

MEMO# 11494

December 27, 1999

ECONOMIES OF SCALE IN EQUITY MUTUAL FUNDS

[11494] December 27, 1999 TO: BOARD OF GOVERNORS No. 77-99 RE: ECONOMIES OF SCALE IN EQUITY MUTUAL FUNDS

_____ The Institute has just released the latest in its series of research on trends in mutual fund fees and expenses. The enclosed study, Operating Expense Ratios, Assets and Economies of Scale in Equity Mutual Funds, finds that operating expense ratios generally decline with asset growth and that large funds generally have significantly lower operating expense ratios than small funds. The news release, which is being distributed to media across the country, and an overview of key findings are also enclosed. Please feel free to distribute this information to appropriate members of your firm. Should you have any questions regarding the study, please contact John Rea at 202/326-5910. Matthew P. Fink President Enclosures

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