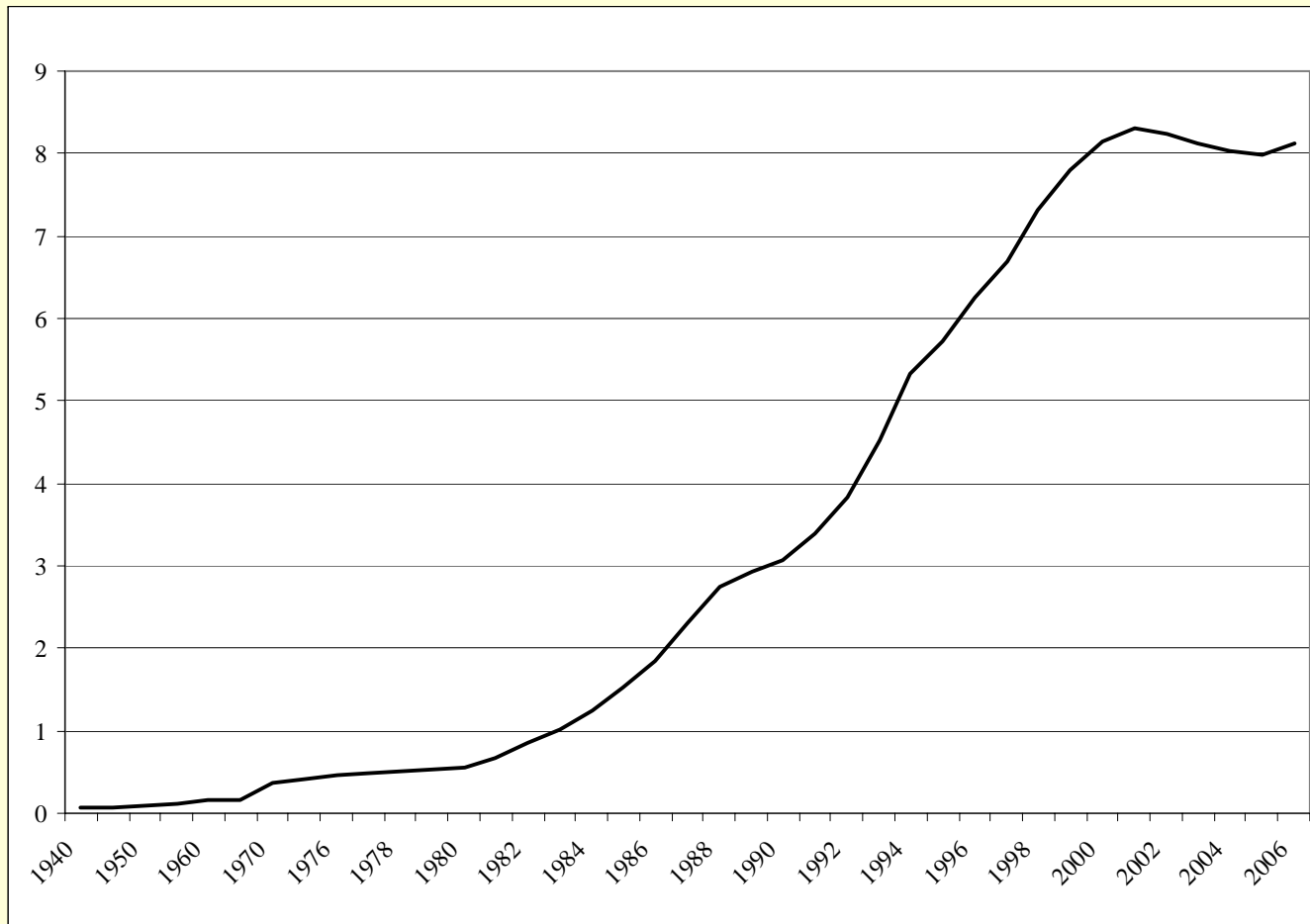
Net Assets of U.S. Mutual Funds by Type

(Trillions of Dollars)



Source: ICI, *2006 Investment Company Fact Book*, 73 and "Trends in Mutual Fund Investing, December 2006," http://www.ici.org/stats/latest/trends_12_06.html (accessed February 16, 2007).

Number of U.S. Mutual Funds (Thousands)



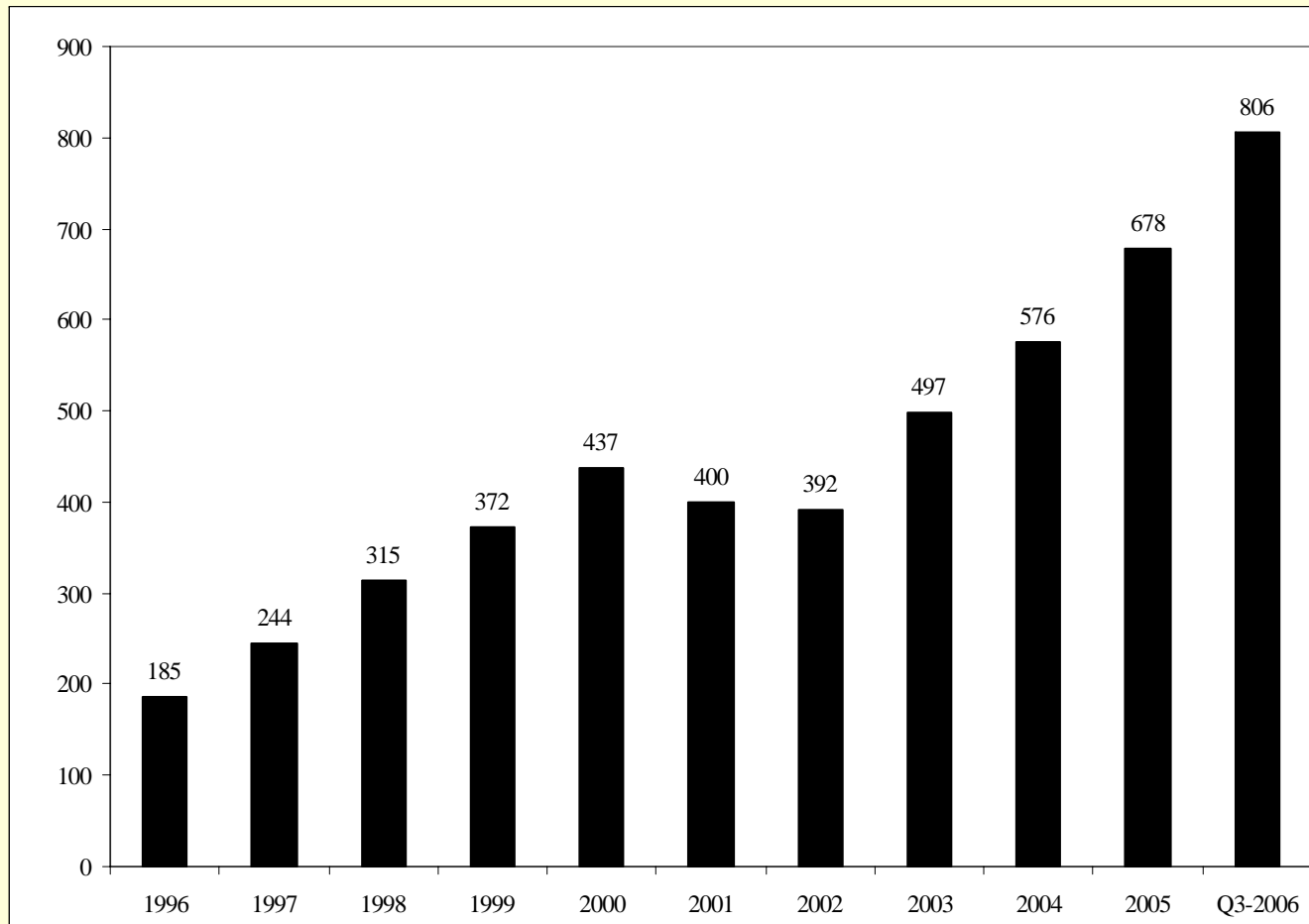
Source: ICI, *2006 Investment Company Fact Book*, 71 and "Trends in Mutual Fund Investing, December 2006," http://www.ici.org/stats/latest/trends_12_06.html (accessed February 16, 2007).

Assets of Largest Fund Families as a Share of Total U.S. Fund Assets, Selected Years (Percent)

Fund families	1985	1990	1995	2000	2005
Five largest	37	34	34	33	37
Ten largest	54	53	47	46	48
Twenty-five largest	78	75	70	74	71

SOURCE: ICI, 2006 *Investment Company Fact Book*, 13.

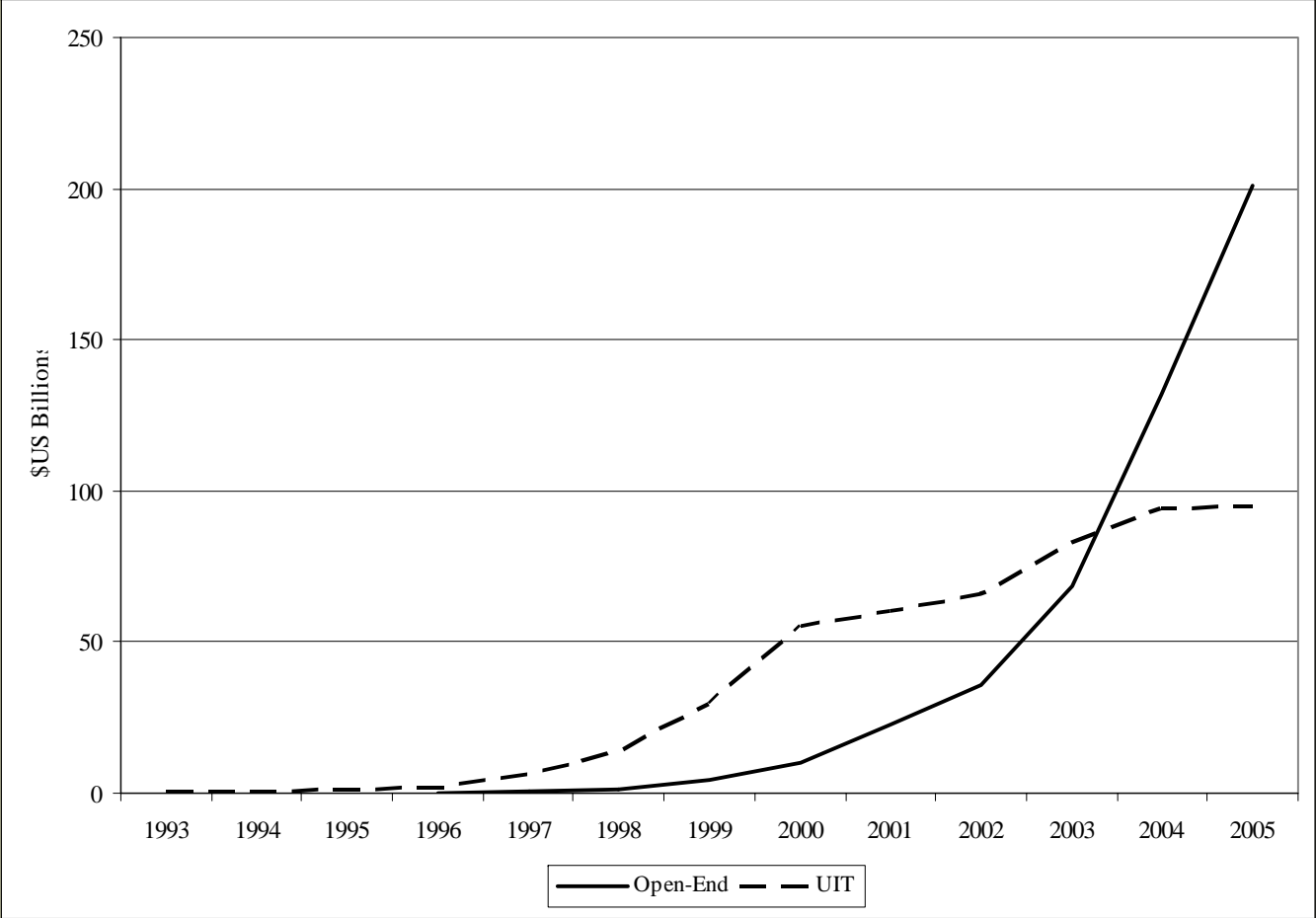
Net Assets of U.S. Separately Managed Accounts (Billions of Dollars)



Source: Financial Research Corporation, personal correspondence.

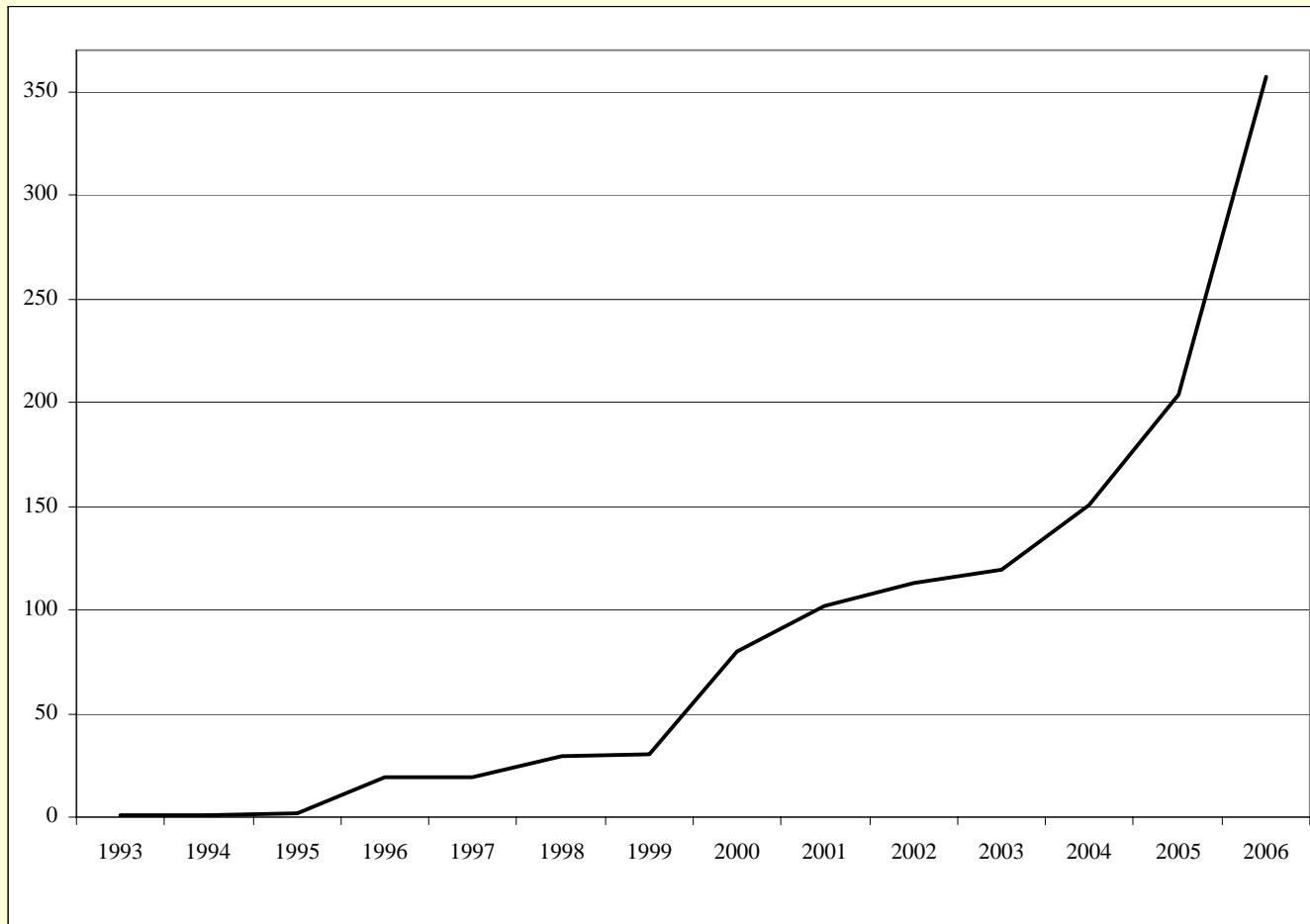
Net Assets of Exchange-Traded Funds by Legal Structure

(Billions of Dollars)



Source: ICI, 2006 Investment Company Fact Book, 27.

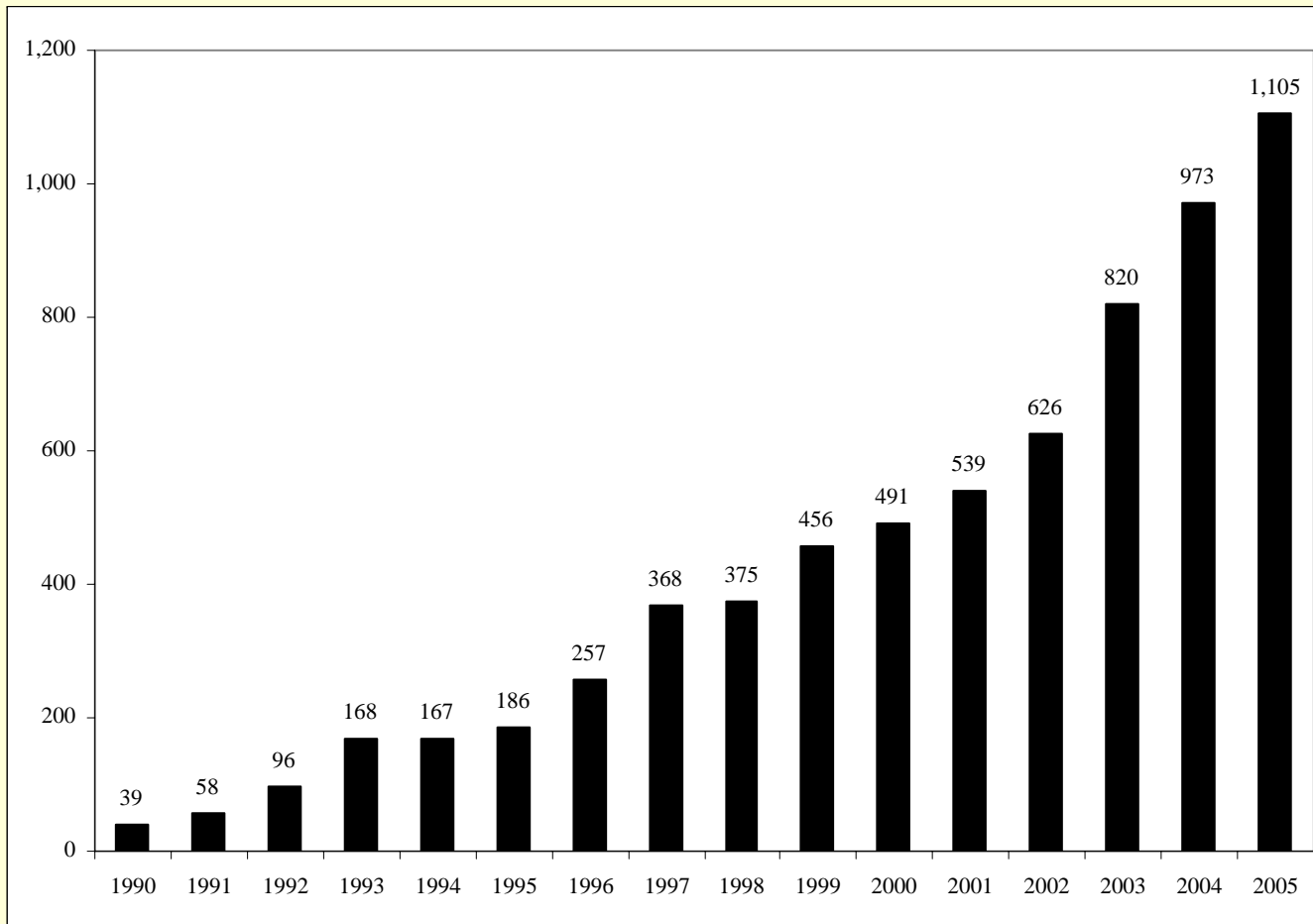
Number of U.S. Exchange-Traded Funds



Source: ICI, *2006 Investment Company Fact Book*, 28 and "Exchange-Traded Fund Assets, December 2006"
http://www.ici.org/stats/latest/etfs_12_06.html (accessed February 16, 2007).

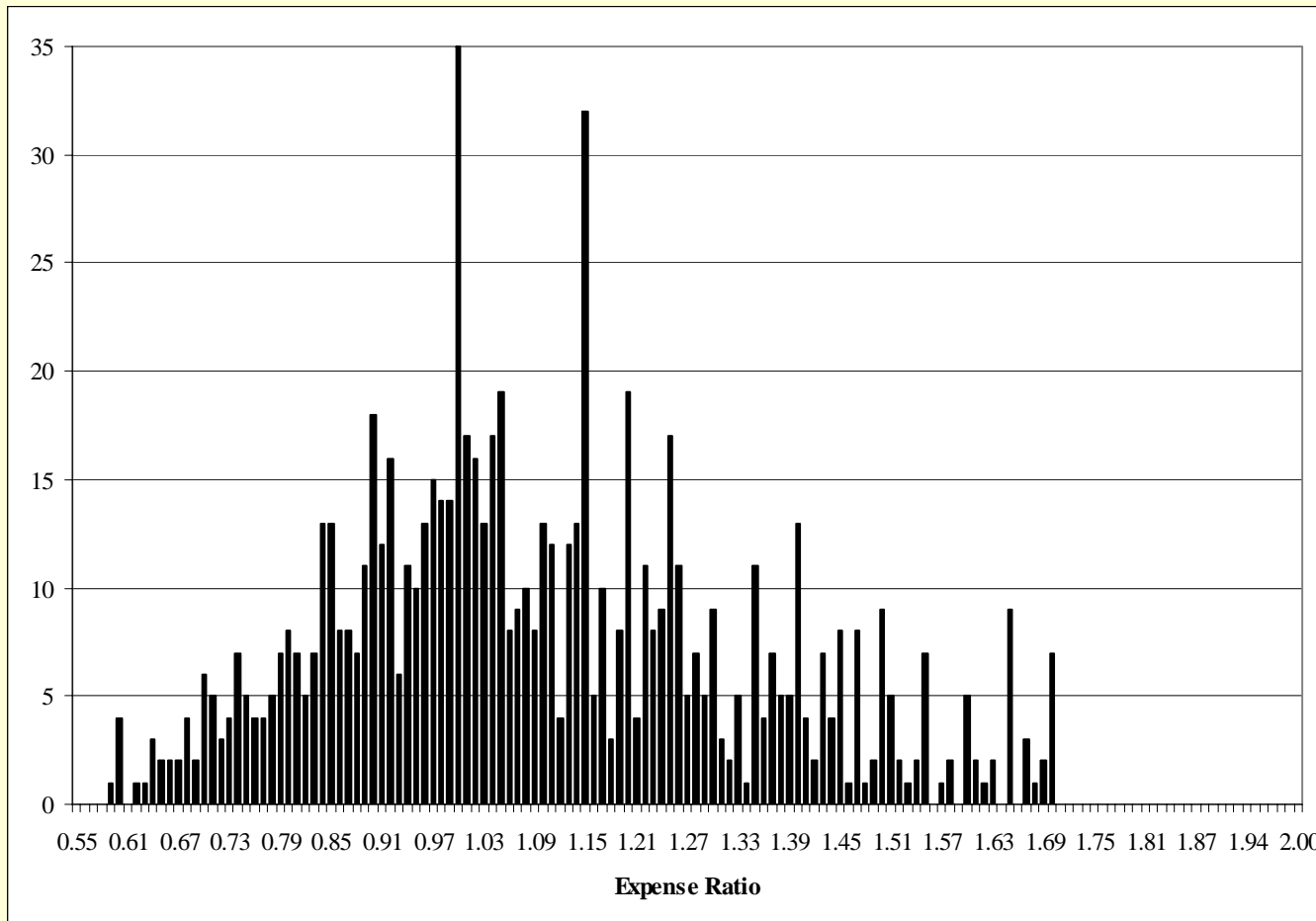
Estimated Assets of Hedge Funds Worldwide

(Billions of Dollars)



Source: Hedge Fund Research, Inc., *Hedge Fund Industry Report, Year-End 2005*.

Distribution of Expense Ratios of Class A Shares of U.S. Equity Mutual Funds (811 Funds)



Source: Morningstar, <http://www.morningstar.com> (accessed December 7, 2006).

Fees, Expense Ratios, and Assets of Selected S&P 500 Index Funds

(Percent except where stated otherwise)

Fund and Ticker Symbol	Front-end Load	Management Fee	12b-1 Fee	Expense Ratio Net of 12b-1 Fee	Assets (Billions of Dollars)
Schwab S&P 500 Index Investor (SWPIX)	0.00	0.09	0.00	0.37	8.1
T. Rowe Price Equity Index 500 (PREIX)	0.00	0.15	0.00	0.35	7.5
Dreyfus S&P 500 Index (PEOPX)	0.00	0.25	0.00	0.50	3.7
Gartmore S&P 500 Index A (GRMAX)	5.75	0.13	0.25	0.25	3.5
MainStay S&P 500 Index A (MSXAX)	3.00	0.24	0.25	0.48	1.7
Morgan Stanley S&P 500 Index A (SPIAX)	5.25	0.12	0.24	0.38	1.2
Principal Inv Large Cap S&P 500 Index A (PLSAX)	1.50	0.15	0.15	0.49	1.0
Munder Index 500 A (MUXAX)	2.50	0.12	0.25	0.41	0.9
DWS S&P 500 Index A (SXPAX)	4.50	0.05	0.25	0.41	0.7
State Farm S&P 500 Index A Legacy (SLIAX)	5.00	0.20	0.25	0.55	0.6
Legg Mason Partners S&P 500 Index A (SBSPX)	0.00	0.25	0.20	0.39	0.5
United Association S&P 500 Index II (UAIIX)	0.00	0.10	0.05	0.12	0.4
AIM S&P 500 Index Inv (ISPIX)	0.00	0.25	0.25	0.60	0.2
UBS S&P 500 Index A (PSPIX)	2.50	0.20	0.25	0.70	0.2

SOURCE: Morningstar, www.morningstar.com (accessed December 22, 2006).

NOTE: Data are as of December 22, 2006. All funds have a minimum initial investment of \$2,500 or less.

Expense Ratios of Representative Large-Cap Funds of the Ten Largest U.S. Fund Families

(continued on following slide)

Value Fund		
Fund Family	Fund and Ticker Symbol	Expense Ratio
Fidelity Investments	Fidelity Equity-Income II (FEQTX)	0.62
Vanguard Group	Vanguard Equity-Income (VEIPX)	0.31
Capital Research & Management	American Funds Investment Company of America A (AIVSX)	0.55
Franklin Templeton Investments	Franklin Equity Income A (FISEX)	0.93
Columbia Management Group	Columbia Large Cap Value A (NVLEX)	0.96
J.P. Morgan Chase & Co.	JPMorgan Value Opportunities A (JVOAX)	1.07
Morgan Stanley	Morgan Stanley Value A (VLUAX)	0.97
OppenheimerFunds/ MassMutual	Oppenheimer Value A (CGRWX)	0.99
TIAA-CREF	No representative fund	—
Federated Investors	Federated Equity-Income A (LEIFX)	1.11

Expense Ratios of Representative Large-Cap Funds of the Ten Largest U.S. Fund Families (continued)

Blend Fund		
Fund Family	Fund and Ticker Symbol	Expense Ratio
Fidelity Investments	Fidelity Fund (FFIDX)	0.56
Vanguard Group	Growth & Income (VQNPX)	0.37
Capital Research & Management	No representative fund	—
Franklin Templeton Investments	Franklin Growth A (FKGRX)	0.94
Columbia Management Group	Columbia Large Cap Enhanced Core A (NMIAX)	0.75
J.P. Morgan Chase & Co.	JPMorgan Disciplined Equity A (JDEAX)	0.85
Morgan Stanley	Morgan Stanley Dividend Growth Securities B (DIVBX)	0.75
OppenheimerFunds/ MassMutual	Oppenheimer Main Street A (MSIGX)	0.92
TIAA-CREF	TIAA-CREF Growth & Income (TIGIX)	0.43
Federated Investors	Federated Capital Appreciation A (FEDEX)	1.22

Expense Ratios of Representative Large-Cap Funds of the Ten Largest U.S. Fund Families (continued)

Growth Fund		
Fund Family	Fund and Ticker Symbol	Expense Ratio
Fidelity Investments	Fidelity Blue Chip Growth (FBGRX)	0.64
Vanguard Group	Vanguard Morgan Growth (VMRGX)	0.39
Capital Research & Management	American Funds AMCAP A (AMCPX)	0.65
Franklin Templeton Investments	Franklin Capital Growth A (FKREX)	0.95
Columbia Management Group	Columbia Large Cap Growth A (LEGAX)	1.11
J.P. Morgan Chase & Co.	JPMorgan Large Cap Growth A (OLGAX)	1.24
Morgan Stanley	Morgan Stanley Focus Growth A (AMOAX)	1.01
OppenheimerFunds/ MassMutual	Oppenheimer Equity A (OEQAX)	0.8
TIAA-CREF	TIAA-CREF Growth Equity (TIGEX)	0.45
Federated Investors	Federated Large Cap Growth A (FLGAX)	1.45

SOURCE: Data from Morningstar, www.morningstar.com (accessed October 17, 2006).

NOTE: Data are as of October 17, 2006.