

Semiannual Report

For Contract Holders of Kemper DestinationsSM

- Kemper Variable Series
- Scudder Variable Life Investment Fund
- The Alger American Fund
- Dreyfus Investment Portfolios
- The Dreyfus Socially Responsible Growth Fund, Inc.
- Warburg Pincus Trust
- Janus Aspen Series



Kemper Variable Series

SEMIANNUAL REPORT TO
SHAREHOLDERS FOR THE PERIOD
ENDED JUNE 30, 2000

Kemper Money Market Portfolio

Kemper Government Securities Portfolio

Kemper Investment Grade Bond Portfolio

Kemper High Yield Portfolio

Kemper Total Return Portfolio

Kemper Blue Chip Portfolio

Kemper Growth Portfolio

Kemper Aggressive Growth Portfolio

Kemper Horizon 20+ Portfolio

Kemper Horizon 10+ Portfolio

Kemper Horizon 5 Portfolio

Kemper Small Cap Growth Portfolio

Kemper Technology Growth Portfolio

Kemper Value+Growth Portfolio

Kemper Contrarian Value Portfolio

Kemper-Dreman High Return Equity Portfolio

KVS Focused Large Cap Growth Portfolio

KVS Growth And Income Portfolio

KVS Growth Opportunities Portfolio

Kemper Index 500 Portfolio

Kemper Small Cap Value Portfolio

Kemper-Dreman Financial Services Portfolio

Kemper Global Income Portfolio

Kemper Global Blue Chip Portfolio

Kemper International Growth And Income Portfolio

Kemper International Portfolio



Contents

3 Economic Overview

Management Summary, Performance Update, Portfolio Of Investments, Financial Statements, Financial Highlights For:

6	Kemper Money Market Portfolio
10	Kemper Government Securities Portfolio
15	Kemper Investment Grade Bond Portfolio
20	Kemper High Yield Portfolio
29	Kemper Total Return Portfolio
36	Kemper Blue Chip Portfolio
41	Kemper Growth Portfolio
46	Kemper Aggressive Growth Portfolio
51	Kemper Horizon 20+ Portfolio
61	Kemper Horizon 10+ Portfolio
71	Kemper Horizon 5 Portfolio
81	Kemper Small Cap Growth Portfolio
87	Kemper Technology Growth Portfolio
92	Kemper Value+Growth Portfolio
98	Kemper Contrarian Value Portfolio
103	KVS Dreman High Return Equity Portfolio (formerly Kemper-Dreman High Return Equity Portfolio)
108	KVS Focused Large Cap Growth Portfolio
113	KVS Growth And Income Portfolio
119	KVS Growth Opportunities Portfolio
124	KVS Index 500 Portfolio (formerly Kemper Index 500 Portfolio)
134	Kemper Small Cap Value Portfolio
142	KVS Dreman Financial Services Portfolio (formerly Kemper-Dreman Financial Services Portfolio)
147	Kemper Strategic Income Portfolio (formerly Kemper Global Income Portfolio)
152	Kemper Global Blue Chip Portfolio
159	Kemper New Europe Portfolio (formerly Kemper International Growth and Income Portfolio)
166	Kemper International Portfolio
174	Notes To Financial Statements

The opinions and forecasts expressed are those of the portfolio managers as of June 30, 2000, and may not actually come to pass. This information is subject to change at any time, based on market and other conditions and should not be construed as a recommendation of any specific security.

Economic Overview

Dear Contract Holder:

When an irresistible force such as the ebullient U.S. economy meets an immovable object, such as a determined Federal Reserve Board, the old song is right: Something's gotta give. One possibility — the economy could slow down as the Fed has ordered. Or, if market volatility becomes true distress, the Fed could back off, as it has in the past. A third possibility is that neither the Fed nor the economy will give way until it's too late, which could lead to a recession. Recent evidence suggests, however, that the economy probably will slow down as ordered.

Before explaining why, perhaps it's best to start with a review of how monetary policy works. Central bankers often sound like witch doctors reading animal entrails, so it's understandable that many people are confused about monetary policy. But monetary policy still works in the same way it always has. First, it changes the price and availability of money. More subtly, it alters people's perceptions about and confidence in the future, thereby adjusting their willingness to take risks.

It's a bit early to tell how the Fed's monetary policy is working so far. The policymakers only started raising interest rates about a year ago, and it takes at least that long for higher rates to impact borrowers. There are two reasons. First, interest rates on many existing loans are fixed. And, a family who has just selected a dream house isn't going to walk away if mortgage rates rise a notch. Similarly, a company that has just approved an expansion program won't stop cold because the prime rate is higher. So it's foolish to think that America's economy has become less interest-sensitive because the economy roared through the first several months of this year. Americans are more in hock than ever, so higher interest rates will hurt more than ever. The May dip in housing starts and auto sales — especially the higher priced, gas guzzling sport utility vehicles — is probably the first sign that higher rates are biting. They will bite harder in coming months. We look for both housing starts and vehicle sales to drop about 10 percent in 2001.

Confidence is harder to measure, but there are some early flutters of weakness. It's true that consumers remain cheerily upbeat. But corporate bond markets, the most sensitive barometer of business confidence and a vital source of corporate funds, have been nervous. Investors are demanding a big premium before they'll buy lower quality bonds, which means there's less new money for companies to spend. Corporate bond issuance through mid-June was 35 percent below the first five and a half months of 1999.

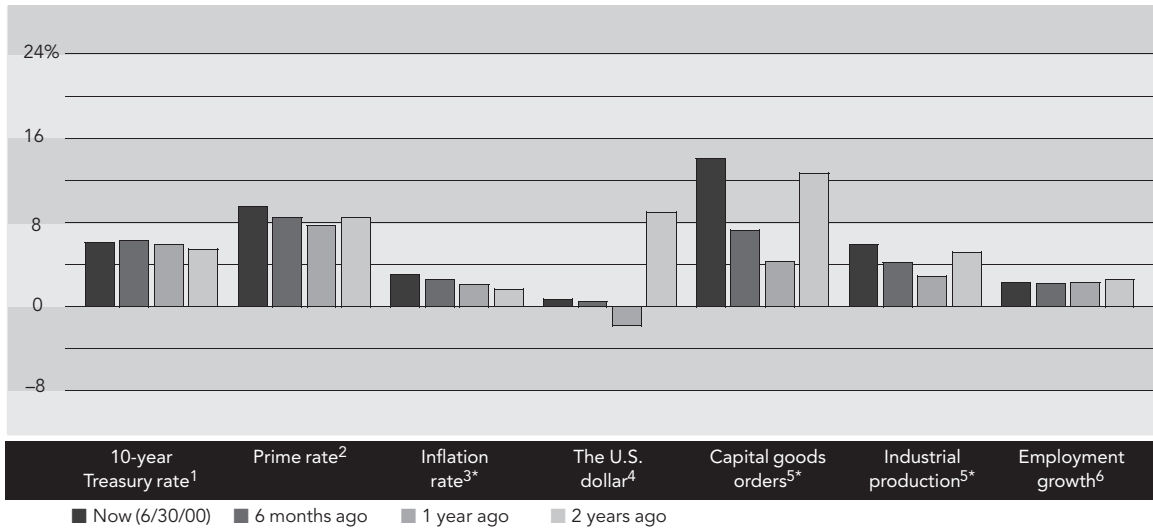
So far, companies have been able to get around the bond market stinginess by turning to their bankers. Banks lent businesses 8 percent more from January through May of this year than they did during the first five months of 1999. But some banks are beginning to worry, too. Bank examiners have been questioning the quality of loans and the level of reserves. In response, more bankers are tightening lending standards and raising rates. This is a textbook case of how tighter monetary policy eventually slows an economy.

Aren't bond market and banker concerns overdone? As long as the economy keeps growing at 3 percent or so, won't that guarantee such good profits that paying the bills will be a cinch? Not

Economic Guideposts

Economic activity is a key influence on investment performance and shareholder decision-making. Periods of recession or boom, inflation or deflation, credit expansion or credit crunch have a significant impact on mutual fund performance.

The following are some significant economic guideposts and their investment rationale that may help your investment decision-making. The 10-year Treasury rate and the prime rate are prevailing interest rates. The other data report year-to-year percentage changes.



¹ Falling interest rates in recent years have been a big plus for financial assets.

² The interest rate that commercial lenders charge their best borrowers.

³ Inflation reduces an investor's real return. In the last five years, inflation has been as high as 6 percent. The low, moderate inflation of the last few years has meant high real returns.

⁴ Changes in the exchange value of the dollar impact U.S. exporters and the value of U.S. firms' foreign profits.

⁵ These influence corporate profits and equity performance.

⁶ An influence on family income and retail sales.

* Data as of May 31, 2000.

Source: Economics Department, Scudder Kemper Investments, Inc.

necessarily. Profits are far more cyclical than economic growth. Earnings actually fell during 1998, even though the economy continued to roll. That was a global crisis, when foreign earnings fell sharply. But take a look at the last “soft landing” during 1995. Revenue growth dipped and pricing power fell, squeezing profits. The same thing is likely to happen again in the coming slowdown — and this time, tight labor markets could make it even tougher for companies to control costs quickly. Assuming growth is between 2.5 percent and 3 percent by the end of 2001, we believe year-over-year profit comparisons will have turned slightly negative.

A profit slowdown when new lines of credit are hard to come by will take its toll on capital spending. We expect growth in business outlays for buildings and equipment to slip from over 12 percent this year to around 8 percent in 2001. That’s still quite robust, and the “high-tech imperative” is the reason why. Executives believe that they have no option but to keep up with the technological revolution that is transforming the world. The fact that high-tech gear keeps getting cheaper year after year and also helps save on expensive labor makes the decision to buy it easy. Indeed, unit sales of computers and peripherals to businesses have sustained growth rates in excess of 40 percent since 1995. And the rush is on to lay down the infrastructure for the next generation of wireless communications. We estimate that

the sector will see unit growth of about 50 percent this year, double the growth in 1999. It's hard even for superstars to sustain these stratospheric compound growth rates forever, and we do expect some moderation next year. However, high-tech orders continue to ratchet upwards, and the shortage in semiconductors and other components has persisted long enough to cause major players to announce huge capacity additions.

Another battle the Fed must win before it succeeds in slowing the economy is bringing consumers to heel. Most families still feel better off than they were last year and much richer than they were five years ago. That's a powerful incentive to spend and enjoy. Indeed, total real consumption has been galloping at a 5 percent rate or better since early 1998. But consumers are so important to the economy that if they don't start spending less freely, there won't be a slowdown. We expect the Fed to be successful and slow down shoppers in the months ahead — but the victory won't be an easy one. We expect at least one more rate hike and a few more financial fireworks before consumers and the economy hoist the white flag.

So what will the slowdown look like? During the spring, retail sales, housing starts and job creation slowed, but strength in high-tech orders and capital equipment production probably will help keep the slowdown from becoming too abrupt. We expect about 3.5 percent growth in the second half. That would still produce a hearty 5 percent growth for full year 2000. During 2001, the full impact of the Fed's recent tightening will probably rein growth in to just 3 percent.

Sincerely,

Maureen F. Allyn
Managing Director,
Scudder Kemper Investments, Inc.

June 29, 2000

The information contained in this piece has been taken from sources believed to be reliable, but the accuracy of the information is not guaranteed. The opinions and forecasts expressed are those of the economic advisors of Scudder Kemper Investments, Inc. as of June 29, 2000, and may not actually come to pass. This information is subject to change. No part of this material is intended as an investment recommendation.

To obtain a Kemper Variable Series prospectus, talk to your financial representative. The prospectus contains more complete information, including management fees and expenses. Please read it carefully before you invest or send money.

Kemper Money Market Portfolio

During the first six months of fiscal year 2000, strong economic growth prompted the Federal Reserve Board to raise its short-term interest-rate target three times by a total of 100 basis points (1 percent) to 6.50 percent. This past winter, the government also announced a buyback plan for 30-year Treasuries. The buyback has helped support long-term bond prices even as the Fed has tightened short-term credit. The result has been an inversion of the yield curve.

Between December 31, 1999, and June 30, 2000, yields for three-month Treasury bills rose 54 basis points (0.54 percent) while yields for long-term bonds fell 58 basis points (0.58 percent). At mid-year, three-month Treasury bills yielded 5.86 percent, only 4 basis points less than 30-year Treasury bonds.

To maintain maximum portfolio flexibility, we kept average maturity in the 20- to 30-day range during the first half of fiscal 2000. In the coming months, we expect to continue to keep the funds' average maturity relatively short, given mixed signals about the strength of the U.S. economy and the lack of additional yield for securities maturing in more than a month.

We think the jury is still out on whether there will continue to be a downdraft in economic growth or whether recent numbers were a statistical aberration. There is not enough hard evidence that the Fed won't have to tighten again. Inflation could continue to move up.

Frank J. Rachwalski, Jr.
Lead Portfolio Manager

An investment in the Kemper Money Market Portfolio is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Portfolio seeks to preserve the value of your investment at \$1.00 per unit, it is possible to lose money by investing in the Portfolio.

Kemper Money Market Portfolio

	Principal Amount (\$)	Value (\$)		Principal Amount (\$)	Value (\$)
Repurchase Agreements 4.0%			Commercial Paper 63.8%		
State Street Bank and Trust Company, 6.48%, to be repurchased at \$8,938,824 on 7/03/2000*** (Cost \$8,934,000)	8,934,000	8,934,000	Associates Corporation, 6.77%, 6/15/2001	5,000,000	5,000,000
Short-Term Obligations 11.7%			Bavaria Universal Funding, 6.33%, 7/25/2000*	10,000,000	9,958,466
Bank One, 6.65%, 11/6/2000	5,000,000	4,999,887	CIT Group Holdings, Inc., 6.61%–6.64%, 3/27/2001–5/9/2001 ..	10,000,000	9,995,365
Golman Prom, 6.13%, 12/20/2000	10,000,000	10,000,000	Caterpillar Finance, 6.72%, 8/14/2000 ..	3,000,000	2,999,926
Heller Financial, 6.49%, 7/7/2000**	3,000,000	3,000,056	Comerica Bank, 6.56%, 2/14/2001	2,500,000	2,499,003
SMM Trust, 6.40%, 9/13/2000	8,000,000	8,000,000	Countrywide Home Loan, 6.72%, 5/21/2001	10,000,000	10,000,000
Total Short-Term Obligations (Cost \$25,999,943)		25,999,943	Ford Motor Credit, 6.77%, 10/2/2000 ..	5,000,000	4,998,759
Certificates of Deposit 20.5%			Forrestal Funding, 6.69% 7/17/2000* ..	10,000,000	9,970,578
Allfirst Bank, 6.85%, 9/7/2000	3,000,000	2,999,782	GTE Corp., 6.66% 7/11/2000*	10,000,000	9,981,667
Amex Centurian Bank, 6.62%–6.63%, 6/5/2000–6/19/2000	7,500,000	7,499,310	Galaxy Funding, 6.92% 12/17/2000* ...	10,000,000	9,704,083
Bank of America, 6.67%, 3/22/2001	5,000,000	5,000,000	Heller Financial, Inc., 6.25%, 3/1/2001	1,050,000	1,045,676
Comerica, Inc. MTN, 6.59%, 1/12/2001	2,500,000	2,499,475	Moat Funding, LLC, 6.67%–6.78%, 7/28/00–10/2/2000*	10,000,000	9,889,225
Dresdner Bank of New York, 6.62%, 7/24/2000	3,000,000	2,999,927	Norwest Financial, Inc., 6.64%, 9/7/2000	3,000,000	2,999,677
First Union National Bank, 6.68%, 3/2/2001	2,500,000	2,500,000	Park Avenue Receivables, 6.6%, 7/12/2000*	9,093,000	9,074,774
Harris Trust & Savings Bank, 6.58%, 6/12/2001	5,000,000	4,998,104	Pemex Capital, Inc., 6.49%, 9/21/2000*	1,994,000	1,965,432
Key Bank, 6.76%, 5/25/2001	5,000,000	4,998,381	Preferred Receivable Fund, 6.63%, 7/7/2000*	2,613,000	2,610,134
Mellon Bank, 6.82%, 8/30/2000	3,000,000	2,999,852	Scaldis Capital, LLC, 6.60%, 7/12/2000*	10,000,000	9,979,956
J.P. Morgan, 6.65%, 7/3/2000	3,000,000	3,000,000	Sheffield Receivables Corp., 6.62%, 7/3/2000*	5,000,000	4,998,172
National City Bank of Kentucky, 6.35%, 7/7/2000	3,000,000	3,000,052	Surrey Funding Corp., 6.63%, 7/12/2000*	10,000,000	9,979,833
Skandinavia Enskilda Banken, 6.63%, 7/24/2000	3,000,000	2,999,944	Sweetwater Capital Corp., 6.62%, 7/13/2000*	9,197,000	9,176,797
Total Certificates of Deposit (Cost \$45,494,827)		45,494,827	Thunder Bay Funding, Inc., 6.63%, 7/13/2000*	5,000,000	4,989,033
			Total Commercial Paper (Cost \$141,816,556)		141,816,556
			Total Investment Portfolio — 100.0% (Cost \$222,245,326) (a)		222,245,326

Notes to Kemper Money Market Portfolio of Investments

* Annualized yield at time of purchase; not a coupon rate.

** Floating rate notes are securities whose yields vary with a designated market index or market rate, such as the coupon-equivalent of the Treasury bill rate. These securities are shown at their rate as of June 30, 2000.

*** Repurchase agreements are fully collateralized by U.S. Treasury or Government agency securities.

(a) The cost for federal income tax purposes was \$222,245,326.

Financial Statements

Statement of Assets and Liabilities as of June 30, 2000 (Unaudited)

Assets

Investments in securities, at value (cost \$222,245,326)	\$ 222,245,326
Interest receivable	674,074
Other assets	1,000
Total assets	222,920,400

Liabilities

Due to custodian bank	9,782
Dividends payable	490,571
Payable for Portfolio shares redeemed	9,182,428
Accrued management fee	81,490
Other accrued expenses and payables	49,110
Total liabilities	9,813,381

Net assets, at value	\$ 213,107,019
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Net Assets

Net assets consist of:	
Paid-in capital	\$ 213,107,019

Net assets, at value	\$ 213,107,019
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Net Asset Value

Net Asset Value and redemption price per share ($\$213,107,019 \div 213,104,862$ outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 1.000
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Statement of Operations for the six months ended June 30, 2000 (Unaudited)

Investment Income

Income:	
Interest	\$ 7,059,781
Expenses:	
Management fee	563,917
Custodian fees	10,344
Auditing	27,897
Legal	6,750
Trustees' fees and expenses	13,579
Reports to shareholders	24,591
Registration fees	13,357
Other	5,208
Total expenses, before expense reductions	665,262
Expense reductions	(381)
Total expenses, after expense reductions	665,262
Net investment income	6,394,519

Net increase (decrease) in net assets resulting from operations	\$ 6,394,519
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The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

	Six Months Ended June 30, 2000 (Unaudited)	Year Ended December 31, 1999
Increase (Decrease) in Net Assets		
Operations:		
Net investment income	\$ 6,394,519	\$ 15,469,031
Net increase (decrease) in net assets resulting from operations	6,394,519	15,469,031
Distributions to shareholders from:		
Net investment income	(6,394,519)	(15,469,031)
Portfolio share transactions:		
Proceeds from shares sold	591,798,877	538,375,861
Reinvestment of distributions	6,488,686	8,886,458
Cost of shares redeemed	(616,279,811)	(468,093,052)
Net increase (decrease) in net assets from Portfolio share transactions	(17,992,248)	79,169,267
Increase (decrease) in net assets	(17,992,248)	79,169,267
Net assets at beginning of period	231,099,267	151,930,000
Net assets at end of period	\$ 213,107,019	\$ 231,099,267
Other Information		
Shares outstanding at beginning of period	231,099,569	151,930,000
Shares sold	591,796,419	538,376,563
Shares issued to shareholders in reinvestment of distributions	6,488,686	8,886,458
Shares redeemed	(616,279,812)	(468,093,452)
Net increase (decrease) in Portfolio shares	(17,994,707)	79,169,569
Shares outstanding at end of period	213,104,862	231,099,569

Financial Highlights

The following table includes selected data for a share outstanding throughout each period and other performance information derived from the financial statements.

Years Ended December 31,	2000(a)	1999	1998	1997	1996	1995
Net asset value, beginning of period	\$1.000	1.000	1.000	1.000	1.000	1.000
<i>Income from investment operations:</i>						
Net investment income	.028	.050	.050	.050	.050	.060
Total from investment operations	.028	.050	.050	.050	.050	.060
<i>Less distributions from:</i>						
Net investment income	(.028)	(.050)	(.050)	(.050)	(.050)	(.060)
Total distributions	(.028)	(.050)	(.050)	(.050)	(.050)	(.060)
Net asset value, end of period	\$1.000	1.000	1.000	1.000	1.000	1.000
Total Return (%)	2.87**	4.84	5.15	5.25	5.03	5.66(b)
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period (\$ thousands)	213,107	231,099	151,930	100,143	70,601	61,078
Ratio of expenses before expense reductions (%)	.59*	.54	.54	.55	.60	.55
Ratio of expenses after expense reductions (%)	.59*	.54	.54	.55	.60	.55
Ratio of net investment income (loss) (%)	5.67*	8.42	5.02	5.14	4.90	5.52

(a) For the six months ended June 30, 2000 (Unaudited).

(b) The total return for 1995 includes the effect of a capital contribution from the investment manager. Without the capital contribution, the total return would have been 5.11%.

* Annualized

** Not annualized

The accompanying notes are an integral part of the financial statements.

Kemper Government Securities Portfolio

The first six months of the year was a rewarding time for government bond investors. Despite Federal Reserve monetary tightening and increased bond market volatility, government securities provided positive returns for the first six months of fiscal year 2000.

During the period, strong economic growth prompted the Federal Reserve Board to raise its short-term interest-rate target three times by a total of 100 basis points (1 percent) to 6.50 percent. This past winter, the government also announced a buyback plan for 30-year Treasuries. The buyback has helped support long-term bond prices even as the Fed has tightened short-term credit. The result has been an inversion of the yield curve.

Between December 31, 1999, and June 30, 2000, yields for two-year Treasuries rose 12 basis points (0.12 percent) while yields for long-term bonds fell 58 basis points (0.58 percent). At mid-year, two-year Treasury notes yielded 6.36 percent, 46 basis points more than 30-year Treasury bonds.

This past spring, spreads (the difference in interest rates between Treasuries and non-Treasury debt) narrowed and long-term bond prices continued to rise in response to economic indicators that suggest the Fed's efforts to slow U.S. economic growth have been working. The data has been market friendly. We're in a very balanced environment. Jobless claims have consistently been higher than expectations. This has offset other signs such as rising gasoline prices that suggest the potential for rising inflation. Yields have been coming down since mid-May.

The dual dynamic of the Fed's attempt to keep inflation in check and an overall reduction in bond supply may dictate what happens in the second half. While a substantial increase in rates seems unlikely given the inflation numbers we've seen so far, that could easily change if U.S. economic growth doesn't slow from the current 5.5 percent pace (as measured by Gross Domestic Product).

Richard L. Vandenberg
Lead Portfolio Manager

Accumulation units are neither insured nor guaranteed by the U.S. government.

Kemper Government Securities Portfolio

	Principal Amount (\$)	Value (\$)		Principal Amount (\$)	Value (\$)
Short-Term Obligations 3.6%			Canadian Provincial Obligations 0.8%		
Federal Home Loan Bank, 6.57%, 7/1/2000* (Cost \$4,998,175)	5,000,000	4,998,175	Province of Ontario, 7.625%, 2004	500,000	508,000
			Province of Quebec, 8.625%, 2005	500,000	526,875
					1,034,875
Government & Agency Obligations 81.8%			Total Government & Agency Obligations (Cost \$115,317,078) (c)		
Government National Mortgage Association 63.8%					
Pass-through Certificates					
6.5%, 2024–2029 (b)	32,111,218	30,453,759			
7%, 2022–2030 (b)	27,545,972	26,709,712			
7.5%, 2013–2030	14,681,597	14,603,873			
8%, 2016–2030 (b)	9,703,189	9,818,174			
8.5%, 2016–2027 (b)	4,402,406	4,505,766			
9%, 2016–2027 (b)	1,837,341	1,899,351			
9.5%, 2013–2022	241,770	252,650			
10%, 2016	170,902	188,153			
		88,431,438			
U.S. Treasury Securities 10.0%			Corporate Obligations 14.6%		
Bonds					
8%, 2021	5,150,000	6,225,887	American Express Master Trust, 7.6%, 2002	2,500,000	2,507,800
10.375%, 2009	5,000,000	5,725,800	Chemical Master Trust, 5.55%, 2003	2,500,000	2,475,775
12.5%, 2014	1,300,000	1,842,542	Equitable Life, 6.95%, 2005	500,000	490,765
		13,794,229	Federal Home Loan Bank, 6.25%, 2004	4,100,000	3,978,271
			Federal Home Loan Mortgage Corp., 5.75%, 2015	1,000,000	910,780
			Federal National Mortgage Association, 6.375%–7.25%, 2009–2010	8,700,000	8,448,744
			Ford Motor Credit, 8%, 2002	500,000	504,355
			Sears Roebuck Acceptance Corp., 6.75%, 2005	500,000	476,705
			Southwestern Bell Telephone, 6.625%, 2005	500,000	482,325
			Total Corporate Obligations (Cost \$20,847,898)		20,275,520
			Total Investment Portfolio — 100.0% (Cost \$141,163,151) (a)		138,563,349
Federal Home Loan Mortgage Corporation 4.4%					
Pass-through Certificates					
6.5%, 2029	70,975	67,038			
7%, 2024–2030	3,272,520	3,176,617			
7.5%, 2029	859,825	847,868			
8.5%, 2030 (b)	2,000,000	2,040,000			
		6,131,523			
Federal Housing Authority 0.3%					
Pass-through Certificates					
7.5%, 2022	15,135	15,083			
8%, 2017–2022	460,018	467,062			
8.5%, 2026	20,759	21,265			
		503,410			
Federal National Mortgage Association 2.5%					
Pass-through Certificates					
6%, 2028–2029	1,577,351	1,441,551			
6.5%, 2028–2030	158,516	149,400			
7%, 2013–2029	1,372,136	1,334,485			
7.5%, 2025	201,483	199,280			
8%, 2024	268,205	269,463			
		3,394,179			

The accompanying notes are an integral part of the financial statements.

Notes to Kemper Government Securities Portfolio of Investments

* Annualized yield at time of purchase; not a coupon rate.

(a) The cost for federal income tax purposes was \$141,163,151. At June 30, 2000, net unrealized depreciation for all securities based on tax cost was \$2,599,802. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$763,633 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$3,363,435.

(b) When-issued or forward delivery pools.

(c) At June 30, 2000 these securities have been pledged to cover, in whole or in part, initial margin requirements for open futures contracts.

At June 30, 2000, open futures contracts sold short were as follows:

Futures	Contracts	Expiration Date	Aggregate Face Value (\$)	Value (\$)	Unrealized Appreciation (Depreciation) (\$)
10 Year U.S. Treasury Note	7	August 19, 2000	681,286	689,391	(8,105)
U.S. Long Bond	53	August 19, 2000	5,088,977	5,159,219	(70,242)

At June 30, 2000, long open futures contracts were as follows:

5 Year U.S. Treasury Note	26	August 19, 2000	2,554,453	2,574,406	19,953
Total net unrealized appreciation (depreciation) on open futures contracts					(58,394)

The investments in mortgage-backed securities of the Government National Mortgage Association are interests in separate pools of mortgages. A separate investment in each of these issues which have similar coupon rates have been aggregated for presentation purposes in the Investment Portfolio. Effective maturities of these investments will be shorter than stated maturities due to prepayments.

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities as of June 30, 2000 (Unaudited)

Assets

Investments in securities, at value (cost \$141,163,151)	\$ 138,563,349
Cash	43,892
Interest receivable	1,127,110
Receivable for daily variation margin on open futures contracts	17,110
Total assets	139,751,461

Liabilities

Payable for investments purchased	2,500,873
Payable for Portfolio shares redeemed	64,752
Accrued management fee	62,815
Other accrued expenses and payables	33,845
Total liabilities	2,662,285

Net assets, at value \$ 137,089,176

Net Assets

Net assets consist of:

Undistributed net investment income	\$ 3,233,286
Net unrealized appreciation (depreciation) on:	
Investments	(2,599,802)
Futures	(58,394)
Accumulated net realized gain (loss)	(6,261,699)
Paid-in capital	142,775,785

Net assets, at value \$ 137,089,176

Net Asset Value

Net Asset Value and redemption price per share (\$137,089,176 ÷ 122,374,217 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)

\$ 1.120

Statement of Operations for the six months ended June 30, 2000 (Unaudited)

Investment Income

Income:	
Interest	\$ 5,057,780
Expenses:	
Management fee	379,472
Custodian fees	5,124
Auditing	17,429
Legal	2,253
Trustees' fees and expenses	6,032
Reports to shareholders	12,833
Registration fees	291
Other	3,517
Total expenses, before expense reductions	426,951
Expense reductions	(278)
Total expenses, after expense reductions	426,673
Net investment income (loss)	4,631,107

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	(959,940)
Futures	(197,270)
Written options	(16,682)
	(1,173,892)
Net unrealized appreciation (depreciation) during the period on:	
Investments	1,978,350
Futures	(129,412)
	1,848,938

Net gain (loss) on investment transactions 675,046

Net increase (decrease) in net assets resulting from operations \$ 5,306,153

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2000 (Unaudited)	Year Ended December 31, 1999
Operations:		
Net investment income (loss)	\$ 4,631,107	\$ 8,411,814
Net realized gain (loss) on investment transactions	(1,173,892)	(1,826,548)
Net unrealized appreciation (depreciation) on investment transactions during the period	1,848,938	(5,845,961)
Net increase (decrease) in net assets resulting from operations	5,306,153	739,305
Distributions to shareholders from:		
Net investment income	(9,438,853)	(6,578,763)
Portfolio share transactions:		
Proceeds from shares sold	12,699,615	71,054,426
Reinvestment of distributions	9,438,853	6,578,763
Cost of shares redeemed	(27,305,539)	(48,615,628)
Net increase (decrease) in net assets from Portfolio share transactions	(5,167,071)	29,017,561
Increase (decrease) in net assets	(9,299,771)	23,178,103
Net assets at beginning of period	146,388,947	123,210,844
Net assets at end of period (including undistributed net investment income of \$3,233,286 and \$8,041,032, respectively)	\$ 137,089,176	\$ 146,388,947
Other Information		
Shares outstanding at beginning of period	126,625,276	101,983,052
Shares sold	15,000,121	60,485,588
Shares issued to shareholders in reinvestment of distributions	8,579,758	5,674,233
Shares redeemed	(27,830,938)	(41,517,597)
Net increase (decrease) in Portfolio shares	(4,251,059)	24,642,224
Shares outstanding at end of period	122,374,217	126,625,276

Financial Highlights

The following table includes selected data for a share outstanding throughout each period and other performance information derived from the financial statements.

Years Ended December 31,	2000(a)	1999	1998	1997	1996	1995
Net asset value, beginning of period	\$1.156	1.208	1.207	1.207	1.269	1.142
<i>Income (loss) from investment operations:</i>						
Net investment income (loss)	.037(b)	.072(b)	.062	.084	.085	.084
Net realized and unrealized gain (loss) on investment transactions	.007	(.064)	.019	.016	(.057)	.123
Total from investment operations	.044	.008	.081	.100	.028	.207
<i>Less distributions from:</i>						
Net investment income	(.080)	(.060)	(.080)	(.100)	(.090)	(.080)
Total distributions	(.080)	(.060)	(.080)	(.100)	(.090)	(.080)
Net asset value, end of period	\$1.120	1.156	1.208	1.207	1.207	1.269
Total Return (%)	3.92**	.68	7.03	8.96	2.56	18.98

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ thousands)	137,089	146,389	123,211	86,682	84,314	95,185
Ratio of expenses before expense reductions (%)	.61*	.63	.65	.64	.66	.65
Ratio of expenses after expense reductions (%)	.61*	.63	.65	.64	.66	.65
Ratio of net investment income (loss) (%)	6.65*	6.13	6.27	7.12	7.09	7.08
Portfolio turnover rate (%)	151*	150	142	179	325	275

(a) For the six months ended June 30, 2000 (Unaudited).

(b) Based on monthly average shares outstanding during the period.

* Annualized

** Not annualized

The accompanying notes are an integral part of the financial statements.

Kemper Investment Grade Bond Portfolio

The six-month period ended June 30, 2000 was a volatile time for investment grade bonds as the Federal Reserve Board raised its short-term interest rate target to 6.50% and the U.S. economy began showing signs of a slowdown in growth.

We began the calendar year underweighted in long-term Treasuries and other government securities such as mortgages. When the corporate bond market fell sharply in January, our strong positioning in corporate bonds hurt portfolio performance. By late spring, however, corporate bonds began to rebound and the portfolio's results improved.

Since January, normal relationships between Treasury bonds of different maturities have been obscured. Usually, 30-year bonds provide more yield than securities maturing in 10 years or less, since they involve more interest-rate risk. However, this past winter, the yield curve inverted after the Treasury announced plans to reduce auctions and buy back debt. Also, the difference in interest rates between high-quality, long-term corporate bonds and comparable-maturity Treasury bonds widened to over 200 basis points (2.0 percent).

As spreads grew larger, we upgraded the average quality of the fund's corporate bond portfolio. We also added more Treasuries in the spring during periods of market weakness. We were mindful of the fact that the Fed was on the move, and we sought to maximize the fund's flexibility to respond to dynamic market conditions without taking undue risk.

Looking ahead, we believe the bond market may remain somewhat unsettled for the balance of fiscal year 2000. We believe the Fed can effectively control inflation and that the U.S. economy will continue to cool. Compared to the start of the year, we now have a portfolio with a higher degree of liquidity and diversification that we believe has the potential to offer attractive risk-adjusted returns.

Robert S. Cessine
Lead Portfolio Manager

Kemper Investment Grade Bond Portfolio

	Principal Amount (\$)	Value (\$)		Principal Amount (\$)	Value (\$)
Repurchase Agreements 1.2%			Corporate Bonds 45.8%		
State Street Bank and Trust Company, 6.48%, to be repurchased at \$851,468 on 7/3/2000** (Cost \$851,000)			Consumer Discretionary 4.7% Dillards, Inc., 6.17%, 8/1/2001 500,000 478,890 Federated Department Stores, 8.5%, 6/15/2003 1,000,000 1,009,170 MGM Grand Inc., 9.75%, 6/1/2007 300,000 304,500 May Department Stores Co., 6.875%, 11/1/2005 50,000 48,738 Park Place Entertainment, Inc., 8.5%, 11/15/2006 200,000 196,518 Target Corp., 7.5%, 2/15/2005 750,000 761,880 Tricon Global Restaurants, 7.65%, 5/15/2008 450,000 404,199 3,203,895		
Commercial Paper 2.9%			Consumer Staples 2.3%		
Goldman Sachs, 6.75%, 7/7/2000 1,000,000 998,875			Bass North America Inc., 6.625%, 3/1/2003 1,000,000 975,880		
Sara Lee Corp., 6.74%, 7/6/2000 1,000,000 999,064			Safeway Inc., 7.25%, 9/15/2004 625,000 614,787 1,590,667		
Total Commercial Paper (Cost \$1,997,939) 1,997,939			Communications 5.5%		
Short-Term Obligations 3.7%			Deutsch Telekom International Finance, 7.75%, 6/15/2005 625,000 623,912		
Federal Home Loan Bank Discount Note, 6.44%, 7/10/2000* (Cost \$2,495,975)			Intermedia Communications, Inc., 8.875%, 11/1/2007 750,000 693,750		
2,500,000 2,495,975			Level 3 Communications Inc., 9.125%, 5/1/2008 750,000 673,125		
U.S. Government & Agencies 44.8%			Nextel Communications, 9.375%, 11/15/2009 500,000 482,500		
Federal National Mortgage Association:			Qwest Communications International, 7.5%, 11/1/2008 650,000 622,056		
5.125%, 2/13/2004 875,000 821,266			Sprint Capital Corp., 6.125%, 11/15/2008 700,000 623,959 3,719,302		
7.125%, 2/15/2005 675,000 677,741			Financial 13.2%		
6%, 5/15/2008 4,750,000 4,429,708			ABN AMRO, 8.25%, 8/1/2009 100,000 100,206		
U.S. Treasury Bond:			Bank of America Corp., 7.8%, 2/15/2010 650,000 646,672		
6.125%, 8/15/2029 5,660,000 5,716,600			BankBoston NA, 6.375%, 4/15/2008 ... 400,000 364,456		
6.5%, 2/15/2010 1,500,000 1,551,330			Bell Atlantic Financial Services, 7.6%, 3/15/2007 500,000 498,980		
6.25%, 5/15/2030 3,185,000 3,341,766			Capital One Bank, 8.25%, 6/15/2005 ... 450,000 447,633		
U.S. Treasury Note:			Chase Manhattan Corp., 5.75%, 4/15/2004 1,000,000 941,160		
6.625%, 5/31/2002 8,500,000 8,531,875			Firststar Bank, 7.125%, 12/1/2009 300,000 284,646		
6.75%, 5/15/2005 5,425,000 5,551,294			Ford Motor Credit Co., 7.375%, 10/28/2009 1,050,000 1,015,634		
Total U.S. Government & Agencies (Cost \$30,806,111) 30,621,580			General Electric Capital Corp., 7%, 2/3/2003 750,000 746,738		
Foreign Bonds 1.6%					
Den Danske Bank, 6.375%, 6/15/2008 175,000 169,309					
Province of Quebec, 8.625%, 1/19/2005 750,000 790,313					
Royal Caribbean Cruises, Ltd., 8.25%, 4/1/2005 120,000 114,785					
Total Foreign Bonds (Cost \$1,136,723) 1,074,407					

The accompanying notes are an integral part of the financial statements.

	Principal Amount (\$)	Value (\$)		Principal Amount (\$)	Value (\$)
General Motors Acceptance Corp., 6.15%, 4/5/2007	300,000	276,207	Lear Corp., 7.96%, 5/15/2005	375,000	351,727
Goldman Sachs Group, Inc., 7.8%, 1/28/2010	650,000	643,292			991,028
Merrill Lynch & Co., Inc., 6%, 2/17/2009	825,000	735,628	Manufacturing 1.0%		
National Westminster Bank, 7.375%, 10/1/2009	300,000	291,567	International Paper Co., 8.125%, 7/8/2005	700,000	704,767
PNC Funding Corp., 7%, 9/1/2004	400,000	387,964	Energy 5.4%		
Prudential Insurance Co., 6.375%, 7/23/2006	1,000,000	922,400	Conoco, Inc., 6.35%, 4/15/2009	700,000	651,154
Wells Fargo & Company, 7.55%, 6/21/2010	700,000	697,669	Petroleum Geo-Services, 7.5%, 3/31/2007	1,000,000	959,910
		9,000,852	Phillips Petroleum, 8.75%, 5/25/2010 ...	650,000	684,723
Media 7.2%			Pioneer Natural Resources, 6.5%, 1/15/2008	250,000	210,000
AMFM, Inc., 8%, 11/1/2008	750,000	752,812	Pioneer Natural Resources, 9.625%, 4/1/2010	450,000	463,500
AT&T Corp. — Liberty Media Group, 7.875%, 7/15/2009	300,000	286,977	Williams Gas Pipeline Center, 7.375%, 11/15/2006	750,000	730,140
British Sky Broadcasting, 6.875%, 2/23/2009	800,000	702,808			3,699,427
Cablevision Systems Corp., 7.875%, 12/15/2007	1,000,000	960,000	Transportation 0.3%		
Charter Communications Holdings LLC, 8.25%, 4/1/2007	750,000	663,750	Delta Air Lines, 7.9%, 12/15/2009	200,000	186,920
News America Holdings, Inc., 9.25%, 2/1/2013	75,000	81,046	Utilities 4.7%		
TCI-Communications, Inc., 8%, 8/1/2005	507,000	517,698	Alabama Power Co., 7.125%, 8/15/2004	1,000,000	989,200
Time Warner, Inc., 9.125%, 1/15/2013 ..	850,000	931,515	Cleveland Electric Illumination Co., 7.67%, 7/1/2004	1,050,000	1,034,617
		4,896,606	Detroit Edison Co., 7.5%, 2/1/2005	650,000	643,597
Durables 1.5%			Niagara Mohawk Power Corp., 6.625%, 7/1/2005	600,000	570,888
Daimler-Chrysler NA Holdings, 7.375%, 9/15/2006	650,000	639,301			3,238,302
			Total Corporate Bonds (Cost \$31,785,208)		31,231,766
			Total Investment Portfolio — 100.0% (Cost \$69,072,956) (a)		68,272,667

Notes to Kemper Investment Grade Bond Portfolio of Investments

* Annualized yield at time of purchase: not a coupon rate.

** Repurchase agreement is fully collateralized by the U.S. Treasury or Government agency securities.

(a) The cost for federal income tax purposes was \$69,072,956. At June 30, 2000, net unrealized depreciation for all securities based on tax cost was \$800,289. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$304,721 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$1,105,010.

Financial Statements

Statement of Assets and Liabilities as of June 30, 2000 (Unaudited)

Assets

Investments in securities, at value (cost \$69,072,956)	\$ 68,272,667
Cash	833
Receivable for investments sold	994,827
Interest receivable	988,597
Receivable for Portfolio shares sold	48,516
Total assets	70,305,440

Liabilities

Payable for investments purchased	958,757
Accrued management fee	34,449
Other accrued expenses and payables	13,581
Total liabilities	1,006,787

Net assets, at value \$ 69,298,653

Net Assets

Net assets consist of:	
Undistributed net investment income	\$ 1,668,816
Net unrealized appreciation (depreciation) on investments	(800,289)
Accumulated net realized gain (loss)	(3,742,672)
Paid-in capital	72,172,798

Net assets, at value \$ 69,298,653

Net Asset Value

Net Asset Value and redemption price per share (\$69,298,653 ÷ 64,679,404 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized) \$ 1.072

Statement of Operations for the six months ended June 30, 2000 (Unaudited)

Investment Income

Income:
Interest \$ 2,419,263

Expenses:	
Management fee	204,343
Custodian fees	3,044
Auditing	10,256
Legal	2,059
Trustees' fees and expenses	5,896
Reports to shareholders	7,700
Registration fees	356
Other	665
Total expenses, before expense reductions	234,319
Expense reductions	(99)
Total expenses, after expense reductions	234,220

Net investment income (loss) 2,185,043

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from investments	(1,754,446)
Net unrealized appreciation (depreciation) during the period on investments	1,447,433

Net gain (loss) on investment transactions (307,013)

Net increase (decrease) in net assets resulting from operations \$ 1,878,030

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

	Six Months Ended June 30, 2000 (Unaudited)	Year Ended December 31, 1999
Increase (Decrease) in Net Assets		
Operations:		
Net investment income (loss)	\$ 2,185,043	\$ 3,496,040
Net realized gain (loss) on investment transactions	(1,754,446)	(1,972,757)
Net unrealized appreciation (depreciation) on investment transactions during the period	1,447,433	(2,802,822)
Net increase (decrease) in net assets resulting from operations	1,878,030	(1,279,539)
Distributions to shareholders from:		
Net investment income	(3,737,486)	(1,572,997)
Net realized gains	—	(524,333)
Portfolio share transactions:		
Proceeds from shares sold	6,991,389	32,476,506
Reinvestment of distributions	3,737,486	2,097,331
Cost of shares redeemed	(10,548,679)	(12,374,222)
Net increase (decrease) in net assets from Portfolio share transactions	180,196	22,199,615
Increase (decrease) in net assets	(1,679,260)	18,822,746
Net assets at beginning of period	70,977,913	52,155,166
Net assets at end of period (including undistributed net investment income of \$1,668,816 and \$3,221,258, respectively)	\$ 69,298,653	\$ 70,977,913
Other Information		
Shares outstanding at beginning of period	64,475,079	44,780,514
Shares sold	6,360,168	28,913,488
Shares issued to shareholders in reinvestment of distributions	3,528,360	1,879,110
Shares redeemed	(9,684,203)	(11,098,033)
Net increase (decrease) in Portfolio shares	204,325	19,694,565
Shares outstanding at end of period	64,679,404	64,475,079

Financial Highlights

The following table includes selected data for a share outstanding throughout each period and other performance information derived from the financial statements.

Years Ended December 31,	2000(a)	1999	1998	1997	1996(b)
Net asset value, beginning of period	\$1.100	1.165	1.118	1.036	1.000
<i>Income (loss) from investment operations:</i>					
Net investment income (loss)	.034(c)	.060(c)	.032	.066	.031
Net realized and unrealized gain (loss) on investment transactions	(.002)	(.085)	.055	.026	.005
Total from investment operations	.032	(.025)	.087	.092	.036
<i>Less distributions from:</i>					
Net investment income	(.060)	(.030)	(.030)	(.010)	—
Net realized gains on investment transactions	—	(.010)	(.010)	—	—
Total distributions	(.060)	(.040)	(.040)	(.010)	—
Net asset value, end of period	\$1.072	1.100	1.165	1.118	1.036
Total Return (%)	2.86**	(2.06)	7.93	9.04	3.57**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period (\$ thousands)	69,299	70,978	52,155	15,504	1,998
Ratio of expenses before expense reductions (%)	.68*	.65	.67	.80	.87*
Ratio of expenses after expense reductions (%)	.68*	.65	.67	.80	.87*
Ratio of net investment income (loss) (%)	6.38*	5.42	5.50	6.23	4.93*
Portfolio turnover rate (%)	337*	131	130	311	75*

(a) For the six months ended June 30, 2000 (Unaudited).

(b) For the period from May 1, 1996 (commencement of operations) to December 31, 1996.

(c) Based on monthly average shares outstanding during the period.

* Annualized

** Not annualized

The accompanying notes are an integral part of the financial statements.

Kemper High Yield Portfolio

After three years of tough high yield market conditions, we see light at the end of the tunnel. This past spring, investors began to commit new money to the asset class, halting a long trend in net outflows.

The Federal Reserve appears to be near the end of the current monetary tightening cycle. At more than 650 basis points over Treasuries as of June 30, high yield spreads are historically attractive (historical average spread is 500 basis points). New issuance is down markedly, suggesting defaults could be trending down a year from now. Given the strides U.S. corporations made in inventory management in the 1990s and new developments in technology, we think the Fed is in a much better position to engineer a soft landing for the U.S. economy than they were in the 1970s and 1980s.

During the first six months of fiscal year 2000, we focused our research efforts in sectors and companies where we thought we had a competitive advantage. We gradually increased the percentage of the portfolio's bond rated BB, the highest quality tier within the high-yield market. Double B's have been the best performing sector of the high yield market and we plan to spend more time on this area.

Double B's give you two advantages: number one, they're much safer if we have a slow down; and just as importantly, if the Treasury market rallies due to the weakening economy, they have the potential to outperform other high yield bonds. Overall, our main goal is to deliver a total return with as little risk to principal as is possible within a high yield investment framework.

Harry E. Resis, Jr.
Lead Portfolio Manager

Investments by the Portfolio in lower-rated and non-rated bonds present greater risk to principal and income than investments in higher-quality securities.

Kemper High Yield Portfolio

	Principal Amount (\$)	Value (\$)		Principal Amount (\$)	Value (\$)
Repurchase Agreements 0.1%					
State Street Bank and Trust Company, 6.48%, to be repurchased at \$368,199 on 7/3/2000** (Cost \$368,000)	368,000	368,000	Harvey's Casino Resorts, 10.625%, 6/1/2006	2,210,000	2,254,200
Commercial Paper 7.7%					
Countrywide Home Loans Corp.:			Herff Jones, Inc., 11%, 8/15/2005	1,100,000	1,145,375
6.88%, 7/6/2000	5,000,000	4,995,222	Hines Horticulture, Inc., 11.75%, 10/15/2005	2,096,000	2,116,960
6.8%, 7/10/2000	5,000,000	4,991,500	Hollywood Entertainment Corp., Series B, 10.63%, 8/15/2004	2,060,000	1,766,450
Detroit Edison Co., 7.15%, 7/14/2000 ..	3,500,000	3,490,963	Horseshoe Gaming LLC, 9.375%, 6/15/2007	470,000	466,475
FCAR Owner Trust I, 6.58%, 7/5/2000 ..	2,000,000	1,998,538	Horseshoe Gaming Holdings, 8.625%, 5/15/2009	370,000	348,725
Florida Power and Light Co., 6.68%, 7/17/2000	3,500,000	3,489,609	Imperial Home Decor Group, Inc., 11%, 3/15/2008*	1,050,000	10,500
Ford Motor Credit Co., 6.6%, 7/11/2000	3,500,000	3,492,300	International Game Technology, 8.375%, 5/15/2009	1,300,000	1,225,250
IBM Credit Corp., 6.51%, 7/7/2000	4,500,000	4,495,065	J. Crew Group:		
Total Commercial Paper (Cost \$26,953,197)		26,953,197	10.375%, 10/15/2007	2,125,000	1,721,250
Foreign Bonds 0.2%					
Kappa Beheer BV, 10.625%, 7/15/2009 (Cost \$530,000)	530,000	533,975	Step-up Coupon, 0% to 10/15/2002, 13.125% to 10/15/2008	480,000	240,000
Corporate Bonds 90.4%					
Consumer Discretionary 12.9%			Krystal Inc., 10.25%, 10/1/2007	2,050,000	1,271,000
AFC Enterprises, 10.25%, 5/15/2007 ...	4,100,000	3,895,000	MGM Grand Inc., 9.75%, 6/1/2007	2,700,000	2,740,500
AMF Bowling, Inc:			National Vision Association, Ltd., 12.75%, 10/15/2005*	2,480,000	917,600
10.875%, 6/15/2006	2,540,000	685,800	Park Place Entertainment, Inc., 9.375%, 2/15/2007	1,670,000	1,670,000
Step-up Coupon, 0% to 3/15/2001, 12.25% to 3/15/2006	2,320,000	464,000	Perkins Finance, L.P., 10.125%, 12/15/2007	1,950,000	1,872,000
Advantica Restaurant Co., 11.25%, 1/15/2008	614,706	408,779	Regal Cinemas, Inc.:		
Avis Rent A Car, 11%, 5/1/2009	3,580,000	3,732,150	9.5%, 6/1/2008	1,130,000	271,200
Avondale Mills, 10.25%, 5/1/2006	1,490,000	1,400,600	8.875%, 12/15/2010	300,000	69,000
Boca Resorts, Inc., 9.875%, 4/15/2009 ..	2,810,000	2,634,375	Restaurant Co., Step-up Coupon, 0% to 5/15/2003, 11.25% to 5/15/2008	2,010,000	1,165,800
Cinemark USA, Inc.:			Sealy Mattress Co.:		
8.5%, 8/1/2008	1,300,000	715,000	9.875%, 12/15/2007	1,600,000	1,536,000
Series D, 9.625%, 8/1/2008	100,000	59,000	Step-up Coupon, 0% to 12/15/2002, 10.875% to 12/15/2007	910,000	646,100
Color Tile, Inc., 10.75%, 12/15/2001* ..	1,470,000	14,700	Specialty Retailers, Inc.:		
Eldorado Resorts, 10.5%, 8/15/2006 ...	2,010,000	2,010,000	8.5%, 7/15/2005*	540,000	32,400
Finlay Enterprises, Inc., 9%, 5/1/2008 ..	350,000	308,000	9%, 7/15/2007*	2,400,000	2
Finlay Fine Jewelry Co., 8.375%, 5/1/2008	1,540,000	1,370,600	Station Casinos, Inc.:		
Galey & Lord, Inc., 9.125%, 3/1/2008 ..	2,410,000	1,096,550	10.125%, 3/15/2006	440,000	445,500
Guitar Center Management, 11%, 7/1/2006	1,730,000	1,678,100	9.75%, 4/15/2007	680,000	676,600
					<u>45,081,541</u>
			Consumer Staples 0.6%		
			Dyersburg Corp., 9.75%, 9/1/2007	1,260,000	126,000
			Grove Worldwide LLC, 9.25%, 5/1/2008	1,180,000	448,400
			Jafra Cosmetics International, Inc., 11.75%, 5/1/2008	1,710,000	1,641,600
					<u>2,216,000</u>

The accompanying notes are an integral part of the financial statements.

	Principal Amount (\$)	Value (\$)		Principal Amount (\$)	Value (\$)
Health 2.0%			Intermedia Communications of Florida, Inc.:		
Dade International, Inc., 11.125%, 5/1/2006	2,380,000	1,142,400	Step-up Coupon, 0% to 5/15/2001, 12.5% to 5/15/2006 ...	1,880,000	1,804,800
MEDIQ, Inc., 11%, 6/1/2008*	400,000	40,000	Step-up Coupon, 0% to 7/15/2002, 11.25% to 7/15/2007	2,570,000	2,004,600
Magellan Health Services, Inc., 9%, 2/15/2008	2,180,000	1,111,800	KMC Telecom Holdings, Inc.:		
Mariner Post-Acute Network, Inc.:			13.5%, 5/15/2009	2,550,000	2,295,000
10.5%, 8/1/2006	2,060,000	1,874,600	Step-up Coupon, 0% to 2/15/2003, 12.5% to 2/15/2008	3,840,000	1,920,000
Step-up Coupon, 0% to 11/1/2002, 10.5% to 11/1/2007	4,340,000	21,700	Level 3 Communications Inc.:		
Tenet Healthcare Corp., 9.25%, 9/1/2010	2,680,000	2,700,100	11%, 3/15/2008	1,000,000	986,250
Vencor, Inc., 9.875%, 5/1/2005*	1,510,000	151,000	9.125%, 5/1/2008	210,000	188,475
		<u>7,041,600</u>	11.25%, 3/15/2010	680,000	666,400
Communications 24.8%			MGC Communications, 13%, 10/1/2004	2,000,000	2,040,000
Allegiance Telecom, Inc., 12.875%, 5/15/2008	2,305,000	2,489,400	McLeod USA, Inc.:		
Call-Net Enterprises, Inc.:			9.25%, 7/15/2007	1,040,000	1,008,800
9.375%, 5/15/2009	990,000	594,000	9.5%, 11/1/2008	1,400,000	1,365,000
Step-up Coupon, 0% to 8/15/2003, 8.94% to 8/15/2008	225,000	99,000	Step-up Coupon, 0% to 3/1/2002, 10.5% to 3/1/2007	795,000	663,825
Step-up Coupon, 0% to 5/15/2004, 10.8% to 5/15/2009	370,000	140,600	MetroNet Communications Corp.:		
Century Communications Corp., 8.375%, 12/15/2007	550,000	484,000	12%, 8/15/2007	550,000	616,688
Comunicacion Cellular, S.A., Step-up Coupon, 0% to 9/29/2000, 14.125% to 3/1/2005	2,400,000	1,752,000	10.625%, 11/1/2008	1,410,000	1,542,187
Crown Castle International Corp.:			Step-up Coupon, 0% to 11/1/2003, 10.75% to 11/1/2007	780,000	644,475
9.5%, 8/1/2011	300,000	285,000	Step-up Coupon, 0% to 6/15/2005, 9.95%, 6/15/2008	1,440,000	1,161,000
10.75%, 8/1/2011	780,000	793,650	Metromedia Fiber Network, Inc., 10%, 11/15/2008	2,000,000	1,965,000
Step-up Coupon, 0% to 11/15/2002, 10.625% to 11/15/2007	790,000	586,575	Millicom International Cellular, S.A., Step-up Coupon, 0% to 6/1/2001, 13.5% to 6/1/2006	3,060,000	2,601,000
Step-up Coupon, 0% to 8/1/2004, 11.25% to 8/1/2011	580,000	355,250	Netia Holdings, 10.25%, 11/1/2007	935,000	776,050
Dobson Communications Corp., 10.875%, 7/1/2010	460,000	463,450	Nextel Communications, Inc.:		
Dolphin Telecom plc, Zero Coupon, 5/15/2009	1,240,000	446,400	9.375%, 11/15/2009	5,610,000	5,413,650
Esprit Telecom Group, plc:			Step-up Coupon, 0% to 9/15/2002, 10.65% to 9/15/2007	1,225,000	967,750
11.5%, 12/15/2007	1,625,000	1,170,000	Nextlink Communications, Inc.:		
10.875%, 6/15/2008	800,000	552,000	12.5%, 4/15/2006	950,000	988,000
FairPoint Communications, Inc., 12.5%, 5/1/2010	1,350,000	1,363,500	10.75%, 11/15/2008	2,000,000	1,965,000
Global Crossing Holdings Ltd., 9.5%, 11/15/2009	2,780,000	2,668,800	Step-up Coupon, 0% to 4/15/2003, 9.45% to 4/15/2008	920,000	579,600
Global Telesystems Group, 9.875%, 2/15/2005	620,000	427,800	Step-up Coupon, 0% to 6/1/2004, 12.25% to 6/1/2009	2,000,000	1,230,000
Hermes Europe Raitel BV, 11.5%, 8/15/2007	210,000	181,650	PTC International Finance, Step-up Coupon, 0% to 7/1/2002, 10.75% to 7/1/2007	1,440,000	1,022,400
ICG Holdings, Inc., Step-up Coupon, 0% to 9/15/2000, 13.5% to 9/15/2005	4,190,000	4,043,350	PTC International Finance II, 11.25%, 12/1/2009	360,000	367,200
IPC Communications, Inc., Step-up Coupon, 0% to 11/1/2001, 10.875% to 5/1/2008	3,840,000	3,513,600	Price Communications Wireless, 9.125%, 12/15/2006	2,490,000	2,527,350
Impsat Corp., 12.375%, 6/15/2008	1,805,000	1,444,000	Primus Telecommunications Group:		
			11.75%, 8/1/2004	1,660,000	1,427,600
			11.25%, 1/15/2009	480,000	393,600
			12.75%, 10/15/2009	860,000	731,000

The accompanying notes are an integral part of the financial statements.

	Principal Amount (\$)	Value (\$)		Principal Amount (\$)	Value (\$)
Rogers Cantel, 9.75%, 6/1/2016	3,000,000	3,240,000	Australis Holdings:		
SBA Communications Corp., Step-up Coupon, 0% to 3/1/2003, 12% to 3/1/2008	1,500,000	1,050,000	Step-up Coupon, 0% to 11/1/2000, 15% to 1, 1/1/2002*	3,660,000	36,600
Spectrasite Holdings, Inc.:			Zero Coupon, 11/1/2000	113,568	85,176
10.75%, 3/15/2010	310,000	313,100	Avalon Cable Holdings LLC, Step-up Coupon, 0% to 12/1/2003, 11.875% to 12/1/2008	1,870,000	1,215,500
Step-up Coupon, 0% to 7/15/2003, 12% to 7/15/2008	3,220,000	2,076,900	CSC Holdings, Inc.:		
Step-up Coupon, 0% to 4/15/2004, 11.25% to 4/15/2009	2,580,000	1,467,375	9.25%, 11/1/2005	1,000,000	1,002,500
Telecorp PCS, Inc., Step-up-Coupon, 0% to 4/15/2004, 11.625% to 4/15/2009	500,000	328,750	8.125%, 7/15/2009	400,000	388,000
Teligent, Inc.:			8.125%, 8/15/2009	1,010,000	979,700
11.5%, 12/1/2007	1,230,000	965,550	9.875%, 2/15/2013	1,145,000	1,179,350
Step-up Coupon, 0% to 3/1/2003, 11.5% to 3/1/2008	840,000	390,600	10.5%, 5/15/2016	1,640,000	1,754,800
Tritel PCS Inc., Step-up Coupon, 0% to 5/1/2004, 12.75% to 5/15/2009	1,320,000	871,200	Century Communications Corp., 9.5%, 3/1/2005	140,000	133,000
Triton Communications, LLC, Step-up Coupon, 0% to 5/1/2003, 11% to 5/1/2008	1,470,000	1,062,075	Chancellor Media Corp., 8.125%, 12/15/2007	680,000	681,700
U.S. Xchange, LLC, 15%, 7/1/2008	1,140,000	1,242,600	Charter Communications Holdings LLC:		
USA Mobile Communications Holdings, Inc., 14%, 11/1/2004	560,000	470,400	8.25%, 4/1/2007	4,980,000	4,407,300
Versatel Telecom:			10%, 4/1/2009	1,530,000	1,484,100
13.25%, 5/15/2008	1,430,000	1,458,600	Step-Up Coupon, 0% to 4/1/2004, 9.92% to 4/1/2011	1,650,000	940,500
11.875%, 7/15/2009	410,000	403,850	Comcast UK Cable Partners, Ltd., Step-up Coupon, 0% to 11/15/2000, 11.2% to 11/15/2007	3,130,000	2,950,025
Viatel, Inc.:			Diamond Cable Communications, plc, 13.25%, 9/30/2004	1,990,000	2,114,375
11.25%, 4/15/2008	130,000	98,800	Echostar DBS Corp.:		
11.5%, 3/15/2009	466,000	358,820	9.25%, 2/1/2006	1,510,000	1,457,150
Step-up Coupon, 0% to 4/15/2003, 12.5% to 4/15/2008	1,880,000	864,800	9.375%, 2/1/2009	1,320,000	1,273,800
Voicestream Wireless Corp., 10.375%, 11/15/2009	2,390,000	2,485,600	Frontiervision LP, 11%, 10/15/2006	860,000	868,600
Western Wireless Corp., 10.5%, 2/1/2007	1,200,000	1,266,000	Interep National Radio Sales, Inc., 10%, 7/1/2008	1,530,000	1,361,700
		<u>86,131,745</u>	NTL Communications Corp., Step-up Coupon, 0% to 10/1/2003, 12.375% to 10/1/2008	620,000	390,600
Financial 0.2%			NTL, Inc., 11.5%, 10/1/2008	4,540,000	4,540,000
HMH Properties, 7.875%, 8/1/2008	380,000	339,150	Outdoor Systems, Inc., 9.375%, 10/15/2006	2,395,000	2,436,913
Intertek Finance, plc, 10.25%, 11/1/2006	540,000	442,800	Panavision, Inc., Step-up Coupon, 0% to 2/1/2002, 9.625% to 2/1/2006	2,680,000	1,072,000
		<u>781,950</u>	Renaissance Media Group, Step-up Coupon, 0% to 4/15/2003, 10% to 4/15/2008	1,400,000	924,000
Media 17.5%			Rogers Cablesystems Ltd., 10%, 3/15/2005	630,000	645,750
AMFM, Inc.:			SFX Entertainment, Inc.:		
9%, 10/1/2008	480,000	489,600	9.125%, 2/1/2008	3,245,000	3,277,450
8%, 11/1/2008	1,900,000	1,907,125	9.125%, 12/1/2008	2,300,000	2,323,000
Step-up Coupon, 0% to 2/1/2002, 12.75% to 2/1/2009	2,570,000	2,338,700	Sinclair Broadcasting Group, Inc.:		
Adelphia Communications Corp.:			9%, 7/15/2007	350,000	314,125
7.875%, 5/1/2009	370,000	310,800	8.75%, 12/15/2007	550,000	482,625
9.375%, 11/15/2009	1,110,000	1,026,750	Star Choice Communications, Inc., 13%, 12/15/2005	750,000	766,875
American Lawyer Media, Inc., Step-up Coupon, 0% to 12/15/2002, 12.25% to 12/15/2008	2,660,000	1,702,400			

The accompanying notes are an integral part of the financial statements.

	Principal Amount (\$)	Value (\$)		Principal Amount (\$)	Value (\$)
TeleWest Communications, plc:			Fonda Group, 9.5%, 3/1/2007	1,340,000	1,031,800
9.625%, 10/1/2006	1,920,000	1,804,800	GS Technologies:		
11.25%, 11/1/2008	1,650,000	1,650,000	12%, 9/1/2004	1,090,000	381,500
Step-up Coupon, 0% to 10/1/2000, 11% to 10/1/2007	2,895,000	2,764,725	12.25%, 10/1/2005	1,340,000	469,000
Transwestern Publishing:			Gaylord Container Corp.:		
9.625%, 11/15/2007	950,000	923,875	9.75%, 6/15/2007	1,860,000	1,469,400
Step-up Coupon, 0% to 11/15/2002, 11.875% to 11/15/2008	420,000	308,700	9.875%, 2/15/2008	300,000	183,000
United International Holdings, Step-up Coupon, 0% to 2/15/2003, 10.75% to 2/15/2008	3,150,000	2,173,500	Graham Packaging Co.:		
United Pan-Europe Communications, 10.875%, 11/1/2007	2,200,000	1,991,000	8.75%, 1/15/2008	580,000	501,700
		<u>60,879,189</u>	Step-up Coupon, 0% to 1/15/2003, 10.75% to 1/15/2009	580,000	336,400
Service Industries 4.0%			Grove Holdings LLC:		
Coinmach Corp., 11.75%, 11/15/2005 ..	4,890,000	4,694,400	14.5%, 5/1/2010	864,423	30,255
ImPac Group, Inc., 10.125%, 3/15/2008	4,830,000	5,192,250	Step-up Coupon, 0% to 5/1/2003, 11.625% to 5/1/2009	310,000	24,800
Integrated Electrical Services, Inc., 9.375%, 2/1/2009	880,000	704,000	Hayes Wheels International, Inc., 11%, 7/15/2006	1,750,000	1,728,125
Kindercare Learning Centers, Inc., 9.5%, 2/15/2009	2,100,000	1,932,000	Huntsman Package, 11.75%, 12/1/2004	2,650,000	2,650,000
La Petite Academy, Inc., 10%, 5/15/2008	1,890,000	1,115,100	Knoll, Inc., 10.875%, 3/15/2006	886,000	903,720
Spincycle, Inc., Step-up Coupon, 0% to 5/1/2001, 12.75% to 5/1/2005	1,520,000	456,000	Millar Western Forest Products, Ltd., 9.875%, 5/15/2008	1,120,000	1,050,000
		<u>14,093,750</u>	Motors and Gears, Inc., 10.75%, 11/15/2006	580,000	556,800
Durables 1.8%			NL Industries, Inc., Senior Note, 11.75%, 10/15/2003	3,280,000	3,345,600
Airxcel, 11%, 11/15/2007	1,150,000	816,500	Plainwell, Inc., 11%, 3/1/2008	4,445,000	1,022,350
DeCrane Aircraft Holdings, Inc., 12%, 9/30/2008	1,180,000	1,050,200	Printpack, Inc., 10.625%, 8/15/2006	1,440,000	1,339,200
Fairchild Corp., 10.75%, 4/15/2009	1,500,000	1,035,000	Riverwood International Corp.:		
Federal-Mogul Corp.:			10.25%, 4/1/2006	900,000	864,000
7.75%, 7/1/2006	870,000	639,450	10.625%, 8/1/2007	340,000	329,800
Series 1999, 7.375%, 1/15/2006	160,000	110,400	10.875%, 4/1/2008	6,470,000	5,693,600
United Rentals, Inc.:			SF Holdings Group, Inc., Step-up Coupon, 0% to 3/15/2003, 12.75% to 3/15/2008	2,030,000	1,015,000
9.25%, 1/15/2009	1,940,000	1,726,600	Stone Container Corp.:		
9%, 4/1/2009	1,170,000	1,029,600	12.25%, 4/1/2002	1,550,000	1,557,750
		<u>6,407,750</u>	10.75%, 10/1/2002	1,000,000	1,025,000
Manufacturing 14.7%			11.5%, 8/15/2006	1,585,000	1,640,475
Agriculture, Mining and Chemicals, Inc., 10.75%, 9/30/2003	2,200,000	1,364,000	Tenneco Automotive, Inc., 11.625%, 10/15/2009	4,090,000	3,629,875
Atlantis Group, Inc., 11%, 2/15/2003 ..	1,735,000	1,735,000	Terex Corp., 8.875%, 4/1/2008	4,090,000	3,681,000
BPC Holdings Corp., 12.5%, 6/15/2006	852,666	682,133	Terra Industries, Inc., 10.5%, 6/15/2005	570,000	330,600
Berry Plastics Corp., 12.25%, 4/15/2004	1,530,000	1,461,150	Texas Petrochemicals, 11.125%, 7/1/2006	710,000	582,200
Consolidated Container Capital, Inc., 10.125%, 7/15/2009	660,000	653,400	U.S. Can Corp., 10.125%, 10/15/2006 ..	1,875,000	1,921,875
Consumers International, 10.25%, 4/1/2005	1,330,000	638,400			<u>51,129,558</u>
Day International Group, Inc., 11.125%, 6/1/2005	1,480,000	1,465,200	Technology 2.4%		
Delco Remy International, 10.625%, 8/1/2006	1,380,000	1,345,500	Exodus Communications, Inc., 11.625%, 7/15/2010	1,340,000	1,346,700
Eagle-Picher Holdings, Inc., 9.375%, 3/1/2008	1,810,000	1,529,450	Flextronics International, 9.875%, 7/1/2010	840,000	848,400
Foamex, L.P., 13.5%, 8/15/2005	1,130,000	960,500	PSINet, Inc.:		
			10%, 2/15/2005	900,000	825,750
			11.5%, 11/1/2008	1,350,000	1,296,000
			11%, 8/1/2009	1,970,000	1,827,175

The accompanying notes are an integral part of the financial statements.

	Principal Amount (\$)	Value (\$)
Verio, Inc.:		
11.25%, 12/1/2008	710,000	788,100
10.625%, 11/15/2009	1,440,000	1,584,000
		<u>8,516,125</u>
Energy 1.7%		
Continental Resources, Inc., 10.25%, 8/1/2008	1,470,000	1,308,300
Key Energy Services, Inc., 14%, 1/15/2009	690,000	776,250
Pen Holdings, Inc., 9.875%, 6/15/2008 ..	625,000	506,250
Pride International, Inc., 10%, 6/1/2009 ..	1,320,000	1,353,000
R&B Falcon Corp.:		
11%, 3/15/2006	580,000	620,600
9.5%, 12/15/2008	370,000	370,000
Stone Energy Corp., 8.75%, 9/15/2007 ..	870,000	826,500
		<u>5,760,900</u>
Metals & Minerals 2.4%		
Euramax International, plc, 11.25%, 10/1/2006	1,610,000	1,529,500
MMI Products, Inc., 11.25%, 4/15/2007 ..	2,115,000	2,083,275
Metal Management, Inc., 10%, 5/15/2008	1,820,000	1,092,000
Metals USA, Inc., 8.625%, 2/15/2008 ...	2,030,000	1,766,100
Renco Steel Holdings Co., Series B, 10.875%, 2/1/2005	2,060,000	1,689,200
Republic Technologies International, 13.75%, 7/15/2009	2,820,000	352,500
		<u>8,512,575</u>
Construction 3.2%		
Dayton Superior Corp., 13%, 6/15/2009	680,000	673,200
Del Webb Corp., 9.75%, 1/15/2008	1,260,000	1,099,350
Dimac Corp., 12.5%, 10/1/2008*	1,540,000	15,400
Forecast Group, L.P., 11.375%, 12/15/2000	1,025,000	1,025,000
Fortress Group, 13.75%, 5/15/2003	880,000	492,800
Hovnanian Enterprises, Inc.:		
9.75%, 6/1/2005	560,000	512,400
9.125%, 5/1/2009	1,090,000	972,825
Lennar Corp.:		
7.625%, 3/1/2009	600,000	522,000
9.95%, 5/1/2010	270,000	265,950
Nortek, Inc.:		
9.875%, 3/1/2004	1,970,000	1,871,500
9.125%, 9/1/2007	1,300,000	1,202,500
Ryland Group, Inc., 8.25%, 4/1/2008 ...	1,170,000	959,400
Standard Pacific Corp.:		
8%, 2/15/2008	330,000	287,925
8.5%, 4/1/2009	510,000	456,450
Toll Corp.:		
8.75%, 11/15/2006	500,000	478,750
7.75%, 9/15/2007	210,000	187,950
8.125%, 2/1/2009	100,000	90,500
8%, 5/1/2009	230,000	204,700
		<u>11,318,600</u>

	Principal Amount (\$)	Value (\$)
Transportation 1.6%		
Petro Stopping Centers, 10.5%, 2/1/2007	2,520,000	2,230,200
TFM, S.A. de C.V., 10.25%, 6/15/2007 ..	1,130,000	971,800
Transtar Holdings, Inc., Step-up Coupon, 0% to 12/15/1999, 13.375% to 12/15/2003	631,000	631,000
Travelcenters America, 10.25%, 4/1/2007	1,790,000	1,803,425
		<u>5,636,425</u>
Utilities 0.6%		
Azurix Corp.:		
10.375%, 2/15/2007	690,000	665,850
10.75%, 2/15/2010	1,630,000	1,564,800
		<u>2,230,650</u>
Total Corporate Bonds (Cost \$371,409,780)		315,738,358

Shares

Convertible Preferred Stocks* 0.2%

Communications

Telephone/Communications

World Access, Inc. (Cost \$1,389,748) ...	866	831,360
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Preferred Stocks 1.1%

Communications 0.3%

Cellular Telephone

Dobson Communications, PIK	968	982,520
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Financial 0.3%

Real Estate

Crown American Realty Trust	25,070	946,393
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Media 0.3%

Broadcasting & Entertainment

Sinclair Capital	13,000	1,176,500
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Manufacturing 0.2%

Containers & Paper 0.0%

SF Holdings Group, Inc.:

PIK*	6	25,200
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PIK	30	126,000
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		<u>151,200</u>
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Machinery/Components/Controls 0.1%

Eagle-Picher Holdings, Inc.*	170	425,000
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Total Preferred Stocks (Cost \$4,871,736)		3,681,613
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The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
Common Stocks* 0.2%			Miscellaneous 0.0%		
Communications 0.1%			Service Industries 0.0%		
Telephone/Communications			Miscellaneous Consumer Services		
AT&T Canada Inc.	1,885	62,558	Australis Holdings	3,720	0
ICG Communications, Inc.	4,851	107,025	Spincycle, Inc.	1,520	15
Intermedia Communications Inc.	4,258	126,676	Printing/Publishing		
Tele1 Europe Holding AB — ADR	6,340	76,476	American Banknote Corp.	1,200	12
		<u>372,735</u>	Durables 0.0%		
Manufacturing 0.1%			Aerospace		
Containers & Paper			Aerospace		
Gaylord Container Corp.	92,250	247,922	Decrane Holdings Co.	1,350	0
SF Holdings Group, Inc.	517	5			
		<u>247,927</u>	Energy 0.0%		
Total Common Stocks (Cost \$445,609)		620,662	Oil/Gas Transmission		
			Empire Gas Corp.	2,070	207
Warrants* 0.1%			Metals & Minerals 0.0%		
Communications 0.1%			Steel & Metals 0.0%		
Telephone/Communications			Gulf States Steel		
Benedek Communications Corp.	5,000	10,000	Republic Technologies International	1,810	18
Comunicacion Cellular, S.A.	2,200	35,200		2,820	28
Econophone Inc.	1,260	138,600			<u>46</u>
KMC Telecom Holdings, Inc.	1,950	13,650	Miscellaneous 0.0%		
Primus Telecommunications Group	1,000	30,750	Bar Technologies	750	15,000
Star Choice Communications	17,370	112,905	Construction 0.0%		
		<u>341,105</u>	Building Materials 0.0%		
Financial 0.0%			Waxman Industries, Inc.	52,274	523
Other Financial Companies			Homebuilding 0.0%		
Ono Finance plc	1,650	198,000	Capital Pacific Holdings	3,634	1,817
Media 0.0%			Total Warrants (Cost \$371,208)		579,225
Cable Television 0.0%			Total Investment Portfolio — 100.0%		
UIH Australia Pacific, Inc.	750	22,500	(Cost \$406,339,278) (a)		349,306,390

Notes to Kemper High Yield Portfolio of Investments

* Non-income producing security. In the case of a bond, generally denotes that issuer has defaulted on the payment of interest or has filed for bankruptcy.

** Repurchase agreements are fully collateralized by U.S. Treasury or Government agency securities.

(a) The cost for federal income tax purposes was \$406,339,278. At June 30, 2000, net unrealized depreciation for all securities based on tax cost was \$57,032,888. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$3,452,670 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$60,485,558.

PIK denotes that interest or dividend is paid in kind.

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities as of June 30, 2000 (Unaudited)

Assets

Investments in securities, at value (cost \$406,339,278)	\$ 349,306,390
Cash	663,451
Receivable for investments sold	1,223,903
Interest receivable	7,186,706
Receivable for Portfolio shares sold	80,878
Other assets	1,000
Total assets	358,462,328

Liabilities

Payable for investments purchased	1,340,000
Accrued management fee	174,795
Other accrued expenses and payables	103,394
Total liabilities	1,618,189

Net assets, at value \$ 356,844,139

Net Assets

Net assets consist of:	
Undistributed net investment income	\$ 19,658,629
Net unrealized appreciation (depreciation) on investments	(57,032,888)
Accumulated net realized gain (loss)	(41,174,033)
Paid-in capital	435,392,431

Net assets, at value \$ 356,844,139

Net Asset Value

Net Asset Value and redemption price per share (\$356,844,139 ÷ 362,708,676 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized) \$ 0.984

Statement of Operations for the six months ended June 30, 2000 (Unaudited)

Investment Income

Income:	
Dividends	\$ 335,843
Interest	20,627,777
Total Income	20,963,620
Expenses:	
Management fee	1,065,443
Custodian fees	18,832
Auditing	47,733
Legal	30,358
Trustees' fees and expenses	22,140
Reports to shareholders	34,043
Registration fees	4,140
Interest expense	4,588
Other	2,702
Total expenses, before expense reductions	1,229,979
Expense reductions	(1,761)
Total expenses, after expense reductions	1,228,218
Net investment income (loss)	19,735,402

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	(10,969,612)
Futures	(17,005)
	(10,986,617)
Net unrealized appreciation (depreciation) during the period on investments	(15,541,012)
Net gain (loss) on investment transactions	(26,527,629)

Net increase (decrease) in net assets resulting from operations \$ (6,792,227)

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

	Six Months Ended June 30, 2000 (Unaudited)	Year Ended December 31, 1999
Increase (Decrease) in Net Assets		
Operations:		
Net investment income (loss)	\$ 19,735,402	\$ 45,563,581
Net realized gain (loss) on investment transactions	(10,986,617)	(14,886,753)
Net unrealized appreciation (depreciation) on investment transactions during the period	(15,541,012)	(20,024,876)
Net increase (decrease) in net assets resulting from operations	(6,792,227)	10,651,952
Distributions to shareholders from:		
Net investment income	(43,395,484)	(42,416,234)
Portfolio share transactions:		
Proceeds from shares sold	50,407,870	116,611,231
Reinvestment of distributions	43,395,484	42,416,234
Cost of shares redeemed	(82,974,401)	(173,185,353)
Net increase (decrease) in net assets from Portfolio share transactions	10,828,953	(14,157,888)
Increase (decrease) in net assets	(39,358,758)	(45,922,170)
Net assets at beginning of period	396,202,897	442,125,067
Net assets at end of period (including undistributed net investment income of \$19,658,629 and \$43,318,711, respectively)	\$ 356,844,139	\$ 396,202,897
Other Information		
Shares outstanding at beginning of period	345,783,280	360,218,000
Shares sold	51,377,088	97,968,309
Shares issued to shareholders in reinvestment of distributions	44,120,810	36,157,082
Shares redeemed	(78,572,502)	(148,560,111)
Net increase (decrease) in Portfolio shares	16,925,396	(14,434,720)
Shares outstanding at end of period	362,708,676	345,783,280

Financial Highlights

The following table includes selected data for a share outstanding throughout each period and other performance information derived from the financial statements.

Years Ended December 31,	2000(a)	1999	1998	1997	1996	1995
Net asset value, beginning of period	\$1.146	1.227	1.296	1.281	1.259	1.185
<i>Income (loss) from investment operations:</i>						
Net investment income (loss)	.058(b)	.122(b)	.106	.116	.120	.125
Net realized and unrealized gain (loss) on investment transactions	(.080)	(.093)	(.085)	.019	.042	.069
Total from investment operations	(.022)	.029	.021	.135	.162	.194
<i>Less distributions from:</i>						
Net investment income	(.140)	(.110)	(.090)	(.120)	(.140)	(.120)
Total distributions	(.140)	(.110)	(.090)	(.120)	(.140)	(.120)
Net asset value, end of period	\$.984	1.146	1.227	1.296	1.281	1.259
Total Return (%)	(1.90)**	2.15	1.45	11.61	14.06	17.40

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ thousands)	356,844	396,203	442,125	391,664	289,315	257,377
Ratio of expenses before expense reductions (%)	.69*	.67	.65	.65	.65	.65
Ratio of expenses after expense reductions (%)	.69*	.67	.65	.65	.65	.65
Ratio of net investment income (loss) (%)	11.03*	10.40	9.36	9.20	9.70	10.27
Portfolio turnover rate (%)	44*	42	74	90	98	90

(a) For the six months ended June 30, 2000 (Unaudited).

(b) Based on monthly average shares outstanding during the period.

* Annualized

** Not annualized

The accompanying notes are an integral part of the financial statements.

Kemper Total Return Portfolio

Despite a period in which market strength was generally narrow and weakness was broad, the Kemper Total Return Portfolio's disciplined investment style reduced our downside during this extremely volatile environment.

Early in the period, we were hurt somewhat as the market moved away from large-cap growth stocks. But a wide variety of holdings did well. We also boosted holdings in select consumer product and telecommunications stocks, and we eliminated America Online due to concerns about its valuation.

Late in the period, the portfolio's large-cap pharmaceuticals and consumer staples led the way and top performers included Pfizer, PepsiCo and Viacom. This offset weaknesses in some of the portfolio's technology and retail holdings, such as Motorola, Target, and Microsoft. We believe an increased slowdown in the economy should help jump-start performance in the flat financial services sector, and we have already witnessed this increasing slowdown benefit our health care holdings. However, it is important to note that the slowdown could adversely affect consumer-oriented sectors such as communications services, specifically wireless communication and media stocks.

Moving forward, we are very optimistic that the economy still has room to grow, albeit at a slower pace, and believe the portfolio is well positioned to take advantage of this challenging market environment.

Gary A. Langbaum
Lead Portfolio Manager

Kemper Total Return Portfolio

	Principal Amount (\$)	Value (\$)		Principal Amount (\$)	Value (\$)
Repurchase Agreements 1.6%					
State Street Bank and Trust Company, 6.48%, to be repurchased at \$14,320,729 on 7/3/2000** (Cost \$14,313,000)	14,313,000	14,313,000			
U.S. Government & Agencies 25.8%					
U.S. Treasury Bonds:					
9.375%, 2/15/2006	52,000,000	59,475,000			
6.5%, 2/15/2010	25,350,000	26,217,477			
10.625%, 8/15/2015	4,000,000	5,696,880			
8%, 11/15/2021	3,800,000	4,593,858			
6.125%, 8/15/2029	11,800,000	11,918,000			
U.S. Treasury Notes:					
8.75%, 8/15/2000	8,500,000	8,523,885			
6.625%, 5/31/2002	30,000,000	30,112,500			
7.25%, 8/15/2004	14,800,000	15,301,868			
7.5%, 2/15/2005	7,005,000	7,342,081			
6.75%, 5/15/2005	19,050,000	19,493,484			
6.625%, 5/15/2007	37,000,000	37,774,780			
Federal National Mortgage Association:					
5.125%, 2/13/2004	4,300,000	4,035,937			
7.125%, 2/15/2005	3,375,000	3,388,703			
Total U.S. Government & Agencies (Cost \$234,195,344)		233,874,453			
Foreign Bonds 0.5%					
Den Danske Bank, 6.375%, 6/15/2008 ..	625,000	604,675			
Province of Quebec, 8.625%, 1/19/2005	1,500,000	1,580,625			
Repsol International Finance, 7%, 8/1/2005	1,000,000	958,460			
Royal Caribbean Cruises, Ltd., 8.25%, 4/1/2005	1,250,000	1,195,675			
Total Foreign Bonds (Cost \$4,562,944)		4,339,435			
Corporate Bonds 8.7%					
Consumer Discretionary 0.7%					
AFC Enterprises, 10.25%, 5/15/2007 ...	700,000	665,000			
AMF Bowling, Inc:					
10.875%, 6/15/2006	2,100,000	567,000			
Step-up Coupon, 0% to 3/15/2001, 12.25% to 3/15/2006	542,000	108,400			
Cinemark USA, Inc., 8.5%, 8/1/2008 ...	890,000	489,500			
Dillard's, Inc., 6.17%, 8/1/2001	1,500,000	1,436,670			
MGM Grand Inc., 9.75%, 6/1/2007	1,450,000	1,471,750			
Park Place Entertainment, Inc., 8.5%, 11/15/2006	1,000,000	982,590			
Target Corp., 7.5%, 2/15/2005	1,000,000	1,015,840			
					6,736,750
Health 0.1%					
Magellan Health Services, Inc., 9%, 2/15/2008	2,270,000	1,157,700			
Communications 2.2%					
Esprit Telecom Group, plc, 11.5%, 12/15/2007	630,000	453,600			
Intermedia Communications, 8.6%, 6/1/2008	1,930,000	1,761,125			
McLeod USA, Inc., Step-up Coupon, 0% to 3/1/2002, 10.5% to 3/1/2007	2,800,000	2,338,000			
MetroNet Communications Corp., Step-up Coupon, 0% to 6/15/2003, 9.95%, 6/15/2008	3,700,000	2,983,125			
Nextel Communications, 9.375%, 11/15/2009	2,080,000	2,007,200			
Qwest Communications International, 7.5%, 11/1/2008	2,350,000	2,248,973			
Rogers Cantel Inc., 8.8%, 10/1/2007 ...	2,100,000	2,100,000			
Sprint Capital Corp., 6.375%, 5/1/2009	2,575,000	2,324,762			
Vodafone Airtouch plc, 6.25%, 2/15/2010	3,550,000	3,462,883			
					19,679,668
Financial 1.8%					
ABN AMRO, 8.25%, 8/1/2009	1,250,000	1,252,575			
Chase Manhattan Corp., 5.75%, 4/15/2004	1,000,000	941,160			
Ford Motor Credit Co.:					
6.7%, 7/16/2004	1,450,000	1,404,847			
7.375%, 10/28/2009	3,200,000	3,095,264			
General Electric Capital Corp., 7%, 2/3/2003	2,500,000	2,489,125			
General Motors Acceptance Corp., 6.15%, 4/5/2007	1,150,000	1,058,793			
Merrill Lynch & Co., Inc., 6%, 2/17/2009	1,900,000	1,694,173			
PNC Funding Corp., 7.5%, 11/1/2009 ..	3,350,000	3,260,153			
Wells Fargo & Co., 6.875%, 4/1/2006 ..	750,000	722,925			
					15,919,015
Media 1.4%					
AMFM, Inc., 9%, 10/1/2008	1,240,000	1,264,800			
Cablevision Systems Corp., 7.875%, 12/15/2007	2,000,000	1,920,000			
Charter Communications Holdings LLC, 8.625%, 4/1/2009	500,000	441,250			
Diamond Cable Communications, plc:					
Step-up Coupon, 0% to 12/15/2000, 11.75% to 12/15/2005	260,000	243,100			
Step-up Coupon, 0% to 2/15/2002, 10.75% to 2/15/2007	740,000	569,800			
K-III Communications Corp., 8.5%, 2/1/2006	750,000	708,750			

The accompanying notes are an integral part of the financial statements.

	Principal Amount (\$)	Value (\$)
NTL, Inc., Step-up Coupon, 0% to 2/1/2001, 11.5% to 2/1/2006	2,270,000	2,088,400
News America Holdings, Inc., 9.25%, 2/1/2013	405,000	437,647
Sinclair Broadcasting Group, Inc., 8.75%, 12/15/2007	850,000	745,875
TeleWest Communications, plc, Step-up Coupon, 0% to 10/1/2000, 11% to 10/1/2007	4,020,000	3,839,100
Time Warner, Inc., 9.125%, 1/15/2013 ..	425,000	465,757
		<u>12,724,479</u>

Durables 0.3%

Daimler-Chrysler NA Holdings, 7.375%, 9/15/2006	1,550,000	1,524,487
United Rentals, Inc., 9.25%, 1/15/2009 ..	760,000	676,400
		<u>2,200,887</u>

Manufacturing 0.9%

Delco Remy International, 10.625%, 8/1/2006	860,000	838,500
Gaylord Container Corp.:		
9.75%, 6/15/2007	780,000	616,200
9.875%, 2/15/2008	720,000	439,200
Hayes Wheels International, Inc., 11%, 7/15/2006	1,500,000	1,481,250
Neenah Corp., 11.125%, 5/1/2007	1,000,000	765,000
Plainwell, Inc., 11%, 3/1/2008	1,020,000	234,600
Riverwood International Corp.:		
10.25%, 4/1/2006	2,470,000	2,371,200
10.625%, 8/1/2007	180,000	174,600
Stone Container Corp.:		
11.5%, 8/15/2006	500,000	517,500
12.58%, 8/1/2016	1,000,000	1,040,000
		<u>8,478,050</u>

Technology 0.2%

PSINet, Inc.:		
10%, 2/15/2005	810,000	743,175
11.5%, 11/1/2008	1,040,000	998,400
		<u>1,741,575</u>

Energy 0.2%

Gulf Canada Resources, Inc., 9.25%, 1/15/2004	1,500,000	1,506,285
Williams Gas Pipeline Center, 7.375%, 11/15/2006	250,000	243,380
		<u>1,749,665</u>

Metals & Minerals 0.5%

Euramax International, plc, 11.25%, 10/1/2006	2,850,000	2,707,500
MMI Products, Inc., 11.25%, 4/15/2007	400,000	394,000
Renco Steel Holdings Co., Series B, 10.875%, 2/1/2005	2,210,000	1,812,200
		<u>4,913,700</u>

Construction 0.2%

Del Webb Corp., 9.75%, 1/15/2008	2,280,000	1,989,300
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Transportation 0.1%

Delta Air Lines, 7.9%, 12/15/2009	800,000	747,680
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Utilities 0.1%

Alabama Power Co., 7.125%, 8/15/2004	800,000	791,360
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Total Corporate Bonds (Cost \$85,759,393) 78,829,829

Shares

Common Stocks 63.4%

Consumer Discretionary 5.1%

Department & Chain Stores 4.1%

Home Depot, Inc.	184,500	9,213,469
Kohl's Corp.*	112,500	6,257,813
Target Corp.	108,000	6,264,000
Wal-Mart Stores, Inc.	258,900	14,919,113
		<u>36,654,395</u>

Specialty Retail 1.0%

Radioshack Corp.	191,600	9,077,050
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Consumer Staples 3.6%

Food & Beverage 2.6%

H.J. Heinz Co.	183,300	8,019,375
PepsiCo, Inc.	340,000	15,108,750
		<u>23,128,125</u>

Package Goods/Cosmetics 1.0%

Clorox Co.	64,000	2,868,000
Colgate-Palmolive Co.	100,000	5,987,500
		<u>8,855,500</u>

Health 10.3%

Biotechnology 1.4%

Amgen Inc.*	86,000	6,041,500
Genentech, Inc.*	20,200	3,474,400
PE Corp-PE Biosystems Group	47,800	3,148,825
		<u>12,664,725</u>

Medical Supply & Specialty 1.9%

Baxter International, Inc.	169,600	11,925,000
Becton, Dickinson & Co.	197,000	5,651,438
		<u>17,576,438</u>

Pharmaceuticals 7.0%

Abbott Laboratories	241,000	10,739,562
Allergan, Inc.	93,200	6,943,400
Alza Corp.	65,000	3,843,125
Eli Lilly & Co.	87,000	8,689,125
Forest Laboratories, Inc.*	35,500	3,585,500
Merck & Co., Inc.	115,000	8,811,875
Pfizer, Inc.	300,750	14,436,000
Schering-Plough Corp.	120,000	6,060,000
		<u>63,108,587</u>

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
Communications 1.7%			Printing/Publishing 0.5%		
Telephone/Communications			McGraw-Hill, Inc. 79,200 4,276,800		
Bell Atlantic Corp.	84,000	4,268,250	Durables 1.8%		
BroadWing, Inc.*	208,000	5,395,000	Aerospace		
Qwest Communications			Boeing Co. 145,000 6,062,813		
International Inc.*	122,000	6,061,875	United Technologies Corp. 171,000 10,067,625		
		<u>15,725,125</u>	<u>16,130,438</u>		
Financial 10.5%			Manufacturing 3.7%		
Banks 0.9%			Diversified Manufacturing 2.9%		
FleetBoston Financial Corp.	115,500	3,927,000	General Electric Co. 425,500 22,551,500		
Wells Fargo Co.	109,500	4,243,125	Tyco International Ltd. 77,646 3,678,479		
		<u>8,170,125</u>	<u>26,229,979</u>		
Insurance 4.2%			Machinery/Components/Controls 0.3%		
American International Group, Inc.	88,625	10,413,437	Parker-Hannifin Corp. 80,500 2,757,125		
Aon Corp.	166,500	5,171,906	Office Equipment/Supplies 0.5%		
Cigna Corp.	66,000	6,171,000	Lexmark International Group, Inc. "A" .. 70,000 4,707,500		
Hartford Financial Services Group, Inc. .	100,500	5,621,718	Technology 16.2%		
Jefferson Pilot Corp.	80,400	4,537,575	Computer Software 3.7%		
St. Paul Companies, Inc.	188,000	6,415,500	Microsoft Corp.*		
		<u>38,331,136</u>	Oracle Corp.*		
Consumer Finance 3.2%			274,000 21,920,000		
American Express Co.	135,000	7,036,875	139,000 11,684,688		
Capital One Finance Corp.	141,600	6,318,900	<u>33,604,688</u>		
Citigroup, Inc.	151,500	9,127,875	Diverse Electronic Products 2.9%		
Household International, Inc.	149,162	6,199,545	Dell Computer Corp.*		
		<u>28,683,195</u>	189,500 9,344,718		
Other Financial Companies 2.2%			General Motors Corp. "H" (New)		
Federal National Mortgage			57,300 5,028,075		
Association	104,500	5,453,594	Motorola Inc.		
Marsh & McLennan Companies, Inc.	53,200	5,556,075	160,500 4,664,531		
Merrill Lynch & Co., Inc.	33,000	3,795,000	Solectron Corp.*		
Morgan Stanley Dean Witter & Co.	58,500	4,870,125	185,000 7,746,875		
		<u>19,674,794</u>	<u>26,784,199</u>		
Media 4.8%			EDP Peripherals 0.3%		
Advertising 0.5%			VERITAS Software Corp.*		
Omnicom Group, Inc.	50,300	4,479,843	22,000 2,486,344		
Broadcasting & Entertainment 3.6%			Electronic Components/Distributors 2.4%		
Clear Channel Communications, Inc.	82,500	6,187,500	Cisco Systems, Inc.*		
Infinity Broadcasting Corp. "A"	215,900	7,866,856	349,000 22,183,313		
Univision Communication, Inc.	40,400	4,181,400	Electronic Data Processing 1.9%		
Viacom, Inc. "B"*	132,120	9,008,933	International Business Machines		
Walt Disney Co.	146,000	5,666,625	Corp.		
		<u>32,911,314</u>	82,000 8,984,125		
Cable Television 0.7%			Sun Microsystems, Inc.*		
AT&T Corp. — Liberty Media Group			93,500 8,502,656		
"A"*	266,000	6,450,500	<u>17,486,781</u>		
Service Industries 1.2%			Semiconductors 5.0%		
EDP Services 0.4%			Applied Materials, Inc.*		
First Data Corp.	82,000	4,069,250	68,500 6,207,813		
Miscellaneous Commercial Services 0.3%			Intel Corp.		
Siebel Systems, Inc.	14,000	2,289,875	186,700 24,959,456		
		<u>2,289,875</u>	Teradyne, Inc.*		
			59,000 4,336,500		
			Texas Instruments, Inc.		
			100,000 6,868,750		
			Xilinx, Inc.		
			32,000 2,642,000		
			<u>45,014,519</u>		
			Energy 4.5%		
			Oil & Gas Production 2.3%		
			Burlington Resources, Inc.		
			107,000 4,092,750		
			Exxon Mobil Corp.		
			150,729 11,832,227		
			Royal Dutch Petroleum Co.		
			(New York shares)		
			85,000 5,232,813		
			<u>21,157,790</u>		

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
Oilfield Services/Equipment 2.2%					
Halliburton Co.	124,500	5,874,843	Transocean Sedo Forex, Inc.	102,135	5,457,839
Schlumberger Ltd.	119,500	8,917,688			<u>20,250,370</u>
			Total Common Stocks (Cost \$429,499,303)		574,919,823
			Total Investment Portfolio — 100.0% (Cost \$768,329,984) (a)		906,276,540

Notes to Kemper Total Return Portfolio of Investments

* Non-income producing security.

** Repurchase agreement is fully collateralized by U.S. Treasury or Government agency securities.

(a) The cost for federal income tax purposes was \$768,329,984. At June 30, 2000, net unrealized appreciation for all securities based on tax cost was \$137,946,556. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$161,257,606 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$23,311,050.

Financial Statements

Statement of Assets and Liabilities as of June 30, 2000 (Unaudited)

Assets

Investments in securities, at value (cost \$768,329,984)	\$ 906,276,540
Cash	567
Receivable for investments sold	7,220,485
Dividends receivable	310,275
Interest receivable	6,554,012
Receivable for Portfolio shares sold	14,841
Other assets	2,000
Total assets	920,378,720

Liabilities

Payable for Portfolio shares redeemed	6,361,249
Accrued management fee	417,054
Other accrued expenses and payables	253,547
Total liabilities	7,031,850

Net assets, at value **\$ 913,346,870**

Net Assets

Net assets consist of:	
Undistributed net investment income	\$ 11,193,014
Net unrealized appreciation (depreciation) on investments	137,946,556
Accumulated net realized gain (loss)	28,065,174
Paid-in capital	736,142,126

Net assets, at value **\$ 913,346,870**

Net Asset Value

Net Asset Value and redemption price per share (\$913,346,870 ÷ 341,163,426 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized) **\$ 2.677**

Statement of Operations for the six months ended June 30, 2000 (Unaudited)

Investment Income

Income:	
Dividends	\$ 2,246,003
Interest	13,228,520
Total Income	15,474,523
Expenses:	
Management fee	2,487,965
Custodian fees	36,456
Auditing	149,924
Legal	22,772
Trustees' fees and expenses	27,231
Reports to shareholders	192,149
Registration fees	10,159
Other	3,476
Total expenses, before expense reductions	2,930,132
Expense reductions	(1,007)
Total expenses, after expense reductions	2,929,125
Net investment income (loss)	12,545,398

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from investments	28,908,145
Net unrealized appreciation (depreciation) during the period on investments	(36,675,243)
Net gain (loss) on investment transactions	(7,767,098)

Net increase (decrease) in net assets resulting from operations **\$ 4,778,300**

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

	Six Months Ended June 30, 2000 (Unaudited)	Year Ended December 31, 1999
Increase (Decrease) in Net Assets		
Operations:		
Net investment income (loss)	\$ 12,545,398	\$ 27,648,617
Net realized gain (loss) on investment transactions	28,908,145	45,180,101
Net unrealized appreciation (depreciation) on investment transactions during the period	(36,675,243)	52,174,093
Net increase (decrease) in net assets resulting from operations	4,778,300	125,002,811
Distributions to shareholders from:		
Net investment income	(29,012,969)	(27,964,602)
Net realized gains	(43,519,453)	(46,607,670)
Portfolio share transactions:		
Proceeds from shares sold	10,828,831	107,465,092
Reinvestment of distributions	72,532,422	74,572,272
Cost of shares redeemed	(54,744,811)	(145,406,836)
Net increase (decrease) in net assets from Portfolio share transactions	28,616,442	36,630,528
Increase (decrease) in net assets	(39,137,680)	87,061,067
Net assets at beginning of period	952,484,550	865,423,483
Net assets at end of period (including undistributed net investment income of \$11,193,014 and \$27,660,585, respectively)	\$ 913,346,870	\$ 952,484,550
Other Information		
Shares outstanding at beginning of period	330,477,010	316,471,412
Shares sold	3,933,911	39,553,132
Shares issued to shareholders in reinvestment of distributions	26,801,324	27,723,580
Shares redeemed	(20,048,819)	(53,271,114)
Net increase (decrease) in Portfolio shares	10,686,416	14,005,598
Shares outstanding at end of period	341,163,426	330,477,010

Financial Highlights

The following table includes selected data for a share outstanding throughout each period and other performance information derived from the financial statements.

Years Ended December 31,	2000(a)	1999	1998	1997	1996	1995
Net asset value, beginning of period	\$2.882	2.735	2.822	2.815	2.579	2.112
<i>Income (loss) from investment operations:</i>						
Net investment income (loss)	.593(b)	.084(b)	.086	.090	.084	.084
Net realized and unrealized gain (loss) on investment transactions	(.573)	.303	.317	.377	.322	.453
Total from investment operations	.020	.387	.403	.467	.406	.537
<i>Less distributions from:</i>						
Net investment income	(.090)	(.090)	(.090)	(.090)	(.090)	(.070)
Net realized gains on investment transactions	(.135)	(.150)	(.400)	(.370)	(.080)	—
Total distributions	(.225)	(.240)	(.490)	(.460)	(.170)	(.070)
Net asset value, end of period	\$2.677	2.882	2.735	2.822	2.815	2.579
Total Return (%)	.61**	14.81	15.14	19.96	16.76	25.97

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ thousands)	913,347	952,485	865,423	786,996	697,102	659,894
Ratio of expenses before expense reductions (%)	.64*	.61	.60	.60	.59	.60
Ratio of expenses after expense reductions (%)	.64*	.61	.60	.60	.59	.60
Ratio of net investment income (loss) (%)	2.75*	3.12	3.33	3.32	3.21	3.52
Portfolio turnover rate (%)	47*	80	81	122	90	118

(a) For the six months ended June 30, 2000 (Unaudited).

(b) Based on monthly average shares outstanding during the period.

* Annualized

** Not annualized

The accompanying notes are an integral part of the financial statements.

Kemper Blue Chip Portfolio

Kemper Blue Chip Portfolio was up for the semiannual period, outperforming the S&P 500 for the month of June. A wide range of stocks pushed performance. Specifically, portfolio holdings in health care, such as Baxter International and Pfizer, rebounded from lows earlier in the year. Select technology issues in the portfolio, such as Intel and Oracle, also performed well. Despite the recent downturn in this sector, we remain bullish and believe Microsoft will pick up momentum as Windows 2000 gains more market acceptance. This, in turn, could indirectly benefit other established names in the sector such as computer hardware manufacturer Dell.

Areas that hampered performance included wireless communications, retail and financial services. These sectors fell victim to swaying consumer confidence in a challenging market environment created by an increased economic slowdown brought on by interest rate hikes. However, the conservative nature of the portfolio typically enables it to hold up better than the market during bouts of volatility.

Going forward, we believe the Kemper Blue Chip Portfolio is well positioned to capitalize on opportunities that might arise in the blue-chip universe as a result of uncertainty in the markets.

Tracy McCormick
Lead Portfolio Manager

Kemper Blue Chip Portfolio

	Principal Amount (\$)	Value (\$)		Shares	Value (\$)
Commercial Paper 6.2%					
Bell South Telecommunications Corp., 6.3%, 7/12/2000	2,000,000	1,995,948			
Countrywide Home Loans Corp.: 6.8%, 7/10/2000	1,500,000	1,497,450			
6.83%, 7/11/2000	2,000,000	1,996,206			
Enron Corp, 6.9%, 7/7/2000	3,000,000	2,996,550			
Ford Motor Credit Co., 6.53%, 7/5/2000	2,000,000	1,998,549			
Renaissance Energy Ltd., 7%, 7/16/2000	3,000,000	2,997,083			
Total Commercial Paper (Cost \$13,481,786)		13,481,786			
			Shares		
Common Stocks 93.8%					
Consumer Discretionary 6.8%					
Department & Chain Stores 5.4%					
Home Depot, Inc.	50,750	2,534,328			
Kohl's Corp.*	41,500	2,308,438			
Target Corp.	40,500	2,349,000			
Wal-Mart Stores, Inc.	78,800	4,540,850			
		11,732,616			
Specialty Retail 1.4%					
Radioshack Corp	65,000	3,079,375			
Consumer Staples 5.4%					
Food & Beverage 3.9%					
H.J. Heinz Co.	70,500	3,084,375			
PepsiCo, Inc.	125,000	5,554,688			
		8,639,063			
Package Goods/Cosmetics 1.5%					
Clorox Co.	25,000	1,120,313			
Colgate-Palmolive Co.	35,000	2,095,625			
		3,215,938			
Health 15.8%					
Biotechnology 2.3%					
Amgen Inc.*	34,000	2,388,500			
Genentech, Inc.*	6,000	1,032,000			
PE Corp-PE Biosystems Group	26,000	1,712,750			
		5,133,250			
Medical Supply & Specialty 2.9%					
Baxter International, Inc.	62,500	4,394,531			
Becton, Dickinson & Co.	71,000	2,036,813			
		6,431,344			
Pharmaceuticals 10.6%					
Abbott Laboratories	88,000	3,921,500			
Allergan, Inc.			33,800	2,518,100	
Alza Corp.*			30,000	1,773,750	
Eli Lilly & Co.			33,000	3,295,875	
Forest Laboratories, Inc.*			13,100	1,323,100	
Merck & Co., Inc.			42,000	3,218,250	
Pfizer, Inc.			105,250	5,052,000	
Schering-Plough Corp.			40,500	2,045,250	
				23,147,825	
Communications 2.8%					
Telephone/Communications					
Bell Atlantic Corp.			36,500	1,854,656	
BroadWing, Inc.*			80,000	2,075,000	
Qwest Communications International Inc.*			43,000	2,136,563	
				6,066,219	
Financial 14.6%					
Banks 1.3%					
FleetBoston Financial Corp.			46,000	1,564,000	
Wells Fargo Co.			35,200	1,364,000	
				2,928,000	
Insurance 5.7%					
American International Group, Inc.			29,875	3,510,313	
Aon Corp.			55,000	1,708,438	
Cigna Corp.			22,200	2,075,700	
Hartford Financial Services Group, Inc.			40,000	2,237,500	
Jefferson Pilot Corp.			18,350	1,035,628	
St. Paul Companies, Inc.			59,000	2,013,375	
				12,580,954	
Consumer Finance 4.8%					
American Express Co.			52,800	2,752,200	
Capital One Finance Corp.			53,500	2,387,438	
Citigroup, Inc.			47,750	2,876,938	
Household International, Inc.			57,799	2,402,271	
				10,418,847	
Other Financial Companies 2.8%					
Federal National Mortgage Association .			37,000	1,930,938	
Marsh & McLennan Companies, Inc. ...			23,000	2,402,063	
Merrill Lynch & Co., Inc.			15,000	1,725,000	
				6,058,001	
Media 5.9%					
Broadcasting & Entertainment 5.1%					
Clear Channel Communications, Inc.* ..			20,994	1,574,550	
Infinity Broadcasting Corp. "A"*			81,900	2,984,231	
Univision Communication, Inc.*			11,600	1,200,600	
Viacom, Inc. "B"*			50,051	3,412,853	
Walt Disney Co.*			53,000	2,057,063	
				11,229,297	
Cable Television 0.8%					
AT&T Corp. — Liberty Media Group "A"*			72,000	1,745,990	

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
Service Industries 2.6%					
EDP Services 0.8%					
First Data Corp.	34,500	1,712,063	General Motors Corp. "H"*	25,000	2,193,750
			Motorola Inc.*	61,400	1,784,438
			Solectron Corp.*	64,800	2,713,500
					10,044,938
Miscellaneous Commercial Services 0.8%			EDP Peripherals 0.5%		
Siebel Systems, Inc.*	11,000	1,799,188	VERITAS Software Corp.*	10,000	1,130,156
Printing/Publishing 1.0%			Electronic Components/Distributors 3.0%		
McGraw-Hill, Inc.	40,100	2,165,400	Cisco Systems, Inc.*	102,900	6,540,581
Durables 2.5%			Electronic Data Processing 2.5%		
Aerospace			International Business Machines Corp. .	30,900	3,385,481
Boeing Co.	51,000	2,132,438	Sun Microsystems, Inc.*	23,700	2,155,219
United Technologies Corp.	58,000	3,414,750			5,540,700
		5,547,188	Semiconductors 8.6%		
Manufacturing 5.5%			Applied Materials, Inc.*	27,000	2,446,875
Diversified Manufacturing 3.4%			Intel Corp.	67,000	8,957,063
General Electric Co.	121,800	6,455,400	KLA Tencor Corp.*	29,000	1,698,313
Tyco International Ltd.	20,608	976,304	Teradyne, Inc.*	18,000	1,323,000
		7,431,704	Texas Instruments, Inc.	51,000	3,503,063
Industrial Specialty 0.7%			Xilinx, Inc.*	12,000	990,750
Corning, Inc.	6,000	1,619,250			18,919,064
Machinery/Components/Controls 0.5%			Energy 6.8%		
Parker-Hannifin Corp.	30,000	1,027,500	Oil & Gas Production 3.7%		
Office Equipment/Supplies 0.9%			Burlington Resources, Inc.	40,000	1,530,000
Lexmark International Group, Inc.			Exxon Mobil Corp.	52,770	4,142,445
"A"*	28,000	1,883,000	Royal Dutch Petroleum Co.		
			(New York shares)	38,000	2,339,375
					8,011,820
Technology 25.1%			Oilfield Services/Equipment 3.1%		
Computer Software 5.9%			Halliburton Co.	43,000	2,029,063
Intuit, Inc.*	28,000	1,158,500	Schlumberger Ltd.	43,500	3,246,188
Microsoft Corp.*	99,000	7,920,000	Transocean Sedo Forex, Inc.	29,904	1,597,995
Oracle Corp.*	47,000	3,950,938			6,873,246
		13,029,438	Total Common Stocks (Cost \$169,968,075)		
Diverse Electronic Products 4.6%					205,681,955
Dell Computer Corp.*	68,000	3,353,250	Total Investment Portfolio — 100.0%		
			(Cost \$183,449,861) (a)		
					219,163,741

Notes to Kemper Blue Chip Portfolio of Investments

* Non-income producing security.

(a) The cost for federal income tax purposes was \$183,449,861. At June 30, 2000, net unrealized appreciation for all securities based on tax cost was \$35,713,880. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$41,657,192 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$5,943,312.

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities as of June 30, 2000 (Unaudited)

Assets

Investments in securities, at value (cost \$183,449,861)	\$ 219,163,741
Receivable for investments sold	1,655,029
Dividends receivable	107,438
Receivable for Portfolio shares sold	154,298
Total assets	221,080,506

Liabilities

Due to custodian bank	238,257
Payable for investments purchased	1,949,750
Payable for Portfolio shares redeemed	29,549
Accrued management fee	111,456
Other accrued expenses and payables	30,723
Total liabilities	2,359,735

Net assets \$ 218,720,771

Net Assets

Net assets consist of:	
Undistributed net investment income	\$ 175,518
Net unrealized appreciation (depreciation) on investments	35,713,880
Accumulated net realized gain (loss)	(72,067)
Paid-in capital	182,903,440
Net assets, at value	\$ 218,720,771

Net Asset Value

Net Asset Value and redemption price per share (\$218,720,771 ÷ 140,416,189 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)

\$ 1.557

Statement of Operations for the six months ended June 30, 2000 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$6,044)	\$ 713,258
Interest	336,631
Total Income	1,049,889
Expenses:	
Management fee	646,429
Custodian fees	16,625
Auditing	15,544
Legal	2,834
Trustees' fees and expenses	8,288
Reports to shareholders	945
Registration fees	550
Total expenses, before expense reductions	691,215
Expense reductions	(116)
Total expenses, after expense reductions	691,099
Net investment income (loss)	358,790

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from investments	1,960,679
Net unrealized appreciation (depreciation) during the period on investments	(2,342,060)
Net gain (loss) on investment transactions	(381,381)

Net increase (decrease) in net assets resulting from operations \$ (22,591)

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

	Six Months Ended June 30, 2000 (Unaudited)	Year Ended December 31, 1999
Increase (Decrease) in Net Assets		
Operations:		
Net investment income (loss)	\$ 358,790	\$ 825,215
Net realized gain (loss) on investment transactions	1,960,679	1,076,081
Net unrealized appreciation (depreciation) on investment transactions during the period	(2,342,060)	28,749,940
Net increase (decrease) in net assets resulting from operations	(22,591)	30,651,236
Distributions to shareholders from:		
Net investment income	(776,598)	(587,311)
Portfolio share transactions:		
Proceeds from shares sold	39,664,364	82,946,795
Reinvestment of distributions	776,598	587,311
Cost of shares redeemed	(6,337,436)	(6,495,609)
Net increase (decrease) in net assets from Portfolio share transactions	34,103,526	77,038,497
Increase (decrease) in net assets	33,304,337	107,102,422
Net assets at beginning of period	185,416,434	78,314,012
Net assets at end of period (including undistributed net investment income of \$175,518 and \$593,326, respectively)	\$ 218,720,771	\$ 185,416,434
Other Information		
Shares outstanding at beginning of period	118,171,531	62,167,000
Shares sold	25,986,636	60,342,144
Shares issued to shareholders in reinvestment of distributions	487,472	426,104
Shares redeemed	(4,229,450)	(4,763,717)
Net increase (decrease) in Portfolio shares	22,244,658	56,004,531
Shares outstanding at end of period	140,416,189	118,171,531

Financial Highlights

The following table includes selected data for a share outstanding throughout each period and other performance information derived from the financial statements.

Years Ended December 31,	2000(a)	1999	1998	1997(b)
Net asset value, beginning of period	\$1.569	1.260	1.115	1.000
<i>Income (loss) from investment operations:</i>				
Net investment income (loss)	.002(c)	.009(c)	.010	.017
Net realized and unrealized gain (loss) on investment transactions	(.008)	.308	.145	.098
Total from investment operations	(.006)	.317	.155	.115
<i>Less distributions from:</i>				
Net investment income	(.006)	(.008)	(.010)	—
Total distributions	(.006)	(.008)	(.010)	—
Net asset value, end of period	\$1.557	1.569	1.260	1.115
Total Return (%)	(.35)**	25.24	13.84	11.54**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ thousands)	218,721	185,416	78,314	5,023
Ratio of expenses before expense reductions (%)	.70*	.71	.76	.95*
Ratio of expenses after expense reductions (%)	.70*	.70	.76	.95*
Ratio of net investment income (loss) (%)	.36*	.67	1.18	2.07*
Portfolio turnover rate (%)	79*	64	102	78*

(a) For the six months ended June 30, 2000 (Unaudited).

(b) For the period May 1, 1997 (commencement of operations) to December 31, 1997.

(c) Based on monthly average shares outstanding during the period.

* Annualized

** Not annualized

The accompanying notes are an integral part of the financial statements.

Kemper Growth Portfolio

Savvy technology stock selection early in the second quarter of fiscal year 2000 helped power the portfolio to solid six-month returns. The fund's returns were in line with the unmanaged Russell 1000 Growth Index, which was up 4.23% for the six months ended June 30.

In the second calendar quarter, there was a sharp market correction in retail stocks, increased volatility in most sectors, especially technology, and a high degree of uncertainty about the future course of Federal Reserve monetary policy. In our view, the Fed will need to stop raising interest rates to restore more confidence in the market. That could help reduce short-term volatility.

During the first quarter, we suspected early on there would be a shift in investor psychology about technology, and we had a wish list ready to go when the group corrected in the spring. In April, Malter increased the fund's technology exposure amid market weakness, adding Juniper Networks, Broadcom and Ariba, and each made a positive contribution to first half results. Health care stocks, particularly biotech, did well during the period.

Within technology, strength was found in individual stocks. Wireless communication, personal computer and Internet sectors were hurt but many companies with solid earnings prospects outperformed the broader market.

The portfolio's management team swapped positions in the media, satellite TV and retail sectors, replacing stocks that showed signs of fundamental weakness with companies with brighter earnings prospects. We shifted our media focus in favor of content-oriented companies rather than distribution companies. Overall, we believe the portfolio's disciplined investment style reduced our downside risk during an extremely volatile period. We continue to focus on selecting companies with the best growth prospects in a broad range of sectors.

Valerie F. Malter
Lead Portfolio Manager

Kemper Growth Portfolio

	Principal Amount (\$)	Value (\$)	Shares	Value (\$)
Repurchase Agreements 0.0%				
State Street Bank and Trust Company, 6.48%, to be repurchased at \$322,174 on 7/3/2000** (Cost \$322,000)	322,000	322,000		
Commercial Paper 3.0%				
Countrywide Home Loans Corp., 6.8%, 7/10/2000	5,000,000	4,991,500		
Detroit Edison Co., 7.15%, 7/14/2000	4,000,000	3,989,672		
Enron Corp., 6.9%, 7/6/2000	5,000,000	4,995,208		
Ford Motor Credit Co., 6.53%, 7/5/2000	4,500,000	4,496,655		
IBM Credit Corp., 6.51%, 7/7/2000	4,000,000	3,995,613		
Total Commercial Paper (Cost \$22,468,648)		22,468,648		
			Shares	
Common Stocks 97.0%				
Consumer Discretionary 7.1%				
Department & Chain Stores 6.1%				
Gap, Inc.	169,800	5,306,250		
Home Depot, Inc.	225,750	11,273,391		
Kohl's Corp.*	139,300	7,748,563		
Target Corp.	118,400	6,867,200		
Wal-Mart Stores, Inc.	260,400	15,005,550		
		46,200,954		
Recreational Products 0.3%				
Premier Parks, Inc.	114,200	2,598,050		
Specialty Retail 0.7%				
Circuit City Stores, Inc.	157,600	5,230,350		
Consumer Staples 6.6%				
Food & Beverage 1.9%				
PepsiCo, Inc.	320,600	14,246,663		
Package Goods/Cosmetics 4.7%				
Colgate-Palmolive Co.	251,600	15,064,550		
Estee Lauder Companies Inc. "A"	213,900	10,574,681		
Gillette Co.	275,400	9,621,788		
		35,261,019		
Health 16.1%				
Biotechnology 3.1%				
Genentech, Inc.*			68,000	11,696,000
MedImmune, Inc.*			157,800	11,677,200
				23,373,200
Medical Supply & Specialty 2.5%				
Medtronic, Inc.			379,370	18,897,368
Pharmaceuticals 10.5%				
Allergan, Inc.			99,600	7,420,200
Johnson & Johnson, Inc.			118,700	12,092,563
Merck & Co., Inc.			213,000	16,321,125
Pfizer, Inc.			902,350	43,312,800
				79,146,688
Communications 4.6%				
Cellular Telephone 2.5%				
American Tower Corp. "A"*			109,100	4,548,106
Nokia Oyj (ADR)			155,950	7,787,753
Vodafone AirTouch plc (ADR)			149,700	6,203,194
				18,539,053
Telephone/Communications 2.1%				
JDS Uniphase Corp.*			131,840	15,804,320
Financial 2.8%				
Insurance 1.0%				
American International Group, Inc.			65,475	7,693,313
Consumer Finance 0.8%				
American Express Co.			121,800	6,348,825
Other Financial Companies 1.0%				
Morgan Stanley Dean Witter & Co.			88,700	7,384,275
Media 6.4%				
Advertising 0.9%				
Omnicom Group, Inc.			77,800	6,929,063
Broadcasting & Entertainment 4.4%				
Clear Channel Communications, Inc.*			135,600	10,170,000
Univision Communication, Inc.*			69,300	7,172,550
Viacom, Inc. "B"*			131,000	8,932,562
Walt Disney Co.			184,500	7,160,906
				33,436,018
Cable Television 1.1%				
AT&T Corp. — Liberty Media Group "A"*			331,800	8,046,150

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
Service Industries 2.7%					
EDP Services 0.9%					
Electronic Data Systems Corp.	155,750	6,424,687			
Investment 0.9%					
Charles Schwab Corp.	203,400	6,839,325			
Miscellaneous Commercial Services 0.9%					
Siebel Systems, Inc.*	39,410	6,445,998			
Durables 1.4%					
Telecommunications Equipment					
Lucent Technologies, Inc.	180,400	10,688,700			
Manufacturing 6.0%					
Diversified Manufacturing					
General Electric Co.	661,200	35,043,600			
Textron, Inc.	191,500	10,400,844			
		45,444,444			
Technology 42.0%					
Computer Software 8.9%					
America Online, Inc.*	267,400	14,105,350			
Computer Associates International, Inc.	108,470	5,552,308			
I2 Technologies Inc.*	42,860	4,468,825			
Microsoft Corp.*	397,950	31,836,000			
Oracle Corp.*	131,630	11,065,147			
		67,027,630			
Diverse Electronic Products 6.9%					
Aether Systems, Inc.*	47,480	9,733,400			
			Applied Materials, Inc.*		
			191,790 17,380,968		
			Dell Computer Corp.*		
			132,890 6,553,138		
			General Motors Corp. "H" (New)		
			83,840 7,356,960		
			Teradyne, Inc.*		
			148,190 10,891,965		
			51,916,431		
			EDP Peripherals 3.0%		
			Ariba, Inc.*		
			104,490 10,244,918		
			EMC Corp.*		
			157,620 12,126,888		
			22,371,806		
			Electronic Components/Distributors 8.3%		
			Broadcom Corp.*		
			33,410 7,314,702		
			Cisco Systems, Inc.*		
			782,400 49,731,300		
			Juniper Networks, Inc.*		
			35,000 5,094,688		
			62,140,690		
			Electronic Data Processing 4.8%		
			International Business Machines Corp.		
			70,010 7,670,471		
			Sun Microsystems, Inc.*		
			310,910 28,273,378		
			35,943,849		
			Semiconductors 10.1%		
			Intel Corp.		
			386,640 51,688,935		
			Linear Technology Corp.		
			190,530 12,182,012		
			Vitesse Semiconductor Corp.*		
			167,060 12,289,351		
			76,160,298		
			Energy 1.3%		
			Oilfield Services/Equipment		
			Schlumberger Ltd.		
			126,200 9,417,675		
			Total Common Stocks (Cost \$486,985,440)		
			729,956,842		
			Total Investment Portfolio — 100.0%		
			(Cost \$509,776,088) (a)		
			752,747,490		

Notes to Kemper Growth Portfolio of Investments

* Non-income producing security.

** Repurchase agreements are fully collateralized by U.S. Treasury or Government agency securities.

(a) The cost for federal income tax purposes was \$509,776,088. At June 30, 2000, net unrealized appreciation for all securities based on tax cost was \$242,971,402. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$266,331,652 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$23,360,250.

Financial Statements

Statement of Assets and Liabilities as of June 30, 2000 (Unaudited)

Assets

Investments in securities, at value (cost \$509,776,088)	\$ 752,747,490
Cash	388
Receivable for investments sold	4,566,158
Dividends receivable	214,662
Interest receivable	58
Foreign taxes recoverable	626
Total assets	757,529,382

Liabilities

Payable for Portfolio shares redeemed	436,439
Accrued management fee	370,653
Other accrued expenses and payables	141,092
Total liabilities	948,184

Net assets, at value \$ 756,581,198

Net Assets

Net assets consist of:	
Accumulated net investment loss	\$ (497,957)
Net unrealized appreciation (depreciation) on:	
Investment securities	242,971,402
Foreign currency related transactions	(122)
Accumulated net realized gain (loss)	49,313,386
Paid-in capital	464,794,489

Net assets, at value \$ 756,581,198

Net Asset Value

Net Asset Value and redemption price per share ($\$756,581,198 \div 194,923,645$ outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized) \$ 3.881

Statement of Operations for the six months ended June 30, 2000 (Unaudited)

Investment Income

Income:	
Dividends	\$ 1,398,728
Interest	483,694
Total Income	1,882,422
Expenses:	
Management fee	2,196,650
Custodian fees	17,694
Auditing	73,321
Legal	13,111
Trustees' fees and expenses	16,453
Reports to shareholders	44,368
Registration fees	12,459
Interest expense	1,814
Other	5,598
Total expenses, before expense reductions	2,381,468
Expense reductions	(1,145)
Total expenses, after expense reductions	2,380,323
Net investment income (loss)	(497,901)

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from investments	51,292,014
Net unrealized appreciation (depreciation) during the period on:	
Investments	(20,375,875)
Foreign currency related transactions	(122)
	(20,375,997)

Net gain (loss) on investment transactions 30,916,017

Net increase (decrease) in net assets resulting from operations \$ 30,418,116

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2000 (Unaudited)	Year Ended December 31, 1999
Operations:		
Net investment income (loss)	\$ (497,901)	\$ (244,056)
Net realized gain (loss) on investment transactions	51,292,014	67,787,535
Net unrealized appreciation (depreciation) on investment transactions during the period	(20,375,997)	138,673,190
Net increase (decrease) in net assets resulting from operations	30,418,116	206,216,669
Distributions to shareholders from:		
Net realized gains	(64,685,654)	—
Portfolio share transactions:		
Proceeds from shares sold	43,853,956	51,314,647
Reinvestment of distributions	64,685,654	—
Cost of shares redeemed	(55,381,914)	(148,391,395)
Net increase (decrease) in net assets from Portfolio share transactions	53,157,696	(97,076,748)
Increase (decrease) in net assets	18,890,158	109,139,921
Net assets at beginning of period	737,691,040	628,551,119
Net assets at end of period (including accumulated net investment loss of \$497,957 at June 30, 2000)	\$ 756,581,198	\$ 737,691,040
Other Information		
Shares outstanding at beginning of period	181,948,508	212,587,320
Shares sold	11,098,562	15,490,628
Shares issued to shareholders in reinvestment of distributions	16,086,477	—
Shares redeemed	(14,209,902)	(46,129,440)
Net increase (decrease) in Portfolio shares	12,975,137	(30,638,812)
Shares outstanding at end of period	194,923,645	181,948,508

Financial Highlights

The following table includes selected data for a share outstanding throughout each period and other performance information derived from the financial statements.

Years Ended December 31,	2000(a)	1999	1998	1997	1996	1995
Net asset value, beginning of period	\$4.054	2.957	3.001	3.371	3.262	2.665
<i>Income (loss) from investment operations:</i>						
Net investment income (loss)	(.003)(b)	(.001)(b)	.007	.012	.030	.034
Net realized and unrealized gain (loss) on investment transactions	.190	1.098	.459	.448	.589	.793
Total from investment operations	.187	1.097	.466	.460	.619	.827
<i>Less distributions from:</i>						
Net investment income	—	—	(.010)	(.020)	(.040)	(.010)
Net realized gains on investment transactions	(.360)	—	(.500)	(.810)	(.470)	(.220)
Total distributions	(.360)	—	(.510)	(.830)	(.510)	(.230)
Net asset value, end of period	\$3.881	4.054	2.957	3.001	3.371	3.262
Total Return (%)	4.30**	37.12	15.10	21.34	21.63	32.97

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ thousands)	756,581	737,691	628,551	563,016	487,483	414,533
Ratio of expenses before expense reductions (%)	.65*	.66	.66	.65	.64	.64
Ratio of expenses after expense reductions (%)	.65*	.66	.66	.65	.64	.64
Ratio of net investment income (loss) (%)	(.14)*	(.04)	.28	.42	.94	1.15
Portfolio turnover rate (%)	58*	87	109	170	175	88

(a) For the six months ended June 30, 2000 (Unaudited).

(b) Based on monthly average shares outstanding during the period.

* Annualized

** Not annualized

The accompanying notes are an integral part of the financial statements.

Kemper Aggressive Growth Portfolio

The Kemper Aggressive Growth Portfolio posted strong returns for the semiannual period, outpacing both the S&P 500 and the Russell 3000 Index. That performance came despite periods of market volatility and a hostile technology environment.

The portfolio's strong showing can be attributed to a number of factors. For example, an underweighting in retail and financial stocks helped us avoid general weakness in that sector, while our large technology exposure allowed us to capitalize on a number of attractive opportunities. Some of the names that performed well during the quarter include Time Warner Telecom, Applied Micro Circuits and Vitesse.

Technology was a mixed bag for the fund, as the portfolio's best and worst performing issues came from this sector. Most notably, Microsoft, which lost ground in the wake of anti-trust proceedings, recently rebounded as legal news surrounding the software giant took a backseat and investors re-focused on fundamentals and solid earnings.

Even in the face of volatile market conditions, there are positive long term-growth trends that look especially promising in technology. The fiber optics area is one place where we have not seen any profit warnings and demand is increasing. The portfolio also benefited from its stock selection. As most retailers declined in the slowing economy, portfolio holding Kohl's gained. As we move forward, we remain focused on companies in exciting growth industries with proper values.

Sewall F. Hodges
Lead Portfolio Manager

As a non-diversified portfolio, it can invest more than 5% of its assets in the securities of a particular issuer. This presents greater risk of loss of principal as the financial condition or market's assessment of such securities changes.

Kemper Aggressive Growth Portfolio

	Principal Amount (\$)	Value (\$)		Shares	Value (\$)
Repurchase Agreements 1.2%					
State Street Bank and Trust Company, 6.48%, to be repurchased at \$510,275 on 7/3/2000** (Cost \$510,000)	510,000	510,000			
Short-Term Obligations 20.9%					
Federal Home Loan Bank Discount Note: 6.4%, 7/5/2000***	3,500,000	3,497,507			
6.45%, 7/6/2000***	4,000,000	3,996,411			
Federal National Mortgage Association Discount Note, 6.45%, 7/7/2000*** ..	1,500,000	1,498,400			
Total Short-Term Obligations (Cost \$8,992,318)		8,992,318			
			Shares		
Common Stocks 77.9%					
Consumer Discretionary 2.2%					
Department & Chain Stores 1.3%					
Kohl's Corp.*	9,900	550,683			
Recreational Products 0.5%					
Harley-Davidson, Inc.	5,400	207,895			
Restaurants 0.4%					
CEC Entertainment, Inc.*	7,200	184,500			
Health 6.7%					
Biotechnology 3.2%					
Immune Corp.*	7,400	365,838			
Invitrogen Corp.*	2,000	150,406			
QLT PhotoTherapeutics, Inc.*	4,500	349,497			
Waters Corp.*	4,000	499,250			
		1,364,991			
Medical Supply & Specialty 3.3%					
Andrx Corp.*	11,300	722,317			
Medtronic, Inc.	10,698	532,894			
ResMed, Inc.*	7,000	187,250			
		1,442,461			
Pharmaceuticals 0.1%					
Charles River Laboratories International, Inc.*	2,900	64,344			
Communications 4.1%					
Telephone/Communications 4.1%					
Adelphia Business Solutions, Inc.*	10,600	245,788			
BroadWing, Inc.				12,600	326,813
Pinnacle Holdings, Inc.*				6,600	356,400
Time Warner Telecom, Inc. "A"*				13,200	849,750
					1,778,751
Media 2.4%					
Broadcasting & Entertainment					
Citadel Communications Corp.*				9,300	324,919
Cumulus Media, Inc. "A"*				1,800	16,425
Univision Communication, Inc.*				3,700	382,950
Viacom, Inc. "B"*				4,504	307,117
					1,031,411
Service Industries 6.6%					
EDP Services 3.6%					
CSG Systems International, Inc.*				6,600	370,013
Fiserv Inc.*				16,300	704,975
PSINet, Inc.*				10,100	253,763
Sapient Corp.*				1,900	203,181
					1,531,932
Miscellaneous Commercial Services 2.6%					
CMG Information Services, Inc.*				2,600	119,113
Concord EFS, Inc.*				30,000	780,000
Internap Network Services Corp.*				4,900	203,427
					1,102,540
Miscellaneous Consumer Services 0.5%					
eBay, Inc.*				3,600	195,525
Durables 2.3%					
Telecommunications Equipment					
Antec Corp.*				9,300	386,531
Spectrasite Holdings, Inc.*				13,900	394,413
Tellabs, Inc.*				2,900	198,469
					979,413
Manufacturing 3.2%					
Electrical Products 1.8%					
Anadigics, Inc.*				10,100	344,031
Nanometrics, Inc.*				10,300	424,231
					768,262
Industrial Specialty 0.9%					
Corning, Inc.				1,400	377,825
Office Equipment/Supplies 0.6%					
Lexmark International Group, Inc. "A"*				3,600	242,100
Technology 48.5%					
Computer Software 10.2%					
Advanced Digital Information Corp.* ...				8,500	135,469
Broadvision, Inc.*				6,882	349,692
Check Point Software Technologies, Ltd.				3,800	804,650
Comverse Technologies, Inc.*				6,100	567,300
Davox Corp.*				9,600	124,200

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
Evolving Software, Inc.*	9,000	52,875	Office/Plant Automation 1.4%		
FirstWorld Communications Inc. "B"*	500	5,250	3Com Corp.*	2,800	161,350
HNC Software, Inc.*	3,300	203,775	Mercury Computer Systems, Inc.*	14,000	452,375
Information Architects Corp.*	10,900	75,619			613,725
Intuit, Inc.*	10,900	450,988	Precision Instruments 3.5%		
MetaCreations Corp.*	5,900	70,800	Credence Systems Corp.*	6,800	375,275
Microsoft Corp.*	7,700	616,000	Excel Technology, Inc.*	10,900	548,406
PeopleSoft, Inc.*	13,500	226,125	Photon Dynamics, Inc.*	7,600	567,625
SAP AG (Sponsored ADR)	6,200	291,013			1,491,306
Verity, Inc.*	9,800	372,400	Semiconductors 16.2%		
VocalTec, Ltd.*	4,200	96,600	Atmel Corp.*	13,700	505,188
		4,442,756	California Micro Devices Corp.*	4,800	145,800
Diverse Electronic Products 3.3%			Elantec Semiconductor, Inc.*	3,500	243,688
Dell Computer Corp.*	7,100	350,119	Intel Corp.	4,800	641,700
Natural Microsystems Corp.*	2,400	269,850	Intersil Holding Corp.*	7,600	410,875
RF Micro Devices, Inc.*	3,900	341,738	Linear Technology Corp.*	7,700	492,319
Solectron Corp.*	10,900	456,438	Pericom Semiconductor Corp.*	8,000	544,000
		1,418,145	QLogic Corp.*	6,600	436,013
EDP Peripherals 6.6%			SDL, Inc.*	3,100	884,081
EMC Corp.*	7,700	592,419	Sanmina Corp.*	9,700	829,350
Mercury Interactive Corp.*	10,000	967,500	Silicon Storage Technology, Inc.*	8,300	732,994
Network Appliance, Inc.*	4,700	378,350	Siliconix, Inc.*	2,000	135,000
Symbol Technologies, Inc.	16,950	915,300	Vitesse Semiconductor Corp.*	13,300	978,381
		2,853,569			6,979,389
Electronic Components/Distributors 7.3%			Energy 1.9%		
Analog Devices, Inc.*	4,300	326,800	Oil & Gas Production		
Applied Micro Circuits Corp.*	6,700	661,625	Anadarko Petroleum Corp.	8,300	409,294
Cisco Systems, Inc.*	5,800	368,663	Nabors Industries, Inc.*	9,400	390,688
Jabil Circuit*	9,800	486,325			799,982
Three-Five Systems, Inc.*	10,000	590,000	Total Common Stocks (Cost \$30,817,738)		33,554,865
Vishay Intertechnology, Inc.*	18,450	699,947	Total Investment Portfolio — 100.0%		
		3,133,360	(Cost \$40,320,056) (a)		43,057,183

Notes to Kemper Aggressive Growth Portfolio of Investments

* Non-income producing security.

** Repurchase agreements are fully collateralized by U.S. Treasury or Government agency securities.

*** Annualized yield at time of purchase; not a coupon rate.

(a) The cost for federal income tax purposes was \$40,320,056. At June 30, 2000, net unrealized appreciation for all securities based on tax cost was \$2,737,127. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$5,217,496 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$2,480,369.

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities as of June 30, 2000 (Unaudited)

Assets

Investments in securities, at value (cost \$40,320,056)	\$ 43,057,183
Cash	49,911
Receivable for investments sold	94,336
Interest receivable	92
Receivable for Portfolio shares sold	281,892
Foreign taxes recoverable	121
Total assets	43,483,535

Liabilities

Payable for investments purchased	48,205
Other accrued expenses and payables	22,999
Total liabilities	71,204
Net assets, at value	\$ 43,412,331

Net Assets

Net assets consist of:	
Undistributed net investment income	\$ 150,826
Net unrealized appreciation (depreciation) on investments	2,737,127
Accumulated net realized gain (loss)	(391,070)
Paid-in capital	40,915,448
Net assets, at value	\$ 43,412,331

Net Asset Value

Net Asset Value and redemption price per share (\$43,412,331 + 28,345,106 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 1.532
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Statement of Operations for the six months ended June 30, 2000 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$74)	\$ 3,130
Interest	259,315
Total Income	262,445
Expenses:	
Management fee	102,832
Custodian and accounting fees	30,712
Auditing	1,400
Legal	1,115
Trustees' fees and expenses	10,995
Reports to shareholders	1,000
Registration fees	5,270
Other	50
Total expenses, before expense reductions	153,374
Expense reductions	(23,105)
Total expenses, after expense reductions	130,269
Net investment income (loss)	132,176

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	(333,847)
Foreign currency related transactions	(33)
	(333,880)
Net unrealized appreciation (depreciation) during the period on Investments	1,125,605
Net gain (loss) on investment transactions	791,725

Net increase (decrease) in net assets resulting from operations	\$ 923,901
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The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2000 (Unaudited)	Period Ended December 31, 1999(a)
Operations:		
Net investment income (loss)	\$ 132,176	\$ 18,653
Net realized gain (loss) on investment transactions	(333,880)	138,836
Net unrealized appreciation (depreciation) on investment transactions during the period	1,125,605	1,611,522
Net increase (decrease) in net assets resulting from operations	923,901	1,769,011
Distribution to shareholders from:		
Net realized gains	(196,026)	—
Portfolio share transactions:		
Proceeds from shares sold	32,232,384	8,842,615
Reinvestment of distributions	196,026	—
Cost of shares redeemed	(1,413,976)	(441,604)
Net increase (decrease) in net assets from Portfolio share transactions	31,014,434	8,401,011
Increase (decrease) in net assets	31,742,309	10,170,022
Net assets at beginning of period	11,670,022	1,500,000
Net assets at end of period (including undistributed net investment income of \$150,826 and \$18,650, respectively)	\$ 43,412,331	\$ 11,670,022
Other Information		
Shares outstanding at beginning of period	8,342,278	1,500,000
Shares sold	20,856,226	7,189,659
Shares issued to shareholders in reinvestment of distributions	121,102	—
Shares redeemed	(974,500)	(347,381)
Net increase (decrease) in Portfolio shares	20,002,828	6,842,278
Shares outstanding at end of period	28,345,106	8,342,278

(a) For the period from May 1, 1999 (commencement of operations) to December 31, 1999.

Financial Highlights

The following table includes selected data for a share outstanding throughout each period and other performance information derived from the financial statements.

	2000(a)	1999(b)
Net asset value, beginning of period	\$1.399	1.000
<i>Income (loss) from investment operations:</i>		
Net investment income (loss) (c)	.008	.006
Net realized and unrealized gain (loss) on investment transactions	.135	.393
Total from investment operations	.143	.399
<i>Less distributions from:</i>		
Net realized and unrealized gains on investment transactions	(.010)	—
Total distributions	(.010)	—
Net asset value, end of period	\$1.532	1.399
Total Return (%)	10.16**	39.89**
Ratios to Average Net Assets and Supplemental Data		
Net assets, end of period (\$ thousands)	43,412	11,670
Ratio of expenses before expense reductions (%)	1.12*	2.66*
Ratio of expenses after expense reductions (%)	.95*	.95*
Ratio of net investment income (loss) (%)	.97*	.80*
Portfolio turnover rate (%)	1.77*	90*

(a) For the six months ended June 30, 2000 (Unaudited).

(b) For the period from May 1, 1999 (commencement of operations) to December 31, 1999.

(c) Based on monthly average shares outstanding during the period.

* Annualized

** Not annualized

The accompanying notes are an integral part of the financial statements.

Kemper Horizon 20+ Portfolio

The first six months of calendar year 2000 was a challenging period for Horizon 20+ Portfolio. Growth stocks outpaced value stocks. Based on price fluctuations of Nasdaq-traded stocks, equities were more volatile than at any point since the early 1990s. It was a time we believe illustrated by the potential benefits of maintaining a diverse global portfolio. Bonds, particularly Treasuries, generally outperformed large-cap domestic stocks.

In the first quarter, we attempted to reduce the effects of short-term stock price volatility on equity returns by realigning assets to more closely match a diverse, unmanaged blend of domestic and international stocks. In the fixed-income area, we stuck by our mandate to focus on high quality, shorter-term securities. This positioning helped preserve principal and enhance income potential as the Federal Reserve Board raised short-term interest rates.

The portfolio was underweighted in technology companies relative to its composite benchmark because we believed many stocks in this sector were overpriced. This positioning helped reduce volatility when the Nasdaq Composite Index declined sharply in early spring.

In the second quarter, strong returns from large holdings such as Pfizer and Merck helped lift results. This was offset by weakness in selected technology shares such as Microsoft and Cisco Systems.

Throughout the first half of the year, the portfolio's domestic stock holdings had a lower-than-average price/earnings ratio (P/E) compared to the portfolio's equity benchmark (an unmanaged blend of 70% Russell 1000 Index stocks and 30% Russell 2000 Index stocks). We believe this valuation discipline should serve the portfolio well in the coming months.

Robert D. Tymoczko
Lead Portfolio Manager

Kemper Horizon 20+ Portfolio

	Principal Amount (\$)	Value (\$)	Shares	Value (\$)
Repurchase Agreements 2.4%				
State Street Bank and Trust Company, 6.48%, to be repurchased at \$787,425 on 7/3/2000** (Cost \$787,000)	787,000	787,000		
U.S. Government & Agencies 18.3%				
U.S. Treasury Notes:				
8.5%, 11/15/2000	650,000	655,077		
5.5%, 12/31/2000	675,000	672,044		
6.5%, 5/31/2001	1,560,000	1,560,000		
6.625%, 7/31/2001	1,700,000	1,702,125		
6.25%, 2/28/2002	830,000	827,145		
7.875%, 11/15/2004	501,000	530,514		
Total U.S. Government & Agencies (Cost \$6,115,309)		5,946,905		
U.S. Government Agency Pass-Thrus 0.7%				
Federal Home Loan Mortgage Corp.,:				
6% with various maturities to 4/15/2006	14,218	14,138		
6.5% with various maturities to 10/17/2014	54,001	53,798		
Federal National Mortgage Association, 6.01% with various maturities to 7/24/2000	150,000	149,976		
Total U.S. Government Agency Pass-Thrus (Cost \$217,291)		217,912		
			Shares	
Preferred Stocks 0.1%				
Service Industries				
Printing/Publishing				
News Corp. Ltd. Preferred ordinary (Cost \$41,043)	3,200	38,552		
Common Stocks 78.5%				
Consumer Discretionary 4.3%				
Apparel & Shoes 0.1%				
Jones Apparel Group, Inc.*	1,956	45,966		
Department & Chain Stores 2.6%				
Ames Department Stores, Inc.*	900	6,975		
AnnTaylor Stores Corp.*	700	23,187		
Burlington Coat Factory Warehouse Corp.	2,900	31,356		
Dillard's Inc.			4,300	52,675
Home Depot, Inc.			3,450	172,284
Kingfisher plc			4,300	39,244
Longs Drug Stores, Inc.			2,700	58,725
May Department Stores			900	21,600
Neiman Marcus Group, Inc.*			2,000	59,125
Pacific Sunwear of California, Inc.			1,000	18,750
W.H. Smith Group plc			7,900	47,947
Wal-Mart Stores, Inc.			5,000	288,125
				819,993
Home Furnishings 0.3%				
Furniture Brands International Inc.*			4,200	63,525
Newell Rubbermaid, Inc.			900	23,175
				86,700
Recreational Products 0.3%				
Fairfield Communities, Inc.*			5,800	45,675
Nintendo Co., Ltd.			300	52,472
				98,147
Restaurants 0.3%				
Applebee's International Inc.*			1,500	45,469
Ryan's Family Steak Houses, Inc.*			6,300	53,156
				98,625
Specialty Retail 0.6%				
Amazon.com, Inc.*			100	3,631
AutoZone, Inc.*			2,600	57,200
Avis Rent A Car, Inc.*			1,200	22,500
Central Garden & Pet Co.			3,500	31,391
Family Dollar Stores Inc.			1,500	29,344
New Business Service, Inc.			1,200	19,500
The Finish Line, Inc. "A"*			2,300	18,831
Wet Seal, Inc. "A"*			1,200	15,750
				198,147
Miscellaneous 0.1%				
Herman Miller, Inc.			1,200	31,050
Consumer Staples 3.4%				
Alcohol & Tobacco 1.5%				
Adolph Coors Company			500	30,250
Bass plc			4,900	55,240
Imperial Tobacco Group plc			8,500	81,638
Philip Morris Companies, Inc.			5,700	151,406
SEITA			1,000	41,928
UST, Inc.			3,400	49,938
Universal Corp.			2,500	52,813
				463,213
Consumer Electronic & Photographic 0.3%				
Sony Corp.*			1,000	93,498
Consumer Specialties 0.3%				
American Greeting Corp., "A"			2,400	45,600
Duane Reade Inc.*			1,700	43,775
				89,375

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
Food & Beverage 1.0%					
Coca-Cola Co.	2,800	160,825	Eli Lilly & Co.	1,200	119,850
Farmer Brothers Co.	400	70,000	Gilead Sciences, Inc.	700	49,787
Seaboard Corp.	200	34,400	Glaxo Wellcome plc	1,800	52,629
Suiza Foods Corp.*	600	29,325	ImClone Systems Inc.*	300	22,931
SUPERVALU, Inc.	2,100	40,031	Johnson & Johnson, Inc.	1,400	142,625
		<u>334,581</u>	Jones Pharma Inc.	750	29,953
Package Goods/Cosmetics 0.2%			King Pharmaceuticals, Inc.*	300	13,163
Chattem, Inc.*	1,100	15,056	Medicis Pharmaceutical Corp.*	500	28,500
Procter & Gamble Co.	1,100	62,975	Merck & Co., Inc.	3,900	298,838
		<u>78,031</u>	Pfizer, Inc.	4,750	228,000
Textiles 0.1%			Sankyo Co., Ltd.	1,000	22,619
VF Corp.	1,500	35,719	Schering-Plough Corp.	1,500	75,750
			SmithKline Beecham plc	5,500	72,186
Health 8.4%			Suzuken Co., Ltd.	900	34,849
Biotechnology 1.8%			Taisho Pharmaceutical Co., Ltd.	4,000	143,552
Affymetrix, Inc.*	200	33,025			<u>1,596,194</u>
Alkermes, Inc.*	600	28,275	Communications 8.0%		
Amgen Inc.*	1,600	112,400	Cellular Telephone 0.4%		
Bio-Rad Laboratories, Inc. "A"*	1,400	35,000	Leap Wireless International, Inc.*	400	18,800
Biogen, Inc.*	700	45,150	Sprint Corp. (PCS Group)*	500	29,750
Enzo Biochem Inc.*	300	20,700	Telecom Italia Mobile SpA	6,400	65,285
Enzon, Inc.*	600	25,500			<u>113,835</u>
Human Genome Sciences, Inc.	600	80,025	Telephone/Communications 7.3%		
IDEC Pharmaceuticals Corp.*	500	58,656	ADC Telecommunications, Inc.*	873	73,223
Incyte Pharmaceuticals, Inc.*	200	16,437	AT&T Corp.*	3,600	113,850
Millennium Pharmaceuticals, Inc.*	800	89,500	BCE, Inc.	900	21,335
Protein Design Labs, Inc.*	200	32,991	Bell Atlantic Corp.	1,500	76,219
Triangle Pharmaceuticals, Inc.*	1,000	9,063	BellSouth Corp.	1,400	59,675
		<u>586,722</u>	British Telecom plc	7,600	98,479
Health Industry Services 0.9%			CapRock Communications Corp.*	300	5,850
Cardinal Health, Inc.	1,900	140,600	Deutsche Telekom AG	2,600	147,483
Hanger Orthopedic Group, Inc.*	6,000	29,625	Digital Microwave Corp.*	700	26,687
MedQuist, Inc.*	600	20,400	Ericsson LM-B Shs	7,200	142,939
Shared Medical Systems Corp.	800	58,350	France Telecom S.A.	900	125,613
Wellpoint Health Networks, Inc.*	700	50,706	IDT Corp.	600	20,362
		<u>299,681</u>	ITC DeltaCom Inc.	500	11,156
Hospital Management 0.2%			InterDigital Communication Corp.*	1,100	18,219
Trigon Healthcare, Inc.*	500	25,781	Intermedia Communications Inc.*	700	20,825
Universal Health Services, Inc.*	500	33,000	JDS Uniphase Corp.*	800	95,900
		<u>58,781</u>	Koninklijke Kpn NV	1,300	58,064
Medical Supply & Specialty 0.5%			Level 3 Communications, Inc.*	300	26,400
C.R. Bard, Inc.	2,200	105,875	MasTec, Inc.*	600	22,913
Cytoc Corp.*	200	10,675	MRV Communications Inc.*	400	26,900
Medtronic, Inc.	900	44,831	NEXTLINK Communications, Inc. "A" ..	586	22,231
NBTY Inc.*	1,800	11,475	Nokia Oyj	4,700	239,496
		<u>172,856</u>	Nortel Networks Corp.	1,413	98,004
Pharmaceuticals 5.0%			Nortel Networks Corp.	400	27,300
Abgenix, Inc.	400	47,944	Oki Electric Industry Company*	6,000	46,749
Advance Paradigm, Inc.*	1,100	22,550	P-Com Inc.*	700	3,981
American Home Products Corp.	2,200	129,250	Proxim, Inc.	100	9,897
COR Therapeutics, Inc.*	300	25,594	SBC Communicatons, Inc.	2,810	121,533
Celegne Corp.	300	17,662	Sirius Satellite Radio Inc.*	300	13,294
Cephalon, Inc.	300	17,962	TALK.com, Inc.*	1,400	8,138
			Tekelec*	300	14,456

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
Telecom Italia SpA	7,200	98,843	Stewart Information Services Corp.	1,400	20,475
Telefonica S.A.*	1,300	27,885	Torchmark Corp.	2,100	51,844
Terayon Communication Systems, Inc.*	400	25,694	XL Capital Ltd. "A"	1,651	89,360
Viatel, Inc.*	400	11,425			982,847
Vodafone AirTouch plc	63,000	255,225	Business Finance 0.3%		
WorldCom, Inc.*	3,100	142,213	Heller Financial Inc.	4,100	84,050
Xircom, Inc.*	700	33,250			
		2,391,706	Consumer Finance 1.4%		
Miscellaneous 0.3%			Citigroup, Inc.	5,650	340,412
C-Cube Microsystems Inc.*	600	11,775	Promise Co., Ltd.	400	31,657
Emmis Communications Class A*	1,700	70,337	SLM Holding Corp.	1,500	56,156
Metricom, Inc.*	300	8,363	Takefuji Corp.	300	36,294
VoiceStream Wireless Corp.*	105	12,211			464,519
		102,686	Other Financial Companies 2.9%		
Financial 12.5%			ACOM Co., Ltd.	300	25,273
Banks 4.7%			Edwards (A.G.) Inc.	2,300	89,700
ABN AMRO Holding N.V.	7,500	183,472	Federal Home Loan Mortgage Corp.	2,300	93,150
Bank of America Corp.	1,914	82,302	Federal National Mortgage Association	2,900	151,344
Bank of Nova Scotia	3,000	73,546	GreenPoint Financial Corp.	2,900	54,375
Bank of Tokyo-Mitsubishi, Ltd.	4,000	48,392	HSBC Holdings plc	5,500	63,048
Banque Nationale de Paris	1,000	96,098	Halifax Group plc	5,000	48,098
Barclays plc	1,900	47,366	Legg Mason, Inc.	2,400	120,000
Chase Manhattan Corp.	2,400	110,550	Man (ED&F) Group plc	10,600	85,403
Christiania Bank og Kreditkasse	15,200	81,542	Morgan Stanley Dean Witter & Co.	1,800	149,850
Credit Suisse Group (Registered)	300	59,607	Nichiei Co., Ltd.	800	13,146
Dresdner Bank AG	1,800	74,476	Nomura Securities Co., Ltd.	2,000	49,015
FleetBoston Financial Corp.	4,000	136,000			942,402
Fuji Bank, Ltd.	5,000	38,060	Real Estate 0.2%		
Golden West Financial Corp.	1,200	48,975	Cheung Kong Holdings Ltd.	4,000	43,999
Lloyds TSB Group plc	6,000	56,808	Sun Hung Kai Properties Ltd.	3,200	22,987
PNC Bank Corp.	800	37,500			66,986
Sakura Bank, Ltd.	9,000	62,303	Media 1.8%		
San Paolo — IMI S.p.A.	2,200	38,990	Advertising 0.0%		
Societe Generale	800	48,049	DoubleClick, Inc.*	200	7,625
St. George Bank Ltd.	4,000	27,246	Broadcasting & Entertainment 0.6%		
Sumitomo Bank, Ltd.	3,000	36,832	British Sky Broadcasting Group plc	2,300	45,088
UBS AG (Registered)	400	58,535	EM.TV & Merchandising AG	100	5,882
Wells Fargo Co.	2,000	77,500	NBC Internet Inc.-A*	1,200	15,000
		1,524,149	Pegasus Communications Corp.*	800	39,250
Insurance 3.0%			Walt Disney Co.	2,200	85,387
AMBAC Financial Group, Inc.	2,500	137,031			190,607
AXA S.A.	700	110,112	Cable Television 1.0%		
Aetna, Inc.	500	32,094	ACTV, Inc.*	800	11,950
American General Corp.	1,000	61,000	AT&T Corp. — Liberty Media Group "A"*	3,600	87,300
Chubb Corp.	370	22,755	Canal Plus S.A.	200	33,558
Cigna Corp.	100	9,350	Comcast Corp. "A"	1,600	64,800
Fidelity National Financial, Inc.	1,900	34,794	Granada Group plc	7,000	70,099
Hartford Financial Services Group, Inc.	400	22,375	Media One Group, Inc.*	700	46,638
ING Groep N.V.	1,520	102,596			314,345
Jefferson Pilot Corp.	1,325	74,780	Print Media 0.2%		
Muenchener Rueckversicherungs-Gesellschaft AG (Registered)	250	78,890	Softbank Corp.	500	67,998
Protective Life Corp.	1,700	45,263			
Skandia Forsakrings AB	3,400	90,128			

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
Service Industries 3.6%					
EDP Services 0.7%					
Affiliated Computer Services*	1,200	39,675	GKN plc	5,000	63,954
First Data Corp.	2,600	129,025	Honda Motor Co., Ltd.	2,000	68,187
Micromuse, Inc.*	300	49,645	Monaco Coach Corp.*	1,200	16,350
VeriSign, Inc.*	100	17,650	Toyota Motor Corp.	3,000	136,847
		<u>235,995</u>			<u>341,428</u>
Investment 0.8%			Construction/Agricultural Equipment 0.1%		
Bear Stearns Companies, Inc.	1,911	79,545	Terex Corp.*	2,200	31,075
Charles Schwab Corp.	1,200	40,350			
Paine Webber Group, Inc.	1,400	63,700	Telecommunications Equipment 1.2%		
Raymond James Financial, Inc.	3,000	67,500	Advanced Fibre Communications, Inc.*	700	31,719
		<u>251,095</u>	Alcatel	1,000	65,495
Miscellaneous Commercial Services 0.7%			Antec Corp.	800	33,250
Aspect Communications Corp.*	700	27,519	Com21, Inc.*	400	10,000
CMG Information Services, Inc.	200	9,162	Lucent Technologies, Inc.	3,300	195,525
Cap Gemini SA	300	52,768	Polycom, Inc.*	200	18,819
Diamond Technology Partners Inc.	200	17,600	Scientific-Atlanta, Inc.	500	37,250
Hanson plc	7,800	55,269			<u>392,058</u>
Kelly Services, Inc. "A"	600	13,875	Manufacturing 7.1%		
Personnel Group of America, Inc.*	3,200	9,400	Chemicals 1.0%		
Vivendi	600	52,882	Akzo Nobel N.V.	1,600	67,879
		<u>238,475</u>	BASF AG	2,300	92,971
Miscellaneous Consumer Services 0.8%			BOC Group plc	3,900	56,216
Akamai Technologies, Inc.*	59	7,005	Dow Chemical Co.	600	18,112
Go2Net, Inc.*	200	10,062	Praxair, Inc.	1,600	59,900
Navigant Consulting, Inc.*	3,000	12,750	Rohm & Haas Co.	300	10,350
Peregrine Systems, Inc.*	1,250	43,359	Valhi, Inc.	2,700	28,013
Profit Recovery Group International, Inc.*	1,300	21,613			<u>333,441</u>
TXU Corporation	2,100	61,950	Containers & Paper 0.6%		
United Utilities plc	7,100	70,454	FPB Holding AG	966	149,652
Yahoo!, Inc.*	200	24,775	UPM-Kymmene Oyj	1,800	44,617
		<u>251,968</u>			<u>194,269</u>
Printing/Publishing 0.2%			Diversified Manufacturing 3.5%		
Mail-Well, Inc.*	3,700	31,913	Briggs & Stratton Corp.	1,700	58,225
Reuters Group plc	2,000	34,200	Cooper Industries, Inc.	1,100	35,819
		<u>66,113</u>	General Electric Co.	10,500	556,500
Miscellaneous 0.4%			Hillenbrand Industries, Inc.	2,100	65,756
Adecco S.A.	100	84,864	Honeywell International, Inc.	2,400	80,850
Metris Companies Inc.	1,200	30,150	Hutchison Whampoa, Ltd.	4,180	52,548
Startek Inc.*	400	20,150	Koninklijke Philips Electronics N.V.	2,100	98,901
		<u>135,164</u>	Man AG	900	27,456
Durables 3.3%			Siemens AG	500	75,076
Aerospace 0.9%			Sulzer Brothers Ltd. (Registered)	100	66,434
Alliant Techsystems, Inc.*	500	33,719	Tyco International Ltd.	1	47
Boeing Co.	1,300	54,356	Water Pik Technologies, Inc.*	105	656
GenCorp, Inc.	2,300	18,400			<u>1,118,268</u>
Primex Technologies, Inc.	2,000	44,000	Electrical Products 0.3%		
Teledyne Technologies Inc.*	300	5,025	ABB, Ltd.	300	35,865
United Technologies Corp.	2,400	141,300	Anadigics, Inc.*	250	8,516
		<u>296,800</u>	Power-One, Inc.*	450	51,272
Automobiles 1.1%					<u>95,653</u>
Borg-Warner Automotive Inc.	550	19,319	Industrial Specialty 0.7%		
DaimlerChrysler AG	700	36,771	Carlisle Companies Inc.	1,700	76,500
			Corning, Inc.	400	107,950
			Kulicke & Soffa Industries, Inc.	400	23,750

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
Qualcomm Inc.*	500	30,000	Wind River Systems*	600	22,725
		238,200			1,426,539
Machinery/Components/Controls 0.9%			Diverse Electronic Products 0.9%		
Asyst Technologies, Inc.*	400	13,700	Applied Materials, Inc.*	1,200	108,750
Illinois Tool Works, Inc.	1,297	73,929	DSP Group, Inc.*	400	22,400
Ingersoll-Rand Co.	2,100	84,525	Dell Computer Corp.*	2,500	123,281
Okuma Corp.	10,000	43,821	Motorola Inc.	1,500	43,594
Reliance Steel & Aluminum Co.	3,950	75,544			298,025
		291,519	EDP Peripherals 1.1%		
Office Equipment/Supplies 0.1%			EMC Corp.*	2,000	153,875
Olivetti SpA*	6,200	22,520	lomega Corp.*	2,800	11,200
			MMC Networks, Inc.*	400	21,375
Technology 16.7%			Mercury Interactive Corp.*	1,000	96,750
Computer Software 4.5%			Network Appliance, Inc.*	200	16,100
Actuate Corp.*	200	10,675	SCM Microsystems, Inc.	200	12,113
Advanced Digital Information Corp.*	400	6,375	VERITAS Software Corp.*	450	50,857
America Online, Inc.*	2,000	105,500			362,270
Ancor Communications, Inc.*	500	17,883	Electronic Components/Distributors 2.5%		
Avant! Corp.*	2,600	48,709	Altera Corp.*	300	30,581
BEA Systems, Inc.*	600	29,662	Analog Devices, Inc.*	400	30,400
Broadvision, Inc.*	900	45,731	Broadcom Corp.*	100	21,894
Celera Genomics	500	46,750	Cisco Systems, Inc.*	7,400	470,362
Citrix Systems, Inc.*	300	5,681	Kyocera Corp.	300	50,970
Computer Associates International, Inc.	900	46,069	PMC-Sierra, Inc.*	200	35,538
Echelon Corp.*	300	17,381	Powerwave Technologies, Inc.*	400	17,600
Entrust Technologies Inc.*	300	24,825	SCI Systems, Inc.*	300	11,756
Exchange Applications, Inc.*	600	15,975	Sandisk Corp.*	300	18,356
Exodus Communications, Inc.*	200	9,212	Sawtek, Inc.*	400	23,025
HNC Software, Inc.*	400	24,700	Technitrol, Inc.	1,200	116,250
Hyperion Solutions Corp.*	400	12,975			826,732
I2 Technologies Inc.*	220	22,938	Electronic Data Processing 2.0%		
ISS Group, Inc.	500	49,367	Apple Computer, Inc.*	600	31,425
InfoCure Corp.*	1,900	10,687	Compaq Computer Corp.	2,700	69,019
Informatica Corp.*	200	16,387	Fujitsu, Ltd.	2,000	69,320
MTI Technology Corp.*	600	4,800	Hewlett-Packard Co.	900	112,387
Macrovision Corp.*	500	31,961	International Business Machines Corp.	2,100	230,081
Manugistics Group Inc.*	100	4,675	Sun Microsystems, Inc.*	1,500	136,406
Mercator Software Inc.*	200	13,750			648,638
Micrel Inc.*	600	26,063	Military Electronics 0.6%		
MicroStrategy Inc.*	700	21,000	Computer Sciences Corp.*	700	52,281
Microsoft Corp.*	4,700	376,000	General Dynamics Corp.	2,300	120,175
Oracle Corp.*	1,800	151,313	Titan Corp.*	700	31,325
RSA Security, Inc.*	600	41,550			203,781
Rare Medium Group, Inc.*	400	6,325	Office/Plant Automation 0.1%		
Remedy Corp.*	400	22,300	3Com Corp.*	500	28,813
Reynolds and Reynolds Co.	1,200	21,900	Cognex Corp.	100	5,175
S1 Corp.*	300	6,994			33,988
Sybase Inc.*	1,300	29,900	Precision Instruments 0.4%		
Synopsys Ltd.*	900	31,106	ADTRAN, Inc.*	400	23,950
THQ, Inc.*	1,000	12,188	Credence Systems Corp.*	600	33,112
Verity, Inc.*	200	7,600	Harmonic Inc.*	725	17,944
VerticalNet, Inc.*	600	22,163	Lam Research Corp.*	1,200	45,000
Wave Systems Corp.*	300	4,744			120,006
			Semiconductors 4.3%		
			ARM Holdings plc*	500	5,371

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
Alpha Industries, Inc.*	300	13,219			
Burr-Brown Corp.*	800	69,350			
Cree Research, Inc.*	300	40,050			
Cymer, Inc.*	500	23,875			
Cypress Semiconductor Corp.*	1,500	63,375			
Emcore Corp.*	100	12,000			
Emulex Corp.*	400	26,275			
Integrated Device Technology, Inc.	1,200	71,850			
Intel Corp.	3,900	521,381			
International Rectifier Corp*	800	44,800			
KEMET Corp.*	1,400	35,088			
Kopin Corp.*	400	27,700			
Lattice Semiconductor Corp.*	700	48,388			
Linear Technology Corp.	300	19,181			
Micron Technology, Inc.*	200	17,613			
Rohm Company Ltd.	200	58,554			
S3 Inc.*	700	10,325			
STMicroelectronics N.V.	900	56,629			
Semitech Corp.*	500	38,242			
Texas Instruments, Inc.	1,600	109,900			
Transwitch Corp.*	400	30,875			
Triquint Semiconductor, Inc.*	400	38,275			
		<u>1,382,316</u>			
Miscellaneous 0.3%					
Advanced Radio Telecom Corp.*	400	5,850			
Agilent Technologies, Inc.*	343	25,315			
Amkor Technology, Inc.*	800	28,250			
iGATE Capital Corp.*	900	12,375			
Wabtec	3,762	39,031			
		<u>110,821</u>			
Energy 3.4%					
Oil & Gas Production 0.8%					
Cabot Oil & Gas Corp. "A"	3,700	78,394			
Marine Drilling Companies, Inc.	1,000	28,000			
Repsol SA	4,460	88,653			
Tosco Corp.	2,300	65,119			
		<u>260,166</u>			
Oil Companies 1.1%					
Ashland Inc.	900	31,556			
ENI SpA	19,000	109,588			
Elf Aquitaine SA	400	81,797			
Total Fina ELF S.A. "B"	937	143,462			
		<u>366,403</u>			
Oil/Gas Transmission 0.2%					
El Paso Energy Corporation*	700	35,656			
Enron Corp.	700	45,150			
		<u>80,806</u>			
Oilfield Services/Equipment 1.3%					
BP Amoco plc	22,800	219,329			
Key Energy Group, Inc.*	2,400	23,100			
National-Oilwell, Inc.	2,300	75,613			
Patterson Energy, Inc.*	1,300	37,050			
Pride International Inc.*	1,700	42,075			
		<u>397,167</u>			
Metals & Minerals 0.3%					
Coal Mining 0.0%					
Arch Coal Inc.	221	1,703			
Precious Metals 0.1%					
Stillwater Mining Co.*	600	16,725			
Steel & Metals 0.2%					
Allegheny Technologies, Inc.	1,050	18,900			
Bethlehem Steel Corp.	1,600	5,700			
Nucor Corp.	1,500	49,781			
		<u>74,381</u>			
Construction 2.0%					
Building Materials 1.5%					
Centex Construction Products, Inc.	1,400	31,763			
Elcor Corp.	750	17,250			
Fletcher Challenge Building Corp.	33,000	34,982			
Florida Rock Industries, Inc.	1,100	39,187			
Grupo Dragados, S.A.	2,100	15,035			
Holderbank Financiere Glaris AG (Bearer)	100	122,459			
LaFarge Corp.	3,400	71,400			
Taiheiyo Cement Corp.	27,000	56,609			
Vulcan Materials Co.	1,700	72,569			
		<u>461,254</u>			
Building Products 0.2%					
Genlyte Group, Inc.	1,800	37,912			
Nortek, Inc.	1,800	35,550			
		<u>73,462</u>			
Homebuilding 0.2%					
Del Webb Corp.*	1,230	18,834			
Standard Pacific Corp.	5,000	50,000			
		<u>68,834</u>			
Miscellaneous 0.1%					
Quanta Services, Inc.*	600	33,000			
Transportation 0.5%					
Marine Transportation 0.1%					
Newport News Shipbuilding, Inc.	800	29,400			
Railroads 0.2%					
Trinity Industries, Inc.	3,470	64,195			
Trucking 0.2%					
Roadway Express, Inc.	1,800	42,188			
U.S. Xpress Enterprises, Inc. "A"*	1,400	11,288			
		<u>53,476</u>			
Utilities 2.9%					
Electric Utilities 2.5%					
AES Corp.*	1,000	45,625			
Avista Corp.	1,400	24,413			
Black Hills Corp.	2,600	58,662			
CH Energy Group, Inc.	900	30,544			
Chugoku Electric Power Co., Inc.	14,400	208,755			
El Paso Electric Co.	1,200	13,425			

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)	
Electrabel NPV	300	74,047	Miscellaneous 0.3%			
Scottish Power plc	12,300	104,512		Miscellaneous		
Shikoku Electric Power Co., Inc.	11,900	160,600		GKN plc Class B	5,000	835
Tohoku Electric Power Co., Inc.	3,800	51,320		Michael Stores, Inc.	1,300	59,556
WPS Resources Corp.	1,700	51,106	Talbots Inc.	900	49,444	
		<u>823,009</u>			<u>109,835</u>	
Natural Gas Distribution 0.2%			Total Common Stocks (Cost \$26,261,317)		25,433,808	
Columbia Energy Group	1,150	<u>75,469</u>	Total Investment Portfolio — 100.0%			
			(Cost \$33,421,960) (a)		32,424,177	
Miscellaneous 0.2%						
SCANA Corp.	2,335	<u>56,332</u>				

Notes to Kemper Horizon 20+ Portfolio of Investments

* Non-income producing security.

** Repurchase agreement is fully collateralized by U.S. Treasury or Government agency securities.

(a) The cost for federal income tax purposes was \$33,421,960. At June 30, 2000, net unrealized depreciation for all securities based on tax cost was \$997,783. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$3,057,557 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$4,055,340.

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities as of June 30, 2000 (Unaudited)

Assets

Investments in securities, at value (cost \$33,421,960)	\$ 32,424,177
Foreign currency, at value (cost \$15,070)	15,073
Dividends receivable	19,456
Interest receivable	89,924
Foreign taxes recoverable	12,779
Other assets	11,499
Total assets	32,572,908

Liabilities

Due to custodian bank	54
Payable for Portfolio shares redeemed	50,759
Accrued management fee	16,381
Other accrued expenses and payables	35,486
Total liabilities	102,680

Net assets, at value \$ 32,470,228

Net Assets

Net assets consist of:	
Undistributed net investment income	\$ 337,254
Net unrealized appreciation (depreciation) on:	
Investments	(997,783)
Foreign currency related transactions	(537)
Accumulated net realized gain (loss)	1,491,913
Paid-in capital	31,639,381

Net assets, at value \$ 32,470,228

Net Asset Value

Net Asset Value and redemption price per share (\$32,470,228 + 23,826,431 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized) \$ 1.363

Statement of Operations for the six months ended June 30, 2000 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$9,698)	\$ 248,903
Interest	233,891
Total Income	482,794
Expenses:	
Management fee	101,254
Custodian fees	26,006
Auditing	5,435
Legal	2,666
Trustees' fees and expenses	5,377
Reports to shareholders	4,512
Other	2,378
Total expenses, before expense reductions	147,628
Expense reductions	(156)
Total expenses, after expense reductions	147,472
Net investment income (loss)	335,322

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	1,621,444
Foreign currency related transactions	(2,715)
	1,618,729
Net unrealized appreciation (depreciation) during the period on:	
Investments	(3,578,804)
Foreign currency related transactions	231
	(3,578,573)

Net gain (loss) on investment transactions (1,959,844)

Net increase (decrease) in net assets resulting from operations \$ (1,624,522)

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

	Six Months Ended June 30, 2000 (Unaudited)	Year Ended December 31, 1999
Increase (Decrease) in Net Assets		
Operations:		
Net investment income (loss)	\$ 335,322	\$ 674,626
Net realized gain (loss) on investment transactions	1,618,729	3,353,823
Net unrealized appreciation (depreciation) on investment transactions during the period	(3,578,573)	(790,431)
Net increase (decrease) in net assets resulting from operations	(1,624,522)	3,238,018
Distributions to shareholders from:		
Net investment income	(649,416)	(491,192)
Net realized gains	(3,355,318)	(245,596)
Portfolio share transactions:		
Proceeds from shares sold	1,684,002	8,126,926
Reinvestment of distributions	4,004,734	736,788
Cost of shares redeemed	(4,997,907)	(12,221,092)
Net increase (decrease) in net assets from Portfolio share transactions	690,829	(3,357,378)
Increase (decrease) in net assets	(4,938,427)	(856,148)
Net assets at beginning of period	37,408,655	38,264,803
Net assets at end of period (including undistributed net investment income of \$316,139 and \$651,348, respectively)	\$ 32,470,228	\$ 37,408,655
Other Information		
Shares outstanding at beginning of period	23,172,830	25,393,872
Shares sold	1,159,489	5,363,764
Shares issued to shareholders in reinvestment of distributions	2,861,833	485,960
Shares redeemed	(3,367,721)	(8,070,766)
Net increase (decrease) in Portfolio shares	653,601	(2,221,042)
Shares outstanding at end of period	23,826,431	23,172,830

Financial Highlights

The following table includes selected data for a share outstanding throughout each period and other performance information derived from the financial statements.

Years Ended December 31,	2000(a)	1999	1998	1997	1996(b)
Net asset value, beginning of period	\$1.614	1.507	1.378	1.154	1.000
<i>Income (loss) from investment operations:</i>					
Net investment income (loss)	.014(c)	.027(c)	.019	.020	.012
Net realized and unrealized gain (loss) on investment transactions	(.080)	.110	.160	.214	.142
Total from investment operations	(.066)	.137	.179	.234	.154
<i>Less distributions from:</i>					
Net investment income	(.030)	(.020)	(.010)	(.010)	—
Net realized gains on investment transactions	(.155)	(.010)	(.040)	—	—
Total distributions	(.185)	(.030)	(.050)	(.010)	—
Net asset value, end of period	\$1.363	1.614	1.507	1.378	1.154
Total Return (%)	(4.33)**	9.26	13.01	20.48	15.37**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period (\$ thousands)	32,470	37,409	38,265	16,659	3,759
Ratio of expenses before expense reductions (%)	.87*	.78	.67	.93	1.13*
Ratio of expenses after expense reductions (%)	.87*	.78	.67	.93	.81*
Ratio of net investment income (loss) (%)	1.98*	1.78	1.84	1.58	1.71*
Portfolio turnover rate (%)	100*	62	55	75	60*

(a) For the six months ended June 30, 2000 (Unaudited).

(b) For the period from May 1, 1996 (commencement of operations) to December 31, 1996.

(c) Based on monthly average shares outstanding during the period.

* Annualized

** Not annualized

The accompanying notes are an integral part of the financial statements.

Kemper Horizon 10+ Portfolio

Horizon 10+ Portfolio maintained a 60 percent weighting in domestic and international stocks during the first six months of calendar year 2000, the most volatile period for U.S. equities since the early 1990s.

For most of the period, the portfolio was underweighted in technology companies relative to its composite benchmark because we believed many domestic stocks in this sector were overpriced. This positioning helped reduce volatility when the Nasdaq Composite Index declined sharply in early spring.

On a global basis, growth stocks generally outpaced value stocks. By maintaining a diverse mix of stocks in the U.S. and abroad, the portfolio limited its losses to a greater extent than would have been possible if we had invested in one asset class. In the first quarter, we attempted to reduce the effects of short-term stock price volatility on equity returns by realigning assets to more closely match a diverse, unmanaged blend of domestic and international stocks.

The portfolio's 40 percent weighting in bonds between December and June helped preserve principal amid a rising interest rate environment. U. S. bonds, particularly Treasuries, generally outperformed large-cap domestic stocks during the period. Central banks around the world generally raised rates except for Japan, which maintained a near zero interest rate policy to stimulate growth.

By focusing on high-quality, shorter-term securities, we enhanced income potential as the Federal Reserve Board raised short-term interest rates. Most of the portfolio's bond holdings were U.S. government securities maturing in three years or less. Because the U.S. yield curve inverted during the period, we were able to provide all of the yield of the longest-term domestic bonds with a lower risk profile.

Throughout the first half of the year, the portfolio's domestic stock holdings had a lower-than-average price/earnings ratio (P/E) compared to the portfolio's equity benchmark (an unmanaged blend of 70% Russell 1000 Index stocks and 30% Russell 2000 Index stocks). We believe this valuation discipline should serve the portfolio well in the coming months.

Robert D. Tymoczko
Lead Portfolio Manager

Kemper Horizon 10+ Portfolio

Principal Amount (\$)	Value (\$)	Shares	Value (\$)
Repurchase Agreements 1.8%			
State Street Bank and Trust Company, 6.48%, to be repurchased at \$1,071,578 on 7/3/2000** (Cost \$1,071,000)			
1,071,000	1,071,000		
U.S. Government Obligations 39.2%			
U.S. Treasury Securities 35.3%			
U.S. Treasury Note:			
8.5%, 11/15/2000	1,100,000		1,108,591
5.5%, 12/31/2000	1,700,000		1,692,554
5.375%, 2/15/2001	1,200,000		1,192,128
8%, 5/15/2001	1,000,000		1,012,340
6.5%, 5/31/2001	4,040,000		4,040,000
6.625%, 7/31/2001	2,650,000		2,653,312
6.25%, 2/28/2002	6,670,000		6,647,055
7.875%, 11/15/2004	2,380,000		2,520,206
			<u>20,866,186</u>
Mortgage-backed Securities 3.9%			
Federal Home Loan Mortgage Corp.:			
6% with various maturities to 4/15/2006	46,918		46,654
6.5% with various maturities to 10/17/2014	116,076		115,641
Federal National Mortgage Association:			
6.01% with various maturities to 7/24/2000	500,000		499,920
5.63% with various maturities to 5/15/2004	1,750,000		1,667,155
			<u>2,329,370</u>
Total U.S. Government Obligations (Cost \$23,776,927)			23,195,556
Shares			
Preferred Stocks 0.1%			
Service Industries			
Printing/Publishing			
News Corp. Ltd. Preferred ordinary (Cost \$44,891)			
3,500			42,167
Common Stocks 58.9%			
Consumer Discretionary 3.2%			
Apparel & Shoes 0.2%			
Jones Apparel Group, Inc.*			
1,604			37,694
Talbots Inc.			
		1,400	76,912
			<u>114,606</u>
Department & Chain Stores 1.9%			
Ames Department Stores, Inc.*			
		1,600	12,400
AnnTaylor Stores Corp.*			
		1,500	49,688
Burlington Coat Factory Warehouse Corp.			
		4,100	44,331
Dillard's Inc.			
		5,500	67,375
Home Depot, Inc.			
		4,950	247,191
Kingfisher plc			
		9,100	83,052
Longs Drug Stores, Inc.			
		4,000	87,000
Neiman Marcus Group, Inc.*			
		2,000	59,125
Pacific Sunwear of California, Inc.*			
		1,100	20,625
W.H. Smith Group plc			
		11,200	67,975
Wal-Mart Stores, Inc.			
		6,500	374,563
			<u>1,113,325</u>
Home Furnishings 0.2%			
Furniture Brands International Inc.*			
		4,300	65,037
Newell Rubbermaid, Inc.			
		1,200	30,900
			<u>95,937</u>
Recreational Products 0.2%			
Fairfield Communities, Inc.*			
		8,000	63,000
Nintendo Co., Ltd.			
		400	69,963
			<u>132,963</u>
Restaurants 0.1%			
Ryan's Family Steak Houses, Inc.*			
		6,100	51,469
Specialty Retail 0.6%			
Amazon.com, Inc.*			
		100	3,631
AutoZone, Inc.*			
		3,500	77,000
Avis Rent A Car, Inc.*			
		900	16,875
Central Garden & Pet Co.*			
		5,000	44,844
Family Dollar Stores Inc.			
		2,800	54,775
Michael Stores, Inc.*			
		1,600	73,300
New Business Service, Inc.			
		4,200	68,250
The Finish Line, Inc. "A"*			
		2,600	21,288
Wet Seal, Inc. "A"*			
		1,400	18,375
			<u>378,338</u>
Consumer Staples 2.5%			
Alcohol & Tobacco 1.0%			
Bass plc			
		3,000	33,821
Imperial Tobacco Group plc			
		12,200	117,175
Philip Morris Companies, Inc.			
		8,300	220,469
SEITA			
		1,400	58,700
UST, Inc.			
		3,500	51,406
Universal Corp.			
		4,500	95,062
			<u>576,633</u>

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
MRV Communications Inc.*	400	26,900	Insurance 2.5%		
NEXTLINK Communications, Inc. "A"*	714	27,087	AFLAC, Inc.	800	36,750
Nokia Oyj	5,500	280,261	AMBAC Financial Group, Inc.	3,900	213,769
Nortel Networks Corp.	1,884	130,673	AXA S.A.	900	141,572
Nortel Networks Corp.	1,200	81,900	Aetna, Inc.	600	38,513
Oki Electric Industry Company*	6,000	46,749	American General Corp.	1,800	109,800
P-Com Inc.*	1,500	8,531	Chubb Corp.	494	30,381
Proxim, Inc.*	100	9,897	Cigna Corp.	600	56,100
SBC Communications, Inc.	4,259	184,202	Corporacion Mapfre, S.A.	2,100	26,567
Sirius Satellite Radio Inc.*	400	17,725	Fidelity National Financial, Inc.	3,000	54,937
TALK.com, Inc.*	2,000	11,625	Hartford Financial Services Group, Inc.	1,200	67,125
Tekelec*	500	24,094	ING Groep N.V.	3,187	215,113
Telecom Italia SpA	8,300	113,944	Jefferson Pilot Corp.	2,150	121,341
Telefonica S.A.*	2,600	55,771	Muenchener Rueckversicherungs-		
Terayon Communication Systems, Inc.*	600	38,541	Gesellschaft AG	350	110,446
Viatal, Inc.*	400	11,425	Protective life Corp.	1,900	50,587
Vodafone AirTouch plc	65,300	264,543	Skandia Forsakrings AB	4,400	116,636
WorldCom, Inc.*	4,400	201,850	Stewart Information Services Corp.	2,000	29,250
Xircom, Inc.*	800	38,000	Torchmark Corp.	2,100	51,844
		<u>3,099,118</u>			<u>1,470,731</u>
Miscellaneous 0.2%			Business Finance 0.2%		
C-Cube Microsystems Inc.*	700	13,737	Heller Financial Inc.	5,200	106,600
Emmis Communications "A"*	1,900	78,612			
Metricom, Inc.*	400	11,150	Consumer Finance 1.0%		
VoiceStream Wireless Corp.*	157	18,259	Citigroup, Inc.	7,550	454,888
		<u>121,758</u>	Promise Co., Ltd.	600	47,485
			SLM Holding Corp.	1,900	71,131
Financial 9.6%			Takefuji Corp.	400	48,392
Banks 3.5%					<u>621,896</u>
ABN AMRO Holding N.V.	8,100	198,150	Other Financial Companies 2.3%		
Bank of America Corp.	2,764	118,852	ACOM Co., Ltd.	300	25,273
Bank of Nova Scotia	2,000	49,031	Edwards (A.G.) Inc.	4,100	159,900
Bank of Tokyo-Mitsubishi, Ltd.	6,000	72,588	Federal Home Loan Mortgage Corp.	3,000	121,500
Banque Nationale de Paris	1,250	120,122	Federal National Mortgage Association	3,800	198,313
Barclays plc	3,600	89,745	GreenPoint Financial Corp.	2,300	43,125
Chase Manhattan Corp.	3,750	172,734	HSBC Holdings plc	10,300	118,071
Christiania Bank og Kreditkasse	19,200	103,000	Halifax Group plc	7,700	74,072
Credit Suisse Group (Registered)	300	59,607	Legg Mason, Inc.	2,900	145,000
Dime Bancorp, Inc.	200	3,150	Man (ED&F) Group plc	14,300	115,213
Dresdner Bank AG	1,900	78,613	Morgan Stanley Dean Witter & Co.	3,100	258,075
FleetBoston Financial Corp.	5,800	197,200	Nichie Co., Ltd.	1,700	27,936
Fuji Bank, Ltd.	5,000	38,060	Nomura Securities Co., Ltd.	3,000	73,523
Lloyds TSB Group plc	10,300	97,520			<u>1,360,001</u>
PNC Bank Corp.	900	42,187	Real Estate 0.1%		
Pacific Century Financial Corporation	3,200	46,800	Cheung Kong Holdings Ltd.	5,100	56,099
Provident Financial Group	1,000	23,812	Sun Hung Kai Properties Ltd.	3,200	22,987
Sakura Bank, Ltd.	7,000	48,458			<u>79,086</u>
San Paolo-IMI S.p.A.	5,500	97,475	Media 1.3%		
Societe Generale	2,000	120,122	Advertising 0.0%		
St. George Bank Ltd.	8,400	57,217	DoubleClick, Inc.*	200	7,625
Sumitomo Bank, Ltd.	3,000	36,832			
UBS AG (Registered)	600	87,803	Broadcasting & Entertainment 0.6%		
Wells Fargo Co.	2,300	89,125	British Sky Broadcasting Group plc*	3,600	70,573
		<u>2,048,203</u>			

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
EM.TV & Merchandising AG	100	5,882	Miscellaneous 0.2%		
NBC Internet Inc "A"*	1,400	17,500	Adecco S.A.	100	84,864
Pegasus Communications Corp.*	1,000	49,063	Metris Companies Inc.	1,200	30,150
Viacom, Inc. "B"*	1,085	73,983	Startek Inc.*	500	25,187
Walt Disney Co.	3,900	151,369			140,201
		368,370	Durables 2.4%		
Cable Television 0.5%			Aerospace 0.6%		
ACTV, Inc.*	1,000	14,937	Alliant Techsystems, Inc.*	1,000	67,438
AT&T Corp. — Liberty Media Group "A"*	4,800	116,400	Primex Technologies, Inc.	1,700	37,400
Canal Plus S.A.	300	50,337	United Technologies Corp.	3,800	223,725
Comcast Corp. "A"*	2,100	85,050			328,563
Media One Group, Inc.*	800	53,300	Automobiles 0.8%		
		320,024	Borg-Warner Automotive Inc.	2,240	78,680
Print Media 0.2%			DaimlerChrysler AG	1,200	63,035
Softbank Corp.	700	95,198	Honda Motor Co., Ltd.	3,000	102,281
			Monaco Coach Corp.*	1,400	19,075
Service Industries 2.4%			Renault S.A.	700	31,766
EDP Services 0.5%			Toyota Motor Corp.	4,000	182,462
Affiliated Computer Services*	1,200	39,675			477,299
First Data Corp.	3,500	173,688	Construction/Agricultural Equipment 0.1%		
Micromuse, Inc.*	400	66,194	Terex Corp.*	3,000	42,375
VeriSign, Inc.*	200	35,300			
		314,857	Telecommunications Equipment 0.9%		
Investment 0.5%			Advanced Fibre Communications, Inc.*	1,100	49,844
Bear Stearns Companies, Inc.	2,212	92,074	Alcatel	1,000	65,495
Charles Schwab Corp.	1,500	50,437	Antec Corp.*	800	33,250
Paine Webber Group, Inc.	2,600	118,300	Com21, Inc.*	500	12,500
Raymond James Financial, Inc.	2,700	60,750	Lucent Technologies, Inc.	4,900	290,325
		321,561	Polycom, Inc.*	400	37,637
Miscellaneous Commercial Services 0.4%			Scientific-Atlanta, Inc.	600	44,700
Aspect Communications Corp.*	900	35,381			533,751
CMG Information Services, Inc.*	200	9,162	Miscellaneous 0.0%		
Cap Gemini S.A.	200	35,179	GKN plc	400	5,116
Convergys Corp.*	700	36,313	GKN plc "B"*	9,400	1,569
Diamond Technology Partners Inc.*	400	35,200			6,685
Personnel Group of America, Inc.*	4,800	14,100	Manufacturing 5.8%		
Vivendi	700	61,696	Chemicals 0.9%		
		227,031	Akzo Nobel N.V.	3,900	165,454
Miscellaneous Consumer Services 0.6%			BASF AG	2,500	101,055
Akamai Technologies, Inc.*	119	14,129	BOC Group plc	6,100	87,928
Go2Net, Inc.*	400	20,125	Praxair, Inc.	3,300	123,544
Navigant Consulting, Inc.*	4,500	19,125	Valhi, Inc.	4,700	48,762
Peregrine Systems, Inc.*	1,600	55,500			526,743
Profit Recovery Group International, Inc.*	1,800	29,925	Containers & Paper 0.5%		
TXU Corporation	4,000	118,000	FPB Holding AG*	1,671	258,870
United Utilities plc	7,300	72,439	UPM-Kymmene Oyj	2,300	57,010
Yahoo!, Inc.*	200	24,775			315,880
		354,018	Diversified Manufacturing 2.5%		
Printing/Publishing 0.2%			Briggs & Stratton Corp.	2,500	85,625
Mail-Well, Inc.*	4,400	37,950	Cooper Industries, Inc.	1,600	52,100
Reuters Group plc	2,900	49,590	General Electric Co.	14,100	747,300
		87,540	Hillenbrand Industries, Inc.	2,200	68,888
			Honeywell International, Inc.	3,400	114,537

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
Hutchison Whampoa, Ltd.	4,730	59,462	Macrovision Corp.*	700	44,745
Koninklijke Philips Electronics N.V.	1,600	75,353	Manugistics Group Inc.*	300	14,025
Man AG	500	15,254	Mercator Software Inc.*	300	20,625
Matthews International Corp.	3,800	110,200	Micrel Inc.*	800	34,750
Siemens AG	600	90,092	MicroStrategy Inc.*	900	27,000
Sulzer Brothers Ltd. (Registered)	100	66,434	Microsoft Corp.*	6,500	520,000
Williams, plc	1,500	8,762	Oracle Corp.*	2,800	235,375
		<u>1,494,007</u>	RSA Security, Inc.*	800	55,400
Electrical Products 0.4%			Rare Medium Group, Inc.*	500	7,906
ABB, Ltd.	400	47,820	Remedy Corp.*	600	33,450
Amphenol Corp "A"	1,000	66,188	Reynolds and Reynolds Co.	1,200	21,900
Anadigics, Inc.*	300	10,219	S1 Corp.*	400	9,325
Power-One, Inc.*	450	51,272	SAP AG	300	55,485
Taiyo Yuden Co., Ltd.	1,000	62,710	Sybase Inc.*	2,200	50,600
		<u>238,209</u>	Synopsys Ltd.*	400	13,825
Industrial Specialty 0.7%			THQ, Inc.*	800	9,750
Carlisle Companies Inc.	2,500	112,500	Verity, Inc.*	500	19,000
Corning, Inc.	500	134,938	VerticalNet, Inc.*	800	29,550
Kulicke & Soffa Industries, Inc.	700	41,563	Wave Systems Corp.*	600	9,488
QUALCOMM Inc.*	700	42,000	Wind River Systems*	900	34,088
Sherwin-Williams Co.	2,700	57,206			<u>1,995,766</u>
		<u>388,207</u>	Diverse Electronic Products 0.7%		
Machinery/Components/Controls 0.7%			Applied Materials, Inc.*	1,600	145,000
Asyst Technologies, Inc.*	400	13,700	DSP Group, Inc.*	700	39,200
Illinois Tool Works, Inc.	2,403	136,971	Dell Computer Corp.*	3,100	152,869
Ingersoll-Rand Co.	2,700	108,675	Motorola Inc.	1,800	52,312
Okuma Corp.	18,000	78,878			<u>389,381</u>
Reliance Steel & Aluminum Co.	4,200	80,325	EDP Peripherals 0.8%		
		<u>418,549</u>	EMC Corp.*	2,600	200,037
Office Equipment/Supplies 0.1%			Iomega Corp.*	3,300	13,200
Olivetti SpA*	9,200	33,417	MMC Networks, Inc.*	800	42,750
			Mercury Interactive Corp.*	1,200	116,100
Technology 12.7%			Network Appliance, Inc.*	300	24,150
Computer Software 3.4%			SCM Microsystems, Inc.*	300	18,169
Actuate Corp.*	500	26,688	VERITAS Software Corp.*	550	62,159
Advanced Digital Information Corp.* ...	600	9,563			<u>476,565</u>
America Online, Inc.*	2,700	142,425	Electronic Components/Distributors 2.0%		
Ancor Communications, Inc.*	600	21,459	Altera Corp.*	500	50,969
Avant! Corp.*	3,700	69,317	Analog Devices, Inc.*	700	53,200
BEA Systems, Inc.*	700	34,606	Broadcom Corp.*	100	21,894
Broadvision, Inc.*	1,400	71,138	Cisco Systems, Inc.*	10,000	635,625
Celera Genomics*	700	65,450	Kyocera Corp.	400	67,961
Citrix Systems, Inc.*	400	7,575	PMC-Sierra, Inc.*	300	53,306
Computer Associates International, Inc.	1,200	61,425	Powerwave Technologies, Inc.*	600	26,400
Echelon Corp.*	400	23,175	SCI Systems, Inc.*	700	27,431
Entrust Technologies Inc.*	200	16,550	Sandisk Corp.*	600	36,712
Exodus Communications, Inc.*	400	18,425	Sawtek, Inc.*	600	34,538
HNC Software, Inc.*	600	37,050	Technitrol, Inc.	1,600	155,000
Hyperion Solutions Corp.*	600	19,463			<u>1,163,036</u>
I2 Technologies Inc.*	275	28,673	Electronic Data Processing 1.4%		
ISS Group, Inc.*	600	59,241	Apple Computer, Inc.*	800	41,900
InfoCure Corp.*	1,400	7,875	Compaq Computer Corp.	2,900	74,131
Informatica Corp*	300	24,581	Fujitsu, Ltd.	3,000	103,981
MTI Technology Corp.*	600	4,800	Hewlett-Packard Co.	1,500	187,312

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
International Business Machines Corp.	2,900	317,731	Coastal Corp.	600	36,525
Sun Microsystems, Inc.*	1,500	136,406	Exxon Mobil Corp.	1,500	117,750
		<u>861,461</u>	Marine Drilling Companies, Inc.*	1,700	47,600
Military Electronics 0.5%			Repsol S.A.	5,580	110,916
Computer Sciences Corp.*	1,140	85,144	Tosco Corp.	4,000	113,250
General Dynamics Corp.	3,500	182,875			<u>555,285</u>
Titan Corp.*	1,300	58,175	Oil Companies 0.7%		
		<u>326,194</u>	ENI SpA	21,800	125,737
Office/Plant Automation 0.1%			Elf Aquitaine S.A.	400	81,797
3Com Corp.*	600	34,575	Total Fina ELF S.A. "B"	1,300	199,040
Cognex Corp.*	300	15,525			<u>406,574</u>
		<u>50,100</u>	Oil/Gas Transmission 0.3%		
Precision Instruments 0.2%			Enron Corp.	900	58,050
ADTRAN, Inc.*	600	35,925	Questar Corp.	5,800	112,375
Credence Systems Corp.*	600	33,113			<u>170,425</u>
Harmonic Inc.*	879	21,755	Oilfield Services/Equipment 0.9%		
Lam Research Corp.*	1,400	52,500	BP Amoco plc	32,900	316,488
		<u>143,293</u>	Key Energy Group, Inc.*	2,900	27,912
Semiconductors 3.3%			National-Oilwell, Inc.*	1,900	62,462
ARM Holdings plc*	1,500	16,114	Patterson Energy, Inc.*	2,100	59,850
Alpha Industries, Inc.*	400	17,625	Pride International Inc.*	2,700	66,825
Burr-Brown Corp.*	1,300	112,694			<u>533,537</u>
Cree Research, Inc.*	300	40,050	Metals & Minerals 0.2%		
Cymer, Inc.*	800	38,200	Precious Metals 0.0%		
Cypress Semiconductor Corp.*	2,100	88,725	Stillwater Mining Co.*	900	25,088
Emcore Corp.*	200	24,000			
Emulex Corp.*	500	32,844	Steel & Metals 0.2%		
Integrated Device Technology, Inc.*	1,300	77,837	AK Steel Holding Corp.	2,350	18,800
Intel Corp.	5,200	695,175	AMCOL International Corp.	1,025	16,913
International Rectifier Corp*	1,200	67,200	Nucor Corp.	2,400	79,650
KEMET Corp.*	1,400	35,087			<u>115,363</u>
Kopin Corp.*	600	41,550	Construction 1.2%		
Lattice Semiconductor Corp.*	1,000	69,125	Building Materials 0.8%		
Linear Technology Corp.	1,200	76,725	Centex Construction Products, Inc.	1,900	43,106
Micron Technology, Inc.*	400	35,225	Elcor Corp.	1,200	27,600
Rohm Company Ltd.	200	58,554	Fletcher Challenge Building Corp.	49,700	52,685
S3 Inc.*	1,700	25,075	Florida Rock Industries, Inc.	1,400	49,875
STMicroelectronics N.V.	900	56,629	LaFarge Corp.	6,300	132,300
Semitech Corp.*	700	53,539	Taiheiyo Cement Corp.	57,000	119,507
Texas Instruments, Inc.	2,200	151,112			<u>425,073</u>
Transwitch Corp.*	800	61,750	Building Products 0.2%		
Triquint Semiconductor, Inc.*	600	57,412	Genlyte Group, Inc.*	2,600	54,763
		<u>1,932,247</u>	Nortek, Inc.	3,000	59,250
					<u>114,013</u>
Miscellaneous 0.3%			Homebuilding 0.1%		
Advanced Radio Telecom Corp.*	800	11,700	Del Webb Corp.*	1,800	27,562
Agilent Technologies, Inc.*	572	42,192	Standard Pacific Corp.	5,500	55,000
Amkor Technology, Inc.*	1,100	38,844			<u>82,562</u>
iGATE Capital Corp.*	1,600	22,000	Miscellaneous 0.1%		
Wabtec	4,092	42,454	Quanta Services, Inc.*	1,050	57,750
		<u>157,190</u>			
Energy 2.8%					
Oil & Gas Production 0.9%					
Cabot Oil & Gas Corp. "A"	6,100	129,244			

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
Transportation 0.4%			Chugoku Electric Power Co., Inc.	20,200	292,837
Marine Transportation 0.1%			Electrabel NPV	300	74,047
Newport News Shipbuilding, Inc.	2,000	73,500	Kyushu Electric Power Co.	14,400	208,075
Railroads 0.2%			Northwestern Corp.	1,700	39,312
Trinity Industries, Inc.	4,530	83,805	Scottish Power plc	8,400	71,374
Trucking 0.1%			Tokyo Electric Power Co.	6,200	151,362
Roadway Express, Inc.	2,400	56,250			1,119,519
U.S. Xpress Enterprises, Inc. "A"	200	1,612	Natural Gas Distribution 0.2%		
		57,862	Columbia Energy Group	1,750	114,844
Utilities 2.4%			Water Supply 0.2%		
Electric Utilities 1.9%			Suez Lyonnaise des Eaux S.A.	500	87,470
AES Corp.*	1,600	73,000	Miscellaneous 0.1%		
Avista Corp.	1,700	29,644	SCANA Corp.	2,903	70,035
Black Hills Corp.	2,200	49,637	Total Common Stocks (Cost \$35,900,091)		
CH Energy Group, Inc.	1,900	64,481	34,803,219		
Calpine Corp.*	1,000	65,750	Total Investment Portfolio — 100.0%		
			(Cost \$60,792,909) (a)		
			59,111,942		

Notes to Kemper Horizon 10+ Portfolio of Investments

* Non-income producing security.

** Repurchase agreement is fully collateralized by U.S. Treasury or Government agency securities.

(a) The cost for federal income tax purposes was \$60,792,909. At June 30, 2000, net unrealized depreciation for all securities based on tax cost was \$1,680,967. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$4,096,001 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$5,776,968.

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities as of June 30, 2000 (Unaudited)

Assets

Investments in securities, at value (cost \$60,792,909)	\$ 59,111,942
Foreign currency, at value (cost \$33,010)	33,006
Dividends receivable	25,443
Interest receivable	334,934
Receivable for Portfolio shares sold	16,221
Foreign taxes recoverable	17,449
Total assets	59,538,995

Liabilities

Due to custodian bank	26,979
Accrued management fee	29,833
Other accrued expenses and payables	17,759
Total liabilities	74,571

Net assets, at value	\$ 59,464,424
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Net Assets

Net assets consist of:	
Undistributed net investment income	\$ 708,643
Net unrealized appreciation (depreciation) on:	
Investments	(1,680,967)
Foreign currency related transactions	(435)
Accumulated net realized gain (loss)	2,695,430
Paid-in capital	57,741,753

Net assets, at value	\$ 59,464,424
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Net Asset Value

Net Asset Value and redemption price per share (\$59,464,424 ÷ 45,460,760 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 1.308
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Statement of Operations for the six months ended June 30, 2000 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$10,547)	\$ 301,340
Interest	817,185
Total Income	1,118,525
Expenses:	
Management fee	185,704
Custodian fees	24,358
Auditing	11,799
Legal	1,416
Trustees' fees and expenses	6,167
Reports to shareholders	9,581
Registration fees	562
Other	2,605
Total expenses, before expense reductions	242,192
Expense reductions	(138)
Total expenses, after expense reductions	242,054
Net investment income (loss)	876,471

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	2,722,361
Foreign currency related transactions	(3,027)
	2,719,334
Net unrealized appreciation (depreciation) during the period on:	
Investments	(5,088,775)
Foreign currency related transactions	338
	(5,088,437)

Net gain (loss) on investment transactions	(2,369,103)
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Net increase (decrease) in net assets resulting from operations	\$ (1,492,632)
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The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

	Six Months Ended June 30, 2000 (Unaudited)	Year Ended December 31, 1999
Increase (Decrease) in Net Assets		
Operations:		
Net investment income (loss)	\$ 876,471	\$ 1,816,318
Net realized gain (loss) on investment transactions	2,719,334	4,274,902
Net unrealized appreciation (depreciation) on investment transactions during the period	(5,088,437)	(841,874)
Net increase (decrease) in net assets resulting from operations	(1,492,632)	5,248,346
Distributions to shareholders from:		
Net investment income	(1,719,538)	(1,329,005)
Net realized gains	(4,298,847)	—
Portfolio share transactions:		
Proceeds from shares sold	2,640,079	16,490,075
Reinvestment of distributions	6,018,385	1,329,005
Cost of shares redeemed	(8,646,296)	(12,185,621)
Net increase (decrease) in net assets from Portfolio share transactions	12,168	5,633,459
Increase (decrease) in net assets	(7,498,849)	9,552,800
Net assets at beginning of period	66,963,273	57,410,473
Net assets at end of period (including undistributed net investment income of \$708,643 and \$1,551,710, respectively)	\$ 59,464,424	\$ 66,963,273
Other Information		
Shares outstanding at beginning of period	45,281,650	41,183,869
Shares sold	1,911,041	11,782,300
Shares issued to shareholders in reinvestment of distributions	4,537,692	956,610
Shares redeemed	(6,269,623)	(8,641,129)
Net increase (decrease) in Portfolio shares	179,110	4,097,781
Shares outstanding at end of period	45,460,760	45,281,650

Financial Highlights

The following table includes selected data for a share outstanding throughout each period and other performance information derived from the financial statements.

Years Ended December 31,	2000(a)	1999	1998	1997	1996(b)
Net asset value, beginning of period	\$1.479	1.394	1.289	1.114	1.000
<i>Income (loss) from investment operations:</i>					
Net investment income (loss)	.019(c)	.040(c)	.020	.034	.018
Net realized and unrealized gain (loss) on investment transactions	(.050)	.075	.125	.151	.096
Total from investment operations	(.031)	.115	.145	.185	.114
<i>Less distributions from:</i>					
Net investment income	(.040)	(.030)	(.010)	(.010)	—
Net realized gains on investment transactions	(.100)	—	(.030)	—	—
Total distributions	(.140)	(.030)	(.040)	(.010)	—
Net asset value, end of period	\$1.308	1.479	1.394	1.289	1.114
Total Return (%)	(2.21)**	8.38	11.30	16.77	11.37**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period (\$ thousands)	59,464	66,963	57,411	22,553	5,727
Ratio of expenses before expense reductions (%)	.79*	.72	.64	.83	1.01*
Ratio of expenses after expense reductions (%)	.79*	.72	.64	.83	.78*
Ratio of net investment income (loss) (%)	2.85*	2.83	2.84	2.77	2.69*
Portfolio turnover rate (%)	80*	50	35	67	76*

(a) For the six months ended June 30, 2000 (Unaudited).

(b) For the period from May 1, 1996 (commencement of operations) to December 31, 1996.

(c) Based on monthly average shares outstanding during the period.

* Annualized

** Not annualized

The accompanying notes are an integral part of the financial statements.

Kemper Horizon 5 Portfolio

By maintaining a 60 percent weighting in shorter-term fixed-income securities during the first six months of calendar year 2000, Horizon 5 Portfolio was in a good position to preserve principal amid a rising interest rate environment and a volatile domestic equity market.

We focused on high-quality securities and enhanced income potential as the Federal Reserve Board increased the interest rate banks charge each other for overnight loans to 6.50%, the highest level in nine years. Most of the portfolio's bond holdings were U.S. government securities maturing in three years or less. The yield curve inverted during the period, enabling us to provide all of the yield of the longest-term bonds with a lower risk profile.

The fund also maintained a 40 percent weighting in domestic and international stocks. In the first quarter, we attempted to reduce the effects of short-term stock price volatility on equity returns by realigning assets to more closely match a diverse, unmanaged blend of domestic and international stocks.

For most of the period, the portfolio was underweighted in technology companies relative to its composite benchmark because we believed many stocks in this sector were overpriced. This positioning helped reduce volatility when the Nasdaq Composite Index declined sharply in early spring.

Growth stocks generally outpaced value stocks between December and June both in the U.S. and abroad. By maintaining a diverse global portfolio, the portfolio limited its losses to a greater extent than would have been possible if we had invested a majority of assets in domestic equities.

Through the first half of the year, the portfolio's domestic stock holdings had a lower-than-average price/earnings ratio (P/E) compared to the portfolio's equity benchmark (an unmanaged blend of 70% Russell 1000 Index stocks and 30% Russell 2000 Index stocks). We believe this valuation discipline should serve the portfolio well in the coming months.

Robert D. Tymoczko
Lead Portfolio Manager

Kemper Horizon 5 Portfolio

Principal Amount (\$)	Value (\$)	Shares	Value (\$)
Short-Term Obligations 3.1%			
Federal Home Loan Discount Notes, 6.57%, 7/3/2000** (Cost \$1,199,562)	1,200,000		1,199,562
U.S. Government Obligations 53.6%			
U.S. Treasury Note:			
8.5%, 11/15/2000	1,250,000		1,259,763
5.5%, 12/31/2000	300,000		298,686
5.375%, 2/15/2001	1,000,000		993,440
8%, 5/15/2001	573,000		580,071
6.5%, 5/31/2001	2,610,000		2,610,000
6.625%, 7/31/2001	4,150,000		4,155,188
6.125%, 12/31/2001	975,000		970,281
6.25%, 2/28/2002	5,720,000		5,700,323
7.875%, 11/15/2004	4,185,000		4,431,538
Total U.S. Government Obligations (Cost \$21,501,851)			20,999,290
Mortgage-Backed Securities 5.0%			
Federal Home Loan Mortgage Corp.:			
6% with various maturities to 4/15/2006	29,857		29,689
6.5% with various maturities to 10/17/2014	71,160		70,893
Federal National Mortgage Association:			
6.01% with various maturities to 7/24/2000	350,000		349,943
5.63% with various maturities to 5/15/2004	1,570,000		1,495,676
Total Mortgage-Backed Securities (Cost \$1,990,912)			1,946,201
Shares			
Preferred Stocks 0.0%			
Service Industries			
Printing/Publishing			
News Corp. Ltd. Preferred ordinary (Cost \$17,956)	1,400		16,867
Common Stocks 38.3%			
Consumer Discretionary 2.0%			
Apparel & Shoes 0.1%			
Jones Apparel Group, Inc.*	1,002		23,547
Talbots Inc.		600	32,963
			56,510
Department & Chain Stores 1.3%			
Ames Department Stores, Inc.*		500	3,875
AnnTaylor Stores Corp.*		1,000	33,124
Burlington Coat Factory Warehouse Corp.		2,200	23,788
Dillard's Inc.		2,500	30,625
Home Depot, Inc.		2,100	104,869
Kingfisher plc		2,900	26,467
Longs Drug Stores, Inc.		1,500	32,625
Neiman Marcus Group, Inc.		900	26,606
Pacific Sunwear of California, Inc.*		500	9,375
W.H. Smith Group plc		3,400	20,635
Wal-Mart Stores, Inc.		2,800	161,350
			473,339
Home Furnishings 0.1%			
Furniture Brands International Inc.		2,900	43,862
Recreational Products 0.1%			
Fairfield Communities, Inc.*		3,200	25,200
Nintendo Co., Ltd.		100	17,491
			42,691
Restaurants 0.1%			
Applebee's International Inc.		800	24,250
Ryan's Family Steak Houses, Inc.*		1,800	15,188
			39,438
Specialty Retail 0.3%			
AutoZone, Inc.*		1,700	37,400
Avis Rent A Car, Inc.*		700	13,125
Central Garden & Pet Co.		1,800	16,144
Family Dollar Stores Inc.		1,100	21,519
New Business Service, Inc.		1,300	21,125
The Finish Line, Inc. "A"*		1,000	8,187
			117,500
Consumer Staples 1.4%			
Alcohol & Tobacco 0.4%			
Imperial Tobacco Group plc		1,700	16,328
Philip Morris Companies, Inc.		3,200	85,000
UST, Inc.		1,900	27,906
Universal Corp.		500	10,563
			139,797
Consumer Electronic & Photographic 0.1%			
Sony Corp.		600	56,099
Consumer Specialties 0.1%			
American Greeting Corp., "A"		2,000	38,000

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
Food & Beverage 0.5%					
Coca-Cola Co.	1,400	80,413	COR Therapeutics, Inc.*	200	17,063
Farmer Brothers Co.	200	35,000	Celgene Corp.*	300	17,663
Michael Foods, Inc.	900	22,050	Eli Lilly & Co.	600	59,925
Seaboard Corp.	100	17,200	Gilead Sciences, Inc.*	400	28,450
Suiza Foods Corp.*	300	14,663	Glaxo Wellcome plc	800	23,391
Supervalu, Inc.	1,000	19,063	ImClone Systems Inc.*	200	15,287
		<u>188,389</u>	Johnson & Johnson, Inc.	700	71,312
			Jones Pharma Inc.	450	17,972
Package Goods/Cosmetics 0.1%			King Pharmaceuticals, Inc.*	300	13,162
Chattem, Inc.	500	6,844	Medicis Pharmaceutical Corp.*	300	17,100
Procter & Gamble Co.	600	34,350	Merck & Co., Inc.	2,200	168,575
		<u>41,194</u>	Pfizer, Inc.	2,975	142,800
			Schering-Plough Corp.	800	40,400
Textiles 0.2%			Suzuken Co., Ltd.	900	34,849
VF Corp.	3,200	76,200			<u>795,646</u>
Health 3.8%			Communications 3.9%		
Biotechnology 0.9%			Cellular Telephone 0.2%		
Affymetrix, Inc.*	100	16,513	Leap Wireless International, Inc.*	200	9,400
Alkermes, Inc.*	400	18,850	Sprint Corp. (PCS Group)*	200	11,900
Amgen Inc.*	1,300	91,325	Telecom Italia Mobile SpA	4,400	44,884
Bio-Rad Laboratories, Inc. "A"*	1,000	25,000			<u>66,184</u>
Biogen, Inc.*	300	19,350	Telephone/Communications 3.6%		
Entremed Inc.*	100	2,994	ADC Telecommunications, Inc.*	773	64,835
Enzo Biochem Inc.*	200	13,800	AT&T Corp.*	2,000	63,250
Enzon, Inc.*	400	17,000	BCE, Inc.	500	11,853
Human Genome Sciences, Inc.*	300	40,013	Bell Atlantic Corp.	800	40,650
IDEC Pharmaceuticals Corp.*	300	35,194	BellSouth Corp.	1,000	42,624
Incyte Pharmaceuticals, Inc.*	200	16,437	British Telecom plc	4,700	60,901
Millennium Pharmaceuticals, Inc.*	400	44,750	CapRock Communications Corp.*	200	3,900
Protein Design Labs, Inc.*	100	16,495	Deutsche Telekom AG	1,600	90,759
Triangle Pharmaceuticals, Inc.*	600	5,438	Digital Microwave Corp.	500	19,063
		<u>363,159</u>	Ericsson LM "B"	4,000	79,411
			France Telecom S.A.	500	69,785
Health Industry Services 0.5%			IDT Corp.*	200	6,787
Aegon NV	400	14,213	InterDigital Communications Corp.*	300	4,969
Cardinal Health, Inc.	1,100	81,400	Intermedia Communications Inc.*	500	14,875
Hanger Orthopedic Group, Inc.*	3,800	18,763	JDS Uniphase Corp.*	400	47,950
Shared Medical Systems Corp.	600	43,763	Koninklijke Kpn NV	400	17,866
US Oncology, Inc.*	500	2,500	Level 3 Communications, Inc.*	200	17,600
Wellpoint Health Networks, Inc.*	400	28,975	MasTec, Inc.	150	5,728
		<u>189,614</u>	MRV Communications Inc.*	200	13,450
			NEXLINK Communications, Inc. "A"*	257	9,750
Hospital Management 0.1%			Nokia Oyj	2,000	101,913
Universal Health Services, Inc.*	300	19,800	Nortel Networks Corp.	1,985	136,347
			Ok Electric Industry Company	4,000	31,166
Medical Supply & Specialty 0.3%			P-Com Inc.*	700	3,981
C.R. Bard, Inc.	1,400	67,374	SBC Communications, Inc.	1,800	77,850
Cytoc Corp.*	200	10,675	Sirius Satellite Radio Inc.*	100	4,431
Medtronic, Inc.	600	29,888	TALK.com, Inc.*	700	4,069
NBTY Inc.*	1,700	10,838	Tekelec*	200	9,638
		<u>118,775</u>	Telecom Italia SpA	4,000	54,913
			Telefonica S.A.	1,100	23,595
Pharmaceuticals 2.0%			Terayon Communication Systems, Inc.*	200	12,847
Abgenix, Inc.*	200	23,972			
Advance Paradigm, Inc.*	200	4,100			
American Home Products Corp.	1,200	70,500			
Bristol-Myers Squibb Co.	500	29,125			

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
Viatal, Inc.*	200	5,713	Skandia Forsakrings AB	1,600	42,413
Vodafone AirTouch plc	39,600	160,427	Torchmark Corp.	700	17,281
WorldCom, Inc.*	1,700	77,988			500,211
Xircom, Inc.*	400	19,000	Business Finance 0.1%		
		1,409,884	Heller Financial Inc.	1,800	36,900
Miscellaneous 0.1%			Consumer Finance 0.6%		
C-Cube Microsystems Inc.*	300	5,887	Citigroup, Inc.	3,000	180,750
Emmis Communications "A"*	600	24,825	Promise Co., Ltd.	200	15,828
Metricom, Inc.*	200	5,575	SLM Holding Corp.	800	29,950
VoiceStream Wireless Corp.*	52	6,047	Takefuji Corp.	200	24,196
		42,334			250,724
Financial 6.9%			Other Financial Companies 2.2%		
Banks 2.6%			ACOM Co., Ltd.	100	8,424
ABN AMRO Holding N.V.	9,700	237,291	Compagnie Financiere		
Bank of America Corp.	1,100	47,300	Richemont AG	100	269,103
Bank of Nova Scotia	2,500	61,289	Edwards (A.G.) Inc.	1,700	66,300
Bank of Tokyo-Mitsubishi, Ltd.	3,000	36,294	Federal Home Loan Mortgage Corp.	1,200	48,600
Banque Nationale de Paris	500	48,049	Federal National Mortgage		
Barclays plc	1,600	39,887	Association	1,600	83,500
Chase Manhattan Corp.*	1,500	69,093	GreenPoint Financial Corp.	1,600	30,000
Christiania Bank og Kreditkasse	7,500	40,234	HSBC Holdings plc	4,200	48,145
Credit Suisse Group (Registered)	100	19,869	Halifax Group plc	1,700	16,353
Dresdner Bank AG	900	37,238	Legg Mason, Inc.*	1,500	75,000
FleetBoston Financial Corp.	2,000	68,000	Man (ED&F) Group plc	7,100	57,204
Fuji Bank, Ltd.	2,000	15,224	Morgan Stanley Dean Witter & Co.	1,100	91,575
Lloyds TSB Group plc	3,000	28,404	Nichiei Co., Ltd.	800	13,146
PNC Bank Corp.	500	23,438	Nomura Securities Co., Ltd.	2,000	49,015
Pacific Century Financial Corporation	1,300	19,013			856,365
Provident Financial Group	600	14,288	Real Estate 0.1%		
Sakura Bank, Ltd.	6,000	41,536	Cheung Kong Holdings Ltd.	2,000	22,000
San Paolo — IMI SpA	1,900	33,673	Sun Hung Kai Properties Ltd.	1,400	10,057
Societe Generale	400	24,024			32,057
St. George Bank Ltd.	4,400	29,971	Media 0.8%		
Sumitomo Bank, Ltd.	1,000	12,277	Advertising 0.0%		
The Chuo Mitsui Trust and Banking			DoubleClick, Inc.*	100	3,813
Co., Ltd.	2,000	8,726	Broadcasting & Entertainment 0.3%		
UBS AG (Registered)	200	29,268	British Sky Broadcasting Group plc*	1,200	23,524
Wells Fargo Co.	1,200	46,500	EM.TV & Merchandising AG	100	5,882
		1,030,886	NBC Internet Inc "A"*	500	6,250
Insurance 1.3%			Pegasus Communications Corp.*	200	9,813
AXA S.A.	315	49,550	Viacom, Inc. "B"*	434	29,593
Aetna, Inc.	800	51,350	Walt Disney Co.	1,400	54,337
American General Corp.	600	36,600			129,399
Assurances Generales de France	300	15,830	Cable Television 0.4%		
Chubb Corp.	247	15,191	ACTV, Inc.*	400	5,975
Corporacion Mapfre, S.A.	900	11,386	AT&T Corp. — Liberty Media		
Fidelity National Financial, Inc.	700	12,819	Group "A"	2,200	53,350
Hartford Financial Services			Canal Plus S.A.	100	16,779
Group, Inc.	500	27,969	Comcast Corp. "A"	700	28,350
ING Groep N.V.	1,551	104,688	Granada Group plc	3,200	32,045
Jefferson Pilot Corp.	775	43,739	Media One Group, Inc.*	300	19,988
Muenchener Rueckversicherungs-					156,487
Gesellschaft AG	125	39,445			
Protective Life Corp.	1,200	31,950			

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
Print Media 0.1%					
Softbank Corp.	300	40,799			
Service Industries 1.7%					
EDP Services 0.3%					
Affiliated Computer Services*	800	26,450			
First Data Corp.	1,400	69,475			
Micromuse, Inc.*	200	33,097			
		129,022			
Investment 0.3%					
Bear Stearns Companies, Inc.	725	30,178			
Paine Webber Group, Inc.	1,000	45,500			
Raymond James Financial, Inc.	1,500	33,750			
		109,428			
Miscellaneous Commercial Services 0.5%					
Aspect Communications Corp.*	400	15,725			
CMG Information Services, Inc.*	100	4,581			
Cap Gemini S.A.	200	35,179			
Convergys Corp.*	700	36,313			
Diamond Technology Partners Inc.*	200	17,600			
Hanson plc	4,300	30,469			
Personnel Group of America, Inc.*	2,200	6,463			
Siebel Systems, Inc.*	100	16,356			
Vivendi	300	26,441			
		189,127			
Miscellaneous Consumer Services 0.4%					
Akamai Technologies, Inc.*	58	6,938			
Go2Net, Inc.*	200	10,063			
Navigant Consulting, Inc.*	3,100	13,175			
Open Market, Inc.	400	5,525			
Peregrine Systems, Inc.*	775	26,883			
Profit Recovery Group International, Inc.*	700	11,638			
TXU Corporation	1,000	29,500			
United Utilities plc	3,200	31,754			
Yahoo!, Inc.*	200	24,775			
		160,251			
Printing/Publishing 0.1%					
Mail-Well, Inc.*	3,100	26,738			
Reuters Group plc	1,400	23,940			
		50,678			
Miscellaneous 0.1%					
Metris Companies Inc.	750	18,844			
Startek Inc.*	200	10,075			
		28,919			
Durables 1.6%					
Aerospace 0.4%					
Alliant Techsystems, Inc.*	700	47,206			
Boeing Co.	700	29,268			
Primex Technologies, Inc.	1,500	33,000			
United Technologies Corp.	1,100	64,763			
		174,237			
Automobiles 0.4%					
Borg-Warner Automotive Inc.	840	29,505			
DaimlerChrysler AG	600	31,518			
Honda Motor Co., Ltd.	1,000	34,094			
Monaco Coach Corp.*	600	8,175			
Renault S.A.	400	18,152			
Toyota Motor Corp.	1,000	45,616			
		167,060			
Construction/Agricultural Equipment 0.0%					
Terex Corp.	1,200	16,950			
Telecommunications Equipment 0.6%					
Advanced Fibre Communications, Inc.*	400	18,125			
Alcatel	500	32,748			
Antec Corp.*	400	16,625			
Com21, Inc.*	100	2,500			
Lucent Technologies, Inc.	2,000	118,500			
Polycom, Inc.*	100	9,409			
Scientific-Atlanta, Inc.	400	29,800			
		227,707			
Miscellaneous 0.1%					
GKN plc*	4,000	51,163			
GKN plc "B"***	4,000	668			
		51,831			
Manufacturing 3.6%					
Chemicals 0.5%					
Akzo Nobel N.V.	1,000	42,424			
BASF AG	1,300	52,549			
BOC Group plc	2,600	37,477			
Dow Chemical Co.	300	9,056			
Praxair, Inc.	1,300	48,669			
		190,175			
Containers & Paper 0.3%					
FPB Holding AG	595	92,177			
UPM-Kymmene Oyj	1,000	24,787			
		116,964			
Diversified Manufacturing 1.8%					
Briggs & Stratton Corp.	700	23,975			
Cooper Industries, Inc.	800	26,050			
General Electric Co.	6,000	318,000			
Hillenbrand Industries, Inc.	1,600	50,100			
Honeywell International, Inc.	1,500	50,531			
Hutchison Whampoa, Ltd.	2,200	27,657			
Koninklijke Philips Electronics N.V.	1,600	75,353			
Man AG	400	12,203			
Pentair, Inc.	200	7,100			
Siemens AG	250	37,538			
Sulzer Brothers Ltd. (Registered)	100	66,434			
		694,941			
Electrical Products 0.0%					
Anadigics, Inc.*	100	3,406			

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
Power-One, Inc.*	100	11,394	Remedy Corp.*	300	16,725
		14,800	Reynolds and Reynolds Co.	500	9,125
Industrial Specialty 0.4%			S1 Corp.*	200	4,663
ASM Lithography Holding N.V.*	300	12,876	Sybase Inc.*	900	20,700
Carlisle Companies Inc.	500	22,500	Synopsys Ltd.*	500	17,281
Corning, Inc.	200	53,975	THQ, Inc.*	350	4,266
Kulicke & Soffa Industries, Inc.	300	17,812	Verity, Inc.*	300	11,400
QUALCOMM Inc.*	500	30,000	VerticalNet, Inc.*	400	14,775
Sherwin-Williams Co.	1,200	25,425	Wave Systems Corp.*	200	3,163
		162,588	Wind River Systems*	400	15,150
					747,937
Machinery/Components/ Controls 0.5%			Diverse Electronic Products 0.4%		
Asyst Technologies, Inc.*	200	6,850	Applied Materials, Inc.*	600	54,375
Illinois Tool Works, Inc.	1,035	58,995	DSP Group, Inc.*	100	5,600
Ingersoll-Rand Co.	1,200	48,300	Dell Computer Corp.*	1,300	64,106
Okuma Corp.	6,000	26,293	Motorola Inc.	600	17,438
Reliance Steel & Aluminum Co.	2,050	39,206			141,519
Rolls-Royce plc	5,000	17,790	EDP Peripherals 0.5%		
		197,434	EMC Corp.*	1,200	92,325
Office Equipment/Supplies 0.1%			Iomega Corp.*	3,500	14,000
Olivetti SpA	3,800	13,803	MMC Networks, Inc.*	100	5,344
Xerox Corp.	500	10,375	Mercury Interactive Corp.*	500	48,375
		24,178	Network Appliance, Inc.*	200	16,100
Miscellaneous 0.0%			SCM Microsystems, Inc.*	100	6,056
Leading Spirit High-Tech Co. Ltd.	40,000	918	VERITAS Software Corp.*	250	28,254
					210,454
Technology 7.8%			Electronic Components/ Distributors 1.2%		
Computer Software 1.9%			Altera Corp.*	200	20,387
Actuate Corp.*	100	5,338	Analog Devices, Inc.*	200	15,199
Advanced Digital Information Corp.*	300	4,781	Broadcom Corp.*	100	21,893
America Online, Inc.*	1,100	58,025	Cisco Systems, Inc.*	4,200	266,962
Ancor Communications, Inc.*	200	7,153	Flextronics International Ltd.*	83	5,701
Avant! Corp.*	1,500	28,101	Kyocera Corp.	100	16,990
Broadvision, Inc.*	500	25,406	Powerwave Technologies, Inc.*	300	13,200
Celera Genomics*	200	18,700	SCI Systems, Inc.*	400	15,675
Citrix Systems, Inc.*	100	1,893	Sandisk Corp.*	100	6,119
Computer Associates International, Inc.	500	25,594	Sawtek, Inc.*	300	17,269
Echelon Corp.*	100	5,793	Technitrol, Inc.	700	67,813
Entrust Technologies Inc.*	100	8,275			467,208
Exchange Applications, Inc.	100	2,663	Electronic Data Processing 1.1%		
HNC Software, Inc.*	200	12,350	Apple Computer, Inc.*	400	20,950
Hyperion Solutions Corp.*	200	6,487	Compaq Computer Corp.	1,600	40,900
I2 Technologies Inc.*	165	17,204	Fujitsu, Ltd.	1,000	34,660
ISS Group, Inc.*	100	9,873	Hewlett-Packard Co.	500	62,437
InfoCure Corp.*	600	3,375	International Business Machines Corp.	1,300	142,431
Informatica Corp.*	100	8,194	Sun Microsystems, Inc.*	1,200	109,125
MTI Technology Corp.*	200	1,600			410,503
Macrovision Corp.*	200	12,784	Military Electronics 0.4%		
Manugistics Group Inc.*	200	9,350	Computer Sciences Corp.*	500	37,343
MicroStrategy Inc.*	400	12,000	General Dynamics Corp.	1,500	78,375
Microsoft Corp.*	2,800	224,000	Titan Corp.*	500	22,375
Oracle Corp.*	1,100	92,469			138,093
RSA Security, Inc.*	400	27,700			
Rare Medium Group, Inc.*	100	1,581			

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
Office/Plant Automation 0.0%					
3Com Corp.*	300	17,288	Questar Corp.	1,300	25,188
					50,988
Precision Instruments 0.2%			Oilfield Services/Equipment 0.6%		
ADTRAN, Inc.*	300	17,962	BP Amoco plc	16,100	154,877
Credence Systems Corp.*	400	22,075	Key Energy Group, Inc.*	2,400	23,100
Harmonic Inc.*	362	8,960	National-Oilwell, Inc.*	400	13,150
Lam Research Corp.*	600	22,500	Patterson Energy, Inc.*	500	14,250
		71,497	Pride International Inc.*	1,000	24,750
					230,127
Semiconductors 2.0%			Metals & Minerals 0.1%		
ARM Holdings plc*	1,000	10,742	Precious Metals 0.0%		
Alpha Industries, Inc.*	100	4,406	Stillwater Mining Co.*	400	11,150
Burr-Brown Corp.*	200	17,337	Steel & Metals 0.1%		
Cree Research, Inc.*	200	26,700	AK Steel Holding Corp.	1,030	8,240
Cymer, Inc.*	300	14,325	Nucor Corp.	1,000	33,188
Cypress Semiconductor Corp.*	800	33,800			41,428
Emulex Corp.*	200	13,138	Construction 1.0%		
Integrated Device Technology, Inc.*	700	41,912	Building Materials 0.8%		
Intel Corp.	2,400	320,850	Centex Construction Products, Inc.	1,100	24,956
KEMET Corp.*	600	15,037	Elcor Corp.	500	11,500
Kopin Corp.*	200	13,850	Fletcher Challenge Building Corp.	19,800	20,989
Lattice Semiconductor Corp.*	300	20,737	Florida Rock Industries, Inc.	600	21,375
Linear Technology Corp.	600	38,363	Holderbank Financiere Glaris AG (Bearer)	100	122,459
Micron Technology, Inc.	200	17,613	LaFarge Corp.	1,800	37,800
Rohm Company Ltd.	100	29,277	Taiheiyu Cement Corp.	20,000	41,932
STMicroelectronics N.V.	300	18,876	Vulcan Materials Co.	1,100	46,956
Semitech Corp.	300	22,945			327,967
Texas Instruments, Inc.	1,000	68,688	Building Products 0.1%		
Transwitch Corp.*	350	27,016	Genlyte Group, Inc.*	700	14,743
Triquint Semiconductor, Inc.*	200	19,138	Nortek, Inc.	900	17,775
		774,750			32,518
Miscellaneous 0.2%			Homebuilding 0.1%		
Advanced Radio Telecom Corp.*	200	2,925	Del Webb Corp.	650	9,953
Agilent Technologies, Inc.*	191	14,064	Standard Pacific Corp.	2,800	28,000
Amkor Technology, Inc.*	500	17,656			37,953
Wabtec	1,782	18,488	Miscellaneous 0.0%		
iGATE Capital Corp.*	800	11,000	Quanta Services, Inc.*	200	11,000
		64,133	Transportation 0.2%		
Energy 1.7%			Railroads 0.1%		
Oil & Gas Production 0.5%			Trinity Industries, Inc.	1,990	36,815
Cabot Oil & Gas Corp. "A"	1,700	36,019	Trucking 0.1%		
Exxon Mobil Corp.	600	47,100	Roadway Express, Inc.	1,300	30,469
Marine Drilling Companies, Inc.*	1,000	28,000	U.S. Xpress Enterprises, Inc. "A"*	1,800	14,513
Repsol SA	2,470	49,097			44,982
Tosco Corp.	1,600	45,300	Utilities 1.7%		
		205,516	Electric Utilities 1.5%		
Oil Companies 0.5%			AES Corp.*	600	27,375
ENI SpA	10,100	58,254	Avista Corp.	300	5,231
Elf Aquitaine S.A.	200	40,899	Black Hills Corp.	700	15,793
Total Fina ELF S.A. "B"	500	76,554	CH Energy Group, Inc.	900	30,543
		175,707	Calpine Corp.*	600	39,450
Oil/Gas Transmission 0.1%					
Enron Corp.	400	25,800			

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
Chugoku Electric Power Co., Inc.	11,100	160,915	Miscellaneous 0.0%		
Electrabel NPV	200	49,364	SCANA Corp.	694	16,743
Endesa S.A.	900	17,409			
FPL Group, Inc.	600	29,700	Miscellaneous 0.1%		
Kyushu Electric Power Co.	6,400	92,478	Shinonogi	1,000	19,030
Northwestern Corp.	1,200	27,750			
OGE Energy Corp.	700	12,950			
Scottish Power plc	3,500	29,739			
Tokyo Electric Power Co.	1,700	41,503			
WPS Resources Corp.	700	21,044			
		<u>601,244</u>			
Natural Gas Distribution 0.2%					
Columbia Energy Group	1,250	82,031			
			Total Common Stocks (Cost \$15,416,594)		15,031,845
			Total Investment Portfolio — 100.0%		
			(Cost \$40,126,875) (a)		39,193,765

Notes to Kemper Horizon 5 Portfolio of Investments

* Non-income producing security.

** Annualized yield at time of purchase; not a coupon rate.

(a) The cost for federal income tax purposes was \$40,126,875. At June 30, 2000, net unrealized depreciation for all securities based on tax cost was \$933,110. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$1,883,446 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$2,816,556.

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities as of June 30, 2000 (Unaudited)

Assets

Investments in securities, at value (cost \$40,126,875)	\$ 39,193,765
Cash	95,060
Foreign currency, at value (cost \$13,585)	13,661
Dividends receivable	12,610
Interest receivable	353,911
Foreign taxes recoverable	9,899
Other assets	10,484
Total assets	39,689,390

Liabilities

Payable for Portfolio shares redeemed	287,882
Accrued management fee	19,588
Other accrued expenses and payables	51,374
Total liabilities	358,844

Net assets, at value \$ 39,330,546

Net Assets

Net assets consist of:

Undistributed net investment income	\$ 623,196
Net unrealized appreciation (depreciation) on:	
Investments	(933,110)
Foreign currency related transactions	(485)
Accumulated net realized gain (loss)	346,348
Paid-in capital	39,294,597

Net assets, at value \$ 39,330,546

Net Asset Value

Net Asset Value and redemption price per share (\$39,330,546 ÷ 32,283,405 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized) \$ 1.218

Statement of Operations for the six months ended June 30, 2000 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$5,981)	\$ 145,234
Interest	802,545
Total Income	947,779
Expenses:	
Management fee	120,170
Custodian fees	43,585
Auditing	6,158
Legal	2,274
Trustees' fees and expenses	7,218
Reports to shareholders	4,953
Registration fees	554
Other	2,079
Total expenses, before expense reductions	186,991
Expense reductions	(100)
Total expenses, after expense reductions	186,891
Net investment income (loss)	760,888

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	657,465
Foreign currency related transactions	(335)
	657,130
Net unrealized appreciation (depreciation) during the period on:	
Investments	(1,632,045)
Foreign currency related transactions	(485)
	(1,632,530)

Net gain (loss) on investment transactions (975,400)

Net increase (decrease) in net assets resulting from operations \$ (214,512)

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

	Six Months Ended June 30, 2000 (Unaudited)	Year Ended December 31, 1999
Increase (Decrease) in Net Assets		
Operations:		
Net investment income (loss)	\$ 760,888	\$ 1,486,830
Net realized gain (loss) on investment transactions	657,130	1,507,728
Net unrealized appreciation (depreciation) on investment transactions during the period	(1,632,530)	(1,020,199)
Net increase (decrease) in net assets resulting from operations	(214,512)	1,974,359
Distributions to shareholders from:		
Net investment income	(1,519,440)	(861,073)
Net realized gains	(1,823,283)	—
Portfolio share transactions:		
Proceeds from shares sold	2,232,877	13,924,699
Reinvestment of distributions	3,342,723	861,073
Cost of shares redeemed	(5,317,972)	(6,010,248)
Net increase (decrease) in net assets from Portfolio share transactions	257,628	8,775,523
Increase (decrease) in net assets	(3,299,607)	9,888,810
Net assets at beginning of period	42,630,153	32,741,343
Net assets at end of period (including undistributed net investment income of \$623,196 and \$1,381,748, respectively)	\$ 39,330,546	\$ 42,630,153
Other Information		
Shares outstanding at beginning of period	31,962,639	25,150,832
Shares sold	1,773,935	10,777,091
Shares issued to shareholders in reinvestment of distributions	2,735,915	669,101
Shares redeemed	(4,189,084)	(4,634,385)
Net increase (decrease) in Portfolio shares	320,766	6,811,807
Shares outstanding at end of period	32,283,405	31,962,639

Financial Highlights

The following table includes selected data for a share outstanding throughout each period and other performance information derived from the financial statements.

Years Ended December 31,	2000(a)	1999	1998	1997	1996(b)
Net asset value, beginning of period	\$1.334	1.305	1.224	1.096	1.000
<i>Income (loss) from investment operations:</i>					
Net investment income (loss)	.024(c)	.050(c)	.028	.043	.023
Net realized and unrealized gain (loss) on investment transactions	(.030)	.009	.093	.095	.073
Total from investment operations	(.006)	.059	.121	.138	.096
<i>Less distributions from:</i>					
Net investment income	(.050)	(.030)	(.010)	(.010)	—
Net realized gains on investment transactions	(.060)	—	(.030)	—	—
Total distributions	(.110)	(.030)	(.040)	(.010)	—
Net asset value, end of period	\$1.218	1.334	1.305	1.224	1.096
Total Return (%)	(.30)**	4.86	10.00	12.70	9.59**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ thousands)	39,331	42,630	32,741	14,258	2,534
Ratio of expenses before expense reductions (%)	.93*	.76	.66	.97	1.01*
Ratio of expenses after expense reductions (%)	.93*	.76	.66	.97	.83*
Ratio of net investment income (loss) (%)	3.80*	3.81	3.85	3.63	3.60*
Portfolio turnover rate (%)	87*	33	42	89	13*

(a) For the six months ended June 30, 2000 (Unaudited).

(b) For the period from May 1, 1996 (commencement of operations) to December 31, 1996.

(c) Based on monthly average shares outstanding during the period.

* Annualized

** Not annualized

The accompanying notes are an integral part of the financial statements.

Kemper Small Cap Growth Portfolio

A strong rally in technology and biotechnology stocks helped lift the portfolio during the first half of fiscal year 2000. For the six-month period ended June 30, the portfolio substantially outpaced the 1.23% six-month return of the fund's benchmark, the Russell 2000 Growth Index.

Investors have renewed their focus on stocks with strong earnings growth prospects. Based on internal and consensus earnings estimates, most companies in the portfolio appear poised to maintain strong growth rates even as the overall U.S. economy slows. We think that the outlook is just as bright as it was six months ago.

Six-month performance benefited from being underweighted in consumer cyclical stocks and overweighted in computer software, semiconductors and semiconductor equipment stocks. Strong stock selection in basic materials, capital goods, communications services and consumer cyclicals helped provide solid returns in a broad range of sectors. Biotech stocks did especially well during the first half as investors eagerly sought non-tech companies with above-average growth potential.

We look for superior companies first and foremost. To meet our strict criteria, a company must have sustainable and consistent earnings-growth potential for a two- to three-year horizon. We favor firms with dominant or increasing market positions, niche players and those with innovative products, services or distribution strategies.

Our investment approach incorporates qualitative and quantitative measures. We scrutinize company fundamentals, including product positioning, business models, management capability and competitive positioning. Further, we analyze and project revenue and earnings growth along with the company's cash flow requirements. Above all, a stock has got to trade at the right price relative to its rate of earnings growth.

J.C. Cabrera
Lead Portfolio Manager

Investments by the Portfolio in small companies present greater risk of loss than investments in larger, more established companies.

	Shares	Value (\$)		Shares	Value (\$)
Miscellaneous Consumer Services 0.4%			Diverse Electronic Products 2.0%		
Exult Inc.*	147,200	1,472,000	Aether Systems, Inc.*	20,000	4,100,000
Durables 1.9%			Foundry Networks, Inc.*	16,900	1,867,450
Telecommunications Equipment 1.9%			Natural Microsystems Corp.*	5,100	573,431
Celeritek, Inc.*	47,700	1,563,119			6,540,881
Com21, Inc.*	82,200	2,055,000	EDP Peripherals 3.5%		
Stanford Microdevices, Inc.*	59,700	2,593,219	Mercury Interactive Corp.*	99,100	9,587,925
		6,211,338	Symbol Technologies, Inc.*	34,800	1,879,200
Manufacturing 4.9%					11,467,125
Electrical Products 2.0%			Electronic Components/Distributors 6.9%		
ATMI, Inc.*	46,000	2,139,000	Applied Micro Circuits Corp.*	73,000	7,208,750
Anadigics, Inc.*	95,850	3,264,891	Bookham Technology plc*	68,100	4,034,925
Nanometrics, Inc.*	31,600	1,301,525	Jabil Circuit*	139,300	6,912,763
		6,705,416	Photronics, Inc.*	32,800	930,700
Industrial Specialty 2.1%			Powerwave Technologies, Inc.*	38,400	1,689,600
E-Tek Dynamics, Inc.*	25,600	6,753,599	Sawtek, Inc.*	30,600	1,761,413
Machinery/Components/Controls 0.4%					22,538,151
Brooks Automation Inc.*	22,000	1,406,625	Electronic Data Processing 0.6%		
Miscellaneous 0.4%			Webtrends Corp.*	51,000	1,973,063
Dril-Quip, Inc.*	26,500	1,238,875	Precision Instruments 2.5%		
Technology 59.5%			Coherent, Inc.*	89,400	7,498,424
Computer Software 35.2%			Harmonic Inc.*	23,400	579,150
Allaire Corp.*	85,800	3,153,150			8,077,574
BEA Systems, Inc.*	236,800	11,706,800	Semiconductors 8.8%		
Business Objects, S.A.*	101,700	8,962,312	Alpha Industries, Inc.*	102,900	4,534,031
Centillum Communications*	71,200	4,912,800	Cree Research, Inc.*	33,000	4,405,500
Clarent Corp.*	46,900	3,353,350	Emcore Corp.*	29,500	3,540,000
Comverse Technologies, Inc.*	79,500	7,393,500	Fairchild Semiconductor Corp.*	72,300	2,928,150
Corillian Corp.*	117,700	1,956,763	Pericom Semiconductor Corp.*	60,000	4,080,000
Descartes Systems Group, Inc.*	58,300	1,792,725	QLogic Corp.*	108,700	7,180,994
Entrust Technologies Inc.*	75,600	6,255,900	Transwitch Corp.*	27,400	2,114,938
Extreme Networks, Inc.*	68,300	7,205,650			28,783,613
Globix Corp.*	126,700	3,713,893	Energy 7.0%		
HNC Software, Inc.*	31,100	1,920,425	Oil & Gas Production 3.7%		
Hyperion Solutions Corp.*	142,300	4,615,856	3TEC Energy Corporation*	120,300	1,203,000
IONA Technologies plc (ADR)*	46,500	2,929,500	Cabot Oil & Gas Corp. "A"	58,100	1,230,993
InterWorld Corp.*	58,900	1,207,450	Cross Timbers Oil Company	111,100	2,458,087
Intranet Solutions, Inc.*	173,500	6,658,063	Devon Energy Corp.	29,400	1,651,913
Keynote Systems, Inc.*	41,000	2,893,063	Ocean Energy Inc*	163,500	2,319,656
Net Perceptions, Inc.*	115,500	1,833,563	Plains Resources, Inc.*	107,700	1,716,469
Netegrity, Inc.*	95,600	7,199,875	Talisman Energy Inc.*	45,200	1,497,305
Packeteer, Inc.*	148,971	4,338,780			12,077,423
Preview Systems, Inc.*	129,600	1,684,800	Oil Companies 0.7%		
Sanchez Computer Associates, Inc.*	111,900	2,657,625	Louis Dreyfus Natural Gas Corp.*	77,100	2,414,194
Software Technologies Corp.*	57,600	1,767,600	Oil/Gas Transmission 0.9%		
USinternetworking, Inc.*	100,250	2,048,859	Western Gas Resources, Inc.	147,500	3,097,500
Verity, Inc.*	140,300	5,331,400	Oilfield Services/Equipment 1.1%		
Watchguard Technologies, Inc.*	141,700	7,784,644	Cal Dive International, Inc.*	24,200	1,311,338
		115,278,346	Newpark Resources, Inc.*	232,900	2,197,994
					3,509,332

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)
Miscellaneous 0.6%		
Dynegy Inc.	28,300	1,933,243
Total Common Stocks (Cost \$250,450,035)		317,637,796
Total Investment Portfolio — 100.0% (Cost \$261,245,852) (a)		328,598,613

Notes to Kemper Small Cap Growth Portfolio of Investments

* Non-income producing security.

** Repurchase agreement is fully collateralized by U.S. Treasury or Government agency securities.

(a) The cost for federal income tax purposes was \$261,245,852. At June 30, 2000, net unrealized appreciation for all securities based on tax cost was \$67,352,761. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$105,108,788 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$37,756,027.

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities as of June 30, 2000 (Unaudited)

Assets

Investments in securities, at value (cost \$261,245,852)	\$ 328,598,613
Receivable for investments sold	6,017,891
Dividends receivable	13,974
Interest receivable	145
Receivable for Portfolio shares sold	2,155,820
Other assets	999
Total assets	336,787,442

Liabilities

Due to custodian bank	107,735
Payable for investments purchased	5,335,913
Accrued management fee	170,757
Other accrued expenses and payables	87,939
Total liabilities	5,702,344

Net assets, at value \$ 331,085,098

Net Assets

Net assets consist of:	
Accumulated net investment loss	\$ (568,782)
Net unrealized appreciation (depreciation) on investments	67,352,761
Accumulated net realized gain (loss)	32,160,845
Paid-in capital	232,140,274

Net assets, at value \$ 331,085,098

Net Asset Value

Net Asset Value and redemption price per share ($\$331,085,098 \div 125,404,405$ outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized) \$ 2.640

Statement of Operations for the six months ended June 30, 2000 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$5,513)	\$ 172,601
Interest	419,668
Total Income	592,269
Expenses:	
Management fee	1,025,366
Custodian fees	20,071
Auditing	40,269
Legal	13,935
Trustees' fees and expenses	10,263
Reports to shareholders	40,433
Registration fees	1,190
Interest expense	3,552
Other	5,769
Total expenses, before expense reductions	1,160,848
Expense reductions	(2,797)
Total expenses, after expense reductions	1,158,051
Net investment income (loss)	(565,782)

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from	
Investments	32,976,482
Foreign currency related transactions	7,974
	32,984,456
Net unrealized appreciation (depreciation) during the period on investments	(11,238,381)

Net gain (loss) on investment transactions 21,746,075

Net increase (decrease) in net assets resulting from operations \$ 21,180,293

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2000 (Unaudited)	Year Ended December 31, 1999
Operations:		
Net investment income (loss)	\$ (565,782)	\$ (602,400)
Net realized gain (loss) on investment transactions	32,984,456	31,366,734
Net unrealized appreciation (depreciation) on investment transactions during the period	(11,238,381)	36,188,607
Net increase (decrease) in net assets resulting from operations	21,180,293	66,952,941
Distributions to shareholders from:		
Net realized gains	(30,002,610)	—
Portfolio share transactions:		
Proceeds from shares sold	107,128,194	38,056,731
Reinvestment of distributions	30,002,610	—
Cost of shares redeemed	(61,825,403)	(48,742,329)
Net increase (decrease) in net assets from Portfolio share transactions	75,305,401	(10,685,598)
Increase (decrease) in net assets	66,483,084	56,267,343
Net assets at beginning of period	264,602,014	208,334,671
Net assets at end of period (including accumulated net investment loss of \$568,782 and \$3,000, respectively)	\$ 331,085,098	\$ 264,602,014
Other Information		
Shares outstanding at beginning of period	99,700,599	105,692,352
Shares sold	39,462,022	18,715,517
Shares issued to shareholders in reinvestment of distributions	10,164,157	—
Shares redeemed	(23,922,373)	(24,707,270)
Net increase (decrease) in Portfolio shares	25,703,806	(5,991,753)
Shares outstanding at end of period	125,404,405	99,700,599

Financial Highlights

The following table includes selected data for a share outstanding throughout each period and other performance information derived from the financial statements.

Years Ended December 31,	2000(a)	1999	1998	1997	1996	1995
Net asset value, beginning of period	\$2.654	1.971	1.969	1.677	1.346	1.039
<i>Income (loss) from investment operations:</i>						
Net investment income (loss)	(.005)(b)	(.006)(b)	—	.004	.002	.005
Net realized and unrealized gain (loss) on investment transactions	.271	.689	.342	.488	.369	.307
Total from investment operations	.266	.683	.342	.492	.371	.312
<i>Less distributions from:</i>						
Net investment income	—	—	—	(.010)	—	(.005)
Net realized gains on investment transactions	(.280)	—	(.340)	(.190)	(.040)	—
Total distributions	(.280)	—	(.340)	(.200)	(.040)	(.005)
Net asset value, end of period	\$2.640	2.654	1.971	1.969	1.677	1.346
Total Return (%)	8.91**	34.56	18.37	34.20	28.04	30.07

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ thousands)	331,085	264,602	208,335	137,415	69,137	35,373
Ratio of expenses before expense reductions (%)	.75*	.71	.70	.71	.75	.87
Ratio of expenses after expense reductions (%)	.75*	.71	.70	.71	.75	.87
Ratio of net investment income (loss) (%)	(.37)*	(.30)	(.01)	.20	.15	.42
Portfolio turnover rate (%)	135*	208	276	330	156	81

(a) For the six months ended June 30, 2000 (Unaudited).

(b) Based on monthly average shares outstanding during the period.

* Annualized

** Not annualized

The accompanying notes are an integral part of the financial statements.

Kemper Technology Growth Portfolio

The Kemper Technology Growth Portfolio's semiannual period was characterized by volatility brought about by a market propelled by the explosive growth of technology stocks, particularly those of Internet-related companies. Despite this volatile environment, the fund posted strong returns for this period.

While we were pleased with the fund's overall gain, the figures do not reflect the degree of volatility present during this period. This swing in performance illustrates the powerful ups and downs of technology stocks. As momentum in this sector increased, new, smaller high-flying stocks were grabbing headlines with strong performance. But with a dramatic downturn taking place in April, investors began to debate whether the high valuations in this group of companies were justified.

Although the entire technology sector suffered, it was the Internet-related companies that declined most dramatically. Larger, more established technology companies, like those held by this fund, declined less.

On the positive side, we enjoyed strong performance from our investments in semiconductors and component-based technology companies. These companies produce computer chips: the building blocks for cellular and wireless telecommunications, computers and a host of other goods. Top-performing semiconductor stocks included Xilinx and Applied Materials.

Despite light activity in June, we believe that over time, companies with strong franchises, skilled management and consistent earnings growth can produce superior long-term returns. In times of market turbulence, it's important to maintain a long-term outlook. We continue to believe that quality technology stocks offer excellent prospects for investors.

James B. Burkart
Deborah L. Koch
Co-Lead Portfolio Managers

Investments by the Portfolio in small companies present greater risk of loss than investments in larger, more established companies. The Portfolio may concentrate investments in specific sectors, which creates special risk considerations.

Kemper Technology Growth Portfolio

	Principal Amount (\$)	Value (\$)		Shares	Value (\$)
Repurchase Agreements 0.2%					
State Street Bank and Trust Company, 6.48%, to be repurchased at \$383,207 on 7/3/2000** (Cost \$383,000)	383,000	383,000			
Short-Term Obligations 16.4%					
Federal Home Loan Bank Discount Note:					
6.4%, 7/5/2000	9,500,000	9,493,244			
6.45%, 7/6/2000	5,000,000	4,995,521			
6.44%, 7/10/2000	3,000,000	2,995,170			
6.44%, 7/12/2000	8,500,000	8,483,274			
6.44%, 7/13/2000	8,500,000	8,481,753			
Federal National Mortgage Association Discount Note	6,000,000	5,993,600			
Total Short-Term Obligations (Cost \$40,442,562)		40,442,562			
			Shares		
Common Stocks 83.4%					
Health 1.9%					
Biotechnology					
Affymetrix, Inc.*	2,200	363,275			
Diversa Corp.*	30,000	993,750			
Genentech, Inc.*	2,200	378,400			
PE Corp-PE Biosystems Group*	38,700	2,549,363			
QLT Inc.*	4,000	310,664			
		4,595,452			
Communications 3.8%					
Cellular Telephone 0.7%					
Nextel Communications, Inc. "A"	20,000	1,223,750			
Nokia Oyj (ADR)	8,600	429,463			
		1,653,213			
Telephone/Communications 3.1%					
JDS Uniphase Corp.*	42,000	5,034,750			
Nortel Networks Corp.	30,000	2,047,500			
Sierra Wireless Inc.*	11,200	602,700			
		7,684,950			
Media 0.6%					
Cable Television					
AT&T Corp. — Liberty Media Group "A"	13,000	315,250			
EchoStar Communications Corp. "A"	31,400	1,039,634			
		1,354,884			
Service Industries 8.4%					
EDP Services 2.8%					
Electronic Data Systems Corp.	15,000	618,750			
First Data Corp.	36,000	1,786,500			
Sapient Corp.*	16,000	1,711,000			
VeriSign, Inc.*	16,200	2,859,300			
		6,975,550			
Miscellaneous Commercial Services 3.6%					
Aspect Communications Corp.*	50,000	1,965,625			
Diamond Technology Partners Inc.*	22,000	1,936,000			
Siebel Systems, Inc.*	31,000	5,070,438			
		8,972,063			
Miscellaneous Consumer Services 1.9%					
eBay, Inc.*	8,000	434,500			
Yahoo!, Inc.*	35,000	4,335,625			
		4,770,125			
Durables 1.9%					
Telecommunications Equipment					
Tellabs, Inc.*	70,000	4,790,625			
Manufacturing 3.9%					
Electrical Products 1.2%					
Amphenol Corp "A"	20,000	1,323,750			
Nanometrics, Inc.*	40,000	1,647,500			
		2,971,250			
Industrial Specialty 2.4%					
Corning, Inc.*	18,600	5,019,675			
Electro Scientific Industries, Inc.*	20,000	880,625			
		5,900,300			
Office Equipment/Supplies 0.3%					
Lexmark International Group, Inc. "A"	11,500	773,375			
Technology 62.9%					
Computer Software 25.2%					
Advanced Digital Information Corp.*	14,000	223,125			
Agile Software Corp.*	32,000	2,262,000			
BEA Systems, Inc.*	62,000	3,065,125			
Broadbase Software, Inc.*	54,200	1,659,875			
Brocade Communications Systems, Inc.*	30,000	5,504,531			
Business Objects, S.A.*	15,600	1,374,750			
Celera Genomics*	8,000	748,000			
Check Point Software Technologies, Ltd.	10,000	2,117,500			
Computer Associates International, Inc.	60,000	3,071,250			
Cysive Inc.*	50,000	1,193,750			
I2 Technologies Inc.*	22,000	2,293,844			
Intuit, Inc.*	80,225	3,319,309			
Microsoft Corp.*	97,660	7,812,800			
NVIDIA Corp.*	6,000	381,375			
National Instruments Corp.*	30,000	1,308,750			
Oracle Corp.*	73,000	6,136,563			
PC-Tel, Inc.*	20,000	760,000			

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
Portal Software, Inc.*	67,000	4,279,625	Cisco Systems, Inc.*	124,000	7,881,750
Precise Software Solutions*	7,300	175,200	Juniper Networks, Inc.	36,000	5,240,250
Rational Software Corp.*	27,000	2,509,313	Molex Inc. "A"	69,638	2,437,313
Reynolds and Reynolds Co.*	75,000	1,368,750	PMC-Sierra, Inc.*	7,000	1,243,813
Storagenetworks Inc.*	3,100	279,775			<u>21,304,564</u>
Sycamore Networks, Inc.*	22,000	2,428,250	Electronic Data Processing 3.9%		
Vignette Corp.*	40,200	2,091,028	Compaq Computer Corp.	130,000	3,323,125
Watchguard Technologies, Inc.*	42,500	2,334,844	Seagate Technology, Inc.*	60,000	3,300,000
Webmethods, Inc.	20,000	3,143,750	Sun Microsystems, Inc.*	32,524	2,957,645
		<u>61,843,082</u>			<u>9,580,770</u>
Diverse Electronic Products 7.1%			Semiconductors 15.3%		
Applied Materials, Inc.*	41,778	3,786,131	Conexant Systems, Inc.	8,000	389,000
Dell Computer Corp.*	99,375	4,900,430	Intel Corp.	62,000	8,288,625
Foundry Networks, Inc.*	17,000	1,878,500	KLA Tencor Corp.*	67,000	3,923,688
Molex Incorporated*	2,500	120,313	Linear Technology Corp.	48,000	3,069,000
Motorola Inc.*	71,420	2,075,644	Maxim Integrated Products Inc.	36,000	2,445,750
Solectron Corp.*	32,300	1,352,563	Micron Technology, Inc.*	18,000	1,585,125
Teradyne, Inc.*	46,800	3,439,800	QLogic Corp.*	20,000	1,321,250
		<u>17,553,381</u>	SDL, Inc.*	10,000	2,851,875
EDP Peripherals 2.5%			Sanmina Corp.*	54,000	4,617,000
Ariba, Inc.	16,000	1,568,750	Silicon Image, Inc.*	50,000	2,493,750
EMC Corp.*	14,600	1,123,288	Texas Instruments, Inc.	56,744	3,897,604
Mercury Interactive Corp.*	17,400	1,683,450	Xilinx, Inc.*	32,000	2,642,000
VERITAS Software Corp.*	16,125	1,822,377			<u>37,524,667</u>
		<u>6,197,865</u>	Miscellaneous 0.2%		
Electronic Components/Distributors 8.7%			Advanced Radio Telecom Corp.*	40,000	585,000
Applied Micro Circuits Corp.*	12,000	1,185,000			
Broadcom Corp.*	7,600	1,663,925	Total Common Stocks (Cost \$169,800,810)		205,031,116
Celestica Inc.	33,300	1,652,513	Total Investment Portfolio — 100.0%		
			(Cost \$210,626,372) (a)		245,856,678

Notes to Kemper Technology Growth Portfolio of Investments

* Non-income producing security.

** Repurchase agreement is fully collateralized by the U.S. Treasury or Government agency securities.

(a) The cost for federal income tax purposes was \$210,626,372. At June 30, 2000, net unrealized appreciation for all securities based on tax cost was \$35,230,306. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$44,554,431 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$9,324,125.

Financial Statements

Statement of Assets and Liabilities as of June 30, 2000 (Unaudited)

Assets

Investments in securities, at value (cost \$210,626,372)	\$ 245,856,678
Cash	750
Receivable for investments sold	199,208
Dividends receivable	15,475
Interest receivable	69
Receivable for Portfolio shares sold	691,469
Foreign taxes recoverable	389
Total assets	246,764,038

Liabilities

Payable for investments purchased	401,519
Accrued management fee	130,891
Other accrued expenses and payables	69,884
Total liabilities	602,294

Net assets, at value \$ 246,161,744

Net Assets

Net assets consist of:	
Undistributed net investment income	\$ 215,412
Net unrealized appreciation (depreciation) on investments	35,230,306
Accumulated net realized gain (loss)	(630,296)
Paid-in capital	211,346,322

Net assets, at value \$ 246,161,744

Net Asset Value

Net Asset Value and redemption price per share (\$246,161,744 ÷ 121,810,617 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized) \$ 2.021

Statement of Operations for the six months ended June 30, 2000 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$572)	\$ 53,916
Interest	777,318
Total Income	831,234
Expenses:	
Management fee	624,353
Custodian and accounting fees	31,456
Auditing	1,140
Legal	2,626
Trustees' fees and expenses	8,252
Reports to shareholders	12,284
Registration fees	21,759
Other	325
Total expenses, before expense reductions	702,195
Expense reductions	(3,475)
Total expenses, after expense reductions	698,720
Net investment income (loss)	132,514

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from investments	(451,334)
Net unrealized appreciation (depreciation) during the period on investments	15,332,069
Net gain (loss) on investment transactions	14,880,735

Net increase (decrease) in net assets resulting from operations \$ 15,013,249

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

	Six Months Ended June 30, 2000 (Unaudited)	Period Ended December 31, 1999(a)
Increase (Decrease) in Net Assets		
Operations:		
Net investment income (loss)	\$ 132,514	\$ 83,898
Net realized gain (loss) on investment transactions	(451,334)	693,828
Net unrealized appreciation (depreciation) on investment transactions during the period	15,332,069	19,898,237
Net increase (decrease) in net assets resulting from operations	15,013,249	20,675,963
Distributions to shareholders from net realized gains	(873,790)	—
Portfolio share transactions:		
Proceeds from shares sold	156,586,908	63,796,809
Reinvestment of distributions	873,790	—
Cost of shares redeemed	(9,647,703)	(1,763,482)
Net increase (decrease) in net assets from Portfolio share transactions	147,812,995	62,033,327
Increase (decrease) in net assets	161,952,454	82,709,290
Net assets at beginning of period	84,209,290	1,500,000
Net assets at end of period (including undistributed net investment income of \$215,412 and \$82,898, respectively)	\$ 246,161,744	\$ 84,209,290
Other Information		
Shares outstanding at beginning of period	47,388,450	1,500,000
Shares sold	79,359,999	47,160,757
Shares issued to shareholders in reinvestment of distributions	411,089	—
Shares redeemed	(5,348,921)	(1,272,307)
Net increase (decrease) in Portfolio shares	74,422,167	45,888,450
Shares outstanding at end of period	121,810,617	47,388,450

(a) For the period from May 1, 1999 (commencement of operations) to December 31, 1999.

Financial Highlights

The following table includes selected data for a share outstanding throughout each period and other performance information derived from the financial statements.

	2000(a)	1999(b)
Net asset value, beginning of period	\$1.777	1.000
<i>Income (loss) from investment operations:</i>		
Net investment income (loss) (c)	.002	.005
Net realized and unrealized gain (loss) on investment transactions	.252	.772
Total from investment operations	.254	.777
<i>Less distributions from:</i>		
Net realized gains on investment transactions	(.010)	—
Total distributions	(.010)	—
Net asset value, end of period	\$2.021	1.777
Total Return (%)	14.25**	77.70**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ thousands)	246,162	84,209
Ratio of expenses before expense reductions (%)	.84*	1.19*
Ratio of expenses after expense reductions (%)	.84*	.94*
Ratio of net investment income (loss) (%)	.16*	.60*
Portfolio turnover rate (%)	93*	34*

(a) For the six months ended June 30, 2000 (Unaudited).

(b) For the period from May 1, 1999 (commencement of operations) to December 31, 1999.

(c) Based on monthly average shares outstanding during the period.

* Annualized

** Not annualized

The accompanying notes are an integral part of the financial statements.

Kemper Value+Growth Portfolio

Interest rate hikes, a technology correction and increased volatility characterized the Kemper Value+Growth Portfolio's semiannual period. Investors left the technology market for more defensive, value-oriented stocks such as energy and financial services. As this occurred, the huge disparity in the valuations between growth stocks and value stocks began to narrow. The extreme disparity in the market wasn't erased, but certainly the market broadened its favor beyond just a small group of technology-related growth stocks.

The fund's relative performance was hurt by the decline in technology stocks and our tilt toward growth stocks in general. After the severe technology sector correction, however, the valuations of some of the stocks we had sold looked attractive to us again. We added to our position in Intel. Despite their volatility, tech names such as Intel, Oracle, Seagate and EMC were among the fund's best performers over the six-month period.

During this period, we've been building our position in the energy sector — specifically oil stocks, a traditionally value-oriented segment of the market. The energy sector, like the technology sector, is enjoying positive earnings revisions, which is a nice diversifier along the value spectrum.

We expected a slowing economy but neither of the two scenarios that would most certainly take the market down sharply, namely recession or significantly higher inflation. Our disciplined process and balance between growth and value investments is meant to exploit the tension between fear and greed that is always present in the markets.

Donald E. Hall
Lead Portfolio Manager

Kemper Value+Growth Portfolio

	Principal Amount (\$)	Value (\$)	Shares	Value (\$)
Repurchase Agreement 0.3%				
State Street Bank and Trust Company, 6.48%, to be repurchased at \$445,240 on 7/3/2000** (Cost \$445,000)	445,000	445,000		
Commercial Paper 4.9%				
Countrywide Home Loans Corp.:				
6.88%, 7/6/2000	1,000,000	999,044		
6.8%, 7/10/2000	2,000,000	1,996,600		
Detroit Edison Co., 7.15%, 7/14/2000 ..	2,000,000	1,994,836		
Enron Corp, 6.9%, 7/7/2000	1,000,000	998,850		
Florida Power and Light Co., 6.68%, 7/17/2000	2,000,000	1,994,062		
Total Commercial Paper (Cost \$7,983,392)		7,983,392		
			Shares	
Common Stocks 94.8%				
Consumer Discretionary 3.2%				
Department & Chain Stores				
Gap, Inc.	11,125	347,656		
Home Depot, Inc.	55,650	2,779,022		
Wal-Mart Stores, Inc.	35,400	2,039,925		
		<u>5,166,603</u>		
Consumer Staples 2.4%				
Alcohol & Tobacco 0.4%				
Anheuser-Busch Companies, Inc.	5,900	440,656		
UST, Inc.	15,400	226,188		
		<u>666,844</u>		
Food & Beverage 1.2%				
Bestfoods	9,900	685,575		
Coca-Cola Co.	8,900	511,194		
PepsiCo, Inc.	15,000	666,563		
		<u>1,863,332</u>		
Package Goods/Cosmetics 0.8%				
Kimberly-Clark Corp.	15,000	860,625		
Procter & Gamble Co.	8,100	463,725		
		<u>1,324,350</u>		
Health 8.2%				
Biotechnology 1.3%				
Amgen Inc.*	14,400	1,011,600		
MedImmune, Inc.*	9,600	710,400		
PE Corp-PE Biosystems Group	6,800	447,950		
		<u>2,169,950</u>		
Hospital Management 0.8%				
HCA-The Healthcare Corporation			18,100	549,788
UnitedHealth Group Inc.			8,800	754,600
				<u>1,304,388</u>
Medical Supply & Specialty 0.4%				
Baxter International, Inc.			8,200	576,562
Pharmaceuticals 5.7%				
Abbott Laboratories			23,300	1,038,306
Bristol-Myers Squibb Co.			42,100	2,452,325
Johnson & Johnson, Inc.			17,100	1,742,063
Merck & Co., Inc.			17,300	1,325,613
Pfizer, Inc.			45,750	2,196,000
Schering-Plough Corp.			8,200	414,100
				<u>9,168,407</u>
Communications 9.1%				
Cellular Telephone 1.1%				
Nokia Oyj (ADR)			27,200	1,358,300
Vodafone AirTouch plc (ADR)			9,250	383,297
				<u>1,741,597</u>
Telephone/Communications 8.0%				
AT&T Corp.			39,400	1,246,025
Bell Atlantic Corp.			61,800	3,140,212
BellSouth Corp.			24,300	1,035,787
GTE Corp.			31,300	1,948,425
Nortel Networks Corp.			16,600	1,132,950
SBC Communicatons, Inc.			28,200	1,219,650
WorldCom, Inc.*			68,200	3,128,675
				<u>12,851,724</u>
Financial 17.1%				
Banks 4.0%				
Bank of America Corp.			35,000	1,505,000
Chase Manhattan Corp.			58,050	2,673,928
Compass Bancshares, Inc.			34,000	580,125
First Union Corp.			15,000	372,188
J.P. Morgan & Co., Inc.			4,300	473,538
PNC Bank Corp.			9,600	450,000
Wells Fargo Co.			10,700	414,625
				<u>6,469,404</u>
Insurance 5.1%				
AFLAC, Inc.			3,700	169,968
AMBAC Financial Group, Inc.			15,300	838,631
American General Corp.			13,500	823,500
American International Group, Inc.			10,350	1,216,125
Cigna Corp.			6,500	607,750
Hartford Financial Services Group, Inc. .			9,600	537,000
Lincoln National Corp.			20,900	755,013
MBIA, Inc.			8,400	404,775
MGIC Investment Corp.			14,100	641,550

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
Nationwide Financial Services, Inc. "A"	22,000	723,250	United Technologies Corp.	13,542	797,285
PMI Group, Inc.	4,700	223,250			3,913,973
Providian Financial Corp.	9,900	891,000	Automobiles 1.8%		
XL Capital Ltd. "A"	7,889	426,992	Eaton Corp.	5,600	375,200
		8,258,804	Ford Motor Co.	49,200	2,115,600
Consumer Finance 3.5%			General Motors Corp.	6,619	384,316
Associates First Capital Corp.	29,900	667,143			2,875,116
Citigroup, Inc.	62,500	3,765,625	Construction/Agricultural Equipment 0.5%		
Household International, Inc.	20,900	868,656	PACCAR, Inc.	18,400	730,250
SLM Holding Corp.	8,600	321,963			
		5,623,387	Telecommunications Equipment 1.4%		
Other Financial Companies 4.4%			Lucent Technologies, Inc.	23,365	1,384,376
CIT Group, Inc.	18,200	295,750	Tellabs, Inc.*	11,800	807,563
Federal Home Loan Mortgage Corp.	13,700	554,850			2,191,939
Federal National Mortgage Association	14,100	735,844	Manufacturing 5.2%		
Legg Mason, Inc.	24,500	1,225,000	Chemicals 0.6%		
Lehman Brothers Holdings, Inc.	10,300	973,994	E.I. du Pont de Nemours & Co.	14,800	647,500
Marsh & McLennan Companies, Inc.	8,500	887,719	Praxair, Inc.	10,000	374,375
Morgan Stanley Dean Witter & Co.	29,800	2,480,850			1,021,875
		7,154,007	Diversified Manufacturing 2.3%		
Media 3.0%			General Electric Co.	42,700	2,263,100
Advertising 0.9%			Koninklijke (Royal) Philips Electronics N.V.	8,500	403,750
Interpublic Group of Companies, Inc.	10,000	430,000	Tyco International Ltd.	20,560	974,030
True North Communications, Inc.	24,600	1,082,400			3,640,880
		1,512,400	Electrical Products 0.7%		
Broadcasting & Entertainment 0.2%			Emerson Electric Co.	18,500	1,116,938
Time Warner, Inc.	4,700	357,200			
Print Media 0.8%			Industrial Specialty 1.2%		
Gannett Co., Inc.	22,700	1,357,744	Corning, Inc.	4,300	1,160,463
Miscellaneous 1.0%			QUALCOMM Inc.*	8,000	480,000
TV Guide, Inc.	47,400	1,623,450	Teleflex Incorporated	8,500	315,031
					1,955,494
Service Industries 3.0%			Machinery/Components/Controls 0.4%		
EDP Services 1.4%			Parker-Hannifin Corp.	17,000	582,250
Automatic Data Processing, Inc.	7,800	417,787	Visteon Corporation*	6,442	78,913
Electronic Data Systems Corp.	22,200	915,750			661,163
First Data Corp.	19,100	947,838	Technology 24.3%		
		2,281,375	Computer Software 7.5%		
Investment 1.3%			America Online, Inc.*	12,700	669,925
Bear Stearns Companies, Inc.	8,900	370,462	Computer Associates International, Inc.	32,600	1,668,713
Charles Schwab Corp.	19,800	665,775	Jack Henry & Associates, Inc.	24,600	1,233,075
Goldman Sachs Group, Inc.	4,500	426,938	Microsoft Corp.*	58,500	4,680,000
Merrill Lynch & Co., Inc.	5,700	655,500	Oracle Corp.*	37,600	3,160,750
		2,118,675	Rational Software Corp.*	6,700	622,681
Miscellaneous Consumer Services 0.2%					12,035,144
H & R Block, Inc.	11,300	365,838	Diverse Electronic Products 2.3%		
Durables 6.0%			Applied Materials, Inc.*	14,700	1,332,187
Aerospace 2.4%			Dell Computer Corp.*	17,100	843,244
Boeing Co.	30,200	1,262,738	General Motors Corp. "H" (New)	2,322	203,756
Northrop Grumman Corp.	11,200	742,000	Motorola Inc.	46,800	1,360,125
Rockwell International Corp.	35,300	1,111,950			3,739,312

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities as of June 30, 2000 (Unaudited)

Assets

Investments in securities, at value (cost \$141,914,413)	\$ 161,126,900
Foreign currency, at value (cost \$2,827)	2,823
Dividends receivable	97,697
Interest receivable	80
Receivable for Portfolio shares sold	88,314
Other assets	402
Total assets	161,316,216

Liabilities

Due to custodian bank	2,397
Payable for Portfolio shares redeemed	29,487
Accrued management fee	101,973
Other accrued expenses and payables	37,694
Total liabilities	171,551

Net assets, at value \$ 161,144,665

Net Assets

Net assets consist of:	
Overdistributed net investment loss	\$ (645,303)
Net unrealized appreciation (depreciation) on:	
Investments	19,212,487
Foreign currency related transactions	21
Accumulated net realized gain (loss)	6,753,588
Paid-in capital	135,823,872
Net assets, at value	\$ 161,144,665

Net Asset Value

Net Asset Value and redemption price per share (\$161,144,665 ÷ 95,026,666 outstanding shares of beneficial interest, \$0.01 par value, unlimited number of shares authorized) \$ 1.695

Statement of Operations for the six months ended June 30, 2000 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$10,499)	\$ 38,468
Interest	145,107
Total Income	183,575
Expenses:	
Management fee	607,874
Custodian fees	5,331
Auditing	17,858
Legal	4,457
Trustees' fees and expenses	11,438
Reports to shareholders	12,762
Registration fees	450
Total expenses, before expense reductions	660,170
Expense reductions	(234)
Total expenses, after expense reductions	659,936
Net investment income (loss)	(476,361)

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	7,316,696
Foreign currency related transactions	(15)
	7,316,681
Net unrealized appreciation (depreciation) during the period on investments	(9,756,266)
Net gain (loss) on investment transactions	(2,439,564)

Net increase (decrease) in net assets resulting from operations \$ (2,915,925)

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

	Six Months Ended June 30, 2000 (Unaudited)	Year Ended December 31, 1999
Increase (Decrease) in Net Assets		
Operations:		
Net investment income (loss)	\$ (476,361)	\$ 727,711
Net realized gain (loss) on investment transactions	7,316,681	14,165,134
Net unrealized appreciation (depreciation) on investment transactions during the period	(9,756,245)	9,768,753
Net increase (decrease) in net assets resulting from operations	(2,915,925)	24,661,598
Distributions to shareholders from:		
Net investment income	(863,095)	(900,474)
Net realized gains	(14,672,601)	(3,151,621)
Portfolio share transactions:		
Proceeds from shares sold	7,883,728	21,193,317
Reinvestment of distributions	15,535,695	4,052,095
Cost of shares redeemed	(15,889,101)	(26,109,692)
Net increase (decrease) in net assets from Portfolio share transactions	7,530,322	(864,280)
Increase (decrease) in net assets	(10,921,299)	19,745,223
Net assets at beginning of period	172,065,964	152,320,741
Net assets at end of period (including undistributed (overdistributed) net investment income (loss) of \$(645,303) and \$694,153, respectively)	\$ 161,144,665	\$ 172,065,964
Other Information		
Shares outstanding at beginning of period	90,779,505	91,158,000
Shares sold	4,436,230	12,603,956
Shares issued to shareholders in reinvestment of distributions	8,648,816	2,443,385
Shares redeemed	(8,837,885)	(15,425,836)
Net increase (decrease) in Portfolio shares	4,247,161	(378,495)
Shares outstanding at end of period	95,026,666	90,779,505

Financial Highlights

The following table includes selected data for a share outstanding throughout each period and other performance information derived from the financial statements.

Years Ended December 31,	2000(a)	1999	1998	1997	1996(b)
Net asset value, beginning of period	\$1.896	1.671	1.425	1.146	1.000
<i>Income (loss) from investment operations:</i>					
Net investment income (loss)	(.005)(c)	.008(c)	.008	.012	.008
Net realized and unrealized gain (loss) on investment transactions	(.016)	.262	.278	.277	.138
Total from investment operations	(.021)	.270	.286	.289	.146
<i>Less distributions from:</i>					
Net investment income	(.010)	(.010)	—	(.010)	—
Net realized gains on investment transactions	(.170)	(.035)	(.040)	—	—
Total distributions	(.180)	(.045)	(.040)	(.010)	—
Net asset value, end of period	\$1.695	1.896	1.671	1.425	1.146
Total Return (%)	(1.57)**	16.52	20.17	25.47	14.60**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ thousands)	161,145	172,066	152,321	69,094	10,196
Ratio of expenses before expense reductions (%)	.81*	.83	.78	.84	1.01*
Ratio of expenses after expense reductions (%)	.81*	.82	.78	.84	.90*
Ratio of net investment income (loss) (%)	(.59)*	.46	.80	.95	.97*
Portfolio turnover rate (%)	44*	102	102	50	25*

(a) For the six months ended June 30, 2000 (Unaudited).

(b) For the period from May 1, 1996 (commencement of operations) to December 31, 1996.

(c) Based on monthly average shares outstanding during the period.

* Annualized

** Not annualized

The accompanying notes are an integral part of the financial statements.

Kemper Contrarian Value Portfolio

After outperforming strongly in both April and May, Kemper Contrarian Value Portfolio gave a little back in June, but remained in positive territory for the quarter and outperformed its benchmark, the Russell 1000 Value Index. The portfolio declined 6.53% in June and gained 0.10% for the second quarter. By comparison, the Russell 1000 Value lost 4.57% in June and 4.69% in the second quarter. The disparity in performance late in the quarter can be attributed to the reconstitution of the Russell 1000 Index and broad selling by institutional investors. “This is of course a ‘technical’ not a fundamental issue with the markets and we believe it will reverse itself soon,” comments Lead Portfolio Manager Tom Sassi. “In general, we believe the markets are once again focused on earnings and valuations rather than momentum, which should be positive for the portfolio’s investments.”

The portfolio’s stock selection and sector allocation both contributed to performance during the quarter. Financials, however, were a drag on performance as concern over higher rates lingered. Sassi remains true to his contrarian discipline and is focused less on macroeconomic events and more on upgrading the portfolio’s fundamentals and valuation characteristics.

Thomas F. Sassi
Lead Portfolio Manager

Kemper Contrarian Value Portfolio

	Principal Amount (\$)	Value (\$)	Shares	Value (\$)
Short-Term Obligations 10.9%				
Fed Home Loan Discount Notes, 6.57%, 7/3/2000** (Cost \$21,353,203)	21,361,000	21,353,203		
			Shares	
Common Stocks 89.1%				
Consumer Discretionary 7.0%				
Department & Chain Stores 4.9%				
J.C. Penney Co., Inc.	157,800	2,909,438		
May Department Stores	200,000	4,800,000		
Sears, Roebuck & Co.	58,000	1,892,250		
		9,601,688		
Home Furnishings 2.1%				
Newell Rubbermaid, Inc.	161,700	4,163,775		
Consumer Staples 15.5%				
Alcohol & Tobacco 4.0%				
Philip Morris Companies, Inc.	292,500	7,769,531		
Food & Beverage 6.2%				
Albertson's, Inc.	70,000	2,327,500		
H.J. Heinz Co.	108,200	4,733,750		
Sara Lee Corp.	264,800	5,113,950		
		12,175,200		
Package Goods/Cosmetics 3.0%				
International Flavors & Fragrances, Inc.	64,500	1,947,094		
Unilever NV (New York Shares)	90,714	3,900,702		
		5,847,796		
Textiles 2.3%				
VF Corp.	185,000	4,405,313		
Health 9.4%				
Medical Supply & Specialty 3.0%				
Becton, Dickinson & Co.	200,000	5,737,500		
Pharmaceuticals 6.4%				
Abbott Laboratories	95,500	4,255,718		
Bristol-Myers Squibb Co.	70,000	4,077,500		
Johnson & Johnson, Inc.	19,000	1,935,625		
Merck & Co., Inc.	30,000	2,298,750		
		12,567,593		
Financial 20.4%				
Banks 10.0%				
Bank of America Corp.	58,906	2,532,958		
First Union Corp.	170,000	4,218,125		
KeyCorp			224,000	3,948,000
PNC Bank Corp.			37,200	1,743,750
Wachovia Corp.			35,000	1,898,750
Washington Mutual, Inc.			126,704	3,658,578
Wells Fargo Co.			40,000	1,550,000
				19,550,161
Insurance 1.7%				
Allstate Corp.			149,100	3,317,475
Other Financial Companies 7.8%				
Federal Home Loan Mortgage Corp.			184,600	7,476,300
Federal National Mortgage Association			151,600	7,911,625
				15,387,925
Real Estate 0.9%				
BRE Properties, Inc. "A" (REIT)			60,000	1,732,500
Service Industries 2.8%				
Printing/Publishing				
Equifax, Inc.			207,000	5,433,750
Durables 3.3%				
Aerospace 1.5%				
United Technologies Corp.			51,000	3,002,625
Automobiles 1.8%				
Dana Corp.			75,000	1,589,062
Ford Motor Co.			44,500	1,913,500
				3,502,562
Manufacturing 14.9%				
Chemicals 1.8%				
E.I. du Pont de Nemours & Co.			40,000	1,750,000
Praxair, Inc.			46,400	1,737,100
				3,487,100
Containers & Paper 3.1%				
Sonoco Products Co.			293,200	6,028,925
Diversified Manufacturing 1.4%				
Minnesota Mining & Manufacturing Co.			33,000	2,722,500
Electrical Products 2.7%				
Emerson Electric Co.			62,300	3,761,363
Thomas & Betts Corp.			81,700	1,562,513
				5,323,876
Machinery/Components/ Controls 2.5%				
Pitney Bowes, Inc.			120,800	4,832,000
Visteon Corporation*			5,827	71,375
				4,903,375

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
Office Equipment/Supplies 1.5%					
Xerox Corp.	145,000	<u>3,008,750</u>	Exxon Mobil Corp.	53,000	4,160,500
			Texaco, Inc.	88,200	<u>4,696,650</u>
					<u>12,417,420</u>
Specialty Chemicals 1.9%			Construction 1.4%		
Air Products & Chemicals, Inc.	117,200	<u>3,611,225</u>	Forest Products		
			Louisiana-Pacific Corp.	250,000	<u>2,718,750</u>
Technology 5.1%			Transportation 3.0%		
Computer Software 1.6%			Air Freight 1.3%		
Computer Associates International, Inc.	63,000	<u>3,224,812</u>	FedEx Corp.*	69,000	<u>2,622,000</u>
Diverse Electronic Products 2.6%			Railroads 1.7%		
Diebold, Inc.	180,000	<u>5,017,500</u>	Burlington Northern Santa Fe Corp.	50,000	1,146,875
			CSX Corp.	97,800	<u>2,072,137</u>
Military Electronics 0.9%					<u>3,219,012</u>
Raytheon Co. "B"	91,500	<u>1,761,375</u>	Total Common Stocks (Cost \$213,511,516)		
					174,262,014
Energy 6.3%			Total Investment Portfolio — 100.0%		
Oil & Gas Production			(Cost \$234,864,719) (a)		
BP Amoco plc	62,944	3,560,270			195,615,217

Notes to Kemper Contrarian Value Portfolio of Investments

* Non-income producing security.

** Annualized yield at time of purchase; not a coupon rate.

(a) The cost for federal income tax purposes was \$234,864,719. At June 30, 2000, net unrealized depreciation for all securities based on tax cost was \$39,249,502. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$6,012,101 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$45,261,603.

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities as of June 30, 2000 (Unaudited)

Assets

Investments in securities, at value (cost \$234,864,719)	\$ 195,615,217
Cash	12,114
Dividends receivable	376,214
Receivable for Portfolio shares sold	128,229
Total assets	196,131,774

Liabilities

Payable for investments purchased	1,250,604
Payable for Portfolio shares redeemed	54,952
Accrued management fee	126,751
Other accrued expenses and payables	36,028
Total liabilities	1,468,335

Net assets, at value	\$ 194,663,439
-----------------------------	-----------------------

Net Assets

Net assets consist of:	
Undistributed net investment income	\$ 2,552,263
Net unrealized appreciation (depreciation) on investments	(39,249,502)
Accumulated net realized gain (loss)	(16,013,559)
Paid-in capital	247,374,237

Net assets, at value	\$ 194,663,439
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Net Asset Value

Net Asset Value and redemption price per share (\$194,663,439 ÷ 177,179,437 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 1.098
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Statement of Operations for the six months ended June 30, 2000 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$15,038)	\$ 3,014,875
Interest	335,361
Total Income	3,350,236

Expenses:

Management fee	753,983
Custodian fees	3,908
Auditing	25,390
Legal	9,824
Trustees' fees and expenses	9,788
Reports to shareholders	10,316
Registration fees	2,059
Total expenses, before expense reductions	815,268
Expense reductions	(56)
Total expenses, after expense reductions	815,212

Net investment income (loss)	2,535,024
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Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from investments	(14,367,898)
Net unrealized appreciation (depreciation) during the period on investments	(614,295)

Net gain (loss) on investment transactions	(14,982,193)
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Net increase (decrease) in net assets resulting from operations	\$ (12,447,169)
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The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2000 (Unaudited)	Year Ended December 31, 1999
Operations:		
Net investment income (loss)	\$ 2,535,024	\$ 5,919,003
Net realized gain (loss) on investment transactions	(14,367,898)	35,340,216
Net unrealized appreciation (depreciation) on investment transactions during the period	(614,295)	(71,035,207)
Net increase (decrease) in net assets resulting from operations	(12,447,169)	(29,775,988)
Distributions to shareholders from:		
Net investment income	(5,694,925)	(4,476,122)
Net realized gains	(37,017,013)	(14,920,485)
Portfolio share transactions:		
Proceeds from shares sold	14,873,050	50,935,084
Reinvestment of distributions	42,711,938	19,396,607
Cost of shares redeemed	(45,177,482)	(47,519,228)
Net increase (decrease) in net assets from Portfolio share transactions	12,407,506	22,812,463
Increase (decrease) in net assets	(42,751,601)	(26,360,132)
Net assets at beginning of period	237,415,040	263,775,172
Net assets at end of period (including undistributed net investment income of \$2,552,263 and \$5,712,164, respectively)	\$ 194,663,439	\$ 237,415,040
Other Information		
Shares outstanding at beginning of period	161,528,464	150,119,000
Shares sold	12,193,203	29,388,019
Shares issued to shareholders in reinvestment of distributions	38,917,838	10,956,506
Shares redeemed	(35,460,068)	(28,935,061)
Net increase (decrease) in Portfolio shares	15,650,973	11,409,464
Shares outstanding at end of period	177,179,437	161,528,464

Financial Highlights

The following table includes selected data for a share outstanding throughout each period and other performance information derived from the financial statements.

Years Ended December 31,	2000(a)	1999	1998	1997	1996(b)
Net asset value, beginning of period	\$1.470	1.757	1.518	1.174	1.000
<i>Income (loss) from investment operations:</i>					
Net investment income (loss)	.015(c)	.037(c)	.026	.031	.015
Net realized and unrealized gain (loss) on investment transactions	(.087)	(.194)	.263	.323	.159
Total from investment operations	(.072)	(.157)	.289	.354	.174
<i>Less distributions from:</i>					
Net investment income	(.040)	(.030)	(.010)	(.010)	—
Net realized gains on investment transactions	(.260)	(.100)	(.040)	—	—
Total distributions	(.300)	(.130)	(.050)	(.010)	—
Net asset value, end of period	\$1.098	1.470	1.757	1.518	1.174
Total Return (%)	(4.82)**	(10.21)	19.26	30.38	17.36**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ thousands)	194,663	237,415	263,775	162,380	21,305
Ratio of expenses before expense reductions (%)	.80*	.81	.78	.80	.92*
Ratio of expenses after expense reductions (%)	.80*	.80	.78	.80	.90*
Ratio of net investment income (loss) (%)	2.49*	2.14	2.02	2.38	2.42*
Portfolio turnover rate (%)	48*	88	57	46	57*

(a) For the six months ended June 30, 2000 (Unaudited).

(b) For the period of May 1, 1996, (commencement of operations) to December 31, 1996.

(c) Based on monthly average shares outstanding during the period.

* Annualized

** Not annualized

The accompanying notes are an integral part of the financial statements.

KVS Dreman High Return Equity Portfolio

After a long period of underperformance for value stocks, the tide began to shift during KVS Dreman High Return Equity Portfolio's semiannual period. In March, the lofty valuations of Internet-related companies began to spook the market, and investors fled these high-priced technology stocks in search of safety in more tried and true companies with experienced management, good balance sheets, and long-term records of strong earnings. Investors once again began to consider company fundamentals as part of their investment criteria.

This shift in market sentiment favored the types of companies that this fund holds — companies with good, long-term track records currently out of favor with the market and trading at low price-to-earnings multiples. The volatility, therefore, was extremely positive for the fund, helping it recover ground lost earlier in the technology-driven momentum market.

As money flew out of the technology market, financial services stocks rallied. Investors poured into these stocks because of their strong fundamentals and deeply discounted prices. They saw safety in familiar names, such as Bank of America, that has a strong franchise and a solid long-term earnings track record. Financial stock performance improved throughout the remainder of the period. We expect the stocks to continue gaining, even in a higher interest-rate environment.

We are encouraged by the broadening in the market that we've seen lately and the attention investors are now paying to company fundamentals. We fully expect that we'll see more market volatility and probably more losses coming out of the technology sector. If this happens, investors will likely continue their recent trend of investing based on strong company fundamentals and reasonable valuations.

David N. Dreman
Lead Portfolio Manager

The Portfolio may concentrate investments in specific sectors, which creates special risk considerations.

KVS Dreman High Return Equity Portfolio

	Principal Amount (\$)	Value (\$)		Shares	Value (\$)
Repurchase Agreements 11.1%					
State Street Bank and Trust Company, 6.48%, to be repurchased at \$12,192,580 on 7/3/2000*** (Cost \$12,192,580)	12,186,000	12,186,000			
Commercial Paper 9.1%					
Bellsouth Corp., 6.4%, 7/14/2000 (b) ...	5,000,000	4,988,444			
Variable Funding Corp., 6.5%, 8/3/2000** (b)	5,000,000	4,970,208			
Total Commercial Paper (Cost \$9,958,652) (c)		9,958,652			
			Shares		
Common Stocks 79.8%					
Consumer Discretionary 5.6%					
Apparel & Shoes 0.0%					
Fruit of the Loom, Inc.*	95,945	25,905			
Department & Chain Stores 0.7%					
Rite Aid Corp.	123,800	812,438			
Specialty Retail 4.9%					
Borders Group, Inc.*	212,700	3,310,144			
Toys "R" Us, Inc.*	139,190	2,026,954			
		5,337,098			
Consumer Staples 18.9%					
Alcohol & Tobacco 13.2%					
Imperial Tobacco Group ADR	21,600	418,500			
Philip Morris Companies, Inc.	288,110	7,652,922			
R.J. Reynolds Tobacco Holdings, Inc.	94,103	2,629,003			
UST, Inc.	168,910	2,480,866			
Universal Corp.	63,350	1,338,269			
		14,519,560			
Food & Beverage 5.7%					
Nabisco Group Holdings	240,110	6,227,853			
Health 10.6%					
Health Industry Services 5.7%					
Humana Inc.*	350,800	1,710,150			
McKesson HBOC, Inc.	214,500	4,491,094			
		6,201,244			
Hospital Management 5.0%					
Tenet Healthcare Corp.	201,855	5,450,085			
Financial 21.0%					
Banks 12.3%					
Bank One Corp.	147,605	3,920,767			
Bank of America Corp.	37,136	1,596,848			
First Union Corp.	51,771	1,284,568			
FleetBoston Financial Corp.	71,588	2,433,992			
KeyCorp	84,455	1,488,519			
PNC Bank Corp.	59,239	2,776,828			
		13,501,522			
Insurance 0.7%					
Ohio Casualty Corp.	7,800	82,875			
Safeco Corp.	7,000	139,125			
St. Paul Companies, Inc.	16,300	556,238			
		778,238			
Other Financial Companies 7.9%					
Federal Home Loan Mortgage Corp. ...	93,941	3,804,611			
Federal National Mortgage Association	83,373	4,351,028			
Prison Realty Trust, Inc. (REIT)	185,060	566,746			
		8,722,385			
Service Industries 4.5%					
Environmental Services					
Transocean Sedo Forex, Inc.	61,200	3,270,375			
Waste Management, Inc.	88,200	1,675,800			
		4,946,175			
Energy 16.6%					
Oil & Gas Production 11.8%					
BP Amoco plc	37,494	2,120,754			
Conoco, Inc. "A"	174,395	3,836,690			
Conoco, Inc. "B"	109,900	2,699,419			
Nabors Industries, Inc.*	3,500	145,469			
Texaco, Inc.	77,705	4,137,791			
		12,940,123			
Oilfield Services/Equipment 4.8%					
Diamond Offshore Drilling, Inc.	18,100	635,763			
ENSCO International, Inc.	52,600	1,883,738			
Global Marine Inc.*	38,300	1,079,581			
Noble Drilling Corp.*	40,800	1,680,450			
		5,279,532			
Utilities 2.6%					
Natural Gas Distribution					
Columbia Energy Group	43,290	2,840,906			
Total Common Stocks (Cost \$105,373,854)					87,583,064
Total Investment Portfolio — 100.0% (Cost \$127,518,506) (a)					109,727,716

The accompanying notes are an integral part of the financial statements.

Notes to KVS Dreman High Return Equity Portfolio of Investments

* Non-income producing security.

** Annualized yield at time of purchase; not a coupon rate.

*** Repurchase agreement is fully collateralized by U.S. Treasury or Government agency securities.

(a) The cost for federal income tax purposes was \$127,518,506. At June 30, 2000, net unrealized depreciation for all securities based on tax cost was \$17,790,790. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$9,031,260 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$26,822,050.

(b) At June 30, 2000, these securities, in part or in whole, have been segregated to cover initial margin requirements for open futures contracts.

At June 30, 2000, open futures contracts purchased were as follows:

Futures	Expiration Date	Contracts	Aggregate Face Value (\$)	Value (\$)
S&P 500 Index	Sept. 15, 2000	37	13,711,093	15,602,125
Total unrealized depreciation on open futures contracts purchased				(108,966)

(c) The portfolio has entered into exchange traded S&P 500 index futures contracts in order to take advantage of anticipated market conditions and effectively invest in equities approximately \$13,602,125 of short-term investments. As a result, approximately 91% of the portfolio's net assets are effectively invested in equities. (See Notes to Financial Statements.)

Financial Statements

Statement of Assets and Liabilities as of June 30, 2000 (Unaudited)

Assets

Investments in securities, at value (cost \$127,518,506)	\$ 109,727,716
Cash	764
Dividends receivable	341,378
Interest receivable	2,193
Receivable for Portfolio shares sold	169,179
Receivable for daily variation margin on open futures contracts	115,625
Due from Adviser	54,877
Other assets	693,782
Total assets	111,105,514

Liabilities

Organization fees	11,000
Accrued management fee	74,510
Other accrued expenses and payables	43,720
Total liabilities	184,107

Net assets, at value	\$ 110,921,407
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Net Assets

Net assets consist of:	
Undistributed net investment income	\$ 1,352,189
Net unrealized appreciation (depreciation) on:	
Investments	(17,790,790)
Futures	(108,966)
Accumulated net realized gain (loss)	(2,590,541)
Paid-in capital	130,059,515

Net assets, at value	\$ 110,921,407
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Net Asset Value

Net Asset Value and redemption price per share (\$110,921,407÷ 131,668,705 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 0.842
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Statement of Operations for the six months ended June 30, 2000 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$1,237)	\$ 1,385,389
Interest	550,048
Total Income	1,935,437
Expenses:	
Management fee	390,450
Custodian and accounting fees	25,210
Auditing	6,188
Legal	1,500
Trustees' fees and expenses	4,004
Reports to shareholders	5,049
Registration fees	3,640
Other	1,457
Total expenses, before expense reductions	437,498
Expense reductions	(639)
Total expenses, after expense reductions	436,859
Net investment income (loss)	1,498,578

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	(338,204)
Futures	(382,723)
	(720,927)

Net unrealized appreciation (depreciation) during the period on:	
Investments	1,152,481
Futures	(610,966)
	541,515

Net gain (loss) on investment transactions	(179,412)
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Net increase (decrease) in net assets resulting from operations	\$ 1,319,166
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The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

	Six Months Ended June 30, 2000 (Unaudited)	Year Ended December 31, 1999
Increase (Decrease) in Net Assets		
Operations:		
Net investment income (loss)	\$ 1,498,578	\$ 2,579,821
Net realized gain (loss) on investment transactions	(720,927)	4,608,507
Net unrealized appreciation (depreciation) on investment transactions during the period	541,515	(21,113,904)
Net increase (decrease) in net assets resulting from operations	1,319,166	(13,925,576)
Distributions to shareholders from:		
Net investment income	(2,301,094)	(888,695)
Net realized gains	(5,752,737)	(888,734)
Fund share transactions:		
Proceeds from shares sold	14,578,275	77,262,014
Reinvestment of distributions	8,053,831	1,777,429
Cost of shares redeemed	(18,423,694)	(9,181,943)
Net increase (decrease) in net assets from Portfolio share transactions	4,208,412	69,857,500
Increase (decrease) in net assets	(2,526,253)	54,154,495
Net assets at beginning of period	113,447,660	59,293,165
Net assets at end of period (including undistributed net investment income of \$1,352,189 and \$2,154,705, respectively)	\$ 110,921,407	\$ 113,447,660
Other Information		
Shares outstanding at beginning of period	126,553,336	57,649,580
Shares sold	17,328,951	76,917,647
Shares issued to shareholders in reinvestment of distributions	9,905,702	1,719,138
Shares redeemed	(22,119,284)	(9,733,029)
Net increase (decrease) in Portfolio shares	5,115,369	68,903,756
Shares outstanding at end of period	131,668,705	126,553,336

Financial Highlights

The following table includes selected data for a share outstanding throughout each period and other performance information derived from the financial statements.

Year Ended December 31,	2000(a)	1999	1998(b)
Net asset value, beginning of period	\$.896	1.028	1.000
<i>Income (loss) from investment operations:</i>			
Net investment income (loss)	.011(c)	.026(c)	.008
Net realized and unrealized gain (loss) on investment transactions	.005	(.138)	.020
Total from investment operations	.016	(.112)	.028
<i>Less distributions from:</i>			
Net investment income	(.020)	(.010)	—
Net realized gains on investment transactions	(.050)	(.010)	—
Total distributions	(.070)	(.020)	—
Net asset value, end of period	\$.842	.896	1.028
Total Return (%)	2.07**	(11.16)	2.80**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ thousands)	110,921	113,448	59,294
Ratio of expenses before expense reductions (%)	.84*	.86	1.20*
Ratio of expenses after expense reductions (%)	.84*	.86	.87*
Ratio of net investment income (loss) (%)	2.88*	2.57	2.77*
Portfolio turnover rate (%)	13*	24	5*

(a) For the six months ended June 30, 2000 (Unaudited).

(b) For the period from May 4, 1998 (commencement of operations) to December 31, 1998.

(c) Based on monthly average shares outstanding during the period.

* Annualized

** Not annualized

The accompanying notes are an integral part of the financial statements.

KVS Focused Large Cap Growth Portfolio

For the six months ended June 30, 2000, the KVS Focused Large Cap Growth Portfolio returned 11.08% which handily beat the 4.23% return of the Russell 1000 Growth Index and the negative 0.42% return of the S&P 500 Index.

During the first half of 2000, the Portfolio benefited from being overweight in the technology and telecommunications sectors. In order to compete globally, companies across virtually every industry must learn to leverage the Internet's capabilities or risk becoming irrelevant. Thus, we see tremendous investment opportunities in those companies that are using the Internet as a weapon to gain market share. Consumer demand for all things digital has also created what we believe is a terrific investment opportunity in those semiconductor companies that are producing the chips and circuits to operate these devices. Lastly, current voice and data demands are simply too great for the existing copper-based telecommunications infrastructure. The need for greater capacity has created an explosive growth opportunity which we believe the optics and other wireless technology companies in the Portfolio are well positioned to exploit.

Entering 2000, we anticipated ongoing strength in the domestic economy and so we have been, and continue to be, underweight in the financial services sector. It is more difficult for financials to generate revenue in a rising interest rate environment, so our underweighting in this sector helped performance. Another decision benefiting portfolio performance was our underweighting in the health care sector. We believe the continuing uncertainty over the Medicare reimbursement issue will suppress valuations in this sector until a political resolution is achieved.

On the flip side, our underweighting in the energy sector hurt us in the first half. We simply did not expect the price of oil to rise so dramatically and to remain at such lofty prices.

We expect continued market volatility until the Federal Reserve finishes raising interest rates, but we believe the long-term outlook for the U.S. equity markets is still very favorable. Corporate earnings have been and should remain strong as economies overseas continue to improve. The Federal Reserve also appears to be successfully engineering a "soft landing" for the U.S. economy, which should cause interest rates to stabilize or perhaps even decline by the end of the year. Historically, equities and growth stocks in particular have performed well in such environments so, understandably, we are very optimistic heading into the second half of the year.

Ashi Parikh
Lead Portfolio Manager

KVS Focused Large Cap Growth Portfolio

	Principal Amount (\$)	Value (\$)	Shares	Value (\$)
Repurchase Agreements 4.4%				
State Street Bank and Trust Company, 6.48%, to be repurchased at \$600,324 on 7/3/2000** (Cost \$600,000)	600,000	600,000		
			Shares	
Common Stocks 92.9%				
Consumer Discretionary 11.3%				
Department & Chain Stores				
Costco Wholesale Corp.*	9,400	310,200		
Home Depot, Inc.	10,675	533,083		
Target Corp.	2,800	162,400		
Wal-Mart Stores, Inc.	9,450	544,556		
		<u>1,550,239</u>		
Health 5.5%				
Medical Supply & Specialty 1.6%				
Guidant Corp.*	4,350	215,325		
Pharmaceuticals 3.9%				
Johnson & Johnson, Inc.	1,800	183,375		
Pfizer, Inc.	7,350	352,800		
		<u>536,175</u>		
Communications 10.0%				
Cellular Telephone 3.1%				
Nokia Oyj (ADR)	8,450	421,972		
Telephone/Communications 7.0%				
JDS Uniphase Corp.*	3,450	413,569		
Nortel Networks Corp.	8,000	546,000		
		<u>959,569</u>		
Financial 9.3%				
Insurance 2.9%				
American International Group, Inc.	2,050	240,875		
Providian Financial Corp.	1,800	162,000		
		<u>402,875</u>		
Consumer Finance 4.4%				
American Express Co.	5,650	294,506		
Citigroup, Inc.	5,200	313,300		
		<u>607,806</u>		
Other Financial Companies 2.0%				
Morgan Stanley Dean Witter & Co.	3,250	270,562		
Media 4.2%				
Broadcasting & Entertainment 2.5%				
AMFM Inc.*	5,000	345,000		
Cable Television 1.7%				
Adelphia Communications Corporation-CI A*	4,900	229,688		
Service Industries 4.2%				
Investment 3.0%				
Charles Schwab Corp.	4,425	148,791		
Goldman Sachs Group, Inc.	2,750	260,906		
		<u>409,697</u>		
Miscellaneous Consumer Services 1.2%				
Yahoo!, Inc.*	1,300	161,037		
Durables 3.1%				
Telecommunications Equipment				
Lucent Technologies, Inc.	7,250	429,562		
Manufacturing 1.0%				
Diversified Manufacturing				
General Electric Co.	2,600	137,800		
Technology 41.5%				
Computer Software 13.0%				
America Online, Inc.*	7,650	403,538		
Extreme Networks, Inc.*	500	52,750		
Microsoft Corp.*	12,200	976,000		
Sycamore Networks, Inc.*	3,250	358,719		
		<u>1,791,007</u>		
Diverse Electronic Products 7.5%				
Applied Materials, Inc.*	2,650	240,156		
Dell Computer Corp.*	16,050	791,466		
		<u>1,031,622</u>		
EDP Peripherals 4.5%				
EMC Corp.*	5,750	442,391		
VERITAS Software Corp.*	1,550	175,174		
		<u>617,565</u>		
Electronic Components/Distributors 6.5%				
Cisco Systems, Inc.*	10,900	692,831		
Gateway, Inc.*	3,550	201,463		
		<u>894,294</u>		
Electronic Data Processing 3.1%				
SCG Holding Corp.*	8,450	184,844		
Sun Microsystems, Inc.*	2,700	245,531		
		<u>430,375</u>		
Semiconductors 6.9%				
Intel Corp.	5,400	721,912		
LSI Logic Corp.*	2,700	146,137		
National Semiconductor Corp.*	1,400	79,450		
		<u>947,499</u>		

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
Energy 2.8%			Miscellaneous 2.8%		
Oil/Gas Transmission 1.2%			Miscellaneous		
Enron Corp.	2,550	164,475	NASDAQ-100 Shares*	4,100	382,069
Oilfield Services/Equipment 1.6%			Total Common Stocks (Cost \$12,050,746)		
Weatherford International, Inc.	5,500	218,969	13,155,182		
			Total Investment Portfolio — 100.0%		
			(Cost \$12,650,746) (a)		
			13,755,182		

Notes to KVS Focused Large Cap Growth Portfolio of Investments

* Non-income producing security.

** Repurchase agreements are fully collateralized by U.S. Treasury or Government agency securities.

(a) The cost for federal income tax purposes was \$12,650,746. At June 30, 2000, net unrealized appreciation for all securities based on tax cost was \$1,104,436. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$1,280,699 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$176,263.

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities as of June 30, 2000 (Unaudited)

Assets

Investments in securities, at value (cost \$12,650,746)	\$ 13,755,182
Cash	434,250
Receivable for investments sold	526,914
Dividends receivable	528
Interest receivable	108
Receivable for Portfolio shares sold	29,705
Total assets	14,746,687

Liabilities

Payable for investments purchased	725,965
Accrued management fee	3,138
Other accrued expenses and payables	34,307
Total liabilities	763,410

Net assets, at value	\$ 13,983,277
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Net Assets

Net assets consist of:	
Accumulated net investment loss	\$ (27,791)
Net unrealized appreciation (depreciation) on investments	1,104,436
Accumulated net realized gain (loss)	128,295
Paid-in capital	12,778,337
Net assets, at value	\$ 13,983,277

Net Asset Value

Net Asset Value and redemption price per share (\$13,983,277 ÷ 10,040,577 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 1.393
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Statement of Operations for the six months ended June 30, 2000 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$88)	\$ 8,120
Interest	9,166
Total Income	17,286
Expenses:	
Management fee	37,243
Custodian and accounting fees	15,834
Auditing	3,080
Legal	2,912
Trustees' fees and expenses	5,050
Reports to shareholders	224
Registration fees	129
Other	169
Total expenses, before expense reductions	64,641
Expense reductions	(19,564)
Total expenses, after expense reductions	45,077
Net investment income (loss)	(27,791)

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from investments	189,883
Net unrealized appreciation (depreciation) during the period on investments	748,696
Net gain (loss) on investment transactions	938,579

Net increase (decrease) in net assets resulting from operations	\$ 910,788
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The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2000 (Unaudited)	Period Ended December 31, 1999(a)
Operations:		
Net investment income (loss)	\$ (27,791)	\$ (651)
Net realized gain (loss) on investment transactions	189,883	137,368
Net unrealized appreciation (depreciation) on investment transactions during the period	748,696	355,740
Net increase (decrease) in net assets resulting from operations	910,788	492,457
Distributions to shareholders from:		
Net realized gains	(198,306)	—
Portfolio share transactions:		
Proceeds from shares sold	12,919,613	934,463
Reinvestment of distributions	198,306	—
Cost of shares redeemed	(2,767,136)	(6,908)
Net increase (decrease) in net assets from Fund share transactions	10,350,783	927,555
Increase (decrease) in net assets	11,063,265	1,420,012
Net assets at beginning of period	2,920,012	1,500,000
Net assets at end of period (including accumulated net investment loss of \$27,791 at June 30, 2000)	\$ 13,983,277	\$ 2,920,012
Other Information		
Shares outstanding at beginning of period	2,274,096	1,500,000
Shares sold	9,721,832	779,538
Shares issued to shareholders in reinvestment of distributions	138,296	—
Shares redeemed	(2,093,647)	(5,442)
Net increase (decrease) in Portfolio shares	7,766,481	774,096
Shares outstanding at end of period	10,040,577	2,274,096

(a) For the period from October 29, 1999 (commencement of operations) to December 31, 1999.

Financial Highlights

The following table includes selected data for a share outstanding throughout each period and other performance information derived from the financial statements.

	2000(a)	1999(b)
Net asset value, beginning of period	\$1.284	1.000
<i>Income (loss) from investment operations:</i>		
Net investment income (loss) (c)	(.005)	—
Net realized and unrealized gain (loss) on investment transactions	.149	.284
Total from investment operations	.144	.284
<i>Less distributions from:</i>		
Net realized gains on investment transactions	(.035)	—
Total distributions	(.035)	—
Net asset value, end of period	\$1.393	1.284
Total Return (%)	11.08**	28.40**
Ratios to Average Net Assets and Supplemental Data		
Net assets, end of period (\$ thousands)	13,983	2,920
Ratio of expenses before expense reductions (%)	1.65*	7.49*
Ratio of expenses after expense reductions (%)	1.15*	1.10*
Ratio of net investment income (loss) (%)	(.71)*	(.19)*
Portfolio turnover rate (%)	374*	336*

(a) For the six months ended June 30, 2000 (Unaudited).

(b) For the period from October 29, 1999 (commencement of operations) to December 31, 1999.

(c) Based on monthly average shares outstanding during the period.

* Annualized

** Not annualized

The accompanying notes are an integral part of the financial statements.

KVS Growth And Income Portfolio

For the six months ended June 30, 2000, the Portfolio returned (0.66%) — trailing the (0.42%) return posted by the S&P 500 Index, the portfolio's benchmark.

The subpar performance can be traced in part to the general cooling the market experienced during the second quarter. Tech stocks stormed into 2000 riding the momentum built through the final quarter of 1999, but three successive interest rate increases halted the rally. While some money rotated out of the tech and into previously unpopular sectors like energy, the threat of an overheated economy and its by-product, inflation, continued to weigh heavily on the market. At its late June meeting, the Federal Reserve decided its aggressive stance had paid off and left rates alone.

In spite of the rising cost of borrowing money, Citigroup performed well for us. With franchises that include Citibank, Travelers Insurance, and Salomon Smith Barney, Citigroup's strengths extend overseas, where we believe it has exceptional growth opportunities. Nokia and EMC also turned in solid gains. As the top wireless handset company in the world, Nokia is in a prime position to capitalize on market consolidation between Europe and the U.S., as well as the huge opportunities in China. EMC's business has boomed as the surge in information on the Internet has translated into increased demand for data storage.

When we find fundamentally strong companies, we stick with them, even during slower stretches. That's why we're standing by AT&T Liberty Media Group and Comcast. AT&T Liberty is doing extremely well, but its stock declined in sympathy with some of AT&T's other holdings. Comcast, a cable company, also owns the home shopping channel QVC, which had a bit of a hiccup as it expanded into Europe.

What gives me confidence in our companies is that even though some have pulled back, the fundamentals remain strong. Backed by our thorough research, we continue to believe in the companies we hold.

David J. Corkins
Lead Portfolio Manager

KVS Growth and Income Portfolio

	Principal Amount (\$)	Value (\$)		Principal Amount (\$)	Value (\$)
Repurchase Agreements 6.8%					
State Street Bank and Trust Company 6.48%, to be repurchased at \$3,501,890 on 7/3/2000** (Cost \$3,500,000)	3,500,000	3,500,000			
Corporate Bonds 2.8%					
Financial 2.4%					
Firststar Bank, 7.125%, 12/1/2009	250,000	237,205			
General Electric Capital Corporation:					
7%, 3/1/2002	395,000	394,076			
6.52%, 10/8/2002	10,000	9,869			
7%, 2/3/2003	550,000	547,608			
6.81%, 11/3/2003	50,000	49,408			
		<u>1,238,166</u>			
Media 0.0%					
Telewest Communications plc, 9.875%, 2/1/2010	20,000	18,600			
Service Industries 0.4%					
Sun Microsystems, Inc., 7.5%, 8/15/2006	175,000	174,626			
Total Corporate Bonds (Cost \$1,436,357)		1,431,392			
Convertible Bonds 2.5%					
Communications 0.6%					
Cellular Telephone 0.4%					
American Tower Corp.	200,000	202,500			
Telephone/Communications 0.2%					
NTL Incorporated:					
7%, 12/15/2008	25,000	40,905			
5.75%, 12/15/2009	100,000	79,000			
		<u>119,905</u>			
Media 0.6%					
Advertising 0.2%					
Clear Channel Communications, Inc., 1.5%, 12/1/2002	100,000	98,000			
Cable Television 0.4%					
Comcast Corp., 2.0%, 10/15/2029	1,600	186,400			
Service Industries 1.3%					
EDP Services 0.6%					
PSINet Inc., 7.0%, 12/31/2049	8,470	292,215			
Miscellaneous Commercial Services 0.3%					
i2 Technologies, Inc., 5.25%, 12/15/2006	89,000	137,283			
Miscellaneous Consumer Services 0.4%					
BEA Systems, Inc., 4%, 12/15/2006	155,000	244,415			
Total Convertible Bonds (Cost \$1,387,525)		1,280,718			
			Shares		
Convertible Preferred Stocks 0.9%					
Media 0.6%					
Cable Television					
Media One Group, Inc., 6.25%	3,655	328,722			
Utilities 0.3%					
Electric Utilities					
Reliant Energy Inc., 7%	1,230	152,981			
Total Convertible Preferred Stocks (Cost \$561,076)		481,703			
Preferred Stocks 1.2%					
Durables					
Automobiles					
Porsche AG	220	597,750			
Common Stocks 85.8%					
Consumer Discretionary 3.0%					
Department & Chain Stores 0.7%					
Home Depot, Inc.	7,335	366,292			
Hotels & Casinos 0.5%					
Royal Caribbean Cruises Ltd.	14,001	259,015			
Recreational Products 0.5%					
Harley-Davidson, Inc.	5,205	200,393			
Mattel, Inc.	4,490	59,212			
		<u>259,605</u>			
Specialty Retail 0.5%					
Staples, Inc.*	17,500	269,063			

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
Miscellaneous 0.8%					
Park Place Entertainment, Inc.*	30,280	369,038	Household International, Inc.	4,200	174,563
					2,180,927
Consumer Staples 1.5%			Other Financial Companies 0.7%		
Alcohol & Tobacco 0.9%			John Hancock Financial		
Anheuser-Busch Companies, Inc.	6,155	459,702	Services, Inc.*	15,100	357,681
Consumer Electronic & Photographic 0.5%			Media 13.5%		
Sony Corp.	2,400	224,394	Advertising 1.0%		
Food & Beverage 0.1%			Avenue A, Inc.*	12,805	112,844
Bestfoods	895	61,978	DoubleClick, Inc.*	9,290	354,181
Health 4.0%			Omnicom Group, Inc.	685	61,008
Biotechnology 0.3%					528,033
PE Corp-PE Biosystems Group	2,000	131,750	Broadcasting & Entertainment 5.4%		
Medical Supply & Specialty 1.0%			AMFM Inc.*	1,975	136,275
Medtronic, Inc.*	9,980	497,129	Clear Channel Communications, Inc.*	3,050	228,750
Pharmaceuticals 2.8%			Hispanic Broadcasting Corp.*	3,930	130,181
Allergan, Inc.	8,130	605,685	Infinity Broadcasting Corp. "A"*	11,250	409,922
Pfizer, Inc.	16,705	801,840	SFX Entertainment, Inc.*	4,065	184,195
		1,407,525	Time Warner, Inc.	13,000	988,000
Communications 16.8%			Viacom, Inc. "B"*	9,900	675,056
Cellular Telephone 7.2%					2,752,379
Nextel Communications, Inc. "A"*	13,000	795,438	Cable Television 6.4%		
Nokia Oyj (ADR)	45,375	2,265,914	AT&T Corp. — Liberty Media		
Sprint Corp. (PCS Group)*	10,500	624,750	Group "A"*	78,050	1,892,712
		3,686,102	Comcast Corp. "A"*	34,000	1,377,000
Telephone/Communications 7.2%					3,269,712
Allegiance Telecom, Inc.*	4,500	288,000	Print Media 0.7%		
McLeodUSA Inc. "A"*	42,001	868,894	Valassis Communications, Inc.*	9,290	354,181
Nortel Networks Corp.	8,400	573,300	Service Industries 5.2%		
Telefonica S.A.*	36,987	793,385	EDP Services 3.3%		
Telefonos de Mexico S.A. de C.V. "L" (ADR)	7,500	428,438	PSINet, Inc.*	12,895	323,987
Vodafone AirTouch plc	180,956	733,088	Register.com, Inc.*	6,895	210,728
		3,685,105	VeriSign, Inc.*	6,538	1,153,957
Miscellaneous 2.4%					1,688,672
Cox Communications, Inc. Class A*	11,250	512,578	Investment 0.5%		
VoiceStream Wireless Corp.*	6,270	729,181	Charles Schwab Corp.	7,620	256,223
		1,241,759	Miscellaneous Commercial Services 1.3%		
Financial 7.2%			Paychex, Inc.	16,132	677,544
Banks 1.3%			Miscellaneous Consumer Services 0.1%		
Firstar Corp.	31,070	654,412	eBay, Inc.*	930	50,511
Insurance 1.0%			Durables 1.7%		
American International Group, Inc.	3,020	354,850	Automobiles 0.4%		
ReliaStar Financial Corp.	3,000	157,313	Ford Motor Co.	4,415	189,845
		512,163	Telecommunications Equipment 1.3%		
Consumer Finance 4.2%			L.M. Ericsson Telephone Co. "B" (ADR)	35,015	700,300
American Express Co.	13,935	726,361			
Associates First Capital Corp.	17,970	400,956			
Citigroup, Inc.	14,590	879,047			

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
Manufacturing 5.6%			Electronic Components/Distributors 10.6%		
Chemicals 0.5%			Brightpoint, Inc.*		
E.I. du Pont de Nemours & Co.	5,445	238,219	Cisco Systems, Inc.*	1,160	10,041
Diversified Manufacturing 3.5%			Genuity Inc. Internet Software	24,275	1,542,979
General Electric Co.	34,545	1,830,885		423,475	3,917,144
Industrial Specialty 1.6%					5,470,164
Corning, Inc.	3,000	809,625	Electronic Data Processing 2.5%		
Machinery/Components/Controls 0.0%			Sun Microsystems, Inc.*		
Visteon Corporation*	578	7,081		13,820	1,256,756
Technology 24.3%			Semiconductors 4.9%		
Computer Software 3.0%			Advanced Micro Devices, Inc.*		
America Online, Inc.*	7,715	406,966	Intel Corp.	1,515	117,033
Electronic Arts, Inc.*	1,630	118,888	Maxim Integrated Products Inc.*	3,260	435,821
Inktomi Corp.*	1,525	180,331	SDL, Inc.*	4,345	295,188
Macromedia, Inc.*	3,200	309,400	Texas Instruments, Inc.	580	165,409
Oracle Corp.*	6,000	504,375		21,800	1,497,388
		1,519,960	2,510,839		
EDP Peripherals 3.3%			Energy 3.0%		
EMC Corp.*	20,000	1,538,750	Oil & Gas Production 0.3%		
VERITAS Software Corp.*	1,287	145,451	Coastal Corp.		
		1,684,201		2,320	141,230
			Oil/Gas Transmission 2.7%		
			Enron Corp.		
			Kinder Morgan, Inc.		
				21,290	1,373,205
				1,400	48,388
			1,421,593		
			Total Common Stocks (Cost \$43,175,077)		
			43,981,593		
			Total Investment Portfolio — 100.0%		
			(Cost \$50,660,755) (a)		
			51,273,156		

Notes to KVS Growth and Income Portfolio of Investments

* Non-income producing security.

** Repurchase agreements are fully collateralized by U.S. Treasury or Government agency securities.

(a) The cost for federal income tax purposes was \$50,660,755. At June 30, 2000, net unrealized appreciation for all securities based on tax cost was \$612,401. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$4,072,613 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$3,460,212.

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities as of June 30, 2000 (Unaudited)

Assets

Investments in securities, at value (cost \$50,660,755)	\$ 51,273,156
Cash	21,349,805
Foreign currency, at value (cost \$1,064)	1,052
Receivable for investments sold	1,780,323
Dividends receivable	8,764
Interest receivable	38,720
Receivable for Portfolio shares sold	420,749
Total assets	74,872,569

Liabilities

Payable for investments purchased	3,594,255
Unrealized depreciation on forward currency exchange contracts	227
Accrued management fee	42,895
Other accrued expenses and payables	74,187
Total liabilities	3,711,564

Net assets, at value	\$ 71,161,005
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Net Assets

Net assets consist of:	
Accumulated net investment loss	\$ (85,146)
Net unrealized appreciation (depreciation) on:	
Investments	612,401
Foreign currency related transactions	1,038
Accumulated net realized gain (loss)	(1,199,778)
Paid-in capital	71,832,490

Net assets, at value	\$ 71,161,005
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Net Asset Value

Net Asset Value and redemption price per share (\$71,161,005 ÷ 62,604,822 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 1.137
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Statement of Operations for the six months ended June 30, 2000 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$1,500)	\$ 57,683
Interest	98,192
Total Income	155,875
Expenses:	
Management fee	199,066
Custodian and accounting fees	24,703
Auditing	3,262
Legal	5,085
Trustees' fees and expenses	9,836
Reports to shareholders	6,547
Registration fees	6,303
Other	15,743
Total expenses, before expense reductions	270,545
Expense reductions	(29,524)
Total expenses, after expense reductions	241,021
Net investment income (loss)	(85,146)

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	(1,080,599)
Foreign currency related transactions	(483)
Net unrealized appreciation (depreciation) during the period on:	
Investments	(397,782)
Foreign currency related transactions	1,038
	(396,744)

Net gain (loss) on investment transactions	(1,477,826)
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Net increase (decrease) in net assets resulting from operations	\$ (1,562,972)
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The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

	Six Months Ended June 30, 2000 (Unaudited)	Period Ended December 31, 1999(a)
Increase (Decrease) in Net Assets		
Operations:		
Net investment income (loss)	\$ (85,146)	\$ (619)
Net realized gain (loss) on investment transactions	(1,081,082)	61,541
Net unrealized appreciation (depreciation) on investment transactions during the period	(396,744)	1,010,182
Net increase (decrease) in net assets resulting from operations	(1,562,972)	1,071,104
Distributions to shareholders from:		
Net realized gains	(179,619)	—
Portfolio share transactions:		
Proceeds from shares sold	61,025,600	11,722,437
Reinvestment of distributions	179,619	—
Cost of shares redeemed	(4,095,164)	—
Net increase (decrease) in net assets from Portfolio share transactions	57,110,055	11,722,437
Increase (decrease) in net assets	55,367,464	12,793,541
Net assets at beginning of period	15,793,541	3,000,000
Net assets at end of period (including accumulated net investment loss of (\$85,146) at June 30, 2000)	\$ 71,161,005	\$ 15,793,541
Other Information		
Shares outstanding at beginning of period	13,740,947	3,000,000
Shares sold	52,257,705	10,740,947
Shares issued to shareholders in reinvestment of distributions	145,390	—
Shares redeemed	(3,539,220)	—
Net increase (decrease) in Portfolio shares	48,863,875	10,740,947
Shares outstanding at end of period	62,604,822	13,740,947

(a) For the period from October 29, 1999 (commencement of operations) to December 31, 1999.

Financial Highlights

The following table includes selected data for a share outstanding throughout each period and other performance information derived from the financial statements.

	2000(a)	1999(b)
Net asset value, beginning of period	\$1.149	1.000
<i>Income (loss) from investment operations:</i>		
Net investment income (loss) (c)	(.002)	—
Net realized and unrealized gain (loss) on investment transactions	(.005)	.149
Total from investment operations	(.007)	.149
<i>Less distributions from:</i>		
Net realized gains on investment transactions	(.005)	—
Total distributions	(.005)	—
Net asset value, end of period	\$1.137	1.149
Total Return (%)	(.66)**	14.93**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ thousands)	71,161	15,794
Ratio of expenses before expense reductions (%)	1.29*	2.58*
Ratio of expenses after expense reductions (%)	1.15*	1.10*
Ratio of net investment income (loss) (%)	(.41)*	(.05)*
Portfolio turnover rate (%)	33*	53*

(a) For the six months ended June 30, 2000 (Unaudited).

(b) For the period from October 29, 1999 (commencement of operations) to December 31, 1999.

(c) Based on monthly average shares outstanding during the period.

* Annualized

** Not annualized

The accompanying notes are an integral part of the financial statements.

KVS Growth Opportunities Portfolio

Although markets entered the year on a positive note, a retreat by technology stocks that began in March weighed against stocks for much of the period as investors re-examined the extreme valuations placed on a number of the market's highest fliers. By June, however, things had changed. A series of interest rate increases finally appeared to be having an effect on the economy and growth began to moderate. As a result, the market staged a comeback that partially erased the losses sustained during the spring volatility, but not before a healthy winnowing out of companies whose prospects for long-term success were marginal. We are extremely pleased with the portfolio's results in this challenging environment, which amounted to a 6.78% gain vs. a (0.42%) loss posted by our benchmark, the S&P 500 Index.

Standouts during the period included our semiconductor stocks. Semiconductor manufacturers across the globe are running at full capacity to keep up with burgeoning demand created by booming sales of sophisticated electronic devices. Texas Instruments and Linear Technologies, whose microchips are widely used in telecommunications devices, continued to outperform as a result of explosive growth in cellular penetration rates worldwide.

Several of our financial services positions also gained ground, including Charles Schwab and Morgan Stanley Dean Witter. Trading volumes at Schwab's on-line unit continued to outpace even the most optimistic estimates. Morgan Stanley also surprised analysts by reporting back-to-back quarters of estimate-beating results. The company's solid performance was led by higher trading volumes as well as strength at its merger advisory and underwriting units.

On the downside, several of our retail positions traded lower as a result of fears of a slowdown in consumer spending. For example, Costco fell sharply after the company hinted that profit growth would slow for the remainder of the year. We believe the market's reaction was somewhat overdone and consequently maintained our position in Costco.

Looking forward, while a return to the extreme volatility that rattled the market during the first quarter of 2000 seems unlikely, a range of factors that include interest rate uncertainty may keep markets unsettled in coming months. However, we believe the market will continue to reward companies capable of long-term growth and hope to participate by leveraging our hands-on research to identify individual standouts.

E. Marc Pinto
Lead Portfolio Manager

KVS Growth Opportunities Portfolio

	Principal Amount (\$)	Value (\$)		Shares	Value (\$)
Repurchase Agreements 5.0%					
State Street Bank and Trust Company, 6.48%, to be repurchased at \$4,302,322 on 7/3/2000** (Cost \$4,300,000)					
	4,300,000	4,300,000			
			Shares		
Common Stocks 95.0%					
Consumer Discretionary 7.7%					
Department & Chain Stores 3.6%					
Costco Wholesale Corp.*	21,950	724,350			
Home Depot, Inc.	27,013	1,348,937			
Wal-Mart Stores, Inc.	17,705	1,020,251			
		<u>3,093,538</u>			
Hotels & Casinos 2.9%					
Carnival Corp. "A"	26,925	525,038			
MGM Grand, Inc.	60,050	1,929,106			
		<u>2,454,144</u>			
Specialty Retail 1.2%					
Staples, Inc.*	66,270	1,018,901			
Consumer Staples 2.7%					
Alcohol & Tobacco 1.3%					
Anheuser-Busch Companies, Inc.	15,025	1,122,180			
Package Goods/Cosmetics 1.4%					
Colgate-Palmolive Co.	19,800	1,185,525			
Health 5.4%					
Biotechnology 2.9%					
Genentech, Inc.*	7,080	1,217,760			
PE Corp-PE Biosystems Group	19,585	1,290,162			
		<u>2,507,922</u>			
Pharmaceuticals 2.5%					
Pfizer, Inc.	27,287	1,309,776			
Schering-Plough Corp.	17,275	872,388			
		<u>2,182,164</u>			
Communications 14.5%					
Cellular Telephone 12.7%					
Nextel Communications, Inc. "A"*	42,780	2,617,601			
Nokia Oyj (ADR)	90,850	4,536,822			
Sprint Corp. (PCS Group)*	42,050	2,501,975			
Vodafone AirTouch plc (ADR)	28,700	1,189,256			
		<u>10,845,654</u>			
Telephone/Communications 1.8%					
Compania Telefonica Nacional de Espana SA (ADR)*			24,480		1,568,250
Financial 8.6%					
Banks 1.9%					
Bank of New York Co., Inc.			35,625		1,656,562
Consumer Finance 3.8%					
American Express Co.			27,650		1,441,256
Citigroup, Inc.			30,225		1,821,056
					<u>3,262,312</u>
Other Financial Companies 2.9%					
Federal National Mortgage Association			15,750		821,953
Morgan Stanley Dean Witter & Co.			20,550		1,710,788
					<u>2,532,741</u>
Media 19.5%					
Broadcasting & Entertainment 10.3%					
Grupo Televisa S.A. de C.V. (GDR)*			13,375		922,039
Time Warner, Inc.			52,025		3,953,900
Univision Communication, Inc.*			8,025		830,588
Viacom, Inc. "B"*			45,550		3,105,941
					<u>8,812,468</u>
Cable Television 9.2%					
AT&T Corp. — Liberty Media Group* "A"			88,775		2,152,794
Cablevision Systems Corp. "A"*			23,050		1,564,518
Comcast Corp. "A"*			104,105		4,216,253
					<u>7,933,565</u>
Service Industries 3.3%					
EDP Services 1.6%					
VeriSign, Inc.*			7,875		1,389,938
Investment 1.7%					
Charles Schwab Corp.			44,013		1,479,920
Durables 0.5%					
Telecommunications Equipment 0.5%					
Lucent Technologies, Inc.			7,485		443,486
Manufacturing 4.3%					
Diversified Manufacturing					
General Electric Co.			69,075		3,660,975

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
Technology 26.9%			Precision Instruments 2.0%		
Computer Software 2.2%			ASM Lithography Holding NV*		
Microsoft Corp.*	23,800	1,904,000		38,650	1,705,431
Diverse Electronic Products 5.5%			Semiconductors 6.3%		
Applied Materials, Inc.*	29,125	2,639,452	Linear Technology Corp.	47,125	3,013,055
Dell Computer Corp.*	8,315	410,033	Taiwan Semiconductor		
General Motors Corp. "H" (New)*	19,275	1,691,381	Manufacturing Co.	22,842	885,128
		4,740,866	Texas Instruments, Inc.	20,925	1,437,286
EDP Peripherals 4.2%					5,335,469
EMC Corp.*	47,100	3,623,756	Energy 1.6%		
Electronic Components/Distributors 3.6%			Oil/Gas Transmission		
Cisco Systems, Inc.*	48,275	3,068,480	Enron Corp.	21,850	1,409,325
Electronic Data Processing 3.1%			Total Common Stocks (Cost \$77,272,156)		
Sun Microsystems, Inc.*	29,325	2,666,742			81,604,314
			Total Investment Portfolio — 100.0%		
			(Cost \$81,572,156) (a)		
			85,904,314		

Notes to KVS Growth Opportunities Portfolio of Investments

* Non-income producing security.

** Repurchase agreement is fully collateralized by U.S. Treasury or Government agency securities.

(a) The cost for federal income tax purposes was \$81,572,156. At June 30, 2000, net unrealized appreciation for all securities based on tax cost was \$4,332,158. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$7,062,560 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$2,730,402.

Financial Statements

Statement of Assets and Liabilities as of June 30, 2000 (Unaudited)

Assets

Investments in securities, at value (cost \$81,572,156)	\$ 85,904,314
Cash	9,333,662
Dividends receivable	3,222
Interest receivable	774
Receivable for Portfolio shares sold	1,073,802
Total assets	96,315,774

Liabilities

Payable for investments purchased	5,401,830
Accrued management fee	86,132
Other accrued expenses and payables	38,030
Total liabilities	5,525,992

Net assets, at value **\$ 90,789,782**

Net Assets

Net assets consist of:	
Accumulated net investment loss	\$ (138,491)
Net unrealized appreciation (depreciation) on investments	4,332,158
Accumulated net realized gain (loss)	(451,263)
Paid-in capital	87,047,378

Net assets, at value **\$ 90,789,782**

Net Asset Value

Net Asset Value and redemption price per share (\$90,789,782 ÷ 73,021,467 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized) **\$ 1.243**

Statement of Operations for the six months ended June 30, 2000 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$1,143)	\$ 68,798
Interest	71,701
Total Income	140,499
Expenses:	
Management fee	230,578
Custodian and accounting fees	22,212
Auditing	3,000
Legal	4,872
Trustees' fees and expenses	6,472
Reports to shareholders	14,055
Registration fees	17,460
Other	423
Total expenses, before expense reductions	299,072
Expense reductions	(20,082)
Total expenses, after expense reductions	278,990
Net investment income (loss)	(138,491)

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from investments	(451,263)
Net unrealized appreciation (depreciation) during the period on investments	3,116,048
Net gain (loss) on investment transactions	2,664,785

Net increase (decrease) in net assets resulting from operations **\$ 2,526,294**

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

	Six Months Ended June 30, 2000 (Unaudited)	Period Ended December 31, 1999(a)
Increase (Decrease) in Net Assets		
Operations:		
Net investment income (loss)	\$ (138,491)	\$ (4,390)
Net realized gain (loss) on investment transactions	(451,263)	802
Net unrealized appreciation (depreciation) on investment transactions during the period	3,116,048	1,216,110
Net increase (decrease) in net assets resulting from operations	2,526,294	1,212,522
Portfolio share transactions:		
Proceeds from shares sold	76,534,656	12,946,060
Cost of shares redeemed	(5,429,750)	—
Net increase (decrease) in net assets from Portfolio share transactions	71,104,906	12,946,060
Increase (decrease) in net assets	73,631,200	14,158,582
Net assets at beginning of period	17,158,582	3,000,000
Net assets at end of period (including accumulated net investment loss of \$138,491 at June 30, 2000)	\$ 90,789,782	\$ 17,158,582
Other Information		
Shares outstanding at beginning of period	14,736,962	3,000,000
Shares sold	62,795,957	11,736,962
Shares redeemed	(4,511,452)	—
Net increase (decrease) in Portfolio shares	58,284,505	11,736,962
Shares outstanding at end of period	73,021,467	14,736,962

(a) For the period from October 29, 1999 (commencement of operations) to December 31, 1999.

Financial Highlights

The following table includes selected data for a share outstanding throughout each period and other performance information derived from the financial statements.

	2000(a)	1999(b)
Net asset value, beginning of period	\$1.164	1.000
<i>Income (loss) from investment operations:</i>		
Net investment income (loss) (c)	(.003)	—
Net realized and unrealized gain (loss) on investment transactions	.082	.164
Total from investment operations	.079	.164
Net asset value, end of period	\$1.243	1.164
Total Return (%)	6.78**	16.43**
Ratios to Average Net Assets and Supplemental Data		
Net assets, end of period (\$ thousands)	90,790	17,159
Ratio of expenses before expense reductions (%)	1.19*	2.60*
Ratio of expenses after expense reductions (%)	1.13*	1.10*
Ratio of net investment income (loss) (%)	(.56)*	(.34)*
Portfolio turnover rate (%)	2*	1*

(a) For the six months ended June 30, 2000 (Unaudited).

(b) For the period from October 29, 1999 (commencement of operations) to December 31, 1999.

(c) Based on monthly average shares outstanding during the period.

* Annualized

** Not annualized

KVS Index 500 Portfolio

The S&P 500 Index turned in virtually flat performance for the first six months of 2000. Equity markets struggled, weighed down by fears of economic overheating and higher interest rates and then by concerns about profit growth in a slowing economic environment. Throughout the period, the market remained extremely narrow, but interestingly, Microsoft alone more than accounted for the largely flat return. As has been the case for the past several years, large-cap growth-oriented stocks outperformed their value counterparts for the semi-annual period. Large-cap stocks underperformed small- and mid-cap stocks.

Volatility was high during the first quarter of 2000. The technology sector dominated the Index, although within the sector, the disparity in returns was significant. Intel and Cisco were the top contributors on a capitalization basis, while Microsoft, Lucent Technologies, Yahoo!, and America Online were among the top negative contributors. Other sectors posting strong results were utilities and financials.

The S&P Index posted a decline for the second quarter as virtually all major U.S. equity indices were down dramatically due to the Nasdaq Composite correction that began in March and April and more aggressive interest rate hikes by the Fed during the quarter. Health care was the best performing sector for the quarter. Also turning in good performance were consumer staples and utilities. Technology, communication services and consumer cyclicals were among the weaker sectors.

Going forward, we continue to view the most likely outcome for the U.S. economy to be a “soft landing.” That is, we still expect that a combination of higher interest rates relative to a year ago, moderating equity markets, and higher oil prices may bring demand more in line with the economy’s supply potential by late 2000/early 2001, thus keeping inflation pressures from becoming too entrenched.

James A. Creighton
Lead Portfolio Manager

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Total return measures net investment income and capital gain or loss from portfolio investments over the periods specified, assuming reinvestment of all dividends. Total return reflects aggregate change. Performance is net of the portfolio’s management fee and other operating expenses but does not include any deduction at the separate account or contract level for any insurance or surrender charges that may be incurred under a contract. Please see the prospectus for more details.

Past performance is not a guarantee of future results. Returns and principal values will fluctuate so that accumulation units, when redeemed, may be worth more or less than original cost.

	Shares	Value (\$)		Shares	Value (\$)
Consumer Specialties 0.0%					
American Greeting Corp., "A"	300	5,700	HEALTHSOUTH Corp.*	2,335	16,783
Farming 0.1%					
Archer-Daniels-Midland Co.	3,429	33,647	Humana Inc.*	800	3,900
Food & Beverage 3.1%					
Albertson's, Inc.	2,548	84,721	IMS Health, Inc.	1,616	29,088
Bestfoods	1,598	110,661	McKesson HBOC, Inc.	1,759	36,829
Campbell Soup Co.	2,371	69,055	PerkinElmer, Inc.	301	19,904
Coca-Cola Co.	14,153	812,913	Quintiles Transnational Corp.*	911	12,868
Coca-Cola Enterprises	2,356	38,432	Shared Medical Systems Corp.	196	14,296
ConAgra, Inc.	3,009	57,359	Wellpoint Health Networks, Inc.*	306	22,166
General Mills, Inc.	1,625	62,156			267,648
Great Atlantic & Pacific Tea Company, Inc.	200	3,325	Hospital Management 0.3%		
H.J. Heinz Co.	1,961	85,794	HCA-The Healthcare Corporation	3,055	92,796
Hershey Foods Corp.	776	37,636	Manor Care, Inc.*	549	3,843
Kellogg Co.	2,337	69,526	Tenet Healthcare Corp.	1,687	45,549
Kroger Co.*	4,576	100,958	UnitedHealth Group Inc.	1,012	86,779
Nabisco Group Holdings	1,910	49,541			228,967
PepsiCo, Inc.	8,234	365,898	Medical Supply & Specialty 1.0%		
Quaker Oats Co.	702	52,738	Bausch & Lomb, Inc.	279	21,588
Ralston Purina Group	1,712	34,133	Baxter International, Inc.	1,626	114,328
SUPERVALU, Inc.	770	14,678	Becton, Dickinson & Co.	1,419	40,708
Safeway, Inc.*	2,769	124,951	Biomet, Inc.	672	25,830
Sara Lee Corp.	4,826	93,202	Boston Scientific Corp.*	2,277	49,952
William Wrigley Jr. Co.	605	48,513	C.R. Bard, Inc.	240	11,550
Winn-Dixie Stores, Inc.	757	10,835	Guidant Corp.*	1,668	82,566
		2,327,025	Mallinckrodt, Inc.	392	17,028
Package Goods/Cosmetics 1.7%					
Alberto-Culver Co. "B"	300	9,169	Medtronic, Inc.	6,764	336,932
Avon Products, Inc.	1,323	58,873	St. Jude Medical, Inc.*	511	23,442
Clorox Co.	1,308	58,615			723,924
Colgate-Palmolive Co.	3,255	194,893	Pharmaceuticals 8.3%		
Gillette Co.	5,925	207,005	Abbott Laboratories	8,762	390,457
International Flavors & Fragrances, Inc. .	590	17,811	Allergan, Inc.	691	51,479
Kimberly-Clark Corp.	3,114	178,666	Alza Corp.*	649	38,372
Procter & Gamble Co.	7,500	429,375	American Home Products Corp.	7,448	437,570
Unilever NV (New York Shares)	3,244	139,492	Bristol-Myers Squibb Co.	11,202	652,516
		1,293,899	Eli Lilly & Co.	6,419	641,098
Textiles 0.0%					
Springs Industries, Inc. "A"	100	3,219	Johnson & Johnson, Inc.	7,897	804,507
VF Corp.	603	14,359	Merck & Co., Inc.	13,058	1,000,569
		17,578	Pfizer, Inc.	35,859	1,721,232
Health 11.2%					
Biotechnology 1.3%					
Amgen Inc.*	5,858	411,524	Schering-Plough Corp.	8,304	419,352
Biogen, Inc.*	925	59,662	Watson Pharmaceuticals, Inc.*	704	37,840
MedImmune, Inc.*	1,200	88,800			6,194,992
PE Corp-PE Biosystems Group	1,137	74,900	Communications 8.1%		
Pharmacia Corp.	7,154	369,772	Cellular Telephone 0.8%		
		1,004,658	Nextel Communications, Inc. "A"*	4,346	265,921
Health Industry Services 0.3%					
Cardinal Health, Inc.	1,511	111,814	Sprint Corp. (PCS Group)*	5,220	310,590
					576,511
Telephone/Communications 7.3%					
			ADC Telecommunications, Inc.*	1,776	148,962
			AT&T Corp.	18,357	580,540
			Alltel Corp.	1,847	114,399
			Bell Atlantic Corp.	8,743	444,254
			BellSouth Corp.	10,671	454,851
			CenturyTel, Inc.	933	26,824
			GTE Corp.	5,496	342,126
			Global Crossing Ltd.*	4,920	129,458

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
Nortel Networks Corp.	16,941	1,156,223	MBIA, Inc.	413	19,901
Qwest Communications International Inc.*	151	7,503	MGIC Investment Corp.	501	22,796
SBC Communicatons, Inc.	19,389	838,574	Progressive Corp.	424	31,376
Sprint Corp.	4,970	253,470	Providian Financial Corp.	808	72,720
US West, Inc.	2,850	244,388	Safeco Corp.	905	17,987
WorldCom, Inc.*	16,234	744,712	St. Paul Companies, Inc.	1,192	40,677
		<u>5,486,284</u>	Torchmark Corp.	789	19,478
			UNUMProvident Corp.	1,416	28,409
Financial 11.1%					<u>1,958,877</u>
Banks 4.2%			Consumer Finance 2.6%		
AmSouth Bancorp.	2,149	33,847	American Express Co.	7,578	395,003
BB&T Corp.	1,934	46,174	Associates First Capital Corp.	3,919	87,443
Bank One Corp.	6,470	171,859	Capital One Finance Corp.	1,013	45,205
Bank of America Corp.	9,453	406,479	Citigroup, Inc.	19,297	1,162,644
Bank of New York Co., Inc.	4,162	193,533	Household International, Inc.	2,566	106,649
Chase Manhattan Corp.	7,047	324,579	Mellon Financial Corp.	2,799	101,989
Comerica, Inc.	897	40,253	SLM Holding Corp.	832	31,148
Fifth Third Bancorp.	1,720	108,790	Synovus Financial Corp.	1,557	27,442
First Union Corp.	5,581	138,479			<u>1,957,523</u>
Firststar Corp.	5,640	118,793	Other Financial Companies 1.7%		
FleetBoston Financial Corp.	5,102	173,468	Charter One Financial, Inc.	1,200	27,600
Golden West Financial Corp.	903	36,854	Countrywide Credit Industries, Inc.	721	21,855
Huntington Bancshares, Inc.	1,513	23,924	Federal Home Loan Mortgage Corp. ...	3,746	151,713
J.P. Morgan & Co., Inc.	909	100,104	Federal National Mortgage Association .	5,575	290,945
KeyCorp	2,438	42,970	Lehman Brothers Holdings, Inc.	730	69,031
MBNA Corp.	4,307	116,827	Marsh & McLennan Companies, Inc. ...	1,500	156,656
National City Corp.	3,361	57,347	Morgan Stanley Dean Witter & Co.	6,475	539,044
Northern Trust Corp.	1,268	82,499			<u>1,256,844</u>
Old Kent Financial Corp.	720	19,260	Media 3.5%		
PNC Bank Corp.	1,643	77,016	Advertising 0.2%		
Regions Financial Corp.	1,364	27,110	Interpublic Group of Companies, Inc. ...	1,573	67,639
SouthTrust Corp.	901	20,385	Omnicom Group, Inc.	931	82,917
State Street Corp.	940	99,699	Young & Rubicam, Inc.	417	23,847
Summit Bancorp.	922	22,704			<u>174,403</u>
SunTrust Banks, Inc.	1,678	76,664	Broadcasting & Entertainment 2.3%		
US Bancorp	4,251	81,832	Clear Channel Communications, Inc.* ..	1,875	140,625
Union Planters Corp.	784	21,903	Time Warner, Inc.	7,347	558,372
Wachovia Corp.	1,091	59,187	Viacom, Inc. "B"*	8,692	592,686
Washington Mutual, Inc.	3,128	90,321	Walt Disney Co.	11,805	458,182
Wells Fargo Co.	9,158	354,873			<u>1,749,865</u>
		<u>3,167,733</u>	Cable Television 0.6%		
Insurance 2.6%			Comcast Corp. "A"*	5,160	208,980
AFLAC, Inc.	1,483	68,125	Media One Group, Inc.*	3,310	220,529
Aetna, Inc.	850	54,559			<u>429,509</u>
Allstate Corp.	4,224	93,984	Print Media 0.4%		
American General Corp.	1,397	85,217	Gannett Co., Inc.	1,516	90,676
American International Group, Inc.	8,720	1,024,600	Harcourt General, Inc.	411	22,348
Aon Corp.	1,401	43,519	Knight-Ridder, Inc.	409	21,754
Chubb Corp.	947	58,240	Meredith Corp.	300	10,125
Cigna Corp.	984	92,004	New York Times Co. "A"	961	37,960
Cincinnati Financial Corp.	979	30,777	Times Mirror Co. "A"	315	28,547
Conseco, Inc.	2,117	20,641	Tribune Co.	1,246	43,610
Hartford Financial Services Group, Inc. .	1,163	65,055			<u>255,020</u>
Jefferson Pilot Corp.	519	29,291			
Lincoln National Corp.	1,094	39,521			

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
Service Industries 3.2%			Automobiles 0.8%		
EDP Services 0.6%			Cummins Engine Co., Inc. 462 12,589		
Automatic Data Processing, Inc.	3,606	193,146	Dana Corp.	935	19,810
Electronic Data Systems Corp.	2,769	114,221	Delphi Automotive Systems Corp.	3,183	46,352
First Data Corp.	2,240	111,160	Eaton Corp.	387	25,929
Sapient Corp.*	307	32,830	Ford Motor Co.	6,834	293,862
		<u>451,357</u>	General Motors Corp.	3,104	180,226
Environmental Services 0.2%			Genuine Parts Co.	909	18,180
Allied Waste Industries*	939	9,390	Navistar International Corp.*	319	9,909
Transocean Sedo Forex, Inc.	1,198	64,031			<u>606,857</u>
Waste Management, Inc.	3,382	64,258	Construction/Agricultural Equipment 0.2%		
		<u>137,679</u>	Caterpillar, Inc.	1,965	66,564
Investment 0.9%			Deere & Co.	1,258	46,546
Bear Stearns Companies, Inc.	695	28,929	PACCAR, Inc.	444	17,621
Charles Schwab Corp.	7,737	260,140			<u>130,731</u>
Franklin Resources, Inc.	1,536	46,656	Leasing Companies 0.0%		
Merrill Lynch & Co., Inc.	2,244	258,060	Ryder System, Inc.	952	18,029
Paine Webber Group, Inc.	878	39,949	Telecommunications Equipment 1.8%		
T. Rowe Price & Associates, Inc.	753	32,003	Andrew Corp.*	517	17,352
		<u>665,737</u>	Lucent Technologies, Inc.	18,616	1,102,998
Miscellaneous Commercial Services 0.6%			Scientific-Atlanta, Inc.	858	63,921
Convergys Corp.*	847	43,938	Tellabs, Inc.*	2,306	157,817
Ecolab, Inc.	743	29,023			<u>1,342,088</u>
NCR Corp.*	507	19,741	Tires 0.0%		
Paychex, Inc.	2,223	93,366	Cooper Tire & Rubber Co.	300	3,337
Sabre Group Holdings, Inc. "A"	662	18,867	Goodyear Tire & Rubber Co.	920	18,400
Siebel Systems, Inc.*	1,128	184,499			<u>21,737</u>
Sysco Corp.	1,873	78,900	Manufacturing 8.6%		
Tektronix Inc.	262	19,388	Chemicals 0.8%		
		<u>487,722</u>	Dow Chemical Co.	3,853	116,312
Miscellaneous Consumer Services 0.7%			E.I. du Pont de Nemours & Co.	5,978	261,537
Cendant Corp.*	4,138	57,932	Eastman Chemical Co.	543	25,928
H & R Block, Inc.	738	23,893	Engelhard Corp.	800	13,650
TXU Corporation	1,783	52,599	Great Lakes Chemicals Corp.	300	9,450
Yahoo!, Inc.*	3,161	391,569	Hercules, Inc.	707	9,942
		<u>525,993</u>	Mead Corp.	738	18,635
Printing/Publishing 0.2%			Praxair, Inc.	934	34,967
Deluxe Corp.	309	7,281	Rohm & Haas Co.	1,226	42,297
Dow Jones & Co., Inc.	591	43,291	Sigma-Aldrich Corp.	468	13,689
Dun & Bradstreet Corp. (New)	875	25,047	Union Carbide Corp.	803	39,749
Equifax, Inc.	680	17,850	W.R. Grace & Co.*	400	4,850
McGraw-Hill, Inc.	1,103	59,562			<u>591,006</u>
R.R. Donnelley & Sons Co.	612	13,808	Containers & Paper 0.3%		
		<u>166,839</u>	Bemis Company, Inc.	300	10,087
Durables 3.5%			Boise Cascade Corp.	469	12,135
Aerospace 0.7%			Crown Cork & Seal Co.	649	9,735
B.F. Goodrich Co.	547	18,632	Fort James Corp.	1,203	27,819
Boeing Co.	5,192	217,090	International Paper Co.	2,691	80,225
Lockheed Martin Corp.	2,227	55,257	Owens-Illinois, Inc.*	764	8,929
Northrop Grumman Corp.	365	24,181	Pactiv Corp.*	798	6,284
Rockwell International Corp.	1,256	39,564	Sealed Air Corp.*	495	25,926
United Technologies Corp.	2,691	158,433	Temple-Inland, Inc.	268	11,256
		<u>513,157</u>			

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
Willamette Industries	613	16,704			
		<u>209,100</u>			
Diversified Manufacturing 5.4%			Office Equipment/Supplies 0.2%		
Ball Corporation	100	3,219	Lexmark International Group, Inc. "A"*	770	51,783
Briggs & Stratton Corp.	80	2,740	Xerox Corp.	3,784	<u>78,518</u>
Cooper Industries, Inc.	751	24,454			<u>130,301</u>
Crane Co.	300	7,294	Specialty Chemicals 0.1%		
Dover Corp.	1,168	47,377	Air Products & Chemicals, Inc.	1,285	39,594
Fortune Brands, Inc.	1,009	23,270	FMC Corp.	143	<u>8,294</u>
General Electric Co.	56,317	2,984,801			<u>47,888</u>
Honeywell International, Inc.	4,525	152,436	Wholesale Distributors 0.0%		
ITT Industries, Inc.	461	14,003	W.W. Grainger, Inc.	502	<u>15,468</u>
Leggett & Platt	1,057	17,441			
Loews Corp.	693	41,580	Technology 25.5%		
Minnesota Mining & Manufacturing Co.	2,293	189,173	Computer Software 6.6%		
National Service Industries, Inc.	200	3,900	Adobe Systems, Inc.	707	91,910
TRW, Inc.	638	27,673	America Online, Inc.*	13,166	694,506
Textron, Inc.	927	50,348	Autodesk, Inc.	403	13,979
Thermo Electron Corp.*	905	19,062	BMC Software, Inc.*	1,378	50,275
Tyco International Ltd.	9,568	453,284	Citrix Systems, Inc.*	1,186	22,460
		<u>4,062,055</u>	Computer Associates International, Inc.	3,286	168,202
Electrical Products 0.3%			Compuware Corp.*	2,080	21,580
American Power Conversion Corp.*	1,323	53,995	Comverse Technologies, Inc.*	902	83,886
Emerson Electric Co.	2,562	154,681	Microsoft Corp.*	29,994	2,399,520
Thomas & Betts Corp.	727	13,904	Oracle Corp.*	16,197	1,361,560
		<u>222,580</u>	Parametric Technology Corp.*	1,815	19,965
Hand Tools 0.1%			PeopleSoft, Inc.*	1,408	<u>23,584</u>
Black & Decker Corp.	494	19,420			<u>4,951,427</u>
Danaher Corp.	747	36,930	Diverse Electronic Products 2.3%		
Snap-On, Inc.	240	6,390	Applied Materials, Inc.*	4,614	418,144
Stanley Works*	414	9,833	Dell Computer Corp.*	14,652	722,527
		<u>72,573</u>	Molex Incorporated	1,092	52,540
Industrial Specialty 1.1%			Motorola Inc.	12,254	356,132
Avery Dennison Corp.	615	41,282	Solelectron Corp.*	3,408	142,710
Centex Corp.	484	11,374	Teradyne, Inc.*	968	<u>71,148</u>
Corning, Inc.	1,547	417,497			<u>1,763,201</u>
Johnson Controls, Inc.	467	23,963	EDP Peripherals 1.8%		
Novellus Systems*	701	39,650	EMC Corp.*	12,372	951,871
PPG Industries, Inc.	1,005	44,534	Mercury Interactive Corp.*	46	4,451
Pall Corp.	853	15,781	Network Appliance, Inc.*	1,697	136,609
QUALCOMM Inc.*	4,171	250,260	VERITAS Software Corp.*	2,239	<u>253,042</u>
Sherwin-Williams Co.	1,004	21,272			<u>1,345,973</u>
		<u>865,613</u>	Electronic Components/Distributors 4.2%		
Machinery/Components/Controls 0.3%			Adaptec, Inc.*	620	14,105
Illinois Tool Works, Inc.	1,677	95,589	Altera Corp.*	1,147	116,922
Ingersoll-Rand Co.	1,011	40,693	Analog Devices, Inc.*	2,035	154,660
Millipore Corp.	272	20,502	Broadcom Corp.*	1,200	262,725
Parker-Hannifin Corp.	707	24,215	Cisco Systems, Inc.*	39,682	2,522,287
Pitney Bowes, Inc.	1,491	59,640	Gateway, Inc.*	1,860	<u>105,555</u>
Timken Co.	200	3,725			<u>3,176,254</u>
Visteon Corporation*	895	10,961	Electronic Data Processing 4.2%		
		<u>255,325</u>	Apple Computer, Inc.*	1,896	99,303
			Ceridian Corp.*	739	17,782
			Compaq Computer Corp.	9,683	247,522

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
Hewlett-Packard Co.	5,671	708,166	Oil Companies 0.7%		
International Business Machines Corp. .	10,153	1,112,388	Amerada Hess Corp.	676	41,743
Radioshack Corp.	1,024	48,512	Ashland Inc.	615	21,563
Seagate Technology, Inc.*	1,278	70,290	Chevron Corp.	3,642	308,887
Sun Microsystems, Inc.*	9,078	825,531	Phillips Petroleum Co.	1,429	72,432
Unisys Corp.*	1,754	25,543	USX Marathon Group	1,722	43,158
		<u>3,155,037</u>	Unocal Corp.	1,323	43,824
Military Electronics 0.2%					<u>531,607</u>
Computer Sciences Corp.*	934	69,758	Oil/Gas Transmission 0.6%		
General Dynamics Corp.	1,080	56,430	El Paso Energy Corporation	1,246	63,468
Raytheon Co. "B"	1,833	35,285	Enron Corp.	4,153	267,868
		<u>161,473</u>	Niagara Mohawk Holdings, Inc.*	678	9,450
Office/Plant Automation 0.2%			Sempra Energy	1,376	23,392
3Com Corp.*	2,067	119,111	Sunoco, Inc.	502	14,778
Cabletron Systems, Inc.*	993	25,073	Williams Companies, Inc.	2,434	101,467
Novell, Inc.*	2,060	19,055			<u>480,423</u>
		<u>163,239</u>	Oilfield Services/Equipment 0.6%		
Semiconductors 5.7%			Baker Hughes, Inc.	1,847	59,104
Advanced Micro Devices, Inc.*	873	67,439	Halliburton Co.	2,417	114,052
Conexant Systems, Inc.*	1,227	59,663	Rowan Companies, Inc.	518	15,734
Intel Corp.	19,121	2,556,239	Schlumberger Ltd.	3,184	237,606
KLA Tencor Corp.*	1,095	64,126			<u>426,496</u>
LSI Logic Corp.*	1,796	97,209	Metals & Minerals 0.5%		
Linear Technology Corp.	1,732	110,740	Precious Metals 0.1%		
Maxim Integrated Products Inc.*	1,583	107,545	Barrick Gold Corp.	2,189	39,812
Micron Technology, Inc.*	3,134	275,988	Freeport McMoRan Copper & Gold, Inc. "B"*	487	4,505
National Semiconductor Corp.	999	56,693	Homestake Mining Co.	600	4,125
Sanmina Corp.*	700	59,850	Newmont Mining Corp.	1,215	26,274
Texas Instruments, Inc.	9,327	640,648	Placer Dome Inc.	1,946	18,268
Xilinx, Inc.*	1,786	147,457			<u>92,984</u>
		<u>4,243,597</u>	Steel & Metals 0.4%		
Miscellaneous 0.3%			Alcan Aluminium Ltd.	1,177	36,565
Agilent Technologies, Inc.*	2,610	192,514	Alcoa, Inc.	4,900	142,100
Energy 5.8%			Allegheny Technologies, Inc.	493	8,874
Engineering 0.0%			Bethlehem Steel Corp.*	1,667	5,939
Fluor Corp.	446	14,105	Inco Ltd.*	1,018	15,652
McDermott International, Inc.	372	3,278	Nucor Corp.	469	15,565
		<u>17,383</u>	Phelps Dodge Corp.	425	15,805
Oil & Gas Production 3.9%			USX-US Steel Group, Inc.	761	14,126
Anadarko Petroleum Corp.	697	34,371	Worthington Industries, Inc.	300	3,150
Apache Corp.	613	36,052			<u>257,776</u>
Burlington Resources, Inc.	1,214	46,435	Construction 0.3%		
Coastal Corp.	1,194	72,685	Building Materials 0.1%		
Conoco, Inc. "B"	3,538	86,902	Vulcan Materials Co.	581	24,801
Exxon Mobil Corp.	19,811	1,555,163	Building Products 0.1%		
Kerr-McGee Corp.	501	29,528	Armstrong Holdings, Inc.	209	3,200
Occidental Petroleum Corp.	2,376	50,045	Georgia-Pacific Group	897	23,546
Royal Dutch Petroleum Co. (New York shares)	12,145	747,677	Masco Corp.	2,485	44,885
Texaco, Inc.	3,165	168,536	Owens Corning	256	2,368
Tosco Corp.	755	21,376			<u>73,999</u>
Union Pacific Resources Group	1,457	32,054	Forest Products 0.1%		
		<u>2,880,824</u>	Louisiana-Pacific Corp.	490	5,329

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
Potlatch Corp.	100	3,313	Consolidated Edison, Inc.	1,369	40,557
Westvaco Corp.	518	12,853	Constellation Energy Group	710	23,119
Weyerhaeuser Co.	1,332	57,276	DTE Energy Co.	1,046	31,968
		<u>78,771</u>	Dominion Resources, Inc.	1,422	60,968
Homebuilding 0.0%			Duke Energy Corp.	2,018	113,765
Kaufman & Broad Home Corp.	200	3,963	Edison International	2,267	46,473
Pulte Corp.	295	6,379	Energy Corp.	1,403	38,144
		<u>10,342</u>	FPL Group, Inc.	979	48,460
Transportation 0.5%			FirstEnergy Corp.	1,183	27,653
Air Freight 0.1%			Florida Progress Corp.	458	21,469
FedEx Corp.	1,658	63,004	GPU, Inc.	1,080	29,227
			New Century Energies, Inc.	511	15,330
Airlines 0.1%			Northern States Power Co.	647	13,061
AMR Corp.	847	22,393	PG&E Corp.	2,129	52,427
Delta Air Lines, Inc.	710	35,899	Peco Energy Co.	975	39,305
Southwest Airlines Co.	2,724	51,586	Pinnacle West Capital Corp.	320	10,840
US Airways Group, Inc.	376	14,664	Public Service Enterprise Group	1,394	48,267
		<u>124,542</u>	Southern Co.	3,530	82,293
Railroads 0.3%			Unicom Corp.	1,141	44,142
Burlington Northern Santa Fe Corp.	2,479	56,862			<u>1,034,702</u>
CSX Corp.	1,135	24,048	Natural Gas Distribution 0.1%		
Kansas City Southern Industries, Inc.	578	51,261	Columbia Energy Group	535	35,109
Norfolk Southern Corp.	2,085	31,014	Eastern Enterprises	205	12,915
Union Pacific Corp.	1,357	50,463	NICOR, Inc.	200	6,525
		<u>213,648</u>	PPL Corp.	579	12,702
Utilities 1.5%			Peoples Energy Corp.	100	3,238
Electric Utilities 1.4%			Reliant Energy, Inc.	1,551	45,851
AES Corp.*	2,344	106,945			<u>116,340</u>
Ameren Corp.	753	25,414	Total Common Stocks (Cost \$68,858,728)		71,412,265
American Electric Power Co.	1,668	49,414	Total Investment Portfolio — 100.0%		
ClInergy Corp.	698	17,755	(Cost \$72,477,243) (a)		75,030,780
CMS Energy Corp.	590	13,054			
Carolina Power and Light, Inc.	1,085	34,652			

Notes to KVS Index 500 Portfolio of Investments

* Non-income producing security.

** Repurchase agreement is fully collateralized by U.S. Treasury or Government agency securities.

*** Annualized yield at time of purchase; not a coupon rate.

(a) The cost for federal income tax purposes was \$72,477,243. At June 30, 2000, net unrealized appreciation for all securities based on tax cost was \$2,553,537. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$7,105,592 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$4,552,055.

(b) At June 30, 2000, these securities, in part or in whole, have been segregated to cover initial margin requirements for open futures contracts.

At June 30, 2000, open futures contracts purchased were as follows:

Futures	Expiration Date	Contracts	Aggregate Face Value (\$)	Value (\$)
S&P 500 Index	Sept. 15, 2000	8	2,931,273	2,941,000
Total unrealized appreciation on open futures contracts				9,727

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities as of June 30, 2000 (Unaudited)

Assets

Investments in securities, at value (cost \$72,477,243)	\$ 75,030,780
Receivable for investments sold	3,222
Dividends receivable	53,328
Interest receivable	73
Receivable for Portfolio shares sold	236,384
Receivable for daily variation margin on open futures contracts	25,563
Due from Adviser	77,655
Total assets	75,427,005

Liabilities

Due to custodian bank	333
Payable for investments purchased	271,223
Other accrued expenses and payables	29,524
Total liabilities	301,080

Net assets, at value	\$ 75,125,925
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Net Assets

Net assets consist of:	
Undistributed net investment income	\$ 158,165
Net unrealized appreciation (depreciation) on:	
Investments	2,553,537
Futures	9,727
Accumulated net realized gain (loss)	(859,510)
Paid-in capital	73,264,006

Net assets, at value	\$ 75,125,925
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Net Asset Value

Net Asset Value and redemption price per share (\$75,125,925 ÷ 69,859,401 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 1.075
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Statement of Operations for the six months ended June 30, 2000 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$1,849)	\$ 302,803
Interest	79,272
Total Income	382,075
Expenses:	
Management fee	121,312
Custodian and accounting fees	162,665
Auditing	6,426
Legal	8,824
Trustees' fees and expenses	6,252
Reports to shareholders	2,005
Registration fees	9,298
Other	9,482
Total expenses, before expense reductions	326,264
Expense reductions	(177,512)
Total expenses, after expense reductions	148,752

Net investment income (loss)	233,323
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Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	(751,659)
Futures	62,538
	(689,121)
Net unrealized appreciation (depreciation) during the period on:	
Investments	749,486
Futures	(9,687)
	739,799

Net gain (loss) on investment transactions	50,678
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Net increase (decrease) in net assets resulting from operations	\$ 284,001
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The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2000 (Unaudited)	Period Ended December 31, 1999(a)
Operations:		
Net investment income (loss)	\$ 233,323	\$ 179,386
Net realized gain (loss) on investment transactions	(689,121)	84,164
Net unrealized appreciation (depreciation) on investment transactions during the period	739,799	1,823,465
Net increase (decrease) in net assets resulting from operations	284,001	2,087,015
Distributions to shareholders from:		
Net investment income	(254,548)	—
Net realized gains	(254,548)	—
Portfolio share transactions:		
Proceeds from shares sold	50,515,009	25,333,953
Reinvestment of distributions	509,096	—
Cost of shares redeemed	(8,006,047)	(88,006)
Net increase (decrease) in net assets from Portfolio share transactions	43,018,058	25,245,947
Increase (decrease) in net assets	42,792,963	27,332,962
Net assets at beginning of period	32,332,962	5,000,000
Net assets at end of period (including undistributed net investment income of \$158,165 and \$179,390, respectively)	\$ 75,125,925	\$ 32,332,962
Other Information		
Shares outstanding at beginning of period	29,512,927	5,000,000
Shares sold	47,486,385	24,596,356
Shares issued to shareholders in reinvestment of distributions	459,208	—
Shares redeemed	(7,599,119)	(83,429)
Net increase (decrease) in Portfolio shares	40,346,474	24,512,927
Shares outstanding at end of period	69,859,401	29,512,927

(a) For the period from September 1, 1999 (commencement of operations) to December 31, 1999.

Financial Highlights

The following table includes selected data for a share outstanding throughout each period and other performance information derived from the financial statements.

	2000(a)	1999(b)
Net asset value, beginning of period	\$1.096	1.000
<i>Income (loss) from investment operations:</i>		
Net investment income (loss) (c)	.005	.010
Net realized and unrealized gain (loss) on investment transactions	(.016)	.086
Total from investment operations	(.011)	.096
<i>Less distributions from:</i>		
Net investment income	(.005)	—
Net realized gains on investment transactions	(.005)	—
Total distributions	(.010)	—
Net asset value, end of period	\$1.075	1.096
Total Return (%)	(.96)**	9.55**
Ratios to Average Net Assets and Supplemental Data		
Net assets, end of period (\$ thousands)	75,126	32,333
Ratio of expenses before expense reductions (%)	1.21*	.84*
Ratio of expenses after expense reductions (%)	.55*	.55*
Ratio of net investment income (loss) (%)	.86*	3.72*
Portfolio turnover rate (%)	49*	1*

(a) For the six months ended June 30, 2000 (Unaudited).

(b) For the period from September 1, 1999 (commencement of operations) to December 31, 1999.

(c) Based on monthly average shares outstanding during the period.

* Annualized ** Not annualized

The accompanying notes are an integral part of the financial statements.

Kemper Small Cap Value Portfolio

Wild swings in the stock market effectively divided the semiannual period into distinct halves. During the first three months, investors continued to turn a blind eye toward fundamentals, choosing instead to fuel the fire in so-called new-economy stocks that had burned since early in 1999. In the second half of the period, a drop in the Nasdaq caused a dramatic shift in the markets. The correction in TMT gave rise to more value-oriented investment opportunities than we have seen in the past 18 months, during which the market was particularly inhospitable to value investors.

During these market conditions, our commitment to a rigorous, long-term value investment strategy prohibited us from fully participating in the hottest stocks in the TMT sectors. Most of these stocks did not fit our criteria, in terms of either their valuations or their size.

On the positive side, the best-performing economic sectors were utilities and energy. The strength in utility stocks came in the second half of the period as investors looked for “safety.” The continuing rise of oil prices prompted a rebound in oil and gas stocks, making energy the top-performing market sector for the period. Our stock selections outperformed the averages in utilities but trailed in energy.

Likewise, our selections did not keep pace in the strong-performing health care and technology sectors. We recognize that our unwillingness to invest in some of the hot, new-economy stocks has been detrimental to short-term performance. But we believe that over time, these companies will be confronted by the imperative to earn a profit, and failing that, their stock prices will collapse.

Moving forward, we are optimistic about a rebound in small-cap value stocks. The market may be driven to extremes by emotion in the short run, but logic and rationalism tend to prevail over time. There are excellent value-investment opportunities to be uncovered.

James M. Eysenbach
Lead Portfolio Manager

Investments by the Portfolio in small companies present greater risk of loss than investments in larger, more established companies.

Kemper Small Cap Value Portfolio

	Principal Amount (\$)	Value (\$)	Shares	Value (\$)
Repurchase Agreements 5.7%				
State Street Bank and Trust Company, 6.48%, to be repurchased at \$5,124,766 on 7/3/2000** (Cost \$5,122,000)	5,122,000	5,122,000		
			Shares	
Common Stocks 94.3%				
Consumer Discretionary 5.6%				
Apparel & Shoes 1.5%				
Columbia Sportswear Co.*	8,200	220,375		
Genesco Inc.*	17,500	281,094		
K-Swiss Inc. "A"	10,900	173,719		
Tarrant Apparel Group*	9,000	80,438		
The Buckle, Inc.*	2,900	34,075		
Wolverine World Wide, Inc.	52,000	513,500		
		<u>1,303,201</u>		
Department & Chain Stores 1.1%				
Deb Shops, Inc.	14,700	183,750		
Dress Barn Inc.*	19,300	427,012		
Goody's Family Clothing, Inc.*	16,100	88,550		
Pacific Sunwear of California, Inc.*	5,200	97,500		
Shopko Stores, Inc.*	9,100	139,913		
		<u>936,725</u>		
Home Furnishings 0.3%				
American Woodmark Corp.	8,500	174,250		
Haverty Furniture Co., Inc.	7,300	62,050		
		<u>236,300</u>		
Hotels & Casinos 0.5%				
Anchor Gaming*	5,100	244,481		
Pinnacle Entertainment, Inc.*	10,900	211,869		
		<u>456,350</u>		
Recreational Products 0.1%				
Fairfield Communities, Inc.*	12,600	99,225		
Restaurants 1.8%				
Applebee's International Inc.	4,600	139,437		
CEC Entertainment, Inc.*	12,200	312,625		
NPC International, Inc.*	27,100	243,053		
O'Charley's Inc.*	21,900	298,388		
Ruby Tuesday, Inc.	40,400	507,525		
Ryan's Family Steak Houses, Inc.*	17,100	144,281		
		<u>1,645,309</u>		
Specialty Retail 0.3%				
Cellstar Corp.*	16,500	45,891		
Trans World Entertainment Corp.*	21,100	255,838		
		<u>301,729</u>		
Consumer Staples 4.8%				
Alcohol & Tobacco 0.2%				
Schweitzer-Mauduit International, Inc. ...			13,500	168,750
Consumer Electronic & Photographic 0.8%				
Applica Inc.*			21,700	245,481
Salton, Inc.*			11,700	431,438
				<u>676,919</u>
Consumer Specialties 0.2%				
Russ Berrie & Co., Inc.			4,800	92,400
Sola International, Inc.*			21,800	106,275
				<u>198,675</u>
Food & Beverage 2.2%				
Earthgrains Co.			12,900	250,744
Fresh Del Monte Produce Inc.*			55,000	378,125
Imperial Sugar Co.			23,900	31,369
J & J Snack Foods Corp.*			18,600	332,475
Jack in the Box Inc.*			13,900	342,287
Michael Foods, Inc.			5,100	124,950
Performance Food Group Co.*			17,000	544,000
				<u>2,003,950</u>
Package Goods/Cosmetics 0.2%				
Chattem, Inc.*			13,200	180,675
Textiles 1.2%				
Nautica Enterprises, Inc.*			37,700	402,919
Polymer Group, Inc.			11,100	102,675
Springs Industries, Inc. "A"			18,200	585,813
				<u>1,091,407</u>
Health 12.6%				
Biotechnology 0.5%				
Bio-Rad Laboratories, Inc. "A"*			16,700	417,500
Catalytica, Inc.*			4,800	52,800
				<u>470,300</u>
Health Industry Services 3.8%				
AmeriPath, Inc.*			39,000	346,125
Covance, Inc.*			4,300	37,894
Hanger Orthopedic Group, Inc.*			20,100	99,244
Hooper Holmes, Inc.			23,600	188,800
Magellan Health Services, Inc.*			25,900	32,375
PAREXEL International Corp.*			90,000	860,625
Quest Diagnostics Inc.*			10,000	715,625
Res-Care, Inc.*			17,700	95,138
Superior Consultant Holdings Corp.* ...			2,400	11,400
Syncor International Corp.*			10,300	741,600
US Oncology, Inc.*			53,800	269,000
				<u>3,397,826</u>
Hospital Management 2.2%				
Coventry Health Care, Inc.*			36,500	486,477

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
Province Healthcare Co.*	17,100	617,738	PFF Bancorp, Inc.	18,000	328,500
Quorum Health Group, Inc.*	80,700	832,219	St. Francis Capital Corp.	14,000	211,750
		<u>1,936,434</u>			<u>3,580,189</u>
Medical Supply & Specialty 4.8%			Insurance 3.8%		
Acuson Corporation*	19,000	256,500	AmerUS Life Holdings, Inc.	13,500	278,437
Bacou USA, Inc.*	16,600	332,000	CNA Surety Corp.	25,800	307,987
Conmed Corp.*	48,500	1,254,937	Delphi Financial Group, Inc. "A"	6,528	221,544
Cooper Companies, Inc.	15,800	574,725	Farm Family Holdings, Inc.*	9,500	293,906
Impath Inc.*	7,000	379,750	First American Financial Co.	15,700	224,706
Laboratory Corp. of America Holdings*	4,000	308,500	LandAmerica Financial Group, Inc.	10,000	229,375
ResMed, Inc.*	8,100	216,675	PMA Capital Corp.	12,900	245,100
Theragenics Corp.*	26,200	224,338	Philadelphia Consolidated Holding Corp.*	16,100	270,681
Twinlab Corp.*	30,800	196,350	RLI Corp.	10,600	368,350
Ventana Medical Systems, Inc.*	6,500	152,750	SCPIE Holdings Inc.	6,900	141,450
Vital Signs Inc.	18,300	331,688	Selective Insurance Group, Inc.	14,800	281,200
Wesley Jessen VisionCare, Inc.*	1,400	52,588	Stewart Information Services Corp.	11,100	162,338
		<u>4,280,801</u>	The Midland Co.	5,700	139,650
Pharmaceuticals 1.3%			White Mountains Insurance Group, Inc.	1,600	256,000
Advance Paradigm, Inc.*	22,100	453,050			<u>3,420,724</u>
Alpharma Inc.	3,600	224,100	Consumer Finance 0.2%		
Pharmaceutical Product Development*	8,800	184,800	New Century Financial Corp.*	19,600	170,888
Sicor Inc*	38,500	308,000			
		<u>1,169,950</u>	Other Financial Companies 1.1%		
Communications 2.9%			Advanta Corp. "A"	14,200	173,063
Telephone/Communications 2.7%			Bay View Capital Corp.	16,100	157,981
AVT Corp.*	41,100	303,113	Phoenix Investment Partners, Ltd.	37,700	395,850
CT Communications, Inc.	12,000	341,250	Walter Industries, Inc.	19,100	218,456
CapRock Communications Corp.*	4,300	83,850			<u>945,350</u>
Commonwealth Telephone Enterprises, Inc.*	3,900	183,544	Real Estate 1.3%		
General Communication, Inc. "A"*	34,000	174,250	Castle & Cooke, Inc.*	15,300	295,481
IDT Corp.*	1,700	57,694	Prentiss Properties Trust (REIT)	36,500	876,000
North Pittsburgh Systems, Inc.	19,300	284,675			<u>1,171,481</u>
Plantronics, Inc.*	2,600	300,300	Media 1.7%		
US LEC Corp.CL A*	5,000	85,000	Print Media		
Westell Technologies, Inc.*	15,600	234,000	Valassis Communications, Inc.*	40,000	1,525,000
Xircom, Inc.*	8,200	389,500			
		<u>2,437,176</u>	Service Industries 5.8%		
Miscellaneous 0.2%			EDP Services 1.2%		
Tut Systems, Inc.*	3,600	206,550	Analysts International Corp.	11,800	109,887
			Keane, Inc.*	26,000	562,250
Financial 10.4%			Systems & Computer Technology Corp.*	15,900	368,000
Banks 4.0%					<u>1,040,137</u>
BSB Bancorp, Inc.	10,100	202,631	Environmental Services 0.3%		
Commercial Federal Corp.	27,650	430,303	URS Corp.*	16,500	231,000
Dime Community Bancshares	9,700	157,625			
Downey Financial Corp.	10,800	313,200	Investment 0.8%		
First Federal Financial Corp.*	17,700	250,012	Raymond James Financial, Inc.	18,500	416,250
First Republic Bank*	10,400	207,350	Southwest Securities Group, Inc.	7,500	279,375
First Washington Bancorp, Inc.	12,400	172,825			<u>695,625</u>
GBC Bancorp	15,600	456,300	Miscellaneous Commercial Services 2.5%		
Imperial Bancorp	46,116	720,562	AnswerThink Consulting Group, Inc.*	8,000	133,000
MAF Bancorp, Inc.	7,100	129,131			

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
Bell & Howell Holdings Co.*	13,800	334,650	Diversified Manufacturing 1.6%		
Century Business Services, Inc.*	42,800	82,925	Ball Corporation	13,500	434,531
Computer Task Group Inc.	22,600	114,412	Briggs & Stratton Corp.	12,500	428,125
eLoyalty Corp.*	10,100	128,775	Myers Industries, Inc.	49,192	528,814
Encompass Services Corp.*	56,026	315,146			<u>1,391,470</u>
First Consulting Group, Inc.*	4,500	25,031	Electrical Products 0.4%		
IT Group, Inc.*	15,800	77,025	Methode Electronics "A"	8,300	320,588
Kelly Services, Inc. "A"*	9,600	222,000	Industrial Specialty 2.2%		
Morrison Knudsen Corp.*	24,000	174,000	Buckeye Technologies, Inc.*	26,800	587,925
Personnel Group of America, Inc.*	15,500	45,531	FSI International, Inc.*	12,900	279,769
Source Information Management Co.*	4,400	67,100	Fleetwood Enterprises, Inc.	30,000	427,500
Syntel, Inc.*	19,300	193,000	Gardner Denver Inc.*	10,700	191,262
Technology Solutions Co.	10,100	62,494	General Cable Corp.	27,700	225,062
Volt Information Sciences, Inc.*	9,000	296,438	UNOVA, Inc.*	29,700	217,181
		<u>2,271,527</u>			<u>1,928,699</u>
Miscellaneous Consumer Services 0.8%			Machinery/Components/Controls 5.5%		
CDI Corp.*	11,700	238,387	American Axle & Manufacturing Holdings, Inc.*	66,800	947,725
Infocus Corporation*	9,500	305,781	CIRCOR International, Inc.	23,000	188,312
Peregrine Systems, Inc.*	4,800	166,500	Intermet Corp.	61,600	423,500
		<u>710,668</u>	RadiSys Corp.*	9,700	550,475
Printing/Publishing 0.1%			Shaw Group, Inc.*	20,400	961,350
Mail-Well, Inc.*	13,700	118,162	Varco International Inc.*	22,016	511,872
Miscellaneous 0.1%			Watts Industries, Inc. "A"	46,000	580,750
Interlogix Inc*	4,209	57,874	Woodward Governor Co.	25,100	710,644
					<u>4,874,628</u>
Durables 5.5%			Wholesale Distributors 0.3%		
Aerospace 2.1%			WESCO International, Inc.*	24,500	234,281
Aeroflex, Inc.*	21,500	1,068,281	Miscellaneous 0.7%		
Alliant Techsystems, Inc.*	5,400	364,163	MKS Instruments Inc.*	6,300	246,487
Primex Technologies, Inc.	19,500	429,000	Sipex Corp.*	12,400	343,325
		<u>1,861,444</u>			<u>589,812</u>
Automobiles 1.0%			Technology 19.2%		
Borg-Warner Automotive Inc.	16,300	572,537	Computer Software 7.5%		
Oshkosh Truck Corp.	8,250	294,938	3DFX Interactive, Inc.*	33,600	261,450
		<u>867,475</u>	Activision, Inc.*	21,000	136,500
Construction/Agricultural Equipment 0.1%			Advanced Digital Information Corp.*	19,600	312,375
Terex Corp.*	4,400	62,150	Advent Software, Inc.*	6,800	438,600
Leasing Companies 1.8%			Axent Technologies, Inc.*	8,500	210,906
Aaron Rents, Inc.	8,100	101,756	Cybox Computer Products Corp.*	5,100	219,300
Dollar Thrifty Automotive Group, Inc.*	79,100	1,458,406	Epicor Software Corp.*	43,000	107,500
		<u>1,560,162</u>	Factset Research Systems Inc.	13,100	370,075
Telecommunications Equipment 0.5%			Great Plains Software, Inc.*	5,400	105,975
Brooktrout Technology Inc.*	11,000	239,937	Hyperion Solutions Corp.*	7,500	243,281
Inter-Tel, Inc.	14,100	226,481	IMRglobal Corp.*	21,200	276,925
		<u>466,418</u>	ISS Group, Inc.*	1,500	148,102
Manufacturing 11.0%			InfoCure Corp.*	8,200	46,125
Chemicals 0.1%			JDA Software Group, Inc.*	16,000	307,000
Albany Molecular Research, Inc.*	1,100	59,881	MAPICS, Inc.*	15,000	86,250
Containers & Paper 0.2%			MICROS Systems, Inc.*	9,600	178,200
P.H. Glatfelter Co.	13,500	137,531	MTI Technology Corp.	34,000	272,000
			MTS Systems Corp.	31,100	194,375
			Mercator Software Inc.*	6,600	453,750

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
Metro Information Services Inc.*	21,700	217,000	Exar Corp.*	11,400	993,937
Progress Software Corp.*	19,100	342,606	General Semiconductor, Inc.*	16,600	244,850
Remedy Corp.*	8,000	446,000			3,724,666
Santa Cruz Operations Inc.*	39,700	253,088	Miscellaneous 0.5%		
Structural Dynamics Research Corp.*	28,300	426,269	iGATE Capital Corp.*	2,000	27,500
THQ, Inc.*	18,900	230,344	Phoenix Technologies Ltd.*	7,700	125,606
Unigraphics Solutions Inc.	5,600	109,200	SEREMA Software, Inc.*	6,300	286,059
Verity, Inc.*	7,700	292,600			439,165
		6,685,796	Energy 3.4%		
Diverse Electronic Products 0.8%			Oil & Gas Production 2.0%		
Cable Design Technologies Corp.*	11,900	398,650	Atwood Oceanics, Inc.*	10,800	479,250
DSP Group, Inc.*	5,800	324,800	Basin Exploration, Inc.*	15,600	278,850
		723,450	Cross Timbers Oil Company	18,300	404,887
EDP Peripherals 0.3%			Tesoro Petroleum Corp.*	59,500	602,438
Gerber Scientific, Inc.	17,400	200,100			1,765,425
NeoMagic Corp.*	26,400	80,025	Oil Companies 0.2%		
		280,125	Giant Industries, Inc.*	18,500	145,687
Electronic Components/Distributors 2.2%			Oilfield Services/Equipment 1.2%		
Apex Inc.*	4,500	196,875	Oceaneering International, Inc.*	24,900	473,100
Benchmark Electronics, Inc.*	3,200	117,000	Seitel, Inc.*	12,300	99,938
Brightpoint, Inc.*	29,000	251,031	Veritas DGC Inc.*	19,500	507,000
Kent Electronics Corp.*	10,300	307,069			1,080,038
Maxwell Technologies, Inc.*	5,400	72,900	Metals & Minerals 0.5%		
Pioneer-Standard Electronics, Inc.	25,500	376,125	Steel & Metals		
Technitrol, Inc.	7,000	678,125	Gibraltar Steel Corporation	5,100	71,400
		1,999,125	Quanex Corp.	26,100	388,238
Electronic Data Processing 0.5%					459,638
Epresence Inc.*	10,700	77,575	Construction 3.3%		
SAGA Systems, Inc.*	4,100	50,994	Building Materials 1.5%		
Sunquest Information Systems, Inc.*	25,800	277,350	Elcor Corp.	16,575	381,225
		405,919	Florida Rock Industries, Inc.	10,200	363,375
Military Electronics 0.4%			Southdown, Inc.	8,200	473,550
Titan Corp.*	8,700	389,325	Universal Forest Products, Inc.	9,100	125,125
					1,343,275
Office/Plant Automation 1.7%			Building Products 0.7%		
CACI International, Inc.*	21,500	419,250	Emcor Group, Inc.*	10,000	231,875
FileNet Corp.*	16,800	308,700	Genlyte Group, Inc.*	9,900	208,519
Kronos, Inc.*	3,700	96,200	Nortek, Inc.*	7,700	152,075
Mercury Computer Systems, Inc.*	9,800	316,663			592,469
Pinnacle Systems, Inc.*	2,800	62,956	Homebuilding 1.1%		
Radiant Systems Inc.*	14,450	346,800	Del Webb Corp.*	26,200	401,188
		1,550,569	MDC Holdings, Inc.	12,600	234,675
Precision Instruments 1.1%			NVR Inc.*	4,300	245,100
Analogic Corp.	7,100	284,000	Standard Pacific Corp.	13,200	132,000
Molecular Devices Corp.*	6,300	435,881			1,012,963
Moog Inc. "A"*	6,200	163,525	Transportation 3.1%		
Silicon Valley Group Inc.*	5,200	134,550	Air Freight 0.6%		
		1,017,956	Airborne Freight Corp.	29,900	566,231
Semiconductors 4.2%			Airlines 1.4%		
Actel Corp.*	4,000	182,500	America West Holdings Corp. "B"*	75,500	1,292,937
Alliance Semiconductor Corp.*	30,800	756,525			
Alpha Industries, Inc.*	8,800	387,750			
Burr-Brown Corp.*	6,287	545,004			
Cree Research, Inc.*	4,600	614,100			

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
Railroads 0.5%					
Trinity Industries, Inc.	26,500	490,250	El Paso Electric Co.*	144,500	1,616,594
			Public Service Co. of New Mexico	26,100	402,919
					2,462,063
Trucking 0.6%			Natural Gas Distribution 1.7%		
M.S. Carriers Inc.*	7,000	123,375	Energen Corp.	21,800	475,512
Roadway Express, Inc.	11,400	267,188	NUI Corp.	16,500	445,500
Yellow Corp.*	11,400	168,150	ONEOK, Inc.	12,600	326,813
		558,713	South Jersey Industries, Inc.	11,200	298,900
					1,546,725
Utilities 4.5%			Total Common Stocks (Cost \$84,262,773)		
Electric Utilities 2.8%					84,023,926
Anixter International Inc.*	16,700	442,550	Total Investment Portfolio — 100.0%		
					(Cost \$89,384,773) (a)
					89,145,926

Notes to Kemper Small Cap Value Portfolio of Investments

* Non-income producing security.

** Repurchase agreement is fully collateralized by U.S. Treasury or Government agency securities.

(a) The cost for federal income tax purposes was \$89,384,773. At June 30, 2000, net unrealized depreciation for all securities based on tax cost was \$238,847. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$14,936,323 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$15,175,170.

Financial Statements

Statement of Assets and Liabilities as of June 30, 2000 (Unaudited)

Assets

Investments in securities, at value (cost \$89,384,773)	\$ 89,145,926
Receivable for investments sold	2,196,762
Dividends receivable	47,555
Interest receivable	922
Total assets	91,391,165

Liabilities

Due to custodian bank	1,405,502
Payable for investments purchased	3,175,344
Payable for Portfolio shares redeemed	1,712
Accrued management fee	53,451
Other accrued expenses and payables	24,683
Total liabilities	4,660,692

Net assets, at value	\$ 86,730,473
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Net Assets

Net assets consist of:	
Accumulated distributions in excess of net investment income	\$ (121,453)
Net unrealized appreciation (depreciation) on investments	(238,847)
Accumulated net realized gain (loss)	(7,881,445)
Paid-in capital	94,972,218

Net assets, at value	\$ 86,730,473
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Net Asset Value

Net Asset Value and redemption price per share (\$86,730,473 ÷ 81,912,541 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 1.059
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Statement of Operations for the six months ended June 30, 2000 (Unaudited)

Investment Income

Income:	
Dividends	\$ 336,286
Interest	63,658
Total Income	399,944

Expenses:	
Management fee	324,046
Custodian fees	1,226
Auditing	13,357
Legal	4,734
Trustees' fees and expenses	7,061
Reports to shareholders	7,743
Registration fees	910
Other	995
Total expenses, before expense reductions	360,072
Expense reductions	(220)
Total expenses, after expense reductions	359,852

Net investment income (loss)	40,092
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Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from investments	2,069,075
Net unrealized appreciation (depreciation) during the period on investments	(3,893,098)
Net gain (loss) on investment transactions	(1,824,023)

Net increase (decrease) in net assets resulting from operations	\$ (1,783,931)
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The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

	Six Months Ended June 30, 2000 (Unaudited)	Year Ended December 31, 1999
Increase (Decrease) in Net Assets		
Operations:		
Net investment income (loss)	\$ 40,092	\$ 665,603
Net realized gain (loss) on investment transactions	2,069,075	(6,659,700)
Net unrealized appreciation (depreciation) on investment transactions during the period	(3,893,098)	8,072,251
Net increase (decrease) in net assets resulting from operations	(1,783,931)	2,078,154
Distributions to shareholders from:		
Net investment income	(485,490)	(888,505)
Net realized gains	—	—
Fund share transactions:		
Proceeds from shares sold	6,195,550	20,971,954
Reinvestment of distributions	485,490	888,505
Cost of shares redeemed	(12,874,586)	(29,865,433)
Net increase (decrease) in net assets from Portfolio share transactions	(6,193,546)	(8,004,974)
Increase (decrease) in net assets	(8,462,967)	(6,815,325)
Net assets at beginning of period	95,193,440	102,008,765
Net assets at end of period (including undistributed (overdistributed) net investment income (loss) of \$(121,453) and \$323,945, respectively)	\$ 86,730,473	\$ 95,193,440
Other Information		
Shares outstanding at beginning of period	87,737,274	95,758,232
Shares sold	5,904,998	19,879,295
Shares issued to shareholders in reinvestment of distributions	449,416	841,898
Shares redeemed	(12,179,147)	(28,742,151)
Net increase (decrease) in Portfolio shares	(5,824,733)	(8,020,958)
Shares outstanding at end of period	81,912,541	87,737,274

Financial Highlights

The following table includes selected data for a share outstanding throughout each period and other performance information derived from the financial statements.

Years Ended December 31,	2000(a)	1999	1998	1997	1996(b)
Net asset value, beginning of period	\$1.085	1.065	1.227	1.019	1.000
<i>Income (loss) from investment operations:</i>					
Net investment income (loss)	.001(c)	.007(c)	.009	.012	.013
Net realized and unrealized gain (loss) on investment transactions	(.021)	.023	(.141)	.206	.006
Total from investment operations	(.020)	.030	(.132)	.218	.019
<i>Less distributions from:</i>					
Net investment income	(.006)	(.010)	—	(.010)	—
Net realized gains on investment transactions	—	—	(.030)	—	—
Total distributions	(.006)	(.010)	(.030)	(.010)	—
Net asset value, end of period	\$1.059	1.085	1.065	1.227	1.019
Total Return (%)	(1.87)**	2.80	(11.25)	21.73	1.86**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period (\$ thousands)	86,730	95,193	102,009	76,108	13,307
Ratio of expenses before expense reductions (%)	.83*	.84	.80	.84	.92*
Ratio of expenses after expense reductions (%)	.83*	.83	.80	.84	.90*
Ratio of net investment income (loss) (%)	.09*	.69	1.15	1.18	2.23*
Portfolio turnover rate (%)	28*	72	43	22	61*

(a) For the six months ended June 30, 2000 (Unaudited).

(b) For the period from May 1, 1996 (commencement of operations) to December 31, 1996.

(c) Based on monthly average shares outstanding during the period.

* Annualized

** Not annualized

The accompanying notes are an integral part of the financial statements.

KVS Dreman Financial Services Portfolio

The performance of financial services stocks varied dramatically during the semiannual period. During the first three months, financials as a whole continued to struggle. Adding to the sector's difficulties were the successive rate hikes by the Federal Reserve Board. Although revenues did not fall off, investors were concerned, and this concern brought down the prices of financial stocks. In March, we began to see some improved performance in the sector. The defensive characteristics of most financial services stocks made them a logical alternative for investors looking for some "security."

During this period, we attribute the portfolio's underperformance compared with its peers and the S&P Financial index to our more conservative investment style. The financial sector's largest gains during the period came early from the hottest but most speculative area of the financial services sector — brokerage, on-line trading and speculative lending companies.

The valuations of most of the sector's leaders were exceedingly high. They therefore didn't fit our low price-to-earnings investment criteria. But more important, we believed their businesses to be quite vulnerable. As the market shifted, these issues declined, while the portfolio's more conservative holdings began to gain ground.

Moving forward, we are very optimistic about the financial services sector. Many fundamentally solid companies are trading at depressed prices. We've seen some improvement as the market has broadened, and we anticipate this to continue. Specifically, we're expecting improving performance from regional banks, and property and casualty insurance companies. All in all, we believe we have constructed a good defensive all-weather portfolio.

David N. Dreman
Lead Portfolio Manager

As a non-diversified portfolio, it can invest more than 5% of its assets in the securities of a particular issuer. This presents greater risk of loss of principal as the financial condition or market's assessment of such securities changes.

The Portfolio may concentrate investments in specific sectors, which creates special risk considerations.

KVS Dreman Financial Services Portfolio

	Principal Amount (\$)	Value (\$)		Shares	Value (\$)
Repurchase Agreements 14.2%					
State Street Bank and Trust Company 6.48%, to be repurchased at \$4,456,405 on 7/3/2000* (Cost \$4,454,000)	4,454,000	4,454,000			
			Shares		
Common Stocks 85.8%					
Financial 80.9%					
Banks 37.7%					
BancWest Corp.	22,350	367,378			
Bank One Corp.	43,352	1,151,537			
Bank of America Corp.	30,073	1,293,139			
Banknorth Group, Inc.	10,100	154,656			
Chase Manhattan Corp.	21,900	1,008,769			
Colonial BancGroup, Inc.	18,600	179,025			
Corus Bankshares, Inc.	7,850	207,534			
First Union Corp.	18,700	463,994			
FleetBoston Financial Corp.	37,086	1,260,924			
Golden West Financial Corp.	4,450	181,616			
J.P. Morgan & Co., Inc.	4,150	457,019			
KeyCorp	37,075	653,447			
National Bank of Canada	39,300	586,567			
North Fork Bancorporation, Inc.	9,650	145,956			
PNC Bank Corp.	22,850	1,071,094			
Popular, Inc.	12,000	228,750			
Provident Financial Group	5,415	128,945			
Summit Bancorp.	7,750	190,844			
SunTrust Banks, Inc.	7,600	347,225			
Washington Mutual, Inc.	14,020	404,828			
Wells Fargo Co.	35,800	1,387,250			
		<u>11,870,497</u>			
Insurance 20.0%					
Aegon NV (ADR)				4,760	169,575
Allstate Corp.				11,205	249,311
American International Group, Inc.				25,082	2,947,135
Chubb Corp.				4,650	285,975
Cigna Corp.				4,600	430,100
Jefferson Pilot Corp.				2,475	139,683
Lincoln National Corp.				6,000	216,750
Ohio Casualty Corp.				57,600	612,000
Safeco Corp.				26,850	533,644
St. Paul Companies, Inc.				16,850	575,006
Torchmark Corp.				5,250	129,609
					<u>6,288,788</u>
Consumer Finance 12.7%					
American Express Co.				23,100	1,204,087
Citigroup, Inc.				29,250	1,762,312
Household International, Inc.				7,550	313,797
Mellon Financial Corp.				13,500	491,906
SLM Holding Corp.				6,100	228,369
					<u>4,000,471</u>
Other Financial Companies 10.5%					
Federal Home Loan Mortgage Corp.				13,095	530,347
Federal National Mortgage Association				29,240	1,525,963
Lehman Brothers Holdings, Inc.				2,218	209,740
Marsh & McLennan Companies, Inc.				5,050	527,409
Morgan Stanley Dean Witter & Co.				400	33,300
Prison Realty Trust, Inc. (REIT)				153,600	470,400
					<u>3,297,159</u>
Service Industries 4.9%					
Investment					
Bear Stearns Companies, Inc.				5,240	218,115
Charles Schwab Corp.				3,600	121,050
Franklin Resources, Inc.				6,450	195,919
Merrill Lynch & Co., Inc.				8,900	1,023,500
					<u>1,558,584</u>
Total Common Stocks (Cost \$30,745,958)					27,015,499
Total Investment Portfolio — 100.0% (Cost \$35,199,958) (a)					31,469,499

Notes to KVS Dreman Financial Services Portfolio of Investments

* Repurchase agreement is fully collateralized by U.S. Treasury or Government agency securities.

(a) The cost for federal income tax purposes was \$35,199,958. At June 30, 2000, net unrealized depreciation for all securities based on tax cost was \$3,730,459. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$2,837,454 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$6,567,913.

Financial Statements

Statement of Assets and Liabilities as of June 30, 2000 (Unaudited)

Assets

Investments in securities, at value (cost \$35,199,958)	\$ 31,469,499
Cash	470
Receivable for investments sold	12,806
Dividends receivable	50,926
Interest receivable	802
Receivable for Portfolio shares sold	39,675
Foreign taxes recoverable	155
Total assets	31,574,333

Liabilities

Payable for investments purchased	4,800
Organization fees	11,000
Accrued management fee	13,738
Other accrued expenses and payables	11,609
Total liabilities	41,147

Net assets, at value	\$ 31,533,186
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Net Assets

Net assets consist of:	
Undistributed net investment income	\$ 71,781
Net unrealized appreciation (depreciation) on:	
Investments	(3,711,941)
Foreign currency related transactions	(29)
Accumulated net realized gain (loss)	(71,487)
Paid-in capital	35,244,862
Net assets, at value	\$ 31,533,186

Net Asset Value

Net Asset Value and redemption price per share (\$31,533,186 + 36,217,929 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 0.871
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The accompanying notes are an integral part of the financial statements.

Statement of Operations for the six months ended June 30, 2000 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$2,006)	\$ 275,061
Interest	36,394
Total Income	<u>311,455</u>
Expenses:	
Management fee	103,573
Custodian and accounting fees	23,078
Auditing	1,555
Legal	979
Trustees' fees and expenses	4,810
Reports to shareholders	860
Registration fees	179
Total expenses, before expense reductions	<u>135,034</u>
Expense reductions	<u>(1,153)</u>
Total expenses, after expense reductions	133,881
Net investment income (loss)	177,574

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	50,315
Foreign currency related transactions	<u>(39)</u>
	50,276
Net unrealized appreciation (depreciation) during the period on:	
Investments	(1,564,215)
Foreign currency related transactions	<u>(41)</u>
	(1,564,256)
Net gain (loss) on investment transactions	(1,513,980)
Net increase (decrease) in net assets resulting from operations	\$ (1,336,406)

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

	Six Months Ended June 30, 2000 (Unaudited)	Year Ended December 31, 1999
Increase (Decrease) in Net Assets		
Operations:		
Net investment income (loss)	\$ 177,574	\$ 428,221
Net realized gain (loss) on investment transactions	50,276	(52,906)
Net unrealized appreciation (depreciation) on investment transactions during the period	(1,564,256)	(2,452,714)
Net increase (decrease) in net assets resulting from operations	(1,336,406)	(2,077,399)
Distributions to shareholders from:		
Net investment income	(497,354)	(115,816)
Net realized gains	(66,314)	—
Portfolio share transactions:		
Proceeds from shares sold	12,799,096	20,095,510
Reinvestment of distributions	563,668	115,816
Cost of shares redeemed	(7,248,170)	(6,215,518)
Net increase (decrease) in net assets from Portfolio share transactions	6,114,594	13,995,808
Increase (decrease) in net assets	4,214,520	11,802,593
Net assets at beginning of period	27,318,666	15,516,073
Net assets at end of period (including undistributed net investment income of \$71,781 and \$391,561, respectively)	\$ 31,533,186	\$ 27,318,666
Other Information		
Shares outstanding at beginning of period	29,557,781	15,868,000
Shares sold	14,212,285	19,794,583
Shares issued to shareholders in reinvestment of distributions	615,728	106,582
Shares redeemed	(8,167,865)	(6,211,384)
Net increase (decrease) in Portfolio shares	6,660,148	13,689,781
Shares outstanding at end of period	36,217,929	29,557,781

Financial Highlights

The following table includes selected data for a share outstanding throughout each period and other performance information derived from the financial statements.

Year Ended December 31,	2000(a)	1999	1998(b)
Net asset value, beginning of period	\$.924	.978	1.000
<i>Income (loss) from investment operations:</i>			
Net investment income (loss)	.006(c)	.018(c)	.004
Net realized and unrealized gain (loss) on investment transactions	(.042)	(.067)	(.026)
Total from investment operations	(.036)	(.049)	(.022)
<i>Less distributions:</i>			
From net investment income	(.015)	(.005)	—
Net realized gains on investment transactions	(.002)	—	—
Total distributions	(.017)	(.005)	(.022)
Net asset value, end of period	\$.871	.924	.978
Total Return (%)	(4.05)**	(5.05)	(2.20)**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ thousands)	31,533	27,319	15,516
Ratio of expenses before expense reductions (%)	.98*	1.04	1.73*
Ratio of expenses after expense reductions (%)	.98*	.99	.99*
Ratio of net investment income (loss) (%)	1.28*	1.75	1.29*
Portfolio turnover rate (%)	15*	13	6*

(a) For the six months ended June 30, 2000 (Unaudited).

(b) For the period from May 4, 1998 (commencement of operations) to December 31, 1998.

(c) Based on monthly average shares outstanding during the period.

* Annualized

** Not annualized

The accompanying notes are an integral part of the financial statements.

Kemper Strategic Income Portfolio

The period between December 31, 1999, and June 30, 2000, was a challenging time for fixed-income investors around the world. Emerging market bonds were the portfolio's bright spot, as returns from domestic high-yield bonds were weak. In most established bond markets, returns for the first half of fiscal year 2000 were modest, but higher than returns from equities. Preserving capital was challenging as the Federal Reserve tightened monetary policy.

One reason for the high-yield market's weakness was anemic investor demand for most of the period. This past winter, the lure of potentially higher returns from equity investments, particularly technology stocks, prompted some investors to liquidate high-yield holdings and redeploy assets. As the U.S. economy enjoyed solid growth, some investors behaved as if high-yield bonds faced the worst of times. Ironically, in January, February, April and May, high-yield bonds outperformed the unmanaged Standard & Poor's 500 Index.

During the period, we focused on larger, more liquid bond issues, and on companies with relatively solid cash flow and proven management. Since December, the difference in yield, or spread, between 10-year Treasuries and comparable-maturity high-yield bonds widened. As of June 30, high-yield bonds offered double the yield of government bonds. That's why we had a majority of the portfolio's assets in the high-yield category.

Investors are expecting that growth will pick up steam in emerging markets in the coming months. Bonds in some countries such as Mexico have rallied since December as rating services have upgraded certain government debt to investment-grade. The portfolio benefited because we had made Mexico one of the portfolio's largest emerging market holdings.

Although we think short-term bond market volatility may continue for the rest of fiscal year 2000, a robust U.S. economy and a recovering global economy are helping debtors meet their bond obligations.

J. Patrick Beimford
Lead Portfolio Manager

Special risk considerations are associated with investments in non-U.S. companies, including fluctuating foreign exchange rates, foreign governmental regulations and differing degrees of liquidity that may adversely affect the Portfolio.

Investments by the Portfolio in lower-rated and non-rated bonds present greater risk to principal and income than investments in higher-quality securities.

The Portfolio may engage, to a limited extent, in certain futures and options transactions which may increase the portfolio's share price volatility. Please see the prospectus for complete details.

Effective 5/1/2000 the Portfolio had name and investment objective changes: Kemper Global Income Portfolio name was changed to Kemper Strategic Income Portfolio.

Kemper Strategic Income Portfolio

	Principal Amount (\$)	Value (\$)		Principal Amount (\$)	Value (\$)
Fixed Time Deposits 3.0%					
Chase Euro Time Deposit, 6.375%, 7/3/2000 (Cost \$168,000)	168,000	168,000			
U.S. Government & Agencies 29.6%					
U.S. Treasury Bond:					
7.5%, 11/15/2016	260,000	293,636			
8.5%, 2/21/2020	60,000	75,244			
7.5%, 11/15/2024	160,000	186,450			
U.S. Treasury Note:					
7.875%, 8/15/2001	500,000	507,345			
5.625%, 12/31/2002	150,000	147,351			
6%, 8/15/2004	455,000	450,732			
Total U.S. Government & Agencies (Cost \$1,669,708)		1,660,758			
U.S. Government Agency Pass-Thrus 10.5%					
Federal National Mortgage Association, 2.13% with various maturities to 10/9/2007 (Cost \$559,920)	60,000,000	591,019			
Bonds 56.9%					
British Pounds 4.3%					
General Motors Acceptance Corp., 6.875%, 9/9/2004	160,000	243,205			
Canadian Dollars 4.3%					
Government of Canada, 8.5%, 4/1/2002	350,000	245,955			
Euro 19.6%					
Depfa Pfandbrief Bank, 4.75%, 7/15/2008	150,000	134,108			
Federal Republic of Germany, 6.25%, 1/4/2024	155,000	159,739			
Ford Motor Credit Corp., 3.75%, 7/12/2004	260,000	229,263			
French Treasury Note, 4.5%, 7/12/2003	60,000	56,291			
Government of Spain:					
4.5%, 7/30/2004	200,000	185,713			
4.5%, 7/30/2004	155,000	143,927			
Rheinische Hypo Bank, 4.5%, 8/26/2003	210,000	194,978			
		<u>1,104,019</u>			
Japanese Yen 5.1%					
Province of Ontario, 1.875%, 1/25/2010	30,000,000	283,950			
			Norwegian Kroner 6.0%		
			Norwegian Government, 7%, 5/31/2001		
			2,890,000	335,598	
			U.S. Dollars 17.6%		
			Argentine Republic, Collateralized Par Bond, Series L, Step-up Coupon, 6%, 3/31/2023		
			18,000	11,947	
			Banco Nacional de Comercio Exterior S.N.C., 7.25%, 2/2/2004		
			30,000	28,500	
			Federative Republic of Brazil		
			11.625%, 4/15/2004		
			12,000	12,102	
			12.75%, 1/15/2020		
			65,000	62,010	
			Global Bond, 10.125%, 5/15/2027 ...		
			15,000	11,812	
			"New" Money Bond, Floating Rate Bond, LIBOR plus .875% (7%), 4/15/2009		
			15,000	12,619	
			Government of Jamaica, 10.875%, 6/10/2005		
			10,000	9,700	
			Kingdom of Spain, 5.875%, 7/28/2008		
			200,000	183,720	
			Petroleos Mexicanos S.A., 9.5%, 9/15/2027		
			20,000	19,300	
			Petroliam Nasional BHD, 8.875%, 8/1/2004		
			6,000	6,183	
			Republic of Argentina:		
			11%, 12/4/2005		
			9,000	8,505	
			11.75%, 4/7/2009		
			5,000	4,663	
			12%, 2/1/2020		
			65,000	60,450	
			Republic of Bulgaria:		
			Collateralized Floating Rate Interest Reduction Bond, "A", Step-up Coupon, 2.75%, 7/28/2012		
			50,000	36,750	
			Floating Rate Bond, LIBOR plus .8125%, (6.5%), 07/28/2011		
			13,000	10,254	
			Republic of Colombia:		
			7.625%, 2/15/2007		
			10,000	7,250	
			9.75%, 4/23/2009		
			7,000	5,443	
			Republic of Panama, Interest Reduction Bond, Step-up Coupon 4.25% to 7/17/2000, LIBOR plus .8125% to 07/17/2014		
			15,000	12,000	
			Republic of Peru, Floating Rate Interest Reduction Bond, 3.75%, 3/7/2017 ...		
			45,000	27,450	
			Republic of South Africa, 8.5%, 6/23/2017		
			7,000	6,212	
			Republic of Turkey:		
			11.875%, 11/5/2004		
			5,000	5,175	
			9.875%, 2/23/2005		
			10,000	9,850	
			9.875%, 2/23/2005		
			5,000	4,925	
			Republic of the Philippines, 9.875%, 1/15/2019		
			13,000	10,611	
			Slovak Republic, 9.5%, 5/28/2003		
			5,000	5,037	
			Sunamerica Institute Fund, 5.75%, 2/16/2009		
			250,000	219,135	

The accompanying notes are an integral part of the financial statements.

	Principal Amount (\$)	Value (\$)
United Kingdom Treasury Bond, 9%, 7/12/2011	75,000	149,758
United Mexican States:		
11.5%, 5/15/2026	15,000	18,000
Global Bond, 11.375%, 9/15/2016 ...	25,000	28,625
		<u>987,986</u>
Total Bonds (Cost \$3,487,863)		3,200,713
Total Investment Portfolio — 100.0% (Cost \$5,885,491) (a)		5,620,490

Notes to Kemper Strategic Income Portfolio of Investments

(a) The cost for federal income tax purposes was \$5,885,491. At June 30, 2000, net unrealized depreciation for all securities based on tax cost was \$265,001. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$39,067 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$304,068.

Financial Statements

Statement of Assets and Liabilities as of June 30, 2000 (Unaudited)

Assets

Investments in securities, at value (cost \$5,885,491)	\$	5,620,490
Cash		1,499,603
Interest receivable		137,736
Receivable for Portfolio shares sold		30,927
Other assets		8,934
Total assets		7,297,690

Liabilities

Unrealized appreciation on forward currency exchange contracts		8,376
Accrued management fee		3,345
Other accrued expenses and payables		6,949
Total liabilities		18,670

Net assets, at value	\$	7,297,690
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Net Assets

Net assets consist of:

Undistributed net investment income	\$	94,416
Net unrealized appreciation (depreciation) on:		
Investments		(265,001)
Foreign currency related transactions		(10,331)
Accumulated net realized gain (loss)		(216,072)
Paid-in capital		7,676,008

Net assets, at value	\$	7,279,020
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Net Asset Value

Net Asset Value and redemption price per share (\$7,279,020 ÷ 7,570,559 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$	0.961
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Statement of Operations for the six months ended June 30, 2000 (Unaudited)

Investment Income

Income:		
Dividends	\$	109
Interest		193,188
Total Income		193,297
Expenses:		
Management fee		22,111
Custodian fees		1,196
Auditing		213
Legal		2,739
Trustees' fees and expenses		6,459
Reports to shareholders		7,915
Registration fees		587
Other		781
Total expenses, before expense reductions		42,001
Expense reductions		(9,338)
Total expenses, after expense reductions		32,663
Net investment income (loss)		160,634

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:		
Investments		(29,146)
Foreign currency related transactions		4,163
		(24,983)

Net unrealized appreciation (depreciation) during the period on:

Investments		(38,301)
Foreign currency related transactions		(53,119)
		(91,420)

Net gain (loss) on investment transactions		(116,403)
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Net increase (decrease) in net assets resulting from operations	\$	44,231
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The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

	Six Months Ended June 30, 2000 (Unaudited)	Year Ended December 31, 1999
Increase (Decrease) in Net Assets		
Operations:		
Net investment income (loss)	\$ 160,634	\$ 263,672
Net realized gain (loss) on investment transactions	(24,983)	(318,058)
Net unrealized appreciation (depreciation) on investment transactions during the period	(91,420)	(284,182)
Net increase (decrease) in net assets resulting from operations	44,231	(338,568)
Distributions to shareholders from:		
Net investment income	(148,964)	(218,189)
Net realized gains	—	(109,095)
Portfolio share transactions:		
Proceeds from shares sold	3,574,058	2,994,260
Reinvestment of distributions	148,964	327,284
Cost of shares redeemed	(1,937,923)	(2,080,297)
Net increase (decrease) in net assets from Portfolio share transactions	1,785,099	1,241,247
Increase (decrease) in net assets	1,678,891	575,395
Net assets at beginning of period	5,598,654	5,023,259
Net assets at end of period (including undistributed net investment income of \$94,416 and \$82,746, respectively)	\$ 7,279,020	\$ 5,598,654
Other Information		
Shares outstanding at beginning of period	5,678,787	4,529,726
Shares sold	3,722,090	2,902,609
Shares issued to shareholders in reinvestment of distributions	155,436	321,374
Shares redeemed	(1,985,754)	(2,074,922)
Net increase (decrease) in Portfolio shares	1,891,772	1,149,061
Shares outstanding at end of period	7,570,559	5,678,787

Financial Highlights

The following table includes selected data for a share outstanding throughout each period and other performance information derived from the financial statements.

Years Ended December 31,	2000(a)	1999	1998	1997(b)
Net asset value, beginning of period	\$.986	1.109	1.029	1.000
<i>Income (loss) from investment operations:</i>				
Net investment income (loss)	.025(c)	.047(c)	.024	.036
Net realized and unrealized gain (loss) on investment transactions	(.025)	(.110)	.086	(.007)
Total from investment operations	—	(.063)	.110	.029
<i>Less distributions from:</i>				
Net investment income	(.025)	(.040)	(.020)	—
Net realized gains on investment transactions	—	(.020)	(.010)	—
Total distributions	(.025)	(.060)	(.030)	—
Net asset value, end of period	\$.961	.986	1.109	1.029
Total Return (%)	(0.06)**	(5.85)	10.98	2.87**
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period (\$ thousands)	7,278	5,599	5,023	2,145
Ratio of expenses before expense reductions (%)	1.35*	1.03	1.08	1.10*
Ratio of expenses after expense reductions (%)	1.05*	1.01	1.08	1.10*
Ratio of net investment income (loss) (%)	5.15*	4.57	4.32	5.36*
Portfolio turnover rate (%)	76*	212	330	290*

(a) For the six months ended June 30, 2000 (Unaudited).

(b) For the period from May 1, 1997 (commencement of operations) to December 31, 1997.

(c) Based on monthly average shares outstanding during the period.

* Annualized

** Not annualized

The accompanying notes are an integral part of the financial statements.

Kemper Global Blue Chip Portfolio

Throughout the six-month period, world markets struggled with the euro and yen weakness, fluctuating liquidity, rising global interest rates and dramatic movement in the technology sector. The Global Blue Chip Portfolio, like most of its peers, ended the period in the red. However, it did prove more resilient than its benchmark. We attribute this relative buoyancy to the fund's underweighting in pure technology and overweighting in lower-priced, rather than higher-priced, media and telecommunication. Energy stocks, under our "Ultimate Subcontractor" theme of more traditional, stalwart companies, also contributed to the fund's outperformance.

Despite recent market volatility, we remain confident about our "Empowered Consumer" theme — largely tech and tech-related companies that seek to supply the infrastructure and content for the ever-increasing number of tech-savvy households. The Internet enables both businesses and consumers to leap geographic boundaries and physical barriers, creating new markets for consumer-to-business and business-to-business commerce, and so intensifying competition in the traditional economy. The rollout of the infrastructure that empowers the consumer will continue, but technology share prices are at levels that imply perfect execution. Investors will remain very sensitive to even the slightest disappointment for a while.

Japan, our second largest geographic stake, is still subject to persistent concern about its progress with economic reform and the resulting low levels of investor confidence. This, together with the country's sluggish response to fiscal stimuli, made it the weakest major market contributor for the period overall. With that said, however, holdings in Japan still were a major contributor to fund performance. We attribute the gains to astute stock selection within the technology sector and so-called "old economy" companies that are finally beginning to reap the benefits of restructuring. In the long run, corporate restructuring will benefit the Japanese economy; in the short term, however, we will be lightening our heavily overweighted position in Japan, as compared with our benchmark, as the pressures of the difficult macroeconomic position temporarily outweigh the benefits of microeconomic reform.

In an effort to reduce portfolio volatility, we are continuing to look for opportunities in energy, and other more "traditional" sectors. We are looking specifically for companies with pricing power or those that are likely to benefit from corporate restructuring activity. Among our biggest winners was Anadarko Petroleum, the U.S. oil and gas company. Throughout the period, we added to our position in the stock as a defense, which proved successful. Rising oil and gas prices and improved production volumes contributed to the stock's gains.

Anadarko Petroleum serves as an example of the enormous opportunity for new winners to emerge from today's tumultuous markets. This is a time for us to identify them and to establish our positions in companies that are adapting successfully to the rigors of the increasingly competitive environment that is the wider effect of technology on the global economy.

Diego Espinosa
Lead Portfolio Manager

Special risk considerations are associated with investments in non-U.S. companies, including fluctuating foreign exchange rates, foreign governmental regulations and differing degrees of liquidity that may adversely affect the Portfolio.

Kemper Global Blue Chip Portfolio

	Principal Amount (\$)	Value (\$)		Shares	Value (\$)
Short-Term Obligations 12.7%					
Federal Home Loan Discount Notes, 6.57%, 7/3/2000** (Cost \$3,595,687)	3,597,000	3,595,687			
			Shares		
Common Stocks 87.3%					
Australia 1.8%					
Broken Hill Proprietary Co., Ltd. (Petroleum, mineral and steel exploration and production)	20,200	238,353			
Woodside Petroleum, Ltd. (Producer of oil and gas)	34,200	265,626			
		503,979			
Brazil 1.6%					
Aracruz Celulose S.A. (ADR) (Producer of eucalyptus kraft pulp) ...	11,400	220,163			
Companhia Vale do Rio Doce (ADR) (Diverse mining and industrial complex)	8,300	237,328			
		457,491			
Canada 5.8%					
Alberta Energy Co., Ltd. (Major oil and gas producer)	13,700	553,292			
Barrick Gold Corp. (Explorer and producer of gold in North and South America)	14,800	269,175			
Canadian National Railway Co. (Railroad operator)	22,800	663,659			
Molson Cos., Ltd. "A" (Brewery)	7,500	146,637			
		1,632,763			
Finland 1.0%					
Sonera Oyj (Provider of telecommunication services)	6,200	282,239			
France 4.7%					
Aventis S.A. (Manufacturer of life science products)	7,450	538,582			
STMicroelectronics N.V. (Manufacturer of semiconductor integrated circuits)	5,357	337,068			
Suez Lyonnaise des Eaux S.A. (Water and electric utility)	2,591	453,269			
		1,328,919			
Germany 4.9%					
BASF AG (International chemical producer)	5,411	218,724			
Commerzbank AG (Provider of banking services)	8,356	295,546			
HypoVereinsbank (Bank)	5,720	371,360			
Muenchener Rueckversicherungs- Gesellschaft AG* (Registered) (Insurance company)				1,569	495,112
					1,380,742
Italy 1.6%					
Assicurazioni Generali (Multi-line insurance and financial services company)				12,800	438,083
Japan 13.2%					
Daiwa Securities Group, Inc. (Provider of brokerage and other financial services)				25,000	330,547
Fujitsu, Ltd. (Manufacturer of computers)				7,000	242,622
Kyorin Pharmaceutical Co., Ltd. (Retailer of prescription medicines) ..				2,000	83,109
Matsushita Electric Industrial Co., Ltd. (Manufacturer of consumer electronic products)				14,000	363,602
Mitsubishi Estate Co., Ltd. (Real estate company)				21,000	247,514
Mitsui Fudosan Co., Ltd. (Real estate company)				14,000	152,052
Nintendo Co., Ltd. (Manufacturer of game equipment)				1,500	262,360
Nissan Motor Co., Ltd.* (Manufacturer of motor vehicles)				54,000	318,742
Sakura Bank, Ltd. (Provider of banking services)				36,000	249,214
Sharp Corp. (Manufacturer of consumer and industrial electronics)				13,000	230,203
Sony Corp. (Manufacturer of consumer and industrial electronic equipment)				2,200	205,695
TDK Corp. (Manufacturer of magnetic tapes and floppy discs)				2,000	287,859
Yamada Denki Co., Ltd. (Seller and repairer consumer electronic equipment)				4,000	359,258
Yamanouchi Pharmaceutical Co., Ltd. (Manufacturer and marketer of a wide variety of pharmaceuticals)				7,000	382,774
					3,715,551
New Zealand 0.9%					
ASM Lithography Holding N.V.* (Developer, manufacturer and marketer of photolithography projections systems)				5,704	244,815
Spain 1.1%					
Repsol S.A. (Manufacturer of crude oil and natural gas)				15,491	307,920
Switzerland 2.5%					
Nestle S.A. (Registered) (Food manufacturer)				238	475,796

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
Roche Holding AG (Developer and manufacturer of pharmaceutical and chemical products)	25	243,081			
		<u>718,877</u>			
United Kingdom 11.7%					
British Telecom plc (Provider of telecommunication services)	23,155	300,037			
Carlton Communications plc (Television post production products and services)	33,474	431,716			
EMAP plc (Publisher of magazines)	16,441	265,175			
EMI Group plc (Music recording and retailing company)	28,378	258,348			
National Power plc (Electricity generation company)	56,050	358,038			
Prudential Corp. plc (Provider of a broad range of financial services)	15,947	234,221			
Rio Tinto plc (Mining company)	32,680	535,522			
Scottish Power plc (Electric utility)	52,527	446,316			
Shell Transport & Trading plc (Petroleum company)	55,629	465,499			
		<u>3,294,872</u>			
United States 36.5%					
AT&T Corp. (Provider of telecommunications services)	9,395	297,117			
AT&T Corp. — Liberty Media Group "A"* (Holding company of entertainment networks)	12,200	295,850			
Anadarko Petroleum Corp. (Explorer and producer of crude oil and natural gas)	14,200	700,238			
Apple Computer, Inc.* (Manufacturer of personal computers)	10,500	549,933			
Azurix Corp.* (Provider of wastewater related services)	17,200	120,400			
Burlington Resources, Inc. (Explorer and producer of crude oil and natural gas)	10,300	393,975			
Electronic Arts, Inc.* (Developer and marketer of entertainment software)	5,400	393,863			
Electronic Data Systems Corp. (Provider of information technology systems)	5,300	218,625			
Enron Corp. (Producer of natural gas and electricity)	3,800	245,100			
Exxon Mobil Corp. (International oil company)	3,100	243,350			
FPL Group, Inc. (Electric energy generation, transmission and distribution)	7,700	381,150			
Homestake Mining Co.* (International gold producer)	21,600	148,500			
International Business Machines Corp. (Manufacturer of computers and servicer of information processing units)	3,800	416,338			
Intuit, Inc.* (Leading provider of financial software for households and small businesses)	10,600	438,575			
Lockheed Martin Corp. (Manufacturer of aircraft, missiles and space equipment)	9,500	235,719			
Motorola Inc. (Manufacturer of telecommunication products and semiconductors)	13,000	377,813			
Nabors Industries, Inc.* (Land drilling contractor)	3,900	162,094			
Newmont Mining Corp. (International gold exploration and mining company)	12,000	259,500			
Nextel Communications Inc.* (Provider of telecommunication services)	5,300	324,294			
Nextel Communications, Inc. "A"* (Provider of telecommunication services)	3,600	220,275			
Northrop Grumman Corp. (Manufacturer of aircraft, aircraft assemblies and electronic systems for military and commercial use)	3,600	238,500			
Peco Energy Co. (Provider of electric and gas utility)	8,000	322,500			
ProLogis Trust (REIT) (Global owner of corporate distribution facilities)	15,700	334,606			
Progressive Corp. (Provider of property and casualty insurance)	6,800	503,200			
SBC Communications, Inc. (Provider of telecommunication services)	9,400	406,550			
Sabre Group Holdings, Inc. "A" (Provider of online travel reservation capabilities)	15,700	447,450			
Sun Microsystems, Inc.* (Manufacturer of high-performance workstations, servers and software)	3,300	300,094			
USEC, Inc. (Provider of enriched uranium products and services)	6,400	29,600			
USX-US Steel Group, Inc. (Integrated steel producer)	8,800	163,350			
Unicom Corp. (Electric utility)	9,000	348,188			
UNUMProvident Corp. (Provider of group disability and special risk insurance)	12,100	242,756			
Viacom, Inc. "B"* (Diverse entertainment and communications company)	8,000	545,500			
					<u>10,305,003</u>
Total Common Stocks (Cost \$22,944,740)					24,611,254
Total Investment Portfolio — 100.0% (Cost \$26,540,427) (a)					28,206,941

The accompanying notes are an integral part of the financial statements.

At June 30, 2000, the Kemper Global Blue Chip Portfolio had the following industry diversification:

Industry	Value	Percent
Technology	\$ 3,707,767	13.1%
Consumer Discretionary	520,708	1.8
Communications	1,830,512	6.5
Financial	3,894,211	13.8
Energy	3,337,094	11.8
Metals and Minerals	1,881,328	6.7
Media	1,538,241	5.5
Manufacturing	1,004,736	3.6
Consumer Staples	828,128	2.9
Utilities	2,309,461	8.2
Transportation	663,659	2.4
Health	936,552	3.3
Service Industries	1,145,733	4.1
Durables	792,961	2.8
Construction	220,163	0.8
Total Common Stocks	24,611,254	87.3
Money Market Instruments	3,595,687	12.7
Total Investment Portfolio	\$ 28,206,941	100.0%

Notes to Kemper Global Blue Chip Portfolio of Investments

* Non-income producing security.

** Annualized yield at time of purchase; not a coupon rate.

(a) The cost for federal income tax purposes was \$26,540,427. At June 30, 2000, net unrealized appreciation for all securities based on tax cost was \$1,666,514. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$2,760,024 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$1,093,510.

Financial Statements

Statement of Assets and Liabilities as of June 30, 2000 (Unaudited)

Assets

Investments in securities, at value (cost \$26,540,427)	\$ 28,206,941
Cash	74,070
Foreign currency, at value (cost \$11,818)	11,796
Receivable for investments sold	396,369
Dividends receivable	24,963
Receivable for Portfolio shares sold	87,168
Foreign taxes recoverable	10,572
Unrealized appreciation on forward currency exchange contracts	60
Due from Adviser	88,313
Total assets	28,900,252

Liabilities

Payable for investments purchased	1,646,715
Payable for Portfolio shares redeemed	27
Unrealized depreciation on forward currency exchange contracts	402
Other accrued expenses and payables	101,162
Total liabilities	1,748,306
Net assets, at value	\$ 27,151,946

Net Assets

Net assets consist of:	
Undistributed net investment income	\$ 62,531
Net unrealized appreciation (depreciation) on:	
Investments	1,666,514
Foreign currency related transactions	(225)
Accumulated net realized gain (loss)	999,533
Paid-in capital	24,423,593
Net assets, at value	\$ 27,151,946

Net Asset Value

Net Asset Value and redemption price per share (\$27,151,946 ÷ 22,418,518 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 1.211
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The accompanying notes are an integral part of the financial statements.

Statement of Operations for the six months ended June 30, 2000 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$8,316)	\$ 157,568
Interest	47,414
Total Income	<u>204,982</u>
Expenses:	
Management fee	90,696
Custodian and accounting fees	96,412
Auditing	2,317
Legal	3,609
Trustees' fees and expenses	13,209
Reports to shareholders	3,835
Registration fees	2,808
Amortization of organization expenses	512
Other	4,699
Total expenses, before expense reductions	<u>218,097</u>
Expense reductions	(51,719)
Total expenses, after expense reductions	<u>166,378</u>
Net investment income (loss)	38,604

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	1,204,146
Foreign currency related transactions	(51,655)
	<u>1,152,491</u>
Net unrealized appreciation (depreciation) during the period on:	
Investments	(1,210,468)
Foreign currency related transactions	(183)
	<u>(1,210,651)</u>
Net gain (loss) on investment transactions	(58,160)
Net increase (decrease) in net assets resulting from operations	\$ (19,556)

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

	Six Months Ended June 30, 2000 (Unaudited)	Year Ended December 31, 1999
Increase (Decrease) in Net Assets		
Operations:		
Net investment income (loss)	\$ 38,604	\$ 36,270
Net realized gain (loss) on investment transactions	1,152,491	153,170
Net unrealized appreciation (depreciation) on investment transactions during the period	(1,210,651)	2,729,940
Net increase (decrease) in net assets resulting from operations	(19,556)	2,919,380
Distributions to shareholders from:		
Net realized gains	(258,443)	(17,292)
Portfolio share transactions:		
Proceeds from shares sold	10,815,029	12,326,198
Reinvestment of distributions	258,443	17,292
Cost of shares redeemed	(1,052,551)	(1,420,390)
Net increase (decrease) in net assets from Portfolio share transactions	10,020,921	10,923,100
Increase (decrease) in net assets	9,742,922	13,825,188
Net assets at beginning of period	17,409,024	3,583,836
Net assets at end of period (including undistributed net investment income of \$62,531 and \$23,927, respectively)	\$ 27,151,946	\$ 17,409,024
Other Information		
Shares outstanding at beginning of period	14,068,294	3,660,806
Shares sold	9,009,065	11,724,188
Shares issued to shareholders in reinvestment of distributions	209,895	16,883
Shares redeemed	(868,736)	(1,333,583)
Net increase (decrease) in Portfolio shares	8,350,224	10,407,488
Shares outstanding at end of period	22,418,518	14,068,294

Financial Highlights

The following table includes selected data for a share outstanding throughout each period and other performance information derived from the financial statements.

Year Ended December 31,	2000(a)	1999	1998(b)
Net asset value, beginning of period	\$1.237	.979	1.000
<i>Income (loss) from investment operations:</i>			
Net investment income (loss)	.002(c)	.004(c)	.003
Net realized and unrealized gain (loss) on investment transactions	(.013)	.257	(.024)
Total from investment operations	(.011)	.261	(.021)
<i>Less distributions from:</i>			
Net investment income	—	(.003)	—
Net realized gain (loss) on investment transactions	(.015)	—	—
Total distributions	(.015)	(.003)	—
Net asset value, end of period	\$1.211	1.237	.979
Total Return (%)	(.93)**	26.70	(2.10)**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ thousands)	27,152	17,409	3,584
Ratio of expenses before expense reductions (%)	2.19*	3.47	12.32*
Ratio of expenses after expense reductions (%)	1.56*	1.56	1.56*
Ratio of net investment income (loss) (%)	36*	.39	.91*
Portfolio turnover rate (%)	63*	65	67*

(a) For the six months ended June 30, 2000 (Unaudited).

(b) For the period from May 5, 1998 (commencement of operations) to December 31, 1998.

(c) Based on monthly average shares outstanding during the period.

* Annualized

** Not annualized

The accompanying notes are an integral part of the financial statements.

Kemper New Europe Portfolio

On a relative basis, Kemper New Europe Portfolio's performance was strong despite a challenging investment environment marked by extreme volatility and euro weakness; it proved more resilient than our benchmark, the MSCI Europe Index. Many of the fund's top holdings struggled in the wake of the global correction in the technology, media and telecommunications sectors. Licensing concerns in the United Kingdom also put downward pressure on telecom operators, and media stocks retreated after strong gains earlier in the year. As a defensive measure, we have trimmed our exposure to these sectors, though we remain optimistic. Sector fundamentals are excellent and many companies are aggressively exploiting opportunities created by booming advertising demand, media convergence potential and consolidation.

Additionally, we have increased exposure to positions in banks and financial companies with strong fundamentals that we believe can withstand the pressure of rising interest rates. We also increased our weighting in utility stocks.

The European macroenvironment is positive, with growth for the euro-zone expected to expand at a rate of 3.5 percent in 2000, the fastest pace in a decade. Germany's economy, which accounts for roughly a third of the region's economy, appears quite healthy. Stronger growth is generating jobs, and countries like Germany and Italy are reporting the lowest level of unemployment in years. Consumer confidence is high and business investment has accelerated. There is some evidence that inflation is rising in the euro-zone on the back of higher oil prices, and with a weak euro pushing the cost of imports, businesses are passing the higher costs to customers. We believe that this uptick in inflation should be offset to a certain extent by ongoing deregulation of telecom, gas and utilities, in addition to tech-driven improvements in productivity. We do not expect that recent European Central bank tightenings will be a major deterrent to growth.

On a sectoral basis, we are particularly positive on oil for the following reasons: a buoyant global demand/supply picture, restructuring and cost-cutting potential, improved margins on the refining side, strong cash flow, and the announcement of share buybacks. We also see select opportunities in the banking sector.

We believe that European markets will remain lackluster over the summer months. Despite downward pressure on share prices in the recent market volatility, valuations in certain sectors are still stretched in a rising interest-rate environment. Nonetheless, Europe is an exciting investment arena over the medium term. Globalization and the single market continue to drive corporate restructuring and consolidations. Governments are moving toward badly needed tax and pension reform. Fostered by deregulation and a developing entrepreneurial culture, new companies are coming to market. Against this backdrop, our portfolio is diversified to help balance the risks and capture the rewards of the current investment landscape.

Carol L. Franklin
Lead Portfolio Manager

Special risk considerations are associated with investments in non-U.S. companies, including fluctuating foreign exchange rates, foreign governmental regulations and differing degrees of liquidity that may adversely affect the Portfolio.

Effective 5/1/2000 the Portfolio had name and investment objective changes: Kemper International Growth And Income Portfolio name was changed to Kemper New Europe Portfolio.

Kemper New Europe Portfolio

	Principal Amount (\$)	Value (\$)		Shares	Value (\$)
Short-Term Obligations 6.8%					
Federal Home Loan Discount Notes, 6.57%, 7/3/2000** (Cost \$670,755) ..	671,000	670,755			
Convertible Bonds 1.0%					
Merrill Lynch & Co., 2%, 4/14/2004 (Cost \$111,783)	114,000	100,035			
			Shares		
Common Stocks 92.2%					
Belgium 1.5%					
Dexia (Provider of municipal lending services)	932	9			
Dexia (Offeror of municipal lending services)	987	150,553			
		150,562			
Finland 4.8%					
Kone Oyj, "B" (Manufacturer of elevators)	980	58,860			
Nokia Oyj (International telecommunications company)	6,300	321,026			
Sonera Oyj (Provider of telecommunication services)	2,100	95,597			
		475,483			
France 18.8%					
Accor S.A. (Operator of hotels, travel agencies and restaurants)	1,261	51,609			
Alcatel (Manufacturer of telecommunications equipment)	3,360	220,064			
Altran Technologies S.A. (Provider of engineering and consulting services)	256	50,056			
Aventis S.A. (Manufacturer of life science products)	2,570	187,311			
Banque Nationale de Paris (Bank)	1,262	121,275			
Bouygues S.A. (Conglomerate: public works, real estate and industrial development, engineering services, television and motion pictures)	123	82,083			
Cap Gemini S.A. (Provider of computer consulting services)	260	45,732			
Galleries Lafayette (Department store chain)	547	110,815			
Lafarge Warrant (expires 3/20/2001) (Producer of building materials)*	333	1,111			
Lagardere S.C.A. (Holding company with interests in publishing, defense, audiovisual production and services, telecommunications and media)	1,677	127,901			
Legrand S.A. (Manufacturer of low-voltage electrical devices)	215	48,168			
Publicis S.A. (International advertising company)				69	27,036
STMicroelectronics N.V. (Manufacturer of semiconductor integrated circuits)				2,945	185,303
Schneider Electric S.A. (Manufacturer of electronic components and automated manufacturing systems) ..				2,185	152,064
Suez Lyonnaise des Eaux S.A. (Water and electric utility)				960	167,942
Total Fina ELF S.A. "B" (Explorer, developer, producer, transporter and marketer of oil and natural gas)				1,830	280,188
					1,858,658
Germany 15.9%					
Allianz AG (Multi-line insurance company)				367	132,779
BASF AG (International chemical producer)				1,205	48,709
Bayer AG (Chemical producer)				1,493	58,073
Commerzbank AG (Provider of banking services)				2,076	73,427
Deutsche Bank AG (Registered (Provider of financial services)				1,308	107,365
Deutsche Telekom AG (Telecommunication services)				1,040	58,993
Dresdner Bank AG (Provider of banking services)				1,973	81,634
Epcos AG (Producer of electronic components and integrated circuits)*				1,040	104,602
HypoVereinsbank (Bank)				1,632	105,955
Marschollek, Lautenschlaeger und Partner AG (Independent life insurance company)				415	207,315
Muenchener Rueckversicherungs- Gesellschaft AG (Registered (Insurance company)				331	104,450
SAP AG (Computer software manufacturer)				654	96,953
Schering AG (Pharmaceutical and chemical producer)				2,870	158,695
Siemens AG (Electrical engineering and electronics company)				1,565	234,989
					1,573,939
Italy 4.1%					
Assicurazioni Generali (Multi-line insurance and financial services company)				3,500	119,788
Banco Intesa SpA (Bank)				32,425	144,979
ENI SpA (Explorer and distributor of petroleum products)				8,600	49,603
Saipem SpA (International contractor in oil and gas exploration and drilling, construction of refineries and pipelines)				12,500	73,885
San Paolo SpA (Personal, investment and commercial banking)				800	14,178
					402,433

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
Netherlands 10.8%			United Kingdom 22.4%		
ABN AMRO Holding N.V. (Diversified financial services)	2,980	72,900	Aegis Group plc (Independent media services group)*	25,625	75,429
Akzo Nobel N.V. (Producer and marketer of healthcare products, coatings, chemicals and fibers)	3,540	150,181	BOC Group plc (Diversified chemical company)	4,510	65,009
ING Groep NV (Provider of insurance and financial services)	730	49,274	BP Amoco plc (Integrated world oil company)	17,500	168,345
Koninklijke Philips Electronics N.V. (Diversified manufacturer)	4,560	214,755	Barclays plc (Commercial and investment banking, insurance and other financial services)	4,200	104,703
Koninklijke Kpn NV (Provider of telecommunications services)	4,100	183,124	Billiton plc (Resource group that explores, produces and markets aluminum and other metal products)	15,050	61,427
Qiagen NV (Biopharmaceutical company)*	300	52,200	British Aerospace plc (Producer of military aircraft)	16,938	105,884
Royal Dutch Petroleum Co. (Petroleum company)	4,240	263,147	British Telecom plc (Provider of telecommunication services)	3,415	44,251
VNU NV (International publishing company)	1,600	82,522	Cable and Wireless plc (International telecommunication services in the United Kingdom and Hong Kong)	2,730	46,352
		<u>1,068,103</u>	Compass Group plc (International catering group)	4,460	58,908
Spain 6.7%			Diageo plc (Producer and distributor of food products, beer and liquor; owner of fast food restaurants)	13,590	122,277
Banco Popular Espanol SA (Retail banking networks throughout Europe)	4,100	126,643	EMI Group plc (Music recording and retailing company)	14,200	129,274
Cortefiel SA (Owner and operator of various retail clothing stores)	3,470	75,161	Glaxo Wellcome plc (Pharmaceutical company)	3,100	90,639
Grupo Prisa, S.A. (Media company)	908	21,035	HSBC Holdings plc (International banking and financial services company)	8,400	96,170
Repsol SA (Manufacturer of crude oil and natural gas)	3,000	59,632	J Sainsbury plc (Retail distributor of food through supermarkets)	22,840	103,965
Telefonica S.A.* (Provider of telecommunication services)*	9,450	202,706	Lasmo plc (Oil production and exploration)	81,932	174,663
Union Electrica Fenosa S.A. (Producer and distributor of electrical energy)	10,131	183,026	National Power plc (Electricity generation company)	18,000	114,981
		<u>668,203</u>	Prudential Corp. plc (Provider of a broad range of financial services)	7,120	104,575
Sweden 2.1%			Rio Tinto plc (Mining company)	3,720	60,959
Ericsson LM-B Shs (Producer of advanced systems and products for wired and mobile communications.)	10,355	205,574	Royal & Sun Alliance Insurance Group plc (Insurance company)	15,815	102,943
Switzerland 5.1%			Serco Group plc (Facilities management company)	9,390	73,374
ABB, Ltd. (Manufacturer of equipment for power generation and distribution)	717	85,718	SmithKline Beecham plc (Manufacturer of ethical drugs and healthcare products)	7,600	99,747
Credit Suisse Group (Registered) (Provider of universal banking and financial services)	457	90,801	Vodafone AirTouch plc (Provider of mobile telecommunication services)	23,680	95,932
Nestle SA (Registered) (Food manufacturer)	94	187,919	Zeneca Group plc (Manufacturer of pharmaceutical and agrochemical products and specialty chemicals)	2,425	113,511
Novartis AG (Registered) (Pharmaceutical company)	42	66,451			<u>2,213,318</u>
Roche Holding AG (Developer and manufacturer of pharmaceutical and chemical products)	8	77,786	Total Common Stocks (Cost \$8,907,198)		9,124,948
		<u>508,675</u>	Total Investment Portfolio — 100.0% (Cost \$9,689,736) (a)		9,895,738

The accompanying notes are an integral part of the financial statements.

At June 30, 2000, the Kemper New Europe Portfolio had the following industry diversification:

Industry	Value	Percent
Financial	\$ 2,211,751	22.4%
Manufacturing	1,468,552	14.8
Communications	1,429,527	14.5
Technology	538,922	5.4
Consumer Discretionary	1,167,041	11.9
Metals and Minerals	122,386	1.2
Energy	1,069,463	10.8
Utilities	465,949	4.7
Construction	83,194	0.8
Durables	220,064	2.2
Health	448,134	4.5
Total	9,224,983	93.2
Money Market Instruments	670,755	6.8
Total Investment Portfolio	\$ 9,895,738	100.0%

Notes to Kemper New Europe Portfolio of Investments

* Non-income producing security.

** Annualized yield at time of purchase; not a coupon rate.

(a) The cost for federal income tax purposes was \$9,689,736. At June 30, 2000, net unrealized appreciation for all securities based on tax cost was \$206,002. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$484,089 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$278,087.

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities as of June 30, 2000 (Unaudited)

Assets

Investments in securities, at value (cost \$9,689,736)	\$ 9,895,738
Cash	8,738
Foreign currency, at value (cost \$2,840)	2,840
Receivable for investments sold	253,325
Dividends receivable	14,550
Interest receivable	488
Receivable for Portfolio shares sold	77,449
Foreign taxes recoverable	14,542
Unrealized appreciation on forward currency exchange contracts	78
Due from Adviser	166,119
Other assets	29
Total assets	10,433,896

Liabilities

Payable for investments purchased	170,655
Payable for Fund shares redeemed	31,440
Unrealized depreciation on forward currency exchange contracts	1,666
Organization fees	11,000
Other accrued expenses and payables	14,945
Total liabilities	229,706

Net assets, at value	\$ 10,204,190
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Net Assets

Net assets consist of:	
Undistributed net investment income	\$ 294,275
Net unrealized appreciation (depreciation) on:	
Investments	206,002
Foreign currency related transactions	(434)
Accumulated net realized gain (loss)	94,311
Paid-in capital	9,610,036

Net assets, at value	\$ 10,204,190
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Net Asset Value

Net Asset Value and redemption price per share (\$10,204,190 ÷ 10,097,737 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 1.010
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The accompanying notes are an integral part of the financial statements.

Statement of Operations for the six months ended June 30, 2000 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$6,641)	\$ 321,758
Interest	23,277
Total Income	<u>345,035</u>
Expenses:	
Management fee	40,544
Custodian and accounting fees	29,809
Auditing	1,076
Legal	2,746
Trustees' fees and expenses	5,038
Reports to shareholders	5,642
Registration fees	1,192
Other	322
Total expenses, before expense reductions	<u>86,369</u>
Expense reductions	<u>(40,852)</u>
Total expenses, after expense reductions	45,517
Net investment income (loss)	299,518

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	125,789
Foreign currency related transactions	<u>(1,339)</u>
	124,450
Net unrealized appreciation (depreciation) during the period on:	
Investments	(481,230)
Foreign currency related transactions	<u>(181)</u>
	(481,411)
Net gain (loss) on investment transactions	(356,961)
Net increase (decrease) in net assets resulting from operations	\$ (57,443)

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

	Six Months Ended June 30, 2000 (Unaudited)	Year Ended December 31, 1999
Increase (Decrease) in Net Assets		
Operations:		
Net investment income (loss)	\$ 299,518	\$ 68,621
Net realized gain (loss) on investment transactions	124,450	93,869
Net unrealized appreciation (depreciation) on investment transactions during the period	(481,411)	633,738
Net increase (decrease) in net assets resulting from operations	(57,443)	796,228
Distributions to shareholders from:		
Net investment income	(23,644)	(51,177)
Net realized gains	(23,647)	—
Portfolio shares transactions:		
Proceeds from shares sold	6,153,246	9,523,749
Reinvestment of distributions	47,291	51,177
Cost of shares redeemed	(2,568,150)	(6,646,496)
Net increase (decrease) in net assets from Portfolio share transactions	3,632,387	2,928,430
Increase (decrease) in net assets	3,527,653	3,673,481
Net assets at beginning of period	6,676,537	3,003,056
Net assets at end of period (including undistributed net investment income of \$294,275 and \$18,401, respectively)	\$ 10,204,190	\$ 6,676,537
Other Information		
Shares outstanding at beginning of period	6,453,838	3,294,058
Shares sold	6,154,489	10,350,608
Shares issued to shareholders in reinvestment of distributions	45,722	56,319
Shares redeemed	(2,556,312)	(7,247,147)
Net increase (decrease) in Portfolio shares	3,643,899	3,159,780
Shares outstanding at end of period	10,097,737	6,453,838

Financial Highlights

The following table includes selected data for a share outstanding throughout each period and other performance information derived from the financial statements.

Year Ended December 31,	2000(a)	1999	1998(b)
Net asset value, beginning of period	\$1.035	.912	1.000
<i>Income (loss) from investment operations:</i>			
Net investment income (loss)	.036(c)	.013(c)	.003
Net realized and unrealized gain (loss) on investment transactions	(.055)	.115	(.091)
Total from investment operations	(.019)	.128	(.088)
<i>Less distributions from:</i>			
Net investment income	(.003)	(.005)	—
Net realized gains on investment transactions	(.003)	—	—
Total distributions	(.006)	(.005)	—
Net asset value, end of period	\$1.010	1.035	.912
Total Return (%)	(1.76)**	14.09	(8.80)**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ thousands)	10,204	6,677	3,003
Ratio of expenses before expense reductions (%)	2.13*	4.30	19.55*
Ratio of expenses after expense reductions (%)	1.12*	1.10	1.13*
Ratio of net investment income (loss) (%)	6.39*	1.44	1.13*
Portfolio turnover rate (%)	119*	146	100*

(a) For the six months ended June 30, 2000 (Unaudited).

(b) For the period from May 5, 1998 (commencement of operations) to December 31, 1998.

(c) Based on monthly average shares outstanding during the period.

* Annualized

** Not annualized

The accompanying notes are an integral part of the financial statements.

Kemper International Portfolio

The broad correction in global equity markets that began toward the end of the first quarter continued into the second. The environment for international equities proved challenging, as persistent bouts of heightened volatility whipped markets. High growth “new-economy” sectors such as technology, media and telecommunications (TMT) particularly suffered a sharp sell off. Concerns about interest-rate hikes in the United States, Europe and even Japan combined with uncertain growth prospects in these markets, led to a more cautious overall investment environment. This generally benefited the performance of a number of traditionally defensive sectors such as pharmaceuticals, food producers and utilities.

In this environment, Kemper International Portfolio underperformed its benchmark, the MSCI EAFE index, which is consistent with the sharp switch in investor sentiment away from the higher growth, higher valuation TMT sectors in favor of more traditional, value-oriented sectors. The unexpectedly high price paid in the United Kingdom for next-generation telecom spectrum had a negative impact on most European telecom operators, including a number of our holdings. We were also hurt by declines in electronic-components suppliers. These declines were partially offset by strong performance among our telecom equipment suppliers and Japanese electricals. Our positions in pharmaceuticals, commodities and financials also helped.

We continued the process of reducing our exposure to those areas where valuations had become less fundamentally grounded, particularly in TMT. Our actions do not reflect a view that the tech innovation is about to end, though. We continue to commit funds to this area, but are placing greater emphasis on blue chip companies where we feel growth prospects are still undervalued. Our increased stake in telecom infrastructure providers is an example of this strategy.

We’ve also reduced our exposure to the more economically sensitive areas of our portfolio, as it became clearer that the central banks in the United States, and to a lesser extent Europe, are committed to slowing economic growth. This changed the risk/reward profile of some of our more cyclical holdings.

The funds were largely redeployed to European financials. Financials, banks in particular, had declined significantly over the past couple years. As further consolidation hopes had died down, the Internet threatened the demise of traditional banking models and interest rates were on the rise. We suspect that this news is now fully discounted. In addition, there has been growing evidence that the restructuring is once again picking up pace, and quality management has been able to define promising strategies to use the Internet to their advantage.

Irene Cheng
Lead Portfolio Manager

Special risk considerations are associated with investments in non-U.S. companies, including fluctuating foreign exchange rates, foreign governmental regulations and differing degrees of liquidity that may adversely affect the Portfolio.

Kemper International Portfolio

	Principal Amount (\$)	Value (\$)		Shares	Value (\$)
Short-Term Obligations 1.6%					
Federal Home Loan Discount Notes, 6.57%, 7/3/2000** (Cost \$3,498,723)	3,500,000	3,498,723			
Fixed Time Deposits 0.1%					
Chase Euro Time Deposit, 6.375%, 7/3/2000 (Cost \$161,000)	161,000	161,000			
Bonds 0.0%					
United Kingdom					
British Aerospace plc, 7.45%, 11/30/2003 (Producer of military aircraft) (Cost \$27,000)	26,329	38,751			
			Shares		
Common Stocks 98.3%					
Australia 1.6%					
Broken Hill Proprietary Co., Ltd. (Petroleum, mineral and steel exploration and production)	142,500	1,681,449			
WMC Ltd. (Mineral exploration and production)	263,500	1,176,460			
Woodside Petroleum, Ltd. (Producer of oil and gas)	82,100	637,658			
		<u>3,495,567</u>			
Canada 1.7%					
Canadian National Railway Co. (Railroad operator)	63,400	1,845,438			
Nortel Networks Corp. (Provider of telephony, data and wireless products)	25,900	1,796,400			
		<u>3,641,838</u>			
Finland 1.5%					
Nokia Oyj (International telecommunications company)	64,700	3,296,888			
France 19.2%					
AXA S.A. (Insurance group providing insurance, finance and real estate services)	12,466	1,960,936			
Alcatel (Manufacturer of telecommunications equipment)	53,310	3,491,545			
Aventis S.A. (Manufacturer of life science products)	58,469	4,261,430			
Banque Nationale de Paris (Bank)	26,511	2,547,645			
Bouygues S.A. (Conglomerate: public works, real estate and industrial development, engineering services, television and motion pictures)	2,411	1,608,968			
Christian Dior S.A. (Fashion house)			8,948		2,026,011
Credit Lyonnais S.A. (Provider of diversified banking services)			41,510		1,970,763
Dassault Systemes S.A. (Computer aided design, manufacturing and engineering software)			8,771		816,951
Etablissements Economiques du Casino Guichard-Perrachon S.A. (Operator of supermarkets and convenience stores)			20,900		1,282,174
Eurotunnel S.A.* (Designer, financier and constructor of a tunnel that runs under the English Channel and connects England to France)			1,665,168		1,508,113
Lagardere S.C.A. (Holding company with interests in publishing, defense, audiovisual production and services, telecommunications and media)			12,133		925,359
Pinault-Printemps-Redoute S.A. (Operator of department stores)			10,629		2,357,985
Rhodia S.A. (Drug manufacturer and chemicals specialist)			99,182		1,664,170
STMicroelectronics N.V. (Manufacturer of semiconductor integrated circuits)			60,387		3,799,615
Schneider Electric S.A. (Manufacturer of electronic components and automated manufacturing systems) ..			16,314		1,135,365
Societe BIC S.A. (Manufacturer of office supplies)			33,995		1,662,588
Suez Lyonnaise des Eaux S.A. (Water and electric utility)			17,146		2,999,516
Total Fina ELF S.A. "B" (Explorer, developer, producer, transporter and marketer of oil and natural gas)			34,178		5,232,924
					<u>41,252,058</u>
Germany 11.0%					
Allianz AG (Multi-line insurance company)			6,772		2,450,084
Bayer AG (Chemical producer)			48,138		1,872,408
Celanese AG (Manufacturer and distributor of industrial chemicals) ...			5,076		98,236
Commerzbank AG (Provider of banking services)			23,720		838,959
Deutsche Telekom AG (Telecommunication services)			16,580		940,489
Dresdner Bank AG (Provider of banking services)			27,128		1,122,431
ERGO Versicherungs Gruppe AG (Insurance provider)			8,432		954,187
Epcos AG (Producer of electronic components and integrated circuits)			21,694		2,181,948
HypoVereinsbank (Bank)			34,075		2,212,255
Muenchener Rueckversicherungs- Gesellschaft AG (Registered (Insurance company)			7,360		2,322,512
SAP AG (Manufacturer of computer software)			5,688		1,051,995

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
Siemens AG (Electrical engineering and electronics company)	21,166	3,178,130	Matsushita Electric Industrial Co., Ltd. (Manufacturer of consumer electronic products)	96,000	2,493,271
VEBA AG (Electric utility, distributor of oil and chemicals)	92,341	4,524,910	Mitsubishi Estate Co., Ltd. (Real estate company)	110,000	1,296,501
		<u>23,748,544</u>	Mitsui Fudosan Co., Ltd. (Real estate company)	128,000	1,390,187
Hong Kong 1.4%			Murata Manufacturing Co., Ltd. (Manufacturer of ceramic applied electronic computers)	15,000	2,156,113
China Telecom Ltd.* (Provider of cellular telecommunication services)	150,000	1,322,862	NEC Corp. (Manufacturer of telecommunication and computer equipment)	92,000	2,893,328
Hutchison Whampoa, Ltd. (Diversified investment holding company)	79,200	995,639	NTT Mobile Communications Network, Inc. (Provider of various telecommunication services and equipment)	85	2,303,915
Legend Holdings Ltd. (Manufacturer of computers and related products)	440,000	426,138	Nikko Securities Co., Ltd. (Securities broker and dealer)	134,000	1,328,800
Li & Fung Ltd. (Exporter of consumer products)	56,000	280,158	Nintendo Co., Ltd. (Manufacturer of game equipment)	10,900	1,906,483
		<u>3,024,797</u>	Nippon Telegraph & Telephone Corp. (Provider of telecommunication services)	116	1,544,695
Italy 6.1%			Nissan Motor Co., Ltd. (Manufacturer of motor vehicles)	222,000	1,310,384
Alleanza Assicurazioni SpA (Life insurance company)	61,100	812,583	Nomura Securities Co., Ltd. (Financial advisor, securities broker and underwriter)	105,000	2,573,311
Assicurazioni Generali (Multi-line insurance and financial services company)	69,300	2,371,810	Ricoh Co., Ltd. (Manufacturer of copiers and information equipment)	64,000	1,356,944
Banco Intesa SpA (Bank)	448,464	2,005,177	Sakura Bank, Ltd. (Provider of banking services)	292,000	2,021,401
Holding di Partecipazioni Industriali SpA (Holding company)	410,300	547,623	Sankyo Co., Ltd. (Leading ethical drug producer)	86,000	1,945,224
Mediobanca SpA (Provider of loans and credit to manufacturing and service firms)	229,800	2,366,061	Sanyo Electric Co., Ltd. (Manufacturer of consumer electronics)	125,000	1,126,222
Riunione Adriatica di Sicurtà SpA (Insurance company)	81,750	896,268	Softbank Corp. (Provider of electronic commerce, software and peripheral hardware equipment)	3,600	489,588
San Paolo — IMI SpA. (Personal, investment and commercial banking)	102,900	1,823,673	Sony Corp. (Manufacturer of consumer and industrial electronic equipment)	22,000	2,056,949
Seat Pagine Gialle SpA (Publisher of telecommunications directories)	651,200	2,247,373	Sumitomo Electric Industries, Ltd. (Manufacturer of electric wires and cables)	91,000	1,562,431
		<u>13,070,568</u>	Tokyo Electron Ltd. (Manufacturer of semiconductor production equipment)	8,000	1,097,039
Japan 24.7%			Toshiba Corp. (Manufacturer of electric machinery)	229,000	2,588,780
Advantest Corp. (Producer of measuring instruments and semiconductor testing devices)	5,200	1,161,449	Yamanouchi Pharmaceutical Co., Ltd. (Manufacturer and marketer of a wide variety of pharmaceuticals)	31,000	1,695,141
Benesse Corp. (Provider of educational services)	8,000	555,319			<u>53,076,878</u>
Chugai Pharmaceutical Co., Ltd. (Pharmaceutical company)	107,000	2,026,113	Korea 3.2%		
DDI Corp. (Provider of telecommunication services)	93	895,878	SK Telecom Co., Ltd. (Provider of mobile telecommunications services)	10,600	3,469,877
Daiwa Securities Group, Inc. (Provider of brokerage and other financial services)	106,000	1,401,520			
East Japan Railway Co. (Railroad operator)	362	2,105,983			
Fuji Bank, Ltd. (Provider of commercial banking services)	238,000	1,811,664			
Fujisawa Pharmaceutical Co. (Manufacturer and marketer of antibiotics)	17,000	688,766			
Fujitsu, Ltd. (Manufacturer of computers)	89,000	3,084,762			
Kyocera Corp. (Manufacturer of ceramic packaging)	13,000	2,208,717			

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)		Shares	Value (\$)
Samsung Electronics Co. (Electronics manufacturer)	10,180	<u>3,368,911</u> 6,838,788	Hon Hai Precision Industry Co., Ltd. (Manufacturer of electronic products)	94,000	850,513
Netherlands 3.9%			Taiwan Semiconductor Manufacturing Co.* (Manufacturer of integrated circuits)	298,240	1,417,186
ABN AMRO Holding N.V. (Diversified financial services)	89,390	2,186,743	United Microelectronics Corp., Ltd.* (Manufacturer of integrated circuits)	648,000	<u>1,803,222</u> 4,925,919
Akzo Nobel N.V. (Producer and marketer of health care products, coatings, chemicals and fibers)	23,280	987,632	United Kingdom 15.2%		
Gucci Group N.V. (New York Shares) (Designer and producer of personal luxury accessories and apparel)	18,400	1,743,400	ARM Holdings plc (Designer of RISC microprocessors and related technology)	57,650	619,305
Koninklijke Kpn NV (Provider of telecommunications services)	42,100	1,880,373	BOC Group plc (Diversified chemical company)	72,553	1,045,805
Laurus NV (International food retailer) ..	42,810	512,202	BP Amoco plc (Integrated world oil company)	341,897	3,288,943
VNU NV (International publishing company)	19,820	<u>1,022,241</u> 8,332,591	Billiton plc (Resource group that explores, produces and markets aluminum and other metal products)	187,543	765,464
New Zealand 0.6%			British Aerospace plc (Producer of military aircraft)	276,378	1,727,716
ASM Lithography Holding N.V.* (Developer, manufacturer and marketer of photolithography projections systems)	32,880	<u>1,411,203</u>	British Airways plc (Provider of passenger and cargo airline services)	179,519	1,035,060
Singapore 0.4%			Cable and Wireless plc (International telecommunication services in the United Kingdom and Hong Kong) ...	104,443	1,773,296
Chartered Semiconductor (ADR)* (Provider of wafer fabrication services to semiconductor suppliers)	9,700	<u>873,000</u>	Glaxo Wellcome plc (Pharmaceutical company)	35,705	1,043,957
Spain 0.9%			Prudential Corp. plc (Provider of a broad range of financial services)	125,896	1,849,094
Telefonica S.A.* (Provider of telecommunication services)	86,538	<u>1,856,272</u>	Reed International plc (Publisher of scientific, professional and business to business materials)	304,134	2,653,411
Sweden 1.4%			Rentokil Initial plc (Environmental services company)	234,518	533,752
Ericsson LM-"B" (Producer of advanced systems and products for wired and mobile communications)	150,800	<u>2,993,783</u>	Reuters Group plc (International news and information agency)	163,787	2,800,755
Switzerland 3.2%			Rio Tinto plc (Mining company)	176,107	2,885,839
Nestle S.A. (Registered) (Food manufacturer)	1,317	2,632,871	Shell Transport & Trading plc (Petroleum company)	365,107	3,055,184
Roche Holding AG (Developer and manufacturer of pharmaceutical and chemical products)	139	1,351,531	SmithKline Beecham plc (Manufacturer of ethical drugs and health care products)	80,362	1,054,723
Schweizerische Ruckversicherungs-Gesellschaft (Registered) (Life, accident and health insurance company)	516	1,050,514	Standard Chartered plc (International banking group)	116,935	1,460,213
UBS AG (Registered) (Provider of banking and asset management services)	11,898	<u>1,741,135</u> 6,776,051	Vodafone AirTouch plc (Provider of mobile telecommunication services)	1,263,632	<u>5,119,218</u> 32,711,735
Taiwan 2.3%			Total Common Stocks (Cost \$178,856,441)		211,326,480
Far Eastern Textile Ltd. (Manufacturer of natural and synthetic textile products)	518,000	644,023	Total Investment Portfolio — 100.0% (Cost \$182,543,164) (a)		215,024,954
GigaMedia Ltd. (Provider of broadband Internet access services and content)	17,400	210,975			

The accompanying notes are an integral part of the financial statements.

At June 30, 2000, the Kemper International Portfolio had the following industry diversification:

Industry	Value	Percent
Finance	\$ 47,594,208	22.1%
Manufacturing	24,839,250	11.6
Communications	29,193,946	13.6
Service Industries	10,023,826	4.7
Technology	33,012,690	15.4
Consumer Discretionary	6,290,479	2.9
Consumer Staples	9,997,841	4.6
Health Care	9,805,455	4.6
Energy	12,214,709	5.7
Metals and Minerals	6,509,212	3.0
Media	1,414,947	0.7
Construction	3,117,081	1.4
Utilities	7,524,426	3.5
Durables	4,801,929	2.2
Transportation	4,986,481	2.3
Total Common Stocks	211,326,480	98.3
Bonds	38,751	0.0
Money Market Instruments	3,659,723	1.7
Total Investment Portfolio	\$215,024,954	100.0%

Notes to Kemper International Portfolio of Investments

* Non-income producing security.

** Annualized yield at time of purchase; not a coupon rate.

(a) The cost for federal income tax purposes was \$182,543,164. At June 30, 2000, net unrealized appreciation for all securities based on tax cost was \$32,481,790. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$43,196,546 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$10,714,756.

The accompanying notes are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities as of June 30, 2000 (Unaudited)

Assets

Investments in securities, at value (cost \$182,543,164)	\$ 215,024,954
Foreign currency, at value (cost \$1,426,043)	1,423,965
Receivable for investments sold	2,687,001
Dividends receivable	107,369
Interest receivable	1,777
Receivable for Portfolio shares sold	3,600,731
Foreign taxes recoverable	361,168
Unrealized appreciation on forward currency exchange contracts	18,305
Other assets	1,000
Total assets	223,226,270

Liabilities

Due to custodian bank	103,324
Payable for Fund shares redeemed	4,052,647
Unrealized appreciation on forward currency exchange contracts	17,805
Accrued management fee	138,996
Other accrued expenses and payables	259,555
Total liabilities	4,572,327

Net assets, at value \$ 218,653,943

Net Assets

Net assets consist of:	
Undistributed net investment income	\$ 1,247,575
Net unrealized appreciation (depreciation) on:	
Investments	32,481,790
Foreign currency related transactions	(9,695)
Accumulated net realized gain (loss)	22,684,845
Paid-in capital	162,249,428

Net assets, at value \$ 218,653,943

Net Asset Value

Net Asset Value and redemption price per share (\$218,653,943 ÷ 130,688,627 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized) \$ 1.673

Statement of Operations for the six months ended June 30, 2000 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$82,280)	\$ 1,991,210
Interest	37,977
Total Income	<u>2,029,187</u>
Expenses:	
Management fee	842,574
Custodian fees	122,129
Auditing	29,507
Legal	7,211
Trustees' fees and expenses	8,282
Reports to shareholders	28,153
Registration fees	1,264
Interest expense	14,543
Total expenses, before expense reductions	<u>1,053,663</u>
Expense reductions	(570)
Total expenses, after expense reductions	<u>1,053,093</u>
Net investment income (loss)	976,094
Realized and unrealized gain (loss) on investment transactions	
Net realized gain (loss) from:	
Investments	24,007,805
Foreign currency related transactions	4,873
	<u>24,012,678</u>
Net unrealized appreciation (depreciation) during the period on:	
Investments	(44,864,765)
Foreign currency related transactions	449
	<u>(44,864,316)</u>
Net gain (loss) on investment transactions	(20,851,638)
Net increase (decrease) in net assets resulting from operations	\$ (19,875,544)

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

	Six Months Ended June 30, 2000 (Unaudited)	Year Ended December 31, 1999
Increase (Decrease) in Net Assets		
Operations:		
Net investment income (loss)	\$ 976,094	\$ 794,530
Net realized gain (loss) on investment transactions	24,012,678	32,048,866
Net unrealized appreciation (depreciation) on investment transactions during the period	(44,864,316)	48,070,654
Net increase (decrease) in net assets resulting from operations	(19,875,544)	80,914,050
Distributions to shareholders from:		
Net investment income	—	(2,324,133)
Net realized gains	(32,378,429)	(24,984,428)
Portfolio share transactions:		
Proceeds from shares sold	131,498,267	161,883,485
Reinvestment of distributions	32,378,429	27,308,561
Cost of shares redeemed	(144,599,896)	(204,365,528)
Net increase (decrease) in net assets from Portfolio share transactions	19,276,800	(15,173,482)
Increase (decrease) in net assets	(32,977,173)	38,432,007
Net assets at beginning of period	251,631,116	213,199,109
Net assets at end of period (including undistributed net investment income of \$1,247,575 and \$271,481, respectively)	\$ 218,653,943	\$ 251,631,116
Other Information		
Shares outstanding at beginning of period	117,313,812	125,410,668
Shares sold	69,235,261	99,135,352
Shares issued to shareholders in reinvestment of distributions	17,687,525	17,966,513
Shares redeemed	(73,547,971)	(125,198,721)
Net increase (decrease) in Portfolio shares	13,374,815	(8,096,856)
Shares outstanding at end of period	130,688,627	117,313,812

Financial Highlights

The following table includes selected data for a share outstanding throughout each period and other performance information derived from the financial statements.

Years Ended December 31,	2000(a)	1999	1998	1997	1996	1995
Net asset value, beginning of period	\$2.145	1.700	1.615	1.564	1.371	1.244
<i>Income (loss) from investment operations:</i>						
Net investment income (loss)	.008(b)	.007(b)	.017	.011	.011	.018
Net realized and unrealized gain (loss) on investment transactions	(.190)	.673	.148	.130	.212	.139
Total from investment operations	(.182)	.680	.165	.141	.223	.157
<i>Less distributions from:</i>						
Net investment income	—	(.020)	(.020)	(.020)	(.020)	(.010)
Net realized gains on investment transactions	(.290)	(.215)	(.060)	(.070)	(.010)	(.020)
Total distributions	(.290)	(.235)	(.080)	(.090)	(.030)	(.030)
Net asset value, end of period	\$1.673	2.145	1.700	1.615	1.564	1.371
Total Return (%)	(9.65)**	45.71	10.02	9.46	16.49	12.83

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ thousands)	218,654	251,631	213,199	200,046	163,475	134,481
Ratio of expenses before expense reductions (%)	.93*	.94	.93	.91	.96	.92
Ratio of expenses after expense reductions (%)	.93*	.94	.93	.91	.96	.92
Ratio of net investment income (loss) (%)	.86*	.40	.96	.71	.89	1.39
Portfolio turnover rate (%)	115*	136	90	79	87	126

(a) For the six months ended June 30, 2000 (Unaudited).

(b) Based on monthly average shares outstanding during the period.

* Annualized

** Not annualized

The accompanying notes are an integral part of the financial statements.

A. Significant Accounting Policies

Kemper Variable Series (the “Trust”) (formerly known as Investors Fund Series) is registered under the Investment Company Act of 1940, as amended (the “1940 Act”), as an open-end, diversified management investment company organized as a Massachusetts business trust. The Trust offers twenty six portfolios (the “portfolio(s)”).

The Trust’s financial statements are prepared in accordance with generally accepted accounting principles which require the use of management estimates. The policies described below are followed consistently by the Trust in the preparation of its financial statements.

Security Valuation. Investments are stated at value determined as of the close of regular trading on the New York Stock Exchange. Securities which are traded on U.S. or foreign stock exchanges are valued at the most recent sale price reported on the exchange on which the security is traded most extensively. If no sale occurred, the security is then valued at the calculated mean between the most recent bid and asked quotations. If there are no such bid and asked quotations, the most recent bid quotation is used. Securities quoted on the Nasdaq Stock Market (“Nasdaq”), for which there have been sales, are valued at the most recent sale price reported. If there are no such sales, the value is the most recent bid quotation. Securities which are not quoted on Nasdaq but are traded in another over-the-counter market are valued at the most recent sale price, or if no sale occurred, at the calculated mean between the most recent bid and asked quotations on such market. If there are no such bid and asked quotations, the most recent bid quotation shall be used.

Portfolio debt securities purchased with an original maturity greater than sixty days are valued by pricing agents approved by the officers of the Trust, whose quotations reflect broker/dealer-supplied valuations and electronic data processing techniques. If the pricing agents are unable to provide such quotations, the most recent bid quotation supplied by a bona fide market maker shall be used. Money market instruments purchased with an original maturity of sixty days or less are valued at amortized cost.

All other securities are valued at their fair value as determined in good faith by the Valuation Committee of the Board of Trustees.

Foreign Currency Translation. The books and records of the Trust are maintained in U.S. dollars. Investment securities and other assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the prevailing exchange rates at period end. Purchases and sales of investment securities, income and expenses are translated into U.S. dollars at the prevailing exchange rates on the respective dates of the transactions.

Net realized and unrealized gains and losses on foreign currency transactions represent net gains and losses between trade and settlement dates on securities transactions, the disposition of forward foreign currency exchange contracts and foreign currencies, and the difference between the amount of net investment income accrued and the U.S. dollar amount actually received. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed but is included with net realized and unrealized gains and losses on investment securities.

Repurchase Agreements. The portfolios may enter into repurchase agreements with certain banks and broker/dealers whereby the portfolios, through their custodian or sub-custodian bank, receive delivery of the underlying securities, the amount of which at the time of purchase and each subsequent business day is required to be maintained at such a level that the market value is equal to at least the principal amount of the repurchase price plus accrued interest.

Options. An option contract is a contract in which the writer of the option grants the buyer of the option the right to purchase from (call option), or sell to (put option), the writer a designated instrument at a specified price within a specified period of time. Certain options, including options on indices, will require cash settlement by the portfolio if the option is exercised. During the period, the Kemper Government Securities Portfolio purchased put options on securities as a hedge against potential adverse price movements in the value of portfolio assets. In addition, during the period, the Kemper Government Securities Portfolio wrote put options on securities as a temporary substitute for purchasing selected investments and to enhance potential gain.

The liability representing the portfolio’s obligation under an exchange traded written option or investment in a purchased option is valued at the last sale price or, in the absence of a sale, the mean between the closing bid and asked prices or at the most recent asked price (bid for purchased options) if no bid and asked price are available.

Over-the-counter written or purchased options are valued using dealer supplied quotations. Gain or loss is recognized when the option contract expires or is closed.

If the portfolio writes a covered call option, the portfolio foregoes, in exchange for the premium, the opportunity to profit during the option period from an increase in the market value of the underlying security above the exercise price. If the portfolio writes a put option it accepts the risk of a decline in the market value of the underlying security below the exercise price. Over-the-counter options have the risk of the potential inability of counterparties to meet the terms of their contracts. The portfolio's maximum exposure to purchased options is limited to the premium initially paid. In addition, certain risks may arise upon entering into option contracts including the risk that an illiquid secondary market will limit the portfolio's ability to close out an option contract prior to the expiration date and that a change in the value of the option contract may not correlate exactly with changes in the value of the securities or currencies hedged.

Futures Contracts. A futures contract is an agreement between a buyer or seller and an established futures exchange or its clearinghouse in which the buyer or seller agrees to take or make a delivery of a specific amount of a financial instrument at a specified price on a specific date (settlement date). During the period, the Kemper Government Securities Portfolio purchased interest rate futures to manage the duration of the portfolio. Also during the period, the KVS Dreman High Return Equity Portfolio and the KVS Index 500 Portfolio purchased securities index futures as a temporary substitute for purchasing selected investments. In addition, the Kemper Government Securities Portfolio and the Kemper High Yield Portfolio sold interest rate futures to hedge against declines in the value of portfolio securities.

Upon entering into a futures contract, the portfolio is required to deposit with a financial intermediary an amount ("initial margin") equal to a certain percentage of the face value indicated in the futures contract. Subsequent payments ("variation margin") are made or received by the portfolio dependent upon the daily fluctuations in the value of the underlying security and are recorded for financial reporting purposes as unrealized gains or losses by the portfolio. When entering into a closing transaction, the portfolio will realize a gain or loss equal to the difference between the value of the futures contract to sell and the futures contract to buy. Futures contracts are valued at the most recent settlement price.

Certain risks may arise upon entering into futures contracts, including the risk that an illiquid secondary market will limit the portfolio's ability to close out a futures contract prior to the settlement date and that a change in the value of a futures contract may not correlate exactly with the changes in the value of the securities or currencies hedged. When utilizing futures contracts to hedge, the portfolio gives up the opportunity to profit from favorable price movements in the hedged positions during the term of the contract.

Forward Foreign Currency Exchange Contracts. A forward foreign currency exchange contract (forward contract) is a commitment to purchase or sell a foreign currency at the settlement date at a negotiated rate. During the period, the Kemper Growth and Income Portfolio, Kemper Strategic Income Portfolio, Kemper Global Blue Chip Portfolio, Kemper New Europe Portfolio and Kemper International Portfolio utilized forward contracts as a hedge against changes in the exchange rates relating to foreign currency denominated assets.

Forward contracts are valued at the prevailing forward exchange rate of the underlying currencies and unrealized gain/loss is recorded daily. Sales and purchases of forward contracts having the same settlement date and broker are offset and any gain (loss) is realized on the date of offset; otherwise, gain (loss) is realized on settlement date. Realized and unrealized gains and losses which represent the difference between the value of a forward contract to buy and a forward contract to sell are included in net realized and unrealized gain (loss) from foreign currency related transactions.

Certain risks may arise upon entering into forward contracts from the potential inability of counterparties to meet the terms of their contracts. Additionally, when utilizing forward contracts to hedge, the portfolio gives up the opportunity to profit from favorable exchange rate movements during the term of the contract.

When Issued/Delayed Delivery Securities. Several of the portfolios may purchase securities with delivery or payment to occur at a later date beyond the normal settlement period. At the time the portfolio enters into a commitment to purchase a security, the transaction is recorded and the value of the security is reflected in the net asset value. The value of the security may vary with market fluctuations. No interest accrues to the portfolio until payment takes place. At the time the portfolio enters into this type of transaction it is required to segregate cash or other liquid assets at least equal to the amount of the commitment.

Federal Income Taxes. The portfolios' policy is to comply with the requirements of the Internal Revenue Code, as amended, which are applicable to regulated investment companies and to distribute all of its taxable income to its shareholders. Accordingly, the portfolios paid no federal income taxes and no federal income tax provision was required.

At December 31, 1999, the following portfolios had a net tax basis capital loss carryforward which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until the following expiration dates:

Portfolio	Capital Loss Carryforward (\$)	Expiration Date
Kemper Money Market Portfolio	2,000	12/31/2007
Kemper Government Securities Portfolio	2,526,000	12/31/2002
	524,000	12/31/2004
	116,000	12/31/2006
	1,797,000	12/31/2007
Kemper Investment Grade Bond Portfolio	946,000	12/31/2007
Kemper High Yield Portfolio	6,697,000	12/31/2000
	6,999,000	12/31/2002
	2,026,000	12/31/2003
	10,328,000	12/31/2007
Kemper Blue Chip Portfolio	2,008,000	12/31/2006
Kemper Small Cap Value Portfolio	1,882,000	12/31/2006
	6,067,000	12/31/2007
Kemper Strategic Income Portfolio	178,000	12/31/2007

In addition, from November 1, 1999 through December 31, 1999, the following portfolios incurred net realized capital losses as follows:

Portfolio	Net Realized Capital Loss (\$)
Kemper Money Market Portfolio	800
Kemper Government Securities Portfolio	33,000
Kemper Investment Grade Bond Portfolio	582,000
Kemper High Yield Portfolio	2,593,000
Kemper Growth Portfolio	300,000
Kemper Small Cap Value Portfolio	1,996,000
Kemper Strategic Income Portfolio	12,000
Kemper New Europe Portfolio	15,000

As permitted by tax regulations, the portfolios intend to elect to defer these losses and treat them as arising in the fiscal year ended December 31, 2000.

Distribution of Income and Gains. Distributions of net investment income, if any, for all portfolios except the Kemper Money Market Portfolio, are made annually. Net realized gains from investment transactions, in excess of available capital loss carryforwards, would be taxable to the portfolio if not distributed, and, therefore, will be distributed to shareholders at least annually.

All the net investment income of the Kemper Money Market Portfolio is declared as a daily dividend and is distributed to shareholders monthly. Net investment income includes all realized gains (losses) on portfolio securities.

The timing and characterization of certain income and capital gains distributions are determined annually in accordance with federal tax regulations which may differ from generally accepted accounting principles. As a result, net investment income (loss) and net realized gain (loss) on investment transactions for a reporting period may differ significantly from distributions during such period. Accordingly, the portfolio may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the portfolio.

Investment Transactions and Investment Income. Investment transactions are accounted for on the trade date. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date. Certain

dividends from foreign securities may be recorded subsequent to the ex-dividend date as soon as the portfolio is informed of such dividends. Realized gains and losses from investment transactions are recorded on an identified cost basis.

Expenses. Expenses arising in connection with a specific portfolio are allocated to that portfolio. Other Trust expenses are allocated between the portfolios in proportion to their relative net assets.

B. Investment Transactions

For the six months ended June 30, 2000, investment transactions (excluding short-term instruments) are as follows:

Portfolio	Purchases (\$)	Proceeds from sales (\$)
Kemper Government Securities Portfolio	101,881,813	110,738,587
Kemper Investment Grade Bond Portfolio	106,672,740	108,433,778
Kemper High Yield Portfolio	76,061,241	109,447,843
Kemper Total Return Portfolio	416,029,409	431,350,557
Kemper Blue Chip Portfolio	106,901,716	74,151,240
Kemper Growth Portfolio	210,558,183	214,214,183
Kemper Aggressive Growth Portfolio	42,044,839	17,657,337
Kemper Horizon 20+ Portfolio	16,508,869	20,332,916
Kemper Horizon 10+ Portfolio	24,348,624	30,550,795
Kemper Horizon 5 Portfolio	14,323,447	16,974,915
Kemper Small Cap Growth Portfolio	257,772,231	198,612,593
Kemper Technology Growth Portfolio	191,144,925	65,760,215
Kemper Value+Growth Portfolio	37,790,903	52,364,948
Kemper Contrarian Value Portfolio	46,254,358	84,342,660
KVS Dreman High Return Equity Portfolio	7,605,402	11,868,873
KVS Focused Large Cap Growth Portfolio	23,841,252	14,214,515
KVS Growth and Income Portfolio	42,111,989	5,203,837
KVS Growth Opportunities Portfolio	68,353,678	1,088,316
KVS Index 500 Portfolio	54,849,774	12,622,236
Kemper Small Cap Value Portfolio	14,985,309	21,581,555
KVS Dreman Financial Services Portfolio	6,262,942	4,424,112
Kemper Strategic Income Portfolio	3,852,980	3,193,169
Kemper Global Blue Chip Portfolio	14,497,368	6,101,729
Kemper New Europe Portfolio	9,493,358	5,965,826
Kemper International Portfolio	127,182,313	129,049,378

For the six months ended June 30, 2000, transactions for written options were as follows for the Kemper Government Securities Portfolio:

	Contracts	Premium (\$)
Beginning of period	9	930
Written	26	17,069
Closed	35	17,999
End of period	—	—

C. Transactions with Affiliates

Management agreement. Under the Trust's management agreement with Scudder Kemper Investments, Inc. (Scudder Kemper) the portfolios pay a monthly investment management fee, based on the average daily net assets of each portfolio, payable monthly, at the annual rates shown below:

Portfolio	Annual Management Fee Rate
Kemper Money Market Portfolio	0.50%
Kemper Government Securities Portfolio	0.55%
Kemper Investment Grade Bond Portfolio	0.60%
Kemper High Yield Portfolio	0.60%
Kemper Total Return Portfolio	0.55%
Kemper Blue Chip Portfolio	0.65%
Kemper Growth Portfolio	0.60%
Kemper Horizon 20+ Portfolio	0.60%
Kemper Horizon 10+ Portfolio	0.60%
Kemper Horizon 5 Portfolio	0.60%
Kemper Small Cap Growth Portfolio	0.65%
Kemper Value+Growth Portfolio	0.75%
Kemper Contrarian Value Portfolio	0.75%
Kemper Small Cap Value Portfolio	0.75%
Kemper Strategic Income Portfolio	0.75%
Kemper International Portfolio	0.75%

The Kemper Aggressive Growth Portfolio, Kemper Technology Growth Portfolio, KVS Dreman High Return Equity Portfolio and KVS Dreman Financial Services Portfolio each pays Scudder Kemper a graduated investment management fee, based on the average daily net assets of the portfolio, payable monthly, at the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
\$0–\$250 million	0.75%
\$250 million–\$1 billion	0.72%
\$1 billion–\$2.5 billion	0.70%
\$2.5 billion–\$5 billion	0.68%
\$5 billion–\$7.5 billion	0.65%
\$7.5 billion–\$10 billion	0.64%
\$10 billion–\$12.5 billion	0.63%
Over \$12.5 billion	0.62%

For the six months ended June 30, 2000, the portfolios incurred the following management fees:

Portfolio	Management Fee Imposed (\$)	Fees Waived by Scudder Kemper (\$)	Effective Rate (%)
Kemper Aggressive Growth Portfolio	79,848	22,984	.58
Kemper Technology Growth Portfolio	624,353	—	.75
KVS Dreman High Return Equity Portfolio	390,450	—	.75
KVS Dreman Financial Services Portfolio	103,573	—	.75

KVS Focused Large Cap Growth Portfolio, KVS Growth and Income Portfolio and KVS Growth Opportunities Portfolio each pay Scudder Kemper a graduated investment management fee based on the average daily net assets of the portfolio, payable monthly, at the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
\$0–\$250 million	0.950%
\$250 million–\$500 million	0.925%
\$500 million–\$1 billion	0.900%
\$1 billion–\$2.5 billion	0.875%
Over \$2.5 billion	0.850%

For the six months ended June 30, 2000, the portfolios incurred the following management fees:

Portfolio	Management Fee Imposed (\$)	Fees Waived by Scudder Kemper (\$)	Effective Rate (%)
KVS Focused Large Cap Portfolio	21,475	15,768	0.55
KVS Growth and Income Portfolio	175,598	23,468	0.83
KVS Growth Opportunities Portfolio	214,105	16,473	0.86

Kemper Index 500 Portfolio pays Scudder Kemper a graduated investment management fee based on the average daily net assets of the portfolio, payable monthly, at the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
\$0–\$200 million	0.45%
\$200 million–\$750 million	0.42%
\$750 million–\$2 billion	0.40%
\$2 billion–\$5 billion	0.38%
Over \$5 billion	0.35%

For the six months ended June 30, 2000, Scudder Kemper did not impose any of its management fee amounting to \$121,312.

From December 31, 1999 to May 31, 2000, the Kemper Global Blue Chip Portfolio paid Scudder Kemper a graduated investment management fee, based on the average daily net assets of the portfolio, payable monthly, at the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
\$0–\$250 million	1.00%
\$250 million–\$1 billion	0.95%
Over \$1 billion	0.90%

Effective June 1, 2000, the portfolio's Board of Trustees approved a new investment management fee, based on the average daily net assets of the portfolio, payable monthly, at the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
\$0–\$250 million	1.00%
\$250 million–\$750 million	0.95%
\$750 million–\$1.5 billion	0.90%
\$1.5–\$3 billion	0.85%
Over \$3 billion	0.80%

For the six months ended June 30, 2000, Kemper Global Blue Chip Portfolio paid Scudder Kemper its management fee amounting to \$39,348, after an expense reduction of \$51,348, which was equivalent to an annual effective rate of 0.37%.

From December 31, 1999 to May 31, 2000, the Kemper New Europe Portfolio paid the investment manager an investment management fee, payable monthly, based on an annual rate of 1% of the average daily net assets of the portfolio.

Effective June 1, 2000, the portfolio's Board of Trustees approved a new investment management fee, based on the average daily net assets of the portfolio, payable monthly, at the annual rates shown below:

Average Daily Net Assets of the Portfolio	Annual Management Fee Rate
\$0–\$250 million	1.00%
\$250 million–\$750 million	0.95%
\$750 million–\$1.5 billion	0.90%
\$1.5–\$3 billion	0.85%
Over \$3 billion	0.80%

For the six months ended June 30, 2000, Scudder Kemper did not impose any of its management fee amounting to \$40,544.

Dreman Value Management, L.L.C. serves as sub-adviser with respect to the investment and reinvestment of assets in the KVS Dreman High Return Equity and KVS Dreman Financial Services Portfolios, and is paid by Scudder Kemper for its services.

Eagle Asset Management, Inc. serves as sub-adviser with respect to the investment and reinvestment of assets in the KVS Focused Large Cap Growth Portfolio, and is paid by Scudder Kemper for its services.

Janus Capital Corporation serves as sub-adviser with respect to investment and reinvestment of assets in the KVS Growth and Income and KVS Growth Opportunities Portfolios, and is paid by Scudder Kemper for its services.

Bankers Trust Company serves as sub-adviser with respect to investment and reinvestment of assets in the KVS Index 500 Portfolio, and is paid by Scudder Kemper for its services.

Scudder Investments Ltd. (U.K.), serves as sub-adviser with respect to foreign securities investments in the Kemper International and Kemper Strategic Income Portfolios, and is paid by Scudder Kemper for its services.

Fund Accounting Agent. Scudder Fund Accounting Corporation (SFAC), is responsible for determining the daily net asset value per share and maintaining the general accounting records of each portfolio. For the six months ended June 30, 2000, SFAC received the following fee for its services for the following portfolios:

Portfolio	Fee Imposed (\$)	Fees Waived by Scudder Kemper (\$)	Unpaid at June 30, 2000
Kemper Aggressive Growth Portfolio	31,120	—	1,256
Kemper Technology Growth Portfolio	13,150	—	5,726
KVS Dreman High Return Equity Portfolio	18,065	—	4,557
KVS Focused Large Cap Growth Portfolio	12,112	—	18,969
KVS Growth and Income Portfolio	18,540	—	24,823
KVS Growth Opportunities Portfolio	18,540	—	24,823
Kemper Index 500 Portfolio	64,023	56,020	—
KVS Dreman Financial Services Portfolio	18,162	—	3,125
Kemper Global Blue Chip Portfolio	26,041	—	—
Kemper New Europe Portfolio	25,000	—	—

Officers and Trustees. Certain officers or trustees of the Trust are also officers or directors of Scudder Kemper. For the six months ended June 30, 2000, the Trust made no direct payments to its officers and incurred trustees' fees of \$245,590 to independent trustees.

D. Expense Off-Set Arrangements

The portfolios have entered into arrangements with its custodian whereby credits realized as a result of uninvested cash balances were used to reduce a portion of the portfolio's expenses. During the period, the portfolios' custodian fees were reduced as follows under these arrangements:

Portfolio	Amount (\$)
Kemper Money Market Portfolio	381
Kemper Government Securities Portfolio	278
Kemper Investment Grade Bond Portfolio	99
Kemper High Yield Portfolio	1,761
Kemper Total Return Portfolio	1,007
Kemper Blue Chip Portfolio	116
Kemper Growth Portfolio	1,145
Kemper Aggressive Growth Portfolio	121
Kemper Horizon 20+ Portfolio	156
Kemper Horizon 10+ Portfolio	138
Kemper Horizon 5 Portfolio	100
Kemper Small Cap Growth Portfolio	2,797
Kemper Technology Growth	3,475
Kemper Value+Growth Portfolio	234
Kemper Contrarian Value Portfolio	56
KVS Dreman High Return Equity Portfolio	639
KVS Focused Large Cap Growth Portfolio	3,796
KVS Growth and Income Portfolio	6,056
KVS Growth Opportunities Portfolio	3,609
KVS Index 500 Portfolio	180
Kemper Small Cap Value Portfolio	220
KVS Dreman Financial Services Portfolio	1,153
Kemper Strategic Income Portfolio	405
Kemper Global Blue Chip Portfolio	371
Kemper New Europe Portfolio	371
Kemper International Portfolio	570

E. Commitments

As of June 30, 2000, the portfolios had entered into the following forward foreign currency exchange contracts resulting in the following:

KVS Growth and Income Portfolio:

Contracts to Deliver		In Exchange For		Settlement Date	Net Unrealized Appreciation (Depreciation) (U.S.\$)
USD	408,894	GBP	269,333	7/6/2000	(227)

Kemper Strategic Income Portfolio:

Contracts to Deliver		In Exchange For		Settlement Date	Net Unrealized Appreciation (Depreciation) (U.S.\$)
NOK	1,118,716	USD	123,752	8/15/2000	(6,438)
GBP	35,419	USD	53,630	8/15/2000	(154)
JPY	64,617,812	USD	610,175	7/17/2000	(1,542)
EUR	27,758	USD	26,303	8/22/2000	(242)
					(8,376)

Kemper Global Blue Chip Portfolio:

Contracts to Deliver		In Exchange For		Settlement Date	Net Unrealized Appreciation (Depreciation) (U.S.\$)
USD	63,336	CAD	93,655	7/4/2000	(85)
USD	1,910	EUR	2,006	7/6/2000	2
USD	43,164	EUR	45,239	7/31/2000	41
CAD	25,830	USD	17,421	7/5/2000	(23)
USD	22,558	EUR	23,603	7/7/2000	(53)
USD	85,371	GBP	56,184	7/6/2000	(122)
USD	83,189	GBP	54,748	7/6/2000	(119)
CAD	48,223	USD	32,585	7/5/2000	17
					(342)

Kemper New Europe Portfolio:

Contracts to Deliver		In Exchange For		Settlement Date	Net Unrealized Appreciation (Depreciation) (U.S.\$)
USD	4,660	GBP	3,108	7/3/2000	55
EUR	47,049	USD	50,277	7/31/2000	(967)
EUR	3,429	USD	3,646	7/31/2000	(53)
GBP	13,053	USD	8,720	7/3/2000	(177)
EUR	356	USD	376	7/31/2000	(2)
GBP	55,062	USD	36,581	7/5/2000	(442)
GBP	4,662	USD	3,073	7/6/2000	(1)
EUR	15,748	USD	16,515	7/31/2000	(24)
EUR	9,734	USD	10,185	7/7/2000	23
					(1,588)

Kemper International Portfolio:

Contracts to Deliver		In Exchange For		Settlement Date	Net Unrealized Appreciation (Depreciation) (U.S.\$)
EUR	14,963	USD	14,096	7/3/2000	(168)
GBP	189,256	USD	283,306	7/3/2000	(3,853)
USD	238,075	EUR	252,479	7/3/2000	2,626
USD	1,431,759	EUR	1,516,613	7/5/2000	14,104
GBP	224,728	USD	338,266	7/5/2000	(2,715)
GBP	18,889	USD	28,656	7/6/2000	(4)
USD	127,937	EUR	134,933	7/31/2000	928
USD	257,887	EUR	270,285	7/31/2000	244
USD	218,499	EUR	228,269	7/31/2000	(495)
EUR	124,959	USD	117,536	7/31/2000	(1,803)
EUR	349,755	USD	328,852	7/31/2000	(5,175)
EUR	134,718	USD	127,262	7/31/2000	(1,399)
EUR	198,158	USD	187,388	7/31/2000	(1,859)
EUR	233,100	USD	222,284	7/31/2000	(334)
EUR	96,765	USD	92,817	7/31/2000	403
					500

Abbreviations

USD	United States Dollar
CAD	Canadian Dollar
GBP	Great British Pound
EUR	Euro
JPY	Japanese Yen
NOK	Norwegian Kroner

F. Borrowings

At June 30, 2000, the weighted average outstanding daily balance of all loans for the Kemper International Portfolio (based on the number of days the loans were outstanding) was approximately \$3,199,600, with an average interest rate of 6.39%. Interest expense for the six months ended June 30, 2000 is \$14,543. The maximum borrowings outstanding during the six months ended June 30, 2000 is \$9,900,000.

This report must be preceded or accompanied by the current prospectus.

These portfolios are only available as variable subaccount options in a variety of variable annuities and life products and are not available for direct investment. Variable annuities and variable universal life are long-term, tax-deferred vehicles that have insurance features, such as annuitization options and death benefits.

Investment Manager:
Scudder Kemper Investments, Inc.
222 South Riverside Plaza Chicago, IL 60606
(Tel) 800-778-1482



Report
Portfolio
Review

**Scudder Variable Life
Investment Fund**

Semiannual Report
June 30, 2000

*An open-end management investment company that
offers shares of beneficial interest in five types of
diversified portfolios.*

Letter from the Fund's President



Linda C. Coughlin, President,
Scudder Variable Life
Investment Fund

Dear Shareholders,

We are pleased to report the results of the Scudder Variable Life Investment Fund for the six-month period ended June 30, 2000. The global financial markets experienced unusual volatility during the first half of the year. A powerful first-quarter rally in growth stocks gave way to a violent correction during April and May, as concerns built that the Fed would be forced to raise interest rates several times in order to stem inflation pressures. Just as market sentiment reached its nadir, however, the U.S. economy began to show signs of cooling to a more manageable rate of growth. Taking this to mean that the Fed would be less likely to raise rates over the second half of the year, investors moved back into

equities during June. The net result of these fluctuations was that the U.S. market, as measured by the S&P 500, finished the period virtually unchanged.

We believe that the lesson from the last six months is that no matter what is taking place in the financial markets, it is essential to stay focused on your goals and ensure that your investments are appropriately suited for your needs. For many investors, however, the strong performance of the U.S. stock market during the second half of the 1990s diminished the attractiveness of diversification. But as the events of the first half of 2000 demonstrated, diversification remains as important as ever. In a period in which stocks experienced significant volatility, investors who abandoned their investment plan in favor of a heavy weighting in more aggressive sectors generally saw their portfolios lose substantial ground. On the other hand, portfolios with exposure to stocks (both international and domestic), fixed income securities, and money market funds were generally better positioned to ride out the market's fluctuations.

Unless you plan to devote your energies to investing every day, we think that you will benefit from taking a long-term approach that includes exposure to several asset classes. As a shareholder of the Scudder Variable Life Investment Fund Portfolios, you already have access to a wide range of investment products that can help you build a well-rounded portfolio. In the most recent six-month reporting period, six of the nine portfolios beat the average return for other funds in their respective categories, according to Lipper Analytical Services.

On the following pages, you will find summaries of each portfolio's performance and investment strategy over the six-month reporting period. Thank you for your continued investment in Scudder Variable Life Investment Fund.

Sincerely,

A handwritten signature in cursive script that reads "Linda Coughlin".

Linda C. Coughlin
President,
Scudder Variable Life Investment Fund

Growth and Income Portfolio

Dear Shareholders,

We are pleased to report that in a difficult period for the global equity markets, the 1.20% return of the Growth and Income Portfolio — A Shares outperformed the -0.41% return of its benchmark, the S&P 500 Index. We believe that the portfolio's favorable relative performance in the first half is a reflection of our disciplined value framework. Our quantitative valuations screens helped during the second quarter as momentum strategies — those that focus on investing in the market's most recent winners regardless of their valuation — quickly fell out of favor in late March and April. As the market once again recognizes the importance of valuation characteristics such as low price/earnings, low price/cash flow, and high relative dividend yield, we believe that investors will be rewarded for decisions based on rational investment criteria. We feel that this approach has helped the fund outperform amid the recent volatility by allowing it to provide strong relative performance during the periods in which the stock market was falling.

In a difficult environment for equities, the portfolio's value-oriented approach enabled it to outperform its benchmark index, the S&P 500.

The portfolio benefited from its underweighted position in the technology sector, along with strong stock selection within the group. Our two largest positions, Intel and Corning, were both down much less than the sector as a whole during the spring correction. The portfolio's holdings in the consumer staples area — namely, Anheuser-Busch, PepsiCo, and Avon — also performed well over the first half of the year as a volatile environment prompted investors to seek more defensive holdings. Health care stocks, a sector in which we have been adding throughout the first half of the year, contributed positively to performance. We moved into health care during the first quarter on the theory that the sector's valuations were extremely attractive in relation to its growth rate. In addition, health care stocks tend to outperform when growth is expected to slow, since their earnings are less vulnerable to fluctuations in the economy. Stocks that have performed well for us in this area include Amgen and American Home Products. Within the financial services sector, our strategy has been to tilt the portfolio toward insurance stocks and large global financial services companies with diversified, fee-oriented revenue streams. Our hypothesis is that these groups will outperform the average financial services stock as interest rates rise, credit conditions deteriorate, and traditional lending businesses become increasingly commoditized. The portfolio's largest positions in the financial sector are American International Group, Marsh & McLennan, and Citigroup.

We are pleased with the portfolio's positioning and this year's trend in relative performance. We continue to focus on generating returns through individual stock selection, while diligently managing our risk profile. Our investment discipline has been consistently applied, as we have adhered to our value-oriented style through extremely volatile market conditions. The pace of change in the markets and the economy is moving at a blistering rate, but we believe that with a sound process and a strong investment organization, we will continue to deliver a superior value-based investment product to our shareholders.

Sincerely,

Your Portfolio Management Team

Kathleen T. Millard

Kathleen T. Millard
Lead Portfolio Manager

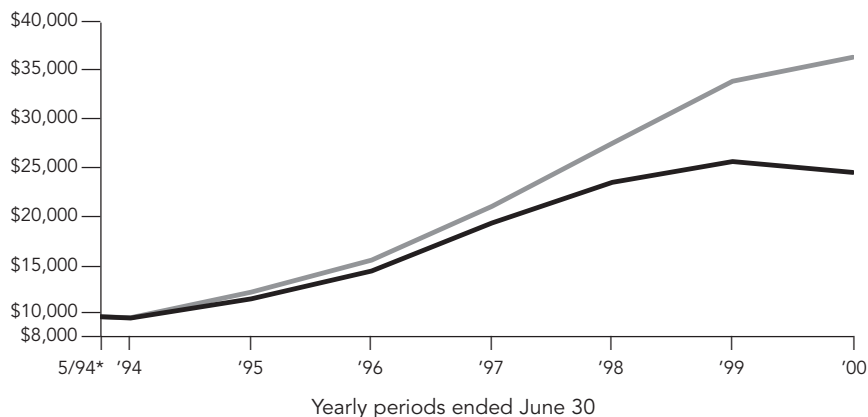
Gregory S. Adams

Gregory S. Adams
Portfolio Manager

Growth and Income Portfolio

Growth of a \$10,000 Investment

— Growth and Income Portfolio — Class A*
 — S&P 500 Index



The Standard & Poor's 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Index returns assume reinvestment of dividends and, unlike Portfolio returns, do not reflect any fees or expenses.

Growth and Income Portfolio — Class A*

Period Ended 6/30/2000	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 9,578	-4.22%	-4.22%
5 Year	\$ 20,869	108.69%	15.85%
Life of Portfolio*	\$ 25,279	152.79%	16.23%

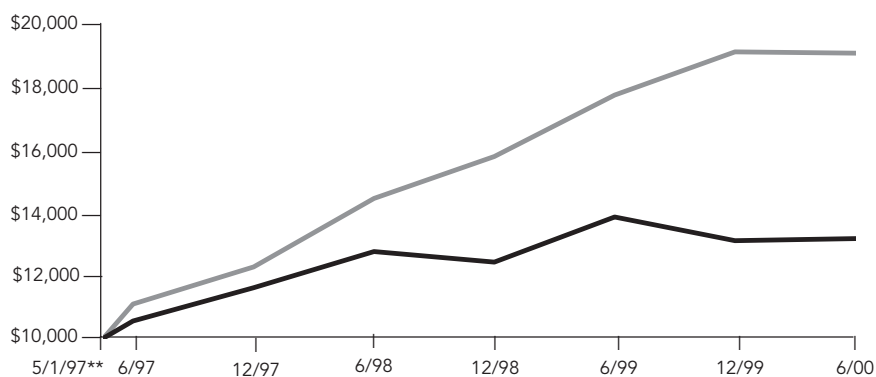
S&P 500 Index

Period Ended 6/30/2000	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 10,726	7.26%	7.26%
5 Year	\$ 29,092	190.92%	23.78%
Life of Portfolio*	\$ 36,360	263.60%	23.26%

* The Portfolio commenced operations on May 2, 1994. On May 1, 1997, existing shares were redesignated as Class A shares.

Growth of a \$10,000 Investment

— Growth and Income Portfolio — Class B
 — S&P 500 Index



The Standard & Poor's 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Index returns assume reinvestment of dividends and, unlike Portfolio returns, do not reflect any fees or expenses.

Growth and Income Portfolio — Class B

Period Ended 6/30/2000	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 9,556	-4.44%	-4.44%
Life of Portfolio**	\$ 14,011	40.11%	11.24%

S&P 500 Index

Period Ended 6/30/2000	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 10,726	7.26%	7.26%
Life of Portfolio**	\$ 19,000	90.00%	22.44%

** The Portfolio commenced selling Class B shares on May 1, 1997.

All performance is historical, assumes reinvestment of all dividends and capital gains, and is not indicative of future results. Investment return and principal value will fluctuate, so an investor's shares, when redeemed, may be worth more or less than when purchased. Total returns for the Life of the Portfolio for Class A would have been lower if the Portfolio's expenses were not maintained.

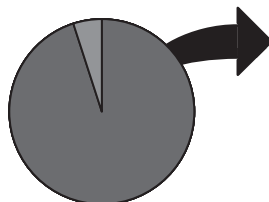
Portfolio Summary

June 30, 2000

Growth and Income Portfolio

Diversification

■ Equity Securities	95%
■ Cash Equivalents	5%
	100%



Sector breakdown of the Portfolio's equity holdings

Technology	20%
Financial	17%
Health	12%
Manufacturing	11%
Energy	9%
Communications	8%
Consumer Staples	7%
Media	4%
Service Industries	3%
Other	9%
	100%

The portfolio's holdings in technology and health care stocks contributed positively to performance.

Ten Largest Equity Holdings

(33% of Portfolio)

1. Corning, Inc.
Specialty glass manufacturer
2. Intel Corp.
Producer of semiconductor memory circuits
3. Oracle Corp.
Provider of database management software
4. Exxon Mobil Corp.
International oil company
5. General Electric Co.
Producer of electrical equipment
6. Citigroup, Inc.
Diversified financial services company
7. American Home Products Corp.
Diversified pharmaceutical company
8. PepsiCo, Inc.
Provider of soft drinks, snack foods and food services
9. American International Group, Inc.
International insurance holding company
10. Marsh & McLennan Companies, Inc.
Insurance, brokerage, consulting and investment management services

Growth and Income Portfolio

	Principal Amount (\$)	Value (\$)
Repurchase Agreements 5.4%		
State Street Bank and Trust Company, 6.48%, to be repurchased at \$10,993,934 on 7/3/2000** (Cost \$10,988,000)	10,988,000	10,988,000
	Shares	
Common Stocks 94.6%		
Consumer Discretionary 2.0%		
Department & Chain Stores		
Wal-Mart Stores, Inc.	72,500	4,177,812
Consumer Staples 6.4%		
Alcohol & Tobacco 1.9%		
Anheuser-Busch Companies, Inc.	50,800	3,794,125
Food & Beverage 2.5%		
PepsiCo, Inc.	114,400	5,083,650
Package Goods/Cosmetics 2.0%		
Avon Products, Inc.	94,400	4,200,800
Health 11.7%		
Biotechnology 0.8%		
Amgen Inc.*	24,100	1,693,025
Medical Supply & Specialty 2.2%		
Becton, Dickinson & Co.	35,600	1,021,275
Medtronic, Inc.	69,200	3,447,025
		4,468,300
Pharmaceuticals 8.7%		
American Home Products Corp.	92,900	5,457,875
Bristol-Myers Squibb Co.	49,500	2,883,375
Eli Lilly & Co.	31,700	3,166,038
Johnson & Johnson	28,700	2,923,813
Merck & Co., Inc.	45,100	3,455,788
		17,886,889
Communications 7.2%		
Telephone/Communications		
Bell Atlantic Corp.	56,050	2,848,041
BellSouth Corp.	72,400	3,086,050
GTE Corp.	50,100	3,118,725
SBC Communications, Inc.	75,080	3,247,210
Sprint Corp.	48,700	2,483,700
		14,783,726
Financial 16.0%		
Banks 3.5%		
Chase Manhattan Corp.	75,300	3,468,506
FleetBoston Financial Corp.	64,400	2,189,600

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)
US Bancorp	77,100	1,484,175
		<u>7,142,281</u>
Insurance 2.4%		
American International Group, Inc.	42,400	4,982,013
Consumer Finance 4.2%		
American Express Co.	27,600	1,438,650
Citigroup, Inc.	92,600	5,579,150
Mellon Financial Corp.	43,900	1,599,606
		<u>8,617,406</u>
Other Financial Companies 5.9%		
Federal National Mortgage Association	77,900	4,065,406
Marsh & McLennan Companies, Inc.	47,000	4,908,563
Morgan Stanley Dean Witter & Co.	36,300	3,021,975
		<u>11,995,944</u>
Media 3.8%		
Advertising 1.0%		
Interpublic Group of Companies, Inc.	46,000	1,978,000
Broadcasting & Entertainment 1.9%		
The Walt Disney Co.	101,200	3,927,825
Cable Television 0.9%		
Comcast Corp. Special Class A*	46,700	1,891,350
Service Industries 2.8%		
EDP Services 1.2%		
First Data Corp.	48,700	2,416,738
Printing/Publishing 1.6%		
McGraw-Hill, Inc.	60,100	3,245,400
Durables 2.5%		
Aerospace 1.1%		
The Boeing Co.	24,300	1,016,028
Rockwell International Corp.	37,500	1,181,250
		<u>2,197,278</u>
Automobiles 0.7%		
Ford Motor Co.	33,200	1,427,600
Construction/Agricultural Equipment 0.7%		
Deere & Co.	40,400	1,494,800
Manufacturing 10.9%		
Chemicals 1.5%		
Dow Chemical Co.	101,400	3,061,013
Diversified Manufacturing 2.8%		
General Electric Co.	109,400	5,798,200

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)
Industrial Specialty 5.4%		
Corning, Inc.	40,900	<u>11,037,888</u>
Machinery/Components/Controls 1.2%		
Parker-Hannifin Corp.	69,200	2,370,100
Visteon Corporation	1	<u>7</u>
		<u>2,370,107</u>
Technology 19.0%		
Computer Software 7.7%		
America Online, Inc.*	31,400	1,656,350
Computer Associates International, Inc.	33,300	1,704,544
Intuit, Inc.*	24,100	997,138
Microsoft Corp.*	46,100	3,688,000
Oracle Corp.*	92,700	7,792,594
		<u>15,838,626</u>
Electronic Components/Distributors 1.8%		
Cisco Systems, Inc.*	58,300	<u>3,705,694</u>
Electronic Data Processing 3.5%		
Compaq Computer Corp.	86,800	2,218,825
Hewlett-Packard Co.	16,900	2,110,388
International Business Machines Corp.	25,600	2,804,800
		<u>7,134,013</u>
Semiconductors 5.7%		
Intel Corp.	79,000	10,561,313
Texas Instruments, Inc.	15,400	1,057,788
		<u>11,619,101</u>
Miscellaneous 0.3%		
Agilent Technologies, Inc.*	7,056	<u>520,373</u>
Energy 9.0%		
Oil & Gas Production 7.3%		
Exxon Mobil Corp.	75,907	5,958,700
Royal Dutch Petroleum Co. (New York shares)	57,600	3,546,000
Texaco, Inc.	36,800	1,959,600
Total Fina ELF SA (ADR)	44,890	3,456,530
		<u>14,920,830</u>
Oil Companies 0.7%		
Chevron Corp.	17,500	<u>1,484,219</u>
Oilfield Services/Equipment 1.0%		
Schlumberger Ltd.	26,000	<u>1,940,250</u>
Metals & Minerals 0.7%		
Steel & Metals		
Alcoa, Inc.	51,800	<u>1,502,200</u>
Transportation 0.2%		
Airlines		
AMR Corp.	18,900	<u>499,669</u>
Utilities 2.4%		
Electric Utilities		
FPL Group, Inc.	42,400	2,098,800

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)
Unicom Corp.	71,800	2,777,763
		<u>4,876,563</u>
Total Common Stocks (Cost \$162,369,514)		193,713,708
Total Investment Portfolio — 100.0% (Cost \$173,357,514) (a)		204,701,708

* Non-income producing security.

** Repurchase agreements are fully collateralized by U.S. Treasury or Government agency securities.

(a) At June 30, 2000, the net unrealized appreciation on investments based on cost for federal income tax purposes of \$173,461,426 was as follows:

Aggregate gross unrealized appreciation for all investments in which there is an excess of value over tax cost	\$37,645,050
Aggregate gross unrealized depreciation for all investments in which there is an excess of tax cost over value	6,404,768
Net unrealized appreciation	<u>\$31,240,282</u>

Purchases and sales of investment securities (excluding short-term investments), for the six months ended June 30, 2000, aggregated \$66,797,675 and \$62,116,634, respectively.

From November 1, 1999 through December 31, 1999 the Portfolio incurred approximately \$3,839,000 of net realized capital losses. As permitted by tax regulations, the Portfolio intends to defer these losses and treat them as arising in the fiscal year ended December 31, 2000.

The accompanying notes are an integral part of the financial statements.

Financial Statements

Growth and Income Portfolio

Statement of Assets and Liabilities as of June 30, 2000 (Unaudited)

Assets

Investments in securities, at value (cost \$173,357,514)	\$ 204,701,708
Receivable for investments sold	497,687
Dividends receivable	199,426
Interest receivable	1,978
Receivable for Portfolio shares sold	215,022
Foreign taxes recoverable	21,506
Other assets	118,937
Total assets	205,756,264

Liabilities

Due to custodian bank	609
Payable for investments purchased	2,094,911
Payable for Portfolio shares redeemed	6,680
Accrued management fee	77,400
Accrued accounting fee	133,137
Other accrued expenses and payables	61,973
Total liabilities	2,374,710

Net assets, at value \$ 203,381,554

Net Assets

Net assets consist of:	
Undistributed net investment income	1,108,041
Net unrealized appreciation (depreciation) on investments	31,344,194
Accumulated net realized gain (loss)	(2,265,969)
Paid-in capital	173,195,288
Net assets, at value	\$ 203,381,554

Class A

Net Asset Value, offering and redemption price per share (\$189,615,221 / 17,672,925 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized) \$ 10.73

Class B

Net Asset Value, offering and redemption price per share (\$13,766,333 / 1,285,819 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized) \$ 10.71

The accompanying notes are an integral part of the financial statements.

Statement of Operations for the six months ended June 30, 2000 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$1,218)	\$ 1,400,537
Interest	277,058
Total Income	<u>1,677,595</u>
Expenses:	
Management fee	474,425
Custodian fees	9,816
Accounting fees	35,779
Trustees' fees and expenses	9,282
Auditing	6,734
Legal	3,640
Distribution fees (Class B)	15,975
Other	6,888
Total expenses, before expense reductions	<u>562,539</u>
Expense reductions	<u>(7,198)</u>
Total expenses, after expense reductions	555,341
Net investment income (loss)	1,122,254
Realized and unrealized gain (loss) on investment transactions	
Net realized gain (loss) from investments	<u>1,775,492</u>
Net unrealized appreciation (depreciation) during the period on investments	<u>(1,053,284)</u>
Net gain (loss) on investment transactions	722,208
Net increase (decrease) in net assets resulting from operations	\$ 1,844,462

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2000 (Unaudited)	Year Ended December 31, 1999
Operations:		
Net investment income (loss)	\$ 1,122,254	\$ 4,053,528
Net realized gain (loss) on investment transactions	1,775,492	(425,923)
Net unrealized appreciation (depreciation) on investment transactions during the period	(1,053,284)	7,061,426
Net increase (decrease) in net assets resulting from operations	<u>1,844,462</u>	<u>10,689,031</u>
Distributions to shareholders from:		
Net investment income:		
Class A	(2,616,021)	(2,084,300)
Class B	(162,390)	(145,438)
Net realized gains:		
Class A	(3,459,899)	(13,310,859)
Class B	(256,077)	(1,061,031)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	32,137,168	84,060,024
Reinvestment of distributions	6,075,919	15,395,159
Cost of shares redeemed	(44,214,824)	(78,589,880)
Net increase (decrease) in net assets from Class A share transactions	<u>(6,001,737)</u>	<u>20,865,303</u>
Class B		
Proceeds from shares sold	3,392,704	2,289,092
Reinvestment of distributions	418,468	1,206,469
Cost of shares redeemed	(3,481,978)	(3,472,243)
Net increase (decrease) in net assets from Class B share transactions	<u>329,194</u>	<u>23,318</u>
Increase (decrease) in net assets	<u>(10,322,468)</u>	<u>14,976,024</u>
Net assets at beginning of period	213,704,022	198,727,998
Net assets at end of period (including undistributed net investment income of \$1,108,041 and \$2,764,198, respectively)	<u>\$ 203,381,554</u>	<u>\$ 213,704,022</u>
Other Information		
Class A		
Shares outstanding at beginning of period	18,237,831	16,394,977
Shares sold	3,006,923	7,593,339
Shares issued to shareholders in reinvestment of distributions	568,374	1,356,967
Shares redeemed	(4,140,203)	(7,107,452)
Net increase (decrease) in Portfolio shares	(564,906)	1,842,854
Shares outstanding at end of period	<u>17,672,925</u>	<u>18,237,831</u>
Class B		
Shares outstanding at beginning of period	1,266,642	1,267,444
Shares sold	307,455	207,208
Shares issued to shareholders in reinvestment of distributions	39,219	106,495
Shares redeemed	(327,497)	(314,505)
Net increase (decrease) in Portfolio shares	19,177	(802)
Shares outstanding at end of period	<u>1,285,819</u>	<u>1,266,642</u>

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Growth and Income Portfolio

The following tables include selected data for a share outstanding throughout each period (a) and other performance information derived from the financial statements.

Class A (b)

Years Ended December 31,	2000(d)	1999	1998	1997	1996	1995
Net asset value, beginning of period	\$10.96	\$11.25	\$11.48	\$ 9.37	\$ 7.98	\$ 6.26
<i>Income (loss) from investment operations:</i>						
Net investment income (loss)	.06	.22	.27	.27	.27	.23
Net realized and unrealized gain (loss) on investment transactions	.07	.46	.54	2.47	1.46	1.72
Total from investment operations	.13	.68	.81	2.74	1.73	1.95
<i>Less distributions from:</i>						
Net investment income	(.15)	(.13)	(.25)	(.26)	(.23)	(.19)
Net realized gains on investment transactions	(.21)	(.84)	(.79)	(.37)	(.11)	(.04)
Total distributions	(.36)	(.97)	(1.04)	(.63)	(.34)	(.23)
Net asset value, end of period	\$10.73	\$10.96	\$11.25	\$11.48	\$ 9.37	\$ 7.98
Total Return (%)	1.20**	5.80	7.18	30.47	22.17	31.74
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period (\$ millions)	190	200	184	157	91	52
Ratio of expenses before expense reductions (%)	.55*	.55	.56	.58	.66	.75
Ratio of expenses after expense reductions (%)	.54*	.55	.56	.58	.66	.75
Ratio of net investment income (loss) (%)	1.14*	2.01	2.41	2.54	3.14	3.18
Portfolio turnover rate (%)	64*	65	39	28	32	24

Class B

Years Ended December 31,	2000(d)	1999	1998	1997(c)
Net asset value, beginning of period	\$10.93	\$11.24	\$11.47	\$ 9.44
<i>Income (loss) from investment operations:</i>				
Net investment income (loss)	.05	.19	.25	.14
Net realized and unrealized gain (loss) on investment transactions	.07	.46	.54	2.02
Total from investment operations	.12	.65	.79	2.16
<i>Less distributions from:</i>				
Net investment income	(.13)	(.12)	(.23)	(.13)
Net realized gains on investment transactions	(.21)	(.84)	(.79)	—
Total distributions	(.34)	(.96)	(1.02)	(.13)
Net asset value, end of period	\$10.71	\$10.93	\$11.24	\$11.47
Total Return (%)	1.06**	5.48	6.95	22.89**
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period (\$ millions)	14	14	14	7
Ratio of expenses before expense reductions (%)	.80*	.80	.79	.80*
Ratio of expenses after expense reductions (%)	.79*	.80	.79	.80*
Ratio of net investment income (loss) (%)	.88*	1.76	2.20	2.13*
Portfolio turnover rate (%)	64*	65	39	28

(a) Based on monthly average shares outstanding during the period.

(b) On May 1, 1997 existing shares were redesignated as Class A shares.

(c) For the period May 1, 1997 (commencement of sale of Class B shares) to December 31, 1997.

(d) For the six months ended June 30, 2000 (Unaudited).

* Annualized

** Not annualized

Capital Growth Portfolio

Dear Shareholders,

After rallying to new highs in the last month of the first quarter, the stock market declined precipitously at the very start of the second quarter, sparked in part by news that settlement talks between the government and Microsoft had broken off. This triggered a sharp downturn in Microsoft stock and on the Nasdaq. At its nadir, the Nasdaq had fallen nearly 28% from its all-time high, reached less than one month earlier. Particularly hard hit were very highly valued technology and Internet companies.

The extraordinary day-to-day volatility of the market continued in the second quarter, as did abrupt sector rotation. Many of the top contributors to the S&P 500 in the second quarter were health care companies such as Pfizer and Merck, while many of the poorest performers were technology stocks, including Microsoft and Cisco Systems. In many ways, the first quarter's laggards took the lead in the second quarter. So, what had changed? Valuation and earnings re-entered the investment lexicon in the second quarter, as investors shied away from companies seen as having excessive valuations, seeking out more reasonably valued companies.

Most transactions were driven by company-specific developments and were not a result of any shift in overall portfolio strategy.

For the portfolio, relative performance was primarily a function of individual stock selection and weightings. While large capitalization growth stocks have done well relative to other sectors, the portfolio's objective of dampening downside volatility again helped relative performance in this weak environment. For the six months ended June 30, 2000, Class A shares returned 3.38%, compared with the -0.41% return of the portfolio's unmanaged benchmark, the S&P 500. The portfolio's return placed it ahead of the 1.27% average of the Lipper large-cap core fund category.

Warner-Lambert was one of the largest contributors to the portfolio's return during the period, as investors recognized the high prospective earnings growth of the Warner/Pfizer combination. Corning Inc., PepsiCo, and EMC were all overweighted in the portfolio, relative to the portfolio's benchmark, and thus were substantial contributors to overall returns.

Most transactions were driven by company-specific developments and were not a result of any shift in overall portfolio strategy. However, within the health care sector, we increased the portfolio's exposure to large-capitalization pharmaceuticals, as their valuations appeared favorable relative to other areas of health care. Merck, an existing holding, was increased, and an initial position of Eli Lilly was established. The portfolio holding of Amgen was sold due to litigation uncertainties, and the proceeds reinvested in MedImmune, another biotech name which has benefited the portfolio in the past.

Given the uncertainty over whether the Federal Reserve Board has completed its current round of monetary tightening, we believe the stock market will be very discriminatory, rewarding only those companies that are able to demonstrate dependable above-average earnings growth. The period of "growth at any price," experienced in 1999 and earlier this year, appears to have faded and a refocus on "growth at a reasonable price" has returned. This is an environment where we believe our attention to relative valuation and quality should position the portfolio for superior performance.

Sincerely,

Your Portfolio Management Team



William F. Gadsden
Co-Lead Portfolio Manager



Bruce F. Beaty
Co-Lead Portfolio Manager

Performance Update

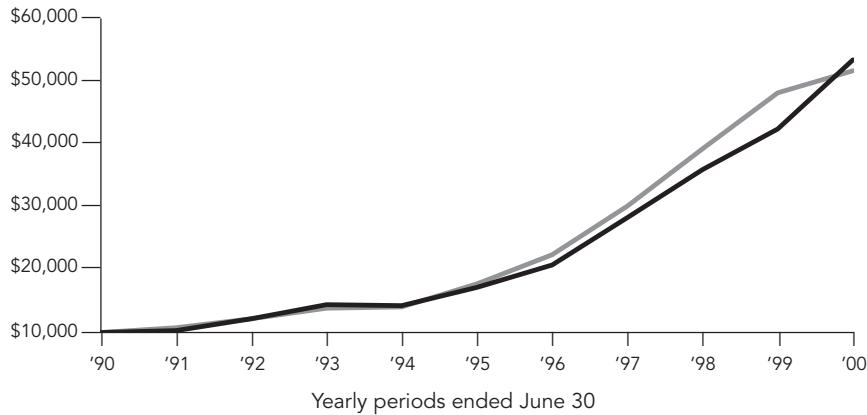
June 30, 2000

Capital Growth Portfolio

Growth of a \$10,000 Investment

— Capital Growth Portfolio — Class A*

— S&P 500 Index



The Standard & Poor's 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Index returns assume reinvestment of dividends and, unlike Portfolio returns, do not reflect any fees or expenses.

Capital Growth Portfolio — Class A*

Period Ended 6/30/2000	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 12,589	25.89%	25.89%
5 Year	\$ 31,029	210.29%	25.42%
10 Year	\$ 53,208	432.08%	18.19%

S&P 500 Index

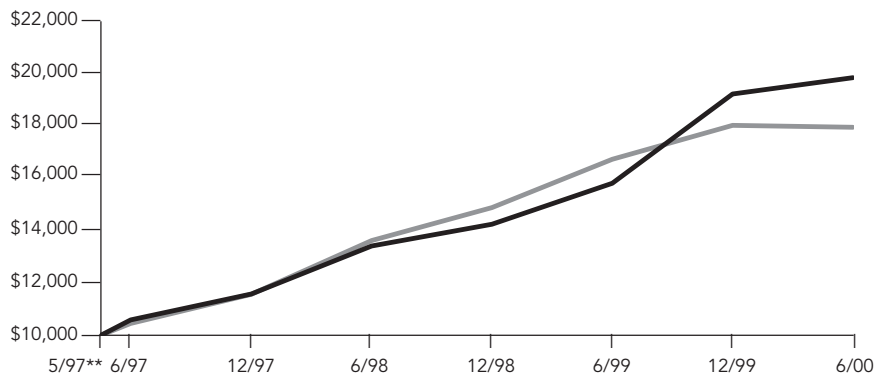
Period Ended 6/30/2000	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 10,726	7.26%	7.26%
5 Year	\$ 29,092	190.92%	23.78%
10 Year	\$ 51,474	414.74%	17.79%

* On May 12, 1997, existing shares were redesignated as Class A shares.

Growth of a \$10,000 Investment

— Capital Growth Portfolio — Class B

— S&P 500 Index



The Standard & Poor's 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Index returns assume reinvestment of dividends and, unlike Portfolio returns, do not reflect any fees or expenses.

Capital Growth Portfolio — Class B

Period Ended 6/30/2000	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 12,553	25.53%	25.53%
Life of Portfolio**	\$ 20,198	101.98%	25.12%

S&P 500 Index

Period Ended 6/30/2000	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 10,726	7.26%	7.26%
Life of Portfolio**	\$ 17,909	79.09%	20.79%

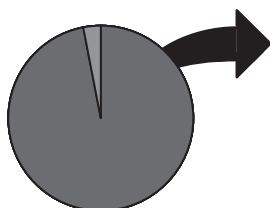
** The Portfolio commenced selling Class B shares on May 12, 1997. Index comparisons begin May 31, 1997.

All performance is historical, assumes reinvestment of all dividends and capital gains, and is not indicative of future results. Investment return and principal value will fluctuate, so an investor's shares, when redeemed, may be worth more or less than when purchased.

Capital Growth Portfolio

Diversification

Equity Securities	97%
Cash Equivalents	3%
	100%



Sector breakdown of the Portfolio's equity holdings

Technology	31%
Health	17%
Financial	9%
Consumer Staples	8%
Communications	8%
Media	7%
Manufacturing	7%
Consumer Discretionary	5%
Energy	5%
Other	3%
	100%

The portfolio's objective of dampening downside volatility helped performance in a weak investment environment.

Ten Largest Equity Holdings

(32% of Portfolio)

1. Intel Corp.
Producer of semiconductor memory circuits
2. General Electric Co.
Producer of electrical equipment
3. Pfizer, Inc.
International pharmaceutical company
4. Microsoft Corp.
Developer of computer software
5. Cisco Systems, Inc.
Manufacturer of computer network products
6. EMC Corp.
Provider of enterprise storage systems, software, networks and services
7. American Express Co.
Provider of travel-related, financial advisory and international banking services
8. Oracle Corp.
Provider of database management software
9. PepsiCo, Inc.
Provider of soft drinks, snack foods and food services
10. Merck & Co., Inc.
Drug manufacturer

Investment Portfolio

as of June 30, 2000 (Unaudited)

Capital Growth Portfolio

	Principal Amount (\$)	Value (\$)
Repurchase Agreements 3.0%		
State Street Bank and Trust Company, 6.48%, to be repurchased at \$38,723,890 on 7/3/2000** (Cost \$38,703,000)	38,703,000	38,703,000
	Shares	
Common Stocks 97.0%		
Consumer Discretionary 5.2%		
Department & Chain Stores 4.8%		
Home Depot, Inc.	489,250	24,431,922
Target Corp.	210,300	12,197,400
Wal-Mart Stores, Inc.	451,600	26,023,450
		<u>62,652,772</u>
Recreational Products 0.4%		
Six Flags, Inc.*	264,900	6,026,475
Consumer Staples 7.7%		
Alcohol & Tobacco 1.2%		
Anheuser-Busch Companies, Inc.	208,200	15,549,938
Food & Beverage 3.9%		
Bestfoods	94,200	6,523,350
Coca-Cola Co.	264,700	15,203,706
PepsiCo, Inc.	664,900	29,546,494
		<u>51,273,550</u>
Package Goods/Cosmetics 2.6%		
Colgate-Palmolive Co.	281,200	16,836,850
Gillette Co.	507,500	17,730,781
		<u>34,567,631</u>
Health 16.1%		
Biotechnology 2.6%		
Genentech, Inc.*	89,400	15,376,800
Immunex Corp.*	175,500	8,676,281
MedImmune, Inc.*	141,600	10,478,400
		<u>34,531,481</u>
Medical Supply & Specialty 4.6%		
Baxter International, Inc.	366,700	25,783,594
Becton, Dickinson & Co.	386,000	11,073,375
Medtronic, Inc.	307,500	15,317,344
PE Corp.–PE Biosystems Group	112,800	7,430,700
		<u>59,605,013</u>
Pharmaceuticals 8.9%		
Allergan, Inc.	27,400	2,041,300
Bristol-Myers Squibb Co.	171,000	9,960,750
Eli Lilly & Co.	238,700	23,840,163
Merck & Co., Inc.	379,600	29,086,850
Pfizer, Inc.	1,079,375	51,810,000
		<u>116,739,063</u>

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)
Communications 6.2%		
Cellular Telephone 3.2%		
AT&T Wireless Group*	404,200	11,267,075
Nokia Oyj (ADR)	320,800	16,019,950
Vodafone AirTouch plc (ADR)	346,700	14,366,381
		<u>41,653,406</u>
Telephone/Communications 3.0%		
Bell Atlantic Corp.*	243,100	12,352,519
BroadWing, Inc.*	455,400	11,811,938
US West, Inc.	172,200	14,766,150
		<u>38,930,607</u>
Financial 8.4%		
Insurance 3.0%		
American International Group, Inc.	214,068	25,152,990
Marsh & McLennan Companies, Inc.	139,300	14,548,144
		<u>39,701,134</u>
Consumer Finance 4.5%		
American Express Co.	626,800	32,671,950
Citigroup, Inc.	448,875	27,044,719
		<u>59,716,669</u>
Other Financial Companies 0.9%		
Federal National Mortgage Association	215,900	11,267,281
Media 6.8%		
Advertising 1.7%		
Interpublic Group of Companies, Inc.	253,300	10,891,900
Omnicom Group, Inc.	122,000	10,865,625
		<u>21,757,525</u>
Broadcasting & Entertainment 1.9%		
Infinity Broadcasting Corp.*	278,200	10,136,913
Viacom, Inc. "B"*	229,000	15,614,938
		<u>25,751,851</u>
Cable Television 3.2%		
AT&T Corp. — Liberty Media Group "A"*	1,131,000	27,426,750
Comcast Corp. "A"*	364,800	14,774,400
		<u>42,201,150</u>
Service Industries 2.4%		
EDP Services 0.9%		
Electronic Data Systems Corp.	284,900	11,752,125
Miscellaneous Commercial Services 1.1%		
Siebel Systems, Inc.*	84,500	13,821,031
Miscellaneous Consumer Services 0.4%		
eBay, Inc.*	98,900	5,371,506
Durables 1.6%		
Aerospace		
United Technologies Corp.	354,500	20,871,188
Manufacturing 7.8%		
Diversified Manufacturing 4.4%		
General Electric Co.	1,075,300	56,990,900

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)
Industrial Specialty 3.4%		
Corning, Inc.	99,300	26,798,588
JDS Uniphase Corp.*	155,500	18,640,563
		<u>45,439,151</u>
Technology 29.8%		
Computer Software 8.9%		
America Online, Inc.*	375,100	19,786,525
i2 Technologies Inc.*	40,200	4,191,478
Intuit, Inc.*	331,300	13,707,538
Microsoft Corp.*	614,700	49,176,000
Oracle Corp.*	352,500	29,632,031
		<u>116,493,572</u>
Diverse Electronic Products 3.5%		
Applied Materials, Inc.*	146,100	13,240,313
Dell Computer Corp.*	360,700	17,787,019
Motorola Inc.	240,200	6,980,813
Teradyne, Inc.*	108,700	7,989,450
		<u>45,997,595</u>
EDP Peripherals 2.9%		
EMC Corp.*	496,800	38,222,550
Electronic Components/Distributors 3.7%		
Cisco Systems, Inc.*	768,500	48,847,781
Electronic Data Processing 4.5%		
Apple Computer, Inc.*	206,800	10,831,150
International Business Machines Corp.	188,600	20,663,488
Sun Microsystems, Inc.*	298,500	27,144,844
		<u>58,639,482</u>
Semiconductors 6.3%		
Intel Corp.	445,300	59,531,044
Vitesse Semiconductor Corp.*	156,800	11,534,600
Xilinx, Inc.*	146,100	12,062,381
		<u>83,128,025</u>
Energy 5.0%		
Oil & Gas Production 1.8%		
Exxon Mobil Corp.	295,141	23,168,569
Oilfield Services/Equipment 3.2%		
BJ Services Company*	95,800	5,987,500
Nabors Industries, Inc.*	201,800	8,387,306
Schlumberger Ltd.	371,500	27,723,188
		<u>42,097,994</u>
Total Common Stocks (Cost \$906,622,874)		1,272,767,015
Total Investment Portfolio — 100.0% (Cost \$945,325,874) (a)		1,311,470,015

* Non-income producing security.

** Repurchase agreements are fully collateralized by U.S. Treasury or Government agency securities.

(a) At June 30, 2000, the net unrealized appreciation on investments based on cost for federal income tax purposes of \$946,333,956 was as follows:

Aggregate gross unrealized appreciation for all investments in which there is an excess of value over tax cost	\$ 399,521,102
Aggregate gross unrealized depreciation for all investments in which there is an excess of tax cost over value	34,385,043
Net unrealized appreciation	<u>\$ 365,136,059</u>

Purchases and sales of investment securities (excluding short-term investments), for the six months ended June 30, 2000, aggregated \$499,770,964 and \$487,831,192, respectively.

The accompanying notes are an integral part of the financial statements.

Financial Statements

Capital Growth Portfolio

Statement of Assets and Liabilities as of June 30, 2000 (Unaudited)

Assets

Investments in securities, at value (cost \$945,325,874)	\$ 1,311,470,015
Cash	3,579
Receivable for investments sold	8,406,258
Dividends receivable	332,884
Interest receivable	7,111
Total assets	1,320,219,847

Liabilities

Payable for investments purchased	14,422,411
Payable for Portfolio shares redeemed	1,215,675
Accrued management fee	479,397
Accrued accounting fees	12,688
Other accrued expenses and payables	47,149
Total liabilities	16,177,320

Net assets, at value \$ 1,304,042,527

Net Assets

Net assets consist of:	
Undistributed net investment income	1,674,814
Net unrealized appreciation (depreciation) on investments	366,144,141
Accumulated net realized gain (loss)	94,996,960
Paid-in capital	841,226,612
Net assets, at value	\$ 1,304,042,527

Class A

Net Asset Value, offering and redemption price per share (\$1,302,530,956 / 49,206,530 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized) \$ 26.47

Class B

Net Asset Value, offering and redemption price per share (\$1,511,571 / 57,204 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized) \$ 26.42

The accompanying notes are an integral part of the financial statements.

Statement of Operations for the six months ended June 30, 2000 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$37,216)	\$ 3,794,214
Interest	975,601
Total Income	<u>4,769,815</u>
Expenses:	
Management fee	2,815,585
Custodian fees	22,146
Accounting fees	75,166
Distribution fees (Class B)	1,793
Auditing	28,574
Legal	14,742
Trustees' fees and expenses	9,282
Reports to shareholders	4,004
Other	10,610
Total expenses, before expense reductions	2,981,902
Expense reductions	(852)
Total expenses, after expense reductions	<u>2,981,050</u>
Net investment income (loss)	1,788,765
Realized and unrealized gain (loss) on investment transactions	
Net realized gain (loss) from investments	<u>96,207,594</u>
Net unrealized appreciation (depreciation) during the period on investments	(55,447,096)
Net gain (loss) on investment transactions	40,760,498
Net increase (decrease) in net assets resulting from operations	\$ 42,549,263

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2000 (Unaudited)	Year Ended December 31, 1999
Operations:		
Net investment income (loss)	\$ 1,788,765	\$ 4,335,201
Net realized gain (loss) on investment transactions	96,207,594	149,905,463
Net unrealized appreciation (depreciation) on investment transactions during the period	(55,447,096)	170,488,185
Net increase (decrease) in net assets resulting from operations	<u>42,549,263</u>	<u>324,728,849</u>
Distributions to shareholders from:		
Net investment income:		
Class A	(3,035,212)	(2,669,192)
Class B	—	(1,420)
Net realized gains:		
Class A	(149,151,554)	(95,714,159)
Class B	(177,202)	(90,868)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	149,459,495	250,685,427
Reinvestment of distributions	152,186,766	98,383,351
Cost of shares redeemed	(143,228,433)	(221,798,743)
Net increase (decrease) in net assets from Class A share transactions	<u>158,417,828</u>	<u>127,270,035</u>
Class B		
Proceeds from shares sold	303,818	147,712
Reinvestment of distributions	177,202	92,288
Cost of shares redeemed	(127,797)	(15,571)
Net increase (decrease) in net assets from Class B share transactions	<u>353,223</u>	<u>224,429</u>
Increase (decrease) in net assets	48,956,346	353,747,674
Net assets at beginning of period	1,255,086,181	901,338,507
Net assets at end of period (including undistributed net investment income of \$1,674,814 and \$2,921,261, respectively)	<u>\$ 1,304,042,527</u>	<u>\$ 1,255,086,181</u>
Other Information		
Class A		
Shares outstanding at beginning of period	43,044,031	37,591,894
Shares sold	5,405,488	10,268,993
Shares issued to shareholders in reinvestment of distributions	5,968,108	4,293,111
Shares redeemed	(5,211,097)	(9,109,967)
Net increase (decrease) in Portfolio shares	6,162,499	5,452,137
Shares outstanding at end of period	<u>49,206,530</u>	<u>43,044,031</u>
Class B		
Shares outstanding at beginning of period	44,161	34,617
Shares sold	10,953	6,164
Shares issued to shareholders in reinvestment of distributions	6,957	4,032
Shares redeemed	(4,867)	(652)
Net increase (decrease) in Portfolio shares	13,043	9,544
Shares outstanding at end of period	<u>57,204</u>	<u>44,161</u>

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Capital Growth Portfolio

The following table includes selected data for a share outstanding throughout each period (a) and other performance information derived from the financial statements.

Class A (b)

Years Ended December 31,	2000(d)	1999	1998	1997	1996	1995
Net asset value, beginning of period	\$29.13	\$23.95	\$20.63	\$16.50	\$15.08	\$12.23
<i>Income (loss) from investment operations:</i>						
Net investment income (loss)	.04	.10	.16	.18	.19	.14
Net realized and unrealized gain (loss) on investment transactions	.81	7.64	4.46	5.39	2.68	3.25
Total from investment operations	.85	7.74	4.62	5.57	2.87	3.39
<i>Less distributions from:</i>						
Net investment income	(.07)	(.07)	(.17)	(.19)	(.19)	(.11)
Net realized gains on investment transactions	(3.44)	(2.49)	(1.13)	(1.25)	(1.26)	(.43)
Total distributions	(3.51)	(2.56)	(1.30)	(1.44)	(1.45)	(.54)
Net asset value, end of period	\$26.47	\$29.13	\$23.95	\$20.63	\$16.50	\$15.08
Total Return (%)	3.38**	35.23	23.23	35.76	20.13	28.65

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	1,303	1,254	901	676	440	338
Ratio of expenses (%)	.48*	.49	.50	.51	.53	.57
Ratio of net investment income (loss) (%)	.29*	.43	.75	.96	1.27	1.06
Portfolio turnover rate (%)	80*	66	55	42	66	119

Class B

Years Ended December 31,	2000(d)	1999	1998	1997(c)
Net asset value, beginning of period	\$29.05	\$23.92	\$20.61	\$17.54
<i>Income (loss) from investment operations:</i>				
Net investment income (loss)	.01	.04	.11	.08
Net realized and unrealized gain (loss) on investment transactions	.80	7.62	4.45	3.08
Total from investment operations	.81	7.66	4.56	3.16
<i>Less distributions from:</i>				
Net investment income	—	(.04)	(.12)	(.09)
Net realized gains on investment transactions	(3.44)	(2.49)	(1.13)	—
Total distributions	(3.44)	(2.53)	(1.25)	(.09)
Net asset value, end of period	\$26.42	\$29.05	\$23.92	\$20.61
Total Return (%)	3.23**	34.88	22.94	18.00**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	1.51	1.28	.83	.55
Ratio of expenses (%)	.73*	.74	.75	.75*
Ratio of net investment income (loss) (%)	.04*	.18	.49	.64*
Portfolio turnover rate (%)	80*	66	55	42

(a) Based on monthly average shares outstanding during the period.

(b) On May 12, 1997 existing shares were redesignated as Class A shares.

(c) For the period May 12, 1997 (commencement of sale of Class B shares) to December 31, 1997.

(d) For the six months ended June 30, 2000 (Unaudited).

* Annualized

** Not annualized

21st Century Growth Portfolio

Dear Shareholders,

The past six months have proven to be a challenging period for investors. This was particularly true in the second quarter, when there was almost nowhere to hide. Large company, small company, growth, or value — almost all stocks in U.S. markets struggled. The persistence of the Federal Reserve Board has begun to pay off as retail sales, housing starts, and job creation began to cool and caused investors to pause. While we believe strength in technology and capital equipment will help moderate any slowdown, even in these sectors, the sustainability of what had been stratospheric growth came into question.

The portfolio outperformed its benchmark, as Class A shares returned 2.93%, compared to a 1.23% return for the unmanaged Russell 2000 Growth Index.

While some of the portfolio's larger positions corrected sharply in price, many others did quite well. Mercury Computer, a developer of high performance, real-time digital signal processing systems, declined sharply in the second quarter, as did Asyst Technologies, the leader in isolation systems for material tracking and automation in semiconductor manufacturing. Pacific Sunwear, a mall-based retailer selling casual clothes to teenagers, also fell, as its comparable-store sales were below expectations.

At the same time, Swift Energy, a U.S. onshore natural gas producer, and Mercury Interactive, a developer of testing tools for Web-based systems and critical business applications, contributed to performance. Polycom, a builder of video and voice conferencing products, also advanced. Each of these companies has a leadership position in its respective market and has shown an ability to meet or exceed expectations.

Going forward, we believe that the possibility of one or more increases in interest rates, slower growth and weaker earnings combined with market valuation levels that are still high has heightened the risk for equities in general. Yet, within this framework, we expect to see pockets of strength. For example, the semiconductor and natural gas industries are facing a substantial need to expand capacity. Both industries require massive capital and considerable time to expand. In addition, innovation in biotechnology and technology is not closely linked to cycles in the economy.

Thus, rather than trying to invest in a portfolio of more defensive holdings, we prefer to find pockets of strength. In times like this, we believe we can add value by owning stocks of quality companies that meet or exceed expectations, that grow when everything else is slowing, and that control their own destiny through innovation.

Sincerely,

Your Portfolio Management Team



Peter Chin
Lead Portfolio Manager



Roy C. McKay
Portfolio Manager

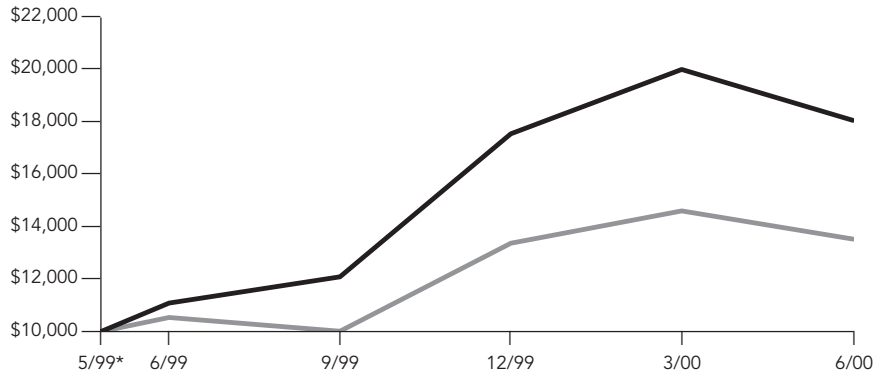
Rather than trying to invest in a portfolio of more defensive holdings, we prefer to find pockets of strength.

21st Century Growth Portfolio

Growth of a \$10,000 Investment

— 21st Century Growth Portfolio — Class A

— Russell 2000 Growth Index



The Russell 2000 Growth Index is an unmanaged capitalization-weighted measure of the 2000 smallest capitalized U.S. companies with a greater-than-average growth orientation and whose common stocks trade on the NYSE, AMEX, and Nasdaq. Index returns assume reinvestment of dividends and, unlike Portfolio returns, do not reflect any fees or expenses.

21st Century Growth Portfolio — Class A

Period Ended 6/30/2000	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 16,285	62.85%	62.85%
Life of Portfolio*	\$ 18,185	81.85%	67.33%

Russell 2000 Growth Index

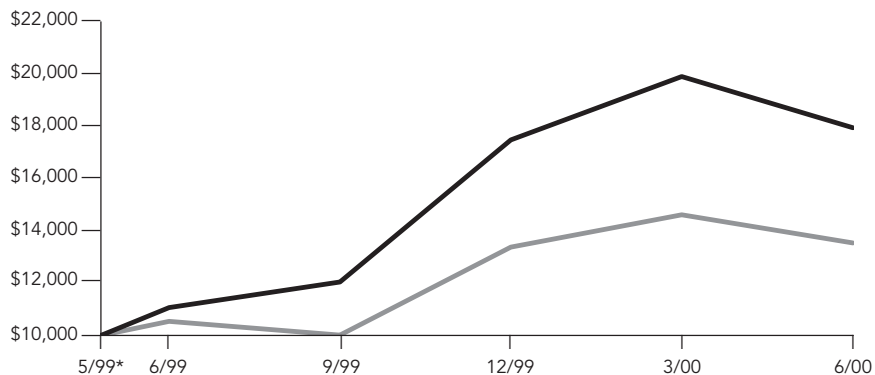
Period Ended 6/30/2000	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 12,839	28.39%	28.39%
Life of Portfolio*	\$ 13,516	35.16%	32.01%

* The Portfolio commenced operations on May 3, 1999. Index comparisons begin May 31, 1999.

Growth of a \$10,000 Investment

— 21st Century Growth Portfolio — Class B

— Russell 2000 Growth Index



The Russell 2000 Growth Index is an unmanaged capitalization-weighted measure of the 2000 smallest capitalized U.S. companies with a greater-than-average growth orientation and whose common stocks trade on the NYSE, AMEX, and Nasdaq. Index returns assume reinvestment of dividends and, unlike Portfolio returns, do not reflect any fees or expenses.

21st Century Growth Portfolio — Class B

Period Ended 6/30/2000	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 16,189	61.89%	61.89%
Life of Portfolio*	\$ 18,051	80.51%	66.27%

Russell 2000 Growth Index

Period Ended 6/30/2000	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 12,839	28.39%	28.39%
Life of Portfolio*	\$ 13,516	35.16%	32.01%

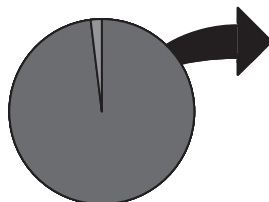
* The Portfolio commenced operations on May 3, 1999. Index comparisons begin May 31, 1999.

All performance is historical, assumes reinvestment of all dividends and capital gains, and is not indicative of future results. Investment return and principal value will fluctuate, so an investor's shares, when redeemed, may be worth more or less than when purchased. Total returns would have been lower if the Portfolio's expenses were not maintained.

21st Century Growth Portfolio

Diversification

■ Equity Securities	98%
■ Cash Equivalents	2%
	<hr/> 100%



Sector breakdown of the Portfolio's equity holdings

Technology	37%
Manufacturing	13%
Health	9%
Energy	9%
Service Industries	7%
Durables	7%
Communications	5%
Consumer Discretionary	4%
Construction	3%
Other	6%
	<hr/> 100%

We believe strength in technology and capital equipment will help moderate the effects of any economic slowdown.

Ten Largest Equity Holdings

(26% of Portfolio)

1. Power-One, Inc.
Manufacturer of power supplies for electronic equipment manufacturers
2. Silicon Storage Technology, Inc.
Designer of memory chips
3. ISS Group, Inc.
Provider of network security monitoring, detection and response software
4. Mercator Software, Inc.
Provider of e-business software
5. Pinnacle Systems, Inc.
Manufacturer of video post-production workstations
6. Mercury Interactive Corp.
Producer of automated software testing tools
7. Trex Company, Inc.
Manufacturer of non-wood decking alternative products
8. Polycom, Inc.
Manufacturer of audio and data conferencing products
9. Advent Software, Inc.
Provider of stand-alone and client/server software products
10. Antec Corp.
Developer and supplier of optical transmission equipment for cable TV

Investment Portfolio

as of June 30, 2000 (Unaudited)

21st Century Growth Portfolio

	Principal Amount (\$)	Value (\$)
Repurchase Agreements 2.2%		
State Street Bank and Trust Company, 6.48%, to be repurchased at \$500,270 on 7/3/200** (Cost \$500,000)	500,000	500,000
		Shares
Common Stocks 97.8%		
Consumer Discretionary 4.2%		
Department & Chain Stores 1.4%		
Pacific Sunwear of California, Inc.*	4,600	86,250
Rent-A-Center, Inc.*	10,000	225,000
		<u>311,250</u>
Restaurants 0.5%		
The Cheesecake Factory Inc.*	4,500	123,750
Specialty Retail 2.3%		
Cost Plus, Inc.*	8,400	240,975
David's Bridal, Inc.*	3,700	42,781
Gildan Activewear, Inc.*	6,800	249,900
		<u>533,656</u>
Consumer Staples 3.0%		
Consumer Specialties 1.0%		
Duane Reade Inc.*	8,700	224,025
Food & Beverage 0.6%		
Wild Oats Markets Inc.*	11,100	139,444
Miscellaneous 1.4%		
Hain Celestial Group Inc.*	9,185	336,975
Health 9.2%		
Biotechnology 4.8%		
Alexion Pharmaceuticals, Inc.*	4,200	300,300
CryoLife, Inc.*	11,500	264,500
Gene Logic, Inc.*	6,100	217,694
QLT Inc.*	4,100	318,430
		<u>1,100,924</u>
Health Industry Services 0.3%		
MedQuist, Inc.*	2,013	68,442
Medical Supply & Specialty 2.3%		
Aclara Biosciences Inc.*	2,600	132,438
Cytoc Corp.*	5,300	282,888
Fusion Medical Technologies, Inc.*	7,400	117,938
		<u>533,264</u>
Pharmaceuticals 1.8%		
Biovail Corp.*	4,800	266,100
Charles River Laboratories International, Inc.*	5,800	128,688
QLT PhotoTherapeutics, Inc.*	300	23,194
		<u>417,982</u>

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)
Communications 4.4%		
Cellular Telephone 0.9%		
Research in Motion Ltd.*	4,700	<u>211,717</u>
Telephone/Communications 2.7%		
Lightbridge, Inc.*	12,300	293,663
Proxim, Inc.*	700	69,278
SBA Communications Corp.*	5,000	<u>259,688</u>
		<u>622,629</u>
Miscellaneous 0.8%		
Exfo Electro-Optical Engineering Inc.*	600	24,000
Netopia, Inc.*	4,100	<u>165,025</u>
		<u>189,025</u>
Financial 1.1%		
Banks		
Hudson United Bancorp	11,100	<u>249,056</u>
Media 1.7%		
Broadcasting & Entertainment 0.7%		
Cumulus Media, Inc. "A"*	19,000	<u>173,375</u>
Cable Television 1.0%		
Insight Communications Co., Inc.*	14,800	<u>231,250</u>
Service Industries 6.9%		
EDP Services 2.2%		
Micromuse, Inc.*	2,500	413,711
Ultimate Software Group, Inc.*	10,000	<u>91,250</u>
		<u>504,961</u>
Investment 0.6%		
Multex.com Inc.*	5,500	<u>138,531</u>
Miscellaneous Commercial Services 3.9%		
AnswerThink, Inc.*	8,000	133,000
Copart, Inc.*	16,400	262,400
Cornell Corrections, Inc.*	6,100	48,800
Korn/Ferry International*	7,400	234,488
Newgen Results Corp.*	5,000	82,500
Vicinity Corp.*	7,000	<u>137,375</u>
		<u>898,563</u>
Miscellaneous Consumer Services 0.2%		
Steiner Leisure Ltd.*	2,800	<u>63,350</u>
Durables 6.5%		
Aerospace 0.3%		
REMEC, Inc.*	1,700	<u>71,188</u>
Telecommunications Equipment 6.2%		
Antec Corp.*	11,000	457,188
Com21, Inc.*	7,500	187,500
Polycom, Inc.*	5,200	489,288
Spectrasite Holdings, Inc.*	10,400	<u>295,100</u>
		<u>1,429,076</u>

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)
Manufacturing 12.4%		
Chemicals 2.8%		
Albany Molecular Research, Inc.*	4,700	255,856
Cabot Microelectronics Corp.*	8,300	379,725
		<u>635,581</u>
Electrical Products 5.3%		
ATMI, Inc.*	6,000	279,000
Power-One, Inc.*	8,300	945,675
		<u>1,224,675</u>
Industrial Specialty 0.9%		
American Superconductor Corp.*	4,100	197,825
Machinery/Components/Controls 2.7%		
Asyst Technologies, Inc.*	1,800	61,650
Brooks Automation Inc.*	4,300	274,931
RadiSys Corp.*	5,300	300,775
		<u>637,356</u>
Miscellaneous 0.7%		
Jakks Pacific, Inc.*	11,100	163,725
Technology 36.1%		
Computer Software 17.0%		
Advent Software, Inc.*	7,100	457,950
BSQUARE Corp.*	12,300	275,981
Braun Consulting, Inc.*	8,300	175,338
Cobalt Networks, Inc.*	6,400	370,400
Digital Courier Technologies, Inc.*	23,900	152,363
FirstWorld Communications Inc. "B"*	5,100	53,550
ISS Group, Inc.*	6,500	641,773
ITXC Corp.*	700	24,784
Information Architects Corp.*	12,300	85,331
Internet Pictures Corp.*	1	20
Mercator Software Inc.*	9,200	632,500
Numerical Technologies, Inc.*	1,000	48,625
Precise Software Solutions*	2,500	60,000
Quintus Corp.*	10,800	214,481
RSA Security, Inc.*	1,400	96,950
Viador, Inc.*	13,600	215,900
VocalTec, Ltd.*	6,300	144,900
Watchguard Technologies, Inc.*	5,300	291,169
		<u>3,942,015</u>
EDP Peripherals 2.4%		
Mercury Interactive Corp.*	5,800	561,150
Office/Plant Automation 4.1%		
Mercury Computer Systems, Inc.*	5,200	168,025
National Computer Corp.*	4,300	211,775
Pinnacle Systems, Inc.*	25,000	562,109
		<u>941,909</u>
Precision Instruments 1.1%		
Molecular Devices Corp.*	3,700	255,994
Semiconductors 9.5%		
Alpha Industries, Inc.*	6,900	304,031
Burr-Brown Corp.*	4,000	346,750

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)
Pixelworks, Inc.*	900	20,475
Silicon Image, Inc.*	4,100	204,488
Silicon Storage Technology, Inc.*	7,800	688,838
SpeedFam-IPEC, Inc.*	10,100	183,694
Therma-Wave, Inc.*	5,300	118,256
Transwitch Corp.*	4,150	320,328
		<u>2,186,860</u>
Miscellaneous 2.0%		
National Information Consortium, Inc.*	24,100	274,138
SonoSite, Inc.*	6,500	187,281
		<u>461,419</u>
Energy 9.0%		
Oil & Gas Production 3.8%		
3TEC Energy Corporation*	7,200	72,000
Barrett Resources Corp.*	5,800	176,538
Key Production Co., Inc.*	13,300	232,750
Swift Energy Co.*	14,100	400,088
		<u>881,376</u>
Oil Companies 1.6%		
Stone Energy Corp.*	6,000	358,500
Oilfield Services/Equipment 3.6%		
National-Oilwell, Inc.*	8,400	276,150
Precision Drilling Corp. "A"*	6,300	243,338
Universal Compression Holdings, Inc.*	9,500	318,250
		<u>837,738</u>
Construction 3.3%		
Building Materials 0.4%		
Simpson Manufacturing Co., Inc.*	1,900	90,844
Building Products 2.9%		
CoStar Group, Inc.*	6,700	167,919
Trex Company, Inc.*	10,000	500,000
		<u>667,919</u>
Total Common Stocks (Cost \$19,722,150)		22,617,319
Total Investment Portfolio — 100.0% (Cost \$20,222,150) (a)		23,117,319

* Non-income producing security.

** Repurchase agreements are fully collateralized by U.S. Treasury or Government agency securities.

(a) At June 30, 2000, the net unrealized appreciation on investments based on cost for federal income tax purposes of \$20,222,150 was as follows:

Aggregate gross unrealized appreciation for all investments in which there is an excess of value over tax cost	\$ 5,350,896
Aggregate gross unrealized depreciation for all investments in which there is an excess of tax cost over value	2,455,727
Net unrealized appreciation	<u>\$ 2,895,169</u>

Purchases and sales of investment securities (excluding short-term investments), for the six months ended June 30, 2000, aggregated \$20,392,085 and \$12,046,581, respectively.

The accompanying notes are an integral part of the financial statements.

Financial Statements

21st Century Growth Portfolio

Statement of Assets and Liabilities as of June 30, 2000 (Unaudited)

Assets

Investments in securities, at value (cost \$20,222,150)	\$ 23,117,319
Cash	1,805,562
Receivable for investments sold	215,929
Interest receivable	90
Total assets	25,138,900

Liabilities

Payable for investments purchased	101,180
Payable for Portfolio shares redeemed	74,322
Accrued management fee	72,603
Accrued accounting fees	48,360
Other accrued expenses and payables	16,988
Total liabilities	313,453

Net assets, at value	\$ 24,825,447
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Net Assets

Net assets consist of:	
Accumulated net investment loss	(128,882)
Net unrealized appreciation (depreciation) on investments	2,895,169
Accumulated net realized gain (loss)	1,081,041
Paid-in capital	20,978,119

Net assets, at value	\$ 24,825,447
-----------------------------	----------------------

Class A

Net Asset Value , offering and redemption price per share (\$24,824,367 / 2,304,232 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	\$ 10.77
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Class B

Net Asset Value , offering and redemption price per share (\$1,080 / 101 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	\$ 10.69
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The accompanying notes are an integral part of the financial statements.

Statement of Operations for the six months ended June 30, 2000 (Unaudited)

Investment Income

Income:	
Dividends	\$ 4,490
Interest	16,642
Total Income	<u>21,132</u>
Expenses:	
Management fee	87,514
Custodian fees	10,599
Accounting fees	26,318
Auditing	10,744
Legal	2,548
Trustees' fees and expenses	13,650
Reports to shareholders	730
Other	4,979
Total expenses, before expense reductions	<u>157,082</u>
Expense reductions	<u>(7,068)</u>
Total expenses, after expense reductions	150,014
Net investment income (loss)	(128,882)

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	1,097,255
Foreign currency related transactions	<u>(230)</u>
	1,097,025
Net unrealized appreciation (depreciation) during the period on investments	<u>(1,540,230)</u>
Net gain (loss) on investment transactions	(443,205)
Net increase (decrease) in net assets resulting from operations	\$ (572,087)

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2000 (Unaudited)	For the Period May 3, 1999 (commencement of operations) to December 31, 1999
Operations:		
Net investment income (loss)	\$ (128,882)	\$ (38,859)
Net realized gain (loss) on investment transactions	1,097,025	245,202
Net unrealized appreciation (depreciation) on investment transactions during the period	(1,540,230)	4,435,399
Net increase (decrease) in net assets resulting from operations	(572,087)	4,641,742
Distributions to shareholders from:		
Net realized gains:		
Class A	(222,315)	—
Class B	(12)	—
Portfolio share transactions:		
Class A		
Proceeds from shares sold	22,818,400	12,105,114
Reinvestment of distributions	222,315	—
Cost of shares redeemed	(12,858,402)	(3,309,320)
Net increase (decrease) in net assets from Class A share transactions	10,182,313	8,795,794
Class B		
Reinvestment of distributions	12	—
Net increase (decrease) in net assets from Class B share transactions	12	—
Increase (decrease) in net assets	9,387,911	13,437,536
Net assets at beginning of period (original capital)	15,437,536	2,000,000
Net assets at end of period (including accumulated net investment loss of \$128,882 at June 30, 2000)	\$ 24,825,447	\$ 15,437,536
Other Information		
Class A		
Shares outstanding at beginning of period	1,462,745	333,233
Shares sold	1,973,997	1,569,398
Shares issued to shareholders in reinvestment of distributions	24,217	—
Shares redeemed	(1,156,727)	(439,886)
Net increase (decrease) in Portfolio shares	841,487	1,129,512
Shares outstanding at end of period	2,304,232	1,462,745
Class B		
Shares outstanding at beginning of period	100	100
Shares issued to shareholders in reinvestment of distributions	1	—
Net increase (decrease) in Portfolio shares	1	—
Shares outstanding at end of period	101	100

The accompanying notes are an integral part of the financial statements.

Financial Highlights

21st Century Growth Portfolio

The following table includes selected data for a share outstanding throughout each period (a) and other performance information derived from the financial statements.

Class A

	2000(e)	1999(b)
Net asset value, beginning of period	\$10.55	\$ 6.00(d)
<i>Income (loss) from investment operations:</i>		
Net investment income (loss)	(.07)	(.04)
Net realized and unrealized gain (loss) on investment transactions	.41	4.59
Total from investment operations	.34	4.55
<i>Less distributions from:</i>		
Net realized gains on investment transactions	(.12)	—
Net asset value, end of period	\$10.77	\$10.55
Total Return (%) (c)	2.93**	75.83**
Ratios to Average Net Assets and Supplemental Data		
Net assets, end of period (\$ millions)	25	15
Ratio of expenses before expense reductions (%)	1.57*	2.90*
Ratio of expenses after expense reductions (%)	1.50*	1.50*
Ratio of net investment income (loss) (%)	(1.29)*	(.95)*
Portfolio turnover rate (%)	128*	61

Class B

	2000(e)	1999(b)
Net asset value, beginning of period	\$10.51	\$ 6.00(d)
<i>Income (loss) from investment operations:</i>		
Net investment income (loss)	(.11)	(.06)
Net realized and unrealized gain (loss) on investment transactions	.41	4.57
Total from investment operations	.30	4.51
<i>Less distributions from:</i>		
Net realized gains on investment transactions	(.12)	—
Net asset value, end of period	\$10.69	\$10.51
Total Return (%) (c)	2.66**	75.17**
Ratios to Average Net Assets and Supplemental Data		
Net assets, end of period (\$ millions)	—	—
Ratio of expenses before expense reductions (%)	1.82*	3.15*
Ratio of expenses after expense reductions (%)	1.75*	1.75*
Ratio of net investment income (loss) (%)	(1.54)*	(1.20)*
Portfolio turnover rate (%)	128*	61

(a) Based on monthly average shares outstanding during the period.

(b) For the period May 3, 1999 (commencement of operations) to December 31, 1999.

(c) Total return would have been lower had certain expenses not been reduced.

(d) Original capital.

(e) For the six months ended June 30, 2000 (Unaudited).

* Annualized

** Not annualized

Global Discovery Portfolio

Dear Shareholders,

After posting a strong performance in the first three months of the year on the strength of the outstanding returns of its holdings in the technology sector, the Global Discovery Portfolio retraced most of its gains in the second quarter as the shockwaves emanating from the Nasdaq decline extended to smaller tech-related stocks both here and abroad. Over the six months ended June 30, 2000, Class A shares returned 2.93%, versus 4.62% for its unmanaged benchmark, the Salomon Brothers World Equity Extended Market Index. Although the portfolio's focus on growth stocks caused it to underperform its benchmark during the six-month period, Lipper Analytical Services ranks it in the top third of 55 funds within its peer group over the one-year period, and ninth out of 40 over the three-year period.¹

Over the first half of the year, we sought to diversify the portfolio through changes to our holdings in the technology and health care sectors. As a result, turnover has been higher than normal and the sector composition of the portfolio has changed in a fairly dramatic fashion. The health care position, which was 7% of the portfolio at the beginning of the year, is now up to 20%. Conversely, technology now represents 21% of the portfolio, down from 29% at the start of 2000. Major sales in the tech sector include two very successful companies specializing in Internet security: Check Point Software Technologies, an Israeli leader in corporate firewalls, and Baltimore Technologies, an emerging U.K. company that focuses on Private Key Infrastructure (PKI) and Virtual Private Networks (VPN). Profits from both exceeded four times our original cost. More than half of the cash flows from money made available from security sales went into the health care sector. The other significant area of increase was energy stocks. Within that sector, we are positioning the portfolio to take advantage of gas shortages in North America, which should prompt improved pricing and increases in drilling and related services.

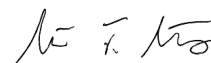
We are investing on the basis that the U.S. economy will slow, Europe will grow more quickly, and Japan's economy will begin to turn around. This overview only serves as a backdrop, however. We are far more influenced by what we perceive to be the long-term secular changes resulting from the revolution in communications (e.g., wireless), the acceleration of discoveries in the health care field, and the continued prosperity of companies that have found or created special niches. While valuations are still high for many companies, the positive side of the valuation picture is that "dot com madness" is no longer infecting the investment landscape. The current environment is much more favorable to our style than it was a few months ago, and we intend to take advantage of it by building up positions in those companies where we have the highest level of confidence.

Sincerely,

Your Portfolio Management Team



Gerald J. Moran
Lead Portfolio Manager



Steven T. Stokes
Portfolio Manager

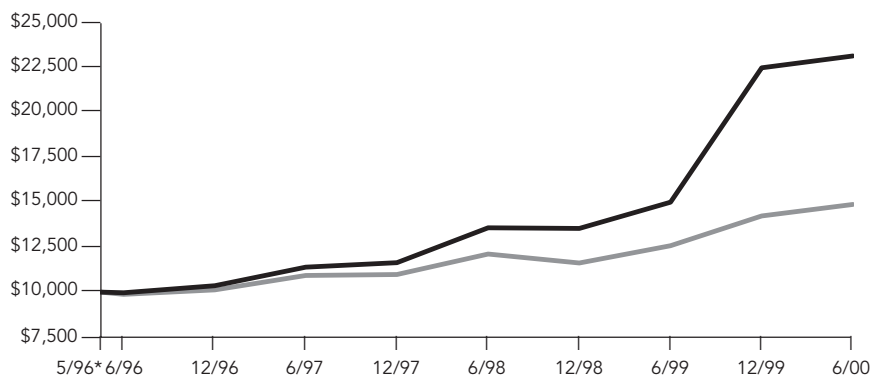
¹ Source: Lipper Analytical Services, Inc., an independent analyst of investment performance. Performance includes reinvestment of dividends and capital gains. For the period ended June 30, 2000, Scudder Variable Life Investment Fund: Global Discovery Portfolio's Lipper ranking was 13 out of 55 funds for the one-year period, and 9 out of 40 funds for the three-year period. Past performance is no guarantee of future results.

Management increased the portfolio's position in technology stocks, while trimming its weighting in health care.

Global Discovery Portfolio

Growth of a \$10,000 Investment

— Global Discovery Portfolio — Class A
 — Salomon Brothers World Equity EMI Index



The Salomon Brothers World Equity Extended Market Index is an unmanaged small capitalization stock universe of 22 countries. Index returns assume reinvestment of dividends and, unlike Portfolio returns, do not reflect any fees or expenses.

Global Discovery Portfolio — Class A

Period Ended 6/30/2000	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 15,417	54.17%	54.17%
Life of Portfolio*	\$ 23,575	135.75%	22.85%

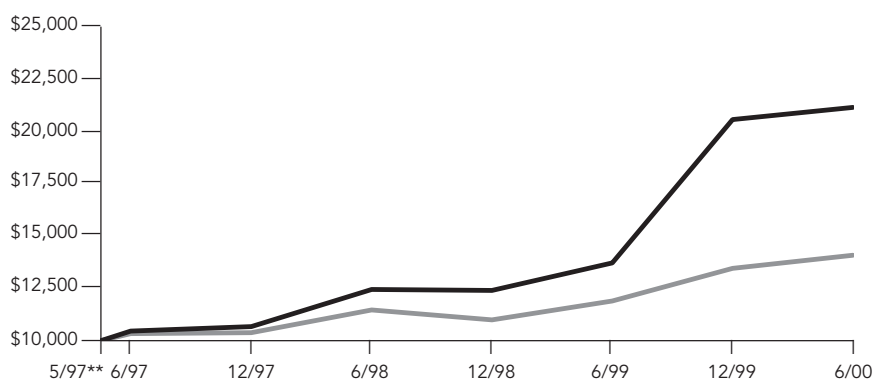
Salomon Brothers World Equity EMI Index

Period Ended 6/30/2000	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 11,837	18.37%	18.37%
Life of Portfolio*	\$ 14,873	48.73%	10.20%

* The Portfolio commenced operations on May 1, 1996. On May 2, 1997, existing shares were redesignated as Class A shares. Index comparisons begin May 31, 1996.

Growth of a \$10,000 Investment

— Global Discovery Portfolio — Class B
 — Salomon Brothers World Equity EMI Index



The Salomon Brothers World Equity Extended Market Index is an unmanaged small capitalization stock universe of 22 countries. Index returns assume reinvestment of dividends and, unlike Portfolio returns, do not reflect any fees or expenses.

Global Discovery Portfolio — Class B

Period Ended 6/30/2000	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 15,407	54.07%	54.07%
Life of Portfolio**	\$ 22,563	125.63%	29.32%

Salomon Brothers World Equity EMI Index

Period Ended 6/30/2000	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 11,837	18.37%	18.37%
Life of Portfolio**	\$ 14,060	40.60%	11.68%

** The Portfolio commenced selling Class B shares on May 12, 1997. Index comparisons begin May 31, 1997.

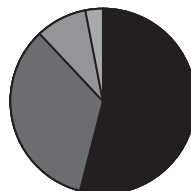
All performance is historical, assumes reinvestment of all dividends and capital gains, and is not indicative of future results. Investment return and principal value will fluctuate, so an investor's shares, when redeemed, may be worth more or less than when purchased. Total returns would have been lower if the Portfolio's expenses were not maintained.

Global Discovery Portfolio

Diversification

By Region (Excluding 3% Cash Equivalents)

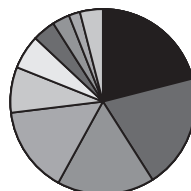
■ U.S. & Canada	54%
■ Europe	34%
■ Japan	9%
■ Other	3%
	100%



The portfolio's technology weighting has fallen from 29% on December 31, 1999, while its weighting in health care has increased from 7% of net assets.

By Sector (Excluding 3% Cash Equivalents)

■ Technology	21%
■ Health	20%
■ Service Industries	17%
■ Financial	15%
■ Energy	8%
■ Consumer Discretionary	6%
■ Manufacturing	4%
■ Communications	3%
■ Media	2%
■ Other	4%
	100%



Ten Largest Equity Holdings

(28% of Portfolio)

1. Symbol Technologies, Inc.
Manufacturer of bar code laser scanners
2. Serco Group plc
Facilities management company
3. QLT Photo Therapeutics, Inc.
Developer of pharmaceutical products
4. Mercator Software, Inc.
Provider of e-business software
5. Altran Technologies S.A.
Provider of engineering and consulting services
6. Marschollek, Lautenschlaeger und Partner AG
Independent life insurance company
7. Shinko Securities Co., Ltd.
Provider of financial services
8. Legg Mason, Inc.
Provider of various financial services
9. JOT Automation Group Oyj
Manufacturer of high technology production automation systems and equipment
10. ISS Group, Inc.
Provider of network security monitoring, detection and response software

Global Discovery Portfolio

	Principal Amount (\$)	Value (\$)
Repurchase Agreements 3.1%		
Donaldson, Lufkin & Jenrette, 6.53%, to be repurchased at \$4,372,378 on 7/3/2000** (Cost \$4,370,000)	4,370,000	4,370,000
	Shares	
Common Stocks 96.9%		
Austria 0.1%		
Schoeller-Bleckmann Oilfield Equipment AG (Manufacturer of parts for drilling technology)	13,008	115,331
Brazil 0.1%		
PT Multimedia Servicos* (Provider of an Internet portal in Portugal and Brazil)	11,800	90,334
Canada 6.6%		
Berkley Petroleum Corp.* (Oil and gas producer)	110,100	695,235
Creo Products Inc.* (Manufacturer of printing related products)	5,200	118,300
Exfo Electro-Optical Engineering Inc.* (Designer and manufacturer of fiber optics)	5,200	228,150
Mosaic Group Inc.* (Provider of sales, marketing and corporate communications services)	85,000	1,033,295
QLT Inc.* (Developer of pharmaceutical products)	56,800	4,411,427
QLT PhotoTherapeutics, Inc.* (Pharmaceutical company)	4,300	332,444
Talisman Energy Inc.* (Explorer and producer of oil and gas)	72,700	2,408,276
		<u>9,227,127</u>
Finland 2.2%		
JOT Automation Group Oyj (Manufacturer of high technology production automation systems and equipment)	424,100	2,826,166
Perlos Oyj (Manufacturer of injection moulds, electromechanical connectors and assembly equipment)	7,300	230,358
		<u>3,056,524</u>
France 4.8%		
Altran Technologies S.A.* (Provider of engineering and consulting services)	19,890	3,889,132
Dassault Systemes S.A. (Computer aided design, manufacturing and engineering software)	13,586	1,265,431
Trader.com N.V. NY Reg, "A" (Publisher of advertising newspapers)	16,600	234,475
Transiciel S.A. (Developer of computer software)	20,420	1,310,156
		<u>6,699,194</u>
Germany 4.4%		
Epcos AG* (Producer of electronic components and integrated circuits)	10,899	1,096,204
Hawesko Holding AG (Marketer of wines and liqueurs and related products)	3,016	58,656
Marschollek, Lautenschlaeger und Partner AG (Independent life insurance company)	8,783	4,387,594
Pfeiffer Vacuum Technology AG (ADR) (Manufacturer of various pumps and vacuum systems)	9,372	368,437
Telesens AG* (Producer of billing systems)	6,686	264,525
		<u>6,175,416</u>
Hong Kong 2.5%		
Legend Holdings Ltd. (Manufacturer of computers and related products)	1,368,000	1,324,901
Li & Fung Ltd. (Exporter of consumer products)	409,000	2,046,154
Sunevision Holdings Ltd.* (Provider of Internet infrastructure and services)	103,000	83,900
		<u>3,454,955</u>
Ireland 5.7%		
Anglo Irish Bank Corp. plc (Provider of financial services for business and private sectors)	1,079,222	2,325,260

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)
Elan Corp. plc "A" (Warrants) (expire 12/31/2001)* (Developer of controlled-absorption drug delivery systems)	30,500	1,860,500
Elan Corp. plc (ADR)* (Research and development of drug delivery technology)	3,400	164,688
Irish Continental Group plc (Transporter of passengers, freight and containers between Ireland, the U.K. and the continent)	35,560	288,159
Irish Life & Permanent plc (Operator of retail financial services group)	269,610	2,269,598
Jury's Hotel Group plc (Hotel operator)	104,350	621,763
Ryan Hotels plc* (Owner and operator of hotel chain)	318,700	361,561
		<u>7,891,529</u>
Italy 1.4%		
Bulgari SpA (Manufacturer and retailer of fine jewelry, luxury watches and perfumes)	145,470	1,941,573
Japan 8.5%		
Benesse Corp. (Provider of educational services)	21,400	1,485,480
Chugai Pharmaceutical Co., Ltd. (Pharmaceutical company)	123,000	2,329,083
Internet Initiative Japan Inc.* (Provider of Internet services)	5,700	337,725
Japan Securities Finance Co., Ltd. (Provider of securities related financing services)	63,000	357,586
Kyorin Pharmaceutical Co., Ltd. (Retailer of prescription medicines)	37,000	1,537,517
Shinko Securities Co., Ltd. (Provider of financial services)	856,000	3,840,015
Toys "R" Us-Japan (Operator of retail toy stores throughout Japan)	1,000	169,996
Uni-Charm Co. (Manufacturer of sanitary napkins, diapers and body care goods)	29,700	1,800,765
		<u>11,858,167</u>
Luxembourg 1.3%		
Carrier 1 International S.A.* (Provider of voice, Internet and related telecommunications services)	2,174	122,282
Millicom International Cellular S.A.* (Developer and operator of cellular telephone networks)	32,900	1,151,500
Thiel Logistik AG* (Producer of decision support software)	5,029	468,892
		<u>1,742,674</u>
Netherlands 1.1%		
Versatel Telecom International NV* (Telecommunication services)	34,830	1,461,028
Norway 0.2%		
Stepstone ASA* (Provider of job listings on the Internet)	85,500	281,571
Portugal 0.8%		
Jeronimo Martins SGPS, S.A. (Food producer and retailer)	30,140	495,948
PT Multimedia Servicos* (Provider of cable television, Internet and e-commerce services)	11,800	584,975
		<u>1,080,923</u>
Spain 0.4%		
Promotora de Informaciones, S.A.* (Prisa) (Media company)	9,134	211,602
Sogetel S.A.* (Provider of cable television)	6,240	221,418
Telefonica Publicidad e Informacion, S.A. (Publisher of telephone directories)	18,607	175,439
		<u>608,459</u>
Sweden 1.4%		
Au System AB* (Delivers consulting services and solutions for the development of advanced Internet and wireless technologies, applications and related services)	28,600	162,690
Enlight Interactive AB "B"* (Developer of educational software)	26,900	321,340
Framtidsfabriken AB* (Internet consulting company)	14,700	203,197
Modern Times Group MTG AB* (Group of media companies)	14,700	702,409
SwitchCore AB* (Designer and developer of high-speed switches for the network market)	14,300	149,674
Telelogic AB* (Developer of software for the telecommunications industry)	63,200	467,362
		<u>2,006,672</u>

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)
Switzerland 0.3%		
Fantastic Corp.* (Provider of multimedia related software solutions)	42,330	407,588
Taiwan 0.4%		
GigaMedia Ltd.* (Provider of broadband Internet access services and content)	42,900	520,163
United Kingdom 9.2%		
Guardian IT plc (Provider of business continuity and disaster recovery services)	13,905	288,516
Matalan plc* (Clothing retailer)	257,238	2,029,599
Misys plc* (Provider of computer, support and data services)	120,729	1,022,157
NDS Group plc* (ADR) (Provider of open solutions that enable data to be transferred digitally)	11,600	707,600
NSB Retail Systems plc* (Provider of decision support software)	72,500	275,011
PizzaExpress plc (Operator of pizza restaurants)	65,564	627,721
RM plc* (Information technology solutions to educational markets)	106,450	1,085,392
Serco Group plc (Facilities management company)	748,784	5,851,073
Shire Pharmaceuticals Group plc* (Pharmaceutical company)	24,634	429,838
Taylor Nelson Sofres plc* (Market research company)	114,210	459,221
		<u>12,776,128</u>
United States 45.5%		
Adelphia Business Solutions, Inc.* (Provider of communication services)	48,200	1,117,638
Alexion Pharmaceuticals, Inc.* (Developer of immunoregulatory compounds)	15,600	1,115,400
Alkermes, Inc.* (Neuropharmaceutical company developing products to aid treatment of central nervous system)	58,400	2,752,100
Alpharma Inc. (Manufacturer and marketer of human pharmaceutical and animal health products)	39,300	2,446,425
Anadarko Petroleum Corp. (Explorer and producer of crude oil and natural gas)	42,600	2,100,713
AnswerThink Consulting Group, Inc.* (Provider of consulting and technology-enabled solutions focused on the Internet and Web-enabled commerce)	45,300	753,113
Barrett Resources Corp.* (Explorer and producer of oil and gas)	33,000	1,004,438
Biomet, Inc.* (Manufacturer of surgical implant devices)	59,700	2,294,719
CTS Corp. (Manufacturer of electronic and electromechanical components)	9,300	418,500
Citadel Communications Corp.* (Radio broadcaster)	12,500	436,719
Concord EFS, Inc.* (Provider of electronic transaction authorization, processing, settlement and transfer services)	80,050	2,081,300
Cumulus Media, Inc. "A"* (Radio broadcasting company)	31,400	286,525
Diamond Offshore Drilling, Inc. (Offshore oil and gas well drilling)	40,300	1,415,538
Elcor Corp. (Manufacturer of roofing and other industrial products)	44,400	1,021,200
Fiserv Inc.* (Provider of data processing services)	62,000	2,681,500
H & R Block, Inc. (Tax consulting and preparation)	29,300	948,588
Hain Celestial Group Inc.* (Distributes and sells natural, organic and specialty food products)	22,100	810,794
ISS Group, Inc.* (Provider of network security monitoring, detection, and response software)	26,300	2,596,714
ITXC Corp.* (Provider of Internet-based voice and fax services)	24,100	853,291
Invitrogen Corp.* (Developer of research kits)	14,500	1,090,445
Legg Mason, Inc. (Provider of various financial services)	64,500	3,224,995
MIH Ltd.* (Provider of pay-TV services)	21,400	642,669
Maxim Pharmaceuticals, Inc.* (Pharmaceutical company)	17,400	893,925
Mercator Software Inc.* (Provider of e-business software)	60,100	4,131,875
Nabors Industries, Inc.* (Land drilling contractor)	80,700	3,354,094
OpenTV Corp.* (Developer of interactive television software)	3,900	175,013
Polycom, Inc.* (Manufacturer of audio and data conferencing products)	8,400	790,388
PurchasePro.com, Inc. (Provider of Internet business-to-business electronic commerce services)	28,400	1,164,400
Rational Software Corp.* (Software products and services for development of software applications)	23,500	2,184,031
S & P Mid-Cap 400 Depository Receipts (Security that represents ownership in the Mid-Cap SPDR Trust)	15,900	1,411,125
St. Jude Medical, Inc. (Manufacturer of heart valves)	66,800	3,064,450
Symbol Technologies, Inc. (Manufacturer of bar code laser scanners)	127,663	6,893,774

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)
Tiffany & Co. (Retailer of jewelry and gift items)	30,600	2,065,500
USinternetworking, Inc.* (Developer of management software used on the Internet)	35,000	715,313
VIA NET.WORKS, Inc.* (Provider of Internet access to businesses)	2,700	41,681
Vitesse Semiconductor Corp.* (Manufacturer of digital integrated circuits)	12,800	941,600
WatchGuard Technologies, Inc.* (Provider of Internet security products)	13,600	747,150
Waters Corp.* (Provider of high-performance liquid chromatography products and services)	20,600	2,571,138
		<u>63,238,781</u>
Total Common Stocks (Cost \$118,243,385)		134,634,137
Total Investment Portfolio — 100.0% (Cost \$122,613,385) (a)		139,004,137

* Non-income producing security.

** Repurchase agreements are fully collateralized by U.S. Treasury or Government agency securities.

(a) At June 30, 2000, the net unrealized appreciation on investments based on cost for federal income tax purposes of \$122,615,273 was as follows:

Aggregate gross unrealized appreciation for all investments in which there is an excess of value over tax cost	\$ 25,574,783
Aggregate gross unrealized depreciation for all investments in which there is an excess of tax cost over value	9,185,919
Net unrealized appreciation	<u>\$ 16,388,864</u>

Purchases and sales of investment securities (excluding short-term investments), for the six months ended June 30, 2000, aggregated \$115,534,230 and \$48,036,783, respectively.

The accompanying notes are an integral part of the financial statements.

Financial Statements

Global Discovery Portfolio

Statement of Assets and Liabilities as of June 30, 2000 (Unaudited)

Assets

Investments in securities, at value (cost \$122,613,385)	\$ 139,004,137
Cash	21,515,781
Foreign currency, at value (cost \$65,183)	65,183
Receivable for investments sold	3,505,549
Dividends receivable	90,313
Interest receivable	793
Receivable for Portfolio shares sold	1,236,906
Foreign taxes recoverable	22,496
Other assets	61,489
Total assets	165,502,647

Liabilities

Payable for investments purchased	13,977,373
Accrued management fee	113,063
Accrued accounting fee	116,179
Other accrued expenses and payables	20,711
Total liabilities	14,227,326

Net assets, at value \$ 151,275,321

Net Assets

Net assets consist of:	
Accumulated net investment loss	\$ (267,256)
Net unrealized appreciation (depreciation) on:	
Investments	16,390,752
Foreign currency related transactions	(10,465)
Accumulated net realized gain (loss)	5,652,558
Paid-in capital	129,509,732
Net assets, at value	\$ 151,275,321

Class A

Net Asset Value, offering and redemption price per share (\$141,424,909 / 11,075,381 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized) \$ 12.77

Class B

Net Asset Value, offering and redemption price per share (\$9,850,412 / 774,870 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized) \$ 12.71

The accompanying notes are an integral part of the financial statements.

Statement of Operations for the six months ended June 30, 2000 (Unaudited)

Investment Income

Dividends (net of foreign taxes withheld of \$15,148)	\$ 269,252
Interest	326,803
Total Income	<u>596,055</u>
Expenses:	
Management fee	570,898
Custodian fees	134,787
Accounting fees	91,341
Distribution fees (Class B)	10,611
Auditing	10,937
Legal	1,083
Trustees' fees and expenses	8,208
Reports to shareholders	2,030
Other	7,375
Total expenses, before expense reductions	<u>837,270</u>
Expense reductions	<u>(33,773)</u>
Total expenses, after expense reductions	803,497
Net investment income (loss)	(207,442)

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	7,119,538
Foreign currency related transactions	<u>(37,377)</u>
	<u>7,082,161</u>
Net unrealized appreciation (depreciation) during the period on:	
Investments	(8,242,873)
Foreign currency related transactions	<u>(10,296)</u>
	<u>(8,253,169)</u>
Net gain (loss) on investment transactions	(1,171,008)
Net increase (decrease) in net assets resulting from operations	\$ (1,378,450)

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2000 (Unaudited)	Year Ended December 31, 1999
Operations:		
Net investment income (loss)	\$ (207,442)	\$ (267,553)
Net realized gain (loss) on investment transactions	7,082,161	6,427,361
Net unrealized appreciation (depreciation) on investment transactions during the period	(8,253,169)	18,887,330
Net increase (decrease) in net assets resulting from operations	(1,378,450)	25,047,138
Distributions to shareholders from:		
Net investment income:		
Class A	(986,284)	—
Class B	(49,881)	—
Net realized gains:		
Class A	(5,917,706)	(336,073)
Class B	(438,954)	(38,072)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	115,129,668	47,977,272
Reinvestment of distributions	6,903,991	336,073
Cost of shares redeemed	(42,868,986)	(25,592,178)
Net increase (decrease) in net assets from Class A share transactions	79,164,673	22,721,167
Class B		
Proceeds from shares sold	4,600,330	2,115,662
Reinvestment of distributions	488,835	38,073
Cost of shares redeemed	(1,433,197)	(1,824,969)
Net increase (decrease) in net assets from Class B share transactions	3,655,968	328,766
Increase (decrease) in net assets	74,049,366	47,722,926
Net assets at beginning of period	77,225,955	29,503,029
Net assets at end of period (including accumulated net investment loss of \$267,256 and undistributed net investment income of \$976,351, respectively)	\$ 151,275,321	\$ 77,225,955
Other Information		
Class A		
Shares outstanding at beginning of period	5,348,352	3,172,540
Shares sold	8,335,966	4,926,169
Shares issued to shareholders in reinvestment of distributions	559,481	40,056
Shares redeemed	(3,168,418)	(2,790,413)
Net increase (decrease) in Portfolio shares	5,727,029	2,175,812
Shares outstanding at end of period	11,075,381	5,348,352
Class B		
Shares outstanding at beginning of period	512,155	500,409
Shares sold	326,280	217,938
Shares issued to shareholders in reinvestment of distributions	39,775	4,560
Shares redeemed	(103,340)	(210,752)
Net increase (decrease) in Portfolio shares	262,715	11,746
Shares outstanding at end of period	774,870	512,155

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Global Discovery Portfolio

The following table includes selected data for a share outstanding throughout each period (a) and other performance information derived from the financial statements.

Class A (b)

Years Ended December 31,	2000(g)	1999	1998	1997	1996(c)
Net asset value, beginning of period	\$13.18	\$ 8.04	\$ 7.08	\$ 6.33	\$ 6.00(d)
<i>Income (loss) from investment operations:</i>					
Net investment income (loss)	(.02)	(.06)	(.03)	(.03)	(.01)
Net realized and unrealized gain (loss) on investment transactions	.38	5.30	1.18	.81	.34
Total from investment operations	.36	5.24	1.15	.78	.33
<i>Less distributions from:</i>					
Net investment income	(.11)	—	(.12)	(.02)	—
Net realized gains on investment transactions	(.66)	(.10)	(.07)	(.01)	—
Total distributions	(.77)	(.10)	(.19)	(.03)	—
Net asset value, end of period	\$12.77	\$13.18	\$ 8.04	\$ 7.08	\$ 6.33
Total Return (%)	2.93(e)**	65.88	16.44(e)	12.38(e)	5.50(e)**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	141	71	25	18	17
Ratio of expenses before expense reductions (%)	1.42*	1.63	1.72	1.50	1.50*
Ratio of expenses after expense reductions (%)	1.36*	1.63	1.79	1.79	2.32*
Ratio of net investment income (loss) (%)	(.34)*	(.66)	(.40)	(.44)	(.13)*
Portfolio turnover rate (%)	93*	70	54	83	50*

Class B

Years Ended December 31,	2000(g)	1999	1998	1997(f)
Net asset value, beginning of period	\$13.11	\$ 8.01	\$ 7.07	\$ 6.20
<i>Income (loss) from investment operations:</i>				
Net investment income (loss)	(.04)	(.08)	(.05)	(.04)
Net realized and unrealized gain (loss) on investment transactions	.38	5.28	1.18	.91
Total from investment operations	.34	5.20	1.13	.87
<i>Less distributions from:</i>				
Net investment income	(.08)	—	(.12)	—
Net realized gains on investment transactions	(.66)	(.10)	(.07)	—
Total distributions	(.74)	(.10)	(.19)	—
Net asset value, end of period	\$12.71	\$13.11	\$ 8.01	\$ 7.07
Total Return (%)	2.83(e)**	65.63	16.18(e)	14.03(e)**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	10	7	4	2
Ratio of expenses before expense reductions (%)	1.67*	1.88	1.98	1.75*
Ratio of expenses after expense reductions(%)	1.61*	1.88	2.04	2.00*
Ratio of net investment income (loss) (%)	(.59)*	(.91)	(.69)	(.89)*
Portfolio turnover rate (%)	93*	70	54	83

(a) Based on monthly average shares outstanding during the period.

(b) On May 2, 1997 existing shares were redesignated as Class A shares.

(c) For the period May 1, 1996 (commencement of operations) to December 31, 1996.

(d) Original capital.

(e) Total returns would have been lower had certain expenses not been reduced.

(f) For the period May 2, 1997 (commencement of sale of Class B shares) to December 31, 1997.

(g) For the six months ended June 30, 2000 (Unaudited).

* Annualized

** Not annualized

International Portfolio

Dear Shareholders,

The broad correction in global equity markets that began toward the end of the first quarter continued into the second, with high-growth “new economy” sectors such as technology, media, and telecommunications (“TMT”) suffering a particularly sharp sell-off. Worries about interest rate hikes in the U.S., Europe, and even Japan combined with uncertain growth prospects in these markets to lead to a more cautious investment environment worldwide. This dynamic generally helped the performance of a number of traditionally defensive sectors such as pharmaceuticals, food producers, and utilities.

Over the six-month period ended June 30, 2000, Class A Shares of the International Portfolio returned -10.89%, which trailed the -2.97% return of its unmanaged benchmark, the MSCI EAFE & Canada Index. The portfolio’s underperformance is largely attributable to the declines in our holdings within the TMT group. The unexpectedly high price paid in the U.K. for the next generation telecommunications licensing had a significant impact on most European telecom operators. Portfolio holdings that were affected by this development include Vodafone AirTouch (U.K.), KPN (Netherlands), and Deutsche Telekom (Germany). On the plus side, our positions in pharmaceuticals, commodities producers, and financials helped performance. Despite its underperformance in the first half of 2000, the portfolio continues to rank well against its peers over the long term. According to Lipper Analytical Services, the portfolio has finished in the top 30% of international variable life funds over the three- and five-year periods.¹

We continued to reduce exposure to areas where valuations had become less fundamentally grounded, a process we started early in the first quarter. While our sales were concentrated in the TMT area, this action does not reflect a view that the strong global wave of technology innovation is about to end. We continue to commit funds to this area, but are placing greater emphasis on blue chip companies with strong market positions and sustainable cash flows, where we feel growth prospects are still undervalued. We also reduced our exposure to the more economically sensitive areas of our portfolio, as it became clearer that the central banks in the U.S., and to a lesser extent Europe, are committed to slowing economic growth. Funds from these sales were largely redeployed into the European financial sector, in both insurance and banking stocks.

The portfolio remains a blend of growth and value stocks as we enter the third quarter. We are focused on beneficiaries of the new economy growth sectors, as well as those we expect to survive as winners in the restructuring and adaptation of the old economy. While the combination of steady growth and the impact of restructuring and reform should provide a firm foundation for equities over the second half of the year, risks remain. Most notably, a pick-up in inflation on a global basis could result in continued higher interest rates and a “hard landing” for the global economy. As a result, we expect market volatility to remain a factor in the second half of the year.

Sincerely,

Your Portfolio Management Team



Irene T. Cheng
Lead Portfolio Manager



Carol L. Franklin
Portfolio Manager



Nicholas Bratt
Portfolio Manager



Marc J. Slendebroek
Portfolio Manager

The portfolio is well diversified among both “new economy” and “old economy” companies.

¹ Source: Lipper Analytical Services, Inc., an independent analyst of investment performance. Performance includes reinvestment of dividends and capital gains. For the period ended June 30, 2000, Scudder Variable Life Investment Fund: International Portfolio’s Lipper ranking was 60 out of 129 funds for the one-year period, 24 out of 94 funds for the three-year period, 18 out of 61 for the five-year period, and 5 out of 8 for the ten-year period. Past performance is no guarantee of future results.

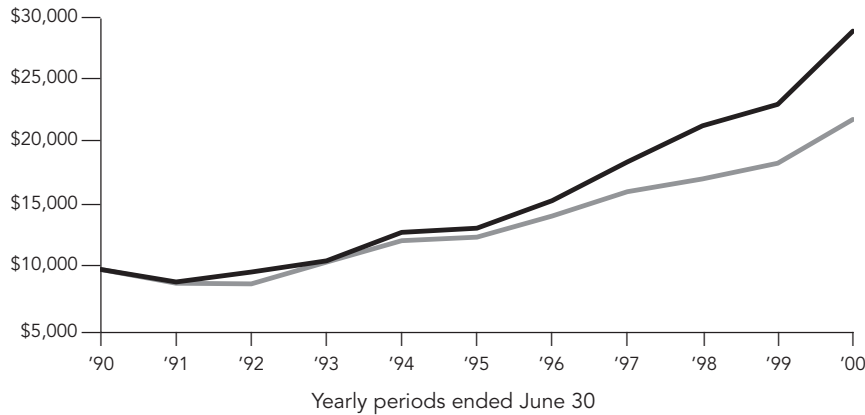
Performance Update

June 30, 2000

International Portfolio

Growth of a \$10,000 Investment

— International Portfolio — Class A*
— MSCI EAFE & Canada Index



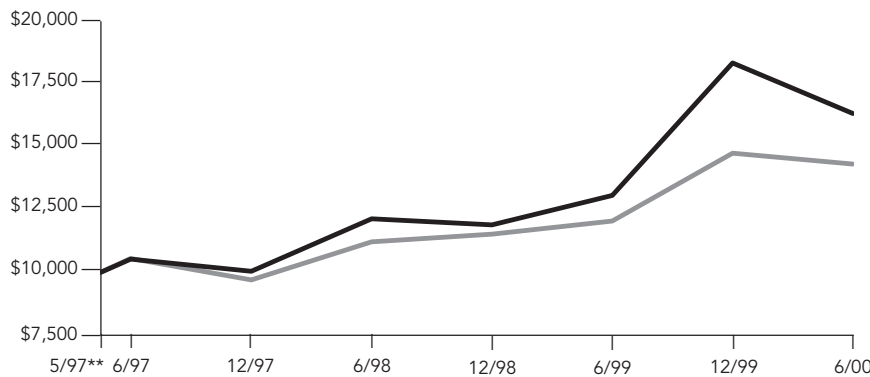
The Morgan Stanley Capital International (MSCI) Europe, Australia, the Far East (EAFE) & Canada Index is an unmanaged capitalization-weighted measure of stock markets in Europe, Australia, the Far East and Canada. Index returns assume reinvestment of dividends net of withholding tax and, unlike Portfolio returns, do not reflect any fees or expenses.

International Portfolio — Class A*				MSCI EAFE & Canada Index			
Period Ended 6/30/2000	Growth of \$10,000	Total Return		Period Ended 6/30/2000	Growth of \$10,000	Total Return	
		Cumulative	Average Annual			Cumulative	Average Annual
1 Year	\$ 12,518	25.18%	25.18%	1 Year	\$ 11,877	18.77%	18.77%
5 Year	\$ 21,768	117.68%	16.83%	5 Year	\$ 17,438	74.38%	11.75%
10 Year*	\$ 28,890	188.90%	11.19%	10 Year*	\$ 21,882	118.82%	8.14%

* On May 8, 1997, existing shares were redesignated as Class A shares.

Growth of a \$10,000 Investment

— International Portfolio — Class B
— MSCI EAFE & Canada Index



The Morgan Stanley Capital International (MSCI) Europe, Australia, the Far East (EAFE) & Canada Index is an unmanaged capitalization-weighted measure of stock markets in Europe, Australia, the Far East and Canada. Index returns assume reinvestment of dividends net of withholding tax and, unlike Portfolio returns, do not reflect any fees or expenses.

International Portfolio — Class B				MSCI EAFE & Canada Index			
Period Ended 6/30/2000	Growth of \$10,000	Total Return		Period Ended 6/30/2000	Growth of \$10,000	Total Return	
		Cumulative	Average Annual			Cumulative	Average Annual
1 Year	\$ 12,492	24.92%	24.92%	1 Year	\$ 11,877	18.77%	18.77%
Life of Portfolio**	\$ 16,613	66.13%	17.50%	Life of Portfolio**	\$ 14,277	42.77%	12.23%

** The Portfolio commenced selling Class B shares on May 8, 1997. Index comparisons begin May 31, 1997.

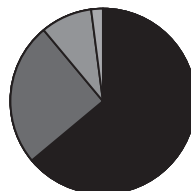
All performance is historical, assumes reinvestment of all dividends and capital gains, and is not indicative of future results. Investment return and principal value will fluctuate, so an investor's shares, when redeemed, may be worth more or less than when purchased.

International Portfolio

Diversification

By Region (Excluding 3% Cash Equivalents)

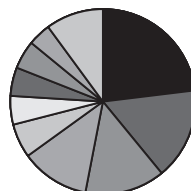
■ Europe	64%
■ Japan	25%
■ Pacific Basin	9%
■ U.S. & Canada	2%
	100%



Over the past six months, management has boosted the portfolio's weighting in Europe, while trimming its holdings in Japan. The portfolio's holdings in financials have also increased significantly, up from 15% of net assets on December 31, 1999.

By Sector (Excluding 3% Cash Equivalents)

■ Financial	23%
■ Technology	16%
■ Communications	14%
■ Manufacturing	12%
■ Energy	6%
■ Health	5%
■ Service Industries	5%
■ Consumer Staples	5%
■ Utilities	4%
■ Other	10%
	100%



Ten Largest Equity Holdings

(18% of Portfolio)

1. Total Fina ELF S.A.
Explorer, developer, producer, transporter and marketer of oil and natural gas
2. Vodafone AirTouch plc
Provider of mobile telecommunication services
3. VEBA AG
Electric utility, distributor of oil and chemicals
4. Aventis S.A.
Manufacturer of life science products
5. STMicroelectronics N.V.
Manufacturer of semiconductor integrated circuits
6. Alcatel
Manufacturer of telecommunications equipment
7. SK Telecom Co., Ltd.
Provider of mobile telecommunications services
8. Samsung Electronics Co.
Electronics manufacturer
9. BP Amoco plc
Integrated world oil company
10. Siemens AG
Electrical engineering and electronics company

International Portfolio

	Principal Amount (\$)	Value (\$)
Repurchase Agreements 3.2%		
Donaldson, Lufkin & Jenrette, 6.53%, to be repurchased at \$26,619,478 on 7/3/2000** (Cost \$26,605,000)	26,605,000	26,605,000
Bonds 0.0%		
United Kingdom		
British Aerospace plc, 7.45%, 11/30/2003 (Producer of military aircraft) (Cost \$0)	82,371	121,232
Participating Loan Note 0.3%		
Luxembourg		
Eurotunnel Finance Ltd., Step-up Coupon, 1.0% to 12/31/2005, 1% plus 26.45% of net available cash flow to 4/30/2040 (Cost \$2,218,612)	1,700	2,058,282
	Shares	
Common Stocks 96.5%		
Australia 1.5%		
Broken Hill Proprietary Co., Ltd. (Petroleum, mineral and steel exploration and production)	523,200	6,173,571
WMC Ltd. (Mineral exploration and production)	903,983	4,036,053
Woodside Petroleum, Ltd. (Producer of oil and gas)	298,500	2,318,405
		<u>12,528,029</u>
Canada 1.7%		
Canadian National Railway Co. (Railroad operator)	247,300	7,198,372
Nortel Networks Corp. (Provider of telephony, data, wireless products)	98,600	6,838,806
		<u>14,037,178</u>
Finland 1.5%		
Nokia Oyj (International telecommunications company)	242,400	12,351,866
France 18.4%		
AXA S.A. (Insurance group providing insurance, finance and real estate services)	49,441	7,777,203
Alcatel (Manufacturer of telecommunications equipment)	210,820	13,807,683
Aventis S.A. (Manufacturer of life science products)	226,754	16,526,645
BNP Paribas (Bank)	100,437	9,651,760
Bouygues S.A.* (Conglomerate: public works, real estate and industrial development, engineering services, television and motion pictures)	8,882	5,927,357
Christian Dior S.A. (Fashion house)	31,001	7,019,264
Credit Lyonnais S.A. (Provider of diversified banking services)	157,366	7,471,237
Dassault Systemes S.A. (Computer aided design, manufacturing and engineering software)	32,787	3,053,856
Etablissements Economiques du Casino Guichard-Perrachon S.A. (Operator of supermarkets and convenience stores)	68,800	4,220,746
Eurotunnel S.A.* (Designer, financier and constructor of a tunnel that runs under the English Channel and connects England to France)	3,989,287	3,613,026
Lafarge S.A. (Warrant) (expires 3/20/2001)* (Producer of building materials)	1	3
Lagardere S.C.A. (Holding company with interests in publishing, defense, audiovisual production and services, telecommunications and media)	46,214	3,524,648
Pinault-Printemps-Redoute S.A. (Operator of department stores)	38,810	8,609,784
Rhodia S.A. (Drug manufacturer and chemicals specialist)	361,871	6,071,817
STMicroelectronics N.V. (Manufacturer of semiconductor integrated circuits)	233,067	14,664,828
Schneider Electric S.A. (Manufacturer of electronic components and automated manufacturing systems)	56,331	3,920,330

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)
Societe BIC S.A. (Manufacturer of office supplies)	105,719	5,170,382
Suez Lyonnaise des Eaux S.A. (Water and electric utility)	62,606	10,952,273
Total Fina ELF S.A. "B" (Explorer, developer, producer, transporter and marketer of oil and natural gas)	127,484	19,518,816
		<u>151,501,658</u>
Germany 11.1%		
Allianz AG (Multi-line insurance company)	24,936	9,021,751
Bayer AG (Chemical producer)	176,105	6,849,898
Celanese AG (Manufacturer and distributor of industrial chemicals)	15,526	300,475
Commerzbank AG (Provider of banking services)	85,400	3,020,536
Deutsche Telekom AG (Telecommunication services)	58,613	3,324,782
Dresdner Bank AG (Provider of banking services)	102,553	4,243,169
Ergo Versicherungs Gruppe AG (Insurance provider)	34,247	3,875,480
Epcos AG* (Producer of electronic components and integrated circuits)	81,944	8,241,796
Heidelberger Druckmaschinen AG (Manufacturer of commercial printing presses)	20,125	1,218,321
HypoVereinsbank AG (Bank)	131,569	8,541,870
Muenchener Rueckversicherungs-Gesellschaft AG (Registered) (Insurance company)	28,191	8,895,917
SAP AG (Manufacturer of computer software)	21,708	4,014,891
Siemens AG (Electrical engineering and electronics company)	82,699	12,417,468
VEBA AG (Electric utility, distributor of oil and chemicals)	349,075	17,105,435
		<u>91,071,789</u>
Hong Kong 1.4%		
China Mobile Ltd.* (Provider of cellular telecommunication services)	584,000	5,150,341
Hutchison Whampoa Ltd. (Diversified investment holding company)	290,400	3,650,675
Legend Holdings Ltd. (Manufacturer of computers and related products)	1,616,000	1,565,088
Li & Fung Ltd. (Exporter of consumer products)	220,000	1,100,621
		<u>11,466,725</u>
Italy 6.0%		
Alleanza Assicurazioni SpA (Life insurance company)	232,200	3,088,081
Assicurazioni Generali (Multi-line insurance and financial services company)	270,200	9,247,664
Banco Intesa SpA (Bank)	1,585,471	7,088,974
Holding di Partecipazioni Industriali SpA* (Holding company)	1,561,300	2,083,851
Mediobanca SpA (Provider of loans and credit to manufacturing and service firms)	869,500	8,952,526
Riunione Adriatica di Sicurtà SpA (Insurance company)	307,700	3,373,476
San Paolo – IMI SpA* (Personal, investment and commercial banking)	390,500	6,920,742
Seat Pagine Gialle SpA (Publisher of telecommunications directories)	2,445,800	8,440,764
		<u>49,196,078</u>
Japan 24.3%		
Advantest Corp. (Producer of measuring instruments and semiconductor testing devices)	19,900	4,444,775
Benesse Corp. (Provider of educational services)	24,800	1,721,490
Chugai Pharmaceutical Co., Ltd. (Pharmaceutical company)	399,000	7,555,319
DDI Corp. (Provider of telecommunication services)	327	3,150,021
Daiwa Securities Group, Inc. (Provider of brokerage and other financial services)	399,000	5,275,535
East Japan Railway Co. (Railroad operator)	1,345	7,824,715
Fuji Bank, Ltd. (Provider of commercial banking services)	886,000	6,744,260
Fujisawa Pharmaceutical Co. (Manufacturer and marketer of antibiotics)	52,000	2,106,814
Fujitsu, Ltd. (Manufacturer of computers)	329,000	11,403,220
Kyocera Corp. (Manufacturer of ceramic packaging)	54,000	9,174,671
Matsushita Electric Industrial Co., Ltd. (Manufacturer of consumer electronic products)	355,000	9,219,908
Mitsubishi Estate Co., Ltd. (Real estate company)	417,000	4,914,917
Mitsui Fudosan Co., Ltd. (Real estate company)	485,000	5,267,507
Murata Manufacturing Co., Ltd. (Manufacturer of ceramic applied electronic computers)	55,000	7,905,747
NEC Corp. (Manufacturer of telecommunication and computer equipment)	347,000	10,912,877
NTT Mobile Communications Network, Inc. (Provider of various telecommunication services and equipment)	320	8,673,561

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)
Nikko Securities Co., Ltd. (Securities broker and dealer)	503,000	4,987,959
Nintendo Co., Ltd. (Manufacturer of game equipment)	40,800	7,136,195
Nippon Telegraph & Telephone Corp.* (Provider of telecommunication services)	428	5,699,391
Nissan Motor Co., Ltd.* (Manufacturer of motor vehicles)	823,000	4,857,865
Nomura Securities Co., Ltd. (Financial advisor, securities broker and underwriter)	395,000	9,680,550
Ricoh Co., Ltd. (Manufacturer of copiers and information equipment)	245,000	5,194,551
Sakura Bank, Ltd. (Provider of banking services)	1,141,000	7,898,692
Sankyo Co., Ltd. (Leading ethical drug producer)	310,000	7,011,852
Sanyo Electric Co., Ltd. (Manufacturer of consumer electronics)	474,000	4,270,633
Softbank Corp. (Provider of electronic commerce, software and peripheral hardware equipment)	13,600	1,849,554
Sony Corp. (Manufacturer of consumer and industrial electronic equipment)	59,400	5,553,761
Sony Corp. (ADR) (Manufacturer of consumer electronics)	18,600	1,754,213
Sumitomo Electric Industries, Ltd. (Manufacturer of electric wires and cables)	349,000	5,992,180
Tokyo Electron Ltd. (Manufacturer of semiconductor production equipment)	29,000	3,976,767
Toshiba Corp. (Manufacturer of electric machinery)	857,000	9,688,143
Yamanouchi Pharmaceutical Co., Ltd. (Manufacturer and marketer of a wide variety of pharmaceuticals)	143,000	7,819,521
		<u>199,667,164</u>
Korea 3.1%		
SK Telecom Co., Ltd. (Provider of mobile telecommunications services)	39,900	13,061,142
Samsung Electronics Co. (Electronics manufacturer)	38,660	12,793,919
		<u>25,855,061</u>
Netherlands 4.4%		
ABN AMRO Holding N.V. (Diversified financial services)	339,800	8,312,512
Akzo Nobel N.V. (Producer and marketer of healthcare products, coatings, chemicals and fibers)	90,320	3,831,741
ASM Lithography Holding N.V.* (Developer, manufacturer and marketer of photolithography projections systems)	115,230	4,945,649
Gucci Group N.V. (New York Shares) (Designer and producer of personal luxury accessories and apparel)	66,700	6,319,825
Koninklijke Kpn NV (Provider of telecommunications services)	162,200	7,244,571
Laurus NV (International food retailer)	136,520	1,633,399
VNU NV (International publishing company)	75,320	3,884,721
		<u>36,172,418</u>
Singapore 0.4%		
Chartered Semiconductor Manufacturing Ltd. (ADR)* (Provider of wafer fabrication services to semiconductor suppliers)	36,100	3,249,000
Spain 0.9%		
Telefonica S.A.* (Provider of telecommunication services)	366,007	7,850,985
Sweden 1.4%		
Telefonaktiebolaget LM Ericsson AB (Producer of advanced systems and products for wired and mobile communications.)	598,000	11,871,896
Switzerland 3.2%		
Nestle S.A.* (Registered) (Food manufacturer)	5,314	10,623,445
Roche Holding AG* (Developer and manufacturer of pharmaceutical and chemical products)	507	4,929,684
Swiss Re (Registered) (Life, accident and health insurance company)	1,939	3,947,572
UBS AG (Registered) (Provider of banking and asset management services)	45,145	6,606,451
		<u>26,107,152</u>
Taiwan 2.2%		
Far Eastern Textile Ltd. (Manufacturer of natural and synthetic textile products)	1,907,560	2,371,645
GigaMedia Ltd.* (Provider of broadband Internet access services and content)	65,200	790,550
Hon Hai Precision Industry Co., Ltd.* (Manufacturer of electronic products)	339,200	3,069,084
Taiwan Semiconductor Manufacturing Co.* (Manufacturer of integrated circuits)	1,088,857	5,174,064

The accompanying notes are an integral part of the financial statements.

	Shares	Value (\$)
United Microelectronics Corp., Ltd.* (Manufacturer of integrated circuits)	2,349,600	6,538,350
		<u>17,943,693</u>
United Kingdom 15.0%		
ARM Holdings PLC* (Designer of RISC microprocessors and related technology)	206,955	2,223,213
BOC Group PLC (Divisified chemical company)	370,246	5,336,859
BP Amoco PLC (Integrated world oil company)	1,304,901	12,552,741
Billiton PLC (Resource group that explores, produces and markets aluminum and other metal products)	672,262	2,743,865
British Aerospace PLC (Producer of military aircraft)	1,004,588	6,279,961
British Airways PLC (Provider of passenger and cargo airline services)	681,890	3,931,604
Cable & Wireless PLC (International telecommunication services in the United Kingdom and Hong Kong)	396,882	6,738,500
Glaxo Wellcome PLC (Pharmaceutical company)	141,951	4,150,419
Lasmo PLC (Oil production and exploration)	5	11
Prudential Corp. PLC (Provider of a broad range of financial services)	467,357	6,864,294
Reed International PLC (Publisher of scientific, professional and business-to-business materials)	1,093,783	9,542,689
Rentokil Initial PLC (Environmental services company)	856,406	1,949,139
Reuters Group PLC (International news and information agency)	610,913	10,446,602
Rio Tinto PLC (Mining company)	652,558	10,693,371
Shell Transport & Trading PLC (Petroleum company)	1,386,834	11,604,909
SmithKline Beecham PLC (Manufacturer of ethical drugs and health care products)	314,266	4,124,633
Standard Chartered PLC (International banking group)	424,769	5,304,255
Vodafone AirTouch PLC (Provider of mobile telecommunication services)	4,694,178	19,017,025
		<u>123,504,090</u>
Total Common Stocks (Cost \$680,460,452)		794,374,782
Total Investment Portfolio — 100.0% (Cost \$709,284,064) (a)		823,159,296

* Non-income producing security.

** Repurchase agreements are fully collateralized by US Treasury or Government agency securities.

(a) At June 30, 2000, the net unrealized appreciation on investments based on cost for federal income tax purposes of \$709,378,018 was as follows:

Aggregate gross unrealized appreciation for all investments in which there is an excess of value over tax cost	\$ 154,961,749
Aggregate gross unrealized depreciation for all investments in which there is an excess of tax cost over value	41,180,471
Net unrealized appreciation	<u>\$ 113,781,278</u>

Purchases and sales of investment securities (excluding short-term investments), for the six months ended June 30, 2000, aggregated \$440,587,028 and \$377,874,093, respectively.

The accompanying notes are an integral part of the financial statements.

Financial Statements

International Portfolio

Statement of Assets and Liabilities as of June 30, 2000 (Unaudited)

Assets

Investments in securities, at value (cost \$709,284,064)	\$ 823,159,296
Foreign currency, at value (cost \$4,414,287)	4,405,967
Receivable for investments sold	10,252,009
Dividends receivable	315,978
Interest receivable	19,318
Receivable for Portfolio shares sold	43,379,578
Foreign taxes recoverable	1,004,733
Other assets	379
Total assets	882,537,258

Liabilities

Due to custodian bank	223,733
Payable for investments purchased	15,198,694
Accrued management fee	552,728
Accrued accounting fee	101,610
Other accrued expenses and payables	163,035
Total liabilities	16,239,800

Net assets, at value \$ 866,297,458

Net Assets

Net assets consist of:	
Undistributed net investment income	3,057,986
Net unrealized appreciation (depreciation) on:	
Investments	113,875,232
Foreign currency related transactions	(43,212)
Accumulated net realized gain (loss)	108,916,202
Paid-in capital	640,491,250
Net assets, at value	\$ 866,297,458

Class A

Net Asset Value and redemption price per share (\$865,409,990 / 53,334,986 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized) \$ 16.23

Class B

Net Asset Value, offering and redemption price per share (\$887,468 / 54,860 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized) \$ 16.18

The accompanying notes are an integral part of the financial statements.

Statement of Operations for the six months ended June 30, 2000 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$312,292)	\$ 6,176,795
Interest	1,591,210
Total Income	<u>7,768,005</u>
Expenses:	
Management fee	3,474,437
Custodian fees	468,566
Accounting fees	108,747
Distribution fees (Class B)	1,024
Auditing	14,366
Legal	7,704
Trustees' fees and expenses	7,292
Reports to shareholders	8,984
Registration fees	65,441
Other	6,854
Total expenses	<u>4,163,415</u>
Net investment income (loss)	3,604,590

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	115,935,617
Foreign currency related transactions	297,680
	<u>116,233,297</u>
Net unrealized appreciation (depreciation) during the period on:	
Investments	(196,474,676)
Foreign currency related transactions	(25,766)
	<u>(196,500,442)</u>
Net gain (loss) on investment transactions	(80,267,145)
Net increase (decrease) in net assets resulting from operations	\$ (76,662,555)

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets

Increase (Decrease) in Net Assets	Six Months Ended June 30, 2000 (Unaudited)	Year Ended December 31, 1999
Operations:		
Net investment income (loss)	\$ 3,604,590	\$ 4,542,149
Net realized gain (loss) on investment transactions	116,233,297	79,382,785
Net unrealized appreciation (depreciation) on investment transactions during the period	(196,500,442)	221,137,282
Net increase (decrease) in net assets resulting from operations	(76,662,555)	305,062,216
Distributions to shareholders from:		
Net investment income:		
Class A	(4,323,565)	(722,598)
Class B	(1,773)	—
Net realized gains:		
Class A	(87,912,485)	(53,833,552)
Class B	(81,114)	(42,651)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	2,189,354,062	2,032,640,835
Reinvestment of distributions	92,236,050	54,556,150
Cost of shares redeemed	(2,121,675,119)	(1,971,986,035)
Net increase (decrease) in net assets from Class A share transactions	159,914,993	115,210,950
Class B		
Proceeds from shares sold	375,314	116,161
Reinvestment of distributions	82,887	42,651
Cost of shares redeemed	(85,922)	(33,017)
Net increase (decrease) in net assets from Class B share transactions	372,279	125,795
Increase (decrease) in net assets	(8,694,220)	365,800,160
Net assets at beginning of period	874,991,678	509,191,518
Net assets at end of period (including undistributed net investment income of \$3,057,986 and \$3,778,734, respectively)	\$ 866,297,458	\$ 874,991,678
Other Information		
Class A		
Shares outstanding at beginning of period	42,980,529	34,950,563
Shares sold	123,603,201	130,483,172
Shares issued to shareholders in reinvestment of distributions	5,610,465	3,831,190
Shares redeemed	(118,859,209)	(126,284,396)
Net increase (decrease) in Portfolio shares	10,354,457	8,029,966
Shares outstanding at end of period	53,334,986	42,980,529
Class B		
Shares outstanding at beginning of period	33,910	25,342
Shares sold	20,333	7,601
Shares issued to shareholders in reinvestment of distributions	5,057	3,004
Shares redeemed	(4,440)	(2,037)
Net increase (decrease) in Portfolio shares	20,950	8,568
Shares outstanding at end of period	54,860	33,910

The accompanying notes are an integral part of the financial statements.

Financial Highlights

International Portfolio

The following table includes selected data for a share outstanding throughout each period (a) and other performance information derived from the financial statements.

Class A (b)

Years Ended December 31,	2000(f)	1999	1998	1997	1996	1995
Net asset value, beginning of period	\$20.34	\$14.56	\$14.11	\$13.25	\$11.82	\$10.69
<i>Income (loss) from investment operations:</i>						
Net investment income (loss)	.07	.12(e)	.13	.14	.12	.11
Net realized and unrealized gain (loss) on investment transactions	(2.26)	7.17	2.29	1.04	1.60	1.07
Total from investment operations	(2.19)	7.29	2.42	1.18	1.72	1.18
<i>Less distributions from:</i>						
Net investment income	(.09)	(.02)	(.26)	(.21)	(.29)	(.01)
Net realized gains on investment transactions	(1.83)	(1.49)	(1.71)	(.11)	—	(.04)
Total distributions	(1.92)	(1.51)	(1.97)	(.32)	(.29)	(.05)
Net asset value, end of period	\$16.23	\$20.34	\$14.56	\$14.11	\$13.25	\$11.82
Total Return (%)	(10.89)**	54.51	18.49	9.07	14.78	11.11

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	865	874	509	427	726	548
Ratio of expenses (%)	.97*	1.03	1.04	1.00	1.05	1.08
Ratio of net investment income (loss) (%)	.84*	.76	.90	.94	.95	.95
Portfolio turnover rate (%)	94*	86	71	61	33	46

Class B

Years Ended December 31,	2000(f)	1999	1998	1997(c)
Net asset value, beginning of period	\$20.24	\$14.51	\$14.08	\$13.76
<i>Income (loss) from investment operations:</i>				
Net investment income (loss)	.07	.08(e)	.10	(.00)(d)
Net realized and unrealized gain (loss) on investment transactions	(2.26)	7.14	2.29	.32
Total from investment operations	(2.19)	7.22	2.39	.32
<i>Less distributions from:</i>				
Net investment income	(.04)	—	(.25)	—
Net realized gains on investment transactions	(1.83)	(1.49)	(1.71)	—
Total distributions	(1.87)	(1.49)	(1.96)	—
Net asset value, end of period	\$16.18	\$20.24	\$14.51	\$14.08
Total Return (%)	(10.94)**	54.13	18.28	2.33**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	.89	.69	.37	.35
Ratio of expenses (%)	1.22*	1.28	1.28	1.24*
Ratio of net investment income (loss) (%)	.59*	.53	.69	(.00)(d)*
Portfolio turnover rate (%)	94*	86	71	61**

(a) Based on monthly average shares outstanding during the period.

(b) On May 8, 1997, existing shares were designated as Class A shares.

(c) For the period May 8, 1997 (commencement of sale of Class B shares) to December 31, 1997.

(d) Amount shown is less than one half of \$.005.

(e) Net investment income per share includes non-recurring dividend income amounting to \$.03 per share.

(f) For the six months ended June 30, 2000 (Unaudited).

* Annualized

** Not annualized

A. Significant Accounting Policies

Scudder Variable Life Investment Fund (the “Fund”) is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940 (the “1940 Act”), as amended, as an open-end, diversified management investment company. Its shares are divided into nine separate diversified series, called “Portfolios.” These financial statements report on five Portfolios which consist of the Growth and Income Portfolio, Capital Growth Portfolio, 21st Century Growth Portfolio (formerly Small Company Growth Portfolio), Global Discovery Portfolio and International Portfolio. The Fund is intended to be the funding vehicle for variable annuity contracts and variable life insurance policies to be offered by the separate accounts of certain life insurance companies (“Participating Insurance Companies”).

The Fund’s financial statements are prepared in accordance with accounting principles generally accepted in the United States, which require the use of management estimates. The policies described below are followed consistently by the Fund in the preparation of the financial statements for its Portfolios.

Multiple Classes of Shares of Beneficial Interest. The Fund offers two classes of shares (Class A shares and Class B shares) for each of the Portfolios. Class B shares are subject to a Rule 12b-1 fee under the 1940 Act, equal to an annual rate of up to 0.25% of the average daily net asset value of the Class B shares of the applicable Portfolio. Class A shares are not subject to such fees. In accordance with the Master Distribution Plan, the 12b-1 fees are remitted to the Participating Insurance Companies for various costs incurred or paid by the Participating Insurance Companies in connection with the distribution of Class B shares.

Investment income, realized and unrealized gains and losses, and certain fund-level expenses and expense reductions, if any, are borne pro rata on the basis of relative net assets by the holders of all classes of shares except that each class bears certain expenses unique to that class (including the applicable 12b-1 fee). Differences in class expenses may result in payment of different per share dividends by class. All shares have equal rights with respect to voting subject to class specific arrangements.

Security Valuation. Investments are stated at value determined as of the close of regular trading on the New York Stock Exchange. Securities which are traded on U.S. or foreign stock exchanges are valued at the most recent sale price reported on the exchange on which the security is traded most extensively. If no sale occurred, the security is then valued at the calculated mean between the most recent bid and asked quotations. If there are no such bid and asked quotations, the most recent bid quotation is used. Securities quoted on the Nasdaq Stock Market (“Nasdaq”), for which there have been sales, are valued at the most recent sale price reported. If there are no such sales, the value is the most recent bid quotation. Securities which are not quoted on Nasdaq but are traded in another over-the-counter market are valued at the most recent sale price, or if no sale occurred, at the calculated mean between the most recent bid and asked quotations on such market. If there are no such bid and asked quotations, the most recent bid quotation shall be used.

Portfolio debt securities purchased with an original maturity greater than sixty days are valued by pricing agents approved by the officers of the Fund, whose quotations reflect broker/dealer-supplied valuations and electronic data processing techniques. If the pricing agents are unable to provide such quotations, the most recent bid quotation supplied by a bona fide market maker shall be used. Money market instruments purchased with an original maturity of sixty days or less are valued at amortized cost.

All other securities are valued at their fair value as determined in good faith by the Valuation Committee of the Board of Trustees.

Foreign Currency Translations. The books and records of the Portfolios are maintained in U.S. dollars. Investment securities and other assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the prevailing exchange rates at period end. Purchases and sales of investment securities, income and expenses are translated into U.S. dollars at the prevailing exchange rates on the respective dates of the transactions.

Net realized and unrealized gains and losses on foreign currency transactions represent net gains and losses between trade and settlement dates on securities transactions, the disposition of forward foreign currency exchange contracts and foreign currencies, and the difference between the amount of net investment income accrued and the U.S. dollar amount actually received. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed but is included with net realized and unrealized gains and losses on investment securities.

Repurchase Agreements. Each of the Portfolios may enter into repurchase agreements with certain banks and broker/dealers whereby the Portfolio, through its custodian or sub-custodian bank, receives delivery of the underlying securities, the amount of which at the time of purchase and each subsequent business day is required to be maintained at such a level that the market value is equal to at least the principal amount of the repurchase price plus accrued interest.

Forward Foreign Currency Exchange Contracts. A forward foreign currency exchange contract (forward contract) is a commitment to purchase or sell a foreign currency at the settlement date at a negotiated rate. During the period, the International Portfolio utilized forward contracts as a hedge against changes in the exchange rates relating to foreign currency denominated assets.

Forward contracts are valued at the prevailing forward exchange rate of the underlying currencies and unrealized gain/loss is recorded daily. Sales and purchases of forward contracts having the same settlement date and broker are offset and any gain (loss) is realized on the date of offset; otherwise, gain (loss) is realized on settlement date. Realized and unrealized gains and losses which represent the difference between the value of a forward contract to buy and a forward contract to sell are included in net realized and unrealized gain (loss) from foreign currency related transactions.

Certain risks may arise upon entering into forward contracts from the potential inability of counterparties to meet the terms of their contracts. Additionally, when utilizing forward contracts to hedge, the Portfolio gives up the opportunity to profit from favorable exchange rate movements during the term of the contract.

When Issued/Delayed Delivery Securities. Each Portfolio may purchase securities with delivery or payment to occur at a later date beyond the normal settlement period. At the time a Portfolio enters into a commitment to purchase a security, the transaction is recorded and the value of the security is reflected in the net asset value. The value of the security may vary with market fluctuations. No interest accrues to the Portfolio until payment takes place. At the time the Portfolio enters into this type of transaction it is required to segregate cash or other liquid assets at least equal to the amount of the commitment.

Federal Income Taxes. Each Portfolio is treated as a single corporate taxpayer as provided for in the Internal Revenue Code of 1986, as amended. It is each Portfolio's policy to comply with the requirements of the Internal Revenue Code, which are applicable to regulated investment companies, and to distribute all of its taxable income to the separate accounts of the Participating Insurance Companies which hold its shares. Accordingly, the Portfolios paid no federal income taxes and no federal income tax provision was required.

Distribution of Income and Gains. The Portfolios will declare and distribute dividends from their net investment income, if any, in April, although an additional distribution may be made if necessary. Net realized gains from investment transactions, in excess of available capital loss carryforwards, would be taxable to each Portfolio if not distributed, and, therefore, will be distributed to shareholders at least annually.

The timing and characterization of certain income and capital gains distributions are determined annually in accordance with federal tax regulations which may differ from accounting principles generally accepted in the United States. These differences primarily relate to investments in forward contracts, passive foreign investment companies, post October loss deferral, non-taxable distributions, and certain securities sold at a loss. As a result, net investment income (loss) and net realized gain (loss) on investment transactions for a reporting period may differ significantly from distributions during such period. Accordingly, each Portfolio may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the Portfolio.

Investment Transactions and Investment Income. Investment transactions are accounted for on the trade date. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date. Certain dividends from foreign securities may be recorded subsequent to the ex-dividend date as soon as the Portfolio is informed of such dividends. Realized gains and losses from investment transactions are recorded on an identified cost basis.

Original issue discounts are accreted for both tax and financial reporting purposes.

Expenses. Each Portfolio is charged for those expenses which are directly attributable to it, such as management fees and custodian fees, while other expenses (reports to shareholders, legal and audit fees) are allocated among the Portfolios.

B. Ownership of the Portfolios

At the end of the period, the beneficial ownership in the Portfolios was as follows:

Growth and Income Portfolio: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 21%, 41% and 12%, respectively. One Participating Insurance Company was owner of record of 95% of the total outstanding Class B shares of the Portfolio.

Capital Growth Portfolio: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 16% and 56%, respectively. One Participating Insurance Company was owner of record of 100% of the total outstanding Class B shares of the Portfolio.

21st Century Growth Portfolio: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 79% and 15%, respectively. One Participating Insurance Company was owner of record of 100% of the total outstanding Class B shares of the Portfolio.

Global Discovery Portfolio: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 40%, 32% and 21%, respectively. One Participating Insurance Company was owner of record of 99% of the total outstanding Class B shares of the Portfolio.

International Portfolio: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 14%, 35% and 16%, respectively. Two Participating Insurance Company were owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 19% and 79%, respectively.

C. Related Parties

Under the Fund's Investment Management Agreement (the "Agreement") with Scudder Kemper Investments, Inc. (the "Adviser"), the Fund agrees to pay the Adviser a fee, based on average daily net assets, equal to an annual rate of .475% for the Growth and Income Portfolio, .975% for the Global Discovery Portfolio, .875% for the 21st Century Growth Portfolio, .475% for the first \$500,000,000, .450% for the next \$500,000,000, and .425% over \$1,000,000,000 for the Capital Growth Portfolio, and .875% for the first \$500,000,000, .725% over \$500,000,000 for the International Portfolio, computed and accrued daily and payable monthly. The equivalent annual effective rate for the Capital Growth Portfolio and the International Portfolio was 0.46% and 0.81%, respectively. As manager of the assets of each Portfolio, the Adviser directs the investments of the Portfolios in accordance with their respective investment objectives, policies, and restrictions. The Adviser determines the securities, instruments, and other contracts relating to investments to be purchased, sold or entered into by the Portfolios. In addition to portfolio management services, the Adviser provides certain administrative services in accordance with the Agreement.

The Trustees authorized the Fund on behalf of each Portfolio to pay Scudder Fund Accounting Corp., a subsidiary of the Adviser, for determining the daily net asset value per share and maintaining the portfolio and general accounting records of the Fund.

Related fees for such services are detailed in each Portfolio's statement of operations.

Until April 30, 2001, the Adviser has agreed to maintain the expenses for the 21st Century Growth Portfolio, excluding 12b-1 fees, to the extent necessary so that the Portfolio's expenses are maintained at 1.50% of average daily net assets. Effective May 1, 2000 and until April 30, 2001, the Adviser has agreed to maintain the expenses for the Global Discovery Portfolio, excluding 12b-1 fees, to the extent necessary so that the Portfolio's expenses are maintained at 1.25% of average daily net assets.

The Fund pays each Trustee not affiliated with the Adviser an annual retainer plus specified amounts for attended board and committee meetings. Allocated Trustees' fees and expenses for each Portfolio for the six months ended June 30, 2000 are detailed in each Portfolio's statement of operations.

D. Line of Credit

The Fund and several other Scudder Funds (the “Participants”) share in a \$1 billion revolving credit facility for temporary or emergency purposes, including the meeting of redemption requests that otherwise might require the untimely disposition of securities. The Participants are charged an annual commitment fee which is allocated pro rata based on net assets among each of the Participants. Interest is calculated based on the market rates at the time of the borrowing. Each Portfolio may borrow up to a maximum of 33 percent of its net assets under the agreement.

E. Expense Off-Set Arrangements

The Growth and Income Portfolio, Capital Growth Portfolio and 21st Century Growth Portfolio have entered into an arrangement with their custodian whereby credits as a result of uninvested cash balances were used to reduce a portion of the Portfolios’ expense. During the six months ended June 30, 2000, the custodian fees were reduced as follows:

	Custody Credits (\$)
Growth and Income Portfolio	7,198
Capital Growth Portfolio	852
21 st Century Growth Portfolio	7,068

About the Fund's Adviser

Scudder Kemper Investments, Inc. is one of the largest and most experienced investment management organizations worldwide, managing more than \$290 billion in assets globally for mutual fund investors, retirement and pension plans, institutional and corporate clients, insurance companies, and private family and individual accounts.

Scudder Kemper Investments has a rich heritage of innovation, integrity, and client-focused service. In 1997, Scudder, Stevens & Clark, Inc., founded over 80 years ago as one of the nation's first investment counsel organizations, joined the Zurich Financial Services Group. As a result, Zurich's subsidiary, Zurich Kemper Investments, Inc., with 50 years of mutual fund and investment management experience, was combined with Scudder. Headquartered in New York, Scudder Kemper Investments offers a full range of investment counsel and asset management capabilities, based on a combination of proprietary research and disciplined, long-term investment strategies. With its global investment resources and perspective, the firm seeks opportunities in markets throughout the world to meet the needs of investors.

Scudder Kemper Investments, Inc., the global asset management firm, is a member of the Zurich Financial Services Group. The Zurich Financial Services Group is an internationally recognized leader in financial services, including property/casualty and life insurance, reinsurance, and asset management.



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This information must be preceded or accompanied by a current prospectus.

Portfolio changes should not be considered recommendations for action by individual investors.

VLIIs-60

**THE
ALGER
AMERICAN
FUND**

**Alger American
Leveraged AllCap Portfolio**

**Semi-Annual
Report**

**June 30, 2000
(Unaudited)**

YEAR-TO-DATE REVIEW

For the past three years, the U.S. economy has grown at a rapid pace with little evidence of upward pressure on prices. The foremost question for investors and policymakers has been whether the economy can keep up that pace of growth without setting off inflation. While it appears that members of the Federal Open Market Committee (FOMC) have accepted the view that faster gains in productivity have increased the rate at which the U.S. economy can grow without causing the rate of inflation to accelerate, they also believe that the rate of growth over the past several quarters has exceeded even that upwardly revised potential. In order to slow the economy down and avoid an increase in inflation, the Federal Reserve began to tighten monetary conditions more than a year ago. It raised short-term interest rates three times in 1999 and continued to tighten with two more rate increases in February and March of this year.

Despite the steady rise in interest rates, most indicators released in the first three months of the year demonstrated that the U.S. economy was continuing to charge ahead while inflation, excluding highly volatile energy prices, remained well-contained. In April, a series of reports suggested that inflation might finally be increasing. First came an unexpectedly sharp increase in the March Consumer Price Index (CPI) report released in mid-April. It was followed by a rise in the employment cost index for the first quarter, which seemed to signal that compensation costs might finally be increasing. Until that point, the Federal Reserve's actions had been seen as preemptory steps aimed at slowing the economy to avoid a pickup in inflation. Now, investors confronted the possibility that inflation was beginning to accelerate and even more aggressive actions by the Federal Reserve might be needed to avert a further rise in the rate of inflation. A rate increase at the May 16th meeting of the FOMC became a foregone conclusion. The only question was whether the Federal Reserve would raise rates by 25 basis points or resort to even stronger measures. The Federal Reserve raised the Fed funds rate by 50 basis points to 6.50%. By the end of May, there was increasing speculation that the Fed funds rate might go as high as 7.0% to 7.5% by the end of the year. As a result of these growing concerns, long-term interest rates, as reflected in the 10-year U.S. Treasury bond, had risen 50 basis points to 6.50% by early May. Short-term interest rates also climbed.

At the conclusion of the May FOMC meeting, anxious investors scrutinized each and every economic report to gauge the strength of the economy and the risks of higher inflation. The economic indicators

for the month of April brought some relief since key reports for employment, retail sales, manufacturing activity and inflation portrayed a slowing economy. The reports for May seemed to confirm the slowdown detected in the April reports. By the time of the FOMC meeting at the end of June, the markets had correctly concluded that the Federal Reserve would leave interest rates unchanged. By the end of the quarter, yields on 10-year Treasury securities had dropped back to 6.00%.

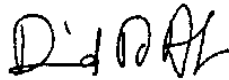
Shifting perceptions about the strength of the economy, the risk of higher inflation and the course of monetary policy produced extremely high levels of volatility and sector rotation for the stock market during the first six months of 2000. At the start of the year, equity investors continued to shun so-called old-economy companies whose revenues and earnings would suffer if the economy did slow and to favor, instead, stocks of high-technology companies that had led the stock market higher in the fourth quarter of 1999. By the end of February, the divergence had become startlingly large, with price declines of 6.8% and 11.7% for the S&P 500 and Dow Jones Industrial Average, respectively, and an advance of 15.4% for the NASDAQ Composite. Early in March 2000, money began to flow back to more out-of-favor sectors and the broader market began to climb back. The market, as measured by the S&P 500, began to slip again late in March when unsettling reports on the economy began to unnerve investors. The greatest waves of selling pressure, however, hit the technology sector, as can be seen in the performance of the NASDAQ Composite. Most of the damage occurred during the week ended April 14th, when the unexpectedly negative CPI report was released. In the space of a week, the Composite fell 25.3%, a record for any given week. From its high recorded on March 10th, the Composite plunged 36% before bottoming out on May 23rd. Once the selling panic abated, the NASDAQ staged a strong rally in June that extended into July while the broad market remained in a narrow trading range.

Despite all of the violent moves in stock prices, the market indexes are little changed from year-end levels. From January 1 through June 30, the S&P 500 Index declined 0.42%, while the technology-laden NASDAQ Composite fell 2.54%. Medium-sized companies turned in the best performance, with the S&P MidCap 400 rising 8.97% during the first six months of the year. Entering the second half of 2000, the stock market has traded in a fairly narrow range during the first weeks of July as investors await further evidence on the direction of the economy.

LOOKING AHEAD

In the months ahead, investors will continue to dissect every economic report to confirm that the U.S. economy is keeping to a more moderate pace of growth and that inflation is being contained. The FOMC may well raise interest rates another 25 basis points at its next meeting on August 22nd. If so, the increase would probably be the last “tap on the brakes” in the current cycle. We believe that a rally in bond prices would follow and have a positive effect on stock prices by year-end. As evidence of a slowing economy and quiescent inflation mounts, we expect that the market’s tone will improve. Slower economic growth and scant inflation, however, will likely limit gains in total corporate profits. High-quality growth stocks should continue to deliver strong earnings gains since their earnings potential is less dependent upon the pace of growth in the economy. Their superior results should attract more investor interest in the second half of the year and result in stronger stock performance.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "D. D. Alger". The signature is stylized and cursive.

David D. Alger
President

TABLE OF CONTENTS

Schedule of Investments	4
Financial Highlights	6
Statement of Assets and Liabilities	7
Statement of Operations	8
Statement of Cash Flows	9
Statements of Changes in Net Assets	10
Notes to Financial Statements	11

THE ALGER AMERICAN FUND
ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO
SCHEDULE OF INVESTMENTS—JUNE 30, 2000 (UNAUDITED)

<u>Shares</u>	<u>COMMON STOCKS—91.7%</u>	<u>Value</u>	<u>Shares</u>	<u>Value</u>
	ADVERTISING—9%			COMPUTER SERVICES—6.6%
53,000	Omnicom Group Inc.	\$ 4,720,312	113,000	Amdocs Limited*
			82,600	CNET Networks, Inc.*
	BIO-TECHNOLOGY—3.4%		305,400	eBay Inc.*
200,300	Amgen Inc.*	14,071,074	60,580	Yahoo Inc.*†
30,000	Sepracor Inc.*†	3,618,750		<u>34,792,999</u>
		<u>17,689,824</u>		
	CABLE—3.2%			COMPUTER SOFTWARE—14.2%
54,000	Cablevision Systems Corporation, Cl. A*† ...	3,665,250	80,000	Ariba, Inc.*
206,000	Comcast Corp., Cl. A Special	8,343,000	129,000	BEA Systems, Inc.*
108,000	Cox Communications Inc., Cl. A*	4,920,750	32,800	Entrust Technologies Inc.*
		<u>16,929,000</u>	57,900	i2 Technologies, Inc.*
			56,700	Intuit Inc.*
	COMMUNICATION EQUIPMENT—17.1%		37,000	ISS Group, Inc.*
40,000	Brocade Communications Systems Inc.* ...	7,339,374	38,900	Mercury Interactive Corporation*
243,000	Cisco Systems, Inc.*	15,445,687	140,800	Microsoft Corporation*
28,000	Corning Incorporated	7,556,500	135,000	Oracle Corporation*
35,000	Efficient Networks, Inc.*	2,574,687	67,900	Phone.com Inc.*
692,400	Ericsson (LM) Telephone Co., ADR, Cl. B ...	13,848,000	55,000	VERITAS Software Corp.*†
148,500	JDS Uniphase Corporation*	17,801,437	112,300	Vignette Corporation*
246,000	Motorola, Inc.	7,149,374	40,000	Vitria Technology, Inc.*
45,000	PMC-Sierra, Inc.*	7,995,937		<u>74,271,717</u>
35,200	SDL Inc.*	10,038,600		
		<u>89,749,596</u>		ENERGY & ENERGY SERVICES—2.4%
			37,100	BJ Services Company*
	COMMUNICATIONS—6.0%		216,450	Halliburton Company
225,000	America Online Inc.*	11,868,750		<u>12,532,484</u>
163,600	AT&T Corp. Liberty Media Group, Series A* .	3,967,300		
120,000	McLeodUSA Incorporated, Cl. A*	2,482,500		FINANCIAL SERVICES—2.7%
215,700	Sprint Corp. PCS Group*†	12,834,150	234,750	Citigroup Inc.
		<u>31,152,700</u>		<u>14,143,688</u>
				FOOD CHAINS—2.1%
	COMPUTER RELATED & BUSINESS EQUIPMENT—4.4%		239,600	Safeway Inc.*
31,789	Agilent Technologies, Inc.*	2,344,439		<u>10,811,950</u>
65,000	Network Appliance, Inc.*	5,232,500		
171,400	Sun Microsystems, Inc.*	15,586,688		INSURANCE—1.2%
		<u>23,163,627</u>		American International Group Inc.
			56,737	<u>6,666,598</u>
				MANUFACTURING—1.0%
			129,100	Solectron Corp.*
				<u>5,406,062</u>
				MEDICAL DEVICES—8%
			88,200	Medtronic, Inc.
				<u>4,393,463</u>
				PHARMACEUTICALS—5.1%
			221,400	American Home Products Corporation
			24,900	Eli Lilly and Company
			231,688	Pfizer Inc.
				<u>11,121,000</u>
				<u>26,615,138</u>
				RETAILING—4.4%
			245,650	Home Depot, Inc.
			191,900	Wal-Mart Stores Inc.
				<u>12,267,147</u>
				<u>11,058,238</u>
				<u>23,325,385</u>

THE ALGER AMERICAN FUND
ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO
SCHEDULE OF INVESTMENTS—JUNE 30, 2000 (UNAUDITED) (Cont'd)

<u>Shares</u>		<u>Value</u>	<u>Principal Amount</u>		<u>Value</u>
	SEMICONDUCTOR CAPITAL EQUIPMENT—5.3%			SHORT-TERM INVESTMENTS—6.6%	
170,000	Applied Materials Inc.*	\$ 15,406,250		SHORT-TERM CORPORATE NOTES—3.8%	
144,000	ASM Lithography Holding NV*	6,354,000	\$20,000,000	Transamerica Asset Funding,	
79,450	Teradyne, Inc.*	5,839,575		6.70%, 7/13/00(a)	
		<u>27,599,825</u>		(Cost \$19,955,333)	<u>\$ 19,955,333</u>
	SEMICONDUCTORS—10.9%			SECURITIES HELD UNDER REPURCHASE AGREEMENTS—2.8%	
108,000	Altera Corporation*	11,009,250		Securities Held Under Repurchase	
52,600	Broadcom Corp., Cl. A*	11,516,112		Agreements, 6.55%-7.00%, 7/03/00, with	
96,000	Linear Technology Corporation	6,138,000		Bear, Stearns & Co. Inc., dtd 6/30/00,	
60,000	Micron Technology, Inc.*	5,283,750		repurchase price \$14,758,169; collateralized	
184,000	Texas Instruments, Incorporated	12,638,500		by U.S. Treasury Strips	
103,000	Vitesse Semiconductor Corp.*	7,576,938		(Total par value \$41,615,000 due	
35,000	Xilinx, Inc.*	2,889,688		11/15/16-5/15/17)	<u>14,750,115</u>
		<u>57,052,238</u>		Total Short-Term Investments	
	Total Common Stocks			(Cost \$34,705,448) (b)	<u>34,705,448</u>
	(Cost \$403,396,299)	<u>481,016,606</u>			
	PREFERRED STOCK—1.5%			Total Investments	
	COMMUNICATIONS			(Cost \$445,715,996) (b)	99.8% 523,337,523
152,500	Nokia Corporation, ADR			Other Assets in Excess of Liabilities	<u>.2 1,202,569</u>
	(Cost \$7,614,249)	<u>7,615,469</u>		Net Assets	<u>100.0% \$524,540,092</u>

* Non-income producing security.

† Securities partially or fully on loan.

(a) Pursuant to Securities and Exchange Commission Rule 144A, these securities may be sold prior to their maturity only to qualified institutional buyers.

(b) At June 30, 2000, the net unrealized appreciation on investments, based on cost for federal income tax purposes of \$445,715,996, amounted to \$77,621,527 which consisted of aggregate gross unrealized appreciation of \$99,229,755 and aggregate gross unrealized depreciation of \$21,608,228.

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO
FINANCIAL HIGHLIGHTS

For a share outstanding throughout the period

	Six Months Ended June 30, 2000(i)(ii)	Year Ended December 31,				From January 25, 1995 (commencement of operations) to December 31, 1995(ii)
		1999	1998	1997	1996	
Net asset value, beginning of period	\$ 57.97	\$ 34.90	\$ 23.17	\$ 19.36	\$ 17.43	\$ 10.00
Net investment loss	(0.06)(iii)	(0.09)	(0.05)	(0.03)	(0.03)(iii)	(0.03)
Net realized and unrealized gain (loss) on investments	(2.47)	25.93	12.99	3.84	2.14	7.46
Total from investment operations	(2.53)	25.84	12.94	3.81	2.11	7.43
Distributions from net realized gains	(5.38)	(2.77)	(1.21)	—	(0.18)	—
Net asset value, end of period	\$ 50.06	\$ 57.97	\$ 34.90	\$ 23.17	\$ 19.36	\$ 17.43
Total Return	(3.01%)	78.06%	57.83%	19.68%	12.04%	74.30%
Ratios and Supplemental Data:						
Net assets, end of period (000's omitted)	\$524,540	\$ 362,500	\$ 101,710	\$ 53,488	\$ 34,925	\$ 5,497
Ratio of expenses excluding interest to average net assets	0.91%	0.92%	0.93%	0.96%	1.06%	1.50%
Ratio of expenses including interest to average net assets	0.91%	0.93%	0.96%	1.00%	1.09%	1.56%
Decrease reflected in above expense ratios due to expense reimbursements	—	—	—	—	—	2.36%
Ratio of net investment loss to average net assets	(0.21%)	(0.49%)	(0.27%)	(0.17%)	(0.15%)	(0.71%)
Portfolio Turnover Rate	56.26%	155.74%	143.59%	164.27%	102.10%	178.23%
Amount of debt outstanding at end of period	—	—	—	—	—	—
Average amount of debt outstanding during the period	—	\$ 266,584	\$ 246,101	\$ 201,644	\$ 76,079	\$ 8,122
Average daily number of shares outstanding during the period	—	4,395,246	2,480,478	2,135,458	1,107,187	75,460
Average amount of debt per share during the period	—	\$ 0.06	\$ 0.10	\$ 0.09	\$ 0.07	\$ 0.11

(i) Unaudited.

(ii) Ratios have been annualized; total return has not been annualized.

(iii) Amount was computed based on average shares outstanding during the period.

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO
STATEMENT OF ASSETS AND LIABILITIES (UNAUDITED)

June 30, 2000

Assets:	
Investments in securities, at value (identified cost*)—see accompanying schedule of investments	\$523,337,523
Receivable for investment securities sold	3,241,077
Receivable for shares of beneficial interest sold	1,386,610
Interest and dividends receivable	36,444
Total Assets	528,001,654
Liabilities:	
Payable for investment securities purchased	2,901,350
Payable for securities loaned	74,952
Payable for shares of beneficial interest redeemed	91,162
Accrued investment management fees	356,120
Accrued expenses	37,978
Total Liabilities	3,461,562
Net Assets	\$524,540,092
Net Assets Consist of:	
Paid-in capital	\$437,576,486
Undistributed net investment income (accumulated loss)	(1,702,976)
Undistributed net realized gain	11,045,055
Net unrealized appreciation	77,621,527
Net Assets	\$524,540,092
Shares of beneficial interest outstanding—Note 6	10,478,244
Net Asset Value Per Share	\$ 50.06
*Identified cost	\$445,715,996

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO
STATEMENT OF OPERATIONS (UNAUDITED)

For the six months ended June 30, 2000

INVESTMENT INCOME	
Income:	
Interest	\$ 1,224,708
Dividends	384,238
Total Income	1,608,946
Expenses:	
Management fees — Note 3(a)	1,958,731
Custodian fees	57,480
Transfer agent fees	23,043
Professional fees	5,589
Trustees' fees	1,258
Miscellaneous	45,836
Total Expenses	2,091,937
Net Investment Income (Loss)	(482,991)
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	
Net realized gain on investments	11,202,410
Net change in unrealized appreciation (depreciation) on investments	(32,834,129)
Net realized and unrealized gain (loss) on investments	(21,631,719)
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$(22,114,710)

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO
STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended June 30, 2000

Increase (decrease) in cash	
Cash flows from operating activities:	
Interest received	\$ 1,222,866
Dividends received	370,874
Operating expenses paid	(1,966,044)
Purchase of short-term securities, net	(14,333,765)
Purchase of portfolio securities	(416,781,813)
Proceeds from disposition of portfolio securities	248,176,917
Other	6,226
Net cash used in operating activities	(183,304,739)
Cash flows from financing activities:	
Dividends paid	(47,473,711)
Proceeds from shares sold and dividends reinvested	303,353,893
Payments on shares redeemed	(72,650,395)
Increase in cash collateral received on securities loaned	74,952
Net cash provided by financing activities	183,304,739
Net increase in cash	—
Cash—beginning of period	—
Cash—end of period	\$ —
Reconciliation of net increase in net assets to net cash used in operating activities:	
Net decrease in net assets resulting from operations	\$ (22,114,710)
Increase in investments	(190,495,062)
Decrease in receivable for investments sold	8,251,835
Decrease in payable for securities purchased	(695,434)
Increase in interest and dividends receivable	(15,206)
Net realized gain	(11,202,410)
Net decrease in unrealized appreciation	32,834,129
Increase in accrued expenses	125,893
Net decrease in other assets	6,226
Net cash used in operating activities	\$ (183,304,739)

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO
STATEMENT OF CHANGES IN NET ASSETS (UNAUDITED)

For the six months ended June 30, 2000

Net investment income (loss)	\$ (482,991)
Net realized gain on investments	11,202,410
Net change in unrealized appreciation (depreciation) on investments	(32,834,129)
Net decrease in net assets resulting from operations	(22,114,710)
Dividends to shareholders:	
Net realized gains	(47,473,711)
Net increase from shares of beneficial interest transactions—Note 6	231,628,768
Total increase	162,040,347
Net Assets	
Beginning of period	362,499,745
End of period	\$524,540,092
Undistributed net investment income (accumulated loss)	\$ (1,702,976)

THE ALGER AMERICAN FUND
ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO
STATEMENT OF CHANGES IN NET ASSETS

For the year ended December 31, 1999

Net investment income (loss)	\$ (921,348)
Net realized gain on investments	47,112,154
Net change in unrealized appreciation (depreciation) on investments	80,489,142
Net increase in net assets resulting from operations	126,679,948
Dividends to shareholders:	
Net realized gains	(10,215,601)
Net increase from shares of beneficial interest transactions—Note 6	144,325,873
Total increase	260,790,220
Net Assets	
Beginning of year	101,709,525
End of year	\$362,499,745
Undistributed net investment income (accumulated loss)	\$ (1,219,985)

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

June 30, 2000

NOTE 1—General:

The Alger American Fund (the “Fund”) is a diversified, open-end registered investment company organized as a business trust under the laws of the Commonwealth of Massachusetts. The Fund operates as a series company currently issuing six series of shares of beneficial interest: American Growth Portfolio, American Small Capitalization Portfolio, American Income and Growth Portfolio, American Balanced Portfolio, American MidCap Growth Portfolio and American Leveraged AllCap Portfolio. These financial statements include only the American Leveraged AllCap Portfolio (the “Portfolio”). The Portfolio invests primarily in equity securities and has an investment objective of long-term capital appreciation. Shares of the Portfolio are available and are being marketed exclusively as a pooled funding vehicle for qualified retirement plans and for life insurance companies writing all types of variable annuity contracts and variable life insurance policies.

NOTE 2—Significant Accounting Policies:

(a) *Investment Valuation:* Investments of the Portfolio are valued on each day the New York Stock Exchange (“NYSE”) is open as of the close of the NYSE (normally 4:00 p.m. Eastern time). Listed and unlisted securities for which such information is regularly reported are valued at the last reported sales price or, in the absence of reported sales, at the mean between the bid and the asked price, or, in the absence of a recent bid or asked price, the equivalent as obtained from one or more of the major market makers for the securities to be valued.

Securities for which market quotations are not readily available are valued according to procedures established by the Board of Trustees to determine fair value in good faith.

Securities having a remaining maturity of sixty days or less are valued at amortized cost which approximates market value.

(b) *Security Transactions and Investment Income:* Security transactions are recorded on a trade date basis. Resulting receivables and payables are carried at amounts which approximate fair value. Realized gains and losses from security transactions are recorded on the identified cost basis. Dividend income is recognized on the ex-dividend date and interest income is recognized on the accrual basis.

(c) *Repurchase Agreements:* The Portfolio enters into repurchase agreements with approved institutions, primarily U.S. Government securities dealers. The repurchase agreements are collateralized by U.S. Government securities which are verified by the investment

manager as being either received and held in physical possession by the custodian or as having been received by such custodian in book-entry form through the Federal Reserve book-entry system. The investment manager monitors the value of the collateral at the time the repurchase agreement is entered into and on a daily basis during the term of the agreement to ensure that its value equals or exceeds the agreed-upon repurchase price to be repaid to the Portfolio. Additional collateral is obtained when necessary.

(d) *Lending of Portfolio Securities:* The Portfolio lends its securities to financial institutions, including an affiliate of the custodian, provided that the market value of securities loaned will not at any time exceed one-third of the Portfolio’s total assets, as defined. The Portfolio earns fees on the securities loaned which are included in interest income in the accompanying Statement of Operations. In order to protect against the risk of failure by the borrower to return the securities loaned or any delay in the delivery of such securities, the investment manager ensures that the loan is collateralized by cash, letters of credit or U.S. Government securities that are maintained at all times in an amount equal to at least 100 percent of the current market value of the loaned securities. At June 30, 2000, the value of securities loaned and collateral received thereon were \$12,421,131 and \$12,668,684, respectively.

(e) *Dividends to Shareholders:* Dividends and distributions payable to shareholders are recorded by the Portfolio on the ex-dividend date.

Dividends from net investment income are declared and paid annually.

Distributions from net realized gains, offset by any loss carryforward, are declared and paid annually after the end of the fiscal year in which earned.

(f) *Federal Income Taxes:* It is the Portfolio’s policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable income, including net realized capital gains, to its shareholders. Therefore, no federal income tax provision is required. The Portfolio is treated as a separate entity for the purpose of determining such compliance.

(g) *Expenses:* The Fund accounts separately for the assets, liabilities and operations of each portfolio. Expenses directly attributable to each portfolio are charged to that portfolio’s operations; expenses which are applicable to all portfolios are allocated among them.

(h) *Other:* These financial statements have been prepared using estimates and assumptions that affect the reported amounts therein. Actual results may differ from those estimates.

THE ALGER AMERICAN FUND
ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (Cont'd)

June 30, 2000

NOTE 3—Investment Management Fees and Other Transactions with Affiliates:

(a) *Investment Management Fees:* Fees incurred by the Portfolio, pursuant to the provisions of its Investment Management Agreement (the "Agreement") with Fred Alger Management, Inc. ("Alger Management"), are payable monthly and computed based on the average daily net assets of the Portfolio at the annual rate of .85%.

The Agreement further provides that if in any fiscal year the aggregate expenses, excluding interest, taxes, brokerage commissions, and extraordinary expenses, exceed 1.50% of the average daily net assets of the Portfolio, Alger Management will reimburse the Portfolio for the excess expenses.

(b) *Brokerage Commissions:* During the six months ended June 30, 2000, the Portfolio paid Fred Alger & Company, Incorporated ("Alger Inc.") \$187,436 in connection with securities transactions.

(c) *Transfer Agency Fees:* The Portfolio has entered into a transfer agency agreement with Alger Shareholder Services, Inc. ("Services"), an affiliate of Alger Management, whereby Services will act as transfer agent for the Portfolio.

(d) Certain trustees and officers of the Portfolio are directors and officers of Alger Management, Alger Inc. and Services.

NOTE 4—Securities Transactions:

Purchases and sales of securities, other than short-term securities, of the Portfolio for the six months ended June 30, 2000, were \$416,086,379 and \$239,925,337, respectively.

NOTE 5—Line of Credit:

The Portfolio has a line of credit with its custodian bank whereby it may borrow up to one-third of the value of its assets, as defined, up to a maximum of \$25,000,000. Such borrowings have a variable interest rate and are payable on demand. To the extent the Portfolio borrows under this line, it must pledge securities with a total value of at least twice the amount borrowed. For the six months ended June 30, 2000, the Portfolio had no such borrowings.

NOTE 6—Share Capital:

The Fund has an unlimited number of authorized shares of beneficial interest of \$.001 par value.

During the six months ended June 30, 2000, transactions of shares of beneficial interest for the Portfolio were as follows:

	<u>Shares</u>	<u>Amount</u>
Shares sold	4,388,223	\$ 256,171,469
Dividends reinvested	1,085,858	47,473,711
	5,474,081	303,645,180
Shares redeemed	(1,248,882)	(72,016,412)
Net increase	<u>4,225,199</u>	<u>\$ 231,628,768</u>

During the year ended December 31, 1999, transactions of shares of beneficial interest for the Portfolio were as follows:

	<u>Shares</u>	<u>Amount</u>
Shares sold	4,701,044	\$ 202,660,204
Dividends reinvested	263,906	10,147,195
	4,964,950	212,807,399
Shares redeemed	(1,626,596)	(68,481,526)
Net increase	<u>3,338,354</u>	<u>\$ 144,325,873</u>

**THE
ALGER
AMERICAN
FUND**

**Alger American
Balanced Portfolio**

**Semi-Annual
Report**

**June 30, 2000
(Unaudited)**

YEAR-TO-DATE REVIEW

For the past three years, the U.S. economy has grown at a rapid pace with little evidence of upward pressure on prices. The foremost question for investors and policymakers has been whether the economy can keep up that pace of growth without setting off inflation. While it appears that members of the Federal Open Market Committee (FOMC) have accepted the view that faster gains in productivity have increased the rate at which the U.S. economy can grow without causing the rate of inflation to accelerate, they also believe that the rate of growth over the past several quarters has exceeded even that upwardly revised potential. In order to slow the economy down and avoid an increase in inflation, the Federal Reserve began to tighten monetary conditions more than a year ago. It raised short-term interest rates three times in 1999 and continued to tighten with two more rate increases in February and March of this year.

Despite the steady rise in interest rates, most indicators released in the first three months of the year demonstrated that the U.S. economy was continuing to charge ahead while inflation, excluding highly volatile energy prices, remained well-contained. In April, a series of reports suggested that inflation might finally be increasing. First came an unexpectedly sharp increase in the March Consumer Price Index (CPI) report released in mid-April. It was followed by a rise in the employment cost index for the first quarter, which seemed to signal that compensation costs might finally be increasing. Until that point, the Federal Reserve's actions had been seen as preemptory steps aimed at slowing the economy to avoid a pickup in inflation. Now, investors confronted the possibility that inflation was beginning to accelerate and even more aggressive actions by the Federal Reserve might be needed to avert a further rise in the rate of inflation. A rate increase at the May 16th meeting of the FOMC became a foregone conclusion. The only question was whether the Federal Reserve would raise rates by 25 basis points or resort to even stronger measures. The Federal Reserve raised the Fed funds rate by 50 basis points to 6.50%. By the end of May, there was increasing speculation that the Fed funds rate might go as high as 7.0% to 7.5% by the end of the year. As a result of these growing concerns, long-term interest rates, as reflected in the 10-year U.S. Treasury bond, had risen 50 basis points to 6.50% by early May. Short-term interest rates also climbed.

At the conclusion of the May FOMC meeting, anxious investors scrutinized each and every economic report to gauge the strength of the economy and the risks of higher inflation. The economic indicators

for the month of April brought some relief since key reports for employment, retail sales, manufacturing activity and inflation portrayed a slowing economy. The reports for May seemed to confirm the slowdown detected in the April reports. By the time of the FOMC meeting at the end of June, the markets had correctly concluded that the Federal Reserve would leave interest rates unchanged. By the end of the quarter, yields on 10-year Treasury securities had dropped back to 6.00%.

Shifting perceptions about the strength of the economy, the risk of higher inflation and the course of monetary policy produced extremely high levels of volatility and sector rotation for the stock market during the first six months of 2000. At the start of the year, equity investors continued to shun so-called old-economy companies whose revenues and earnings would suffer if the economy did slow and to favor, instead, stocks of high-technology companies that had led the stock market higher in the fourth quarter of 1999. By the end of February, the divergence had become startlingly large, with price declines of 6.8% and 11.7% for the S&P 500 and Dow Jones Industrial Average, respectively, and an advance of 15.4% for the NASDAQ Composite. Early in March 2000, money began to flow back to more out-of-favor sectors and the broader market began to climb back. The market, as measured by the S&P 500, began to slip again late in March when unsettling reports on the economy began to unnerve investors. The greatest waves of selling pressure, however, hit the technology sector, as can be seen in the performance of the NASDAQ Composite. Most of the damage occurred during the week ended April 14th, when the unexpectedly negative CPI report was released. In the space of a week, the Composite fell 25.3%, a record for any given week. From its high recorded on March 10th, the Composite plunged 36% before bottoming out on May 23rd. Once the selling panic abated, the NASDAQ staged a strong rally in June that extended into July while the broad market remained in a narrow trading range.

Despite all of the violent moves in stock prices, the market indexes are little changed from year-end levels. From January 1 through June 30, the S&P 500 Index declined 0.42%, while the technology-laden NASDAQ Composite fell 2.54%. Medium-sized companies turned in the best performance, with the S&P MidCap 400 rising 8.97% during the first six months of the year. Entering the second half of 2000, the stock market has traded in a fairly narrow range during the first weeks of July as investors await further evidence on the direction of the economy.

LOOKING AHEAD

In the months ahead, investors will continue to dissect every economic report to confirm that the U.S. economy is keeping to a more moderate pace of growth and that inflation is being contained. The FOMC may well raise interest rates another 25 basis points at its next meeting on August 22nd. If so, the increase would probably be the last “tap on the brakes” in the current cycle. We believe that a rally in bond prices would follow and have a positive effect on stock prices by year-end. As evidence of a slowing economy and quiescent inflation mounts, we expect that the market’s tone will improve. Slower economic growth and scant inflation, however, will likely limit gains in total corporate profits. High-quality growth stocks should continue to deliver strong earnings gains since their earnings potential is less dependent upon the pace of growth in the economy. Their superior results should attract more investor interest in the second half of the year and result in stronger stock performance.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "D. D. Alger". The signature is stylized and cursive.

David D. Alger
President

TABLE OF CONTENTS

Schedule of Investments	4
Financial Highlights	7
Statement of Assets and Liabilities	8
Statement of Operations	9
Statements of Changes in Net Assets	10
Notes to Financial Statements	11

THE ALGER AMERICAN FUND
ALGER AMERICAN BALANCED PORTFOLIO
SCHEDULE OF INVESTMENTS—JUNE 30, 2000 (UNAUDITED)

<u>Shares</u>	<u>COMMON STOCKS—57.1%</u>	<u>Value</u>	<u>Shares</u>	<u>Value</u>
	ADVERTISING—.6%			
5,900	Omnicom Group Inc.	\$ 525,469	4,500	American Express Company
			22,700	Citigroup Inc.
	AEROSPACE—1.8%		9,300	Kansas City Southern Industries, Inc.
27,400	United Technologies Corporation	1,613,175	2,800	Lehman Brothers Holdings Inc.
			2,100	Merrill Lynch & Co., Inc.
	AUTOMOTIVE—1.0%		9,200	Morgan Stanley Dean Witter & Co.
23,400	Harley-Davidson, Inc.	900,900	6,300	Paine Webber Group Inc.
			21,450	Schwab (Charles) Corporation (The)
	BIO-TECHNOLOGY—2.1%			<u>4,707,112</u>
26,100	Amgen Inc.*	1,833,525		FINANCIAL SERVICES—5.3%
				American Express Company
	BROADCASTING—.9%		25,600	The Kroger Co.
10,300	Clear Channel Communications Inc.*†	772,500	30,800	Safeway Inc.*
				<u>1,954,650</u>
	CABLE—1.7%			HEALTH CARE SERVICES—1.1%
10,000	Comcast Corp., Cl. A Special	405,000	13,700	Cardinal Health, Inc.
8,550	Cox Communications Inc., Cl. A*	389,559		
9,400	Time Warner Inc.	714,400		
	<u>1,508,959</u>		14,700	MANUFACTURING—.7%
	COMMUNICATION EQUIPMENT—5.2%			Solectron Corp.*
24,400	Cisco Systems, Inc.*	1,550,925		
6,100	Corning Incorporated	1,646,237		MEDICAL DEVICES—.6%
27,900	Ericsson (LM) Telephone Co., ADR, Cl. B	558,000	11,400	Medtronic, Inc.
29,700	Motorola, Inc.	863,156		<u>567,862</u>
	<u>4,618,318</u>		19,600	OIL & GAS—1.7%
	COMMUNICATIONS—1.7%			Exxon Mobil Corporation
15,200	America Online Inc.*	801,800		<u>1,538,600</u>
29,400	AT&T Corp. Liberty Media Group, Series A*	712,950	27,888	PHARMACEUTICALS—4.7%
	<u>1,514,750</u>		2,600	American Home Products Corporation
	COMPUTER RELATED & BUSINESS EQUIPMENT—4.3%		46,475	Eli Lilly and Company
36,600	Dell Computer Corp.*	1,804,838		Pfizer Inc.
11,300	Hewlett-Packard Company	1,411,087		<u>4,128,895</u>
6,100	Sun Microsystems, Inc.*	554,719		RETAILING—4.0%
	<u>3,770,644</u>		10,800	Best Buy Co., Inc.*
	COMPUTER SERVICES—1.8%		22,325	Home Depot, Inc.
6,600	CNET Networks, Inc.*	162,112	30,550	Wal-Mart Stores Inc.
19,400	eBay Inc.*	1,053,663		<u>3,558,399</u>
2,988	Yahoo Inc.*†	370,139		SEMICONDUCTOR CAPITAL EQUIPMENT—2.9%
	<u>1,585,914</u>			Applied Materials Inc.*
	COMPUTER SOFTWARE—3.5%		19,400	Teradyne, Inc.*
2,420	i2 Technologies, Inc.*	252,323	10,800	<u>2,551,925</u>
7,000	Intuit Inc.*	289,625		SEMICONDUCTORS—7.2%
28,300	Microsoft Corporation*	2,264,000	10,200	Altera Corporation*
3,200	Oracle Corporation*	269,000	11,300	Intel Corp.
	<u>3,074,948</u>		11,700	Linear Technology Corporation
	ENERGY & ENERGY SERVICES—2.1%		8,700	Maxim Integrated Products, Inc.*
38,650	Halliburton Company	1,823,797	18,800	Micron Technology, Inc.*
			12,600	Texas Instruments, Incorporated
				<u>6,410,594</u>
				Total Common Stocks
				(Cost \$40,082,247)
				<u>50,590,299</u>

THE ALGER AMERICAN FUND
ALGER AMERICAN BALANCED PORTFOLIO
SCHEDULE OF INVESTMENTS—JUNE 30, 2000 (UNAUDITED) (Cont'd)

<u>Principal Amount</u>	CORPORATE BONDS—13.6%	<u>Value</u>	<u>Principal Amount</u>	<u>Value</u>	
	AUTOMOTIVE—1.1%				
\$1,000,000	Daimler-Chrysler Financial Corp., 6.95%, 3/25/02	\$ 990,740	\$ 300,000	Disney(Walt) Company, 6.375%, 3/30/01	\$ 298,725
	COMMUNICATIONS—1.5%				
800,000	TCI Communications Inc., 8.00%, 8/01/05	826,088	800,000	RETAILING—.9%	
500,000	Tele-Communications, Inc., 7.25%, 8/01/05	498,115		Wal-Mart Stores Inc., 6.55%, 8/10/04†	787,232
	1,324,203			Total Corporate Bonds (Cost \$12,281,554)	12,020,193
	ELECTRIC & GAS COMPANIES—.9%			U.S. GOVERNMENT & AGENCY	
400,000	Potomac Electric Power Co., 7.00%, 1/15/24	350,000	1,260,000	OBLIGATIONS—19.2%	
500,000	Washington Gas Light Co., 6.51%, 8/18/08	466,405	1,500,000	Federal Home Loan Bank Corp., 5.765%, 3/18/03	1,258,740
	816,405		250,000	7.25%, 5/13/05	1,515,000
			800,000	8.16%, 9/08/14	244,305
	FINANCIAL SERVICES—7.8%		800,000	Federal Home Loan Mortgage Corp., 6.00%, 6/23/04	767,504
800,000	Associates Corp. North America, 5.75%, 11/01/03	761,520	800,000	5.75%, 4/15/08	732,872
100,000	BankAmerica Corp., 7.125%, 5/12/05	98,412	600,000	7.08%, 3/17/14	551,904
800,000	7.20%, 4/15/06†	786,280	1,000,000	Federal National Mortgage Assoc., 7.125%, 2/15/05	1,003,750
500,000	Block Financial Corp., 8.50%, 4/15/07	507,820	500,000	6.96%, 4/02/07	494,530
260,000	Chase Manhattan Corporation 8.50%, 2/15/02	264,056	633,000	7.00%, 3/04/13	585,227
1,300,000	Cit Group Inc., 7.125%, 10/15/04†	1,271,491	400,000	6.75%, 2/04/28	345,376
200,000	Citicorp, 7.125%, 6/01/03	199,044	800,000	U.S. Treasury Notes, 6.125%, 12/31/01	795,712
800,000	Goldman Sachs Group, 6.65%, 5/15/09†	750,536	1,000,000	6.50%, 3/31/02	1,000,470
1,500,000	USL Capital Corp., 6.50%, 12/01/03	1,453,170	1,500,000	6.375%, 4/30/02	1,497,885
800,000	Wells Fargo & Co., 6.625%, 7/15/04	787,624	800,000	6.25%, 2/15/03	797,248
	6,879,953		800,000	6.00%, 8/15/04	792,376
			1,500,000	6.50%, 5/15/05	1,515,900
	INSURANCE—1.1%		800,000	6.50%, 10/15/06	809,376
500,000	Beneficial Corp., 6.575%, 12/16/02	482,125	1,500,000	6.125%, 8/15/07	1,490,400
500,000	Loews Corp., 7.625%, 6/01/23	440,810	800,000	5.625%, 5/15/08	772,000
	922,935			Total U.S. Government & Agency Obligations (Cost \$17,093,013)	16,970,575

THE ALGER AMERICAN FUND
ALGER AMERICAN BALANCED PORTFOLIO
SCHEDULE OF INVESTMENTS—JUNE 30, 2000 (UNAUDITED) (Cont'd)

<u>Principal Amount</u>	SHORT-TERM INVESTMENTS—9.9%	<u>Value</u>
	SHORT-TERM CORPORATE NOTES—9.0%	
\$4,000,000	BAUS Funding LLC, 6.72%, 7/14/00	\$ 3,990,293
4,000,000	Transamerica Asset Funding, 6.70%, 7/13/00(a)	<u>3,991,067</u>
	Total Short-Term Corporate Notes (Cost \$7,981,360)	<u>7,981,360</u>
	SECURITIES HELD UNDER REPURCHASE AGREEMENTS—.9%	
	Securities Held Under Repurchase Agreements, 6.55%-7.00%, 7/03/00, with Bear, Stearns & Co. Inc., dtd 6/30/00, repurchase price \$828,515, collateralized by U.S. Treasury Strips (Total par value \$2,330,000 due 11/15/16)	<u>828,059</u>
	Total Short-Term Investments (Cost \$8,809,419)	<u>8,809,419</u>
Total Investments (Cost \$78,266,233) (b) .	99.8%	88,390,486
Other assets in excess of liabilities	<u>.2</u>	<u>203,485</u>
Net Assets	<u>100.0%</u>	<u>\$88,593,971</u>

* Non-income producing security.

† Securities partially or fully on loan.

(a) Pursuant to Securities and Exchange Commission Rule 144A, these securities may be sold prior to their maturity only to qualified institutional buyers.

(b) At June 30, 2000, the net unrealized appreciation on investments, based on cost for federal income tax purposes of \$78,266,233, amounted to \$10,124,253 which consisted of aggregate gross unrealized appreciation of \$11,750,029 and aggregate gross unrealized depreciation of \$1,625,776.

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
ALGER AMERICAN BALANCED PORTFOLIO
FINANCIAL HIGHLIGHTS

For a share outstanding throughout the period

	Six Months Ended June 30, 2000(ii)	Year Ended December 31,				
		1999	1998	1997	1996	1995
Net asset value, beginning of period	\$ 15.57	\$ 12.98	\$ 10.76	\$ 9.24	\$ 13.64	\$10.80
Net investment income	0.08	0.15	0.19	0.17	0.21(i)	0.33(i)
Net realized and unrealized gain (loss) on investments	0.61	3.45	3.02	1.63	1.01	2.73
Total from investment operations	0.69	3.60	3.21	1.80	1.22	3.06
Dividends from net investment income	(0.13)	(0.17)	(0.18)	(0.12)	(0.73)	(0.22)
Distributions from net realized gains	(1.26)	(0.84)	(0.81)	(0.16)	(4.89)	—
Total Distributions	(1.39)	(1.01)	(0.99)	(0.28)	(5.62)	(0.22)
Net asset value, end of period	\$ 14.87	\$ 15.57	\$ 12.98	\$ 10.76	\$ 9.24	\$13.64
Total Return	5.01%	29.21%	31.51%	19.82%	10.17%	28.62%
Ratios and Supplemental Data:						
Net assets, end of period (000's omitted)	\$ 88,594	\$56,327	\$28,208	\$16,614	\$10,486	\$3,671
Ratio of expenses to average net assets	0.90%	0.93%	0.92%	1.01%	1.14%	1.00%
Ratio of net investment income to average net assets	2.12%	1.66%	2.09%	2.14%	2.06%	2.49%
Portfolio Turnover Rate	38.16%	118.74%	94.64%	105.01%	68.66%	113.02%

(i) Amount was computed based on average shares outstanding during the period.

(ii) Unaudited. Ratios have been annualized; total return has not been annualized.

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
ALGER AMERICAN BALANCED PORTFOLIO
STATEMENT OF ASSETS AND LIABILITIES (UNAUDITED)

June 30, 2000

Assets:	
Investments in securities, at value (identified cost*)—see accompanying schedule of investments	\$88,390,486
Receivable for investment securities sold	767,296
Receivable for shares of beneficial interest sold	254,391
Interest and dividends receivable	477,629
Total Assets	89,889,802
Liabilities:	
Payable for investment securities purchased	865,426
Payable for securities loaned	132,761
Payable for shares of beneficial interest redeemed	232,994
Accrued investment management fees	52,321
Accrued expenses	12,329
Total Liabilities	1,295,831
Net Assets	\$88,593,971
Net Assets Consist of:	
Paid-in capital	\$76,336,274
Undistributed net investment income	750,016
Undistributed net realized gain	1,383,428
Net unrealized appreciation	10,124,253
Net Assets	\$88,593,971
Shares of beneficial interest outstanding—Note 5	5,959,848
Net Asset Value Per Share	\$ 14.87
*Identified cost	\$78,266,233

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
ALGER AMERICAN BALANCED PORTFOLIO
STATEMENT OF OPERATIONS (UNAUDITED)

For the six months ended June 30, 2000

INVESTMENT INCOME	
Income:	
Interest	\$ 992,054
Dividends	91,478
Total Income	1,083,532
Expenses:	
Management fees — Note 3(a)	268,559
Custodian fees	19,214
Transfer agent fees	3,581
Professional fees	2,334
Trustees' fees	1,258
Miscellaneous	28,928
Total Expenses	323,874
Net Investment Income	759,658
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	
Net realized gain on investments	1,552,113
Net change in unrealized appreciation (depreciation) on investments	1,191,434
Net realized and unrealized gain on investments	2,743,547
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$3,503,205

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
ALGER AMERICAN BALANCED PORTFOLIO
STATEMENT OF CHANGES IN NET ASSETS (UNAUDITED)

For the six months ended June 30, 2000

Net investment income	\$ 759,658
Net realized gain on investments	1,552,113
Net change in unrealized appreciation (depreciation) on investments	1,191,434
Net increase in net assets resulting from operations	3,503,205
Dividends to shareholders:	
Net investment income	(665,329)
Net realized gains	(6,345,825)
Net increase from shares of beneficial interest transactions—Note 5	35,775,412
Total increase	32,267,463
Net Assets	
Beginning of period	56,326,508
End of period	\$88,593,971
Undistributed net investment income (accumulated loss)	750,016

THE ALGER AMERICAN FUND
ALGER AMERICAN BALANCED PORTFOLIO
STATEMENT OF CHANGES IN NET ASSETS

For the year ended December 31, 1999

Net investment income	\$ 665,438
Net realized gain on investments	6,227,204
Net change in unrealized appreciation (depreciation) on investments	3,870,767
Net increase in net assets resulting from operations	10,763,409
Dividends to shareholders:	
Net investment income	(431,942)
Net realized gains	(2,190,935)
Net increase from shares of beneficial interest transactions—Note 5	19,977,656
Total increase	28,118,188
Net Assets	
Beginning of year	28,208,320
End of year	\$56,326,508
Undistributed net investment income (accumulated loss)	\$ 655,687

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
ALGER AMERICAN BALANCED PORTFOLIO
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

June 30, 2000

NOTE 1—General:

The Alger American Fund (the “Fund”) is a diversified, open-end registered investment company organized as a business trust under the laws of the Commonwealth of Massachusetts. The Fund operates as a series company currently issuing six series of shares of beneficial interest: American Growth Portfolio, American Small Capitalization Portfolio, American Income and Growth Portfolio, American Balanced Portfolio, American MidCap Growth Portfolio and American Leveraged AllCap Portfolio. These financial statements include only the American Balanced Portfolio (the “Portfolio”). The Portfolio’s investment objectives are current income and long-term capital appreciation which it seeks to achieve through investing in equity and fixed income securities. Shares of the Portfolio are available and are being marketed exclusively as a pooled funding vehicle for qualified retirement plans and for life insurance companies writing all types of variable annuity contracts and variable life insurance policies.

NOTE 2—Significant Accounting Policies:

(a) *Investment Valuation:* Investments of the Portfolio are valued on each day the New York Stock Exchange (“NYSE”) is open as of the close of the NYSE (normally 4:00 p.m. Eastern time). Listed and unlisted securities for which such information is regularly reported are valued at the last reported sales price or, in the absence of reported sales, at the mean between the bid and the asked price, or, in the absence of a recent bid or asked price, the equivalent as obtained from one or more of the major market makers for the securities to be valued.

Securities for which market quotations are not readily available are valued according to procedures established by the Board of Trustees to determine fair value in good faith.

Securities having a remaining maturity of sixty days or less are valued at amortized cost which approximates market value.

(b) *Security Transactions and Investment Income:* Security transactions are recorded on a trade date basis. Resulting receivables and payables are carried at amounts which approximate fair value. Realized gains and losses from security transactions are recorded on the identified cost basis. Dividend income is recognized on the ex-dividend date and interest income is recognized on the accrual basis.

(c) *Repurchase Agreements:* The Portfolio enters into repurchase agreements with approved institutions, primarily U.S. Government securities dealers. The repurchase agreements are collateralized by U.S. Government securities which are verified by the investment

manager as being either received and held in physical possession by the custodian or as having been received by such custodian in book-entry form through the Federal Reserve book-entry system. The investment manager monitors the value of the collateral at the time the repurchase agreement is entered into and on a daily basis during the term of the agreement to ensure that its value equals or exceeds the agreed-upon repurchase price to be repaid to the Portfolio. Additional collateral is obtained when necessary.

(d) *Lending of Portfolio Securities:* The Portfolio lends its securities to financial institutions, including an affiliate of the custodian, provided that the market value of securities loaned will not at any time exceed one-third of the Portfolio’s total assets, as defined. The Portfolio earns fees on the securities loaned which are included in interest income in the accompanying Statement of Operations. In order to protect against the risk of failure by the borrower to return the securities loaned or any delay in the delivery of such securities, the investment manager ensures that the loan is collateralized by cash, letters of credit or U.S. Government securities that are maintained at all times in an amount equal to at least 100 percent of the current market value of the loaned securities. At June 30, 2000, the value of securities loaned and collateral received thereon were \$1,646,555 and \$1,677,381, respectively.

(e) *Dividends to Shareholders:* Dividends and distributions payable to shareholders are recorded by the Portfolio on the ex-dividend date. Dividends from net investment income are declared and paid annually.

Distributions from net realized gains, offset by any loss carryforward, are declared and paid annually after the end of the fiscal year in which earned.

(f) *Federal Income Taxes:* It is the Portfolio’s policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable income, including net realized capital gains, to its shareholders. Therefore, no federal income tax provision is required. The Portfolio is treated as a separate entity for the purpose of determining such compliance.

(g) *Expenses:* The Fund accounts separately for the assets, liabilities and operations of each portfolio. Expenses directly attributable to each portfolio are charged to that portfolio’s operations; expenses which are applicable to all portfolios are allocated among them.

(h) *Other:* These financial statements have been prepared using estimates and assumptions that affect the reported amounts therein. Actual results may differ from those estimates.

THE ALGER AMERICAN FUND
ALGER AMERICAN BALANCED PORTFOLIO
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (Cont'd)

June 30, 2000

NOTE 3—Investment Management Fees and Other Transactions with Affiliates:

(a) *Investment Management Fees:* Fees incurred by the Portfolio, pursuant to the provisions of its Investment Management Agreement (the "Agreement") with Fred Alger Management, Inc. ("Alger Management"), are payable monthly and computed based on the average daily net assets of the Portfolio at the annual rate of .75%.

The Agreement further provides that if in any fiscal year the aggregate expenses, excluding interest, taxes, brokerage commissions, and extraordinary expenses, exceed 1.25% of the average daily net assets of the Portfolio, Alger Management will reimburse the Portfolio for the excess expenses.

(b) *Brokerage Commissions:* During the six months ended June 30, 2000, the Portfolio paid Fred Alger & Company, Incorporated ("Alger Inc.") \$41,333 in connection with securities transactions.

(c) *Transfer Agency Fees:* The Portfolio has entered into a transfer agency agreement with Alger Shareholder Services, Inc. ("Services"), an affiliate of Alger Management, whereby Services will act as transfer agent for the Portfolio.

(d) Certain trustees and officers of the Portfolio are directors and officers of Alger Management, Alger Inc. and Services.

NOTE 4—Securities Transactions:

Purchases and sales of securities, other than short-term securities, of the Portfolio for the six months ended June 30, 2000, were \$48,595,605 and \$23,242,510, respectively.

NOTE 5—Share Capital:

The Fund has an unlimited number of authorized shares of beneficial interest of \$.001 par value.

During the six months ended June 30, 2000, transactions of shares of beneficial interest of the Portfolio were as follows:

During the year ended December 31, 1999, transactions of shares of beneficial interest of the Portfolio were as follows:

	<u>Shares</u>	<u>Amount</u>
Shares sold	1,671,901	\$ 23,274,857
Dividends reinvested	200,644	2,620,408
	<u>1,872,545</u>	<u>25,895,265</u>
Shares redeemed	(427,507)	(5,917,609)
Net increase	<u>1,445,038</u>	<u>\$ 19,977,656</u>

	<u>Shares</u>	<u>Amount</u>
Shares sold	2,134,624	\$33,364,691
Dividends reinvested	501,510	7,011,154
	<u>2,636,134</u>	<u>40,375,845</u>
Shares redeemed	(294,755)	(4,600,433)
Net increase	<u>2,341,379</u>	<u>\$35,775,412</u>

Dreyfus Investment Portfolios, MidCap Stock Portfolio

SEMIANNUAL REPORT

June 30, 2000



The views expressed herein are current to the date of this report. These views and the composition of the portfolio are subject to change at any time based on market and other conditions.

• Not FDIC-Insured • Not Bank-Guaranteed • May Lose Value

Contents

THE PORTFOLIO

- 2** Letter from the President
- 3** Discussion of Performance
- 6** Statement of Investments
- 12** Statement of Assets and Liabilities
- 13** Statement of Operations
- 14** Statement of Changes in Net Assets
- 15** Financial Highlights
- 16** Notes to Financial Statements

FOR MORE INFORMATION

Back Cover



LETTER FROM THE PRESIDENT

Dear Shareholder:

We are pleased to present this semiannual report for Dreyfus Investment Portfolios, MidCap Stock Portfolio, covering the six-month period from January 1, 2000 through June 30, 2000. Inside, you'll find valuable information about how the portfolio was managed during the reporting period, including a discussion with the portfolio manager, John O'Toole.

While midcap stock prices were, as measured by the Russell Midcap Index, modestly higher over the past six months, the period was marked by high levels of volatility and dramatic shifts in investor sentiment. Between January and mid-March, stocks of all sizes generally continued to advance, led by fast-growing technology stocks that, many investors believed, would benefit most from the "new economy." Subsequently, however, technology stocks corrected sharply over concerns about rising interest rates and extremely high valuations. Other sectors of the stock market also declined, erasing most of the gains achieved earlier in the year.

Overall, mid-capitalization stocks generally outperformed large-cap and small-cap stocks during the period, particularly in the growth-oriented segment of the market, which is dominated by technology companies. In our view, these short-term swings in investor sentiment highlight once again the importance of broad diversification and a long-term perspective for most investors.

We appreciate your confidence over the past six months, and we look forward to your continued participation in Dreyfus Investment Portfolios, MidCap Stock Portfolio.

Sincerely,

Stephen E. Canter
President and Chief Investment Officer
The Dreyfus Corporation
July 17, 2000



DISCUSSION OF PERFORMANCE

John O'Toole, Portfolio Manager

How did Dreyfus Investment Portfolios, MidCap Stock Portfolio perform relative to its benchmark?

For the six-month period ended June 30, 2000, Dreyfus Investment Portfolios, MidCap Stock Portfolio produced a total return of 6.63%.¹ In contrast, the Standard & Poor's MidCap 400 Index (the "S&P MidCap 400 Index"), the portfolio's benchmark, produced a total return of 9.06% for the same period.²

Much of the portfolio's underperformance of the S&P MidCap 400 Index during the reporting period is attributable to growth stocks overwhelmingly outperforming value stocks in the first quarter of 2000. Our quantitative model examines a mixture of growth and value characteristics, without strongly favoring either. The model does not work as well in a polarized market environment, such as the one that prevailed in the first quarter of 2000, where one investment style dominates another.

What is the portfolio's investment approach?

The portfolio invests primarily in mid-capitalization companies chosen through a disciplined process that combines computer analysis with human judgment. The quantitatively driven valuation process identifies and ranks approximately 2,500 midcap stocks as attractive, neutral or unattractive investments, based on more than a dozen different valuation inputs. Those inputs, which we believe can have an important influence on stock returns, include earnings estimates, profit margins and growth in cash flow. We establish weights for each of these factors based on our analysis of which factors are being rewarded by investors, making adjustments along the way for the uniqueness of various industries and economic sectors. For example, the equity markets may be rewarding companies with strong growth in cash flow, in which case we would add more weight to that factor.

Then, our investment management team conducts fundamental research on each stock, which ultimately results in their buy-and-sell recommendations. We seek to have the portfolio own the best-performing midcap stocks within each economic sector.

What other factors influenced the portfolio's performance?

During the past six months, midcap stocks were among the best-performing stock groups in the equity universe. That's a marked change from the late 1990s, when investors flocked to large-cap companies because they posted such strong earnings growth. More recently, midcap companies have become attractive because of their often strong growth prospects and their relatively modest stock valuations. Indeed, the strong performance of midcap stocks was a positive factor in the portfolio's results.

Biotechnology was one of the top-performing midcap areas during the period. Recently, the federal government and private industry scientists announced that they had deciphered the genetic code for human life. Among other benefits, this scientific discovery may make it possible for biotechnology companies to develop more effective drugs to treat diseases. As a result, the stock price of portfolio holding Waters more than doubled during the reporting period. Waters is a provider of laboratory products and services to the pharmaceutical, chemical and environmental testing industries.

Although technology experienced tremendous volatility during the reporting period, investors expressed a clear preference for companies with solid earnings and shunned Internet companies that had losses and questionable business models. Sanmina, a very profitable manufacturer of electronic components for major computer corporations, was an example of one of the portfolio's holdings in technology that was preferred by investors.

As the world's telecommunication system makes the transition from copper to more advanced technologies, companies like CIENA Corp. are developing the next generation of fiber optic networks. The booming growth of the Internet has enabled many of these telecommuni-

cations companies to generate tremendous growth, which is why CIENA's stock price nearly doubled during the reporting period.

Another group of companies in the portfolio performed very well, not because of the good fortunes of their respective industries, but because the individual companies met or exceeded profit expectations. Those stocks included Dollar Tree Stores, an operator of discount variety stores, Santa Fe International, an oil drilling company that took advantage of rising oil prices, and Quanta Services, a construction company that specializes in the telecommunications, cable television and electric power industries. In contrast, a large majority of the stocks that did not perform well were those of companies that produced disappointing earnings, such as BJ's Wholesale Club, Dial and USFreightways.

What is the portfolio's current strategy?

We continue to follow our quantitatively driven computer model and use fundamental analysis for selecting stocks. We also continue to believe that the midcap sector of the market represents a collection of very dynamic and interesting companies whose stock valuations are still often lower than their large-cap counterparts.

July 17, 2000

¹ *Total return includes reinvestment of dividends and any capital gains paid. Past performance is no guarantee of future results. Share price and investment return fluctuate such that upon redemption, portfolio shares may be worth more or less than their original cost. The portfolio's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in variable insurance contracts, which will reduce returns. Return figures provided reflect the absorption of portfolio expenses by The Dreyfus Corporation pursuant to an agreement in effect through December 31, 2000, at which time it may be extended, terminated or modified. Had these expenses not been absorbed, the portfolio's returns would have been lower.*

² *SOURCE: LIPPER INC. — Reflects reinvestment of dividends and, where applicable, capital gain distributions. The Standard & Poor's MidCap 400 Index is a widely accepted, unmanaged total return index measuring the performance of the mid-sized company segment of the U.S. stock market.*

STATEMENT OF INVESTMENTS

June 30, 2000 (Unaudited)

Common Stocks—95.3%	Shares	Value (\$)
Consumer Cyclical—9.1%		
BJ's Wholesale Club	8,700 ^a	287,100
Blyth	5,500	162,250
Brinker International	5,400 ^a	157,950
Brunswick	4,900	81,156
Darden Restaurants	8,300	134,875
Dollar Tree Stores	10,800 ^a	427,275
Johnson Controls	2,950	151,372
Leggett & Platt	5,700	94,050
Liz Claiborne	3,350	118,087
MGM Grand	7,600	244,150
Miller (Herman)	4,400	113,850
Navistar International	2,000 ^a	62,125
Park Place Entertainment	9,500 ^a	115,781
Ross Stores	14,700	250,819
TJX Cos.	12,300	230,625
UAL	1,700	98,919
Zale	5,700 ^a	208,050
		2,938,434
Consumer Staples—2.7%		
Dial	4,300	44,612
Hormel Foods	8,400	141,225
Lancaster Colony	3,700	72,150
McCormick & Co.	4,700	152,750
Pepsi Bottling Group	3,900	113,831
SUPERVALU	6,700	127,719
Wrigley, (Wm.) Jr.	2,550	204,478
		856,765
Energy—9.1%		
Amerada Hess	3,400	209,950
BJ Services	5,600 ^a	350,000
ENSCO International	9,000	322,312
Equitable Resources	5,300	255,725
KeySpan	8,200	252,150
Murphy Oil	3,700	219,919
Noble Affiliates	3,900	145,275
Noble Drilling	7,500 ^a	308,906
Peoples Energy	5,500	178,063

Common Stocks (continued)	Shares	Value (\$)
Energy (continued)		
Questar	7,300	141,437
Rowan Cos.	6,400 ^a	194,400
Santa Fe International	4,100	143,244
Ultramar Diamond Shamrock	8,200	203,463
		2,924,844
Health Care—13.1%		
Allergan	4,600	342,700
Andrx	2,800 ^a	178,981
Bausch & Lomb	1,650	127,669
Biomet	6,350	244,078
Chiron	7,900 ^a	375,250
Cytc	3,150 ^a	168,131
Forest Laboratories	1,700 ^a	171,700
IVAX	18,500 ^a	767,750
Lincare Holdings	5,100 ^a	125,587
MedImmune	4,950 ^a	366,300
Millennium Pharmaceuticals	1,500 ^a	167,813
Patterson Dental	1,400 ^a	71,400
Quest Diagnostics	3,800 ^a	271,937
Stryker	3,400	148,750
Trigon Healthcare	3,100 ^a	159,844
Universal Health Services, Cl. B	4,500 ^a	294,750
Waters	1,800 ^a	224,663
		4,207,303
Interest Sensitive—10.2%		
Associated Banc-Corp	4,570	99,683
City National	7,100	246,725
Cullen/Frost Bankers	3,700	97,356
Dime Bancorp	7,900	124,425
Edwards (A.G.)	6,150	239,850
Gallagher (Arthur J.) & Co.	5,000	210,000
Golden West Financial	5,200	212,225
Mercantile Bankshares	6,500	193,781
Metris Cos.	11,100	278,888
Nationwide Financial Services, Cl. A	4,700	154,513
North Fork Bancorporation	11,900	179,987
PMI Group	5,600	266,000

STATEMENT OF INVESTMENTS (Unaudited) (continued)

Common Stocks (continued)	Shares	Value (\$)
Interest Sensitive (continued)		
Pacific Century Financial	9,800	143,325
Paine Webber Group	1,750	79,625
Radian Group	4,100	212,175
T. Rowe Price Associates	6,600	280,500
UnionBanCal	4,800	89,100
Union Planters	6,800	189,975
		3,298,133
Internet Related—1.7%		
iXL Enterprises	2,400	34,800
Portal Software	3,350 ^a	213,981
Proxicom	4,100 ^a	196,288
Scient	2,200 ^a	97,075
		542,144
Producer Goods—8.6%		
American Power Conversion	3,800 ^a	155,087
Briggs & Stratton	2,850	97,613
CNF Transportation	2,700	61,425
Centex	4,300	101,050
Centex Construction Products	1,550	35,166
Cytec Industries	6,800 ^a	167,875
Eastman Chemical	3,200	152,800
Engelhard	7,600	129,675
Georgia-Pacific Group	6,000	157,500
Helix Technology	3,200	124,800
Kansas City Southern Industries	2,550	226,153
Louisiana-Pacific	9,200	100,050
Lyondell Chemical	8,600	144,050
Parker-Hannifin	2,950	101,037
Phelps Dodge	3,500	130,156
Quanta Services	5,900 ^a	324,500
Sealed Air	2,500 ^a	130,937
Sherwin-Williams	10,400	220,350
USFreightways	2,800	68,775
United Parcel Service, Cl. B	2,400	141,600
		2,770,599
Services—12.1%		
Belo (A.H.), Cl. A	7,000	121,188

Common Stocks (continued)	Shares	Value (\$)
Services (continued)		
Convergys	4,200 ^a	217,875
DST Systems	4,100 ^a	312,113
DeVry	6,900 ^a	182,419
Dow Jones & Co.	2,000	146,500
Fox Entertainment Group, Cl. A	6,600 ^a	200,475
Hertz, Cl. A	5,400	151,537
Hispanic Broadcasting	3,900 ^a	129,187
Knight-Ridder	2,500	132,969
MarchFirst	3,522 ^a	64,277
McClatchy, Cl. A	2,100	69,562
NOVA	4,900 ^a	136,894
Pulitzer	900	37,969
Robert Half International	9,800 ^a	279,300
SunGard Data Systems	8,400 ^a	260,400
TMP Worldwide	2,700 ^a	199,294
Telephone & Data Systems	1,900	190,475
True North Communications	3,400	149,600
United States Cellular	2,200 ^a	138,600
Univision Communications, Cl. A	2,050 ^a	212,175
Viad	9,500	258,875
Westwood One	3,400 ^a	116,025
Young & Rubicam	3,200	183,000
		3,890,709
Technology—20.9%		
Atmel	5,900 ^a	217,563
Avnet	2,900	171,825
BEA Systems	2,200 ^a	108,763
CIENA	1,900 ^a	316,706
Credence Systems	2,500 ^a	137,969
Cypress Semiconductor	5,400 ^a	228,150
Digital Lightwave	1,600 ^a	160,800
Intuit	10,600 ^a	438,575
Jabil Circuit	5,400 ^a	267,975
Kulicke & Soffa Industries	2,400 ^a	142,500
Lattice Semiconductor	1,800 ^a	124,425
Macrovision	2,200 ^a	140,628
Microchip Technology	5,500 ^a	320,461

STATEMENT OF INVESTMENTS (Unaudited) (continued)

Common Stocks (continued)	Shares	Value (\$)
Technology (continued)		
NVIDIA	5,600 ^a	355,950
Novellus Systems	5,100 ^a	288,469
Power-One	1,600 ^a	182,300
Powerwave Technologies	5,100 ^a	224,400
Rational Software	3,000 ^a	278,812
SDL	750 ^a	213,891
SanDisk	1,900 ^a	116,256
Sanmina	3,200 ^a	273,600
Sawtek	3,300 ^a	189,956
Semtech	2,400 ^a	183,562
Sybase	8,900 ^a	204,700
Symantec	4,800 ^a	258,900
Synopsys	4,700 ^a	162,444
Tech Data	3,900 ^a	169,894
TranSwitch	1,500 ^a	115,781
Varian Semiconductor Equipment Associates	2,400 ^a	150,750
Vignette	2,050 ^a	106,632
Vishay Intertechnology	7,450 ^a	282,634
Vitesse Semiconductor	2,500 ^a	183,906
		6,719,177
Utilities—7.8%		
Allegheny Energy	10,500	287,438
Constellation Energy Group	8,200	267,013
DTE Energy	5,900	180,319
Dynegy, Cl. A	6,000	409,875
Energy East	8,600	163,937
GPU	5,500	148,844
ITXC	4,300	152,247
Illuminet Holdings	2,400	122,100
NSTAR	6,800	276,675
Northern States Power	5,200	104,975
OGE Energy	10,550	195,175
Pinnacle West Capital	3,700	125,337
TECO Energy	4,700	94,294
		2,528,229
Total Common Stocks		
(cost \$29,479,640)		30,676,337

Short-Term Investments—4.1%	Principal Amount (\$)	Value (\$)
Repurchase Agreement;		
Greenwich Capital Markets, Tri-Party Repurchase Agreement, 6.58%, dated 6/30/2000, due 7/3/2000, in the amount of \$1,320,724 (fully collateralized by \$1,250,000 U.S. Treasury Inflation Protected Securities, 3.625%, 7/15/2002, value \$1,349,170) (cost \$1,320,000)	1,320,000	1,320,000
Total Investments (cost \$30,799,640)	99.4%	31,996,337
Cash and Receivables (Net)	.6%	190,604
Net Assets	100.0%	32,186,941

^a Non-income producing.

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2000 (Unaudited)

	Cost	Value
Assets (\$):		
Investments in securities—See Statement of Investments—Note 1 (b)	30,799,640	31,996,337
Cash		208,118
Dividends and interest receivable		20,035
Prepaid expenses		17,778
		32,242,268
Liabilities (\$):		
Due to The Dreyfus Corporation and affiliates		22,930
Accrued expenses and other liabilities		32,397
		55,327
Net Assets (\$)		32,186,941
Composition of Net Assets (\$):		
Paid-in capital		29,299,931
Accumulated undistributed investment income—net		43,563
Accumulated net realized gain (loss) on investments		1,646,750
Accumulated net unrealized appreciation (depreciation) on investments—Note 4		1,196,697
Net Assets (\$)		32,186,941
Shares Outstanding		
(unlimited number of \$.001 par value shares of Beneficial Interest authorized)		2,245,970
Net Asset Value , offering and redemption price per share (\$)		14.33

See notes to financial statements.

STATEMENT OF OPERATIONS

Six Months Ended June 30, 2000 (Unaudited)

Investment Income (\$):

Income:

Cash dividends	124,652
Interest	32,674

Total Income **157,326**

Expenses:

Investment advisory fee—Note 3(a)	84,355
Custodian fees—Note 3(a)	16,157
Auditing fees	11,303
Prospectus and shareholders' reports	5,034
Registration fees	4,053
Legal fees	4,003
Shareholder servicing costs	447
Trustees' fees and expenses—Note 3(b)	107
Miscellaneous	3,382

Total Expenses **128,841**

Less—reduction in investment advisory fee due to
undertaking—Note 3(a) (16,368)

Net Expenses **112,473**

Investment Income—Net **44,853**

Realized and Unrealized Gain (Loss) on Investments—Note 4 (\$):

Net realized gain (loss) on investments	1,928,255
Net unrealized appreciation (depreciation) on investments	(698,636)

Net Realized and Unrealized Gain (Loss) on Investments **1,229,619**

Net Increase in Net Assets Resulting from Operations **1,274,472**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2000 (Unaudited)	Year Ended December 31, 1999
Operations (\$):		
Investment income–net	44,853	32,597
Net realized gain (loss) on investments	1,928,255	455,052
Net unrealized appreciation (depreciation) on investments	(698,636)	1,039,391
Net Increase (Decrease) in Net Assets Resulting from Operations	1,274,472	1,527,040
Dividends to Shareholders from (\$):		
Investment income–net	(1,590)	(38,834)
Beneficial Interest Transactions (\$):		
Net proceeds from shares sold	17,993,538	6,399,007
Dividends reinvested	1,590	38,834
Cost of shares redeemed	(2,643,944)	(2,869,302)
Increase (Decrease) in Net Assets from Beneficial Interest Transactions	15,351,184	3,568,539
Total Increase (Decrease) in Net Assets	16,624,066	5,056,745
Net Assets (\$):		
Beginning of Period	15,562,875	10,506,130
End of Period	32,186,941	15,562,875
Undistributed investment income–net	43,563	300
Capital Share Transactions (Shares):		
Shares sold	1,279,558	527,232
Shares issued for dividends reinvested	107	2,989
Shares redeemed	(191,271)	(236,335)
Net Increase (Decrease) in Shares Outstanding	1,088,394	293,886

See notes to financial statements.

FINANCIAL HIGHLIGHTS

The following table describes the performance for the fiscal periods indicated. Total return shows how much your investment in the portfolio would have increased (or decreased) during each period, assuming you had reinvested all dividends and distributions. These figures have been derived from the portfolio's financial statements.

	Six Months Ended	Year Ended December 31,	
	June 30, 2000 (Unaudited)	1999	1998 ^a
Per Share Data (\$):			
Net asset value, beginning of period	13.44	12.16	12.50
Investment Operations:			
Investment income-net	.03 ^b	.03 ^b	.02
Net realized and unrealized gain (loss) on investments	.86	1.28	(.34)
Total from Investment Operations	.89	1.31	(.32)
Distributions:			
Dividends from investment income-net	.00 ^c	(.03)	(.02)
Net asset value, end of period	14.33	13.44	12.16
Total Return (%)	6.63 ^d	10.82	(2.53) ^d
Ratios/Supplemental Data (%):			
Ratio of expenses to average net assets	.50 ^d	.97	.67 ^d
Ratio of net investment income to average net assets	.20 ^d	.26	.18 ^d
Decrease reflected in above expense ratios due to undertakings by The Dreyfus Corporation	.07 ^d	.49	.60 ^d
Portfolio Turnover Rate	52.16 ^d	77.73	75.74 ^d
Net Assets, end of period (\$ x 1,000)	32,187	15,563	10,506

^a From May 1, 1998 (commencement of operations) to December 31, 1998.

^b Based on average shares outstanding at each month end.

^c Amount represents less than \$.01 per share.

^d Not annualized.

See notes to financial statements.

NOTE 1—Significant Accounting Policies:

Dreyfus Investment Portfolios (the “fund”) is registered under the Investment Company Act of 1940, as amended (the “Act”), as an open-end management investment company, operating as a series company currently offering twelve series, including the MidCap Stock Portfolio (the “portfolio”). The portfolio is only offered to separate accounts established by insurance companies to fund variable annuity contracts and variable life insurance policies. The portfolio is a diversified series. The portfolio’s investment objective is to provide investment results that are greater than the total return performance of publicly-traded common stocks of medium-size domestic companies in the aggregate, as represented by the Standard & Poor’s MidCap 400 Index. The Dreyfus Corporation (“Dreyfus”) serves as the portfolio’s investment adviser. Dreyfus is a direct subsidiary of Mellon Bank, N.A., (“Mellon”) which is a wholly-owned subsidiary of Mellon Financial Corporation. Effective March 22, 2000, Dreyfus Service Corporation (“DSC”), a wholly-owned subsidiary of Dreyfus, became the distributor of the portfolio’s shares, which are sold to the public without a sales charge. Prior to March 22, 2000, Premier Mutual Fund Services, Inc. was the distributor.

As of June 30, 2000, MBC Investments Corp., an indirect subsidiary of Mellon Financial Corporation, held 309,506 shares of the portfolio.

The fund accounts separately for the assets, liabilities and operations of each series. Expenses directly attributable to each series are charged to that series’ operations; expenses which are applicable to all series are allocated among them on a pro rata basis.

The portfolio’s financial statements are prepared in accordance with generally accepted accounting principles which may require the use of management estimates and assumptions. Actual results could differ from those estimates.

(a) Portfolio valuation: Investments in securities (including options and financial futures) are valued at the last sales price on the securi-

ties exchange on which such securities are primarily traded or at the last sales price on the national securities market. Securities not listed on an exchange or the national securities market, or securities for which there were no transactions, are valued at the average of the most recent bid and asked prices. Bid price is used when no asked price is available. Securities for which there are no such valuations are valued at fair value as determined in good faith under the direction of the Board of Trustees.

(b) Securities transactions and investment income: Securities transactions are recorded on a trade date basis. Realized gain and loss from securities transactions are recorded on the identified cost basis. Dividend income is recognized on the ex-dividend date and interest income, including, where applicable, amortization of discount on investments, is recognized on the accrual basis. Under the terms of the custody agreement, the portfolio received net earnings credits of \$984 during the period ended June 30, 2000 based on available cash balances left on deposit. Income earned under this arrangement is included in interest income.

The portfolio may enter into repurchase agreements with financial institutions, deemed to be creditworthy by the portfolio's investment adviser, subject to the seller's agreement to repurchase and the portfolio's agreement to resell such securities at a mutually agreed upon price. Securities purchased subject to repurchase agreements are deposited with the portfolio's custodian and, pursuant to the terms of the repurchase agreement, must have an aggregate market value greater than or equal to the terms of the repurchase price plus accrued interest at all times. If the value of the underlying securities falls below the value of the repurchase price plus accrued interest, the portfolio will require the seller to deposit additional collateral by the next business day. If the request for additional collateral is not met, or the seller defaults on its repurchase obligation, the portfolio maintains its right to sell the underlying securities at market value and may claim any resulting loss against the seller.

(c) **Dividends to shareholders:** Dividends are recorded on the ex-dividend date. Dividends from investment income-net and dividends from net realized capital gain are normally declared and paid annually, but the portfolio may make distributions on a more frequent basis to comply with the distribution requirements of the Internal Revenue Code of 1986, as amended (the “Code”). To the extent that net realized capital gain can be offset by capital loss carryovers, it is the policy of the portfolio not to distribute such gain.

(d) **Federal income taxes:** It is the policy of the portfolio to continue to qualify as a regulated investment company, if such qualification is in the best interests of its shareholders, by complying with the applicable provisions of the Code, and to make distributions of taxable income sufficient to relieve it from substantially all Federal income and excise taxes.

The portfolio has an unused capital loss carryover of approximately \$188,000 available for Federal income tax purposes to be applied against future net securities profits, if any, realized subsequent to December 31, 1999. If not applied, the carryover expires in fiscal 2006.

NOTE 2—Bank Line of Credit:

The portfolio participates with other Dreyfus-managed funds in a \$100 million unsecured line of credit primarily to be utilized for temporary or emergency purposes, including the financing of redemptions. Interest is charged to the portfolio at rates which are related to the Federal Funds rate in effect at the time of borrowings. During the period ended June 30, 2000, the portfolio did not borrow under the line of credit.

NOTE 3—Investment Advisory Fee and Other Transactions With Affiliates:

(a) Pursuant to an Investment Advisory Agreement with Dreyfus, the investment advisory fee is computed at the annual rate of .75 of 1% of the value of the portfolio’s average daily net assets and is payable

monthly. Dreyfus has undertaken from January 1, 2000 through December 31, 2000, to reduce the investment advisory fee and reimburse such excess expenses paid by the portfolio, to the extent that the portfolio's aggregate annual expenses, exclusive of taxes, brokerage fees, interest on borrowings and extraordinary expenses, exceed an annual rate of 1% of the value of the portfolio's average daily net assets. The reduction in investment advisory fee, pursuant to the undertaking, amounted to \$16,368 during the period ended June 30, 2000.

The portfolio compensates Dreyfus Transfer, Inc., a wholly-owned subsidiary of Dreyfus, under a transfer agency agreement for providing personnel and facilities to perform transfer agency services for the portfolio. During the period ended June 30, 2000, the portfolio was charged \$38 pursuant to the transfer agency agreement.

The portfolio compensates Mellon under a custody agreement for providing custodial services for the portfolio. During the period ended June 30, 2000, the portfolio was charged \$16,157 pursuant to the custody agreement.

(b) Each Board member also serves as a Board member of other funds within the Dreyfus complex (collectively, the "Fund Group"). Effective April 13, 2000, each Board member who is not an "affiliated person" as defined in the Act receives an annual fee of \$25,000 and an attendance fee of \$4,000 for each in person meeting and \$500 for telephone meetings. These fees are allocated among the funds in the Fund Group. The Chairman of the Board receives an additional 25% of such compensation. Prior to April 13, 2000, each Board member who was not an "affiliated person" as defined in the Act received from the fund an annual fee of \$1,000 and an attendance fee of \$250 per meeting. The Chairman of the Board received an additional 25% of such compensation. Subject to the fund's Emeritus Program Guidelines, Emeritus Board members, if any, receive 50% of the fund's annual retainer fee and per meeting fee paid at the time the Board member achieves emeritus status.

NOTE 4—Securities Transactions:

The aggregate amount of purchases and sales of investment securities, excluding short-term securities, during the period ended June 30, 2000, amounted to \$25,939,471 and \$11,361,689, respectively.

At June 30, 2000, accumulated net unrealized appreciation on investments was \$1,196,697, consisting of \$3,538,199 gross unrealized appreciation and \$2,341,502 gross unrealized depreciation.

At June 30, 2000, the cost of investments for Federal income tax purposes was substantially the same as the cost for financial reporting purposes (see the Statement of Investments).

For More Information

Dreyfus Investment Portfolios, MidCap Stock Portfolio

200 Park Avenue
New York, NY 10166

Investment Adviser

The Dreyfus Corporation
200 Park Avenue
New York, NY 10166

Custodian

Mellon Bank, N.A.
One Mellon Bank Center
Pittsburgh, PA 15258

Transfer Agent & Dividend Disbursing Agent

Dreyfus Transfer, Inc.
P.O. Box 9671
Providence, RI 02940

Distributor

Dreyfus Service Corporation
200 Park Avenue
New York, NY 10166

To obtain information:

By telephone

Call
1-800-554-4611 or
516-338-3300

By mail Write to:

The Dreyfus Family of Funds
144 Glenn Curtiss Boulevard
Uniondale, NY 11556-0144
Attn: Institutional Servicing

The Dreyfus Socially Responsible Growth Fund, Inc.

SEMIANNUAL REPORT

June 30, 2000



The views expressed herein are current to the date of this report. These views and the composition of the fund's portfolio are subject to change at any time based on market and other conditions.

• Not FDIC-Insured • Not Bank-Guaranteed • May Lose Value

Contents

THE FUND

- 2** Letter from the President
- 3** Discussion of Fund Performance
- 6** Statement of Investments
- 9** Statement of Assets and Liabilities
- 10** Statement of Operations
- 11** Statement of Changes in Net Assets
- 12** Financial Highlights
- 13** Notes to Financial Statements

FOR MORE INFORMATION

Back Cover



LETTER FROM THE PRESIDENT

Dear Shareholder:

We are pleased to present this semiannual report for The Dreyfus Socially Responsible Growth Fund, Inc., covering the six-month period from January 1, 2000 through June 30, 2000. Inside, you'll find valuable information about how the fund was managed during the reporting period, including a discussion with the fund's portfolio managers, Paul Hilton, Clifford Mpare and Maceo Sloan.

While stock prices were little changed on average over the past six months, the period was marked by high levels of volatility and dramatic shifts in investor sentiment. Between January and mid-March, large-cap stocks generally continued to advance, led by fast-growing technology stocks that, many investors believed, would benefit most from the "new economy." Subsequently, however, technology stocks corrected sharply over concerns about rising interest rates and extremely high valuations. Other sectors of the large-cap stock market also declined, erasing the gains achieved earlier in the year.

Also, primarily because of the precipitous drop in technology stock prices, value-oriented stocks generally outperformed growth stocks during the reporting period, a reversal of the trend established over the past several years. In addition, small-capitalization stocks generally outperformed large-cap stocks, particularly in the value-oriented segment of the market. In our view, these short-term swings in investor sentiment highlight once again the importance of broad diversification and a long-term perspective for most investors.

We appreciate your confidence over the past six months, and we look forward to your continued participation in The Dreyfus Socially Responsible Growth Fund, Inc.

Sincerely,

Stephen E. Canter
President and Chief Investment Officer
The Dreyfus Corporation
July 17, 2000



DISCUSSION OF FUND PERFORMANCE

Paul A. Hilton, Clifford Mpare and Maceo Sloan,
Portfolio Managers

How did The Dreyfus Socially Responsible Growth Fund, Inc. perform relative to its benchmark?

For the six-month period ended June 30, 2000, The Dreyfus Socially Responsible Growth Fund, Inc. produced a total return of 2.55%.¹ In contrast, the fund's benchmark, the Standard & Poor's 500 Composite Stock Price Index ("S&P 500 Index") produced a total return of -0.43% and the Dow Jones Industrial Average produced a total return of -8.44%, for the same period.²

What is the fund's investment approach?

The fund seeks to provide capital growth with growth-oriented companies that generally exhibit three characteristics: improving profitability measurements, a pattern of consistent earnings and reasonable prices. The fund looks for current income as a secondary objective. To pursue these goals, the fund invests primarily in the common stock of companies that, in the opinion of the fund's management, meet traditional investment standards while simultaneously conducting their businesses in a manner that contributes to the enhancement of the quality of life in America.

What factors influenced the fund's performance?

Three primary factors influenced the fund's performance over the past six months: heightened volatility within the stock market, specifically within the technology sector; continued strength of the U.S. economy; and three short-term interest-rate hikes by the Federal Reserve Board (the "Fed"). There was a total increase of 1.00 percentage points in short-term interest rates during the reporting period as a result of the Fed's attempts to slow economic growth and forestall the buildup of inflationary pressures. The uncertainty caused by these interest-rate hikes created volatility for both the market and the fund.

From the beginning of the reporting period until mid-March 2000, the U.S. stock market advanced sharply, driven primarily by strong gains within the technology group. The fund benefited from maintaining above-average exposure to this area. By mid-March, however, that trend had reversed itself when many technology stocks, especially those related to the Internet, quickly fell out of favor.

In response, we trimmed our technology exposure, choosing instead to deploy those assets primarily to diversified financial services companies. That move proved to be beneficial for the fund. With our financial holdings already a significant contributor to the fund's overall performance, we concentrated these holdings in global, diversified financial services companies that we believed were less likely to be affected by rising interest rates. Examples include Citigroup, Merrill Lynch and State Street.

What is the fund's current strategy?

We have continued to concentrate on financial companies that have global subdivisions and franchises. In addition, we have begun to increase our exposure to health care companies. In our view, many of these companies are very reasonably valued and offer predictable and consistent earnings.

We are also pleased that the Fed left short-term interest rates unchanged at its June 28th meeting. In our opinion, the Fed's decision not to raise interest rates signaled a belief that domestic economic growth may have slowed enough to warrant no further action.

Can you give us an update on the fund's socially responsible investing activities?

Over the past six months, fund management has hosted two meetings with the management of Coca-Cola in an effort to encourage them to increase the amount of recycled polyethylene terephthalate (PET) content in their plastic soft drink containers. While recycled content in aluminum beverage containers and glass bottles is roughly about 50% and 25%, respectively, currently there is almost no recycled content in most plastic bottles.

We are very pleased to inform shareholders that Coca-Cola is working toward a new goal of increasing the amount of recycled PET to 10% in one-quarter of the plastic bottles they produce this year. Coca-Cola is the first soft drink company to make such an effort across its complete product line. Currently, the company spends over \$2 billion annually on recycled content materials in the U.S. alone and over \$5 billion worldwide.

July 17, 2000

- ¹ *Total return includes reinvestment of dividends and any capital gains paid. Past performance is no guarantee of future results. Share price, yield and investment return fluctuate such that upon redemption, fund shares may be worth more or less than their original cost. The fund's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in variable insurance contracts, which will reduce returns.*
- ² *SOURCE: LIPPER INC. — Reflects the reinvestment of dividends and, where applicable, capital gain distributions. Both the Standard & Poor's 500 Composite Stock Price Index and the Dow Jones Industrial Average are widely accepted, unmanaged indices of U.S. stock market performance.*

STATEMENT OF INVESTMENTS

June 30, 2000 (Unaudited)

	Shares	Value (\$)
Common Stocks—98.2%		
Commercial Services—1.4%		
Omnicom Group	175,200	15,603,750
Consumer Non-Durables—3.5%		
Clorox	284,800	12,762,600
Coca-Cola	304,800	17,506,950
Kimberly-Clark	150,000	8,606,250
		38,875,800
Consumer Services—2.2%		
McDonald's	196,000	6,455,750
Time Warner	237,300	18,034,800
		24,490,550
Electronic Technology—22.6%		
Applied Materials	94,000 ^a	8,518,750
Cisco Systems	603,200 ^a	38,340,900
Cree	100,800 ^a	13,456,800
EMC	312,000 ^a	24,004,500
Flextronics International	200,000 ^a	13,737,500
International Business Machines	161,000	17,639,562
Lexmark International Group, Cl. A	147,200 ^a	9,899,200
Lucent Technologies	270,000	15,997,500
Nokia, ADS	243,600	12,164,775
Nortel Networks	347,897	23,743,970
Sanmina	140,000 ^a	11,970,000
Solectron	345,800 ^a	14,480,375
Sun Microsystems	315,600 ^a	28,699,875
Tellabs	212,800 ^a	14,563,500
Vishay Intertechnology	207,000 ^a	7,853,062
		255,070,269
Energy Minerals—1.7%		
Royal Dutch Petroleum (New York Shares)	306,000	18,838,125
Finance—17.6%		
AFLAC	389,100	17,874,281
American Express	377,400	19,671,975
American International Group	224,250	26,349,375
Capital One Financial	289,200	12,905,550
Citigroup	383,700	23,117,925
Fannie Mae	541,800	28,275,187
Marsh & McLennan Cos.	100,000	10,443,750

Common Stocks (continued)	Shares	Value (\$)
Finance (continued)		
Merrill Lynch	229,300	26,369,500
Providian Financial	149,500	13,455,000
State Street	100,000	10,606,250
Wells Fargo	230,000	8,912,500
		197,981,293
Health Services–1.9%		
Cardinal Health	296,000	21,904,000
Health Technology–15.5%		
Amgen	324,800 ^a	22,817,200
Guidant	266,600 ^a	13,196,700
Johnson & Johnson	264,900	26,986,687
Merck & Co.	581,500	44,557,438
Pfizer	723,500	34,728,000
Schering-Plough	630,500	31,840,250
		174,126,275
Industrial Services–1.0%		
Halliburton	241,000	11,372,187
Process Industries–1.6%		
Avery Dennison	117,300	7,873,763
Ecolab	266,000	10,390,625
		18,264,388
Producer Manufacturing–2.1%		
Miller (Herman)	240,000	6,210,000
Tyco International	378,000	17,907,750
		24,117,750
Retail Trade–4.2%		
Dollar General	375,000	7,312,500
Gap	272,800	8,525,000
Home Depot	226,550	11,313,341
Safeway	209,400 ^a	9,449,175
Wal-Mart Stores	193,400	11,144,675
		47,744,691
Semiconductors–4.5%		
Altera	120,000 ^a	12,232,500
Intel	189,400	25,320,413
Linear Technology	209,600	13,401,300
		50,954,213

STATEMENT OF INVESTMENTS (Unaudited) (continued)

Common Stocks (continued)	Shares	Value (\$)
Technology Services–9.3%		
America Online	299,300 ^a	15,788,075
Microsoft	547,000 ^a	43,760,000
Oracle	531,000 ^a	44,637,188
		104,185,263
Utilities–9.1%		
AES	298,800 ^a	13,632,750
AT&T–Liberty Media, Cl. A	653,600 ^a	15,849,800
Bell Atlantic	245,000	12,449,063
Broadwing	350,000	9,078,125
Calpine	140,000 ^a	9,205,000
Global Crossing	276,000 ^a	7,262,250
Sprint (FON Group)	178,000	9,078,000
Vodafone AirTouch, ADR	223,250	9,250,922
WorldCom	366,700 ^a	16,822,363
		102,628,273
Total Common Stocks (cost \$795,646,937)		1,106,156,827
	Principal Amount (\$)	Value (\$)
Short-Term Investments–2.0%		
Certificates of Deposit–.0%		
Self Help Credit Union, 5.92%, 9/21/2000	100,000	100,000
U.S. Treasury Bills–2.0%		
5.85%, 9/14/2000	4,440,000	4,389,206
5.67%, 10/5/2000	12,961,000	12,767,752
5.69%, 10/12/2000	4,635,000	4,560,608
		21,717,566
Total Short-Term Investments (cost \$21,810,252)		21,817,566
Total Investments (cost \$817,457,189)	100.2%	1,127,974,393
Liabilities, Less Cash and Receivables	(.2%)	(1,721,022)
Net Assets	100.0%	1,126,253,371

^a Non-income producing.

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2000 (Unaudited)

	Cost	Value
Assets (\$):		
Investments in securities—See Statement of Investments	817,457,189	1,127,974,393
Cash		4,353,330
Dividends and interest receivable		356,999
Receivable for shares of Common Stock subscribed		561,709
Prepaid expenses		10,640
		1,133,257,071
Liabilities (\$):		
Due to The Dreyfus Corporation and affiliates		719,326
Payable for investment securities purchased		4,284,614
Payable for shares of Common Stock redeemed		1,908,798
Accrued expenses		90,962
		7,003,700
Net Assets (\$)		1,126,253,371
Composition of Net Assets (\$):		
Paid-in capital		824,044,561
Accumulated undistributed investment income—net		8,983,173
Accumulated net realized gain (loss) on investments		(17,291,567)
Accumulated net unrealized appreciation (depreciation) on investments—Note 4		310,517,204
Net Assets (\$)		1,126,253,371
Shares Outstanding		
(150 million shares of \$.001 par value Common Stock authorized)		28,117,332
Net Asset Value , offering and redemption price per share (\$)		40.06

See notes to financial statements.

STATEMENT OF OPERATIONS

Six Months Ended June 30, 2000 (Unaudited)

Investment Income (\$):

Income:

Cash dividends (net of \$45,045 foreign taxes withheld at source) 12,050,893

Interest 805,323

Total Income 12,856,216

Expenses:

Investment advisory fee—Note 3(a) 3,719,302

Registration fees 52,466

Custodian fees—Note 3(b) 40,952

Professional fees 23,513

Prospectus and shareholders' reports 20,928

Shareholder servicing costs—Note 3(b) 6,437

Directors' fees and expenses—Note 3(c) 4,997

Loan commitment fees—Note 2 2,890

Miscellaneous 1,714

Total Expenses 3,873,199

Investment Income—Net 8,983,017

Realized and Unrealized Gain (Loss) on Investments—Note 4 (\$):

Net realized gain (loss) on investments (17,124,640)

Net unrealized appreciation (depreciation) on investments 38,275,327

Net Realized and Unrealized Gain (Loss) on Investments 21,150,687

Net Increase in Net Assets Resulting from Operations 30,133,704

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2000 (Unaudited)	Year Ended December 31, 1999
Operations (\$):		
Investment income-net	8,983,017	265,584
Net realized gain (loss) on investments	(17,124,640)	30,035,205
Net unrealized appreciation (depreciation) on investments	38,275,327	152,921,846
Net Increase (Decrease) in Net Assets Resulting from Operations	30,133,704	183,222,635
Dividends to Shareholders from (\$):		
Investment income-net	(154,649)	(110,779)
Net realized gain on investments	-	(29,821,669)
Total Dividends	(154,649)	(29,932,448)
Capital Stock Transactions (\$):		
Net proceeds from shares sold	257,846,037	420,752,466
Dividends reinvested	154,649	29,932,448
Cost of shares redeemed	(59,264,874)	(184,233,771)
Increase (Decrease) in Net Assets from Capital Stock Transactions	198,735,812	266,451,143
Total Increase (Decrease) in Net Assets	228,714,867	419,741,330
Net Assets (\$):		
Beginning of Period	897,538,504	477,797,174
End of Period	1,126,253,371	897,538,504
Undistributed investment income-net	8,983,173	154,805
Capital Share Transactions (Shares):		
Shares sold	6,684,878	12,274,415
Shares issued for dividends reinvested	3,916	770,462
Shares redeemed	(1,544,426)	(5,444,636)
Net Increase (Decrease) in Shares Outstanding	5,144,368	7,600,241

See notes to financial statements.

FINANCIAL HIGHLIGHTS

The following table describes the performance for the fiscal periods indicated. Total return shows how much your investment in the fund would have increased (or decreased) during each period, assuming you had reinvested all dividends and distributions. These figures have been derived from the fund's financial statements.

	Six Months Ended	Year Ended December 31,				
	June 30, 2000 (Unaudited)	1999	1998	1997	1996	1995
Per Share Data (\$):						
Net asset value, beginning of period	39.07	31.08	24.97	20.09	17.31	13.23
Investment Operations:						
Investment income—net	.35 ^a	.01 ^a	.05	.09	.05	.08
Net realized and unrealized gain (loss) on investments	.65	9.34	7.28	5.63	3.63	4.49
Total from Investment Operations	1.00	9.35	7.33	5.72	3.68	4.57
Distributions:						
Dividends from investment income—net	(.01)	(.01)	(.05)	(.10)	(.05)	(.08)
Dividends from net realized gain on investments	—	(1.35)	(1.17)	(.74)	(.85)	(.41)
Total Distributions	(.01)	(1.36)	(1.22)	(.84)	(.90)	(.49)
Net asset value, end of period	40.06	39.07	31.08	24.97	20.09	17.31
Total Return (%)	2.55 ^b	30.08	29.38	28.44	21.23	34.56
Ratios/Supplemental Data (%):						
Ratio of operating expenses to average net assets	.39 ^b	.79	.80	.82	.95	1.27
Ratio of interest expense and loan commitment fees to average net assets	.00 ^{b,c}	.00 ^c	.00 ^c	.00 ^c	.01	—
Ratio of net investment income to average net assets	.90 ^b	.04	.20	.46	.42	.70
Decrease reflected in above expense ratios due to undertakings by The Dreyfus Corporation	—	—	—	—	.03	.06
Portfolio Turnover Rate	33.49 ^b	70.84	67.60	58.50	126.41	88.52
Net Assets, end of period (\$ x 1,000)	1,126,253	897,539	477,797	275,887	114,570	31,657

^a Based on average shares outstanding at each month end.

^b Not annualized.

^c Amount represents less than .01%.

See notes to financial statements.

NOTE 1—Significant Accounting Policies:

The Dreyfus Socially Responsible Growth Fund, Inc. (the “fund”) is registered under the Investment Company Act of 1940, as amended (the “Act”), as a diversified open-end management investment company. The fund’s investment objective is to provide capital growth through equity investments in companies that not only meet traditional investment standards but which also show evidence that they conduct their business in a manner that contributes to the enhancement of the quality of life in America. The fund is intended to be a funding vehicle for variable annuity contracts and variable life insurance policies to be offered by the separate accounts of life insurance companies. The Dreyfus Corporation (“Dreyfus”) serves as the fund’s investment adviser. Dreyfus is a direct subsidiary of Mellon Bank, N.A. (“Mellon”), which is a wholly-owned subsidiary of Mellon Financial Corporation. NCM Capital Management Group, Inc. (“NCM”) serves as the fund’s sub-investment adviser. Effective March 22, 2000, Dreyfus Service Corporation (“DSC”), a wholly-owned subsidiary of Dreyfus, became the distributor of the fund’s shares, which are sold to the public without a sales charge. Prior to March 22, 2000, Premier Mutual Fund Services, Inc. was the distributor.

The fund’s financial statements are prepared in accordance with generally accepted accounting principles which may require the use of management estimates and assumptions. Actual results could differ from those estimates.

(a) Portfolio valuation: Investments in securities are valued at the last sales price on the securities exchange on which such securities are primarily traded or at the last sales price on the national securities market. Securities not listed on an exchange or the national securities market, or securities for which there were no transactions, are valued at the average of the most recent bid and asked prices. Bid price is used when no asked price is available. Securities for which there are no such valuations are valued at fair value as determined in good faith under the direction of the Board of Directors.

(b) Securities transactions and investment income: Securities transactions are recorded on a trade date basis. Realized gain and loss from securities transactions are recorded on the identified cost basis. Dividend income is recognized on the ex-dividend date and interest income, including, where applicable, amortization of discount on investments, is recognized on the accrual basis. Under the terms of the custody agreement, the fund receives net earnings credits based on available cash balances left on deposit.

(c) Dividends to shareholders: Dividends are recorded on the ex-dividend date. Dividends from investment income-net and dividends from net realized capital gain are normally declared and paid annually, but the fund may make distributions on a more frequent basis to comply with the distribution requirements of the Internal Revenue Code of 1986, as amended (the “Code”). To the extent that net realized capital gain can be offset by capital loss carryovers, if any, it is the policy of the fund not to distribute such gain.

(d) Federal income taxes: It is the policy of the fund to continue to qualify as a regulated investment company, if such qualification is in the best interests of its shareholders, by complying with the applicable provisions of the Code, and to make distributions of taxable income sufficient to relieve it from substantially all Federal income and excise taxes.

NOTE 2—Bank Line of Credit:

The fund participates with other Dreyfus-managed funds in a \$500 million redemption credit facility (the “Facility”) to be utilized for temporary or emergency purposes, including the financing of redemptions. In connection therewith, the fund has agreed to pay commitment fees on its pro rata portion of the Facility. Interest is charged to the fund at rates based on prevailing market rates in effect at the time of borrowings. During the period ended June 30, 2000, the fund did not borrow under the Facility.

NOTE 3—Investment Advisory Fee, Sub-Investment Advisory Fee and Other Transactions with Affiliates:

(a) Pursuant to an Investment Advisory Agreement with Dreyfus, the investment advisory fee is computed at the annual rate of .75 of 1% of the value of the fund's average daily net assets and is payable monthly.

Pursuant to a Sub-Investment Advisory Agreement with NCM, the sub-investment advisory fee is payable monthly by Dreyfus, and is based upon the value of the fund's average daily net assets, computed at the following annual rates:

Average Net Assets

0 to \$32 million10 of 1%
In excess of \$32 million to \$150 million.....	.15 of 1%
In excess of \$150 million to \$300 million.....	.20 of 1%
In excess of \$300 million.....	.25 of 1%

(b) Under the Shareholder Services Plan, the fund reimburses DSC an amount not to exceed an annual rate of .25 of 1% of the value of the fund's average daily net assets for certain allocated expenses with respect to servicing and/or maintaining shareholder accounts. During the period ended June 30, 2000, the fund was charged \$3,900 pursuant to the Shareholder Services Plan.

The fund compensates Dreyfus Transfer, Inc., a wholly-owned subsidiary of Dreyfus, under a transfer agency agreement for providing personnel and facilities to perform transfer agency services for the fund. During the period ended June 30, 2000, the fund was charged \$232 pursuant to the transfer agency agreement.

The fund compensates Mellon under a custody agreement for providing custodial services for the fund. During the period ended June 30, 2000, the fund was charged \$40,952 pursuant to the custody agreement.

(c) Each Board member also serves as a Board member of other funds within the Dreyfus complex (collectively, the “Fund Group”). Effective April 13, 2000, each Board member who is not an “affiliated person” as defined in the Act receives an annual fee of \$25,000 and an attendance fee of \$4,000 for each in person meeting and \$500 for telephone meetings. These fees are allocated among the funds in the Fund Group. The Chairman of the Board receives an additional 25% of such compensation. Prior to April 13, 2000, each Board member who was not an “affiliated person” as defined in the Act received from the fund an annual fee of \$2,500. The Chairman of the Board received an additional 25% of such compensation. Subject to the fund’s Director Emeritus Program Guidelines, Emeritus Board members, if any, receive 50% of the fund’s annual retainer fee and per meeting fee paid at the time the Board member achieves emeritus status.

(d) During the period ended June 30, 2000, the fund incurred total brokerage commissions of \$685,454, of which \$30,592 was paid to Dreyfus Brokerage Services, a wholly-owned subsidiary of Mellon Financial Corporation.

NOTE 4—Securities Transactions:

The aggregate amount of purchases and sales of investment securities, excluding short-term securities, during the period ended June 30, 2000, amounted to \$552,739,371 and \$325,825,359, respectively.

At June 30, 2000, accumulated net unrealized appreciation on investments was \$310,517,204, consisting of \$334,108,466 gross unrealized appreciation and \$23,591,262 gross unrealized depreciation.

At June 30, 2000, the cost of investments for Federal income tax purposes was substantially the same as the cost for financial reporting purposes (see the Statement of Investments).

For More Information

The Dreyfus Socially Responsible Growth Fund, Inc.

200 Park Avenue
New York, NY 10166

Investment Adviser

The Dreyfus Corporation
200 Park Avenue
New York, NY 10166

Sub-Investment Adviser

NCM Capital Management Group, Inc.
103 West Main Street
Durham, NC 22705

Custodian

Mellon Bank, N.A.
One Mellon Bank Center
Pittsburgh, PA 15258

Transfer Agent & Dividend Disbursing Agent

Dreyfus Transfer, Inc.
P.O. Box 9671
Providence, RI 02940

Distributor

Dreyfus Service Corporation
200 Park Avenue
New York, NY 10166

To obtain information:

By telephone

Call
1-800-554-4611 or
516-338-3300

By mail Write to:

The Dreyfus Family of Funds
144 Glenn Curtiss Boulevard
Uniondale, NY 11556-0144
Attn: Institutional Servicing



Printed on recycled paper.
50% post-consumer
Process chlorine free.
Vegetable-based ink.

SEMIANNUAL REPORT

June 30, 2000

(Unaudited)

WARBURG PINCUS TRUST

- GLOBAL POST-VENTURE CAPITAL PORTFOLIO
(formerly Post-Venture Capital Portfolio)
- EMERGING MARKETS PORTFOLIO

Warburg Pincus Trust (the “Trust”) shares are not available directly to individual investors, but may be offered only through certain insurance products and pension and retirement plans.

More complete information about the Trust, including charges and expenses and, when applicable, the special considerations and risks associated with international investing, is provided in the *Prospectus*, which must precede or accompany this document and which should be read carefully before investing. You may obtain additional copies by calling 800-222-8977 or by writing to Warburg Pincus Funds, P.O. Box 9030, Boston, MA 02205-9030.

Credit Suisse Asset Management Securities, Inc., Distributor to the Trust, is located at 466 Lexington Ave., New York, NY 10017-3147. The Trust is advised by Credit Suisse Asset Management, LLC.

From time to time, the Portfolios' investment adviser and co-administrators may waive some fees and/or reimburse some expenses, without which performance would be lower. Waivers and/or reimbursements are subject to change.

Returns are historical and include change in share price and reinvestment of dividends and capital gains. Past performance cannot guarantee future results. Returns and share price will fluctuate, and redemption value may be more or less than original cost.

International investing entails special risk considerations, including currency fluctuations, lower liquidity, economic and political risks, and differences in accounting methods.

The views of the Portfolios' management are as of the date of the letters, and Portfolio holdings described in this document are as of June 30, 2000; these views and Portfolio holdings may have changed subsequent to these dates. Nothing in this document is a recommendation to purchase or sell securities.

Portfolio shares are not deposits or other obligations of Credit Suisse Asset Management, LLC ("CSAM") or any affiliate, are not FDIC insured and are not guaranteed by CSAM or any affiliate. Portfolio investments are subject to investment risks, including loss of your investment.

August 4, 2000

Dear Shareholder:

For the six months ended June 30, 2000, Warburg Pincus Trust—Global Post-Venture Capital Portfolio (the "Portfolio") (formerly Post-Venture Capital Portfolio—the name change was effective May 1, 2000) had a gain of 4.98% vs. gains of 0.22% for the Lipper Global Funds Index* and 1.22% for the Russell 2000 Growth Index,** and a loss of 3.04% for the Morgan Stanley Capital International World Index.*** The Portfolio's one-year return through June 30, 2000 was 52.26%. Its since-inception (on September 30, 1996) average annual total return through June 30, 2000 was 20.64%.

Global stock markets were volatile in the period, reflecting worries that an expanding global economy would put upward pressure on interest rates. Technology and telecommunications stocks, which entered the period with generally lofty valuations, were especially volatile. By region, the U.S. market was, on the whole, lackluster, though many major indexes had positive results. Europe had its share of winners and losers for the six months. Most Asian markets, including Japan's, struggled after a solid 1999. Elsewhere of note, Latin American markets generally declined, while Canada rallied.

Against this backdrop, the Portfolio had a gain, and performed well relative to its benchmarks. The Portfolio saw good showings from a number of its holdings, including certain technology and media stocks. Other stocks that helped the Portfolio included its health-care and energy stocks, as well as specific consumer-related names.

We made no material changes to the Portfolio in terms of overall strategy, notwithstanding the Portfolio's name change and our increased ability to invest in foreign stocks (the Portfolio may now invest without limit in foreign securities). Our focus remained on well-managed, well-financed companies with innovative products and services, especially those with competitive advantages in the technology area, broadly defined.

In terms of regional allocation, we remained heavily biased in favor of the U.S., though we modestly raised our exposure to foreign companies, adding a few European, Canadian and Asian stocks we judged to be attractive. Going forward, we are likely to continue to raise the Portfolio's weighting in foreign stocks, given a strong and rising trend of venture-capital activity abroad and the relatively attractive valuations at which many of these underfollowed stocks trade. Opportunity within the U.S., meanwhile, should remain abundant. Assets in domestic venture pools stand at record levels, and venture capitalists remain eager to invest in highly innovative U.S. companies.

In sum, we are excited about venture-backed companies as an asset class, and believe that the group has much to offer in terms of long-term growth potential as well as the potential for diversification. We would caution investors, however, that investing in these securities entails certain risks (e.g., that of heightened volatility) as well as rewards. Our focus will remain on stocks of well-managed, well-financed companies we deem to have the best long-term growth prospects.

Elizabeth B. Dater
Co-Portfolio Manager

Harold E. Sharon
Co-Portfolio Manager

Federico D. Laffan
Co-Portfolio Manager

Jun Sung Kim
Co-Portfolio Manager

International investing entails special risk considerations, including currency fluctuations, lower liquidity, economic and political risks, and differences in accounting methods. There are also special risk considerations associated with post-venture-capital investments. These are detailed in the Fund's Prospectus, which should be read carefully before investing.

* The Lipper Global Funds Index is an equal-weighted performance index, adjusted for capital-gain distributions and income dividends, of the largest qualifying funds within this investment objective, and is compiled by Lipper Inc.

** The Russell 2000 Growth Index is an unmanaged index (with no defined investment objective) of those securities in the Russell 2000 Index with a greater-than-average growth orientation. It includes reinvestment of dividends, and is compiled by Frank Russell Company.

***The Morgan Stanley Capital International World Index is a market-weighted average of the performance of securities listed on the stock exchanges of all developed countries.

August 4, 2000

Dear Shareholder:

For the six months ended June 30, 2000, Warburg Pincus Trust—Emerging Markets Portfolio (the “Portfolio”) had a loss of 8.32% vs. a loss of 7.99% for the Morgan Stanley Capital International Emerging Markets Free Index.* The Portfolio’s one-year return through June 30, 2000 was 24.16%. Its since-inception (on December 31, 1997) average annual return through June 30, 2000 was 13.59%.

On the heels of a strong 1999, the emerging-market group struggled over the first half of 2000, hampered by interest-rate worries and a related selloff in riskier asset classes generally. The group was under particularly heavy selling pressure in April, reflecting contagion from a plunge in the NASDAQ, the technology-biased U.S. index, which suffered its largest one-day loss on April 14. On a positive note, investor sentiment toward emerging markets warmed somewhat in June, buoyed by a calming Nasdaq and by optimism that global economic growth would moderate, easing upward pressure on interest rates (developed-market monetary authorities have raised rates over the past year in an effort to cool growth and contain inflation).

Against this backdrop, the Portfolio had a loss, performing roughly in line with its benchmark. The Portfolio was hurt by the difficult environment for emerging markets and by weakness in its technology and telecommunications holdings in particular.

We made few material changes to the Portfolio during the period in terms of regional allocation. We maintained a roughly neutral weighting in Asia (Asian/Pacific markets accounted for about half the fund’s assets as of June 30), with a continued emphasis on North Asian economies, most specifically South Korea, Taiwan and Hong Kong. Our favorable view on these markets is based on their potential to benefit from rising export demand, in particular for software and semiconductor products. In addition, we believe that valuations on a number of stocks here are compelling, both in absolute terms and compared to emerging-market technology stocks broadly. We generally continued to avoid Southeast Asia, reflecting the more attractive stocks we saw elsewhere from a risk/reward perspective. That said, we ended the period with a significant position in Malaysia, a market whose attractive attributes in our view include improving liquidity.

Within Latin America, we continued to emphasize Mexico and Brazil, the region’s dominant markets. Our overweighting in Brazil through the period proved helpful, as the market was a relatively good performer, aided by a supportive interest-rate backdrop. We were underweighted in Mexico during much of the period, but took a more-aggressive stance in late June ahead of the country’s early-July elections. In our view, the market had fully discounted any unfavorable results (the market subsequently rallied on the victory of the reform-minded opposition candidate). With regard to sector exposure, our Latin American holdings continued to include technology-type names (e.g., Brazilian cellular telecom companies) as well as stocks from more-traditional industries (e.g., Mexican basic-materials and retail names).

We trimmed our position in Eastern/Central Europe, finishing the period with a modest underweighting. This reflected our valuation-based decision to lower our exposure to certain markets, e.g., Turkey, a strong 1999 performer (though we ended the period still overweighted in Turkey). Elsewhere of note, we remained underweighted in South Africa, reflecting our concerns over ongoing weakness in the rand, though we continued to view specific stocks here favorably.

Going forward, we have a positive outlook on the long-term prospects for emerging markets, based on the return of relative stability to these economies (compared to the turmoil that roiled emerging markets two years ago) and the large number of rapid-growth, reasonably valued companies within these markets. To be sure, emerging markets could continue to struggle over the near-to-intermediate term. Much depends on how successful developed-market central banks will be in managing a “soft landing.” If banks raise rates too aggressively, the global economy could begin to recede, hampering revenue forecasts for emerging-market companies. On the other hand, a more-lax monetary environment could spark

an upturn in global growth. Despite the better revenue picture this would bring, such growth could fuel inflation and interest-rate worries, keeping would-be emerging-market investors on the sidelines. But for those willing to commit to a longer-term investment horizon (i.e., a three- to five-year period), we believe emerging markets remain well worthy of consideration, and we will continue to strive to identify stocks and markets with the best prospects.

Richard Watt
Portfolio Manager

International investing entails special risk considerations, including currency fluctuations, lower liquidity, economic and political risks, and differences in accounting methods; these risks are generally heightened for emerging-market investments. These are detailed in the Portfolio's Prospectus, which should be read carefully before investing.

* The Morgan Stanley Capital International Emerging Markets Free Index is a market-capitalization weighted index of emerging-market countries determined by Morgan Stanley. The index includes only those countries open to non-local investors.

Warburg Pincus Trust — Global Post-Venture Capital Portfolio
Schedule of Investments — June 30, 2000 (Unaudited)

	<u>Number of Shares</u>	<u>Value</u>
COMMON STOCKS (57.4%)		
Banks & Savings & Loans (0.8%)		
Mellon Financial Corp.	43,600	\$ 1,588,675
Business Services (6.2%)		
Acxiom Corp.†	30,600	833,850
August Technology Corp.†	26,100	429,019
BISYS Group, Inc.†	24,700	1,519,050
Checkpoint Systems, Inc.†	96,200	721,500
DoubleClick, Inc.†	20,200	770,125
Getty Images, Inc.†	34,700	1,286,069
Harte-Hanks, Inc.	74,800	1,870,000
QRS Corp.†	24,900	611,606
SunGard Data Systems, Inc.†	68,800	2,132,800
TMP Worldwide, Inc.†	23,200	1,712,450
		<u>11,886,469</u>
Communications & Media (7.2%)		
AMFM, Inc.†	13,500	931,500
Cablevision Systems Corp.†	50,200	3,407,325
CMG Information Services, Inc.†	23,000	1,053,687
Globespan, Inc.†	9,100	1,110,911
Hispanic Broadcasting Corp.†	22,800	755,250
MaMaMedia, Inc.†#	92,592	499,997
USA Networks, Inc.†	105,600	2,283,600
Westwood One, Inc.†	38,600	1,317,225
Yahoo!, Inc.†	21,200	2,626,150
		<u>13,985,645</u>
Computers (9.1%)		
Brocade Communications Systems, Inc.†	8,400	1,541,269
Citrix Systems, Inc.†	52,000	984,750
Documentum, Inc.†	22,000	1,966,250
Excalibur Technologies Corp.†	43,400	1,733,287
Intuit, Inc.†	61,400	2,540,425
Network Appliance, Inc.†	26,100	2,101,050
Sun Microsystems, Inc.†	34,300	3,119,156
Verisign, Inc.†	14,300	2,523,950
VERITAS Software Corp.†	8,800	994,537
		<u>17,504,674</u>
Consumer Services (1.1%)		
DeVry, Inc.†	80,800	2,136,150
Electronics (8.1%)		
Altera Corp.†	27,700	2,823,669
DSP Group, Inc.†	24,200	1,355,200
Flextronics International, Ltd.†	51,200	3,516,800
JDS Uniphase Corp.†	25,400	3,044,825
KLA-Tencor Corp.†	14,800	866,725
Manufacturers' Services, Ltd.†	3,700	76,081
Maxim Integrated Products, Inc.†	26,200	1,779,962
Vitesse Semiconductor Corp.†	29,200	2,148,025
		<u>15,611,287</u>
Energy (1.1%)		
Chaparral Resources, Inc.†#	2,778	18,057
Newfield Exploration Co.†	55,500	2,171,437
		<u>2,189,494</u>

See Accompanying Notes to Financial Statements.

**Warburg Pincus Trust — Global Post-Venture Capital Portfolio
Schedule of Investments (cont'd) — June 30, 2000 (Unaudited)**

	<u>Number of Shares</u>	<u>Value</u>
COMMON STOCKS (cont'd)		
Financial Services (2.4%)		
AMBAC Financial Group, Inc.	40,100	\$ 2,197,981
Gabelli Asset Management, Inc. Class A†	63,500	1,587,500
T. Rowe Price Associates, Inc.	21,100	896,750
		<u>4,682,231</u>
Healthcare (2.9%)		
Affymetrix, Inc.†	2,900	478,863
Community Health Care†	13,000	210,438
Guidant Corp.†	12,000	594,000
IVAX Corp.†	66,000	2,739,000
Oxford Health Plans, Inc.†	68,500	1,631,156
		<u>5,653,457</u>
Leisure & Entertainment (0.6%)		
Premier Parks, Inc.†	47,100	1,071,525
Oil Services (2.3%)		
Cooper Cameron Corp.†	33,700	2,224,200
Nabors Industries, Inc.†	51,200	2,128,000
		<u>4,352,200</u>
Pharmaceuticals (3.1%)		
Amgen, Inc.†	19,300	1,355,825
Medimmune, Inc.†	34,500	2,553,000
Millennium Pharmaceuticals, Inc.†	7,200	805,500
Watson Pharmaceuticals, Inc.†	20,900	1,123,375
Women First Healthcare, Inc.†	50,100	62,625
		<u>5,900,325</u>
Retail (2.5%)		
Amazon.com, Inc.†	21,900	795,244
AnnTaylor Stores Corp.†	50,200	1,662,875
Saks, Inc.†	59,000	619,500
Tiffany & Co.	26,900	1,815,750
		<u>4,893,369</u>
Telecommunications & Equipment (9.0%)		
ANTEC Corp.†	15,000	623,438
Cabletron Systems, Inc.†	28,000	707,000
CIENA Corp.†	20,600	3,433,763
Cisco Systems, Inc.†	78,300	4,976,944
Covad Communications Group, Inc.†	31,950	515,194
Exodus Communications, Inc.†	79,200	3,648,150
Pinnacle Holdings, Inc.†	31,300	1,690,200
VoiceStream Wireless Corp.†	15,300	1,779,342
		<u>17,374,031</u>
Utilities - Electric (1.0%)		
SCANA Corp.	80,800	1,949,300
		<u>1,949,300</u>
TOTAL COMMON STOCKS (Cost \$72,044,769)		<u>110,778,832</u>
FOREIGN COMMON STOCKS (33.7%)		
Australia (0.2%)		
<i>Media (0.2%)</i>		
BMCmedia.com, Ltd.†	1,171,000	478,102
TOTAL AUSTRALIA		<u>478,102</u>

See Accompanying Notes to Financial Statements.

**Warburg Pincus Trust — Global Post-Venture Capital Portfolio
Schedule of Investments (cont'd) — June 30, 2000 (Unaudited)**

	<u>Number of Shares</u>	<u>Value</u>
FOREIGN COMMON STOCKS (cont'd)		
Canada (4.8%)		
<i>Energy (0.9%)</i>		
Berkley Petroleum Corp.†	275,000	\$ 1,735,373
<i>Media (2.6%)</i>		
Corus Entertainment, Inc.†	82,000	2,186,047
Shaw Communications, Inc. Class B	110,600	2,730,437
		<u>4,916,484</u>
<i>Software & Services (0.8%)</i>		
Descartes Systems Group, Inc.	51,500	1,529,355
<i>Technology Hardware & Equipment (0.5%)</i>		
Sierra Wireless, Inc.†	18,600	1,000,922
TOTAL CANADA		<u>9,182,134</u>
Finland (1.7%)		
<i>Software & Services (0.9%)</i>		
Comptel Oyj	85,500	1,729,342
<i>Telecommunication Services (0.8%)</i>		
Nokia Oyj	31,000	1,588,334
TOTAL FINLAND		<u>3,317,676</u>
France (0.8%)		
<i>Media (0.8%)</i>		
Ipsos SA†	15,400	1,623,850
TOTAL FRANCE		<u>1,623,850</u>
Germany (3.2%)		
<i>Materials (1.6%)</i>		
Jenoptik AG	108,000	3,105,828
<i>Software & Services (1.6%)</i>		
Articon Information Systems AG†	20,100	1,406,538
Telesens AG†	43,000	1,731,212
		<u>3,137,750</u>
TOTAL GERMANY		<u>6,243,578</u>
Ireland (0.5%)		
<i>Technology Hardware & Equipment (0.5%)</i>		
Parthus Technologies PLC†	337,000	951,494
TOTAL IRELAND		<u>951,494</u>
Israel (3.1%)		
<i>Telecommunication Services (3.1%)</i>		
Amdocs, Ltd.†	20,000	1,535,000
Audiocodes, Ltd.†	8,700	1,044,000
Gilat Satellite Networks†	48,200	3,343,875
		<u>5,922,875</u>
TOTAL ISRAEL		<u>5,922,875</u>
Italy (0.9%)		
<i>Insurance (0.9%)</i>		
Bayerische Vita SpA	200,000	1,719,709
TOTAL ITALY		<u>1,719,709</u>
Japan (1.9%)		
<i>Diversified Financials (0.9%)</i>		
Promise Co., Ltd.	9,900	784,129
Shinko Securities Co., Ltd.	195,000	875,460
		<u>1,659,589</u>

See Accompanying Notes to Financial Statements.

**Warburg Pincus Trust — Global Post-Venture Capital Portfolio
Schedule of Investments (cont'd) — June 30, 2000 (Unaudited)**

	<u>Number of Shares</u>	<u>Value</u>
FOREIGN COMMON STOCKS (cont'd)		
Japan (cont'd)		
<i>Hotels Restaurants & Leisure (0.5%)</i>		
H.I.S. Co., Ltd.	18,300	\$ 906,339
<i>Materials (0.5%)</i>		
Misumi Corp.	9,400	963,975
TOTAL JAPAN		<u>3,529,903</u>
Luxembourg (0.7%)		
<i>Software & Services (0.7%)</i>		
Thiel Logistik AG†	13,100	1,233,148
TOTAL LUXEMBOURG		<u>1,233,148</u>
Netherlands (1.9%)		
<i>Consumer Durables (1.1%)</i>		
Ifco Systems NV†	78,600	2,098,361
<i>Energy (0.1%)</i>		
Petroplus International NV	21,526	253,805
<i>Technology Hardware & Equipment (0.7%)</i>		
BE Semiconductor Industries NV	87,000	1,363,545
TOTAL NETHERLANDS		<u>3,715,711</u>
Norway (1.9%)		
<i>Energy (1.9%)</i>		
Fred Olsen Energy ASA†	102,400	946,433
Navis ASA†	704,500	873,675
Petroleum Geo Services ADR†	108,400	1,849,575
		<u>3,669,683</u>
TOTAL NORWAY		<u>3,669,683</u>
Singapore (1.4%)		
<i>Technology Hardware & Equipment (1.4%)</i>		
Chartered Semiconductor Manufacturing Limited ADR†	29,300	2,637,000
TOTAL SINGAPORE		<u>2,637,000</u>
South Korea (0.4%)		
<i>Telecommunication Services (0.4%)</i>		
SK Telecom Co., Ltd. - ADR	23,000	835,188
TOTAL KOREA		<u>835,188</u>
Spain (2.9%)		
<i>Diversified Financials (0.6%)</i>		
Dinamia Capital Privado. Sociedad de Capital Riesgo, SA†	84,130	1,128,239
<i>Hotels Restaurants & Leisure (1.0%)</i>		
NH Hoteles SA	165,000	1,905,914
<i>Software & Services (0.9%)</i>		
Indra Sistemas SA	74,500	1,711,100
<i>Transportation (0.4%)</i>		
Transportes Azkar SA†	92,700	777,535
TOTAL SPAIN		<u>5,522,788</u>
Sweden (1.1%)		
<i>Diversified Financials (0.6%)</i>		
Ledstiernan AB†	300,000	1,197,165
<i>Real Estate (0.5%)</i>		
Kungsleden AB	103,200	947,197
TOTAL SWEDEN		<u>2,144,362</u>

See Accompanying Notes to Financial Statements.

**Warburg Pincus Trust — Global Post-Venture Capital Portfolio
Schedule of Investments (cont'd) — June 30, 2000 (Unaudited)**

	<u>Number of Shares</u>	<u>Value</u>
FOREIGN COMMON STOCKS (cont'd)		
Switzerland (1.4%)		
<i>Materials (0.4%)</i>		
Mikron Holding AG	1,100	\$ 812,450
<i>Real Estate (0.1%)</i>		
Intershop Holding AG	399	234,335
<i>Software & Services (0.9%)</i>		
Gretag Imaging Group	8,700	1,680,001
Logitech International SA	31	22,134
		<u>1,702,135</u>
TOTAL SWITZERLAND		<u>2,748,920</u>
United Kingdom (4.9%)		
<i>Diversified Financials (0.9%)</i>		
AMVESCAP PLC ADR	9,700	760,237
3i Group PLC	48,000	987,547
		<u>1,747,784</u>
<i>Media (0.4%)</i>		
EMAP PLC	47,600	766,015
<i>Software & Services (2.1%)</i>		
Autonomy Corp. PLC†	15,700	1,884,000
Itnet PLC†	165,000	1,642,392
Orchestream Holdings PLC†	95,700	457,822
		<u>3,984,214</u>
<i>Pharmaceuticals & Biotechnology (1.5%)</i>		
Oxford Glycosciences PLC†	75,900	2,154,469
Skyepharma PLC†	619,000	815,281
		<u>2,969,750</u>
TOTAL UNITED KINGDOM		<u>9,467,763</u>
TOTAL FOREIGN COMMON STOCKS (Cost \$61,698,872)		<u>64,943,884</u>
SHORT TERM INVESTMENTS (7.0%)		
Institutional Money Market Trust	4,285,675	4,285,675
RBB Money Market Portfolio	9,233,698	9,233,698
TOTAL SHORT TERM INVESTMENTS (Cost \$13,519,373)		<u>13,519,373</u>
PREFERRED STOCK (0.0%)		
Women.com Networks, Inc.†	32,513	67,058
TOTAL PREFERRED STOCK (Cost \$106,968)		<u>67,058</u>
RIGHTS (0.0%)		
France (0.0%)		
<i>Media (0.0%)</i>		
Ipsos† (Cost \$0)	7,400	0
TOTAL INVESTMENTS AT VALUE (98.1%) (Cost \$147,369,982*)		<u>189,309,147</u>
OTHER ASSETS IN EXCESS OF LIABILITIES (1.9%)		<u>3,630,982</u>
NET ASSETS (100.0%)		<u>\$192,940,129</u>

INVESTMENT ABBREVIATIONS
ADR = American Depository Receipt

Restricted security.

† Non-income producing security.

* Cost for federal income tax purposes is \$147,576,774.

See Accompanying Notes to Financial Statements.

Warburg Pincus Trust — Emerging Markets Portfolio
Schedule of Investments — June 30, 2000 (Unaudited)

	<u>Number of Shares</u>	<u>Value</u>
COMMON STOCKS (89.1%)		
Australia (0.0%)		
<i>Energy (0.0%)</i>		
Novus Petroleum, Ltd.	144	\$ 152
TOTAL AUSTRALIA		<u>152</u>
Brazil (9.5%)		
<i>Banks (1.0%)</i>		
Uniao de Bancos Brasileiros SA GDR	12,710	<u>365,412</u>
<i>Energy (1.1%)</i>		
Petroleo Brasileiro SA - ADR †	12,400	<u>374,623</u>
<i>Food & Drug Retailing (0.4%)</i>		
Companhia Brasileira de Distribuicao Grupo Pao de Acucar ADR	5,000	<u>160,625</u>
<i>Food Beverages & Tobacco (0.7%)</i>		
Companhia Cervejaria Brahma ADR	14,675	<u>249,475</u>
<i>Materials (1.3%)</i>		
Aracruz Celulose ADR	6,900	133,256
Companhia Vale do Rio Doce ADR	12,400	<u>350,300</u>
		<u>483,556</u>
<i>Telecommunication Services (5.0%)</i>		
Embratel Participacoes SA ADR	26,700	630,787
Tele Norte Leste Participacoes SA ADR	24,935	589,089
Telesp Celular Participacoes - ADR	12,600	<u>565,425</u>
		<u>1,785,301</u>
TOTAL BRAZIL		<u>3,418,992</u>
Chile (2.8%)		
<i>Food & Drug Retailing (0.4%)</i>		
Compania Cervecerias Unidas SA ADR	4,700	106,631
Distribucion y Servicio D&S SA ADR	2,800	<u>48,650</u>
		<u>155,281</u>
<i>Utilities (0.3%)</i>		
Empresa Nacional de Electricidad SA ADR †	9,300	<u>102,881</u>
<i>Telecommunication Services (1.4%)</i>		
Cia de Telecomunicaciones de Chile SA ADR	27,200	<u>493,000</u>
<i>Utilities (0.7%)</i>		
Enersis SA ADR †	12,300	<u>245,231</u>
TOTAL CHILE		<u>996,393</u>
China (3.1%)		
<i>Transportation (2.6%)</i>		
China Southern Airlines Co., Ltd. Class H †	2,074,000	494,885
China Southern Airlines Co., Ltd. ADR †	2,300	27,169
China Unicom ADR †	19,093	<u>405,726</u>
TOTAL TRANSPORTATION		<u>927,780</u>
<i>Utilities (0.5%)</i>		
Huaneng Power International, Inc. ADR	14,700	<u>195,694</u>
TOTAL CHINA		<u>1,123,474</u>
Croatia (0.2%)		
<i>Pharmaceuticals & Biotechnology (0.2%)</i>		
Pliva DD GDR	6,200	<u>64,015</u>
TOTAL CROATIA		<u>64,015</u>

See Accompanying Notes to Financial Statements.

Warburg Pincus Trust — Emerging Markets Portfolio
Schedule of Investments (cont'd) — June 30, 2000 (Unaudited)

	<u>Number of Shares</u>	<u>Value</u>
COMMON STOCKS (cont'd)		
Greece (1.9%)		
<i>Banks (0.7%)</i>		
Alpha Credit Bank	6,153	\$ 244,164
<i>Telecommunication Services (1.2%)</i>		
Hellenic Telecommunication Organization SA ADR	36,400	443,625
TOTAL GREECE		<u>687,789</u>
Hong Kong (6.1%)		
<i>Consumer Durables & Apparel (0.0%)</i>		
Li & Fung, Ltd.	2,000	10,006
<i>Capital Goods (0.9%)</i>		
Citic Pacific, Ltd.	60,000	314,046
<i>Technology Hardware & Equipment (1.1%)</i>		
Legend Holdings, Ltd.	408,000	395,175
<i>Telecommunication Services (4.1%)</i>		
China Mobile, Ltd. †	168,000	1,481,713
TOTAL HONG KONG		<u>2,200,940</u>
Hungary (0.7%)		
<i>Banks (0.2%)</i>		
OTP Bank	1,323	69,253
<i>Pharmaceuticals & Biotechnology (0.1%)</i>		
Gedeon Richter GDR 144A	800	42,900
<i>Telecommunication Services (0.4%)</i>		
Matav RT ADR	3,900	134,306
TOTAL HUNGARY		<u>246,459</u>
India (4.9%)		
<i>Banks (0.3%)</i>		
State Bank of India, Ltd. GDR	9,400	92,825
<i>Computer Software & Services (1.0%)</i>		
Infosys Technologies, Ltd. ADR	2,000	354,500
SSI, Ltd. †	2,200	14,300
		<u>368,800</u>
<i>Diversified Financials (1.0%)</i>		
Industrial Credit & Investment Corp. of India Ltd. Sponsored ADR	18,700	350,625
<i>Materials (0.9%)</i>		
Reliance Industries, Ltd. 144A GDR	16,000	336,000
<i>Telecommunication Services (1.7%)</i>		
Videsh Sanchar Nigam, Ltd.	39,100	610,938
TOTAL INDIA		<u>1,759,188</u>
Indonesia (0.0%)		
<i>Food Beverages & Tobacco (0.0%)</i>		
PT Indofood Sukses Makmur †	6,500	3,546
TOTAL INDONESIA		<u>3,546</u>
Israel (2.0%)		
<i>Computer Software & Services (1.6%)</i>		
Check Point Software Technologies, Ltd. †	2,733	578,713
<i>Technology Hardware & Equipment (0.4%)</i>		
Gilat Satellite Networks †	2,200	152,625
TOTAL ISRAEL		<u>731,338</u>

See Accompanying Notes to Financial Statements.

Warburg Pincus Trust — Emerging Markets Portfolio
Schedule of Investments (cont'd) — June 30, 2000 (Unaudited)

	<u>Number of Shares</u>	<u>Value</u>
COMMON STOCKS (cont'd)		
Malaysia (9.1%)		
<i>Banks (2.1%)</i>		
Commerce Asset Holdings BHD	68,197	\$ 197,417
Malayan Banking BHD	119,800	485,515
Public Bank	65,806	65,807
		<u>748,739</u>
<i>Diversified Financials (0.5%)</i>		
AMMB Holdings BHD	56,985	190,454
<i>Hotel Restaurants & Leisure (3.1%)</i>		
Berjaya Sports Toto	54,000	88,107
Genting Berhad	71,827	264,631
Resorts World	166,000	454,325
Tanjong PLC	138,000	330,481
		<u>1,137,544</u>
<i>Media (0.7%)</i>		
New Straits Times Press	107,036	253,512
<i>Technology Hardware & Equipment (1.4%)</i>		
Digi Swisscom BHD †	182,000	332,875
Unisem BHD	24,000	170,530
		<u>503,405</u>
<i>Telecommunication Services (0.4%)</i>		
Telekom Malaysia BHD	47,000	162,030
<i>Utilities (0.9%)</i>		
Tenaga Nasional BHD	92,483	301,793
TOTAL MALAYSIA		<u>3,297,477</u>
Mexico (11.9%)		
<i>Banks (1.5%)</i>		
Grupo Financiero Banamex Accival SA de CV †	78,959	332,098
Grupo Financiero Bancomer SA de CV Series O	432,014	219,448
		<u>551,546</u>
<i>Food Beverages & Tobacco (1.5%)</i>		
Coca-Cola Femsa SA ADR	16,855	318,138
Grupo Modelo SA de CV Class C	98,782	229,313
		<u>547,451</u>
<i>Materials (1.2%)</i>		
Cemex SA de CV ADR	19,073	445,831
<i>Media (1.2%)</i>		
Grupo Televisa SA †	6,300	434,306
<i>Retail (1.5%)</i>		
Wal-Mart de Mexico SA de CV	23,600	553,845
<i>Telecommunication Services (5.0%)</i>		
Carso Global Telecom SA †	80,425	229,595
Telefonos de Mexico SA ADR	27,360	1,562,940
		<u>1,792,535</u>
TOTAL MEXICO		<u>4,325,514</u>

See Accompanying Notes to Financial Statements.

Warburg Pincus Trust — Emerging Markets Portfolio
Schedule of Investments (cont'd) — June 30, 2000 (Unaudited)

	<u>Number of Shares</u>	<u>Value</u>
COMMON STOCKS (cont'd)		
Russia (2.1%)		
<i>Energy (1.3%)</i>		
Lukoil Holding ADR	6,300	\$ 322,056
Surgutneftegaz ADR	12,100	161,233
		<u>483,289</u>
<i>Telecommunication Services (0.3%)</i>		
Rostelecom ADR	8,300	113,088
<i>Utilities (0.5%)</i>		
Unified Energy Systems ADR	15,500	178,250
TOTAL RUSSIA		<u>774,627</u>
South Africa (5.8%)		
<i>Banks (1.4%)</i>		
African Bank Investments, Ltd. †	100,300	131,075
Standard Bank Investment Corp., Ltd.	91,800	358,817
		<u>489,892</u>
<i>Capital Goods (0.6%)</i>		
Imperial Holdings, Ltd. †	28,253	230,032
<i>Computer Software & Services (0.7%)</i>		
Dimension Data Holdings, Ltd. †	29,854	247,030
<i>Diversified Financials (0.6%)</i>		
Johnnic Holdings, Ltd.	16,533	226,788
<i>Food Beverages & Tobacco (0.7%)</i>		
South African Breweries PLC	33,230	248,008
<i>Insurance (0.6%)</i>		
Liberty Group, Ltd.	23,657	225,063
<i>Materials (1.2%)</i>		
Billiton PLC	58,933	238,174
Sappi, Ltd. †	26,935	202,615
		<u>440,789</u>
TOTAL SOUTH AFRICA		<u>2,107,602</u>
South Korea (10.6%)		
<i>Banks (1.4%)</i>		
Housing & Commercial Bank, Korea	21,411	501,196
<i>Capital Goods (0.0%)</i>		
Daelim Industrial Co., Ltd.	1,610	7,672
<i>Materials (1.2%)</i>		
L.G. Chemical, Ltd.	9,298	185,962
Pohang Iron & Steel Co., Ltd.	2,841	248,875
		<u>434,837</u>
<i>Technology Hardware & Equipment (4.7%)</i>		
Samsung Electro-Mechanics Company †	3,480	218,166
Samsung Electronics Co., Ltd.	4,458	1,475,354
		<u>1,693,520</u>

See Accompanying Notes to Financial Statements.

Warburg Pincus Trust — Emerging Markets Portfolio
Schedule of Investments (cont'd) — June 30, 2000 (Unaudited)

	<u>Number of Shares</u>	<u>Value</u>
COMMON STOCKS (cont'd)		
South Korea (cont'd)		
<i>Telecommunication Services (2.2%)</i>		
Dacom Corp. †	1,136	\$ 164,543
Korea Telecom Corp.	2,990	263,337
SK Telecom Co., Ltd.	169	55,323
SK Telecom Co., Ltd. ADR	8,100	294,131
		<u>777,334</u>
<i>Utilities (1.1%)</i>		
Korea Electric Power Corp.	12,760	395,965
TOTAL SOUTH KOREA		<u>3,810,524</u>
Taiwan (12.7%)		
<i>Banks (1.9%)</i>		
Bank Sinopac	456,000	293,152
Chinatrust Commercial Bank †	435,000	377,106
		<u>670,258</u>
<i>Diversified Financials (0.2%)</i>		
China Development Industrial Bank †	48,000	63,898
<i>Technology Hardware and Equipment (10.6%)</i>		
Acer Incorporated Inc.	109,000	203,497
Asustek Computer Inc.	28,560	235,535
D-Link Corp.	110,400	258,086
Hon Hai Precision Industry Co., Ltd. †	32,000	288,841
Hon Hai Precision Industry Co., Ltd. GDR †	9,000	225,000
Macronix International Co. Ltd.	106,220	265,559
Quanta Computer, Inc.	68,600	340,784
Taiwan Semiconductor Manufacturing Co. †	175,292	830,960
United Microelectronics Co., Ltd. †	200,080	555,435
Via Technologies, Inc. †	17,000	262,184
Winbond Electronics Corp.	130,670	377,598
		<u>3,843,479</u>
TOTAL TAIWAN		<u>4,577,635</u>
Turkey (4.8%)		
<i>Banks (2.0%)</i>		
Dogan Yayin Holding AS †	21,020,215	356,287
Yapi Ve Kredi Bankasi AS †	31,956,174	355,940
		<u>712,227</u>
<i>Consumer Durables & Apparel (0.7%)</i>		
Vestel Elektronik Sanayi Ve Ticaret AS †	900,000	272,406
<i>Diversified Financials (2.1%)</i>		
Koc Holding AS	3,568,884	253,488
Turkiye Is Bankasi AS Class C	22,521,940	481,720
		<u>735,208</u>
<i>Food & Drug Retailing (0.0%)</i>		
Migros Turkey TAS †	1,632	303
TOTAL TURKEY		<u>1,720,144</u>

See Accompanying Notes to Financial Statements.

Warburg Pincus Trust — Emerging Markets Portfolio
Schedule of Investments (cont'd) — June 30, 2000 (Unaudited)

	<u>Number of Shares</u>	<u>Value</u>
COMMON STOCKS (cont'd)		
United States (0.9%)		
<i>Computer Software & Services (0.9%)</i>		
AsialInfo Holdings, Inc. †	7,400	\$ 330,688
UTStarcom, Inc. †	300	9,113
		<u>339,801</u>
TOTAL UNITED STATES		<u>339,801</u>
TOTAL COMMON STOCKS (Cost \$31,821,974)		<u>32,185,610</u>
PREFERRED STOCKS (0.6%)		
Brazil (0.6%)		
<i>Banks (0.6%)</i>		
Banco Itau SA	2,258,908	198,474
<i>Energy (0.0%)</i>		
Petroleo Brasileiro SA	147	4,441
TOTAL BRAZIL		<u>202,915</u>
Taiwan (0.0%)		
<i>Banks (0.0%)</i>		
Taishin International Bank	750	240
TOTAL TAIWAN		<u>240</u>
TOTAL PREFERRED STOCKS (Cost \$189,686)		<u>203,155</u>
RIGHTS (0.0%)		
Malaysia (0.0%)		
<i>Diversified Telecommunication Services (0.0%)</i>		
Telecomasia Corp. Public Co., Ltd.† (Cost \$0)	50,021	0
SHORT TERM INVESTMENTS (8.5%)		
Institutional Money Market Trust	1,371,705	1,371,706
RBB Money Market Portfolio	1,683,762	1,683,762
TOTAL SHORT TERM INVESTMENTS (Cost \$3,055,468)		<u>3,055,468</u>
TOTAL INVESTMENTS AT VALUE (98.2%) (Cost \$35,067,128*)		<u>35,444,233</u>
OTHER ASSETS IN EXCESS OF LIABILITIES (1.8%)		<u>674,079</u>
NET ASSETS (100.0%)		<u>\$36,118,312</u>

INVESTMENT ABBREVIATIONS
ADR = American Depository Receipt
GDR = Global Depository Receipt

† Non-income producing security

* Also cost for federal income tax purposes.

See Accompanying Notes to Financial Statements.

Warburg Pincus Trust
Statements of Assets and Liabilities
June 30, 2000 (Unaudited)

	Global Post-Venture Capital Portfolio	Emerging Markets Portfolio
Assets		
Investments, at value (Cost – \$147,369,982 and \$35,067,128, respectively)	\$189,309,147	\$35,444,233
Foreign currency (Cost – \$9,469 and \$1,301,340, respectively)	9,306	1,301,868
Receivable for investments sold	11,375,403	7
Dividends, interest, and reclaims receivable	180,953	105,914
Receivable for fund shares sold	472,639	0
Prepaid expenses and other assets	<u>0</u>	<u>3,687</u>
Total Assets	<u>201,347,448</u>	<u>36,855,709</u>
Liabilities		
Advisory fee payable	178,655	30,557
Administrative services fee payable	31,260	3,559
Payable for investments purchased	7,806,086	643,702
Payable for fund shares redeemed	6,430	0
Accrued expenses payable	27,649	24,584
Other liabilities	<u>357,239</u>	<u>34,995</u>
Total Liabilities	<u>8,407,319</u>	<u>737,397</u>
Net Assets		
Capital Stock, \$.001 par value	9,543	2,778
Paid-in capital	133,491,090	34,967,912
Accumulated undistributed net investment income (loss)	(545,437)	495,982
Accumulated net realized gain from investments and foreign currency related items	18,056,725	259,925
Net unrealized appreciation from investments and foreign currency related items	<u>41,928,208</u>	<u>391,715</u>
Net Assets	<u>\$192,940,129</u>	<u>\$36,118,312</u>
Net Asset Value		
Net assets	<u>\$192,940,129</u>	<u>\$36,118,312</u>
Shares outstanding	<u>9,542,972</u>	<u>2,777,528</u>
Net asset value, offering price and redemption price per share	<u>\$20.22</u>	<u>\$13.00</u>

See Accompanying Notes to Financial Statements.

Warburg Pincus Trust
Statements of Operations
For the Six Months Ended June 30, 2000 (Unaudited)

	Global Post-Venture Capital Portfolio	Emerging Markets Portfolio
Investment Income:		
Dividends	\$ 186,551	\$ 605,876
Interest	550,688	104,458
Foreign Taxes Withheld	(9,019)	(60,413)
Total investment income	<u>728,220</u>	<u>649,921</u>
Expenses:		
Investment Advisory Fees	1,137,194	173,006
Administrative Services Fees	184,035	35,330
Transfer Agent Fees	25,164	5,759
Custodian/Sub-custodian Fees	20,878	11,100
Printing Fees	8,711	0
Audit Fees	6,510	1,032
Legal Fees	4,397	573
Directors Fees	1,325	1,392
Insurance Expense	320	0
Interest Expense	142	1,379
Miscellaneous Expenses	1,615	0
	<u>1,390,291</u>	<u>229,571</u>
Less: fees waived, expenses reimbursed and transfer agent fee offsets	(116,634)	(35,804)
Total expenses	<u>1,273,657</u>	<u>193,767</u>
Net investment income (loss)	<u>(545,437)</u>	<u>456,154</u>
Net Realized and Unrealized Gain (Loss) from Investments and Foreign Currency Related Items		
Net realized gain (loss) from investments (net of capital gains taxes of \$38,979 for the Emerging Markets Portfolio)	21,418,284	(172,610)
Net realized loss from foreign currency related items	(61,016)	(84,062)
Net change in unrealized depreciation from investments (net of estimated deferred capital gains taxes of \$8,129 for the Emerging Markets Portfolio)	(16,874,339)	(3,189,694)
Net change in unrealized depreciation from foreign currency related items	<u>(10,942)</u>	<u>(10,941)</u>
Net realized and unrealized gain (loss) from investments and foreign currency related items	<u>4,471,987</u>	<u>(3,457,307)</u>
Net increase (decrease) in net assets resulting from operations	<u>\$ 3,926,550</u>	<u>\$(3,001,153)</u>

See Accompanying Notes to Financial Statements.

Warburg Pincus Trust
Statements of Changes in Net Assets

	Global Post-Venture Capital Portfolio		Emerging Markets Portfolio	
	For the Six Months Ended June 30, 2000 (Unaudited)	For the Year Ended December 31, 1999	For the Six Months Ended June 30, 2000 (Unaudited)	For the Year Ended December 31, 1999
From Operations:				
Net investment income (loss)	\$ (545,437)	\$ (666,292)	\$ 456,154	\$ 31,454
Net realized gain (loss) from investments and foreign currency related items (net of capital gains taxes of \$38,979 for the Emerging Markets Portfolio)	21,357,268	2,500,790	(256,672)	1,312,749
Net change in unrealized appreciation (depreciation) from investments and foreign currency related items	<u>(16,885,281)</u>	<u>46,728,153</u>	<u>(3,200,635)</u>	<u>3,519,465</u>
Net increase (decrease) in net assets resulting from operations	<u>3,926,550</u>	<u>48,562,651</u>	<u>(3,001,153)</u>	<u>4,863,668</u>
From Dividends and Distributions:				
Dividends from net investment income	0	0	0	(38,222)
Distributions from net realized gains	<u>0</u>	<u>0</u>	<u>0</u>	<u>(575,706)</u>
Net decrease in net assets from dividends and distributions	<u>0</u>	<u>0</u>	<u>0</u>	<u>(613,928)</u>
From Capital Share Transactions:				
Proceeds from sale of shares	139,501,953	150,704,290	40,414,632	12,160,959
Reinvestment of dividends and distributions	0	0	0	612,463
Net asset value of shares redeemed	<u>(102,271,984)</u>	<u>(109,538,405)</u>	<u>(18,075,936)</u>	<u>(2,938,165)</u>
Net increase in net assets from capital share transactions	<u>37,229,969</u>	<u>41,165,885</u>	<u>22,338,696</u>	<u>9,835,257</u>
Net increase in net assets	<u>41,156,519</u>	<u>89,728,536</u>	<u>19,337,543</u>	<u>14,084,997</u>
Net Assets:				
Beginning of period	<u>151,783,610</u>	<u>62,055,074</u>	<u>16,780,769</u>	<u>2,695,772</u>
End of period	<u>\$ 192,940,129</u>	<u>\$ 151,783,610</u>	<u>\$ 36,118,312</u>	<u>\$16,780,769</u>
Undistributed Net Investment Income/(Loss)				
	<u>\$ (545,437)</u>	<u>\$ 0</u>	<u>\$ 495,982</u>	<u>\$ 39,828</u>

See Accompanying Notes to Financial Statements.

Warburg Pincus Trust — Global Post-Venture Capital Portfolio
Financial Highlights
(For a Share of the Portfolio Outstanding Throughout Each Period)

	For the Six Months Ended June 30, 2000 (Unaudited)	For the Year Ended December 31,			
		1999	1998	1997	1996 ⁽¹⁾
Per share data					
Net asset value, beginning of period	\$ 19.26	\$ 11.82	\$ 11.06	\$ 9.76	\$ 10.00
Investment activities:					
Net investment loss	(0.05)	(0.08)	(0.04)	(0.08)	0.00
Net gains (losses) from investments and foreign currency related items (both realized and unrealized)	1.01	7.52	0.80	1.38	(0.24)
Total from investment activities	0.96	7.44	0.76	1.30	(0.24)
Net asset value, end of period	\$ 20.22	\$ 19.26	\$ 11.82	\$ 11.06	\$ 9.76
Total return	4.98% ⁽²⁾	62.94%	6.87%	13.34%	(2.40)% ⁽²⁾
Ratios and Supplemental Data:					
Net assets, end of period (000s omitted)	\$192,940	\$151,784	\$62,055	\$30,520	\$12,400
Ratio of expenses to average net assets	1.43% ⁽³⁾⁽⁴⁾	1.41% ⁽⁴⁾	1.40% ⁽⁴⁾	1.40% ⁽⁴⁾	1.41% ⁽³⁾⁽⁴⁾
Ratio of net income (loss) to average net assets	(.60)% ⁽³⁾	(.87)%	(.83)%	(.75)%	.80% ⁽³⁾
Decrease reflected in above operating expense ratios due to waivers/reimbursements	.10% ⁽³⁾	.18%	.30%	.18%	4.16% ⁽³⁾
Portfolio turnover rate	22.12%	44.38%	73.18%	238.12%	6.80%

⁽¹⁾ For the period September 30, 1996 (commencement of operations) through December 31, 1996.

⁽²⁾ Non-annualized.

⁽³⁾ Annualized.

⁽⁴⁾ Interest earned on uninvested cash balances is used to offset portions of the transfer agent expenses. These arrangements resulted in a reduction to the Portfolio's net expense ratio by .03% for the six months ended June 30, 2000 and .01%, .00%, .00% and .01% for each of the years or period ended December 31, 1999, 1998, 1997 and 1996, respectively. The Portfolio's operating expense ratio after reflecting these arrangements was 1.40% for the six months ended June 30, 2000 and 1.40%, 1.40%, 1.40%, and 1.40% for each of the years or period ended December 31, 1999, 1998, 1997 and 1996, respectively.

See Accompanying Notes to Financial Statements.

Warburg Pincus Trust — Emerging Markets Portfolio
Financial Highlights
(For a Share of the Portfolio Outstanding Throughout Each Period)

	For the Six Months Ended June 30, 2000 (Unaudited)	For the Year Ended December 31,	
		1999	1998
Per share data			
Net asset value, beginning of period	\$ 14.18	\$ 8.19	\$10.00
Investment activities:			
Net investment income	0.17	0.05 ⁽¹⁾	0.10
Net gains (losses) from investments and foreign currency related items (both realized and unrealized)	<u>(1.35)</u>	<u>6.56</u>	<u>(1.83)</u>
Total from investment activities	<u>(1.18)</u>	<u>6.61</u>	<u>(1.73)</u>
Less Dividends and Distributions:			
Dividends from net investment income	0.00	(0.04)	(0.08)
Distributions from net realized capital gains	<u>0.00</u>	<u>(0.58)</u>	<u>0.00</u>
Total Dividends and Distributions	<u>0.00</u>	<u>(0.62)</u>	<u>(0.08)</u>
Net asset value, end of period			
Total return	<u>(8.32)%⁽²⁾</u>	<u>81.40%</u>	<u>(17.30)%</u>
Ratios and Supplemental Data:			
Net assets, end of period (000s omitted)	\$36,118	\$16,781	\$2,696
Ratio of expenses to average net assets	1.42% ⁽³⁾⁽⁴⁾	1.42% ⁽⁴⁾	1.40% ⁽⁴⁾
Ratio of net income (loss) to average net assets	3.30% ⁽³⁾	(.19)%	2.09%
Decrease reflected in above operating expense ratios due to waivers/reimbursements	.23% ⁽³⁾	1.73%	6.81%
Portfolio turnover rate	113.07%	145.38%	21.29%

⁽¹⁾ Per share information is calculated using the average shares outstanding method.

⁽²⁾ Non-annualized.

⁽³⁾ Annualized.

⁽⁴⁾ Interest earned on uninvested cash balances is used to offset portions of the transfer agent expense. These arrangements resulted in a reduction to the Portfolio's net expense ratio by .02% for the six months ended June 30, 2000 and .02% and .00% for each of the years ended December 31, 1999 and 1998, respectively. The Portfolio's operating expense ratio after reflecting these arrangements was 1.40% for the six months ended June 30, 2000 and 1.40% and 1.40% for each of the years ended December 31, 1999 and 1998 respectively.

See Accompanying Notes to Financial Statements.

1. Significant Accounting Policies

Warburg Pincus Trust (the "Trust"), a Massachusetts Business Trust, is an open-end management investment company registered under the Investment Company Act of 1940 (the "1940 Act"), as amended, and currently offers six investment Portfolios (the "Portfolios") two of which are contained in this report. The Global Post-Venture Capital Portfolio ("Global Post-Venture Capital"), formerly the Post-Venture Capital Portfolio is diversified. The Emerging Markets Portfolio ("Emerging Markets") is non-diversified.

Investment objectives for each Portfolio are as follows: Global Post-Venture Capital and Emerging Markets seek long-term growth of capital. Shares of a Portfolio are not available directly to individual investors but may be offered only through (a) variable-annuity contracts and variable life insurance contracts offered by separate accounts of certain insurance companies and (b) tax-qualified pension and retirement plans. Certain Portfolios may not be available in connection with a particular contract or plan.

The net asset value ("NAV") of each Portfolio is determined daily as of the close of regular trading on the New York Stock Exchange. Each Portfolio's investments are valued at market value, which is generally determined using the last reported sales price. If no sales are reported, investments are generally valued at the mean between the last reported bid and asked prices. If market quotations are not readily available, securities and other assets are valued by another method that the Board of Trustees believes accurately reflects fair value. Debt that will mature in 60 days or less is valued on the basis of amortized cost, which approximates market value, unless the Board determines that using this method would not reflect an investment's value.

Global Post-Venture Capital initially values its investments in private-equity portfolios at cost. After that, the Portfolio values these investments according to reports from the private-equity portfolios that Abbott Capital Management, LLC ("Abbott"), the Portfolio's sub-investment adviser, generally receives on a quarterly basis. The Portfolio's NAV typically will not reflect interim changes in the values of its private-equity-portfolio investments.

The books and records of the Portfolios are maintained in U.S. dollars. Transactions denominated in foreign currencies are recorded at the current prevailing exchange rates. All assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the current exchange rate at the end of the period. Translation gains or losses resulting from changes in the exchange rate during the reporting period and realized gains and losses on the settlement of foreign currency transactions are reported in the results of operations for the current period. The Portfolios do not isolate that portion of gains and losses on investments in equity securities which is due to changes in the foreign exchange rate from that which is due to changes in market prices of equity securities. The Portfolios isolate that portion of gains and losses on investments in debt securities which is due to changes in the foreign exchange rate from that which is due to changes in market prices of debt securities.

Emerging Markets and Global Post-Venture Capital may invest in securities of foreign countries and governments which involve certain risks in addition to those inherent in domestic investments. Such risks generally include, among others, currency risk (fluctuations in currency exchange rates), information risk (key information may be inaccurate or unavailable) and political risk (expropriation, nationalization or the imposition of capital or currency controls or punitive taxes). Other risks of investing in foreign securities include liquidity and valuation risks.

A Portfolio's investments in securities of issuers located in less developed countries considered to be "emerging markets" involve risks in addition to those generally applicable to foreign securities. Focusing on emerging (less developed) markets involves higher levels of risk, including increased currency, information, liquidity, market, political and valuation risks. Deficiencies in regulatory oversight, market infrastructure, shareholder protections and company laws could expose the Portfolio to operational and other risks as well. Some countries may have restrictions that could limit the Portfolio's access to attractive opportunities. Additionally, emerging markets often face serious economic problems (such as high external debt, inflation and unemployment) that could subject the Portfolio to increased volatility or substantial declines in value.

1. Significant Accounting Policies — (cont'd)

Security transactions are accounted for on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. The cost of investments sold is determined by use of the specific identification method for both financial reporting and income tax purposes.

Some Portfolios may enter into forward currency contracts for the purchase or sale of a specific foreign currency at a fixed price on a future date. Risks may arise upon entering into these contracts from the potential inability of counter-parties to meet the terms of their contracts and from unanticipated movements in the value of a foreign currency relative to the U.S. dollar. Each Portfolio will enter into forward foreign currency contracts primarily for hedging purposes. Forward foreign currency contracts are adjusted by the daily exchange rate of the underlying currency and any gains or losses are recorded for financial statement purposes as unrealized until the contract settlement date or an offsetting position is entered into. At June 30, 2000, none of the Portfolios had open forward foreign currency contracts.

Dividends from net investment income and distributions of net realized capital gains, if any, are declared and paid at least annually. However, to the extent that a net realized capital gain can be reduced by a capital loss carryover, such gain will not be distributed. Income and capital gain distributions are determined in accordance with federal income tax regulations which may differ from generally accepted accounting principles.

No provision is made for federal income taxes as it is the Trust's intention to have each Portfolio continue to qualify for and elect the tax treatment applicable to regulated investment companies under the Internal Revenue Code of 1986, as amended (the "Code"), and make the requisite distributions to its shareholders which will be sufficient to relieve it from federal income and excise taxes.

Costs incurred by the Trust in connection with its organization have been deferred and are being amortized over a period of five years from the date the Trust commenced its operations. Costs incurred by the Portfolios in connection with the offering of their shares have been deferred and are being amortized over a one year period from the date each Portfolio commenced its operations.

The Portfolios may be subject to taxes imposed by countries in which they invest, with respect to their investments in issuers existing or operating in such countries. Such taxes are generally based on income earned or repatriated and capital gains realized on the sale of such investments. The Portfolios accrue such taxes when the related income or capital gains are earned.

Pursuant to an exemptive order issued by the Securities and Exchange Commission, each Portfolio, along with other Funds managed by Credit Suisse Asset Management LLC ("CSAM"), can transfer uninvested cash balances to a pooled cash account, which is invested in repurchase agreements secured by U.S. government securities. Securities pledged as collateral for repurchase agreements are held by the Portfolios' custodian bank until the agreements mature. Each agreement requires that the market value of the collateral be sufficient to cover payments of interest and principal; however, in the event of default or bankruptcy by the other party to the agreement, retention of the collateral may be subject to legal proceedings. At June 30, 2000, none of the Portfolios had investments in repurchase agreements.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Warburg Pincus Trust
Notes to Financial Statements (cont'd)
June 30, 2000 (Unaudited)

1. Significant Accounting Policies — (cont'd)

The Portfolios have an arrangement with their transfer agent whereby interest earned on uninvested cash balances is used to offset a portion of their transfer agent expense. For the six months ended June 30, 2000, the Portfolios received credits or reimbursements under the arrangement as follows:

<u>Portfolio</u>	<u>Amount</u>
Global Post-Venture Capital	\$22,846
Emerging Markets	3,434

2. Investment Adviser, Co-Administrators and Distributor

CSAM, which is an indirect wholly-owned U.S. subsidiary of Credit Suisse Group, serves as each Portfolio's investment adviser. For its investment advisory services, CSAM receives the following fees based on each Portfolio's average daily net assets:

<u>Portfolio</u>	<u>Annual Rate</u>
Global Post-Venture Capital	1.25% of average daily net assets
Emerging Markets	1.25% of average daily net assets

For the period ended June 30, 2000, investment advisory fees and voluntary waivers were as follows:

<u>Portfolio</u>	<u>Gross Advisory Fee</u>	<u>Waiver</u>	<u>Net Advisory Fee</u>
Global Post-Venture Capital	\$1,137,194	\$(93,788)	\$1,043,406
Emerging Markets	173,006	(15,762)	157,244

Abbott serves as sub-investment adviser for Global Post-Venture Capital's assets invested in U.S. or foreign private limited partnerships or other investment Funds ("Private Fund Investments"). Pursuant to the sub-advisory agreement between Abbott and CSAM, Abbott is entitled to a quarterly fee from CSAM at the annual rate of 1.00% of the net asset value of Private Fund Investments, which fee amount or a portion thereof may be waived by Abbott. No compensation is paid by Global Post-Venture Capital to Abbott for its sub-investment advisory services.

Credit Suisse Asset Management Securities, Inc. ("CSAMSI"), a wholly-owned subsidiary of CSAM, and PFPC Inc. ("PFPC"), an indirect subsidiary of PNC Financial Services Group, Inc. ("PNC"), also serve as each Portfolio's co-administrator. For its administrative services, CSAMSI receives a fee calculated at an annual rate of .10% of each Portfolios' average daily net assets.

For the six months ended June 30, 2000, co-administrative services fees earned by CSAMSI were as follows:

<u>Portfolio</u>	<u>Co-Administration Fee</u>
Global Post-Venture Capital	\$90,975
Emerging Markets	13,840

For its administrative services to Global Post-Venture Capital, PFPC currently receives a fee, exclusive of out-of-pocket expenses, based on the following fee structure:

<u>Average Daily Net Assets</u>	<u>Annual Rate</u>
First \$500 million	.100% of average daily net assets
Next \$1 billion	.075% of average daily net assets
Over \$1.5 billion	.050% of average daily net assets

Warburg Pincus Trust
Notes to Financial Statements (cont'd)
June 30, 2000 (Unaudited)

2. Investment Adviser, Co-Administrators and Distributor — (cont'd)

For its administrative services to Emerging Markets, PFPC currently receives a fee, exclusive of out-of-pocket expenses, based on the following fee structure:

<u>Average Daily Net Assets</u>	<u>Annual Rate</u>
First \$250 million	.12% of average daily net assets
Second \$250 million	.10% of average daily net assets
Third \$250 million	.08% of average daily net assets
Over \$750 million	.05% of average daily net assets

For the six months ended June 30, 2000, administrative services fees earned and voluntarily waived by PFPC (including out-of-pocket expenses) were as follows:

<u>Portfolio</u>	<u>Gross Co-Administration Fee</u>	<u>Waiver</u>	<u>Net Co-Administration Fee</u>
Global Post-Venture Capital	\$93,060	\$ 0	\$93,060
Emerging Markets	21,490	(16,608)	4,882

Provident Distributors, Inc. serves as distributor of each Portfolio's shares without compensation. Effective August 1, 2000, Credit Suisse Asset Management Securities, Inc. will become distributor to the Trust without compensation.

3. Line of Credit

The Portfolios, together with other Funds advised by CSAM, have established a \$350 million committed, unsecured, line of credit facility ("Credit Facility") with Deutsche Bank, AG as administrative agent, State Street Bank and Trust Company as operations agent, Bank of Nova Scotia as syndication agent and certain other lenders, for temporary or emergency purposes primarily relating to unanticipated Fund share redemptions. Under the terms of the Credit Facility, the Funds with access to the Credit Facility pay an aggregate commitment fee at a rate of .075% per annum on the entire amount of the Credit Facility, which is allocated among the participating Funds in such manner as is determined by the governing Boards of the various Funds. In addition, the participating Funds will pay interest on borrowing at the Federal funds rate plus .50%. At June 30, 2000, there were no loans outstanding for any of the Portfolios. During the six months ended June 30, 2000, borrowings under the Credit Facility were as follows:

<u>Portfolio</u>	<u>Average Daily Loan Balance</u>	<u>Average Interest Rate %</u>	<u>Maximum Daily Loan Outstanding</u>
Emerging Markets	\$21,123	6.397%	\$1,468,000

4. Investments in Securities

For the six months ended June 30, 2000, purchases and sales of investment securities (excluding short-term investments) were as follows:

<u>Portfolio</u>	<u>Purchases</u>	<u>Sales</u>
Global Post-Venture Capital	\$117,167,037	\$87,459,903
Emerging Markets	49,198,712	27,334,079

At June 30, 2000, the net unrealized appreciation from investments for those securities having an excess of value over cost and net unrealized depreciation from investments for those securities having an excess of cost over value (based on cost for federal income tax purposes) were as follows:

<u>Portfolio</u>	<u>Unrealized Appreciation</u>	<u>Unrealized Depreciation</u>	<u>Net Unrealized Appreciation (Depreciation)</u>
Global Post-Venture Capital	\$50,299,968	\$(8,567,595)	\$41,732,373
Emerging Markets	2,512,997	(2,135,892)	377,105

Warburg Pincus Trust
Notes to Financial Statements (cont'd)
June 30, 2000 (Unaudited)

5. Restricted Securities

Certain Global Post-Venture Capital investments are restricted as to resale and are valued as determined by or under the direction of the Board in good faith, at fair value. The table below shows the acquisition dates, aggregate cost, fair value as of June 30, 2000 and percent of net assets which the securities represent.

<u>Portfolio</u>	<u>Security Description</u>	<u>Acquisition Date</u>	<u>Cost</u>	<u>Market Value</u>	<u>Percentage of Net Assets</u>
Global Post-Venture Capital	Chaparral Resources, Inc.	07/28/98	\$250,000	\$ 18,057	0.01%
	MaMaMedia, Inc.	09/13/99	499,994	499,997	0.30%

6. Capital Share Transactions

Each Portfolio is authorized to issue an unlimited number of full and fractional shares of beneficial interest, par value \$.001 per share.

Transactions in shares of each Portfolio were as follows:

	<u>Global Post-Venture Capital</u>		<u>Emerging Markets</u>	
	<u>For the Six Months Ended June 30, 2000 (Unaudited)</u>	<u>For the Year Ended December 31, 1999</u>	<u>Six Months Ended June 30, 2000 (Unaudited)</u>	<u>For the Year Ended December 31, 1999</u>
Shares sold	6,747,510	10,839,440	2,920,043	1,078,529
Shares issued to shareholders on reinvestment of dividends and distributions	0	0	0	47,149
Shares redeemed	(5,084,494)	(8,211,345)	(1,325,858)	(271,684)
Net increase in shares outstanding	<u>1,663,016</u>	<u>2,628,095</u>	<u>1,594,185</u>	<u>853,994</u>

7. Subsequent Events

At a meeting of the Board of Trustees held on May 1, 2000, the Trustees, including a majority of the Trustees who are not "interested persons" (as defined in the 1940 Act), approved a new sub-advisory agreement among Emerging Markets, CSAM and Credit Suisse Asset Management Limited (the "Sub-Advisory Agreement"). At a special meeting of shareholders held on July 14, 2000, the shareholders approved the Sub-Advisory Agreement.

Results of Special Meeting of Shareholders

At a special meeting of shareholders held on July 14, 2000, the following proposal was submitted for the vote of shareholders of the Emerging Markets Portfolio of the Warburg Pincus Trust. The proposal and voting results were:

To approve a Sub-Investment Advisory Agreement among each Fund, Credit Suisse Asset Management LLC and Credit Suisse Asset Management Limited.

<u>Emerging Markets Fund</u>	<u>Shares</u>	<u>% of Shares to Total Outstanding Shares</u>	<u>% of Shares to Total Shares Voted</u>
For	2,231,584.509	90.2665%	91.5469%
Against	50,412.462	2.0392%	2.0681%
Abstain	155,644.773	6.2958%	6.3851%

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WARBURG PINCUS FUNDS

PART OF **CREDIT SUISSE** | ASSET MANAGEMENT

P.O. Box 9030, BOSTON, MA 02205-9030
800-222-8977 ■ www.warburg.com

Janus|Aspen Series

2000 Semiannual Report

Janus Aspen Growth Portfolio



JANUS

Janus Aspen Growth Portfolio



Blaine Rollins
portfolio manager

For the six-month period ended June 30, 2000, Janus Aspen Growth Portfolio returned 1.72% for its Institutional Shares, 1.52% for its Retirement Shares and 1.61% for its Service Shares. By comparison, the Portfolio's benchmark, the S&P 500 Index, declined (0.43%).⁽¹⁾

Our success over this period occurred in the face of a tremendous amount of volatility in U.S. equity markets. This was caused by uncertainty over how strong the economy would remain and whether or not rate hikes by the Federal Reserve could actually moderate economic growth. After three rate increases in the first six months of the year, including a half-point boost in mid-May, some signs of mellowing sprouted in early June, aided by rising oil prices. By its late-June meeting, the Fed decided further tightening wasn't necessary. Nonetheless, policymakers' continued wariness over low unemployment suggests future rate hikes may be in store.

In this unpredictable market, it's tough to pinpoint clear winners, but the stocks that have been extremely strong are those that continue to see solid underlying demand for their products and services. Three of our semiconductor holdings – Linear Technology, Maxim Integrated Products and Texas Instruments – illustrate this. These companies have graduated to our top 15 holdings as a result of huge demand for their chips. Practical applications for their chips include wireless products, networking products and mobile computing devices such as laptops and handhelds.

Efficiently run businesses also breed success, as we've seen in Viacom. After it finalizes its merger with CBS in early May, we're expecting to see some real cost and revenue synergies emerge. Advertising gains at MTV remain impressive, and CBS Television Network has had some great ratings improvements, which also has led to high advertising gains. We're anticipating much more cash flow from the combined company and remain excited about its long-term future.

Our long-term position in Bank of New York also posted solid gains during the period. The bulk of the company's revenues are found in the security processing business, which has remained extremely strong, while its global credit exposure is far smaller than most other banks. Because of allegations about laundering money for Russian interests, the stock price temporarily dropped during the period, so we increased our position and have since been rewarded by a significant price appreciation. We've held this stock for eight years, so it was easy to stick to our story and profit from our conviction.

Stories can change, as well, and we certainly aren't adverse to reacting when that happens. After some of our pharmaceutical

holdings made a decent move in the market's turn to safety during the period, we reduced our exposure. Uncertain data points out of Washington led us to believe drug pricing may come under pressure, so we thought it best to move to the sidelines and wait for the next opportunity.

It may be a while before we see strong opportunities in cruise line companies like Royal Caribbean Cruises and Carnival, which have been very disappointing in 2000. In that industry, capacity additions have led to lower per-person revenue expectations, and, in turn, the stocks have dropped dramatically. Also dragging on the Portfolio's performance was McDonald's, which was hurt by slow product introductions and by the strong dollar in its international business.

Over the next six months, we're expecting market volatility to continue as uncertainty over the pace of economic growth lingers. Although we're seeing data that says the economy is slowing down, it needs to translate into lower inflationary pressures.

While the economy sorts itself out, we're focusing on uncovering companies that are finding ways to grow their earnings faster than their peers and the rest of the market. There are a lot of opportunities to invest in dynamic companies in many different industries – not just technology. And once we find those companies, it comes down to having conviction in the names you own – not just owning the winners, but also having the patience to buy names cheaper and take profits in companies where the fundamentals appear to be slowing.

By knowing our companies inside and out, and standing by them through volatile times, we believe we can eliminate surprises and increase our potential for delivering positive long-term results.

Thank you for your continued investment in Janus Aspen Growth Portfolio.

Portfolio Asset Mix (% of Assets)	June 30, 2000	December 31, 1999
Equities	89.7%	89.4%
Foreign	9.3%	9.5%
Europe	6.2%	6.0%
Top 10 Equities	34.9%	33.0%
Number of Stocks	90	75
Cash, Cash Equivalents & Fixed-Income Securities	10.3%	10.6%

(1) All returns include reinvested dividends.

Past performance does not guarantee future results.

Average Annual Total Return⁽¹⁾

For the Periods Ended June 30, 2000 (unaudited)

Institutional Shares (Inception Date 9/13/93)	
1 Year	25.54%
5 Year	26.98%
From Inception	22.63%
S&P 500 Index	
1 Year	7.24%
5 Year	23.80%
From Inception Date of Institutional Shares	20.85%
Retirement Shares (Inception Date 5/1/97)	
1 Year	24.97%
5 Year	26.37%
From Portfolio Inception	21.87%
Service Shares (Inception Date 12/31/99)	
1 Year	24.84%
5 Year	26.62%
From Portfolio Inception	22.24%

Returns shown for Retirement and Service Shares for periods prior to their inception are derived from the historical performance of Institutional Shares, adjusted to reflect the higher operating expenses of Retirement and Service Shares.

The Portfolio's returns may have been positively impacted by buying technology companies in a period favorable for these stocks.

(1) All returns reflect reinvested dividends. The Portfolio's securities may differ significantly from the securities in the Index. Index returns do not include taxes or operating expenses necessary to maintain a portfolio consisting of the same securities that are in the Index. These returns do not reflect the charges and expenses of any particular insurance product or qualified plan. Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. The adviser voluntarily waived a portion of the Portfolio's expenses during certain periods. Without such waiver, the Portfolio's total returns for each class would have been lower. Past performance does not guarantee future results.

SCHEDULE OF INVESTMENTS (unaudited)

Shares or Principal Amount	Market Value	Shares or Principal Amount	Market Value
Common Stock – 89.6%		Circuits – 5.9%	
Aerospace and Defense – 0.4%		100,185 Integrated Device Technology, Inc.*	\$ 5,998,577
663,530 Lockheed Martin Corp.	\$ 16,463,838	1,912,800 Linear Technology Corp.	122,299,650
Beverages – Non-Alcoholic – 0.3%		1,683,400 Maxim Integrated Products, Inc.*	114,365,988
660,735 Coca-Cola Enterprises, Inc.	10,778,240		242,664,215
Broadcast Services and Programming – 3.0%		Commercial Banks – 0.2%	
2,822,280 AT&T Corp./Liberty Media Group – Class A*	68,440,290	18,395 M&T Bank Corp.	8,277,750
728,360 Clear Channel Communications, Inc.*	54,627,000	Commercial Services – 0.6%	
	123,067,290	583,032 Paychex, Inc.	24,487,344
Cable Television – 5.2%		Computer Data Security – 1.9%	
256,190 Adelphia Communications Corp. – Class A*	12,008,906	447,158 VeriSign, Inc.*	78,923,387
392,280 Charter Communications, Inc. – Class A*	6,448,103	Computers – Memory Devices – 2.4%	
4,339,430 Comcast Corp. – Special Class A*	175,746,915	1,103,625 EMC Corp.*	84,910,148
4,885,741 Telewest Communications PLC***	17,068,816	108,057 VERITAS Software Corp.*	12,212,129
	211,272,740		97,122,277
Casino Hotels – 0.4%		Computers – Micro – 2.5%	
1,285,680 Park Place Entertainment Corp.*	15,669,225	350,540 Apple Computer, Inc.*	18,359,532
Cellular Telecommunications – 2.8%		911,435 Sun Microsystems, Inc.*	82,883,620
810,000 Nextel Communications, Inc. – Class A*	49,561,875		101,243,152
1,204 NTT DoCoMo, Inc.**	32,660,027	Cosmetics and Toiletries – 0.9%	
228,395 Sprint Corp./PCS Group*	13,589,503	600,175 Colgate-Palmolive Co.	35,935,478
123,983 VoiceStream Wireless Corp.*	14,418,835	Cruise Lines – 0.6%	
109,283 Winstar Communications, Inc.*	3,701,962	467,315 Carnival Corp.	9,112,642
	113,932,202	746,830 Royal Caribbean Cruises, Ltd.	13,816,355
			22,928,997

Janus | Aspen Growth Portfolio

SCHEDULE OF INVESTMENTS (unaudited)

Shares or Principal Amount	Market Value
Data Processing and Management – 0.6%	
448,070 Automatic Data Processing, Inc.	\$ 23,999,749
Distribution and Wholesale – 0.8%	
936,835 Costco Wholesale Corp.*	30,915,555
Diversified Financial Services – 0.2%	
189,705 Household International, Inc.	7,884,614
Diversified Operations – 2.8%	
2,147,095 General Electric Co.	113,796,035
E-Commerce – 0.3%	
194,165 eBay, Inc.*	10,545,587
Electronic Components – 0.9%	
99,000 Murata Manufacturing Company, Ltd.**	14,241,574
683,000 NEC Corp.**	21,496,764
	35,738,338
Electronic Components – Semiconductors – 3.6%	
82,490 Advanced Micro Devices, Inc.*	6,372,353
311,110 Conexant Systems, Inc.*	15,127,724
53,160 PMC-Sierra, Inc.*	9,445,868
1,722,210 Texas Instruments, Inc.	118,294,299
	149,240,244
Enterprise Software and Services – 1.5%	
724,435 BEA Systems, Inc.*	35,814,255
250,903 i2 Technologies, Inc.*	26,160,558
	61,974,813
Fiber Optics – 0.7%	
61,335 E-Tek Dynamics, Inc.*	16,180,940
37,860 SDL, Inc.*	10,797,199
	26,978,139
Finance – Credit Card – 1.9%	
1,511,340 American Express Co.	78,778,598
Finance – Investment Bankers/Brokers – 4.9%	
3,329,351 Charles Schwab Corp.	111,949,427
755,750 Merrill Lynch & Company, Inc.	86,911,250
	198,860,677
Identification Systems and Devices – 1.0%	
782,667 Symbol Technologies, Inc.	42,264,018
Instruments – Scientific – 0.9%	
1,065,570 Dionex Corp.*	28,503,998
154,780 PE Corp./PE Biosystems Group	10,196,133
	38,700,131
Internet Content – 0.2%	
67,900 Softbank Corp.**	9,241,456
Internet Software – 2.3%	
374,015 America Online, Inc.*	19,729,291
649,030 Exodus Communications, Inc.*	29,895,944
157,620 Inktomi Corp.*	18,638,565
255,195 TIBCO Software, Inc.*	27,365,676
	95,629,476
Leisure and Recreation Products – 0.6%	
2,838,283 EMI Group PLC**	25,781,260
Life and Health Insurance – 2.3%	
606,395 John Hancock Financial Services, Inc.*	14,363,982
3,051,293 Prudential PLC**	44,715,332
1,042,260 StanCorp Financial Group, Inc.	33,482,603
	92,561,917

Shares or Principal Amount	Market Value
Medical – Biomedical and Genetic – 0.8%	
189,205 Genentech, Inc.*	\$ 32,543,260
Medical Instruments – 0.2%	
175,190 Medtronic, Inc.	8,726,652
Money Center Banks – 2.8%	
2,286,415 Bank of New York Company, Inc.	106,318,297
219,997 Chase Manhattan Corp.	10,133,612
	116,451,909
Multimedia – 10.2%	
3,899,011 Time Warner, Inc.	296,324,836
1,796,870 Viacom, Inc. – Class B*	122,524,073
	418,848,909
Networking Products – 3.4%	
96,915 3Com Corp.*	5,584,727
2,137,238 Cisco Systems, Inc.*	135,848,190
	141,432,917
Oil Companies – Integrated – 0.1%	
99,005 Coastal Corp.	6,026,929
Optical Supplies – 0.5%	
276,445 Allergan, Inc.	20,595,153
Pipelines – 3.3%	
297,555 El Paso Energy Corp.	15,156,708
1,846,720 Enron Corp.	119,113,440
	134,270,148
Publishing – Newspapers – 0.2%	
256,330 New York Times Co. – Class A	10,125,035
Radio – 1.2%	
66,850 Hispanic Broadcasting Corp.*	2,214,406
1,270,825 Infinity Broadcasting Corp. – Class A*	46,305,686
	48,520,092
Retail – Apparel and Shoe – 0.2%	
292,945 Gap, Inc.	9,154,531
Retail – Building Products – 0.9%	
709,000 Home Depot, Inc.	35,405,688
Retail – Office Supplies – 0.6%	
1,548,905 Staples, Inc.*	23,814,414
Retail – Restaurants – 2.5%	
3,138,125 McDonald's Corp.	103,361,992
Savings/Loan/Thriffs – 0.3%	
496,375 Washington Mutual, Inc.	14,332,828
Super-Regional Banks – 0.4%	
274,150 Northern Trust Corp.	17,836,884
Telecommunication Equipment – 3.0%	
296,197 Nokia Oyj**	15,176,122
1,941,872 Nokia Oyj (ADR)**	96,972,233
185,605 Nortel Networks Corp. – New York Shares	12,667,541
	124,815,896
Telecommunication Services – 2.7%	
1,326,218 Cox Communications, Inc. – Class A*	60,425,808
328,670 Level 3 Communications, Inc.*	28,922,960
372,447 NTL, Inc.*	22,300,264
	111,649,032
Telephone – Integrated – 2.3%	
2,609,617 Telefonica S.A.*,**	56,284,878
626,020 Telefonos de Mexico S.A. (ADR)	35,761,393
	92,046,271

See Notes to Schedules of Investments.

Janus Aspen Growth Portfolio

SCHEDULE OF INVESTMENTS (unaudited)

Shares or Principal Amount	Market Value
Television – 1.0%	
410,385 Univision Communications, Inc. – Class A*	\$ 42,474,848
Wireless Equipment – 0.4%	
81,135 Aether Systems, Inc.*	16,632,675
Total Common Stock (cost \$2,856,535,693)	3,674,722,805
Corporate Bonds – 0.7%	
Broadcast Services and Programming – 0.1%	
\$ 1,475,000 AT&T Corp./Liberty Media Group, 4.00% convertible mortgage backed bonds due 11/15/29	2,124,000
Telecommunication Services – 0.6%	
13,707,000 Cox Communications, Inc., 3.00% convertible subordinated debentures due 3/14/30	14,306,681
14,000,000 NTL, Inc., 5.75% convertible subordinated notes due 12/15/09†	10,990,000
	25,296,681
Total Corporate Bonds (cost \$29,800,906)	27,420,681
Preferred Stock – 0.1%	
Cellular Telecommunications – 0.1%	
Winstar Communications, Inc:	
22,140 Series D, convertible, 7.00%	1,245,375
2,005 Series F, convertible, 7.25%	1,969,913
Total Preferred Stock (cost \$3,858,792)	3,215,288
Repurchase Agreement – 1.4%	
\$ 60,000,000 Morgan Stanley Dean Witter & Co., 6.80% dated 6/30/00, maturing 7/3/00, to be repurchased at \$60,034,000 collateralized by \$68,461,553 in Fannie Mae, 0.65%-10.25%, 1/1/06-6/1/30; \$82,884,520 in Freddie Mac, 0%-8.40%, 7/15/10-12/1/29; with respective values of \$22,579,571 and \$38,643,644 (cost \$60,000,000)	60,000,000
Short-Term Corporate Note – 2.9%	
120,000,000 CIT Holdings Group, Inc. 6.84%, 7/3/00 (amortized cost \$119,954,400)	119,954,400
U.S. Government Agencies – 6.0%	
Federal Home Loan Bank System:	
50,000,000 5.78%, 7/19/00	49,855,500
50,000,000 5.84%, 8/2/00	49,740,444
50,000,000 6.36%, 8/18/00	49,576,000
50,000,000 5.86%, 8/31/00	49,465,500
50,000,000 6.41%, 9/11/00	49,370,500
Total U.S. Government Agencies (cost \$248,034,472)	248,007,944
Total Investments (total cost \$3,318,184,263) – 100.7%	4,133,321,118
Liabilities, net of Cash, Receivables and Other Assets – (0.7%)	(30,400,824)
Net Assets – 100%	\$4,102,920,294

Summary of Investments by Country, June 30, 2000

Country	% of Investment Securities	Market Value
Canada	0.3%	\$ 12,667,541
Finland	2.7%	112,148,355
Japan	1.9%	77,639,821
Mexico	0.9%	35,761,393
Spain	1.4%	56,284,878
United Kingdom	2.1%	87,565,408
United States††	90.7%	3,751,253,722
Total	100.0%	\$4,133,321,118

††Includes Short-Term Securities (80.4% excluding Short-Term Securities)

Forward Currency Contracts, Open at June 30, 2000

Currency Sold and Settlement Date	Currency Units Sold	Currency Value in \$ U.S.	Unrealized Gain/(Loss)
British Pound 9/8/00	8,900,000	\$13,520,880	\$185,743
British Pound 1/26/01	7,100,000	10,818,980	47,570
Euro 1/26/01	40,000,000	38,644,000	103,800
Japanese Yen 9/1/00	200,000,000	1,909,840	(20,925)
Japanese Yen 9/8/00	3,520,000,000	33,654,871	383,030
Japanese Yen 9/14/00	2,890,000,000	27,660,823	(198,009)
Japanese Yen 10/5/00	450,000,000	4,323,398	46,297
Total		\$130,532,792	\$547,506

See Notes to Schedules of Investments.

Statements of Operations

Janus Aspen
Growth
Portfolio

For the six months ended June 30, 2000 (unaudited)
(all numbers in thousands)

Investment Income:	
Interest	\$ 10,216
Dividends	5,385
Foreign tax withheld	(121)
Total Investment Income	15,480
Expenses:	
Advisory fees	11,673
Transfer agent expenses	3
Registration fees	160
System fees	10
Custodian fees	195
Insurance expense	2
Audit fees	7
Distribution fees – Retirement Shares	146
Distribution fees – Service Shares	2
Administrative fees – Retirement Shares	146
Other expenses	9
Total Expenses	12,353
Expense and Fee Offsets	(24)
Net Expenses	12,329
Excess Expense Reimbursement	—
Net Expenses After Reimbursement	12,329
Net Investment Income/(Loss)	3,151
Net Realized and Unrealized Gain/(Loss) on Investments:	
Net realized gain/(loss) from securities transactions	132,939
Net realized gain/(loss) from foreign currency transactions	2,055
Net realized gain/(loss) from futures contracts	—
Change in net unrealized appreciation or depreciation of investments and foreign currency	(88,520)
Net Gain/(Loss) on Investments	46,474
Net Increase/(Decrease) in Net Assets Resulting from Operations	\$49,625

See Notes to Financial Statements.

Statements of Assets & Liabilities

Janus Aspen
Growth
Portfolio

As of June 30, 2000 (unaudited) (all numbers in thousands
except net asset value per share)

Assets:	
Investments at cost	\$3,318,184
Investments at value:	\$4,133,321
Cash	925
Receivables:	
Investments sold	31,449
Portfolio shares sold	7,484
Dividends	292
Interest	177
Due from Advisor	—
Other assets	—
Variation margin	—
Forward currency contracts	548
Total Assets	4,174,196
Liabilities:	
Payables:	
Investments purchased	67,056
Portfolio shares repurchased	1,903
Advisory fees	2,158
Accrued expenses	159
Total Liabilities	71,276
Net Assets	\$4,102,920
Net Assets – Institutional Shares	\$3,910,688
Shares Outstanding, \$0.001 Par Value (unlimited shares authorized)	118,891
Net Asset Value Per Share	\$ 32.89
Net Assets – Retirement Shares	\$ 179,748
Shares Outstanding, \$0.001 Par Value (unlimited shares authorized)	5,478
Net Asset Value Per Share	\$ 32.82
Net Assets – Service Shares	\$ 12,484
Shares Outstanding, \$0.001 Par Value (unlimited shares authorized)	381
Net Asset Value Per Share	\$ 32.74

See Notes to Financial Statements.

Statements of Changes in Net Assets

Janus Aspen
Growth
Portfolio

2000 1999

For the six months ended June 30 (unaudited)
and for the fiscal year ended December 31
(all numbers in thousands)

Operations:		
Net investment income/(loss)	\$ 3,151	\$ 5,209
Net realized gain/(loss) from investment transactions	134,994	155,359
Change in unrealized net appreciation or depreciation of investments and foreign currency	(88,520)	582,872
Net Increase in Net Assets Resulting from Operations	49,625	743,440
Dividends and Distributions to Shareholders:		
Net investment income*	(2,283)	(4,543)
Net realized gain from investment transactions*	(155,582)	(9,036)
Distributions (in excess of realized gains)*	—	—
Net Decrease from Dividends and Distributions	(157,865)	(13,579)
Capital Share Transactions:		
Shares sold		
Institutional Shares	1,028,062	1,298,997
Retirement Shares	135,521	52,393
Service Shares	12,287	—
Reinvested dividends and distributions		
Institutional Shares	150,647	13,566
Retirement Shares	6,777	13
Service Shares	441	—
Shares repurchased		
Institutional Shares	(108,963)	(194,056)
Retirement Shares	(15,566)	(2,358)
Service Shares	(29)	—
Net Increase/(Decrease) from Capital Share Transactions	1,209,177	1,168,555
Net Increase/(Decrease) in Net Assets	1,100,937	1,898,416
Net Assets:		
Beginning of period	3,001,983	1,103,567
End of period	\$4,102,920	\$3,001,983
Net Assets Consist of:		
Capital (par value and paid-in surplus)*	\$3,150,734	\$1,941,557
Undistributed net investment income/(loss)*	1,732	864
Undistributed net realized gain/(loss) from investments*	134,775	155,363
Unrealized appreciation/(depreciation) of investments and foreign currency	815,679	904,199
	\$4,102,920	\$3,001,983
Transactions in Portfolio Shares – Institutional Shares		
Shares sold	29,976	47,425
Reinvested dividends and distributions	4,651	486
Total	34,627	47,911
Shares Repurchased	(3,193)	(7,339)
Net Increase/(Decrease) in Portfolio Shares	31,434	40,572
Shares Outstanding, Beginning of Period	87,457	46,885
Shares Outstanding, End of Period	118,891	87,457
Transactions in Portfolio Shares – Retirement Shares ⁽¹⁾		
Shares sold	3,960,649	1,844,663
Reinvested dividends and distributions	209,753	475
Total	4,170,402	1,845,138
Shares Repurchased	(457,410)	(81,361)
Net Increase/(Decrease) in Portfolio Shares	3,712,992	1,763,777
Shares Outstanding, Beginning of Period	1,764,531	754
Shares Outstanding, End of Period	5,477,523	1,764,531
Transactions in Portfolio Shares – Service Shares ⁽¹⁾		
Shares sold	368,491	—
Reinvested dividends and distributions	13,688	—
Total	382,179	—
Shares Repurchased	(911)	—
Net Increase/(Decrease) in Portfolio Shares	381,268	—
Shares Outstanding, Beginning of Period	—	—
Shares Outstanding, End of Period	381,268	—
Purchases and Sales of Investment Securities: (excluding short-term securities)		
Purchases of securities	\$1,786,089	\$1,792,760
Proceeds from sales of securities	834,347	845,225
Purchases of long-term U.S. government obligations	—	—
Proceeds from sales of long-term U.S. government obligations	—	—

*See Note 3 in Notes to Financial Statements.

(1) Transactions in Portfolio Shares – Retirement and Service Shares numbers are not in thousands.

See Notes to Financial Statements.

Financial Highlights – Institutional Shares

For a share outstanding during the six months ended June 30 (unaudited) or through each fiscal year ended December 31	Janus Aspen Growth Portfolio					
	2000	1999	1998	1997	1996	1995
Net Asset Value, Beginning of Period	\$33.65	\$23.54	\$18.48	\$15.51	\$13.45	\$10.57
Income from Investment Operations:						
Net investment income/(loss)	.03	.07	.05	.15	.17	.28
Net gains/(losses) on securities (both realized and unrealized)	.53	10.24	6.36	3.34	2.29	2.90
Total from Investment Operations	.56	10.31	6.41	3.49	2.46	3.18
Less Distributions:						
Dividends (from net investment income)	(.02)	(.06)	(.05)	(.15)	(.17)	(.30)
Distributions (from capital gains)	(1.30)	(.14)	(1.30)	(.37)	(.23)	—
Total Distributions	(1.32)	(.20)	(1.35)	(.52)	(.40)	(.30)
Net Asset Value, End of Period	\$32.89	\$33.65	\$23.54	\$18.48	\$15.51	\$13.45
Total Return*	1.72%	43.98%	35.66%	22.75%	18.45%	30.17%
Net Assets, End of Period (in thousands)	\$3,910,688	\$2,942,649	\$1,103,549	\$608,281	\$325,789	\$126,911
Average Net Assets for the Period (in thousands)	\$3,492,998	\$1,775,373	\$789,454	\$477,914	\$216,125	\$77,344
Ratio of Gross Expenses to Average Net Assets** ⁽¹⁾	0.67%	0.67%	0.68%	0.70%	0.69%	0.78%
Ratio of Net Expenses to Average Net Assets** ⁽¹⁾	0.67%	0.67%	0.68%	0.69%	0.69%	0.76%
Ratio of Net Investment Income to Average Net Assets**	0.19%	0.30%	0.26%	0.91%	1.39%	1.24%
Portfolio Turnover Rate**	51%	53%	73%	122%	87%	185%

*Total return not annualized for periods of less than one full year.

**Annualized for periods of less than one full year.

(1) See footnote #5 in Notes to Financial Statements.

See Notes to Financial Statements.

Financial Highlights – Retirement Shares

For a share outstanding during the six months ended June 30 (unaudited) or through each fiscal year or period ended December 31

	Janus Aspen Growth Portfolio			
	2000	1999	1998	1997 ⁽¹⁾
Net Asset Value, Beginning of Period	\$33.63	\$23.45	\$18.46	\$16.18
Income from Investment Operations:				
Net investment income/(loss)	(.02)	.07	(.03)	.04
Net gains/(losses) on securities (both realized and unrealized)	.51	10.25	6.32	2.71
Total from Investment Operations	.49	10.32	6.29	2.75
Less Distributions:				
Dividends (from net investment income)	—	—	—	(.10)
Distributions (from capital gains)	(1.30)	(.14)	(1.30)	(.37)
Total Distributions	(1.30)	(.14)	(1.30)	(.47)
Net Asset Value, End of Period	\$32.82	\$33.63	\$23.45	\$18.46
Total Return*	1.52%	44.12%	34.99%	17.22%
Net Assets, End of Period (in thousands)	\$179,748	\$59,334	\$18	\$12
Average Net Assets for the Period (in thousands)	\$117,244	\$12,209	\$13	\$11
Ratio of Gross Expenses to Average Net Assets** ⁽²⁾	1.17%	1.17%	1.18%	1.20%
Ratio of Net Expenses to Average Net Assets** ⁽²⁾	1.17%	1.17%	1.18%	1.20%
Ratio of Net Investment Income/(Loss) to Average Net Assets**	(0.33%)	(0.25)%	(0.23)%	0.29%
Portfolio Turnover Rate**	51%	53%	73%	122%

*Total return not annualized for periods of less than one full year.

**Annualized for periods of less than one full year.

(1) Period May 1, 1997 (inception) to December 31, 1997.

(2) See footnote #5 in Notes to Financial Statements.

Financial Highlights – Service Shares

For a share outstanding during the six months
ended June 30 (unaudited)

Janus Aspen Growth Portfolio
2000

Net Asset Value, Beginning of Period	\$33.52
Income from Investment Operations:	
Net investment income/(loss)	—
Net gains/(losses) on securities (both realized and unrealized)	.52
Total from Investment Operations	.52
Less Distributions:	
Dividends (from net investment income)	—
Distributions (from capital gains)	(1.30)
Total Distributions	(1.30)
Net Asset Value, End of Period	\$32.74
Total Return*	1.61%
Net Assets, End of Period (in thousands)	\$12,484
Average Net Assets for the Period (in thousands)	\$ 1,666
Ratio of Gross Expenses to Average Net Assets** ⁽¹⁾	0.95%
Ratio of Net Expenses to Average Net Assets** ⁽¹⁾	0.95%
Ratio of Net Investment Income/(Loss) to Average Net Assets**	(0.08%)
Portfolio Turnover Rate**	51%

*Total return not annualized for periods of less than one full year.

**Annualized for periods of less than one full year.

(1) See footnote #5 in Notes to Financial Statements.

See Notes to Financial Statements.

Notes to Schedules of Investments

ADR – American Depository Receipt

EUR – Euro

GBP – British Pound

GDR – Global Depository Receipt

*Non-income-producing security

**A portion of this security has been segregated to cover margin or segregation requirements on open futures contracts and/or forward currency contracts.

† Securities are registered pursuant to Rule 144A and may be deemed to be restricted for resale.

Variable Rate Notes. The interest rate, which is based on specific, or an index of, market interest rates, is subject to change. Rates in the security description are as of June 30, 2000.

Money market funds may hold securities with stated maturities of greater than 397 days when those securities have features that allow a fund to “put” back the security to the issuer or to a third party within 397 days of acquisition. The maturity dates shown in the security descriptions are the stated maturity dates.

Repurchase Agreements held by a Portfolio are fully collateralized, and such collateral is in the possession of the Portfolio’s custodian. The collateral is evaluated daily to ensure its market value equals or exceeds the current market value of the repurchase agreements including accrued interest. In the event of default on the obligation to repurchase, the Portfolio has the right to liquidate the collateral and apply the proceeds in satisfaction of the obligation. In the event of default or bankruptcy by the other party to the agreement, realization and/or retention of the collateral or proceeds may be subject to legal proceedings.

Notes to Financial Statements

The following section describes the organization and significant accounting policies of the Portfolios and provides more detailed information about the schedules and tables that appear throughout this report. In addition, the Notes explain how the Portfolios operate and the methods used in preparing and presenting this report.

I. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Janus Aspen Series (the "Trust") was organized as a Delaware Trust on May 20, 1993, and is registered under the Investment Company Act of 1940 (the "1940 Act") as a no-load, open-end management investment company. The Trust offers fourteen Portfolios or series of shares with differing investment objectives and policies. Eleven Portfolios invest primarily in equity securities: Janus Aspen Growth Portfolio, Janus Aspen Aggressive Growth Portfolio, Janus Aspen Capital Appreciation Portfolio, Janus Aspen Balanced Portfolio, Janus Aspen Equity Income Portfolio, Janus Aspen Growth and Income Portfolio, Janus Aspen Strategic Value Portfolio, Janus Aspen International Growth Portfolio, Janus Aspen Worldwide Growth Portfolio, Janus Aspen Global Life Sciences Portfolio and Janus Aspen Global Technology Portfolio. Two Portfolios invest primarily in income-producing securities: Janus Aspen Flexible Income Portfolio and Janus Aspen High-Yield Portfolio. Janus Aspen Money Market Portfolio invests in short-term money market securities. Each Portfolio is diversified as defined in the 1940 Act, with the exception of the Aggressive Growth Portfolio, Capital Appreciation Portfolio, Global Life Sciences Portfolio, Global Technology Portfolio and Strategic Value Portfolio, which are nondiversified.

Institutional Shares of the Trust are issued and redeemed only in connection with investment in and payments under variable annuity contracts and variable life insurance contracts (collectively "variable insurance contracts"), as well as certain qualified retirement plans. Effective May 1, 1997, the Trust issued the Retirement Shares. Retirement Shares of the Trust are issued and redeemed only in connection with certain qualified retirement plans.

A Special Meeting of Shareholders of the Retirement Shares class (the "Retirement Shares") of each portfolio other than High-Yield Portfolio will be held on July 20, 2000 to approve a reorganization that would transfer the assets relating to the Retirement Shares class of each Janus Aspen Series Portfolio to a corresponding Fund of Janus Adviser Series.

Effective December 31, 1999, the Trust issued a new class of shares, the Service Shares. Service Shares of the Trust are issued and redeemed only in connection with investment in and payments under variable annuity contracts and variable life insurance contracts (collectively "variable insurance contracts"), as well as certain qualified retirement plans.

The following accounting policies have been consistently followed by the Trust and are in conformity with accounting principles generally accepted in the investment company industry.

INVESTMENT VALUATION

Securities are valued at the closing price for securities traded on a principal securities exchange (U.S. or foreign)

and on the NASDAQ National Market. Securities traded on over-the-counter markets and listed securities for which no sales are reported are valued at the latest bid price (or yield equivalent thereof) obtained from one or more dealers making a market for such securities or by a pricing service approved by the Trustees. Short-term investments maturing within 60 days and all money market securities in the Money Market Portfolio are valued at amortized cost, which approximates market value. Foreign securities are converted to U.S. dollars using exchange rates at the close of the New York Stock Exchange. When market quotations are not readily available, securities are valued at fair value as determined in good faith under procedures established by the Trustees.

INVESTMENT TRANSACTIONS AND INVESTMENT INCOME

Investment transactions are accounted for as of the date purchased or sold. Dividend income is recorded on the ex-dividend date. Certain dividends from foreign securities will be recorded as soon as the Trust is informed of the dividend if such information is obtained subsequent to the ex-dividend date. Interest income is recorded on the accrual basis and includes amortization of discounts and premiums. Gains and losses are determined on the identified cost basis, which is the same basis used for federal income tax purposes. Income and gains and losses are allocated daily to each class of shares based upon the ratio of net assets represented by each class as a percentage of total net assets.

FORWARD CURRENCY TRANSACTIONS AND FUTURES CONTRACTS

The Portfolios enter into forward currency contracts in order to hedge their exposure to changes in foreign currency exchange rates on their foreign portfolio holdings and to lock in the U.S. dollar cost of firm purchase and sales commitments denominated in foreign currencies. A forward currency contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. The gain or loss arising from the difference between the U.S. dollar cost of the original contract and the value of the foreign currency in U.S. dollars upon closing such a contract is included in net realized gain or loss on foreign currency transactions. Forward currency contracts held by the Portfolios are fully collateralized by other securities, in possession at the Portfolio's custodian, which are denoted in the accompanying Schedule of Investments. The market value of these securities is evaluated daily to ensure that it is equal to or exceeds the current market value of the corresponding forward currency contract.

Currency gain and loss are also calculated on payables and receivables that are denominated in foreign currencies. The payables and receivables are generally related to security transactions and income.

Futures contracts are marked to market daily, and the variation margin is recorded as an unrealized gain or loss. When a contract is closed, a realized gain or loss is recorded equal to the difference between the opening and closing value of the contract. Generally, open forward and futures contracts are marked to market (i.e., treated as realized and subject to distribution) for federal income tax purposes at fiscal year-end.

Foreign-denominated assets and forward currency contracts may involve more risks than domestic transactions, including: currency risk, political and economic risk, regulatory risk and market risk. Risks may arise from the potential inability of a counterparty to meet the terms of a contract and from unanticipated movements in the value of foreign currencies relative to the U.S. dollar.

The Portfolios may enter into futures contracts and options on securities, financial indexes and foreign currencies, forward contracts and interest-rate swaps and swap-related products. The Portfolios intend to use such derivative instruments primarily to hedge or protect from adverse movements in securities prices, currency rates or interest rates. The use of futures contracts and options may involve risks such as the possibility of illiquid markets or imperfect correlation between the value of the contracts and the underlying securities or that the counterparty will fail to perform its obligations.

INITIAL PUBLIC OFFERINGS

The Portfolios may invest in initial public offerings (IPOs). IPOs and other investment techniques may have a magnified performance impact on a fund with a small asset base. The Portfolios may not experience similar performance as its assets grow.

ADDITIONAL INVESTMENT RISK

A portion of the Flexible Income and High-Yield Portfolios may be invested in lower-rated debt securities that have a higher risk of default or loss of value because of changes in the economy or in their respective industry.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

DIVIDEND DISTRIBUTIONS AND EXPENSES

Each Portfolio, except the Money Market Portfolio, makes at least semiannual distributions of substantially all of its investment income and at least an annual distribution of its net realized capital gains, if any. The Money Market Portfolio makes daily distributions of its income. All dividends and capital gains distributions from a Portfolio will be automatically reinvested into additional shares of that Portfolio.

Expenses are allocated daily to each class of shares based upon the ratio of net assets represented by each class as a percentage of total net assets. Expenses directly attributable to a specific class of shares are charged against the operations of such class.

FEDERAL INCOME TAXES

No provision for income taxes is included in the accompanying financial statements as the Portfolios intend to distribute to shareholders all taxable investment income and realized gains and otherwise comply with the Internal Revenue Code applicable to regulated investment companies.

2. INVESTMENT ADVISORY AGREEMENT AND OTHER TRANSACTIONS WITH AFFILIATES

The management fee for each equity Portfolio decreased to an annual rate of .65% of average net assets, effective May 1, 2000. The management fee for the corresponding Janus retail fund corresponding to each equity Portfolio also decreased to this rate, effective January 31, 2000. Due to the fee reductions described above, this had the effect of lowering each equity Portfolio's management fee on January 31, 2000, also.

Prior to May 1, 2000, investment advisory fees for eight of the Portfolios were payable to Janus Capital based upon annual rates of .75% of the first \$300 million of average net assets, .70% of the next \$200 million of average net assets, and .65% of the average net assets in excess of

\$500 million. However, Janus Capital had voluntarily agreed to reduce each Portfolio's advisory fee to the extent that such fee exceeded the effective rate of the Janus retail fund corresponding to such Portfolio. The effective rate is the advisory fee calculated by the corresponding retail fund as of the last day of each calendar quarter (expressed as an annual rate). Janus Aspen Growth Portfolio, Janus Aspen Aggressive Growth Portfolio, Janus Aspen Capital Appreciation Portfolio, Janus Aspen International Growth Portfolio, Janus Aspen Worldwide Growth Portfolio, Janus Aspen Balanced Portfolio, Janus Aspen Equity Income Portfolio and Janus Aspen Growth and Income Portfolio advisory fees were reduced to the effective rates of Janus Fund, Janus Enterprise Fund, Janus Twenty Fund, Janus

Notes to Financial Statements *(continued)*

Overseas Fund, Janus Worldwide Fund, Janus Balanced Fund, Janus Equity Income Fund and Janus Growth and Income Fund, respectively. The effective rate for each Portfolio for the period ended December 31, 1999, was .65%, .66%, .65%, .65%, .66%, .69% and .65%, respectively. The Flexible Income Portfolio is subject to advisory fees payable to Janus Capital based upon annual rates of .65% of the first \$300 million of average net assets plus .55% of average net assets in excess of \$300 million. The High-Yield Portfolio's advisory fee rate is payable at rates of .75% of the first \$300 million of average net assets plus .65% of average net assets in excess of \$300 million. The Money Market Portfolio's advisory fee rate is .25% of average net assets. For additional information on the specific fees for the Retirement Shares, please refer to note 4 of the financial statements.

Janus Capital has agreed to reduce its fee to the extent normal operating expenses exceed 1% of the average net assets of the Flexible Income and High-Yield Portfolios and .50% of the average net assets of the Money Market Portfolio for a fiscal year.

Janus Capital has agreed to continue these fee waivers and reductions until at least the next annual renewal of the advisory contracts. The participant administration fee and distribution fee applicable to the Retirement Shares, as well as the distribution fee applicable to the Service Shares, are not included in these expense limits.

Officers and certain trustees of the Trust are also officers and/or directors of Janus Capital; however, they receive no compensation from the Trust.

Janus Service Corporation ("Janus Service"), a wholly owned subsidiary of Janus Capital, receives certain out-of-pocket expenses for transfer agent services. Janus Service also receives an administrative fee at an annual rate of up to .25% of the average daily net assets of the Retirement Shares of each Portfolio for providing or procuring recordkeeping, subaccounting and other administrative services to plan participants who invest in the Retirement Shares.

Janus Distributors, Inc., a wholly owned subsidiary of Janus Capital, is a distributor of the Portfolios. The Retirement and Service Shares have adopted a Distribution and Shareholder Servicing Plan (The "Plan") pursuant to Rule 12b-1 under The 1940 Act. The Plan authorizes payments by the Portfolios in connection with the distribution of the Retirement and Service Shares at an annual rate, as determined from time to time by the Board of Trustees, of up to .25% of the Retirement and Service Shares' average daily net assets.

DST Systems, Inc. (DST), an affiliate of Janus Capital through a degree of common ownership, provides accounting systems to the Portfolios. DST Securities, Inc., a wholly owned subsidiary of DST, provides brokerage services on certain portfolio transactions. Brokerage commissions paid to DST Securities, Inc. serve to reduce fees and expenses. Brokerage commissions paid, fees reduced and the net fees paid to DST for the period ended June 30, 2000, are noted below:

Portfolio	DST Securities, Inc. Commissions Paid*	Portfolio Expense Reduction*	DST Systems Costs
Janus Aspen Growth Portfolio	—	—	\$11,013

*The difference between commissions paid to DST Securities, Inc. and expenses reduced constituted commissions paid to an unaffiliated clearing broker.

3. FEDERAL INCOME TAX

The Portfolios have elected to treat gains and losses on forward foreign currency contracts as capital gains and losses. Other foreign currency gains and losses on debt instruments are treated as ordinary income for federal income tax purposes pursuant to Section 988 of the Internal Revenue Code. As of June 30, 2000, the net capital loss carryovers noted below are available to offset future realized capital gains and thereby reduce future

taxable gains distributions. These carryovers expire between December 31, 2006, and December 31, 2007.

The aggregate cost of investments and the composition of unrealized appreciation and depreciation of investments for federal income tax purposes as of June 30, 2000, are also noted below.

Portfolio	Net Capital Loss Carryovers	Post-October		Federal Tax Cost	Unrealized Appreciation	Unrealized (Depreciation)	Net Appreciation/ (Depreciation)
		Capital Losses	Currency Losses				
Janus Aspen Growth Portfolio	—	—	\$(60)	\$3,318,621,127	\$1,027,813,836	\$(213,113,845)	\$814,699,991

4. EXPENSES

The Portfolios' expenses may be reduced through expense reduction arrangements. Those arrangements include the use of broker commissions paid to DST Securities, Inc. and uninvested cash balances earning interest with the Portfolios' custodian. The Statements of Operations reflect the total expenses before any offset, the amount of the offset and the net expenses. The expense ratios listed in the Financial Highlights reflect expenses prior to any expense offset (gross expense ratio) and after expense offsets (net expense ratio).

Janus Aspen Series Retirement Shares incur a pro rata share of operating expenses. In addition, the Retirement Shares pay a distribution fee of up to .25% of average net assets and a participant administration fee of up to .25% of average net assets.

Janus Aspen Series Service Shares incur a pro rata share of operating expenses. In addition, the Service Shares pay a distribution fee of up to .25% of average net assets.

5. EXPENSE RATIOS

Listed below are the gross expense ratios for the various Portfolios that would be in effect, absent the waiver of certain fees, offsets and/or voluntary reduction of the adviser's fee to the effective rate of the corresponding Janus retail fund. Expense ratios are annualized for all periods less than one year.

Portfolio	Institutional Shares						Retirement Shares				Service Shares
	2000	1999	1998	1997	1996	1995	2000	1999	1998	1997 ⁽¹⁾	2000
Janus Aspen Growth Portfolio	0.67%	0.69%	0.75%	0.78%	0.83%	0.98%	1.18%	1.19%	1.25%	1.28%	0.95%

(1) Period May 1, 1997, (inception) to December 31, 1997.

Explanations of | Charts, Tables and Financial Statements

1. PERFORMANCE OVERVIEWS

When comparing the performance of a Portfolio with an index, keep in mind that market indexes do not include brokerage commissions that would be incurred if you purchased the individual securities in the index. They also do not include taxes payable on dividends and interest or operating expenses incurred if you maintained a Portfolio invested in the index.

Average annual total returns are also quoted for each class of Portfolio. Average annual total return is calculated by taking the growth or decline in value of an investment over a period of time, including reinvestment of dividends and distributions, then calculating the annual compounded percentage rate that would have produced the same result had the rate of growth been constant throughout the period.

2. SCHEDULES OF INVESTMENTS

Following the performance overview section is each Portfolio's Schedule of Investments. This schedule reports the industry concentrations and types of securities held in each Portfolio on the last day of the reporting period. Securities are usually listed by type (common stock, corporate bonds, U.S. government obligations, etc.) and by industry classification (banking, communications, insurance, etc.).

The market value of each security is quoted as of the last day of the reporting period. The value of securities denominated in foreign currencies is converted into U.S. dollars.

Portfolios that invest in foreign securities also provide a summary of investments by country. This summary reports the Portfolio's exposure to different countries by providing the percentage of securities invested in each country.

2A. FORWARD CURRENCY CONTRACTS

A table listing forward currency contracts follows each Portfolio's Schedule of Investments (if applicable). Forward currency contracts are agreements to deliver or receive a preset amount of currency at a future date. Forward currency contracts are used to hedge against foreign currency risk in the Portfolio's long-term holdings.

The table provides the name of the foreign currency, the settlement date of the contract, the amount of the contract, the value of the currency in U.S. dollars and the amount of unrealized gain or loss. The amount of unrealized gain or loss reflects the change in currency exchange rates from the time the contract was opened to the last day of the reporting period.

3. STATEMENT OF OPERATIONS

This statement details the Portfolios' income, expenses, gains and losses on securities and currency transactions, and appreciation or depreciation of current Portfolio holdings.

The first section in this statement, titled "Investment Income," reports the dividends earned from stocks and interest earned from interest-bearing securities in the Portfolio.

The next section reports the expenses and expense offsets incurred by the Portfolios, including the advisory fee paid to the investment adviser, transfer agent fees, shareholder

servicing expenses, and printing and postage for mailing statements, financial reports and prospectuses.

The last section lists the increase or decrease in the value of securities held in the Portfolios. Portfolios realize a gain (or loss) when they sell their position in a particular security. An unrealized gain (or loss) refers to the change in net appreciation or depreciation of the Portfolios during the period. "Net Gain/(Loss) on Investments" is affected both by changes in the market value of Portfolio holdings and by gains (or losses) realized during the reporting period.

4. STATEMENT OF ASSETS AND LIABILITIES

This statement is often referred to as the “balance sheet.” It lists the assets and liabilities of the Portfolios on the last day of the reporting period.

The Portfolios’ assets are calculated by adding the value of the securities owned, the receivable for securities sold but not yet settled, the receivable for dividends declared but not yet received on stocks owned and the receivable for Portfolio shares sold to investors but not yet settled. The Portfolios’ liabilities include payables for securities

purchased but not yet settled, Portfolio shares redeemed but not yet paid and expenses owed but not yet paid. Additionally, there may be other assets and liabilities such as forward currency contracts.

The last section of this statement reports the net asset value (NAV) per share on the last day of the reporting period for each class of the Portfolio. The NAV is calculated by dividing the Portfolios’ net assets (assets minus liabilities) by the number of shares outstanding.

5. STATEMENT OF CHANGES IN NET ASSETS

This statement reports the increase or decrease in the Portfolios’ net assets during the reporting period. Changes in the Portfolios’ net assets are attributable to investment operations, dividends, distributions and capital share transactions. This is important to investors because it shows exactly what caused the Portfolios’ net asset size to change during the period.

The first section summarizes the information from the Statement of Operations regarding changes in net assets due to the Portfolios’ investment performance. The Portfolios’ net assets may also change as a result of dividend and capital gains distributions to investors. If investors receive their dividends in cash, money is taken out of the Portfolio to pay the distribution. If investors reinvest their dividends, the Portfolios’ net assets will not be affected. If you compare each Portfolio’s “Net Decrease from Dividends and

Distributions” to the “Reinvested dividends and distributions,” you’ll notice that dividend distributions had little effect on each Portfolio’s net assets. This is because all of Janus investors reinvest their distributions.

The reinvestment of dividends is included under “Capital Share Transactions.” “Capital Shares” refers to the money investors contribute to the Portfolios through purchases or withdrawal via redemptions. Each Portfolio’s net assets will increase and decrease in value as investors purchase and redeem shares from a Portfolio.

The section entitled “Net Assets Consist of” breaks down the components of the Portfolios’ net assets. Because Portfolios must distribute substantially all earnings, you’ll notice that a significant portion of net assets is shareholder capital.

Explanations of Charts, Tables and Financial Statements *(continued)*

6. FINANCIAL HIGHLIGHTS

This schedule provides a per-share breakdown of the components that affect the net asset value (NAV) for current and past reporting periods for each class of the Portfolio. Not only does this table provide you with total return, it also reports total distributions, asset size, expense ratios and portfolio turnover rate.

The first line in the table reflects the NAV per share at the beginning of the reporting period. The next line reports the net investment income per share, which comprises dividends and interest income earned on securities held by the Portfolios. Following is the total of gains, realized and unrealized. Dividends and distributions are then subtracted to arrive at the NAV per share at the end of the period.

Also included are the expense ratios, or the percentage of net assets that was used to cover operating expenses during the period. Expense ratios vary across the Portfolios for a number of reasons, including the differences in management fees, average shareholder account size, the frequency of dividend payments and the extent of foreign investments, which entail greater transaction costs.

The Portfolios' expenses may be reduced through expense-reduction arrangements. These arrangements include the use of brokerage commissions, uninvested cash

balances earning interest or balance credits. The Statement of Operations reflects total expenses before any such offset, the amount of offset and the net expenses. The expense ratios listed in the Financial Highlights reflect total expenses both prior to any expense offset and after the offsets.

The ratio of net investment income summarizes the income earned divided by the average net assets of a Portfolio during the reporting period. Don't confuse this ratio with a Portfolio's yield. The net investment income ratio is not a true measure of a Portfolio's yield because it doesn't take into account the dividends distributed to the Portfolio's investors.

The next ratio is the portfolio turnover rate, which measures the buying and selling activity in a Portfolio. Portfolio turnover is affected by market conditions, changes in the size of a Portfolio, the nature of the Portfolio's investments and the investment style of the portfolio manager. A 100% rate implies that an amount equal to the value of the entire Portfolio is turned over in a year; a 50% rate means that an amount equal to the value of half the Portfolio is traded in a year; and a 200% rate means that an amount equal to the value of the Portfolio is sold every six months.

Janus|Aspen Series

2000 Semiannual Report

Janus Aspen Growth and Income Portfolio



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Janus Aspen Growth and Income Portfolio



David Corkins
portfolio manager

For the six months ended June 30, 2000, your investment in Janus Aspen Growth and Income Portfolio declined (3.55%) for its Institutional Shares, (3.86%) for its Retirement Shares and (3.73%) for its Service Shares – trailing the (0.44%) negative return posted by the S&P 500 Index, the Portfolio's benchmark.

The subpar performance can be traced in part to the general cooling the market experienced during the second quarter. Tech stocks stormed into 2000 riding the momentum built through the final quarter of 1999, but three successive interest rate increases, including a sizeable half-point hike in mid-May, halted the rally. While some money rotated out of the tech and into previously unpopular sectors like energy, the threat of an overheated economy and its byproduct, inflation, continued to weigh heavily on the market. At its late-June meeting, the Federal Reserve decided its aggressive stance had paid off and left rates alone, although concerns subsequently expanded over steeper oil prices.

In spite of the rising cost of borrowing money, we have been pleased with the performance of Citigroup. With franchises that include Citibank, Travelers Insurance and Salomon Smith Barney, Citigroup's strengths extend overseas, where we believe it has exceptional growth opportunities. For example, its retail banking business in Asia earns three times as much money as its retail banking operations in the U.S. Ultimately, we believe the market will reward financial companies that show strength and that a select group of regional banks will reap some of those rewards as well. We continue to like midwestern regional thrift Firststar, which has been a poor performer despite strong fundamentals and is successfully and smoothly moving forward with its merger with Mercantile Bank.

Other longer-term holdings include Nokia and EMC, which earned solid gains during the period. As the top wireless handset company in the world, Nokia is in a prime position to capitalize on market consolidation between Europe and the U.S., as well as the huge opportunities in China. EMC's business has boomed as the surge in information on the Internet has translated into increased demand for data storage. Moving forward, the company is complementing its traditional storage system business with a push into the storage area network market, and we'll be monitoring that transition into a new line of business carefully.

A relatively new holding in the Portfolio is Corning. Long known for consumer products such as Corningware, Corning exited that business in 1998 and turned its focus to fiber optics, where it has emerged as a top player. The company is also

gaining market share with laser and multiplex products, in which margins are high and sales are strong. We've done a lot of work on this company and feel we've really uncovered the value behind the fundamentals.

When we find fundamentally strong companies, we stick with them, even during slower stretches. That's why we're standing by two holdings that disappointed over the last six months – Liberty Media Group and Comcast. Liberty Media, an AT&T tracking stock, is doing extremely well, but its stock pulled back in sympathy with some of AT&T's other holdings. Comcast, a cable communications company, also owns the home shopping channel QVC, which had a bit of a hiccup as it expanded into Europe.

On the other hand, Costco was an unforced error. Despite our detailed research at the company-store level, as well as recent meetings with management, we were surprised by Costco's recent announcement of weaker short-term results. We consequently liquidated our position in the company.

As we move into the second half of the year, I think it is important to keep in mind that it's dangerous to look at any one period of time. A given period will have an upside and a downside, and it can be misleading. For example, technology and more aggressive stocks certainly pulled back in the second quarter, but that's after several years of outstanding performance.

But what makes me feel good about our companies is that even though some have pulled back, the fundamentals remain strong. Backed by our thorough research practices, we strongly believe in the companies we hold in this Portfolio.

Thank you for investing in Janus Aspen Growth and Income Portfolio.

Portfolio Asset Mix (% of Assets)	June 30, 2000	December 31, 1999
Equities	76.9%	77.7%
Top Ten Equities	27.0%	27.7%
Number of Stocks	87	94
Fixed-Income Securities	3.7%	4.7%
Cash and Cash Equivalents	19.4%	17.6%

(1) All returns include reinvested dividends.

Past performance does not guarantee future results.

Average Annual Total Return⁽¹⁾

For the Periods Ended June 30, 2000 (unaudited)

Institutional Shares (Inception Date 5/1/98)	
1 Year	39.22%
From Inception	38.09%
S&P 500 Index	
1 Year	7.24%
From Portfolio Inception	14.72%
Retirement Shares (Inception Date 5/1/98)	
1 Year	38.45%
From Inception	37.37%
Service Shares (Inception Date 12/31/99)	
1 Year	38.12%
From Portfolio Inception	37.70%

Returns shown for Service Shares for periods to their inception are derived from the historical performance of Institutional Shares, adjusted to reflect the higher operating expenses of Service Shares.

(1) All returns reflect reinvested dividends. The Portfolio's securities may differ significantly from the securities in the Index. Index returns do not include taxes or operating expenses necessary to maintain a portfolio consisting of the same securities that are in the Index. These returns do not reflect the charges and expenses of any particular insurance product or qualified plan. Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. The adviser voluntarily waived a portion of the Portfolio's expenses for certain periods. Without such waiver, the Portfolio's total returns for each class would have been lower. Past performance does not guarantee future results.

The Portfolio's returns may have been positively impacted by buying technology companies in a period favorable for these stocks.

This Portfolio may invest in initial public offerings (IPO's). IPO's and other investment techniques may have a magnified performance impact on a portfolio with a small asset base. The Portfolio may not experience similar performance as its assets grow.

SCHEDULE OF INVESTMENTS (unaudited)

Shares or Principal Amount	Market Value
Common Stock – 74.6%	
Advertising Agencies – 0.1%	
1,420 Omnicom Group, Inc.	\$ 126,469
Advertising Services – 0.4%	
39,260 Avenue A, Inc.*	345,979
4,000 TMP Worldwide, Inc.*	295,250
	641,229
Audio and Video Products – 1.0%	
9,800 Sony Corp.	917,000
6,000 Sony Corp. (ADR)	565,875
	1,482,875
Automotive – Cars and Light Trucks – 0.4%	
14,600 Ford Motor Co.	627,800
1,911 Visteon Corp.*	23,171
	650,971
Brewery – 1.1%	
23,000 Anheuser-Busch Companies, Inc.	1,717,812
Broadcast Services and Programming – 3.6%	
188,660 AT&T Corp./Liberty Media Group – Class A*	4,575,005
9,500 Clear Channel Communications, Inc.	712,500
19,145 TCI Satellite Entertainment, Inc. – Class A*	166,322
	5,453,827
Cable Television – 2.3%	
86,000 Comcast Corp. – Special Class A*	3,483,000
Casino Hotels – 0.7%	
82,190 Park Place Entertainment Corp.*	1,001,691

Shares or Principal Amount	Market Value
Cellular Telecommunications – 5.4%	
11,000 Crown Castle International Corp.*	\$ 401,500
30,000 Nextel Communications, Inc. – Class A*	1,835,625
36,000 Sprint Corp./PCS Group*	2,142,000
329,218 Vodafone AirTouch PLC	1,317,080
20,910 VoiceStream Wireless Corp.*	2,431,768
	8,127,973
Chemicals – Diversified – 0.6%	
11,510 E.I. du Pont de Nemours and Co.	503,562
30,000 Solutia, Inc.	412,500
	916,062
Circuits – 0.7%	
14,780 Maxim Integrated Products, Inc.*	1,004,116
Commercial Services – 1.1%	
38,025 Paychex, Inc.	1,597,050
Computer Data Security – 2.1%	
18,277 VeriSign, Inc.*	3,225,891
Computers – Memory Devices – 2.9%	
50,000 EMC Corp.*	3,846,875
4,500 VERITAS Software Corp.*	508,570
	4,355,445
Computers – Micro – 2.4%	
40,000 Sun Microsystems, Inc.*	3,637,500
Cruise Lines – 0.5%	
40,600 Royal Caribbean Cruises, Ltd.	751,100
Distribution and Wholesale – 0.5%	
95,000 Brightpoint, Inc.*	822,344

See Notes to Schedules of Investments.

Janus Aspen Growth and Income Portfolio

SCHEDULE OF INVESTMENTS (unaudited)

Shares or Principal Amount	Market Value	Shares or Principal Amount	Market Value
Diversified Financial Services – 2.3%		Multimedia – 3.8%	
41,090 Associates First Capital Corp. – Class A	\$ 916,821	51,064 Time Warner, Inc.	\$ 3,880,864
35,270 Citigroup, Inc.	2,125,018	28,200 Viacom, Inc. – Class B*	1,922,888
11,290 Household International, Inc.	469,241		5,803,752
	3,511,080	Music/Clubs – 0.5%	
Diversified Operations – 2.9%		16,000 SFX Entertainment, Inc.*	725,000
83,510 General Electric Co.	4,426,030	Networking Products – 2.8%	
E-Commerce – 0.1%		66,500 Cisco Systems, Inc.*	4,226,906
2,000 eBay, Inc.*	108,625	Oil Companies – Integrated – 0.2%	
Electronic Components – Semiconductors – 3.4%		5,670 Coastal Corp.	345,161
3,645 Advanced Micro Devices, Inc.*	281,576	Optical Supplies – 1.0%	
7,885 Intel Corp.	1,054,126	20,000 Allergan, Inc.	1,490,000
56,000 Texas Instruments, Inc.	3,846,500	Pipelines – 2.5%	
	5,182,202	57,000 Enron Corp.	3,676,500
Enterprise Software and Services – 0.9%		3,040 Kinder Morgan, Inc.	105,070
16,500 Oracle Corp.*	1,387,031		3,781,570
Entertainment Software – 0.2%		Printing – Commercial – 0.8%	
5,000 Electronic Arts, Inc.*	364,687	30,000 Valassis Communications, Inc.*	1,143,750
Fiber Optics – 3.9%		Radio – 1.2%	
7,000 Corning, Inc.	1,889,125	3,000 AMFM, Inc.*	207,000
26,000 JDS Uniphase Corp.*	3,116,750	6,200 Hispanic Broadcasting Corp.*	205,375
8,000 Metromedia Fiber Network, Inc. – Class A*	317,500	39,600 Infinity Broadcasting Corp. – Class A*	1,442,925
2,250 SDL, Inc.*	641,672		1,855,300
	5,965,047	Retail – Building Products – 0.7%	
Finance – Credit Card – 1.5%		20,000 Home Depot, Inc.	998,750
45,000 American Express Co.	2,345,625	Retail – Office Supplies – 0.5%	
Finance – Investment Bankers/Brokers – 0.5%		50,500 Staples, Inc.*	776,437
22,235 Charles Schwab Corp.	747,652	Super-Regional Banks – 1.2%	
Food – Distribution – 0.1%		83,185 Firstar Corp.	1,752,084
2,140 Bestfoods	148,195	Telecommunication Equipment – 5.8%	
Instruments – Scientific – 0.2%		108,000 Nokia Oyj (ADR)	5,393,250
4,000 PE Corp./PE Biosystems Group	263,500	26,000 Nortel Networks Corp. – New York Shares	1,774,500
Internet Content – 0.6%		81,000 Telefonaktiebolaget L.M. Ericsson A.B. (ADR)	1,620,000
3,500 Critical Path, Inc.*	204,094		8,787,750
20,000 DoubleClick, Inc.*	762,500	Telecommunication Services – 3.0%	
	966,594	10,000 Allegiance Telecom, Inc.*	640,000
Internet Software – 2.1%		37,695 Cox Communications, Inc. – Class A*	1,717,478
4,000 Inktomi Corp.*	473,000	110,000 McLeodUSA, Inc. – Class A*	2,275,625
20,000 Liberate Technologies, Inc.*	586,250		4,633,103
9,000 Macromedia, Inc.*	870,187	Telephone – Integrated – 2.1%	
27,700 PSINet, Inc.*	695,962	101,612 Telefonica S.A.*	2,191,593
21,210 Register.com, Inc.*	648,231	18,000 Telefonos de Mexico S.A. (ADR)	1,028,250
	3,273,630		3,219,843
Life and Health Insurance – 0.8%		Toys – 0.2%	
38,295 John Hancock Financial Services, Inc.*	907,113	20,000 Mattel, Inc.	263,750
5,000 ReliaStar Financial Corp.	262,188		
	1,169,301	Total Common Stock (cost \$94,631,108)	113,138,198
Medical – Drugs – 1.4%		Corporate Bonds – 3.7%	
43,595 Pfizer, Inc.	2,092,560	Broadcast Services and Programming – 0.2%	
Medical Instruments – 0.7%		\$250,000 Clear Channel Communications, Inc., 1.50%	
20,500 Medtronic, Inc.	1,021,156	senior notes, due 12/1/02	243,438
Motorcycle and Motor Scooter Manufacturing 0.3%		Cable Television – 0.1%	
11,085 Harley-Davidson, Inc.	426,772	5,000 Adelphia Communications Corp., 7.75%	
Multi-Line Insurance – 0.6%		senior notes, due 1/15/09	4,200
8,000 American International Group, Inc.	940,000	200,000 Telewest Communications PLC, 9.875%	
		senior notes, due 2/1/10†	186,000
			190,200

See Notes to Schedules of Investments.

Janus Aspen Growth and Income Portfolio

SCHEDULE OF INVESTMENTS (unaudited)

Shares or Principal Amount	Market Value
Cellular Telecommunications – 0.1%	
\$100,000 VoiceStream Wireless Corp., 10.375% senior notes, due 11/15/09	\$ 103,500
Computers – Micro – 0.1%	
200,000 Sun Microsystems, Inc., 7.50% senior notes, due 8/15/06	199,500
Diversified Financial Services – 0.7%	
General Electric Capital Corp.:	
250,000 7.00%, notes, due 3/1/02	249,375
75,000 6.52%, notes, due 10/8/02	73,969
250,000 7.00%, notes, due 2/3/03	249,063
500,000 6.81%, notes, due 11/3/03	494,375
	1,066,782
Enterprise Software and Services – 1.3%	
844,000 BEA Systems, Inc., 4.00% convertible subordinated notes due 12/15/06†	1,311,365
393,000 i2 Technologies, Inc., 5.25% convertible subordinated notes due 12/15/06†	599,816
	1,911,181
Internet Software – 0%	
30,000 Exodus Communications, Inc., 11.25% senior notes, due 7/1/08	29,700
Super-Regional Banks – 0.3%	
500,000 Firststar Bank N.A., 7.125% subordinated notes, due 12/1/09	474,375
Telecommunication Services – 0.5%	
25,000 Allegiance Telecom, Inc., 12.875% senior notes, due 5/15/08	27,062
NTL, Inc.:	
83,000 7.00%, convertible subordinated notes due 12/15/08	132,800
750,000 5.75%, convertible subordinated notes due 12/15/09†	588,750
	748,612
Wireless Equipment – 0.4%	
600,000 American Tower Corp., 5.00% convertible notes, due 2/15/10†	607,500
Total Corporate Bonds (cost \$5,166,255)	5,574,788
Preferred Stock – 2.3%	
Automotive – Cars and Light Trucks – 0.8%	
442 Porsche A.G.	1,207,535
Cable Television – 1.1%	
7,000 Comcast Corp., convertible, 2.00% (Sprint Corp./PCS Group)	770,000
10,000 MediaOne Group, Inc. convertible, 6.25%	899,375
	1,669,375
Internet Software – 0.4%	
20,000 PSINet, Inc. convertible, 7.00%†	677,500
Total Preferred Stock (cost \$4,110,130)	3,554,410

Shares or Principal Amount	Market Value
Repurchase Agreement – 19.2%	
\$29,200,000 ABN AMRO Securities, Inc., 6.85% dated 6/30/00, maturing 7/3/00, to be repurchased at \$29,216,668 collateralized by \$14,892,465 in Fannie Mae, 5.9142%- 7.6562%, 2/25/24-4/18/28; \$7,708,664 in Freddie Mac, 7.1512%-7.5875%, 2/15/24-11/15/28; \$21,755,498 in Ginnie Mae, 6.40%-7.50%, 4/20/22- 2/16/30; with respective values of \$7,313,202, \$3,417,233 and \$19,053,565 (cost \$29,200,000)	\$ 29,200,000
Total Investments (total cost \$133,107,493) – 99.9%	151,467,396
Cash, Receivables and Other Assets, net of Liabilities – 0.1%	221,877
Net Assets – 100%	\$151,689,273

Summary of Investments by Country, June 30, 2000

Country	% of Investment Securities	Market Value
Canada	1.2%	\$ 1,774,500
Finland	3.5%	5,393,250
Germany	0.8%	1,207,535
Japan	1.0%	1,482,875
Mexico	0.7%	1,028,250
Spain	1.4%	2,191,593
Sweden	1.1%	1,620,000
United Kingdom	1.0%	1,503,080
United States††	89.3%	135,266,313
Total	100.0%	\$151,467,396

†† Includes Short-Term Securities (70.0% excluding Short-Term Securities)

See Notes to Schedules of Investments.

Statements of Operations

Janus Aspen
Growth and
Income
Portfolio

For the six months ended June 30, 2000 (unaudited)
(all numbers in thousands)

Investment Income:	
Interest	\$ 754
Dividends	224
Foreign tax withheld	(5)
Total Investment Income	973
Expenses:	
Advisory fees	407
Transfer agent expenses	1
Registration fees	25
System fees	7
Custodian fees	24
Insurance expense	—
Audit fees	4
Distribution fees – Retirement Shares	14
Distribution fees – Service Shares	—
Administrative fees – Retirement Shares	14
Other expenses	1
Total Expenses	497
Expense and Fee Offsets	(2)
Net Expenses	495
Excess Expense Reimbursement	—
Net Expenses After Reimbursement	495
Net Investment Income/(Loss)	478
Net Realized and Unrealized Gain/(Loss) on Investments:	
Net realized gain/(loss) from securities transactions	(1,096)
Net realized gain/(loss) from foreign currency transactions	(1)
Net realized gain/(loss) from futures contracts	—
Change in net unrealized appreciation or depreciation of investments and foreign currency	(5,222)
Net Gain/(Loss) on Investments	(6,319)
Net Increase/(Decrease) in Net Assets Resulting from Operations	\$(5,841)

See Notes to Financial Statements.

Statements of Assets & Liabilities

Janus Aspen
Growth and
Income
Portfolio

As of June 30, 2000 (unaudited) (all numbers in thousands
except net asset value per share)

Assets:	
Investments at cost	\$133,107
Investments at value:	\$151,467
Cash	30
Receivables:	
Investments sold	668
Portfolio shares sold	462
Dividends	34
Interest	67
Due from Advisor	—
Other assets	—
Variation margin	—
Forward currency contracts	—
Total Assets	152,728
Liabilities:	
Payables:	
Investments purchased	902
Portfolio shares repurchased	38
Advisory fees	79
Accrued expenses	20
Total Liabilities	1,039
Net Assets	\$151,689
Net Assets – Institutional Shares	\$134,665
Shares Outstanding, \$0.001 Par Value (unlimited shares authorized)	6,841
Net Asset Value Per Share	\$ 19.68
Net Assets – Retirement Shares	\$ 13,463
Shares Outstanding, \$0.001 Par Value (unlimited shares authorized)	688
Net Asset Value Per Share	\$ 19.57
Net Assets – Service Shares	\$ 3,561
Shares Outstanding, \$0.001 Par Value (unlimited shares authorized)	182
Net Asset Value Per Share	\$ 19.55

See Notes to Financial Statements.

Statements of Changes in Net Assets

For the six months ended June 30 (unaudited)
and for the fiscal year ended December 31
(all numbers in thousands)

Janus Aspen
Growth and Income
Portfolio

2000 1999

	2000	1999
Operations:		
Net investment income/(loss)	\$ 478	\$ 165
Net realized gain/(loss) from investment transactions	(1,097)	2,395
Change in unrealized net appreciation or depreciation of investments and foreign currency	(5,222)	22,577
Net Increase in Net Assets Resulting from Operations	(5,841)	25,137
Dividends and Distributions to Shareholders:		
Net investment income*	(202)	(137)
Net realized gain from investment transactions*	(2,330)	—
Distributions (in excess of realized gains)*	—	—
Net Decrease from Dividends and Distributions	(2,532)	(137)
Capital Share Transactions:		
Shares sold		
Institutional Shares	61,104	59,997
Retirement Shares	8,870	6,207
Service Shares	3,552	—
Reinvested dividends and distributions		
Institutional Shares	2,274	137
Retirement Shares	208	—
Service Shares	50	—
Shares repurchased		
Institutional Shares	(5,609)	(5,500)
Retirement Shares	(1,834)	(804)
Service Shares	(15)	—
Net Increase/(Decrease) from Capital Share Transactions	68,600	60,037
Net Increase/(Decrease) in Net Assets	60,227	85,037
Net Assets:		
Beginning of period	91,462	6,425
End of period	\$151,689	\$91,462
Net Assets Consist of:		
Capital (par value and paid-in surplus)*	\$134,174	\$65,574
Undistributed net investment income/(loss)*	306	30
Undistributed net realized gain/(loss) from investments*	(1,151)	2,276
Unrealized appreciation/(depreciation) of investments and foreign currency	18,360	23,582
	\$151,689	\$91,462
Transactions in Portfolio Shares – Institutional Shares		
Shares sold	2,928	3,889
Reinvested dividends and distributions	117	7
Total	3,045	3,896
Shares Repurchased	(271)	(365)
Net Increase/(Decrease) in Portfolio Shares	2,774	3,531
Shares Outstanding, Beginning of Period	4,067	536
Shares Outstanding, End of Period	6,841	4,067
Transactions in Portfolio Shares – Retirement Shares ⁽¹⁾		
Shares sold	427,229	392,132
Reinvested dividends and distributions	10,762	—
Total	437,991	392,132
Shares Repurchased	(87,799)	(55,446)
Net Increase/(Decrease) in Portfolio Shares	350,192	336,686
Shares Outstanding, Beginning of Period	337,686	1,000
Shares Outstanding, End of Period	687,878	337,686
Transactions in Portfolio Shares – Service Shares ⁽¹⁾		
Shares sold	180,224	—
Reinvested dividends and distributions	2,604	—
Total	182,828	—
Shares Repurchased	(725)	—
Net Increase/(Decrease) in Portfolio Shares	182,103	—
Shares Outstanding, Beginning of Period	—	—
Shares Outstanding, End of Period	182,103	—
Purchases and Sales of Investment Securities: (excluding short-term securities)		
Purchases of securities	\$ 69,747	\$60,532
Proceeds from sales of securities	16,485	15,498
Purchases of long-term U.S. government obligations	—	—
Proceeds from sales of long-term U.S. government obligations	—	—

*See Note 3 in Notes to Financial Statements.

(1) Transactions in Portfolio Shares – Retirement and Service Shares numbers are not in thousands.

See Notes to Financial Statements.

Financial | Highlights – Institutional Shares

For a share outstanding during the six months ended June 30 (unaudited)
or through each fiscal year or period ended December 31

Janus Aspen Growth and Income Portfolio
2000 1999 1998⁽¹⁾

Net Asset Value, Beginning of Period	\$20.77	\$11.96	\$10.00
Income from Investment Operations:			
Net investment income/(loss)	.06	.04	.02
Net gains/(losses) on securities (both realized and unrealized)	(.81)	8.81	1.96
Total from Investment Operations	(.75)	8.85	1.98
Less Distributions:			
Dividends (from net investment income)	(.03)	(.04)	(.02)
Distributions (from capital gains)	(.31)	—	—
Total Distributions	(.34)	(.04)	(.02)
Net Asset Value, End of Period	\$19.68	\$20.77	\$11.96
Total Return*	(3.55%)	74.04%	19.80%
Net Assets, End of Period (in thousands)	\$134,665	\$84,480	\$6,413
Average Net Assets for the Period (in thousands)	\$114,533	\$28,838	\$2,883
Ratio of Gross Expenses to Average Net Assets** ⁽²⁾	0.75%	1.06%	1.25%
Ratio of Net Expenses to Average Net Assets** ⁽²⁾	0.75%	1.05%	1.25%
Ratio of Net Investment Income to Average Net Assets**	0.81%	0.56%	0.66%
Portfolio Turnover Rate**	31%	59%	62%

*Total return not annualized for periods of less than one full year.

**Annualized for periods of less than one full year.

(1) Period May 1, 1998 (inception) to December 31, 1998.

(2) See footnote #5 in Notes to Financial Statements.

See Notes to Financial Statements.

Financial Highlights – Retirement Shares

For a share outstanding during the six months ended June 30 (unaudited) or through each fiscal year or period ended December 31

Janus Aspen Growth and Income Portfolio
2000 1999 1998⁽¹⁾

Net Asset Value, Beginning of Period	\$20.68	\$11.94	\$10.00
Income from Investment Operations:			
Net investment income/(loss)	.02	(.01)	.01
Net gains/(losses) on securities (both realized and unrealized)	(.82)	8.75	1.93
Total from Investment Operations	(.80)	8.74	1.94
Less Distributions:			
Dividends (from net investment income)	—	—	—
Distributions (from capital gains)	(.31)	—	—
Total Distributions	(.31)	—	—
Net Asset Value, End of Period	\$19.57	\$20.68	\$11.94
Total Return*	(3.86%)	73.20%	19.40%
Net Assets, End of Period (in thousands)	\$13,464	\$6,982	\$12
Average Net Assets for the Period (in thousands)	\$10,894	\$1,826	\$10
Ratio of Gross Expenses to Average Net Assets** ⁽²⁾	1.25%	1.53%	1.72%
Ratio of Net Expenses to Average Net Assets** ⁽²⁾	1.25%	1.53%	1.72%
Ratio of Net Investment Income/(Loss) to Average Net Assets**	0.32%	0.11%	0.21%
Portfolio Turnover Rate**	31%	59%	62%

*Total return not annualized for periods of less than one full year.

**Annualized for periods of less than one full year.

(1) Period May 1, 1998 (inception) to December 31, 1998.

(2) See footnote #5 in Notes to Financial Statements.

Financial Highlights – Service Shares

For a share outstanding during the six months
ended June 30 (unaudited)

Janus Aspen Growth and
Income Portfolio
2000

Net Asset Value, Beginning of Period	\$20.63
Income from Investment Operations:	
Net investment income/(loss)	.01
Net gains/(losses) on securities (both realized and unrealized)	(.78)
Total from Investment Operations	(.77)
Less Distributions:	
Dividends (from net investment income)	—
Distributions (from capital gains)	(.31)
Total Distributions	(.31)
Net Asset Value, End of Period	\$19.55
Total Return*	(3.73%)
Net Assets, End of Period (in thousands)	\$3,561
Average Net Assets for the Period (in thousands)	\$ 432
Ratio of Gross Expenses to Average Net Assets** ⁽¹⁾	0.96%
Ratio of Net Expenses to Average Net Assets** ⁽¹⁾	0.96%
Ratio of Net Investment Income/(Loss) to Average Net Assets**	0.87%
Portfolio Turnover Rate**	31%

*Total return not annualized for periods of less than one full year.

**Annualized for periods of less than one full year.

(1) See footnote #5 in Notes to Financial Statements.

See Notes to Financial Statements.

Notes to | Schedules of Investments

ADR – American Depository Receipt

EUR – Euro

GBP – British Pound

GDR – Global Depository Receipt

*Non-income-producing security

**A portion of this security has been segregated to cover margin or segregation requirements on open futures contracts and/or forward currency contracts.

† Securities are registered pursuant to Rule 144A and may be deemed to be restricted for resale.

Variable Rate Notes. The interest rate, which is based on specific, or an index of, market interest rates, is subject to change. Rates in the security description are as of June 30, 2000.

Money market funds may hold securities with stated maturities of greater than 397 days when those securities have features that allow a fund to “put” back the security to the issuer or to a third party within 397 days of acquisition. The maturity dates shown in the security descriptions are the stated maturity dates.

Repurchase Agreements held by a Portfolio are fully collateralized, and such collateral is in the possession of the Portfolio’s custodian. The collateral is evaluated daily to ensure its market value equals or exceeds the current market value of the repurchase agreements including accrued interest. In the event of default on the obligation to repurchase, the Portfolio has the right to liquidate the collateral and apply the proceeds in satisfaction of the obligation. In the event of default or bankruptcy by the other party to the agreement, realization and/or retention of the collateral or proceeds may be subject to legal proceedings.

Notes to Financial Statements

The following section describes the organization and significant accounting policies of the Portfolios and provides more detailed information about the schedules and tables that appear throughout this report. In addition, the Notes explain how the Portfolios operate and the methods used in preparing and presenting this report.

I. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Janus Aspen Series (the "Trust") was organized as a Delaware Trust on May 20, 1993, and is registered under the Investment Company Act of 1940 (the "1940 Act") as a no-load, open-end management investment company. The Trust offers fourteen Portfolios or series of shares with differing investment objectives and policies. Eleven Portfolios invest primarily in equity securities: Janus Aspen Growth Portfolio, Janus Aspen Aggressive Growth Portfolio, Janus Aspen Capital Appreciation Portfolio, Janus Aspen Balanced Portfolio, Janus Aspen Equity Income Portfolio, Janus Aspen Growth and Income Portfolio, Janus Aspen Strategic Value Portfolio, Janus Aspen International Growth Portfolio, Janus Aspen Worldwide Growth Portfolio, Janus Aspen Global Life Sciences Portfolio and Janus Aspen Global Technology Portfolio. Two Portfolios invest primarily in income-producing securities: Janus Aspen Flexible Income Portfolio and Janus Aspen High-Yield Portfolio. Janus Aspen Money Market Portfolio invests in short-term money market securities. Each Portfolio is diversified as defined in the 1940 Act, with the exception of the Aggressive Growth Portfolio, Capital Appreciation Portfolio, Global Life Sciences Portfolio, Global Technology Portfolio and Strategic Value Portfolio, which are nondiversified.

Institutional Shares of the Trust are issued and redeemed only in connection with investment in and payments under variable annuity contracts and variable life insurance contracts (collectively "variable insurance contracts"), as well as certain qualified retirement plans. Effective May 1, 1997, the Trust issued the Retirement Shares. Retirement Shares of the Trust are issued and redeemed only in connection with certain qualified retirement plans.

A Special Meeting of Shareholders of the Retirement Shares class (the "Retirement Shares") of each portfolio other than High-Yield Portfolio will be held on July 20, 2000 to approve a reorganization that would transfer the assets relating to the Retirement Shares class of each Janus Aspen Series Portfolio to a corresponding Fund of Janus Adviser Series.

Effective December 31, 1999, the Trust issued a new class of shares, the Service Shares. Service Shares of the Trust are issued and redeemed only in connection with investment in and payments under variable annuity contracts and variable life insurance contracts (collectively "variable insurance contracts"), as well as certain qualified retirement plans.

The following accounting policies have been consistently followed by the Trust and are in conformity with accounting principles generally accepted in the investment company industry.

INVESTMENT VALUATION

Securities are valued at the closing price for securities traded on a principal securities exchange (U.S. or foreign)

and on the NASDAQ National Market. Securities traded on over-the-counter markets and listed securities for which no sales are reported are valued at the latest bid price (or yield equivalent thereof) obtained from one or more dealers making a market for such securities or by a pricing service approved by the Trustees. Short-term investments maturing within 60 days and all money market securities in the Money Market Portfolio are valued at amortized cost, which approximates market value. Foreign securities are converted to U.S. dollars using exchange rates at the close of the New York Stock Exchange. When market quotations are not readily available, securities are valued at fair value as determined in good faith under procedures established by the Trustees.

INVESTMENT TRANSACTIONS AND INVESTMENT INCOME

Investment transactions are accounted for as of the date purchased or sold. Dividend income is recorded on the ex-dividend date. Certain dividends from foreign securities will be recorded as soon as the Trust is informed of the dividend if such information is obtained subsequent to the ex-dividend date. Interest income is recorded on the accrual basis and includes amortization of discounts and premiums. Gains and losses are determined on the identified cost basis, which is the same basis used for federal income tax purposes. Income and gains and losses are allocated daily to each class of shares based upon the ratio of net assets represented by each class as a percentage of total net assets.

FORWARD CURRENCY TRANSACTIONS AND FUTURES CONTRACTS

The Portfolios enter into forward currency contracts in order to hedge their exposure to changes in foreign currency exchange rates on their foreign portfolio holdings and to lock in the U.S. dollar cost of firm purchase and sales commitments denominated in foreign currencies. A forward currency contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. The gain or loss arising from the difference between the U.S. dollar cost of the original contract and the value of the foreign currency in U.S. dollars upon closing such a contract is included in net realized gain or loss on foreign currency transactions. Forward currency contracts held by the Portfolios are fully collateralized by other securities, in possession at the Portfolio's custodian, which are denoted in the accompanying Schedule of Investments. The market value of these securities is evaluated daily to ensure that it is equal to or exceeds the current market value of the corresponding forward currency contract.

Currency gain and loss are also calculated on payables and receivables that are denominated in foreign currencies. The payables and receivables are generally related to security transactions and income.

Futures contracts are marked to market daily, and the variation margin is recorded as an unrealized gain or loss. When a contract is closed, a realized gain or loss is recorded equal to the difference between the opening and closing value of the contract. Generally, open forward and futures contracts are marked to market (i.e., treated as realized and subject to distribution) for federal income tax purposes at fiscal year-end.

Foreign-denominated assets and forward currency contracts may involve more risks than domestic transactions, including: currency risk, political and economic risk, regulatory risk and market risk. Risks may arise from the potential inability of a counterparty to meet the terms of a contract and from unanticipated movements in the value of foreign currencies relative to the U.S. dollar.

The Portfolios may enter into futures contracts and options on securities, financial indexes and foreign currencies, forward contracts and interest-rate swaps and swap-related products. The Portfolios intend to use such derivative instruments primarily to hedge or protect from adverse movements in securities prices, currency rates or interest rates. The use of futures contracts and options may involve risks such as the possibility of illiquid markets or imperfect correlation between the value of the contracts and the underlying securities or that the counterparty will fail to perform its obligations.

INITIAL PUBLIC OFFERINGS

The Portfolios may invest in initial public offerings (IPOs). IPOs and other investment techniques may have a magnified performance impact on a fund with a small asset base. The Portfolios may not experience similar performance as its assets grow.

ADDITIONAL INVESTMENT RISK

A portion of the Flexible Income and High-Yield Portfolios may be invested in lower-rated debt securities that have a higher risk of default or loss of value because of changes in the economy or in their respective industry.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

DIVIDEND DISTRIBUTIONS AND EXPENSES

Each Portfolio, except the Money Market Portfolio, makes at least semiannual distributions of substantially all of its investment income and at least an annual distribution of its net realized capital gains, if any. The Money Market Portfolio makes daily distributions of its income. All dividends and capital gains distributions from a Portfolio will be automatically reinvested into additional shares of that Portfolio.

Expenses are allocated daily to each class of shares based upon the ratio of net assets represented by each class as a percentage of total net assets. Expenses directly attributable to a specific class of shares are charged against the operations of such class.

FEDERAL INCOME TAXES

No provision for income taxes is included in the accompanying financial statements as the Portfolios intend to distribute to shareholders all taxable investment income and realized gains and otherwise comply with the Internal Revenue Code applicable to regulated investment companies.

2. INVESTMENT ADVISORY AGREEMENT AND OTHER TRANSACTIONS WITH AFFILIATES

The management fee for each equity Portfolio decreased to an annual rate of .65% of average net assets, effective May 1, 2000. The management fee for the corresponding Janus retail fund corresponding to each equity Portfolio also decreased to this rate, effective January 31, 2000. Due to the fee reductions described above, this had the effect of lowering each equity Portfolio's management fee on January 31, 2000, also.

Prior to May 1, 2000, investment advisory fees for eight of the Portfolios were payable to Janus Capital based upon annual rates of .75% of the first \$300 million of average net assets, .70% of the next \$200 million of average net assets, and .65% of the average net assets in excess of

\$500 million. However, Janus Capital had voluntarily agreed to reduce each Portfolio's advisory fee to the extent that such fee exceeded the effective rate of the Janus retail fund corresponding to such Portfolio. The effective rate is the advisory fee calculated by the corresponding retail fund as of the last day of each calendar quarter (expressed as an annual rate). Janus Aspen Growth Portfolio, Janus Aspen Aggressive Growth Portfolio, Janus Aspen Capital Appreciation Portfolio, Janus Aspen International Growth Portfolio, Janus Aspen Worldwide Growth Portfolio, Janus Aspen Balanced Portfolio, Janus Aspen Equity Income Portfolio and Janus Aspen Growth and Income Portfolio advisory fees were reduced to the effective rates of Janus Fund, Janus Enterprise Fund, Janus Twenty Fund, Janus

Notes to Financial Statements *(continued)*

Overseas Fund, Janus Worldwide Fund, Janus Balanced Fund, Janus Equity Income Fund and Janus Growth and Income Fund, respectively. The effective rate for each Portfolio for the period ended December 31, 1999, was .65%, .66%, .65%, .65%, .66%, .69% and .65%, respectively. The Flexible Income Portfolio is subject to advisory fees payable to Janus Capital based upon annual rates of .65% of the first \$300 million of average net assets plus .55% of average net assets in excess of \$300 million. The High-Yield Portfolio's advisory fee rate is payable at rates of .75% of the first \$300 million of average net assets plus .65% of average net assets in excess of \$300 million. The Money Market Portfolio's advisory fee rate is .25% of average net assets. For additional information on the specific fees for the Retirement Shares, please refer to note 4 of the financial statements.

Janus Capital has agreed to reduce its fee to the extent normal operating expenses exceed 1% of the average net assets of the Flexible Income and High-Yield Portfolios and .50% of the average net assets of the Money Market Portfolio for a fiscal year.

Janus Capital has agreed to continue these fee waivers and reductions until at least the next annual renewal of the advisory contracts. The participant administration fee and distribution fee applicable to the Retirement Shares, as well as the distribution fee applicable to the Service Shares, are not included in these expense limits.

Officers and certain trustees of the Trust are also officers and/or directors of Janus Capital; however, they receive no compensation from the Trust.

Janus Service Corporation ("Janus Service"), a wholly owned subsidiary of Janus Capital, receives certain out-of-pocket expenses for transfer agent services. Janus Service also receives an administrative fee at an annual rate of up to .25% of the average daily net assets of the Retirement Shares of each Portfolio for providing or procuring recordkeeping, subaccounting and other administrative services to plan participants who invest in the Retirement Shares.

Janus Distributors, Inc., a wholly owned subsidiary of Janus Capital, is a distributor of the Portfolios. The Retirement and Service Shares have adopted a Distribution and Shareholder Servicing Plan (The "Plan") pursuant to Rule 12b-1 under The 1940 Act. The Plan authorizes payments by the Portfolios in connection with the distribution of the Retirement and Service Shares at an annual rate, as determined from time to time by the Board of Trustees, of up to .25% of the Retirement and Service Shares' average daily net assets.

DST Systems, Inc. (DST), an affiliate of Janus Capital through a degree of common ownership, provides accounting systems to the Portfolios. DST Securities, Inc., a wholly owned subsidiary of DST, provides brokerage services on certain portfolio transactions. Brokerage commissions paid to DST Securities, Inc. serve to reduce fees and expenses. Brokerage commissions paid, fees reduced and the net fees paid to DST for the period ended June 30, 2000, are noted below:

Portfolio	DST Securities, Inc. Commissions Paid*	Portfolio Expense Reduction*	DST Systems Costs
Janus Aspen Growth and Income Portfolio	\$305	\$229	\$7,505

*The difference between commissions paid to DST Securities, Inc. and expenses reduced constituted commissions paid to an unaffiliated clearing broker.

3. FEDERAL INCOME TAX

The Portfolios have elected to treat gains and losses on forward foreign currency contracts as capital gains and losses. Other foreign currency gains and losses on debt instruments are treated as ordinary income for federal income tax purposes pursuant to Section 988 of the Internal Revenue Code. As of June 30, 2000, the net capital loss carryovers noted below are available to offset future realized capital gains and thereby reduce future

taxable gains distributions. These carryovers expire between December 31, 2006, and December 31, 2007.

The aggregate cost of investments and the composition of unrealized appreciation and depreciation of investments for federal income tax purposes as of June 30, 2000, are also noted below.

Portfolio	Net Capital Loss Carryovers	Post-October		Federal Tax Cost	Unrealized Appreciation	Unrealized (Depreciation)	Net Appreciation/ (Depreciation)
		Capital Losses	Currency Losses				
Janus Aspen Growth and Income Portfolio	—	\$(11,710)	—	\$133,136,590	\$27,100,892	\$(8,770,086)	\$18,330,806

4. EXPENSES

The Portfolios' expenses may be reduced through expense reduction arrangements. Those arrangements include the use of broker commissions paid to DST Securities, Inc. and uninvested cash balances earning interest with the Portfolios' custodian. The Statements of Operations reflect the total expenses before any offset, the amount of the offset and the net expenses. The expense ratios listed in the Financial Highlights reflect expenses prior to any expense offset (gross expense ratio) and after expense offsets (net expense ratio).

Janus Aspen Series Retirement Shares incur a pro rata share of operating expenses. In addition, the Retirement Shares pay a distribution fee of up to .25% of average net assets and a participant administration fee of up to .25% of average net assets.

Janus Aspen Series Service Shares incur a pro rata share of operating expenses. In addition, the Service Shares pay a distribution fee of up to .25% of average net assets.

5. EXPENSE RATIOS

Listed below are the gross expense ratios for the various Portfolios that would be in effect, absent the waiver of certain fees, offsets and/or voluntary reduction of the adviser's fee to the effective rate of the corresponding Janus retail fund. Expense ratios are annualized for all periods less than one year.

Portfolio	Institutional Shares						Retirement Shares				Service Shares
	2000	1999	1998	1997	1996	1995	2000	1999	1998	1997 ⁽¹⁾	2000
Janus Aspen Growth and Income Portfolio	0.75%	1.15%	3.06%	N/A	N/A	N/A	1.25%	1.62%	3.53%	N/A	0.96%

(1) Period May 1, 1997, (inception) to December 31, 1997.

Explanations of | Charts, Tables and Financial Statements

1. PERFORMANCE OVERVIEWS

When comparing the performance of a Portfolio with an index, keep in mind that market indexes do not include brokerage commissions that would be incurred if you purchased the individual securities in the index. They also do not include taxes payable on dividends and interest or operating expenses incurred if you maintained a Portfolio invested in the index.

Average annual total returns are also quoted for each class of Portfolio. Average annual total return is calculated by taking the growth or decline in value of an investment over a period of time, including reinvestment of dividends and distributions, then calculating the annual compounded percentage rate that would have produced the same result had the rate of growth been constant throughout the period.

2. SCHEDULES OF INVESTMENTS

Following the performance overview section is each Portfolio's Schedule of Investments. This schedule reports the industry concentrations and types of securities held in each Portfolio on the last day of the reporting period. Securities are usually listed by type (common stock, corporate bonds, U.S. government obligations, etc.) and by industry classification (banking, communications, insurance, etc.).

The market value of each security is quoted as of the last day of the reporting period. The value of securities denominated in foreign currencies is converted into U.S. dollars.

Portfolios that invest in foreign securities also provide a summary of investments by country. This summary reports the Portfolio's exposure to different countries by providing the percentage of securities invested in each country.

2A. FORWARD CURRENCY CONTRACTS

A table listing forward currency contracts follows each Portfolio's Schedule of Investments (if applicable). Forward currency contracts are agreements to deliver or receive a preset amount of currency at a future date. Forward currency contracts are used to hedge against foreign currency risk in the Portfolio's long-term holdings.

The table provides the name of the foreign currency, the settlement date of the contract, the amount of the contract, the value of the currency in U.S. dollars and the amount of unrealized gain or loss. The amount of unrealized gain or loss reflects the change in currency exchange rates from the time the contract was opened to the last day of the reporting period.

3. STATEMENT OF OPERATIONS

This statement details the Portfolios' income, expenses, gains and losses on securities and currency transactions, and appreciation or depreciation of current Portfolio holdings.

The first section in this statement, titled "Investment Income," reports the dividends earned from stocks and interest earned from interest-bearing securities in the Portfolio.

The next section reports the expenses and expense offsets incurred by the Portfolios, including the advisory fee paid to the investment adviser, transfer agent fees, shareholder

servicing expenses, and printing and postage for mailing statements, financial reports and prospectuses.

The last section lists the increase or decrease in the value of securities held in the Portfolios. Portfolios realize a gain (or loss) when they sell their position in a particular security. An unrealized gain (or loss) refers to the change in net appreciation or depreciation of the Portfolios during the period. "Net Gain/(Loss) on Investments" is affected both by changes in the market value of Portfolio holdings and by gains (or losses) realized during the reporting period.

4. STATEMENT OF ASSETS AND LIABILITIES

This statement is often referred to as the “balance sheet.” It lists the assets and liabilities of the Portfolios on the last day of the reporting period.

The Portfolios’ assets are calculated by adding the value of the securities owned, the receivable for securities sold but not yet settled, the receivable for dividends declared but not yet received on stocks owned and the receivable for Portfolio shares sold to investors but not yet settled. The Portfolios’ liabilities include payables for securities

purchased but not yet settled, Portfolio shares redeemed but not yet paid and expenses owed but not yet paid. Additionally, there may be other assets and liabilities such as forward currency contracts.

The last section of this statement reports the net asset value (NAV) per share on the last day of the reporting period for each class of the Portfolio. The NAV is calculated by dividing the Portfolios’ net assets (assets minus liabilities) by the number of shares outstanding.

5. STATEMENT OF CHANGES IN NET ASSETS

This statement reports the increase or decrease in the Portfolios’ net assets during the reporting period. Changes in the Portfolios’ net assets are attributable to investment operations, dividends, distributions and capital share transactions. This is important to investors because it shows exactly what caused the Portfolios’ net asset size to change during the period.

The first section summarizes the information from the Statement of Operations regarding changes in net assets due to the Portfolios’ investment performance. The Portfolios’ net assets may also change as a result of dividend and capital gains distributions to investors. If investors receive their dividends in cash, money is taken out of the Portfolio to pay the distribution. If investors reinvest their dividends, the Portfolios’ net assets will not be affected. If you compare each Portfolio’s “Net Decrease from Dividends and

Distributions” to the “Reinvested dividends and distributions,” you’ll notice that dividend distributions had little effect on each Portfolio’s net assets. This is because all of Janus investors reinvest their distributions.

The reinvestment of dividends is included under “Capital Share Transactions.” “Capital Shares” refers to the money investors contribute to the Portfolios through purchases or withdrawal via redemptions. Each Portfolio’s net assets will increase and decrease in value as investors purchase and redeem shares from a Portfolio.

The section entitled “Net Assets Consist of” breaks down the components of the Portfolios’ net assets. Because Portfolios must distribute substantially all earnings, you’ll notice that a significant portion of net assets is shareholder capital.

Explanations of Charts, Tables and Financial Statements *(continued)*

6. FINANCIAL HIGHLIGHTS

This schedule provides a per-share breakdown of the components that affect the net asset value (NAV) for current and past reporting periods for each class of the Portfolio. Not only does this table provide you with total return, it also reports total distributions, asset size, expense ratios and portfolio turnover rate.

The first line in the table reflects the NAV per share at the beginning of the reporting period. The next line reports the net investment income per share, which comprises dividends and interest income earned on securities held by the Portfolios. Following is the total of gains, realized and unrealized. Dividends and distributions are then subtracted to arrive at the NAV per share at the end of the period.

Also included are the expense ratios, or the percentage of net assets that was used to cover operating expenses during the period. Expense ratios vary across the Portfolios for a number of reasons, including the differences in management fees, average shareholder account size, the frequency of dividend payments and the extent of foreign investments, which entail greater transaction costs.

The Portfolios' expenses may be reduced through expense-reduction arrangements. These arrangements include the use of brokerage commissions, uninvested cash

balances earning interest or balance credits. The Statement of Operations reflects total expenses before any such offset, the amount of offset and the net expenses. The expense ratios listed in the Financial Highlights reflect total expenses both prior to any expense offset and after the offsets.

The ratio of net investment income summarizes the income earned divided by the average net assets of a Portfolio during the reporting period. Don't confuse this ratio with a Portfolio's yield. The net investment income ratio is not a true measure of a Portfolio's yield because it doesn't take into account the dividends distributed to the Portfolio's investors.

The next ratio is the portfolio turnover rate, which measures the buying and selling activity in a Portfolio. Portfolio turnover is affected by market conditions, changes in the size of a Portfolio, the nature of the Portfolio's investments and the investment style of the portfolio manager. A 100% rate implies that an amount equal to the value of the entire Portfolio is turned over in a year; a 50% rate means that an amount equal to the value of half the Portfolio is traded in a year; and a 200% rate means that an amount equal to the value of the Portfolio is sold every six months.

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This report must be preceded or accompanied by the current prospectus.

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