

At Deadline

subsidiary of Principal Financial Group.

Total assets under management in all of the Principal funds were \$3.41 billion as of April 30, according to Wiesenberger/Thomson Financial of Rockville, Md.

The demutualization plan is contingent upon approval by insurance regulators and policyholders.

Kelmoore Expands Sales Staff

Kelmoore Investment Company of Palo Alto, Calif., has added 13 new sales positions, including four new members to its internal sales force, the company announced.

In addition, the firm has redrawn its sales territories, replacing eight existing territories with 22 territories. The plan is to make it easier for the sales staff to manage accounts, said Tammy Heimman, senior executive vice president at Kelmoore. The firm plans to hire nine more salespeople this summer, she said.

The company, with more than \$400 million in assets under management, has hired Matthew A. Blumenfeld, who previously was account executive of investments at CIBC Oppenheimer.

Additional new hires include Gregg B. Cormier, who was a financial advisor with Morgan Stanley Dean Witter of New York, Natalie Jefford who was a business development specialist with Van Kampen Investments of Oakbrook Terrace, Ill. and Pete Savarese, who was a regional vice president with Calamos Asset Management of Naperville, Ill.

The four new hires will assume the titles of senior inside sales representative and will work under Michael N. Loukas, senior vice president and national inside sales manager.

Industry Moves

Valentina Dingle has been named vice president of marketing for Citizens Funds of Portsmouth, N.H. Previously, Dingle was a managing director at NewRiver of Andover, Mass. and vice president and market manager for the investment advisor group at Fidelity Investments of Boston.

Redemptions Subside, Net Flows Rise

Stock mutual funds saw \$19.3 billion in net new cash flows during April, a turnaround from March's record decline in net flows, according to data released last week by the Investment Company Institute.

Roughly \$83.5 billion in new stock fund sales were recorded in April – a slight decline from March's figure of \$84.3 billion, but it was the decline in redemptions that helped produce the positive flows, according to the ICI.

In March, a record \$20.6 billion flowed out of stock mutual funds, the largest number for one month on record. Sales for that month could not offset redemptions, which totaled around \$93.6 billion, according to the ICI. Redemptions in April were roughly two-thirds of that number, at just less than \$67 billion.

Some analysts attributed the slight rebound at least in part to a renewed faith in

equity markets. The S&P was up 7.76 percent in April and the Nasdaq was up 15 percent during the month, said Whitney Dow, an analyst at Financial Research Corporation of Boston.

"Nearly every conceivable index was positive in the month of April," Dow said. "If there were investors who were sitting on the sideline, that performance might have encouraged them to get back in the market or, naturally, to stay in the market."

March is also historically a difficult month for mutual funds partly because it is widely held that some investors cash out to pay taxes, which may explain why redemptions dropped significantly between March and April, he said. Taxable bond funds saw \$2.5 billion in net new cash flows for April, down from March's figure of \$6.8 billion. – *Tony Lystra* mfmm

Regulation Fair Disclosure Gets Airing

By Robyn Weisman

LOS ANGELES – Regulation Fair Disclosure, which the SEC put into effect last October, generated the most attention at the annual conference of the Association for Investment Management and Research here late last month.

Patricia Doran Walters, senior vice-president of professional standards and advocacy for AIMR questioned the efficacy of Reg FD and said that evidence already exists demonstrating that Reg FD, rather than providing more information to investors, has actually achieved the opposite.

"Companies are not enthusiastic about increasing disclosure," she said. "One of their main arguments against public disclosure is that there will be information overload and investors will become confused if [the companies] are required to disclose more information. Now we certainly don't believe this to be true. Regulation Fair Disclosure actually plays right into companies' hands. Now they have an excuse not to make additional voluntary disclosures."

A majority of the 6,000 analysts and portfolio managers AIMR polled in February after the rule took effect believe that both the

quantity and quality of information released by publicly-traded corporations has decreased since the Reg FD rule took effect, said Walters.

Regulation Fair Disclosure prohibits publicly-traded businesses from selectively giving information to financial professionals unless such information is made available to the general public. The SEC approved the regulation in order to reduce the possibility of insider trading and to promote open disclosure of a business's financial records.

As a result of companies minimizing the outflow of information, financial professionals learn little about a corporation's financials beyond quarterly earnings estimates and reports, said Walters.

"What [analysts and portfolio managers] are really looking for is insight into how the companies are being managed and what things look like for the future. Without the ability to get this insight, they have a more difficult time doing the kind of comprehensive research [needed for] forming the underpinning for sound investment recommendations," she said. mfmm