

Semiannual report to
contract holders for the six months
ended June 30, 2001

Semiannual report

For contract holders of Scudder DestinationsSM

The Alger American Fund
Credit Suisse Warburg Pincus Trust
Dreyfus Investment Portfolios
The Dreyfus Socially Responsible Growth Fund, Inc.
INVESCO VIF — Utilities Fund
Scudder Variable Series I
Scudder Variable Series II
Janus Aspen Series

The Alger American Fund

**Alger American
Balanced Portfolio**

Semi-Annual Report

**June 30, 2001
(Unaudited)**



Fellow Shareholders:

July 13, 2001

The financial markets saw a turbulent first six months as stock and bond markets sought to find a balance between the sluggish economic environment and efforts by the Federal Reserve and the Bush administration to stimulate growth. For the six months ended June 30, the S&P 500 fell 6.70%, while the Dow Jones Industrial Average (the "Dow") fell 1.85%. During this period prices of growth stocks were severely affected by the general downturn in corporate earnings. The S&P 500/Barra Growth index fell 11.05% compared to a 2.41% drop in the S&P 500/Barra Value index. Technology stocks continued to come under pressure, and the Nasdaq Composite index fell 12.55% during the first half of the year.

The year began with two aggressive interest rate cuts, the first in a surprise announcement on January 3 and the second at the regular Federal Open Market Committee (FOMC) meeting on January 31. The stock market responded positively, with the Nasdaq composite and the Dow gaining 21.0% and 2.3%, respectively, in the month of January. In February, however, the Nasdaq reversed course as technology companies warned of slower than expected sales. While the Dow held fairly steady, dropping just 3.5%, the Nasdaq lost more than 20%. In March, new economic data showed that the economy was growing even more slowly than many analysts had believed. On February 28, fourth quarter gross domestic product was revised downward to 1.1% from 1.4%, the slowest growth rate in five years. On March 20 the FOMC cut interest rates another 50 basis points. However, many market analysts had expected a 75 basis point cut. Concerns that the Fed was not acting aggressively enough sent stocks tumbling. However, as it turned out, this period marked the market's bottom, setting the stage for a recovery in the second quarter.

Additional interest rate cuts in April and May, along with the prospect of an aggressive tax cut, contributed to the rebound in stock prices. The Federal Reserve cut interest rates 50 basis points on April 18 and again at the FOMC meeting on May 15, bringing the total rate reduction since December to 2.5%. The Federal Reserve noted that it remained concerned that weak corporate profits would lead to lower levels of capital investment, hampering economic growth. On May 25, first quarter GDP growth was revised downward from 2% to 1.3%.

As the second quarter drew to a close, equity markets were trading in a fairly narrow range as investors digested earnings estimates. At its regular meeting on June 27 the FOMC cut interest rates by 25 basis points, rather than the one-half percent that had been the standard since January. On June 29, 2001, the yield on the 30-year government bond stood at 5.76%, and rates on shorter-term issues were significantly lower. Two-year Treasury notes, for example, yielded 4.24%.

The FOMC's lower-than-expected rate cut at the end of June suggests the central bank believes that the economy may be beginning to respond to lower interest rates. Some positive signs in the economic data released in June include rising consumer confidence, lower energy prices, and low inflation. After rising sharply during the winter months, from May to June gasoline prices fell nearly 30% and natural gas prices dropped 16.6%. Core inflation remains low, rising 2.5% on an annualized basis in May from a year earlier.

Lower interest rates generally take some time to have a noticeable effect on economic growth. However, it has already been six months since the first rate cut was announced and hence, the impact of lower corporate and consumer borrowing costs may become more visible in the second half of 2001. President Bush's tax cut is also likely to have a stimulative effect on the economy in the second half of the year. Beginning in July, most American workers will receive tax refund checks of between \$300 and \$600, representing a total cash outlay of approximately \$40 billion. In addition, lower tax rates effective in July will result in a modest boost in take-home pay for many workers.

POSITIONING FOR FUTURE GROWTH

Fred Alger Management Inc.'s research-driven stock selection process seeks to invest in solid companies that offer strong future earnings growth and potential for price appreciation. At the same time, overall portfolio characteristics are also evaluated to assess their exposure to market sectors that may be affected—positively or negatively—by prevailing economic and market conditions. In the very near-term, the retroactive tax cut and lower personal income tax rates may have a somewhat greater impact on those industry segments that are directly affected by increases in consumer spending, such as retail companies. With this in mind, Alger portfolio managers are actively seeking investment opportunities that may benefit from this trend. However, we also believe that, in the current market environment, maintaining a broad exposure to many different industries is appropriate. Looking ahead to the longer term, we remain optimistic that growth stocks will continue to offer attractive opportunities to investors seeking long-term capital appreciation.

Respectfully submitted,



David D. Alger
President

TABLE OF CONTENTS

Schedule of Investments	3
Financial Highlights	6
Statement of Assets and Liabilities	7
Statement of Operations	8
Statements of Changes in Net Assets	9
Notes to Financial Statements	10

THE ALGER AMERICAN FUND
ALGER AMERICAN BALANCED PORTFOLIO
SCHEDULE OF INVESTMENTS—JUNE 30, 2001 (UNAUDITED)

<u>Shares</u>	<u>COMMON STOCKS—45.9%</u>	<u>Value</u>	<u>Shares</u>	<u>Value</u>
	ADVERTISING—3%			FINANCIAL SERVICES—5.0%
5,900	Omnicom Group Inc.	\$ 507,400	48,266	Citigroup Inc.
			12,050	First Data Corporation
	AEROSPACE—1.1%		13,750	Marsh & McLennan Companies, Inc.
9,000	General Dynamics Corporation	700,290	31,700	Merrill Lynch & Co., Inc.
13,850	United Technologies Corporation	1,014,651	6,900	Morgan Stanley Dean Witter & Co.
		<u>1,714,941</u>	21,450	Schwab (Charles) Corporation (The)
			18,600	Stilwell Financial, Inc.
				<u>7,987,151</u>
	BIOTECHNOLOGY RESEARCH & PRODUCTION—1.1%			FOOD & BEVERAGES—1.6%
29,800	Amgen Inc.*	1,808,264	49,600	Philip Morris Companies Inc.
				<u>2,517,200</u>
	CABLE—3%			FOOD CHAINS—1.5%
10,000	Comcast Corp., Cl. A Special*	434,000	20,900	Kroger Co. (The)*
			37,300	Safeway Inc.*
				<u>522,500</u>
				<u>1,790,400</u>
				<u>2,312,900</u>
	COMMUNICATION EQUIPMENT—0.7%			HEALTH CARE ADMINISTRATIVE SERVICES—1.5%
56,900	Cisco Systems, Inc.*	1,035,580	33,450	Cardinal Health, Inc.
				<u>2,308,050</u>
	COMMUNICATION TECHNOLOGY—2.7%			INSURANCE—1.7%
46,450	AOL Time Warner Inc.*	2,461,850	31,400	American International Group, Inc.
85,000	Nokia Corporation, ADR	1,873,400		<u>2,700,400</u>
		<u>4,335,250</u>		MANUFACTURING—0.6%
				Sanmina Corporation*
	COMPUTER RELATED & BUSINESS EQUIPMENT—3.8%		19,100	Solectron Corporation*
55,350	Dell Computer Corporation*	1,447,403	29,700	<u>447,131</u>
81,500	EMC Corporation *	2,367,575		<u>543,510</u>
141,300	Sun Microsystems, Inc.*	2,221,236		<u>990,641</u>
		<u>6,036,214</u>		MEDIA—0.5%
				Viacom Inc. Cl. B*
				<u>786,600</u>
	COMPUTER SERVICES—1.0%		15,200	MEDICAL DEVICES—0.2%
24,700	eBay Inc.*	1,691,702	7,600	Medtronic, Inc.
				<u>349,675</u>
	COMPUTER SOFTWARE—2.2%			MEDICAL SERVICES—1.2%
32,000	Intuit Inc.*	1,279,680	37,100	Tenet Healthcare Corporation*
30,000	Microsoft Corporation*	2,190,000		<u>1,913,989</u>
		<u>3,469,680</u>		OIL & GAS—1.8%
				Exxon Mobil Corporation
	CONGLOMERATE—3.0%		21,600	Texaco Inc.
52,300	General Electric Company	2,549,625	14,100	<u>939,060</u>
40,850	Tyco International Ltd.	2,226,325		<u>2,825,820</u>
		<u>4,775,950</u>		PHARMACEUTICALS—5.0%
				Abbott Laboratories
	ENERGY & ENERGY SERVICES—4.2%		22,800	American Home Products Corporation
19,400	BJ Services Company *	550,572	39,888	Baxter International Inc.
49,700	Calpine Corporation *	1,878,660	38,000	Forest Laboratories, Inc.*
14,800	Duke Energy Corporation	577,348	6,200	Pfizer Inc.
36,650	Halliburton Company	1,304,740	56,475	<u>2,261,824</u>
18,300	Nabors Industries, Inc.*	680,760		<u>7,989,707</u>
3,700	Smith International, Inc.*	221,630		
33,850	Transocean Sedco Forex Inc.	1,396,313		
		<u>6,610,023</u>		

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
ALGER AMERICAN BALANCED PORTFOLIO
SCHEDULE OF INVESTMENTS—JUNE 30, 2001 (UNAUDITED) (Cont'd)

<u>Shares</u>	<u>COMMON STOCKS (Cont'd)</u>	<u>Value</u>	<u>Principal Amount</u>	<u>Value</u>
	RETAIL—4.9%			
16,400	Best Buy Co., Inc.*	\$ 1,041,728	\$1,500,000	
51,000	Gap, Inc. (The)	1,479,000		
53,200	Home Depot, Inc.	2,476,460	800,000	
17,800	Target Corporation	615,880		
45,250	Wal-Mart Stores, Inc.	2,208,200	1,000,000	
		<u>7,821,268</u>	1,250,000	
	Total Common Stocks			
	(Cost \$74,068,762)	<u>72,922,405</u>		
	FINANCIAL SERVICES (Cont'd)			
	FleetBoston Financial Corp.,			
	7.25%, 9/15/05			\$ 1,570,980
	Goldman, Sachs Group,			
	6.65%, 5/15/09			789,784
	International Lease Finance Corp.,			
	6.00%, 6/15/03			1,018,160
	Merrill Lynch & Co., Inc.,			
	6.00%, 2/17/09			<u>1,206,925</u>
				<u>10,910,289</u>
	CORPORATE BONDS—16.6%			
			1,000,000	
	BANKS—.9%			
\$1,500,000	Wells Fargo & Co., Sr. Global Notes,			
	5.90%, 5/21/06	<u>1,497,300</u>	1,000,000	
	COMMUNICATION SERVICES—.8%			
1,250,000	SBC Communications Inc.,			
	6.25%, 3/15/11	<u>1,209,275</u>	1,500,000	
	CONGLOMERATE—.3%			
500,000	Loews Corp.,			
	7.625%, 6/1/23	<u>490,455</u>	1,500,000	
	ELECTRIC & GAS COMPANIES—.5%			
400,000	Potomac Electric Power Co.,			
	7.00%, 1/15/24	372,420	1,080,000	
500,000	Washington Gas Light Co., Medium Term Notes,			
	6.51%, 8/18/08	<u>493,190</u>		
		<u>865,610</u>		
	FINANCE—.8%			
1,250,000	Household Finance Corp.,			
	7.20%, 7/15/06	<u>1,299,625</u>	1,250,000	
	FINANCIAL SERVICES—6.9%			
1,000,000	Bank of America Corp.,			
	7.125%, 9/15/06	1,044,540	1,250,000	
500,000	Block Financial Corp.,			
	8.50%, 4/15/07	526,620		
260,000	Chase Manhattan Corporation,			
	8.50%, 2/15/02	266,318		
1,300,000	CIT Group, Inc.,			
	7.125%, 10/15/04	1,342,822		
1,000,000	Citigroup Inc.,			
	6.50%, 1/18/11	992,210		
2,200,000	Countrywide Home Loan Inc.,			
	6.935%, 7/16/07	2,151,930		
	FOOD CHAINS—.6%			
	Safeway Inc.,			
	6.15%, 3/1/06			<u>994,730</u>
	INSURANCE—.7%			
	GE Global Insurance,			
	7.50%, 6/15/10			<u>1,077,440</u>
	LEISURE & ENTERTAINMENT—.9%			
	Disney (Walt) Company,			
	4.875%, 7/2/04			<u>1,484,355</u>
	OIL & GAS—1.6%			
	Baker Hughes Inc.,			
	6.25%, 1/15/09			1,476,075
	Chevron Corp.,			
	6.625%, 10/1/04			<u>1,121,753</u>
				<u>2,597,828</u>
	RETAIL—1.8%			
	Target Corporation,			
	6.35%, 1/15/11			1,471,230
	Wal-Mart Stores, Inc.,			
	6.55%, 8/10/04			<u>1,297,200</u>
				<u>2,768,430</u>
	UTILITIES—.8%			
	Duke Capital Corp.,			
	7.25%, 10/1/04			<u>1,300,175</u>
	Total Corporate Bonds			
	(Cost \$26,404,298)			<u>26,495,512</u>

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
ALGER AMERICAN BALANCED PORTFOLIO
SCHEDULE OF INVESTMENTS—JUNE 30, 2001 (UNAUDITED) (Cont'd)

<u>Principal Amount</u>	U.S. GOVERNMENT & AGENCY OBLIGATIONS—26.0%	<u>Value</u>	<u>Principal Amount</u>	SHORT-TERM INVESTMENTS—11.0%	<u>Value</u>
\$2,000,000	Federal Farm Credit Banks,			U.S. GOVERNMENT & AGENCY OBLIGATIONS—10.9%	
2,000,000	6.80%, 10/12/07	\$ 2,104,060		Federal Home Loan Mortgage Corporation,	
1,000,000	5.87%, 9/2/08	1,996,860	\$17,300,000	3.65%, 7/2/01	
	5.75%, 1/18/11	968,500		(Cost \$17,296,492)	\$ 17,296,492
1,260,000	Federal Home Loan Banks,			SECURITIES HELD UNDER	
2,000,000	5.765%, 3/18/03	1,286,750		REPURCHASE AGREEMENTS—.1%	
1,500,000	5.25%, 2/13/04	2,015,320		Securities Held Under Repurchase	
1,000,000	7.25%, 5/13/05	1,598,205		Agreements, 3.97%, 7/2/01, with	
1,000,000	6.375%, 8/15/06	1,032,290		Bear, Stearns & Co. Inc., dtd 6/29/01	
1,000,000	6.75%, 8/15/07	1,049,540		repurchase price \$97,868; collateralized	
2,000,000	5.875%, 11/15/07	2,005,360		by \$105,000 U.S. Treasury Bills,	
1,000,000	5.89%, 6/30/08	998,720		due 8/2/01	<u>97,836</u>
1,000,000	Federal Home Loan Mortgage Corporation,			Total Short-Term Investments	
1,000,000	5.125%, 11/4/04	994,950		(Cost \$17,394,328)	<u>17,394,328</u>
1,115,000	5.65%, 4/25/06	996,980		Total Investments	
800,000	7.10%, 4/10/07	1,189,504		(Cost \$158,332,873)(a)	99.5% 158,018,684
600,000	5.75%, 4/15/08	794,248		Other Assets in Excess of Liabilities	<u>.5 763,544</u>
	7.08%, 3/17/14	593,814		Net Assets	<u>100.0% \$158,782,228</u>
1,000,000	Federal National Mortgage Association,				
500,000	7.125%, 2/15/05	1,060,080			
2,000,000	6.96%, 4/2/07	529,375			
633,000	6.08%, 12/15/10	1,987,240			
400,000	7.00%, 3/4/13	626,569			
	6.75%, 2/4/28	374,752			
1,000,000	Student Loan Marketing Association,				
	5.25%, 3/15/06	987,060			
800,000	U.S. Treasury Notes,				
1,000,000	6.125%, 12/31/01	809,504			
1,500,000	6.50%, 3/31/02	1,019,530			
2,000,000	6.375%, 4/30/02	1,530,705			
800,000	6.25%, 7/31/02	2,048,440			
800,000	6.25%, 2/15/03	825,248			
1,000,000	6.00%, 8/15/04	830,504			
1,500,000	5.875%, 11/15/04	1,034,220			
3,000,000	6.50%, 5/15/05	1,586,250			
800,000	5.75%, 11/15/05	3,090,000			
1,500,000	6.50%, 10/15/06	851,872			
800,000	6.125%, 8/15/07	1,573,365			
	5.625%, 5/15/08	<u>816,624</u>			
	Total U.S. Government & Agency Obligations				
	(Cost \$40,465,485)	<u>41,206,439</u>			

* Non-income producing security.

(a) At June 30, 2001, the net unrealized depreciation on investments, based on cost for federal income tax purposes of \$158,332,873, amounted to \$314,189 which consisted of aggregate gross unrealized appreciation of \$6,873,174 and aggregate gross unrealized depreciation of \$7,187,363.

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, 2001(i)	Year Ended December 31,				
		2000	1999	1998	1997	1996
Net asset value, beginning of period	\$ 13.77	\$ 15.57	\$ 12.98	\$ 10.76	\$ 9.24	\$ 13.64
Net investment income	0.10	0.20	0.15	0.19	0.17	0.21(ii)
Net realized and unrealized gain (loss) on investments	(0.22)	(0.61)	3.45	3.02	1.63	1.01
Total from investment operations	(0.12)	(0.41)	3.60	3.21	1.80	1.22
Dividends from net investment income	(0.20)	(0.13)	(0.17)	(0.18)	(0.12)	(0.73)
Distributions from net realized gains	(0.24)	(1.26)	(0.84)	(0.81)	(0.16)	(4.89)
Total Distributions	(0.44)	(1.39)	(1.01)	(0.99)	(0.28)	(5.62)
Net asset value, end of period	\$ 13.21	\$ 13.77	\$ 15.57	\$ 12.98	\$ 10.76	\$ 9.24
Total Return	(0.96%)	(2.76%)	29.21%	31.51%	19.82%	10.17%
Ratios and Supplemental Data:						
Net assets, end of period (000's omitted)	\$158,782	\$115,894	\$56,327	\$28,208	\$16,614	\$10,486
Ratio of expenses to average net assets	0.84%	0.88%	0.93%	0.92%	1.01%	1.14%
Ratio of net investment income to average net assets	2.74%	2.40%	1.66%	2.09%	2.14%	2.06%
Portfolio Turnover Rate	34.35%	63.37%	118.74%	94.64%	105.01%	68.66%

(i) Unaudited. Ratios have been annualized; total return has not been annualized.

(ii) Amount was computed based on average shares outstanding during the year.

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
ALGER AMERICAN BALANCED PORTFOLIO
STATEMENT OF ASSETS AND LIABILITIES (UNAUDITED)

June 30, 2001

Assets:	
Investments in securities, at value (identified cost*)—see accompanying schedule of investments	\$158,018,684
Receivable for investment securities sold	149,293
Receivable for shares of beneficial interest sold	476,501
Interest and dividends receivable	1,171,525
Other assets	378
Total Assets	159,816,381
Liabilities:	
Payable for investment securities purchased	511,438
Payable for shares of beneficial interest redeemed	405,909
Accrued investment management fees	95,882
Accrued expenses	20,924
Total Liabilities	1,034,153
Net Assets	\$158,782,228
Net Assets Consist of:	
Paid-in capital	\$161,440,997
Undistributed net investment income	1,143,034
Undistributed net realized loss	(3,487,614)
Net unrealized appreciation (depreciation)	(314,189)
Net Assets	\$158,782,228
Shares of beneficial interest outstanding—Note 5	12,017,172
Net Asset Value Per Share	\$ 13.21
*Identified cost	\$158,332,873

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
ALGER AMERICAN BALANCED PORTFOLIO
STATEMENT OF OPERATIONS (UNAUDITED)

For the six months ended June 30, 2001

INVESTMENT INCOME	
Income:	
Interest	\$ 2,147,885
Dividends	197,927
Total Income	2,345,812
Expenses:	
Management fees—Note 3(a)	493,656
Custodian fees	26,255
Transfer agent fees	6,582
Professional fees	2,632
Trustees' fees	1,500
Miscellaneous	25,383
Total Expenses	556,008
Net Investment Income	1,789,804
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	
Net realized loss on investments	(3,203,312)
Net change in unrealized appreciation (depreciation) on investments	(224,080)
Net realized and unrealized gain (loss) on investments	(3,427,392)
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$(1,637,588)

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, 2001

Net investment income	\$ 1,789,804
Net realized loss on investments	(3,203,312)
Net change in unrealized appreciation (depreciation) on investments	(224,080)
Net decrease in net assets resulting from operations	(1,637,588)
Dividends to shareholders:	
Net investment income	(2,131,825)
Net realized gains	(2,594,824)
Net increase from shares of beneficial interest transactions—Note 5	49,252,479
Total increase	42,888,242
Net Assets	
Beginning of period	115,893,986
End of period	\$158,782,228
Undistributed net investment income	\$ 1,143,034

THE ALGER AMERICAN FUND
ALGER AMERICAN BALANCED PORTFOLIO
STATEMENT OF CHANGES IN NET ASSETS

For the year ended December 31, 2000

Net investment income	\$ 2,128,947
Net realized gain on investments	1,823,334
Net change in unrealized appreciation (depreciation) on investments	(9,001,489)
Net decrease in net assets resulting from operations	(5,049,208)
Dividends to shareholders:	
Net investment income	(665,331)
Net realized gains	(6,345,846)
Net increase from shares of beneficial interest transactions—Note 5	71,627,863
Total increase	59,567,478
Net Assets	
Beginning of year	56,326,508
End of year	\$115,893,986
Undistributed net investment income	\$ 1,463,616

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
ALGER AMERICAN BALANCED PORTFOLIO
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

June 30, 2001

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.

Premiums and discounts on debt securities purchased are amortized and accreted, respectively, over the lives of the respective securities.

(c) *Repurchase Agreements:* The Portfolio enters into repurchase agreements with approved institutions. The repurchase agreements are collateralized by U.S. Government securities, which are either received and held in physical possession by the custodian or

received by such custodian in book-entry form through the Federal Reserve book-entry system. The collateral is valued 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, provided that the market value of the 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 loan is collateralized by cash, letters of credit or U.S. Government securities that are maintained in an amount equal to at least 100 percent of the current market value of the loaned securities. The market value of the loaned securities is determined at the close of business of the Portfolio and any required additional collateral is delivered to the Portfolio on the next business day.

(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.

Dividends from net realized gains, offset by any loss carryforward, are declared and paid annually after the end of the fiscal year in which earned.

The characterization of distributions to shareholders for financial reporting purposes is determined in accordance with federal income tax rules. Therefore, the source of the Portfolio’s distributions may be shown in the accompanying financial statements as either from or in excess of net investment income or net realized gain on investment transactions, or from paid-in capital, depending on the type of book/tax differences that may exist.

(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.

THE ALGER AMERICAN FUND
ALGER AMERICAN BALANCED PORTFOLIO
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (Cont'd)

June 30, 2001

(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.

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, 2001, the Portfolio paid Fred Alger & Company, Incorporated ("Alger Inc.") \$60,019 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, 2001, were \$79,303,508 and \$41,031,114, 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, 2001, transactions of shares of beneficial interest of the Portfolio were as follows:

	<u>Shares</u>	<u>Amount</u>
Shares sold	4,154,875	\$ 56,919,294
Dividends reinvested	348,830	4,726,649
	<u>4,503,705</u>	<u>61,645,943</u>
Shares redeemed	(903,480)	(12,393,464)
Net increase	<u>3,600,225</u>	<u>\$ 49,252,479</u>

During the year ended December 31, 2000, transactions of shares of beneficial interest of the Portfolio were as follows:

	<u>Shares</u>	<u>Amount</u>
Shares sold	5,060,288	\$ 76,037,588
Dividends reinvested	501,509	7,011,104
	<u>5,561,797</u>	<u>83,048,692</u>
Shares redeemed	(763,319)	(11,420,829)
Net increase	<u>4,798,478</u>	<u>\$ 71,627,863</u>

The Alger American Fund

**Alger American
Leveraged AllCap Portfolio**

Semi-Annual Report

**June 30, 2001
(Unaudited)**



Fellow Shareholders:

July 13, 2001

The financial markets saw a turbulent first six months as stock and bond markets sought to find a balance between the sluggish economic environment and efforts by the Federal Reserve and the Bush administration to stimulate growth. For the six months ended June 30, the S&P 500 fell 6.70%, while the Dow Jones Industrial Average (the "Dow") fell 1.85%. During this period prices of growth stocks were severely affected by the general downturn in corporate earnings. The S&P 500/Barra Growth index fell 11.05% compared to a 2.41% drop in the S&P 500/Barra Value index. Technology stocks continued to come under pressure, and the Nasdaq Composite index fell 12.55% during the first half of the year.

The year began with two aggressive interest rate cuts, the first in a surprise announcement on January 3 and the second at the regular Federal Open Market Committee (FOMC) meeting on January 31. The stock market responded positively, with the Nasdaq composite and the Dow gaining 21.0% and 2.3%, respectively, in the month of January. In February, however, the Nasdaq reversed course as technology companies warned of slower than expected sales. While the Dow held fairly steady, dropping just 3.5%, the Nasdaq lost more than 20%. In March, new economic data showed that the economy was growing even more slowly than many analysts had believed. On February 28, fourth quarter gross domestic product was revised downward to 1.1% from 1.4%, the slowest growth rate in five years. On March 20 the FOMC cut interest rates another 50 basis points. However, many market analysts had expected a 75 basis point cut. Concerns that the Fed was not acting aggressively enough sent stocks tumbling. However, as it turned out, this period marked the market's bottom, setting the stage for a recovery in the second quarter.

Additional interest rate cuts in April and May, along with the prospect of an aggressive tax cut, contributed to the rebound in stock prices. The Federal Reserve cut interest rates 50 basis points on April 18 and again at the FOMC meeting on May 15, bringing the total rate reduction since December to 2.5%. The Federal Reserve noted that it remained concerned that weak corporate profits would lead to lower levels of capital investment, hampering economic growth. On May 25, first quarter GDP growth was revised downward from 2% to 1.3%.

As the second quarter drew to a close, equity markets were trading in a fairly narrow range as investors digested earnings estimates. At its regular meeting on June 27 the FOMC cut interest rates by 25 basis points, rather than the one-half percent that had been the standard since January. On June 29, 2001, the yield on the 30-year government bond stood at 5.76%, and rates on shorter-term issues were significantly lower. Two-year Treasury notes, for example, yielded 4.24%.

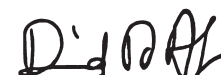
The FOMC's lower-than-expected rate cut at the end of June suggests the central bank believes that the economy may be beginning to respond to lower interest rates. Some positive signs in the economic data released in June include rising consumer confidence, lower energy prices, and low inflation. After rising sharply during the winter months, from May to June gasoline prices fell nearly 30% and natural gas prices dropped 16.6%. Core inflation remains low, rising 2.5% on an annualized basis in May from a year earlier.

Lower interest rates generally take some time to have a noticeable effect on economic growth. However, it has already been six months since the first rate cut was announced and hence, the impact of lower corporate and consumer borrowing costs may become more visible in the second half of 2001. President Bush's tax cut is also likely to have a stimulative effect on the economy in the second half of the year. Beginning in July, most American workers will receive tax refund checks of between \$300 and \$600, representing a total cash outlay of approximately \$40 billion. In addition, lower tax rates effective in July will result in a modest boost in take-home pay for many workers.

POSITIONING FOR FUTURE GROWTH

Fred Alger Management Inc.'s research-driven stock selection process seeks to invest in solid companies that offer strong future earnings growth and potential for price appreciation. At the same time, overall portfolio characteristics are also evaluated to assess their exposure to market sectors that may be affected—positively or negatively—by prevailing economic and market conditions. In the very near-term, the retroactive tax cut and lower personal income tax rates may have a somewhat greater impact on those industry segments that are directly affected by increases in consumer spending, such as retail companies. With this in mind, Alger portfolio managers are actively seeking investment opportunities that may benefit from this trend. However, we also believe that, in the current market environment, maintaining a broad exposure to many different industries is appropriate. Looking ahead to the longer term, we remain optimistic that growth stocks will continue to offer attractive opportunities to investors seeking long-term capital appreciation.

Respectfully submitted,



David D. Alger
President

TABLE OF CONTENTS

Schedule of Investments	3
Financial Highlights	5
Statement of Assets and Liabilities	6
Statement of Operations	7
Statements of Changes in Net Assets	8
Notes to Financial Statements	9

THE ALGER AMERICAN FUND
ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO
SCHEDULE OF INVESTMENTS—JUNE 30, 2001 (UNAUDITED)

<u>Shares</u>	<u>COMMON STOCKS—93.2%</u>	<u>Value</u>	<u>Shares</u>	<u>Value</u>
	ADVERTISING—5.5%			ENERGY & ENERGY SERVICES—1.9%
28,200	Omnicom Group Inc.	\$ 2,425,200	70,700	Calpine Corporation *
			65,000	Duke Energy Corporation
	AEROSPACE—3.7%		89,000	Transocean Sedco Forex Inc.
95,600	General Dynamics Corporation	7,438,636		<u>8,879,360</u>
131,250	United Technologies Corporation	9,615,375		
		<u>17,054,011</u>		FINANCIAL SERVICES—15.8%
	BIOTECHNOLOGY RESEARCH		156,500	Bank of New York Company, Inc. (The)
	& PRODUCTION—3.2%		400,733	Citigroup Inc.
161,650	Amgen Inc.*	9,808,922	11,000	First Data Corporation
46,850	Enzon, Inc.*	2,928,125	127,600	Marsh & McLennan Companies, Inc.
32,100	IDEC Pharmaceuticals Corporation *	2,172,849	181,200	Merrill Lynch & Co., Inc.
		<u>14,909,896</u>	212,550	Morgan Stanley Dean Witter & Co.
			209,100	Schwab (Charles) Corporation (The)
			91,050	Stilwell Financial, Inc.
				<u>72,924,136</u>
201,400	CABLE—1.9%			FOOD & BEVERAGES—2.1%
	Comcast Corp., Cl. A Special*	8,740,760		Philip Morris Companies Inc.
			187,450	<u>9,513,087</u>
	COMMUNICATION EQUIPMENT—1.6%			FOOD CHAINS—2.6%
396,400	Cisco Systems, Inc.*	7,214,480	248,200	Safeway Inc.*
				<u>11,913,600</u>
	COMMUNICATION TECHNOLOGY—5.3%			HEALTH CARE—1.3%
225,900	AOL Time Warner Inc.*	11,972,700	60,000	Express Scripts, Inc.*
568,100	Nokia Corporation, ADR	12,520,924	45,000	Teva Pharmaceutical Industries Ltd. ADR ...
		<u>24,493,624</u>		<u>6,105,300</u>
	COMPUTER RELATED &			HEALTH CARE ADMINISTRATIVE SERVICES—3.3%
	BUSINESS EQUIPMENT—3.6%			AmeriSource Health Corporation Cl. A*
238,680	EMC Corporation *	6,933,654	135,450	Cardinal Health, Inc.
623,700	Sun Microsystems, Inc.*	9,804,564	114,500	<u>15,390,885</u>
		<u>16,738,218</u>		
	COMPUTER SERVICES—5.3%			INDUSTRIAL EQUIPMENT—0.3%
128,000	Amdocs Limited*	6,892,800	54,400	Waters Corporation*
256,450	eBay Inc.*	17,564,261		<u>1,501,983</u>
		<u>24,457,061</u>		
	COMPUTER SOFTWARE—5.6%		189,455	INSURANCE—3.5%
203,000	Intuit Inc.*	8,117,970		American International Group, Inc.
171,700	Microsoft Corporation*	12,534,100		<u>16,293,130</u>
146,450	Openwave Systems Inc.*	5,081,815	46,600	MEDICAL DEVICES—0.5%
		<u>25,733,885</u>		Medtronic, Inc.
				<u>2,144,066</u>
	CONGLOMERATE—3.9%		59,550	MEDICAL SERVICES—0.7%
180,350	General Electric Company	8,792,063		Tenet Healthcare Corporation*
171,800	Tyco International Ltd.	9,363,100		<u>3,072,185</u>
		<u>18,155,163</u>		
	DRUGS & PHARMACEUTICALS—1.1%		168,850	PHARMACEUTICALS—12.7%
80,200	Genzyme Corp. General Division*	4,892,200	185,620	Abbott Laboratories
			218,500	American Home Products Corporation
			161,050	Baxter International Inc.
			131,000	Eli Lilly and Company
			246,437	King Pharmaceuticals, Inc.*
				Pfizer Inc.
				<u>9,869,802</u>
				<u>58,489,373</u>

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO
SCHEDULE OF INVESTMENTS—JUNE 30, 2001 (UNAUDITED) (Cont'd)

<u>Shares</u>	<u>COMMON STOCKS (Cont'd)</u>	<u>Value</u>	<u>Principal Amount</u>	<u>SHORT-TERM INVESTMENTS—7.7%</u>	<u>Value</u>
	RESTAURANTS—7%			U.S. GOVERNMENT & AGENCY OBLIGATIONS—7.7%	
123,750	Brinker International, Inc.*	\$ 3,198,938		Federal Home Loan Mortgage Corporation, 3.65%, 7/2/01	
	RETAIL—12.1%		\$35,600,000	(Cost \$35,592,781)	\$ 35,592,781
88,850	Best Buy Co., Inc.*	5,643,752		SECURITIES HELD UNDER REPURCHASE AGREEMENTS	
297,700	Gap, Inc. (The)	8,633,300		Securities Held Under Repurchase Agreements, 3.97%, 7/2/01, with Bear, Stearns & Co. Inc., dtd 6/29/01, repurchase price \$59,247; collateralized by \$65,000 U.S. Treasury Bills, due 8/2/01	59,228
344,000	Home Depot, Inc.	16,013,200		Total Short-Term Investments	
288,900	Target Corporation	9,995,940		(Cost \$35,652,009)	35,652,009
65,000	Toys "R" Us, Inc.*	1,608,750		Total Investments	
289,350	Wal-Mart Stores, Inc.	14,120,280		(Cost \$487,873,670)(a)	100.9% 465,907,772
		<u>56,015,222</u>		Liabilities in Excess of Other Assets	(.9) (4,401,301)
	Total Common Stocks			Net Assets	<u>100.0%</u> <u>\$461,506,471</u>
	(Cost \$452,221,661)	<u>430,255,763</u>			

* Non-income producing security.

(a) At June 30, 2001, the net unrealized depreciation on investments, based on cost for federal income tax purposes of \$487,873,670, amounted to \$21,965,898 which consisted of aggregate gross unrealized appreciation of \$27,355,311 and aggregate gross unrealized depreciation of \$49,321,209.

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, 2001(i)	Year Ended December 31,				
		2000	1999	1998	1997	1996
Net asset value, beginning of period	\$ 38.80	\$ 57.97	\$ 34.90	\$ 23.17	\$ 19.36	\$ 17.43
Net investment income (loss)	0.05	(0.02)(ii)	(0.09)	(0.05)	(0.03)	(0.03)(ii)
Net realized and unrealized gain (loss) on investments	(4.13)	(13.77)	25.93	12.99	3.84	2.14
Total from investment operations	(4.08)	(13.79)	25.84	12.94	3.81	2.11
Distributions from net realized gains	(1.19)	(5.38)	(2.77)	(1.21)	—	(0.18)
Net asset value, end of period	\$ 33.53	\$ 38.80	\$ 57.97	\$ 34.90	\$ 23.17	\$ 19.36
Total Return	(10.65%)	(24.83%)	78.06%	57.83%	19.68%	12.04%
Ratios and Supplemental Data:						
Net assets, end of period (000's omitted)	\$ 461,506	\$ 476,517	\$ 362,500	\$ 101,710	\$ 53,488	\$ 34,925
Ratio of expenses excluding interest to average net assets	0.91%	0.90%	0.92%	0.93%	0.96%	1.06%
Ratio of expenses including interest to average net assets	0.91%	0.90%	0.93%	0.96%	1.00%	1.09%
Ratio of net investment income (loss) to average net assets	0.25%	(0.03%)	(0.49%)	(0.27%)	(0.17%)	(0.15%)
Portfolio Turnover Rate	36.63%	132.28%	155.74%	143.59%	164.27%	102.10%
Amount of debt outstanding at end of period	—	—	—	—	—	—
Average amount of debt outstanding during the period	—	—	\$ 266,584	\$ 246,101	\$ 201,644	\$ 76,079
Average daily number of shares outstanding during the period	12,820,363	9,802,168	4,395,246	2,480,478	2,135,458	1,107,187
Average amount of debt per share during the period	—	—	\$ 0.06	\$ 0.10	\$ 0.09	\$ 0.07

(i) Unaudited. Ratios have been annualized; total return has not been annualized.

(ii) Amount was computed based on average shares outstanding during the year.

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO
STATEMENT OF ASSETS AND LIABILITIES (UNAUDITED)

June 30, 2001

Assets:	
Investments in securities, at value (identified cost*)—see accompanying schedule of investments	\$465,907,772
Receivable for investment securities sold	430,163
Receivable for shares of beneficial interest sold	786,749
Interest and dividends receivable	124,257
Other assets	2,326
Total Assets	467,251,267
Liabilities:	
Payable for investment securities purchased	5,075,281
Payable for shares of beneficial interest redeemed	297,298
Accrued investment management fees	325,392
Accrued expenses	46,825
Total Liabilities	5,744,796
Net Assets	\$461,506,471
Net Assets Consist of:	
Paid-in capital	\$577,782,639
Undistributed net investment income	391,346
Undistributed net realized loss	(94,701,616)
Net unrealized appreciation (depreciation)	(21,965,898)
Net Assets	\$461,506,471
Shares of beneficial interest outstanding—Note 6	13,762,283
Net Asset Value Per Share	\$ 33.53
*Identified cost	\$487,873,670

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, 2001

INVESTMENT INCOME	
Income:	
Interest	\$ 1,362,114
Dividends	1,208,840
Total Income	2,570,954
Expenses:	
Management fees—Note 3(a)	1,885,873
Custodian fees	53,580
Transfer agent fees	22,187
Professional fees	10,823
Trustees' fees	1,500
Miscellaneous	36,636
Total Expenses	2,010,599
Net Investment Income	560,355
REALIZED AND UNREALIZED	
GAIN (LOSS) ON INVESTMENTS	
Net realized loss on investments	(68,058,750)
Net change in unrealized appreciation (depreciation) on investments	13,698,976
Net realized and unrealized gain (loss) on investments	(54,359,774)
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$(53,799,419)

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, 2001

Net investment income	\$ 560,355
Net realized loss on investments	(68,058,750)
Net change in unrealized appreciation (depreciation) on investments	13,698,976
Net decrease in net assets resulting from operations	(53,799,419)
Dividends to shareholders:	
Net realized gains	(15,500,392)
Net increase from shares of beneficial interest transactions—Note 6	54,289,196
Total decrease	(15,010,615)
Net Assets	
Beginning of period	476,517,086
End of period	\$461,506,471
Undistributed net investment income	\$ 391,346

THE ALGER AMERICAN FUND
ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO
STATEMENT OF CHANGES IN NET ASSETS

For the year ended December 31, 2000

Net investment loss	\$ (169,009)
Net realized loss on investments	(9,797,650)
Net change in unrealized appreciation (depreciation) on investments	(146,120,530)
Net decrease in net assets resulting from operations	(156,087,189)
Dividends to shareholders:	
Net realized gains	(47,473,710)
Net increase from shares of beneficial interest transactions—Note 6	317,578,240
Total increase	114,017,341
Net Assets	
Beginning of year	362,499,745
End of year	\$476,517,086
Undistributed net investment income (accumulated loss)	\$ (169,009)

See Notes to Financial Statements.

THE ALGER AMERICAN FUND
ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

June 30, 2001

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. The repurchase agreements are collateralized by U.S. Government securities, which are either received and held in physical possession by the custodian or

received by such custodian in book-entry form through the Federal Reserve book-entry system. The collateral is valued 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, provided that the market value of the 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 loan is collateralized by cash, letters of credit or U.S. Government securities that are maintained in an amount equal to at least 100 percent of the current market value of the loaned securities. The market value of the loaned securities is determined at the close of business of the Portfolio and any required additional collateral is delivered to the Portfolio on the next business day.

(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.

Dividends from net realized gains, offset by any loss carryforward, are declared and paid annually after the end of the fiscal year in which earned.

The characterization of distributions to shareholders for financial reporting purposes is determined in accordance with federal income tax rules. Therefore, the source of the Portfolio’s distributions may be shown in the accompanying financial statements as either from or in excess of net investment income or net realized gain on investment transactions, or from paid-in capital, depending on the type of book/tax differences that may exist.

(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 the 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.

THE ALGER AMERICAN FUND
ALGER AMERICAN LEVERAGED ALLCAP PORTFOLIO
NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (Cont'd)

June 30, 2001

(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.

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, 2001, the Portfolio paid Fred Alger & Company, Incorporated ("Alger Inc.") \$299,735 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, 2001, were \$208,249,742 and \$149,506,610, 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, 2001, 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, 2001, transactions of shares of beneficial interest for the Portfolio were as follows:

	<u>Shares</u>	<u>Amount</u>
Shares sold	3,648,110	\$ 129,046,264
Dividends reinvested	442,363	15,500,392
	<u>4,090,473</u>	<u>144,546,656</u>
Shares redeemed	(2,608,963)	(90,257,460)
Net increase	<u>1,481,510</u>	<u>\$ 54,289,196</u>

During the year ended December 31, 2000, transactions of shares of beneficial interest for the Portfolio were as follows:

	<u>Shares</u>	<u>Amount</u>
Shares sold	7,753,872	\$ 415,038,364
Dividends reinvested	1,085,858	47,473,710
	<u>8,839,730</u>	<u>462,512,074</u>
Shares redeemed	(2,812,002)	(144,933,834)
Net increase	<u>6,027,728</u>	<u>\$ 317,578,240</u>

CREDIT SUISSE WARBURG PINCUS FUNDS

CREDIT
SUISSE | ASSET
MANAGEMENT

SEMIANNUAL REPORT

June 30, 2001

(Unaudited)

CREDIT SUISSE WARBURG PINCUS TRUST — GLOBAL POST-VENTURE CAPITAL PORTFOLIO

Credit Suisse 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 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. Because of the nature of the Portfolio’s holdings and certain aggressive strategies it may use, an investment in the Portfolio entails greater risk and may not be appropriate for all investors. You may obtain additional copies by calling 800-222-8977 or by writing to Credit Suisse Warburg Pincus Trust, P.O. Box 9030, Boston, MA 02205-9030.

Credit Suisse Asset Management Securities, Inc., Distributor, is located at 466 Lexington Ave., New York, NY 10017-3147. The Trust is advised by Credit Suisse Asset Management, LLC.

The Portfolio's 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 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.

Because of the nature of the Portfolio's holdings and certain aggressive strategies it may use, an investment in the Portfolio entails greater risk and may not be appropriate for all investors.

The views of the Portfolio's management are as of the date of the letter and the portfolio holdings described in this document are as of June 30, 2001; 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.

Credit Suisse Warburg Pincus Trust – Emerging Markets Portfolio
Semiannual Investment Adviser’s Report
June 30, 2001

August 2, 2001

Dear Shareholder:

For the six months ended June 30, 2001, Credit Suisse Warburg Pincus Trust – Emerging Markets Portfolio* (the “Portfolio”) had a loss of 0.75%, vs. a loss of 1.78% for the Morgan Stanley Capital International Emerging Markets Free Index.** The Portfolio’s one-year return through June 30, 2001 was -25.90%. Its since-inception (on December 31, 1997) average annual return through June 30, 2001 was 0.54%.

The period was a difficult one for emerging markets, hampered by global economic worries that weighed on stocks broadly. Certain country-specific developments, such as financial turmoil in Argentina and Turkey, also weighed on the group. However, emerging stock markets outperformed their developed-world counterparts, having entered the period with more pessimism priced into their shares. These markets therefore tended to benefit more during mini rallies spurred by optimism over interest rates.

The Portfolio had a slight loss for the period, hampered by the lackluster environment for the stocks it targets and by weakness in certain areas, e.g., Brazil, which was tarnished by Argentina’s woes. The Portfolio modestly outperformed its benchmark, however. Stocks that aided the Portfolio included specific Asian technology stocks that rebounded in the period.

In terms of regional focus, we remained biased in favor of Asian/Pacific markets, a position we raised in the period. We added stocks from China, Hong Kong, South Korea and Taiwan that had fallen to valuation levels we deemed attractive. Our increased weighting was also based on the potential for positive domestic catalysts in specific countries, most notably Taiwan. Elsewhere in the region, we narrowed our underweightings in India and Malaysia, moves likewise based on a combination of stock-specific and macroeconomic factors. We continued to mostly avoid South Asia’s smaller markets.

Within Latin America, we began the period with an overweighting in Brazil but ended it with an underweighting. Despite less risk of Argentine “contagion”—Argentina restructured its debt burden in the period—the policy mix and political framework looked increasingly negative in our eyes. We were also underweighted in Mexico at the end of the six months, reflecting concerns that it could be vulnerable to disappointments in fiscal reform. We maintained little exposure to smaller Latin American markets, which have continued to show poor liquidity.

**Credit Suisse Warburg Pincus Trust – Emerging Markets Portfolio
Semiannual Investment Adviser’s Report (cont’d)**
June 30, 2001 (Unaudited)

We lowered our weighting in the Europe/Middle East/Africa group. In a move that proved timely, we materially reduced our position in Turkey ahead of the country’s February 22 currency devaluation. Elsewhere, while we saw few positive catalysts in South Africa, we had a roughly market-neutral weighting there, as we viewed a number of these stocks as attractive based on company-specific factors. Russia remained one of the better regional prospects in our judgment, due to such factors as good oil revenues and positive reform developments. We accordingly were overweighted in the market as of June 30.

Looking ahead, we believe that the backdrop for emerging stock markets could become more hospitable over the intermediate-to-longer term. Although growth continues to decelerate across the developed and emerging worlds, certain indicators (e.g., bond yields and gold prices) appear to be pricing in eventual recovery. Liquidity conditions have remained favorable, and if the trend continues, investors’ appetite for the asset class could steadily improve. That said, we remain concerned that markets in the near-term could be vulnerable to poor corporate earnings announcements, another pull-back in the NASDAQ, or evidence of further global downturn. In addition, concerns over Argentina’s financial and policy struggles could weigh on emerging stock markets broadly over the next few months. Taking the long view, our focus will remain on markets and companies that we deem to have the brightest prospects.

Richard Watt Neil Gregson Emily Alejos
Portfolio Manager Associate Portfolio Manager Associate 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.

* Name changed from Warburg Pincus Trust – Emerging Markets Portfolio effective May 1, 2001.

** 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.

Credit Suisse Warburg Pincus Trust – Emerging Markets Portfolio
Schedule of Investments
June 30, 2001 (Unaudited)

	<u>Number of Shares</u>	<u>Value</u>
COMMON STOCKS (85.8%)		
Australia (0.0%)		
<i>Oil & Gas (0.0%)</i>		
Novus Petroleum, Ltd. ¹	144	\$ 136
TOTAL AUSTRALIA		<u>136</u>
Brazil (5.4%)		
<i>Banks (0.3%)</i>		
Uniao de Bancos Brasileiros SA GDR	5,500	<u>139,975</u>
<i>Beverages (1.0%)</i>		
Companhia de Bebidas das Americas ADR	17,400	<u>402,810</u>
<i>Diversified Telecommunications Services (0.2%)</i>		
Brasil Telecom Participacoes SA ADR	2,200	<u>92,422</u>
<i>Electric Utilities (1.2%)</i>		
Companhia Paranaense de Energia-Copel ADR	27,900	209,529
Empresa Brasileira de Aeronautica SA ADR	6,900	<u>269,445</u>
		<u>478,974</u>
<i>Metals & Mining (1.1%)</i>		
Companhia Vale do Rio Doce ADR	19,400	<u>450,080</u>
<i>Oil & Gas (0.9%)</i>		
Petroleo Brasileiro SA ADR ¹	14,800	<u>384,800</u>
<i>Paper & Forest Products (0.4%)</i>		
Aracruz Celulose ADR	7,800	<u>145,860</u>
<i>Wireless Telecommunications Services (0.3%)</i>		
Telesp Celular Participacoes SA ADR	7,300	<u>110,595</u>
TOTAL BRAZIL		<u>2,205,516</u>
Chile (2.2%)		
<i>Beverages (0.4%)</i>		
Compania Cervecerias Uni ADR	7,700	<u>169,400</u>
<i>Diversified Telecommunications Services (0.5%)</i>		
Companhia de Telecomunicaciones de Chile SA ADR ¹	13,600	<u>191,488</u>
<i>Electric Utilities (0.9%)</i>		
Empresa Nacional de Electricidad SA ADR ¹	13,500	151,875
Enersis SA ADR	13,300	<u>199,234</u>
		<u>351,109</u>
<i>Food & Drug Retailing (0.4%)</i>		
Distribucion y Servicio SA ADR	9,800	<u>145,040</u>
TOTAL CHILE		<u>857,037</u>

See Accompanying Notes to Financial Statements.

Credit Suisse Warburg Pincus Trust – Emerging Markets Portfolio
Schedule of Investments (cont'd)
June 30, 2001 (Unaudited)

	<u>Number of Shares</u>	<u>Value</u>
COMMON STOCKS (cont'd)		
China (7.0%)		
<i>Electric Utilities (3.8%)</i>		
Beijing Datang Power Generation Co., Ltd.	1,337,301	\$ 458,647
Huaneng Power International, Inc.	1,050,906	643,374
Huaneng Power International, Inc. ADR ¹	9,900	238,788
Shandong International Power Development Co., Ltd.	962,000	231,878
		<u>1,572,687</u>
<i>Machinery (0.4%)</i>		
QingLing Motors Co., Ltd.	672,000	163,700
<i>Marine (1.3%)</i>		
China Shipping Development Co., Ltd.	2,854,000	548,872
<i>Oil & Gas (0.7%)</i>		
China Petroleum and Chemical Corp.	1,348,000	269,613
<i>Road & Rail (0.8%)</i>		
Guangshen Railway Co., Ltd.	1,698,530	309,234
TOTAL CHINA		<u>2,864,106</u>
Hong Kong (12.2%)		
<i>Auto Components (0.4%)</i>		
Brilliance China Automotive Holdings, Ltd.	626,000	152,494
<i>Automobiles (1.9%)</i>		
Denway Motors, Ltd. ¹	2,205,200	791,648
<i>Computers & Peripherals (0.5%)</i>		
Legend Holdings, Ltd.	392,000	219,882
<i>Diversified Financials (0.6%)</i>		
Beijing Enterprises Holdings, Ltd.	206,000	265,436
<i>Industrial Conglomerates (0.4%)</i>		
Citic Pacific, Ltd.	54,000	167,200
<i>Oil & Gas (0.7%)</i>		
CNOOC, Ltd. ¹	293,000	277,987
<i>Real Estate (2.0%)</i>		
China Overseas Land & Investment, Ltd.	866,094	155,460
China Resources Beijing Land, Ltd.	1,858,000	524,076
Shum Yip Investment, Ltd.	450,000	142,795
		<u>822,331</u>
<i>Textiles & Apparel (0.0%)</i>		
Digital China Holdings, Ltd.	33,600	17,555
<i>Wireless Telecommunications Services (5.7%)</i>		
China Mobile, Ltd. ¹	292,500	1,545,073
China Unicom, Ltd. ¹	474,000	826,501
		<u>2,371,574</u>
TOTAL HONG KONG		<u>5,086,107</u>

See Accompanying Notes to Financial Statements.

Credit Suisse Warburg Pincus Trust – Emerging Markets Portfolio
Schedule of Investments (cont'd)
June 30, 2001 (Unaudited)

	<u>Number of Shares</u>	<u>Value</u>
COMMON STOCKS (cont'd)		
India (4.0%)		
<i>Banks (0.4%)</i>		
State Bank of India, Ltd. GDR ¹	15,600	\$ 173,160
<i>Chemicals (0.8%)</i>		
Reliance Industries, Ltd. GDR	19,800	309,870
<i>Diversified Telecommunications Services (0.3%)</i>		
Videsh Sanchar Nigam, Ltd. ADR	8,900	119,260
<i>Food & Drug Retailing (0.3%)</i>		
Dr. Reddy's Laboratories, Ltd. ADR ¹	7,600	140,980
<i>Industrial Conglomerates (0.6%)</i>		
Larsen & Toubro, Ltd. GDR	25,900	265,475
<i>IT Consulting & Services (0.3%)</i>		
Infosys Technologies, Ltd. ADR ¹	2,000	130,000
<i>Metals & Mining (0.7%)</i>		
Hindalco Industries, Ltd. GDR	13,900	274,525
<i>Tobacco (0.6%)</i>		
ITC, Ltd. GDR	12,900	238,650
TOTAL INDIA		<u>1,651,920</u>
Israel (1.8%)		
<i>Banks (0.9%)</i>		
Bank Hapoalim, Ltd.	74,908	183,594
Bank Leumi of Israel, Ltd.	91,615	184,335
		<u>367,929</u>
<i>IT Consulting & Services (0.4%)</i>		
Check Point Software Technologies, Ltd. ¹	3,600	182,052
<i>Pharmaceuticals (0.5%)</i>		
Teva Pharmaceutical Industries, Ltd. ADR	3,400	211,820
TOTAL ISRAEL		<u>761,801</u>
Malaysia (3.0%)		
<i>Banks (1.0%)</i>		
Malayan Banking Berhad	98,200	266,185
Public Bank Berhad	214,612	147,411
		<u>413,596</u>
<i>Diversified Telecommunications Services (0.6%)</i>		
Telekom Malaysia Berhad	100,000	231,589
<i>Electric Utilities (0.2%)</i>		
Tenaga Nasional Berhad	43,533	100,245
<i>Hotels, Restaurants & Leisure (0.3%)</i>		
Genting Berhad	44,822	103,213

See Accompanying Notes to Financial Statements.

Credit Suisse Warburg Pincus Trust – Emerging Markets Portfolio
Schedule of Investments (cont'd)
June 30, 2001 (Unaudited)

	<u>Number of Shares</u>	<u>Value</u>
COMMON STOCKS (cont'd)		
Malaysia (cont'd)		
<i>Industrial Conglomerates (0.5%)</i>		
Sime Darby Berhad	193,176	\$ 201,318
<i>Tobacco (0.4%)</i>		
British American Tobacco Berhad	18,823	172,139
TOTAL MALAYSIA		<u>1,222,100</u>
Mexico (10.2%)		
<i>Banks (1.7%)</i>		
Grupo Financiero Banamex Accival SA de CV Class O	191,270	492,532
Grupo Financiero BBVA Bancomer SA de CV Class O	201,400	198,803
		<u>691,335</u>
<i>Construction Materials (1.0%)</i>		
Cemex SA de CV ADR	14,951	396,201
<i>Diversified Telecommunications Services (4.2%)</i>		
America Movil SA de CV ADR	37,558	783,460
Telefonos de Mexico SA de CV ADR	27,158	952,974
		<u>1,736,434</u>
<i>Food & Beverages (1.0%)</i>		
Fomento Economico Mexicano SA de CV ADR ¹	4,600	196,926
Grupo Modelo SA de CV Series C	84,135	226,559
		<u>423,485</u>
<i>Media (0.7%)</i>		
Grupo Televisa SA de CV GDR ¹	7,700	308,077
<i>Multiline Retail (1.1%)</i>		
Wal-Mart de Mexico SA de CV ADR ¹	17,100	462,916
<i>Paper & Forest Products (0.5%)</i>		
Kimberly-Clark de Mexico SA de CV ADR	13,215	196,759
TOTAL MEXICO		<u>4,215,207</u>
Russia (4.8%)		
<i>Electric Utilities (1.2%)</i>		
Unified Energy Systems ADR	42,300	482,220
<i>Oil & Gas (3.6%)</i>		
Lukoil Holding ADR	17,500	839,391
Surgutneftegaz ADR	50,800	649,732
		<u>1,489,123</u>
TOTAL RUSSIA		<u>1,971,343</u>

See Accompanying Notes to Financial Statements.

Credit Warburg Pincus Trust – Emerging Markets Portfolio
Schedule of Investments (cont'd)
June 30, 2001 (Unaudited)

	Number of Shares	Value
COMMON STOCKS (cont'd)		
South Africa (10.0%)		
<i>Banks (1.7%)</i>		
Standard Bank Investment Corp., Ltd. ¹	156,689	\$ 682,259
<i>Diversified Financials (1.1%)</i>		
Bidvest Group, Ltd.	48,100	298,942
Johnnic Holdings, Ltd.	21,224	157,183
		<u>456,125</u>
<i>Food & Beverages (0.7%)</i>		
South African Breweries PLC	39,883	301,801
<i>Industrial Conglomerates (0.7%)</i>		
Imperial Holdings, Ltd. ¹	33,095	277,121
<i>Insurance (2.5%)</i>		
Liberty Group, Ltd.	72,128	519,857
Sanlam, Ltd. ¹	371,405	506,809
		<u>1,026,666</u>
<i>IT Consulting & Services (0.9%)</i>		
Dimension Data Holdings, Ltd. ¹	36,031	137,891
Firststrand, Ltd.	215,271	229,928
		<u>367,819</u>
<i>Metals & Mining (1.9%)</i>		
Anglo American Platinum Corp., Ltd.	10,900	485,428
Anglogold, Ltd. ¹	7,663	282,331
		<u>767,759</u>
<i>Paper & Forest Products (0.5%)</i>		
Sappi, Ltd. ¹	24,783	217,973
		<u>217,973</u>
TOTAL SOUTH AFRICA		<u>4,097,523</u>
South Korea (10.8%)		
<i>Automobiles (0.6%)</i>		
Hyundai Motor Co., Ltd. ¹	11,692	254,437
<i>Banks (1.3%)</i>		
H&CB	9,417	210,722
Kookmin Bank	16,137	216,533
Shinhan Bank	12,350	126,781
		<u>554,036</u>
<i>Diversified Financials (0.7%)</i>		
Samsung Securities Co., Ltd. ¹	9,511	270,603
<i>Diversified Telecommunications Services (0.5%)</i>		
Korea Telecom Corp. ¹	2,095	83,771
Korea Telecom Corp. ADR	5,725	125,835
		<u>209,606</u>

See Accompanying Notes to Financial Statements.

Credit Suisse Warburg Pincus Trust – Emerging Markets Portfolio
Schedule of Investments (cont'd)
June 30, 2001 (Unaudited)

	<u>Number of Shares</u>	<u>Value</u>
COMMON STOCKS (cont'd)		
South Korea (cont'd)		
<i>Electric Utilities (1.3%)</i>		
Korea Electric Power Corp.	29,261	\$ 544,515
<i>Electronic Equipment & Instruments (0.9%)</i>		
Samsung Electro-Mechanics Co. ¹	7,246	260,208
Samsung SDI Co., Ltd.	2,451	118,172
		<u>378,380</u>
<i>Metals & Mining (0.7%)</i>		
Pohang Iron & Steel Co., Ltd.	3,777	302,054
<i>Multiline Retail (0.7%)</i>		
Shinsegae Department Store Co.	3,860	279,010
<i>Semiconductor Equipment & Products (2.9%)</i>		
Samsung Electronics Co.	8,201	1,210,802
<i>Wireless Telecommunications Services (1.2%)</i>		
SK Telecom Co., Ltd.	2,132	313,950
SK Telecom Co., Ltd. ADR	11,700	197,730
		<u>511,680</u>
TOTAL SOUTH KOREA		<u>4,515,123</u>
Taiwan (13.5%)		
<i>Banks (1.3%)</i>		
Bank Sinopac ¹	560,600	258,898
Chinatrust Commercial Bank ¹	408,000	285,598
		<u>544,496</u>
<i>Chemicals (0.5%)</i>		
Formosa Plastics Corp.	165,000	188,345
<i>Computers & Peripherals (2.1%)</i>		
Asustek Computer, Inc.	106,250	449,024
Quanta Computer, Inc.	128,000	434,984
		<u>884,008</u>
<i>Diversified Financials (0.6%)</i>		
China Development Industrial ¹	310,000	255,716
<i>Electronic Equipment & Instruments (1.3%)</i>		
Delta Electronics, Inc.	38,000	93,817
Hon Hai Precision Industry Co., Ltd. ¹	80,600	423,732
		<u>517,549</u>
<i>Insurance (0.6%)</i>		
Cathay Life Insurance Co., Ltd.	202,000	243,488
<i>Metals & Mining (0.3%)</i>		
China Steel Corp.	280,000	139,883

See Accompanying Notes to Financial Statements.

Credit Suisse Warburg Pincus Trust – Emerging Markets Portfolio
Schedule of Investments (cont'd)
June 30, 2001 (Unaudited)

	<u>Number of Shares</u>	<u>Value</u>
COMMON STOCKS (cont'd)		
Taiwan (cont'd)		
<i>Semiconductor Equipment & Products (6.8%)</i>		
Advanced Semiconductor Engineering, Inc. ¹	407,000	\$ 250,616
Taiwan Semiconductor Manufacturing Co. ¹	563,208	1,046,952
United Microelectronics Corp. ¹	728,080	966,436
Via Technologies, Inc. ¹	27,000	186,646
Winbond Electronics Corp.	433,600	363,969
		<u>2,814,619</u>
TOTAL TAIWAN		<u>5,588,104</u>
Thailand (0.2%)		
<i>Wireless Telecommunications Services (0.2%)</i>		
Advanced Info Service Public Co., Ltd.	8,200	87,291
TOTAL THAILAND		<u>87,291</u>
United Kingdom (0.7%)		
<i>Metals & Mining (0.7%)</i>		
Anglo American PLC ADR	18,554	277,747
TOTAL UNITED KINGDOM		<u>277,747</u>
TOTAL COMMON STOCKS (Cost \$36,056,893)		<u>35,401,061</u>
PREFERRED STOCKS (2.0%)		
Brazil (2.0%)		
<i>Banks (0.9%)</i>		
Banco Itau SA	4,157,738	360,065
<i>Diversified Telecommunications Services (0.5%)</i>		
Tele Norte Leste Participacoes SA ADR	15,200	231,952
<i>Oil & Gas (0.6%)</i>		
Petroleo Brasileiro SA ADR	147	3,418
Petroleo Brasileiro SA ADR ¹	10,500	245,595
		<u>249,013</u>
TOTAL BRAZIL		<u>841,030</u>
Taiwan (0.0%)		
<i>Banks (0.0%)</i>		
Taishin International Bank ¹	750	222
TOTAL TAIWAN		<u>222</u>
TOTAL PREFERRED STOCKS (Cost \$792,665)		<u>841,252</u>

See Accompanying Notes to Financial Statements.

Credit Suisse Warburg Pincus Trust – Emerging Markets Portfolio
Schedule of Investments (cont'd)
 June 30, 2001 (Unaudited)

	<u>Number of Shares</u>	<u>Value</u>
RIGHTS (0.0%)		
Thailand (0.0%)		
<i>Diversified Telecommunications Services (0.0%)</i>		
Telecomasia Corp. Public Co., Ltd. (Cost \$0) ¹	50,021	\$ 0
	<u>Par (000)</u>	
SHORT-TERM INVESTMENT (10.9%)		
State Street Bank and Trust Co. Euro Time Deposit 3.875%, 7/2/01 (Cost \$4,472,000)	\$4,472	<u>4,472,000</u>
TOTAL INVESTMENTS AT VALUE (98.7%) (Cost \$41,321,558²)		40,714,313
OTHER ASSETS IN EXCESS OF LIABILITIES (1.3%)		<u>537,367</u>
NET ASSETS (100.0%)		<u><u>\$41,251,680</u></u>

INVESTMENT ABBREVIATIONS

ADR = American Depository Receipt

GDR = Global Depository Receipt

¹ Non-income producing security.

² Cost for federal income tax purposes is \$41,565,159.

See Accompanying Notes to Financial Statements.

Credit Suisse Warburg Pincus Trust – Emerging Markets Portfolio
Statement of Assets and Liabilities
June 30, 2001 (Unaudited)

Assets	
Investments at value (Cost – \$41,321,558)	\$40,714,313
Cash	834
Foreign currency (Cost – \$688,222)	692,859
Dividends, interest and reclaims receivable	136,064
Receivable for investments sold	21,287
Prepaid expenses and other assets	5,441
Total Assets	<u>41,570,798</u>
Liabilities	
Advisory fee payable	30,660
Administrative services fee payable	3,171
Payable for investments purchased	260,245
Payable for foreign taxes withheld	12,456
Accrued expenses payable	12,586
Total Liabilities	<u>319,118</u>
Net Assets	
Capital stock, \$0.001 par value	4,453
Paid-in capital	51,712,881
Accumulated undistributed net investment income	207,746
Accumulated net realized loss from investments and foreign currency transactions	(10,070,783)
Net unrealized depreciation from investments and foreign currency translations	(602,617)
Net Assets	<u>\$41,251,680</u>
Net Asset Value	
Net assets	\$41,251,680
Shares outstanding	<u>4,452,793</u>
Net asset value, offering price and redemption price per share	<u>\$9.26</u>

See Accompanying Notes to Financial Statements.

Credit Suisse Warburg Pincus Trust – Emerging Markets Portfolio
Statement of Operations
For the Six Months Ended June 30, 2001 (Unaudited)

Investment Income	
Dividends	\$ 489,415
Interest	72,487
Foreign taxes withheld	<u>(54,759)</u>
Total investment income	<u>507,143</u>
Expenses	
Investment advisory fees	226,678
Administrative services fees	38,338
Custodian fees	23,692
Audit fees	5,481
Printing fees	4,098
Insurance expense	1,873
Trustees fees	1,602
Legal fees	1,466
Transfer agent fees	780
Interest expense	326
Miscellaneous fees	<u>2,245</u>
	306,579
Less: fees waived and transfer agent offsets	<u>(52,699)</u>
Total expenses	<u>253,880</u>
Net investment income	<u>253,263</u>
Net Realized and Unrealized Gain (Loss) from Investments and Foreign Currency Related Items	
Net realized loss from investments	(3,712,006)
Net realized loss from foreign currency transactions	(82,654)
Net change in unrealized appreciation (depreciation) from investments	3,407,958
Net change in unrealized appreciation (depreciation) from foreign currency translations	<u>4,323</u>
Net realized and unrealized loss from investments and foreign currency related items	<u>(382,379)</u>
Net decrease in net assets resulting from operations	<u><u>\$ (129,116)</u></u>

See Accompanying Notes to Financial Statements.

Credit Suisse Warburg Pincus Trust – Emerging Markets Portfolio
Statement of Changes in Net Assets

	For the Six Months Ended June 30, 2001 (Unaudited)	For the Year Ended December 31, 2000
<i>From Operations</i>		
Net investment income	\$ 253,263	\$ 770,349
Net loss from investments and foreign currency transactions	(3,794,660)	(6,445,252)
Net change in unrealized appreciation (depreciation) from investments and foreign currency translations	<u>3,412,281</u>	<u>(7,607,248)</u>
Net decrease in net assets resulting from operations	<u>(129,116)</u>	<u>(13,282,151)</u>
<i>From Dividends and Distributions</i>		
Dividends from net investment income	0	(674,002)
Distributions from net realized gains	0	(529,318)
Return of capital	<u>0</u>	<u>(99,364)</u>
Net decrease in net assets from dividends and distributions	<u>0</u>	<u>(1,302,684)</u>
<i>From Capital Share Transactions</i>		
Proceeds from sale of shares	53,637,536	68,349,353
Reinvestment of dividends and distributions	0	1,289,532
Net asset value of shares redeemed	<u>(44,860,671)</u>	<u>(39,230,888)</u>
Net increase in net assets from capital share transactions:	<u>8,776,865</u>	<u>30,407,997</u>
Net increase in net assets	<u>8,647,749</u>	<u>15,823,162</u>
<i>Net Assets</i>		
Beginning of period	<u>32,603,931</u>	<u>16,780,769</u>
End of period	<u>\$41,251,680</u>	<u>\$32,603,931</u>
<i>Undistributed Net Investment Income (Loss)</i>	<u>\$ 207,746</u>	<u>\$ (45,517)</u>

See Accompanying Notes to Financial Statements.

**Credit Suisse 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, 2001 (Unaudited)	For the Year Ended December 31,		
		2000	1999	1998
Per-share data				
Net asset value, beginning of period	\$9.33	\$14.18	\$8.19	\$10.00
Investment Activities				
Net investment income	0.02	0.23	0.05 ¹	0.10
Net gain (loss) on investments and foreign currency related items (both realized and unrealized)	(0.09)	(4.70)	6.56	(1.83)
Total from investment activities	(0.07)	(4.47)	6.61	(1.73)
Less Dividends and Distributions				
Dividends from net investment income	0.00	(0.20)	(0.04)	(0.08)
Distributions from net realized gains	0.00	(0.15)	(0.58)	0.00
Return of capital	0.00	(0.03)	0.00	0.00
Total dividends and distributions	0.00	(.38)	(0.62)	(0.08)
Net asset value, end of period	\$9.26	\$ 9.33	\$14.18	\$ 8.19
Total return	(0.75)% ²	(31.55)%	81.40%	(17.30)%
Ratios and Supplemental Data				
Net assets, end of period (000s omitted)	\$41,252	\$32,604	\$16,781	\$2,696
Ratio of expenses to average net assets ³	1.40% ⁴	1.42%	1.42%	1.40%
Ratio of net investment income to average net assets	1.40% ⁴	2.45%	(0.19)%	2.09%
Decrease reflected in above operating expense ratio due to waivers/reimbursements	0.29% ⁴	0.27%	1.73%	6.81%
Portfolio turnover rate	76.48%	208.16%	145.38%	21.29%

¹ Per share information is calculated using the average shares outstanding method.

² Non-annualized.

³ 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 .00%, .02%, .02% and .00% for the six months ended June 30, 2001 and for each of years ended December 31, 2000, 1999, and 1998, respectively. The Portfolio's operating expense ratio after reflecting these arrangements was 1.40% for the six months ended June 30, 2001 and for each of the years ended December 31, 2000, 1999, and 1998 respectively.

⁴ Annualized

See Accompanying Notes to Financial Statements.

Credit Suisse Warburg Pincus Trust – Emerging Markets Portfolio
Notes to Financial Statements
June 30, 2001 (Unaudited)

Note 1. Summary of Significant Accounting Policies

Credit Suisse Warburg Pincus Trust, formerly Warburg Pincus Trust (the “Trust”), a Massachusetts business trust, is an open-end management investment company registered under the Investment Company Act of 1940, as amended, and currently offers seven managed investment funds of which one, the Emerging Markets Portfolio (the “Portfolio”), is included in this report. The Portfolio is a non-diversified investment fund that seeks long-term growth of capital. Shares of the 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. The Portfolio may not be available in connection with a particular contract or plan.

A) SECURITY VALUATION — The net asset value of the Portfolio is determined daily as of the close of regular trading on the New York Stock Exchange. The 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.

B) FOREIGN CURRENCY TRANSACTIONS — The books and records of the Portfolio 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 Portfolio does not isolate that portion of realized gains and losses on investments in equity securities which is due to changes in the foreign exchange rate from that which are due to changes in market prices of equity securities. The Portfolio isolates that portion of realized 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.

Credit Suisse Warburg Pincus Trust – Emerging Markets Portfolio
Notes to Financial Statements (cont'd)
June 30, 2001 (Unaudited)

Note 1. Summary of Significant Accounting Policies — (cont'd)

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 declining value.

C) SECURITY TRANSACTIONS AND INVESTMENT INCOME — 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.

D) DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS — 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 carry-over, 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.

E) FEDERAL INCOME TAXES — No provision is made for federal taxes as it is the Trust's intention to have the Portfolio continue to qualify for and elect the tax treatment applicable to regulated investment companies under the Internal Revenue Code of 1986, as amended, and make the requisite distributions to its shareholders which will be sufficient to relieve it from federal income and excise taxes.

F) USE OF ESTIMATES — 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 statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Credit Suisse Warburg Pincus Trust – Emerging Markets Portfolio
Notes to Financial Statements (cont'd)
June 30, 2001 (Unaudited)

Note 1. Summary of Significant Accounting Policies — (cont'd)

G) REPURCHASE AGREEMENTS — Pursuant to an exemptive order issued by the Securities and Exchange Commission, the Portfolio, along with other Funds advised by Credit Suisse Asset Management, LLC (“CSAM”), the Portfolio’s investment adviser, may 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 Portfolio’s 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.

H) FORWARD CURRENCY CONTRACTS — The Portfolio 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. The 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, 2001, the Portfolio had no open forward foreign currency contracts.

I) OTHER — The Portfolio 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 of assets, nationalization or the imposition of capital or currency controls or punitive taxes). Other risks of investing in foreign securities include liquidity, market, operational and valuation risks.

The Portfolio may be subject to taxes imposed by countries in which it invests, with respect to its 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 Portfolio accrues such taxes when the related income or capital gains are earned.

Credit Suisse Warburg Pincus Trust – Emerging Markets Portfolio
Notes to Financial Statements (cont'd)
 June 30, 2001 (Unaudited)

Note 2. Transactions with Affiliates and Related Parties

CSAM, which is an indirect wholly-owned U.S. subsidiary of Credit Suisse Group, serves as investment adviser for the Portfolio and Credit Suisse Asset Management Limited (“CSAM Ltd.”) serves as sub-investment adviser to the Portfolio. For its investment advisory services, CSAM receives a fee from the Portfolio at an annual rate of 1.25% of the Portfolio’s average daily net assets, out of which CSAM pays CSAM Ltd. for sub-investment advisory services. For the six months ended June 30, 2001, investment advisory fees earned and voluntary waivers were \$226,678 and 51,808, respectively.

Credit Suisse Asset Management Securities, Inc. (“CSAMSI”), an affiliate of CSAM, and PFPC Inc. (“PFPC”), an indirect, wholly-owned subsidiary of PNC Financial Services Group, Inc., serve as co-administrators to the Portfolio. For its administrative services, CSAMSI currently receives a fee calculated at an annual rate of .10% of the Portfolio’s average daily net assets, out of which CSAM pays CSAM Ltd. for sub-investment advisory services. For the six months ended June 30, 2001, administrative services fees earned by CSAMSI were \$18,134.

For its administrative services through February 4, 2001, PFPC received 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	.11% of average daily net assets
Next \$1 billion	.09% of average daily net assets
Over \$1.5 billion	.07% of average daily net assets

Effective February 5, 2001, for its administrative services, PFPC 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	.08% of average daily net assets
Next \$1 billion	.07% of average daily net assets
Over \$1.5 billion	.06% of average daily net assets

For the six months ended June 30, 2001, administrative service fees earned by PFPC (including out-of-pocket expenses) were \$20,204.

In addition to serving as the Portfolio’s co-administrator, CSAMSI currently serves as distributor of the Portfolio’s shares without compensation.

The Portfolio has an arrangement with its transfer agent whereby interest earned on uninvested cash balances is used to offset a portion of its transfer agent expense. For the six months ended June 30, 2001, the Portfolio received credits or reimbursements of \$891 under this arrangement.

Merrill Corporation (“Merrill”), an affiliate of CSAM, has been engaged by the Portfolio to provide certain financial printing services. For the six months ended June 30, 2001, Merrill was paid \$1,289 for its services by the Portfolio.

Credit Suisse Warburg Pincus Trust – Emerging Markets Portfolio
Notes to Financial Statements (cont'd)
June 30, 2001 (Unaudited)

Note 3. Line of Credit

Through June 19, 2001, the Portfolio, together with other funds advised by CSAM (collectively, the "Participating Funds"), participated in a \$350 million committed, unsecured, line of credit facility (the "Prior Credit Facility") with Deutsche Bank, A.G. 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 Participating Funds' share redemptions. Under the terms of the Prior Credit Facility, the Participating Funds paid an aggregate commitment fee at a rate of .075% per annum on the entire amount of the Prior Credit Facility, which was allocated among the Participating Funds in such manner as was determined by the governing Boards of the Participating Funds. In addition, the Participating Funds paid interest on borrowings at the Federal funds rate plus .50%. During the period January 1, 2001 through June 19, 2001, the Portfolio had no borrowings under the Prior Credit Facility.

Effective June 20, 2001, the Participating Funds, together with additional funds advised by CSAM (collectively with the Participating Funds, the "New Participating Funds"), established a new \$200 million committed, unsecured, line of credit facility (the "New Credit Facility") with Deutsche Bank, A.G. as administrative agent, State Street Bank and Trust Company as operations agent, BNP Paribas as syndication agent and certain other lenders, for the same purposes as the Prior Credit Facility. Under the terms of the New Credit Facility, the New Participating Funds pay an aggregate commitment fee at a rate of .10% per annum on the average unused amount of the New Prior Credit Facility, which is allocated among the New Participating Funds in such manner as was determined by the governing Boards of the New Participating Funds. The interest rate paid under the New Credit Facility is unchanged from the rate paid under the Prior Credit Facility. During the period June 20, 2001 through June 30, 2001, the Portfolio had no borrowings under the New Credit Facility.

Note 4. Purchases and Sales of Securities

For the six months ended June 30, 2001, purchases and sales of investment securities (excluding short-term investments) were \$31,981,150 and \$25,453,986, respectively.

Credit Suisse Warburg Pincus Trust – Emerging Markets Portfolio
Notes to Financial Statements (cont'd)
June 30, 2001 (Unaudited)

Note 4. Purchases and Sales of Securities — (cont'd)

At June 30, 2001, 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) was \$2,805,436 and \$(3,656,282), respectively.

Note 5. Capital Share Transactions

The Portfolio is authorized to issue an unlimited number of full and fractional shares of beneficial interest, par value of \$.001 per share. Transactions in shares of the Portfolio were as follows:

	For the Six Months Ended June 30, 2001 (Unaudited)	For the Year Ended December 31, 2000
Shares sold	5,627,168	5,434,774
Shares issued in reinvestment of dividends and distributions	0	138,213
Shares redeemed	<u>(4,667,295)</u>	<u>(3,263,410)</u>
Net increase	<u>959,873</u>	<u>2,309,577</u>



CREDIT SUISSE WARBURG PINCUS FUNDS



P.O. Box 9030, BOSTON, MA 02205-9030
800-222-8977

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CREDIT SUISSE WARBURG PINCUS FUNDS

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SEMIANNUAL REPORT


*June 30, 2001
(Unaudited)*

CREDIT SUISSE WARBURG PINCUS TRUST —
EMERGING MARKETS PORTFOLIO

Credit Suisse 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, 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 Credit Suisse Warburg Pincus Trust, P.O. Box 9030, Boston, MA 02205-9030.

Credit Suisse Asset Management Securities, Inc., Distributor, is located at 466 Lexington Ave., New York, NY 10017-3147. The Trust is advised by Credit Suisse Asset Management, LLC.



The Portfolio's 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 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. These risks are generally heightened for emerging-market investments.

The views of the Portfolio's management are as of the date of the letter and the portfolio holdings described in this document are as of June 30, 2001; 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.

**Credit Suisse Warburg Pincus Trust – Global Post-Venture Capital Portfolio
Semiannual Investment Adviser’s Report
June 30, 2001**

August 2, 2001

Dear Shareholder:

For the six months ended June 30, 2001, Credit Suisse Warburg Pincus Trust – Global Post-Venture Capital Portfolio* (the “Portfolio”) had a loss of 19.60%, vs. gains of 0.04% and 2.13%, respectively, for the Russell 2000 Growth Index** and the Nasdaq Industrials Index,*** and a loss of 2.88% for the Russell 2500 Growth Index.**** The Portfolio’s one-year return through June 30, 2001 was –37.92%. Its since-inception (on September 30, 1996) average annual total return through June 30, 2001 was 4.90%.

Global stock markets remained in turmoil. Despite interest rate reductions in the U.S., Japan and Europe during the period, general uncertainty over the U.S. and global economies persisted. Technology and telecommunications stocks were under the heaviest selling pressure, burdened by profit disappointments from leading technology companies, debt worries in the telecommunications area and inventory backlogs. Against this backdrop, the Portfolio had a sizable loss, hurt by the poor environment for the smaller-cap and aggressive-growth stocks it targets. The Portfolio was also hampered by its fairly limited ability to invest in areas such as financial-services and energy, sectors that had relatively good performance for the six months.

We made no major changes to the Portfolio in the period in terms of regional emphasis. The bulk of the Portfolio was invested in the U.S. (roughly 55% of the Portfolio as of June 30), in part based on our view that the U.S. should recover ahead of other major economies. That said, we continued to find stocks we deemed attractive in Europe. Our European purchases in the period included companies in Switzerland, France, Germany and Italy, where we purchased a real-estate stock and a leisure stock. Elsewhere, we raised our exposure to Japan on a stock-specific basis and we maintained an approximately 4% weighting in Israel.

In terms of sector allocation, we reduced our weighting in technology (about 20% of the Portfolio, including telecommunications equipment & services stocks, as of the end of the period), a move we deemed appropriate based on this sector’s clouded near-term prospects. That notwithstanding, technology will remain an important investment theme in the portfolio (and we added several technology stocks late in the period). Technology represents more than half of the post-venture universe, and venture capital remains targeted at the Internet, communications and software areas in particular.

Elsewhere, we maintained significant exposure to the health-care, financial-services and consumer areas. Our consumer-related holdings included a number of media stocks that we believe have good prospects going forward.

**Credit Suisse Warburg Pincus Trust – Global Post-Venture Capital Portfolio
Semiannual Investment Adviser’s Report (cont’d)**

June 30, 2001

Despite the recent volatility in global equity markets, and weakness shown by small-cap and aggressive-growth stocks, we see grounds for optimism. The Federal Reserve has lowered interest rates by 275 basis points so far in 2001, and is maintaining an easing bias. Japan has moved to improve liquidity, and the European Central Bank, joining much of the rest of the world, lowered rates in May. These moves stand to eventually reduce risk thresholds while supporting global economic growth. For our part, we will remain focused on stocks of what we deem to be well-financed, well-managed companies that in our view have good long-term appreciation potential.

Vincent J. McBride Co-Portfolio Manager	Elizabeth B. Dater Co-Portfolio Manager
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Greg Norton-Kidd Co-Portfolio Manager	Calvin E. Chung Associate Portfolio Manager
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* Name changed from Warburg Pincus Trust – Global Post-Venture Capital Portfolio effective May 1, 2001.

International investing entails special risk considerations, including currency fluctuations, lower liquidity, economic and political risks, and differences in accounting methods. Because of the nature of the Portfolio’s holdings and certain aggressive strategies it may use, an investment in the Portfolio entails greater risk and may not be appropriate for all investors. There are also special risk considerations associated with post-venture capital investments. These are detailed in the Prospectus, which should be read carefully before investing.

** 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 Nasdaq Industrials Index measures the stock price performance of more than 3,000 industrial issues included in the Nasdaq OTC Composite Index. The Nasdaq OTC Composite Index represents 4,500 stocks traded over the counter.

**** The Russell 2500 Growth Index measures the performance of those companies in the Russell 2500 Index with higher price-to-book values and higher forecasted growth rates. The Russell 2500 Index is composed of the 2,500 smallest companies in the Russell 3000 Index, which measures the performance of the 3,000 largest U.S. companies based on total market capitalization.

Credit Suisse Warburg Pincus Trust – Global Post-Venture Capital Portfolio
Schedule of Investments
June 30, 2001 (Unaudited)

	<u>Number of Shares</u>	<u>Value</u>
COMMON STOCKS (93.0%)		
Bermuda (1.1%)		
<i>Insurance (1.1%)</i>		
Ace, Ltd. ¹	36,500	\$ 1,426,785
TOTAL BERMUDA		<u>1,426,785</u>
Brazil (0.7%)		
<i>Wireless Telecommunications Services (0.7%)</i>		
Celular CRT Participacoes SA	2,200,463	909,936
TOTAL BRAZIL		<u>909,936</u>
Canada (1.7%)		
<i>Pharmaceuticals (0.9%)</i>		
Biovail Corp. ADR ¹	25,700	1,117,950
<i>Software (0.8%)</i>		
Descartes Systems Group, Inc. ¹	51,500	940,368
TOTAL CANADA		<u>2,058,318</u>
France (5.4%)		
<i>Computers & Peripherals (0.3%)</i>		
Infovista SA ¹	59,500	327,410
<i>Electrical Equipment (0.9%)</i>		
Pinguely-Haulotte	72,600	1,183,121
<i>Electronic Equipment & Instruments (1.1%)</i>		
Neopost SA ¹	52,800	1,352,138
<i>Healthcare Providers & Services (1.4%)</i>		
Generale de Sante ¹	106,704	1,738,895
<i>Hotels, Restaurants & Leisure (1.0%)</i>		
Elior	116,600	1,298,034
<i>Media (0.7%)</i>		
Ipsos SA	15,400	915,208
TOTAL FRANCE		<u>6,814,806</u>
Germany (2.5%)		
<i>Electronic Equipment & Instruments (0.8%)</i>		
Techem AG ¹	41,800	1,061,596
<i>Machinery (1.7%)</i>		
Jenoptik AG	96,800	2,122,448
TOTAL GERMANY		<u>3,184,044</u>

See Accompanying Notes to Financial Statements.

**Credit Suisse Warburg Pincus Trust – Global Post-Venture Capital Portfolio
Schedule of Investments (cont'd)
June 30, 2001 (Unaudited)**

	<u>Number of Shares</u>	<u>Value</u>
COMMON STOCKS (cont'd)		
Israel (4.2%)		
<i>Healthcare Equipment & Supplies (2.1%)</i>		
Card-Guard Scientific Survival, Ltd. ¹	48,000	\$ 2,670,598
<i>Pharmaceuticals (2.1%)</i>		
Taro Pharmaceutical Industries, Ltd. ADR ¹	30,600	2,679,336
TOTAL ISRAEL		<u>5,349,934</u>
Italy (2.5%)		
<i>Food Products (1.3%)</i>		
Parmalat Finanziaria SpA	589,160	1,571,107
<i>Leisure Equipment & Products (0.5%)</i>		
Ferretti SpA ¹	179,000	581,897
<i>Real Estate (0.7%)</i>		
Beni Stabili SpA	1,869,700	861,058
TOTAL ITALY		<u>3,014,062</u>
Japan (9.6%)		
<i>Commercial Services & Supplies (2.4%)</i>		
Omega Project Co., Ltd.	380,000	685,560
Venture Link Co., Ltd.	30,000	2,354,958
		<u>3,040,518</u>
<i>Diversified Financials (1.0%)</i>		
Sanyo Shinpan Finance Co., Ltd.	36,100	1,262,040
<i>Diversified Telecommunications Services (1.1%)</i>		
Japan Telecom Co., Ltd.	66	1,370,639
<i>Electronic Equipment & Instruments (0.6%)</i>		
Micronics Japan Co., Ltd.	72,000	790,920
<i>Household Durables (1.5%)</i>		
Sega Corp. ¹	108,900	1,929,743
<i>Leisure Equipment & Products (1.8%)</i>		
Nintendo Co., Ltd.	12,100	2,202,371
<i>Wireless Telecommunications Services (1.2%)</i>		
NTT DoCoMo, Inc.	85	1,478,965
TOTAL JAPAN		<u>12,075,196</u>
Luxembourg (0.6%)		
<i>Internet Software & Services (0.6%)</i>		
Thiel Logistik AG ¹	48,000	770,038
TOTAL LUXEMBOURG		<u>770,038</u>

See Accompanying Notes to Financial Statements.

**Credit Suisse Warburg Pincus Trust – Global Post-Venture Capital Portfolio
Schedule of Investments (cont'd)
June 30, 2001 (Unaudited)**

	<u>Number of Shares</u>	<u>Value</u>
COMMON STOCKS (cont'd)		
Netherlands (1.5%)		
<i>Oil & Gas (0.5%)</i>		
Petroplus International NV	43,526	\$ 657,732
<i>Semiconductor Equipment & Products (1.0%)</i>		
ASML Holding NV ¹	53,700	1,194,825
TOTAL NETHERLANDS		<u>1,852,557</u>
Spain (1.8%)		
<i>Diversified Financials (0.2%)</i>		
Dinamia Capital Privado Sociedad de Capital Riesgo SA	22,130	247,109
<i>Hotels, Restaurants & Leisure (0.6%)</i>		
NH Hoteles SA	66,000	780,553
<i>IT Consulting & Services (1.0%)</i>		
Indra Sistemas SA	149,000	1,311,842
TOTAL SPAIN		<u>2,339,504</u>
Sweden (1.0%)		
<i>Electrical Equipment (0.4%)</i>		
Capió AB ¹	73,000	533,164
<i>Electronic Equipment & Instruments (0.6%)</i>		
Micronic Laser System AB ¹	41,400	791,105
TOTAL SWEDEN		<u>1,324,269</u>
Switzerland (2.0%)		
<i>Computers & Peripherals (2.0%)</i>		
Logitech International SA ¹	7,700	2,467,633
TOTAL SWITZERLAND		<u>2,467,633</u>
Taiwan (0.4%)		
<i>Semiconductor Equipment & Products (0.4%)</i>		
United Microelectronics Corp. ¹	380,000	504,403
TOTAL TAIWAN		<u>504,403</u>
United Kingdom (8.3%)		
<i>Commercial Services & Supplies (0.8%)</i>		
Nestor Healthcare Group PLC	136,700	1,052,603
<i>Computers & Peripherals (0.6%)</i>		
Marlborough Stirling PLC ¹	233,600	688,286

See Accompanying Notes to Financial Statements.

Credit Suisse Warburg Pincus Trust – Global Post-Venture Capital Portfolio
Schedule of Investments (cont'd)
June 30, 2001 (Unaudited)

	<u>Number of Shares</u>	<u>Value</u>
COMMON STOCKS (cont'd)		
United Kingdom (cont'd)		
<i>Diversified Financials (3.2%)</i>		
3I Group PLC	157,900	\$ 2,367,289
Amvescap PLC ADR	31,875	1,103,831
Insignia Solutions, Inc. ADR ¹	163,200	546,720
		<u>4,017,840</u>
<i>Diversified Telecommunications Services (1.1%)</i>		
Skyepharma PLC ¹	1,199,000	1,374,323
<i>Household Products (1.2%)</i>		
MFI Furniture Group PLC	894,500	1,468,754
<i>Media (1.2%)</i>		
Eyretel PLC ¹	850,500	777,499
Informa Group PLC	175,000	750,671
		<u>1,528,170</u>
<i>Software (0.2%)</i>		
Orchestream Holdings PLC ¹	224,700	257,556
TOTAL UNITED KINGDOM		<u>10,387,532</u>
United States (49.7%)		
<i>Banks (1.4%)</i>		
Mellon Financial Corp.	37,100	1,706,600
<i>Biotechnology (2.7%)</i>		
Genentech, Inc. ¹	25,800	1,421,580
Gilead Sciences, Inc. ¹	33,800	1,966,822
		<u>3,388,402</u>
<i>Communications Equipment (1.6%)</i>		
CIENA Corp. ¹	37,200	1,413,600
Sonus Networks, Inc. ¹	25,000	584,000
		<u>1,997,600</u>
<i>Computers & Peripherals (1.0%)</i>		
Brocade Communications Systems, Inc. ¹	27,900	1,227,321
<i>Construction & Engineering (0.7%)</i>		
Granite Construction, Inc.	35,300	897,326
<i>Construction Materials (1.2%)</i>		
Dal-Tile International, Inc. ¹	80,600	1,495,130
<i>Diversified Financials (2.1%)</i>		
Gabelli Asset Management, Inc. Class A ¹	34,600	1,423,790
Radian Group, Inc.	30,800	1,245,860
		<u>2,669,650</u>

See Accompanying Notes to Financial Statements.

Credit Suisse Warburg Pincus Trust – Global Post-Venture Capital Portfolio
Schedule of Investments (cont'd)
June 30, 2001 (Unaudited)

	Number of Shares	Value
COMMON STOCKS (cont'd)		
United States (cont'd)		
<i>Electrical Equipment (2.4%)</i>		
Brooks Automation, Inc. ¹	18,100	\$ 834,410
Ultratech Stepper, Inc. ¹	48,700	1,249,155
Vishay Intertechnology, Inc. ¹	37,400	860,200
		2,943,765
<i>Energy Equipment & Services (0.9%)</i>		
Nabors Industries, Inc. ¹	31,200	1,160,640
<i>Healthcare Providers & Services (4.9%)</i>		
AdvancePCS ¹	20,800	1,332,240
Community Health Care ¹	61,700	1,820,150
Manor Care, Inc. ¹	60,600	1,924,050
Province Healthcare Co. ¹	28,700	1,012,823
		6,089,263
<i>Hotels, Restaurants & Leisure (1.1%)</i>		
Six Flags, Inc. ¹	67,000	1,409,680
<i>Household Durables (2.5%)</i>		
Lennar Corp.	43,700	1,822,290
Polycom, Inc. ¹	59,100	1,364,619
		3,186,909
<i>Internet Software & Services (3.7%)</i>		
BEA Systems, Inc. ¹	39,700	1,219,187
Interwoven, Inc. ¹	67,900	1,147,510
Openwave Systems, Inc. ¹	35,400	1,228,380
Planetweb, Inc. ^{1,2}	183,800	998,332
		4,593,409
<i>IT Consulting & Services (0.6%)</i>		
BISYS Group, Inc. ¹	13,600	802,400
<i>Leisure Equipment & Products (1.3%)</i>		
Mattel, Inc.	84,300	1,594,956
<i>Limited Partnerships (0.1%)</i>		
Madison Dearborn Capital Partners IV LP ^{2,3}	9,460	9,460
Oak Investment Partners X LP ^{2,3}	117,820	117,820
		127,280
<i>Media (4.6%)</i>		
Cablevision Systems Corp. Class A ¹	21,000	1,228,500
Harte-Hanks, Inc.	28,000	693,280
Insight Communications Co., Inc. ¹	15,100	377,500
Mediacom Communications Corp. ¹	27,200	480,352
USA Networks, Inc. ¹	53,500	1,498,000
Westwood One, Inc. ¹	41,900	1,544,015
		5,821,647

See Accompanying Notes to Financial Statements.

Credit Suisse Warburg Pincus Trust – Global Post-Venture Capital Portfolio
Schedule of Investments (cont'd)
June 30, 2001 (Unaudited)

	<u>Number of Shares</u>	<u>Value</u>
COMMON STOCKS (cont'd)		
United States (cont'd)		
<i>Oil & Gas (3.0%)</i>		
Chaparral Resources, Inc. ¹	2,778	\$ 5,556
Devon Energy Corp.	21,400	1,123,500
Newfield Exploration Co. ¹	40,500	1,298,430
Spinnaker Exploration Co. ¹	33,200	1,323,352
		<u>3,750,838</u>
<i>Pharmaceuticals (3.4%)</i>		
IVAX Corp. ¹	34,400	1,341,600
PRAECIS Pharmaceuticals, Inc. ¹	59,700	981,468
Watson Pharmaceuticals, Inc. ¹	30,700	1,892,348
		<u>4,215,416</u>
<i>Semiconductor Equipment & Products (4.7%)</i>		
Amkor Technology, Inc. ¹	60,800	1,343,680
Maxim Integrated Products, Inc. ¹	25,100	1,109,671
Novellus Systems, Inc. ¹	16,400	931,356
Triquint Semiconductor, Inc. ¹	54,600	1,228,500
Vitesse Semiconductor Corp.	59,800	1,258,192
		<u>5,871,399</u>
<i>Software (2.8%)</i>		
Convera Corp. ¹	212,700	1,063,500
Manugistics Group, Inc. ¹	49,100	1,232,410
Mercury Interactive Corp. ¹	19,900	1,192,010
		<u>3,487,920</u>
<i>Specialty Retail (1.6%)</i>		
Barnes & Noble, Inc. ¹	51,300	2,018,655
<i>Wireless Telecommunications Services (1.4%)</i>		
Redback Networks, Inc. ¹	199,400	1,778,648
TOTAL UNITED STATES		<u>62,234,854</u>
TOTAL COMMON STOCKS (Cost \$126,932,642)		<u>116,713,871</u>
WARRANT (0.0%)		
United Kingdom (0.0%)		
<i>Software (0.0%)</i>		
Insignia Solutions, Inc. (Cost \$0)	81,600	<u>0</u>

See Accompanying Notes to Financial Statements.

Credit Suisse Warburg Pincus Trust – Global Post-Venture Capital Portfolio
Schedule of Investments (cont'd)
 June 30, 2001 (Unaudited)

	<u>Maturity</u>	<u>Rate</u>	<u>Par (000)</u>	<u>Value</u>
U.S. TREASURY OBLIGATIONS (3.4%)				
U.S. Treasury Notes	11/30/01	5.875%	\$ 100	\$ 100,900
U.S. Treasury Notes	11/30/02	5.625%	2,000	2,041,284
U.S. Treasury Notes	11/15/04	5.875%	2,100	<u>2,172,761</u>
TOTAL U.S. TREASURY OBLIGATIONS (Cost \$4,309,128)				<u>4,314,945</u>
SHORT-TERM INVESTMENT (2.1%)				
State Street Bank and Trust Co. Euro Time Deposit (Cost \$2,569,000)	7/2/01	3.875%	2,569	<u>2,569,000</u>
TOTAL INVESTMENTS AT VALUE (98.5%) (Cost \$133,810,770 ³)				123,597,816
OTHER ASSETS IN EXCESS OF LIABILITIES (1.5%)				<u>1,851,655</u>
NET ASSETS (100.0%)				<u>\$125,449,471</u>

INVESTMENT ABBREVIATION

ADR = American Depository Receipt

¹ Non-income producing security.

² Private placement.

³ Illiquid security.

⁴ Cost for federal income tax purposes is \$133,819,149.

See Accompanying Notes to Financial Statements.

Credit Suisse Warburg Pincus Trust – Global Post-Venture Capital Portfolio
Statement of Assets and Liabilities
June 30, 2001 (Unaudited)

Assets	
Investments at value (Cost — \$133,810,770)	\$123,597,816
Cash	900
Foreign currency (Cost - \$969,132)	943,234
Receivable for fund shares sold	799,648
Receivable for investments sold	356,978
Dividends, interest and reclaims receivable	85,484
Prepaid expenses and other assets	<u>13,372</u>
Total Assets	<u>125,797,432</u>
Liabilities	
Advisory fee payable	113,373
Administrative services fee payable	10,446
Payable for investments purchased	184,300
Accrued expenses payable	<u>39,842</u>
Total Liabilities	<u>347,961</u>
Net Assets	
Capital stock, \$0.001 par value	11,465
Paid-in capital	168,175,428
Accumulated undistributed net investment loss	(611,810)
Accumulated net realized loss from investments and foreign currency transactions	(31,885,572)
Net unrealized depreciation from investments and foreign currency translations	<u>(10,240,040)</u>
Net Assets	<u>\$125,449,471</u>
Net Asset Value	
Net assets	\$125,449,471
Shares outstanding	<u>11,455,726</u>
Net asset value, offering price and redemption price per share	<u>\$10.95</u>

See Accompanying Notes to Financial Statements.

Credit Suisse Warburg Pincus Trust – Global Post-Venture Capital Portfolio
Statement of Operations
For the Six Months Ended June 30, 2001 (Unaudited)

Investment Income	
Dividends	\$ 278,771
Interest	138,095
Foreign taxes withheld	<u>(23,337)</u>
Total investment income	<u>393,529</u>
Expenses	
Investment advisory fees	872,049
Administrative services fees	134,128
Custodian fees	29,097
Audit fees	8,480
Legal fees	7,865
Printing fees	7,046
Transfer agent fees	4,277
Insurance expense	2,902
Interest expense	2,801
Trustees fees	1,299
Miscellaneous fees	<u>5,079</u>
	1,075,023
Less: fees waived and transfer agent offsets	<u>(94,855)</u>
Total expenses	<u>980,168</u>
Net investment loss	<u>(586,639)</u>
Net Realized and Unrealized Gain (Loss) From Investments and Foreign Currency Related Items	
Net realized loss from investments	(23,328,801)
Net realized gain from foreign currency transactions	80,641
Net change in unrealized appreciation (depreciation) from investments	(8,502,038)
Net change in unrealized appreciation (depreciation) from foreign currency translations	<u>(44,134)</u>
Net realized and unrealized loss from investments and foreign currency related items	<u>(31,794,332)</u>
Net decrease in net assets resulting from operations	<u>\$ (32,380,971)</u>

See Accompanying Notes to Financial Statements.

Credit Suisse Warburg Pincus Trust – Global Post-Venture Capital Portfolio
Statement of Changes in Net Assets

	For the Six Months Ended June 30, 2001 (Unaudited)	For the Year Ended December 31, 2000
<i>From Operations</i>		
Net investment loss	\$ (586,639)	\$ (1,432,433)
Net gain (loss) from investments and foreign currency transactions	(23,248,160)	15,878,092
Net change in unrealized depreciation from investments and foreign currency translations	<u>(8,546,172)</u>	<u>(60,507,357)</u>
Net decrease in net assets resulting from operations	<u>(32,380,971)</u>	<u>(46,061,698)</u>
<i>From Distributions</i>		
Distributions from net realized gains	0	(12,672,941)
Distributions in excess of net realized gains	<u>0</u>	<u>(8,822,928)</u>
Net decrease in net assets from distributions	<u>0</u>	<u>(21,495,869)</u>
<i>From Capital Share Transactions</i>		
Proceeds from sale of shares	66,282,298	238,651,639
Reinvestment of distributions	0	21,495,858
Net asset value of shares redeemed	<u>(76,486,261)</u>	<u>(176,339,135)</u>
Net increase (decrease) in net assets from capital share transactions	<u>(10,203,963)</u>	<u>83,808,362</u>
Net increase (decrease) in net assets	<u>(42,584,934)</u>	<u>16,250,795</u>
<i>Net Assets</i>		
Beginning of period	<u>168,034,405</u>	<u>151,783,610</u>
End of period	<u>\$125,449,471</u>	<u>\$168,034,405</u>
<i>Undistributed Net Investment Loss</i>	<u>\$ (611,810)</u>	<u>\$ (25,171)</u>

See Accompanying Notes to Financial Statements.

**Credit Suisse 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, 2001 (Unaudited)	For the Year Ended October 31,				
		2000	1999	1998	1997	1996 ¹
Per-share data						
Net asset value, beginning of period	\$ 13.62	\$ 19.26	\$ 11.82	\$ 11.06	\$ 9.76	\$ 10.00
Investment Activities						
Net investment loss	(0.06)	(0.09)	(0.08)	(0.04)	(0.08)	0.00
Net gain (loss) on investments and foreign currency related items (both realized and unrealized)	(2.61)	(3.56)	7.52	0.80	1.38	(0.24)
Total from investment activities	(2.67)	(3.65)	7.44	0.76	1.30	(0.24)
Less Distributions						
Distributions from net realized gains	0.00	(1.17)	0.00	0.00	0.00	0.00
Distributions in excess of net realized gains	0.00	(0.82)	0.00	0.00	0.00	0.00
Total distributions	0.00	(1.99)	0.00	0.00	0.00	0.00
Net asset value, end of period	\$ 10.95	\$ 13.62	\$ 19.26	\$ 11.82	\$ 11.06	\$ 9.76
Total return	(19.60)% ²	(18.94)%	62.94%	6.87%	13.34%	(2.40)% ²
Ratios and Supplemental Data						
Net assets, end of period (000s omitted)	\$125,449	\$168,034	\$151,784	\$62,055	\$30,520	\$12,400
Ratio of expenses to average net assets ³	1.41% ⁴	1.42%	1.41%	1.40%	1.40%	1.41% ⁴
Ratio of net investment loss to average net assets	(0.84)% ⁴	(0.75)%	(0.87)%	(0.83)%	(0.75)%	0.80% ⁴
Decrease reflected in above operating expense ratio due to waivers/ reimbursements	0.13% ⁴	0.11%	0.18%	0.30%	0.18%	4.16% ⁴
Portfolio turnover rate	66.74%	69.22%	44.38%	73.18%	238.12%	6.80%

¹ For the period September 30, 1996 (inception date) through December, 1996.

² Non-annualized.

³ 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 .01%, .02%, .01%, .00%, .00% and .01% for the six months ended June 30, 2001 and for each of the years or period ended December 31, 2000, 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 for each of the years or period ended December 31, 2000, 1999, 1998, 1997 and 1996, respectively.

⁴ Annualized.

See Accompanying Notes to Financial Statements.

Credit Suisse Warburg Pincus Trust – Global Post-Venture Capital Portfolio
Notes to Financial Statements
June 30, 2001 (Unaudited)

Note 1. Summary of Significant Accounting Policies

Credit Suisse Warburg Pincus Trust, formerly Warburg Pincus Trust (the “Trust”), a Massachusetts business trust, is an open-end management investment company registered under the Investment Company Act of 1940, as amended, and currently offers seven managed investment funds of which one, the Global Post-Venture Capital Portfolio (the “Portfolio”), is included in this report. The Portfolio is a diversified investment fund that seeks long-term growth of capital. Shares of the 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. The Portfolio may not be available in connection with a particular contract or plan.

A) SECURITY VALUATION — The net asset value of the Portfolio is determined daily as of the close of regular trading on the New York Stock Exchange. The 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.

The Portfolio 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.

B) FOREIGN CURRENCY TRANSACTIONS — The books and records of the Portfolio 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 Portfolio does not isolate that portion of realized

**Credit Suisse Warburg Pincus Trust – Global Post-Venture Capital Portfolio
Notes to Financial Statements (cont'd)**
June 30, 2001 (Unaudited)

Note 1. Summary of Significant Accounting Policies — (cont'd)

gains and losses on investments in equity securities which is due to changes in the foreign exchange rate from that which are due to changes in market prices of equity securities. The Portfolio isolates that portion of realized 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.

C) SECURITY TRANSACTIONS AND INVESTMENT INCOME — 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.

D) DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS — 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 carry-over, 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.

E) FEDERAL INCOME TAXES — No provision is made for federal taxes as it is the Trust's intention to have the Portfolio continue to qualify for and elect the tax treatment applicable to regulated investment companies under the Internal Revenue Code of 1986, as amended, and make the requisite distributions to its shareholders which will be sufficient to relieve it from federal income and excise taxes.

F) USE OF ESTIMATES — 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 statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

G) REPURCHASE AGREEMENTS — Pursuant to an exemptive order issued by the Securities and Exchange Commission, the Portfolio, along with other Funds advised by Credit Suisse Asset Management, LLC ("CSAM"), the Portfolio's investment adviser, may 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 Portfolio's custodian bank until the agreements

Credit Suisse Warburg Pincus Trust – Global Post-Venture Capital Portfolio
Notes to Financial Statements (cont'd)
June 30, 2001 (Unaudited)

Note 1. Summary of Significant Accounting Policies — (cont'd)

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.

H) FORWARD CURRENCY CONTRACTS — The Portfolio 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. The 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, 2001, the Portfolio had no open forward foreign currency contracts.

I) OTHER — The Portfolio 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 of assets, nationalization or the imposition of capital or currency controls or punitive taxes). Other risks of investing in foreign securities include liquidity, market, operational and valuation risks.

The Portfolio may be subject to taxes imposed by countries in which it invests, with respect to its 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 Portfolio accrues such taxes when the related income or capital gains are earned.

Note 2. Transactions With Affiliates and Related Parties

CSAM, which is an indirect wholly-owned U.S. subsidiary of Credit Suisse Group, serves as investment adviser for the Portfolio. For its investment advisory services, CSAM receives a fee from the Portfolio at an annual rate of 1.25% of the Portfolio's average daily net assets. For the six months ended June 30, 2001, investment advisory fees earned and voluntary waivers were \$872,049 and \$91,320, respectively.

Credit Suisse Warburg Pincus Trust – Global Post-Venture Capital Portfolio
Notes to Financial Statements (cont'd)
 June 30, 2001 (Unaudited)

Note 2. Investment Adviser, Co-Administrators and Distributor — (cont'd)

Abbott serves as sub-investment adviser for the Portfolio'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 the Portfolio to Abbott for its sub-investment advisory services.

Credit Suisse Asset Management Securities, Inc. ("CSAMSI"), an affiliate of CSAM, and PFPC Inc. ("PFPC"), an indirect, wholly-owned subsidiary of PNC Financial Services Group, Inc., serve as co-administrators to the Portfolio. For its administrative services, CSAMSI currently receives a fee calculated at an annual rate of .10% of the Portfolio's average daily net assets. For the six months ended June 30, 2001, administrative services fees earned by CSAMSI were \$69,764.

For its administrative services through February 4, 2001, PFPC received 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	.11% of average daily net assets
Next \$1 billion	.09% of average daily net assets
Over \$1.5 billion	.07% of average daily net assets

Effective February 5, 2001, for its administrative services, PFPC 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	.08% of average daily net assets
Next \$1 billion	.07% of average daily net assets
Over \$1.5 billion	.06% of average daily net assets

For the six months ended June 30, 2001, administrative service fees earned by PFPC (including out-of-pocket expenses) were \$64,364.

In addition to serving as the Portfolio's co-administrator, CSAMSI currently serves as distributor of the Portfolio's shares without compensation.

The Portfolio has an arrangement with its transfer agent whereby interest earned on uninvested cash balances is used to offset a portion of its transfer agent expense. For the six months ended June 30, 2001, the Portfolio received credits or reimbursements of \$3,535 under this arrangement.

Merrill Corporation ("Merrill"), an affiliate of CSAM, has been engaged by the Portfolio to provide certain financial printing services. For the six months ended June 30, 2001, Merrill was paid \$8,768 for its services by the Portfolio.

Credit Suisse Warburg Pincus Trust – Global Post-Venture Capital Portfolio
Notes to Financial Statements (cont'd)
 June 30, 2001 (Unaudited)

Note 3. Line of Credit

Through June 19, 2001, the Portfolio, together with other funds advised by CSAM (collectively, the “Participating Funds”), participated in a \$350 million committed, unsecured, line of credit facility (the “Prior Credit Facility”) with Deutsche Bank, A.G. 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 Participating Funds’ share redemptions. Under the terms of the Prior Credit Facility, the Participating Funds paid an aggregate commitment fee at a rate of .075% per annum on the entire amount of the Prior Credit Facility, which was allocated among the Participating Funds in such manner as was determined by the governing Boards of the Participating Funds. In addition, the Participating Funds paid interest on borrowings at the Federal funds rate plus .50%. During the period January 1, 2001 through June 19, 2001, the Portfolio had the following borrowings under the Prior Credit Facility:

<u>Average Daily Loan Balance</u>	<u>Average Interest Rate %</u>	<u>Maximum Daily Loan Outstanding</u>	<u>Loan Outstanding at 06/19/01</u>
\$28,101	4.90%	\$1,684,000	\$0

Effective June 20, 2001, the Participating Funds, together with additional funds advised by CSAM (collectively with the Participating Funds, the “New Participating Funds”), established a new \$200 million committed, unsecured, line of credit facility (the “New Credit Facility”) with Deutsche Bank, A.G. as administrative agent, State Street Bank and Trust Company as operations agent, BNP Paribas as syndication agent and certain other lenders, for the same purposes as the Prior Credit Facility. Under the terms of the New Credit Facility, the New Participating Funds pay an aggregate commitment fee at a rate of .10% per annum on the average unused amount of the New Prior Credit Facility, which is allocated among the New Participating Funds in such manner as was determined by the governing Boards of the New Participating Funds. The interest rate paid under the New Credit Facility is unchanged from the rate paid under the Prior Credit Facility. During the period June 20, 2001 through June 30, 2001, the Portfolio had the following borrowings under the New Credit Facility:

<u>Average Daily Loan Balance</u>	<u>Average Interest Rate %</u>	<u>Maximum Daily Loan Outstanding</u>	<u>Loan Outstanding at 06/30/01</u>
\$17,315	4.47%	\$2,195,000	\$0

Credit Suisse Warburg Pincus Trust – Global Post-Venture Capital Portfolio
Notes to Financial Statements (cont'd)
 June 30, 2001

Note 4. Purchases and Sales of Securities

For the six months ended June 30, 2001, purchases and sales of investment securities (excluding short-term investments) were \$90,992,780 and \$97,930,835, respectively.

At June 30, 2001, 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) was \$17,337,985 and \$(27,559,318), respectively.

Note 5. Capital Share Transactions

The Portfolio is authorized to issue an unlimited number of full and fractional shares of beneficial interest, par value of \$.001 per share. Transactions in shares of the Portfolio were as follows:

	<u>For the Six Months Ended June 30, 2001 (Unaudited)</u>	<u>For the Year Ended December 31, 2000</u>
Shares sold	5,432,657	11,842,996
Shares issued in reinvestment of distributions	0	1,578,257
Shares redeemed	<u>(6,314,564)</u>	<u>(8,963,576)</u>
Net increase (decrease)	<u>(881,907)</u>	<u>4,457,677</u>

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TRGPV-3-0601

The Dreyfus Socially Responsible Growth Fund, Inc.

SEMIANNUAL REPORT

June 30, 2001



 **Dreyfus**

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 Chairman
- 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
- 13** Financial Highlights
- 15** Notes to Financial Statements

FOR MORE INFORMATION

Back Cover



LETTER FROM THE CHAIRMAN

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, 2001 through June 30, 2001. 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, Lincoln Carnam, Maceo Sloan and Larry Jones. Mr. Carnam became the fund's primary portfolio manager with respect to its areas of social concern effective April 30, 2001. Mr. Jones became a co-primary portfolio manager with Mr. Sloan in June 2001.

While the first half of 2001 was difficult for the U.S. economy, we have recently seen signs that improvement may be in sight. The Federal Reserve Board's aggressive easing of monetary policy produced a 2.75 percentage-point drop in short-term interest rates during the reporting period, a move designed to help revive the economy by reducing borrowing costs for corporations and consumers. Approval of the \$1.3 trillion federal tax cut should further stimulate economic growth, as should reduced inventories of products on manufacturers' shelves. Based on these and other factors, we believe that the current borderline recession may give way to renewed economic growth later this year.

Of course, our economic perspectives may change as new information becomes available. We encourage you to contact your financial advisor for information about ways to refine your investment strategies in the current environment. For additional market perspectives, point your web browser to www.dreyfus.com and go to the Market Commentary section.

Thank you for your continued confidence and support.

Sincerely,

Stephen E. Canter
Chairman and Chief Executive Officer
The Dreyfus Corporation
July 16, 2001



DISCUSSION OF FUND PERFORMANCE

Lincoln Carnam, Maceo Sloan and Larry Jones,
Portfolio Managers

How did The Dreyfus Socially Responsible Growth Fund, Inc. perform relative to its benchmark?

For the six-month period ended June 30, 2001, The Dreyfus Socially Responsible Growth Fund, Inc. produced total returns of -14.12% for its Initial shares and -14.26% for its Service shares.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 -6.69%, and the Dow Jones Industrial Average produced a total return of -1.81% for the same period.²

We attribute the fund's performance to our heavy emphasis on technology and telecommunications stocks, two areas that rebounded later in the reporting period, but not enough to completely offset earlier weaknesses. We attribute the fund's lagging performance relative to the S&P 500 Index to our emphasis on large-cap, growth-oriented stocks during a period in which value stocks, which comprise a portion of the S&P 500 Index, generally performed better than growth stocks.

What is the fund's investment approach?

The fund seeks to provide capital growth with current income as a secondary objective. The fund looks for growth-oriented companies that generally exhibit three characteristics: improving profitability measurements, a pattern of consistent earnings and reasonable prices. 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 other factors influenced the fund's performance?

When the reporting period began, a large portion of the fund's assets was invested in technology and telecommunications stocks, two areas that consist predominantly of growth stocks. After reaching high prices over the past several years, however, many of these stocks fell sharply during the first calendar quarter of this year, continuing the decline that began in the first quarter of 2000, because of excess inventories, idle factory capacity and weak balance sheets. In our view, valuations for these types of growth companies had reached unreasonable levels, and these declines simply brought their stock prices closer to more reasonable valuations.

Weakness in the financial services group also hurt the fund's performance during the reporting period. Banks and brokerage firms saw their stock prices fall as many investors shifted assets to money market funds because of disappointing stock market returns. In the utilities sector, independent power producers faced difficulties that were largely a result of unfavorable publicity regarding the possibility of future re-regulation and the discussion of possible refunds on past sales.

The fund enjoyed positive returns from several industry groups, including consumer discretionary, industrial and basic materials companies during the reporting period. In fact, the consumer discretionary area was the largest positive contributor to the fund's performance during the reporting period. Falling interest rates and high consumer confidence sustained sales growth and drove stock prices higher within the automobile, consumer electronics, home furnishings and retail industries.

What is the fund's current strategy?

We recently reduced the fund's exposure to technology stocks, currently choosing instead to increase the fund's investment in financial services and health care stocks. In our view, financial companies and health care firms are more likely than companies in other industry groups to overcome any persistent weakness in sales and profits that may be caused by a lackluster economy. As bottom-up stock pickers, we believe that it is not just important for investors to have exposure

to the right areas of the market, but that it is also important to have good stock selection within those areas.

Can you give us an update on the fund's socially responsible investing activities?

Royal Dutch Shell, currently a fund holding, is taking a socially conscious approach to its relationship with neighbors of its power plant in Norco, Louisiana, which is located within a four-block radius of private homes. The Norco power plant is slated to reduce combined Toxic Release Inventory (TRI) emissions by 30% over the next three years. The company plans to establish a community-based air quality monitoring system and to conduct an assessment of the community's health care needs. For some time now, local community groups and Royal Dutch Shell have also engaged in negotiations over the purchase of these homes, whose values have been driven down by the addition of the plant.

Although negotiations are still ongoing, we are pleased that Royal Dutch Shell has responded to this matter by proposing a "Fence Line Property Purchase Program." Under this program, in which homeowner participation is voluntary, the company has agreed to buy the homes for a 30% premium above current market value as determined by a certified Louisiana property appraiser. Still unresolved is the extent of a homeowner's eligibility to participate in the program; the community hopes to include all houses within the four-block radius of the power plant.

We currently plan to continually monitor Royal Dutch Shell's activities in this matter, and believe that the fund's attention to this type of situation is characteristic of its socially conscious approach to investing.

July 16, 2001

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, 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, 2001 (Unaudited)

Common Stocks—97.9%	Shares	Value (\$)
Commercial Services—1.2%		
Omnicom Group	132,600	11,403,600
Consumer Non-Durables—6.1%		
Coca-Cola	409,800	18,441,000
Colgate-Palmolive	326,000	19,230,740
Jones Apparel Group	426,000 ^a	18,403,200
		56,074,940
Consumer Services—3.0%		
Cendant	807,300 ^a	15,742,350
Clear Channel Communications	200,000 ^a	12,540,000
		28,282,350
Electronic Technology—12.5%		
Applied Materials	210,000 ^a	10,311,000
Cisco Systems	794,600 ^a	14,461,720
Dell Computer	220,000 ^a	5,753,000
EMC	562,000 ^a	16,326,100
Intel	493,800	14,443,650
International Business Machines	161,000	18,193,000
Linear Technology	134,600	5,952,012
Nokia, ADS	495,600	10,923,024
Solectron	311,800 ^a	5,705,940
Sun Microsystems	315,600 ^a	4,961,232
Vishay Intertechnology	371,000 ^a	8,533,000
		115,563,678
Energy Minerals—2.0%		
Royal Dutch Petroleum (New York Shares)	316,000	18,413,320
Finance—21.3%		
American International Group	276,375	23,768,250
BB&T	276,000	10,129,200
Bank of America	320,000	19,209,600
Capital One Financial	195,200	11,712,000
Citigroup	361,600	19,106,944
Fannie Mae	234,800	19,993,220
J.P. Morgan Chase & Co.	248,000	11,060,800
MBNA	488,000	16,079,600
MGIC Investment	163,000	11,840,320
Marsh & McLennan Cos.	110,000	11,110,000

Common Stocks (continued)	Shares	Value (\$)
Finance (continued)		
Merrill Lynch	250,600	14,848,050
Morgan Stanley Dean Witter & Co.	167,000	10,726,410
State Street	200,000	9,898,000
Wells Fargo	152,000	7,057,360
		196,539,754
Health Services—2.8%		
Caremark Rx	287,000 ^a	4,721,150
Quintiles Transnational	198,000 ^a	4,999,500
Wellpoint Health Networks	170,000 ^a	16,020,800
		25,741,450
Health Technology—14.3%		
Amgen	289,800 ^a	17,585,064
Baxter International	451,700	22,133,300
IVAX	267,000 ^a	10,413,000
Johnson & Johnson	480,000	24,000,000
Medtronic	330,000	15,183,300
Merck & Co.	280,000	17,894,800
Pfizer	623,500	24,971,175
		132,180,639
Industrial Services—.5%		
Halliburton	128,000	4,556,800
Non-Energy Minerals—1.7%		
Alcoa	403,000	15,878,200
Producer Manufacturing—1.8%		
Tyco International	300,000	16,350,000
Retail Trade—7.3%		
Dollar General	555,000	10,822,500
Home Depot	330,000	15,361,500
Safeway	231,400 ^a	11,107,200
TJX Cos.	500,000	15,935,000
Wal-Mart Stores	300,400	14,659,520
		67,885,720
Technology Services—12.1%		
AOL Time Warner	700,300 ^a	37,115,900
BMC Software	580,000 ^a	13,073,200
Electronic Data Systems	165,500	10,343,750

STATEMENT OF INVESTMENTS (Unaudited) (continued)

Common Stocks (continued)	Shares	Value (\$)
Technology Services (continued)		
Microsoft	504,000 ^a	36,792,000
Oracle	751,900 ^a	14,286,100
		111,610,950
Transportation—1.3%		
Southwest Airlines	642,000	11,870,580
Utilities—8.7%		
AES	358,800 ^a	15,446,340
AT&T - Liberty Media, Cl. A	953,600 ^a	16,678,464
Calpine	290,000 ^a	10,962,000
El Paso	192,500	10,113,950
Enron	280,000	13,720,000
Verizon Communications	247,000	13,214,500
		80,135,254
Wireless Telecommunications—1.3%		
AT&T Wireless Group	720,000 ^a	11,772,000
Total Common Stocks (cost \$825,472,746)		904,259,235
	Principal Amount (\$)	Value (\$)
Short-Term Investments—1.0%		
Certificates of Deposit—0%		
Self Help Credit Union, 3.84%, 9/18/2001	100,000	100,000
U.S. Treasury Bills—1.0%		
3.62%, 8/9/2001	60,000	59,786
3.52%, 8/16/2001	139,000	138,398
3.55%, 8/23/2001	436,000	433,833
3.37%, 9/20/2001	8,949,000	8,881,883
		9,513,900
Total Short-Term Investments (cost \$9,613,069)		9,613,900
Total Investments (cost \$835,085,815)	98.9%	913,873,135
Cash and Receivables (Net)	1.1%	10,186,786
Net Assets	100.0%	924,059,921

^a Non-income producing.
See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2001 (Unaudited)

	Cost	Value
Assets (\$):		
Investments in securities—See Statement of Investments	835,085,815	913,873,135
Cash		3,117,194
Receivable for investment securities sold		23,337,251
Dividends and interest receivable		288,060
Receivable for shares of Common Stock subscribed		261,588
Prepaid expenses		46,795
		940,924,023
Liabilities (\$):		
Due to The Dreyfus Corporation and affiliates		590,732
Payable for investment securities purchased		15,451,224
Payable for shares of Common Stock redeemed		786,959
Accrued expenses		35,187
		16,864,102
Net Assets (\$)		924,059,921
Composition of Net Assets (\$):		
Paid-in capital		946,388,480
Accumulated investment (loss)		(141,184)
Accumulated net realized gain (loss) on investments		(100,974,695)
Accumulated net unrealized appreciation (depreciation) on investments—Note 4		78,787,320
Net Assets (\$)		924,059,921
Net Asset Value Per Share		
	Initial Shares	Service Shares
Net Assets (\$)	919,624,949	4,434,972
Shares Outstanding	31,062,110	150,040
Net Asset Value Per Share (\$)	29.61	29.56

See notes to financial statements.

STATEMENT OF OPERATIONS

Six Months Ended June 30, 2001 (Unaudited)

Investment Income (\$):

Income:

Cash dividends (net of \$43,107 foreign taxes withheld at source)	3,076,245
Interest	626,601

Total Income	3,702,846
---------------------	------------------

Expenses:

Investment advisory fee—Note 3(a)	3,701,737
Prospectus and shareholders' reports	38,692
Custodian fees—Note 3(c)	38,286
Professional fees	32,492
Shareholder servicing costs—Note 3(c)	15,642
Directors' fees and expenses—Note 3(d)	8,938
Loan commitment fees—Note 2	5,439
Distribution fees—Note 3(b)	2,347
Registration fees	1,160
Miscellaneous	4,603

Total Expenses	3,849,336
-----------------------	------------------

Investment (Loss)	(146,490)
--------------------------	------------------

Realized and Unrealized Gain (Loss) on Investments—Note 4 (\$):

Net realized gain (loss) on investments	(70,313,613)
---	--------------

Net unrealized appreciation (depreciation) on investments	(83,883,388)
---	--------------

Net Realized and Unrealized Gain (Loss) on Investments	(154,197,001)
---	----------------------

Net (Decrease) in Net Assets Resulting from Operations	(154,343,491)
---	----------------------

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2001 (Unaudited)	Year Ended December 31, 2000 ^a
Operations (\$):		
Investment income (loss)–net	(146,490)	8,792,048
Net realized gain (loss) on investments	(70,313,613)	(30,494,156)
Net unrealized appreciation (depreciation) on investments	(83,883,388)	(109,571,169)
Net Increase (Decrease) in Net Assets Resulting from Operations	(154,343,491)	(131,273,277)
Dividends to Shareholders from (\$):		
Investment income–net:		
Initial shares	(124,396)	(8,816,915)
Service shares	(236)	–
Total Dividends	(124,632)	(8,816,915)
Capital Stock Transactions (\$):		
Net proceeds from shares sold:		
Initial shares	87,949,488	421,888,138
Service shares	4,676,274	500
Dividends reinvested:		
Initial shares	124,396	8,816,915
Service shares	236	–
Cost of shares redeemed:		
Initial shares	(89,276,531)	(113,064,727)
Service shares	(34,957)	–
Increase (Decrease) in Net Assets from Capital Stock Transactions	3,438,906	317,640,826
Total Increase (Decrease) in Net Assets	(151,029,217)	177,550,634
Net Assets (\$):		
Beginning of Period	1,075,089,138	897,538,504
End of Period	924,059,921	1,075,089,138
Undistributed investment income (loss)–net	(141,184)	129,938

STATEMENT OF CHANGES IN NET ASSETS *(continued)*

	Six Months Ended June 30, 2001 (Unaudited)	Year Ended December 31, 2000 ^a
Capital Share Transactions:		
Initial Shares		
Shares sold	2,707,328	10,887,108
Shares issued for dividends reinvested	4,328	266,489
Shares redeemed	(2,841,630)	(2,934,477)
Net Increase (Decrease) in Shares Outstanding	(129,974)	8,219,120
Service Shares		
Shares sold	151,141	15
Shares issued for dividends reinvested	8	–
Shares redeemed	(1,124)	–
Net Increase (Decrease) in Shares Outstanding	150,025	15

^a Effective December 31, 2000, shares of the fund were redesignated as Initial shares and the fund commenced selling Service shares.

See notes to financial statements.

FINANCIAL HIGHLIGHTS

The following tables describe the performance for each share class for the fiscal periods indicated. All information (except portfolio turnover rate) reflects financial results for a single fund share. 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.

Initial Shares	Six Months Ended	Year Ended December 31,				
	June 30, 2001 (Unaudited)	2000	1999	1998	1997	1996
Per Share Data (\$):						
Net asset value, beginning of period	34.47	39.07	31.08	24.97	20.09	17.31
Investment Operations:						
Investment income—net	.00 ^{a,b}	.32 ^a	.01 ^a	.05	.09	.05
Net realized and unrealized gain (loss) on investments	(4.86)	(4.63)	9.34	7.28	5.63	3.63
Total from Investment Operations	(4.86)	(4.31)	9.35	7.33	5.72	3.68
Distributions:						
Dividends from investment income—net	.00 ^b	(.29)	(.01)	(.05)	(.10)	(.05)
Dividends from net realized gain on investments	—	—	(1.35)	(1.17)	(.74)	(.85)
Total Distributions	.00 ^b	(.29)	(1.36)	(1.22)	(.84)	(.90)
Net asset value, end of period	29.61	34.47	39.07	31.08	24.97	20.09
Total Return (%)	(14.12) ^c	(11.03)	30.08	29.38	28.44	21.23
Ratios/Supplemental Data (%):						
Ratio of operating expenses to average net assets	.39 ^c	.78	.79	.80	.82	.95
Ratio of interest expense and loan commitment fees to average net assets	.00 ^{c,d}	.00 ^d	.00 ^d	.00 ^d	.00 ^d	.01
Ratio of net investment income (loss) to average net assets	(.01) ^c	.82	.04	.20	.46	.42
Decrease reflected in above expense ratios due to undertakings by The Dreyfus Corporation	—	—	—	—	—	.03
Portfolio Turnover Rate	59.79 ^c	63.60	70.84	67.60	58.50	126.41
Net Assets, end of period (\$ x 1,000)	919,625	1,075,089	897,539	477,797	275,887	114,570

^a Based on average shares outstanding at each month end.

^b Amount represents less than \$.01 per share.

^c Not annualized.

^d Amount represents less than .01%.

See notes to financial statements.

FINANCIAL HIGHLIGHTS (continued)

Service Shares	Six Months Ended June 30, 2001 (Unaudited)	Period Ended December 31, 2000 ^a
Per Share Data (\$):		
Net asset value, beginning of period	34.47	34.47
Investment Operations:		
Investment (loss)	(.06) ^b	-
Net realized and unrealized gain (loss) on investments	(4.85)	-
Total from Investment Operations	(4.91)	-
Distributions:		
Dividends from investment income-net	(.00) ^c	-
Net asset value, end of period	29.56	34.47
Total Return (%)	(14.26) ^d	-
Ratios/Supplemental Data (%):		
Ratio of expenses to average net assets	.57 ^d	-
Ratio of net investment (loss) to average net assets	(.22) ^d	-
Portfolio Turnover Rate	59.79 ^d	63.60
Net Assets, end of period (\$ x 1,000)	4,435	1

^a The fund commenced offering Service shares on December 31, 2000.

^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.

NOTES TO FINANCIAL STATEMENTS (Unaudited)

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 only offered to separate accounts established by insurance companies to fund variable annuity contracts and variable life insurance policies. 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.

Dreyfus Service Corporation (the “Distributor”), a wholly-owned subsidiary of Dreyfus, is the distributor of the fund’s shares, which are sold without a sales charge. The fund is authorized to issue 300 million shares of \$.001 par value Common Stock in each of the following classes of shares: Initial shares (150 million shares authorized) and Service shares (150 million shares authorized). Initial shares are subject to a shareholder services fee and Service shares are subject to a distribution fee. Each class of shares has identical rights and privileges, except with respect to the shareholder services plan, the distribution plan, and the expenses borne by each class and certain voting rights.

The fund’s financial statements are prepared in accordance with accounting principles generally accepted in the United States, 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 mar-

ket. 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 and premium on investments, is recognized on the accrual basis. Under the terms of the custody agreement, the fund received net earnings credits of \$7,444 during the period ended June 30, 2001, based on available cash balances left on deposit. Income earned under this arrangement is included in interest income.

(c) Dividends to shareholders: Dividends are recorded on the ex-dividend date. Dividends from investment income-net and dividends from net realized capital gain, if any, 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, 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.

The fund has an unused capital loss carryover of approximately \$7,523,000 available for Federal income tax purposes to be applied against future net securities profits, if any, realized subsequent to December 31, 2000. The amount is calculated based on Federal

income tax regulations, which may differ from financial reporting in accordance with accounting principles generally accepted in the United States. If not applied, the carryover expires in fiscal 2008.

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 based on prevailing market rates in effect at the time of borrowings. During the period ended June 30, 2001, 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 between Dreyfus and 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 million15 of 1%
In excess of \$150 million to \$300 million20 of 1%
In excess of \$300 million25 of 1%

(b) Under the Distribution Plan (the “Plan”) adopted pursuant to Rule 12b-1 under the Act, Service shares pay the Distributor for distributing their shares, for servicing and/or maintaining Service shares shareholder accounts and for advertising and marketing for Service shares. The Plan provides for payments to be made at an annual rate of

.25 of 1% of the value of the Service shares' average daily net assets. The Distributor may make payments to Participating Insurance Companies and to brokers and dealers acting as principal underwriter for their variable insurance products. The fees payable under the Plan are payable without regard to actual expenses incurred. During the period ended June 30, 2001, Service shares were charged \$2,347 pursuant to the Plan.

(c) Under the Shareholder Services Plan, Initial shares reimburse the Distributor an amount not to exceed an annual rate of .25 of 1% of the value of Initial shares' average daily net assets for certain allocated expenses with respect to servicing and/or maintaining Initial shares shareholder accounts. During the period ended June 30, 2001, Initial shares were charged \$15,104 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, 2001, the fund was charged \$341 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, 2001, the fund was charged \$38,286 pursuant to the custody agreement.

(d) Each Board member also serves as a Board member of other funds within the Dreyfus complex (collectively, the "Fund Group"). 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. Subject to the fund's Emeritus Program Guidelines, Emeritus Board members, if any, receive 50% of the annual retainer fee and per meeting fee paid at the time the Board member achieves emeritus status.

(e) During the period ended June 30, 2001, the fund incurred total brokerage commissions of \$1,174,336, of which \$21,424 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, 2001, amounted to \$591,976,043 and \$580,662,312, respectively.

At June 30, 2001, accumulated net unrealized appreciation on investments was \$78,787,320, consisting of \$118,049,105 gross unrealized appreciation and \$39,261,785 gross unrealized depreciation.

At June 30, 2001, 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).

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NOTES

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For More Information

To obtain information:

By telephone

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516-338-3300

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The Dreyfus Family of Funds
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Sub-Investment Adviser

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Custodian

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Dividend Disbursing Agent**

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Dreyfus Investment Portfolios, MidCap Stock Portfolio

SEMIANNUAL REPORT

June 30, 2001



 **Dreyfus**

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 Chairman
- 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
- 16** Financial Highlights
- 18** Notes to Financial Statements

FOR MORE INFORMATION

Back Cover



LETTER FROM THE CHAIRMAN

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, 2001 through June 30, 2001. 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 the first half of 2001 was difficult for the U.S. economy, we have recently seen signs that improvement may be in sight. The Federal Reserve Board's aggressive easing of monetary policy produced a 2.75 percentage-point drop in short-term interest rates during the reporting period, a move designed to help revive the economy by reducing borrowing costs for corporations and consumers. Approval of the \$1.3 trillion federal tax cut should further stimulate economic growth, as should reduced inventories of products on manufacturers' shelves. Based on these and other factors, we believe that the current borderline recession may give way to renewed economic growth later this year.

In our view, the implications of this economic scenario may be positive for the stock market. Better economic times generally tend to lead to increased sales and profits for many companies, especially those that are sensitive to changes in the economic cycle. A stronger economy may also help spark a recovery in the shares of companies whose stock prices are inexpensive relative to historical norms, as well as stocks of fundamentally sound companies whose valuations dropped during the recent economic downturn.

Of course, our economic perspective may change as new information becomes available. We encourage you to contact your financial advisor for information about ways to refine your investment strategies in the current environment. For additional market perspectives, point your web browser to www.dreyfus.com and go to the Market Commentary section.

Thank you for your continued confidence and support.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen E. Canter". The signature is fluid and cursive, written over a light background.

Stephen E. Canter
Chairman and Chief Executive Officer
The Dreyfus Corporation
July 16, 2001



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, 2001, Dreyfus Investment Portfolios, MidCap Stock Portfolio produced total returns of -1.59% for its Initial shares and -1.66% for its Service shares.¹ In contrast, the Standard & Poor's MidCap 400 Index (the "Index"), the portfolio's benchmark, produced a total return of 0.46% for the same period.²

We attribute the portfolio's absolute performance to investors' preferences for the smaller capitalization stocks within the midcap universe during the reporting period. In turn, the portfolio slightly underperformed the Index because its average market capitalization was slightly larger than that of the Index.

What is the portfolio's investment approach?

The portfolio invests primarily in a blend of growth and value stocks of mid-capitalization companies chosen through a disciplined process that combines computer modeling techniques, fundamental analysis and risk management.

The quantitatively driven valuation process identifies and ranks approximately 2,500 midcap stocks as attractive, neutral or unattractive investments, based upon more than a dozen different valuation inputs. Those inputs, which we believe can have an important influence on stock returns, include, among other things, earnings estimates, profit margins and growth in cash flow. We establish weightings for each factor based upon our analysis of which factors are being rewarded by investors and make adjustments along the way for the uniqueness of various industries and economic sectors. For example, if the equity markets were rewarding companies with strong growth in cash flow, then we would add more weight to our growth-in-cash-flow factor.

Next, our investment management team conducts fundamental research on each stock, which ultimately results in the buy-and-sell recommendations. We seek to have the portfolio own the best-performing stocks within each economic sector of the midcap market. By maintaining an economic sector-neutral stance, we allow individual stock selection to drive the portfolio's performance.

What other factors influenced the portfolio's performance?

The portfolio was positively influenced by the relatively strong returns produced by midcap stocks, which generally outperformed large-cap stocks during the reporting period.

Our individual stock selection strategy also served the portfolio well during the reporting period. Our stock selection methodology is a bottom-up process in which we examine each company in which the portfolio may invest on its own merits, which sometimes produces results that are contrary to consensus thinking. For example, Westwood One, which produces radio programming, nearly doubled in price during the reporting period despite the slumping advertising environment. We were attracted to the company because of its broad array of programming and its steady earnings. Another good performer for the portfolio was AmeriCredit, a lender focusing on car buyers with less than perfect credit records. The company produced strong returns despite a weakening U.S. economy, partly because AmeriCredit screens its clients thoroughly and because the declining interest-rate environment allowed it to boost profit margins.

Despite volatile performance in the energy sector because of falling oil and natural gas prices, Ultramar Diamond Shamrock produced strong returns for the portfolio, because it was the target of a takeover bid. In addition, SunGard Data Systems and Black Box produced good returns for the portfolio, despite being part of the out-of-favor technology sector. Unlike many technology companies, these companies were solidly profitable during the reporting period.

Certain portfolio holdings reported earnings disappointments during the reporting period, and as a result those stocks generally performed poorly. One example includes Atlas Air Worldwide Holdings, an air cargo company, which cited a weakening economic environment that reduced demands for its services. Another holding which detracted from the portfolio's performance, NRG Energy, was dragged down by the energy crisis in California, as investors became concerned that there might be a government backlash against independent power producers.

What is the portfolio's current strategy?

We continue to fine-tune our quantitatively driven valuation model and our sector- and industry-neutral portfolio construction process. For example, to reflect the market's current preference for value investing, we recently adjusted the model to place greater emphasis on price-earnings (P/E) ratios. A P/E ratio is a stock's price divided by its earnings per share. We believe that in the current market environment, stocks of companies with low P/E ratios can have valuations that are attractive compared to those of their large-cap counterparts.

July 16, 2001

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, 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 fund expenses by The Dreyfus Corporation pursuant to an agreement in effect through December 31, 2001, at which time it may be extended, terminated or modified. Had these expenses not been absorbed, the fund'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 midsize company segment of the U.S. stock market.*

STATEMENT OF INVESTMENTS

June 30, 2001 (Unaudited)

Common Stocks—97.9%	Shares	Value (\$)
Alcohol & Tobacco—5%		
R.J. Reynolds Tobacco Holdings	11,800	644,280
Consumer Cyclical—10.2%		
Albany International, Cl. A	26,900 ^a	508,410
Alberto-Culver, Cl. B	10,900	458,236
American Eagle Outfitters	23,900 ^a	842,236
Atlas Air Worldwide Holdings	20,900 ^a	295,944
BJ's Wholesale Club	31,900 ^a	1,698,994
Brinker International	36,000 ^a	930,600
Callaway Golf	17,600	278,080
Darden Restaurants	24,300	677,970
International Game Technology	17,800 ^a	1,116,950
Johnson Controls	8,300	601,501
Jones Apparel Group	26,900 ^a	1,162,080
Lear	8,300 ^a	289,670
MGM Mirage	22,600 ^a	677,096
Miller (Herman)	21,800	527,560
Mohawk Industries	12,600 ^a	443,520
Neiman Marcus Group, Cl. A	13,400 ^a	415,400
Payless ShoeSource	11,800 ^a	763,460
Williams-Sonoma	20,900 ^a	811,338
Zale	24,300 ^a	818,910
		13,317,955
Consumer Staples—3.1%		
Dean Foods	11,800	474,360
Energizer Holdings	26,900 ^a	617,355
McCormick & Co.	17,600	739,552
Pepsi Bottling Group	10,100	405,010
Smithfield Foods	15,100 ^a	608,530
Suiza Foods	12,600 ^a	669,060
Tyson Foods, Cl. A	51,100	470,631
		3,984,498
Energy Related—8.1%		
BJ Services	47,000 ^a	1,333,860
ENSCO International	42,700	999,180
Energen	15,900	438,840
Equitable Resources	20,100	669,531
Louis Dreyfus Natural Gas	16,800 ^a	585,480

Common Stocks (continued)	Shares	Value (\$)
Energy Related (continued)		
Marine Drilling Cos.	31,900 ^a	609,609
Murphy Oil	15,100	1,111,360
Nabors Industries	11,800 ^a	438,960
Noble Affiliates	8,300	293,405
Questar	30,200	747,752
Rowan Cos.	27,700 ^a	612,170
Ultramar Diamond Shamrock	33,500	1,582,875
UtiliCorp United	37,700	1,151,735
		10,574,757
Health Care—14.4%		
AmeriSource Health, Cl. A	15,100 ^a	835,030
Apogent Technologies	36,000 ^a	885,600
Barr Laboratories	9,300 ^a	654,813
Beckman Coulter	14,300	583,440
Bergen Brunswig, Cl. A	35,200	676,544
Edwards Lifesciences	22,600 ^a	595,736
Express Scripts	13,100 ^a	720,893
Genzyme-General Division	49,500 ^a	3,019,500
Health Net	39,400 ^a	685,560
IDEC Pharmaceuticals	35,200 ^a	2,382,688
IVAX	42,900 ^a	1,673,100
King Pharmaceuticals	9,300 ^a	499,875
Millennium Pharmaceuticals	16,000 ^a	569,280
Mylan Laboratories	21,800	613,234
Oxford Health Plans	36,000 ^a	1,029,600
Protein Design Labs	11,800 ^a	1,023,768
Quest Diagnostics	10,400 ^a	778,440
Trigon Healthcare	14,300 ^a	927,355
Waters	22,600 ^a	623,986
		18,778,442
Interest Sensitive—18.8%		
AmeriCredit	17,600 ^a	914,320
Associated Banc-Corp	28,500	1,025,715
Banknorth Group	25,100	568,515
City National	15,100	668,779
Compass Bancshares	47,000	1,245,500
Dime Bancorp	41,000	1,527,250

STATEMENT OF INVESTMENTS (Unaudited) (continued)

Common Stocks (continued)	Shares	Value (\$)
Interest Sensitive (continued)		
Dime Bancorp (Warrants)	19,900	5,572
Everest Re Group	14,300	1,069,640
Federated Investors, Cl. B	21,800	701,960
First Tennessee National	32,700	1,135,017
Gallagher (Arthur J.) & Co.	36,900	959,400
Golden State Bancorp	25,800	794,640
GreenPoint Financial	20,100	771,840
Heller Financial, Cl. A	17,600	704,000
Investment Technology Group	15,100 ^a	759,379
LaBranche & Co.	18,400 ^a	533,600
M&T Bank	16,800	1,268,400
Mercantile Bankshares	21,800	853,034
Metris Cos.	23,400	788,814
Nationwide Financial Services, Cl. A	18,500	807,525
North Fork Bancorporation	51,100	1,584,100
Old Republic International	27,700	803,300
PMI Group	15,100	1,097,166
Radian Group	25,200	1,019,340
SEI Investments	21,800	1,033,320
Silicon Valley Bancshares	18,400 ^a	404,800
TCF Financial	16,800	778,008
Union Planters	16,800	732,480
		24,555,414
Internet Related—5.5%		
Macromedia	34,400 ^a	619,200
Producer Goods—9.4%		
Alexander & Baldwin	18,400	473,800
American Standard Cos.	18,400 ^a	1,105,840
Ashland	10,900	437,090
Bemis	11,800	474,006
Bowater	14,300	639,782
C&D Technologies	14,300	443,300
Cytec Industries	26,200 ^a	995,600
D. R. Horton	37,200	844,440
Engelhard	15,100	389,429
Fuller (H.B.)	10,900	543,910
Harsco	16,800	455,784

Common Stocks (continued)	Shares	Value (\$)
Producer Goods (continued)		
Kennametal	9,300	343,170
Lennar	19,300	804,810
Lyondell Chemical	33,700	518,306
Parker-Hannifin	13,400	568,696
Precision Castparts	18,400	688,528
Sonoco Products	23,500	584,680
Teekay Shipping	10,900	436,218
Tidewater	26,000	980,200
York International	14,300	500,786
		12,228,375
Services—10.9%		
Administaff	17,600 ^a	457,600
Apollo Group, Cl. A	26,500 ^a	1,124,925
Belo, Cl. A	30,200	568,968
Cox Radio, Cl. A	23,400 ^a	651,690
DST Systems	24,300 ^a	1,280,610
Entercom Communications	7,500 ^a	402,075
Hanover Compressor	20,900 ^a	691,581
Henry (Jack) & Associates	21,800	675,800
Republic Services	15,100 ^a	299,735
Scholastic	16,800 ^a	707,280
SunGard Data Systems	72,100 ^a	2,163,721
Telephone and Data Systems	6,400	696,000
US Cellular	6,700 ^a	386,255
United Rentals	20,100 ^a	521,595
Valassis Communications	16,800 ^a	601,440
Viad	37,700	995,280
Washington Post, Cl. B	1,700	975,800
Westwood One	29,400 ^a	1,083,390
		14,283,745
Technology—16.4%		
Advent Software	9,000 ^a	571,500
Arrow Electronics	38,500	935,165
Atmel	30,300 ^a	408,747
Avnet	24,300	544,806
Black Box	9,300 ^a	626,448
Cabot Microelectronics	13,400 ^a	830,800

STATEMENT OF INVESTMENTS (Unaudited) (continued)

Common Stocks (continued)	Shares	Value (\$)
Technology (continued)		
Cadence Design Systems	46,100 ^a	858,843
CommScope	18,400 ^a	432,400
Diebold	15,100	485,465
DuPont Photomasks	11,500 ^a	554,875
Electro Scientific Industries	11,800 ^a	449,580
Electronic Arts	9,300 ^a	538,470
Federal Signal	20,100	471,747
InFocus	13,400 ^a	273,226
International Rectifier	15,100 ^a	514,910
L-3 Communications Holdings	9,300 ^a	709,590
Lattice Semiconductor	16,000 ^a	390,400
Macrovision	9,300 ^a	637,050
Mentor Graphics	19,400 ^a	339,500
Mercury Interactive	4,200 ^a	251,580
Microchip Technology	19,300 ^a	661,025
NVIDIA	13,700 ^a	1,270,675
National Instruments	18,400 ^a	597,080
Novellus Systems	12,600 ^a	715,554
PerkinElmer	8,300	228,499
Polycom	25,000 ^a	577,250
Rational Software	28,700 ^a	805,035
Reynolds & Reynolds, Cl. A	24,300	533,385
SPX	8,700 ^a	1,089,066
Semtech	21,400 ^a	642,000
Sybase	33,500 ^a	551,075
Symantec	21,800 ^a	952,442
THQ	5,800 ^a	345,854
Tech Data	21,800 ^a	727,248
Vishay Intertechnology	37,700 ^a	867,100
		21,388,390
Utilities—5.6%		
Alliant Energy	24,300	708,345
Black Hills	15,900	639,657
Conectiv	26,000	561,600
Dycom Industries	17,600 ^a	403,568
IDACORP	20,900	728,992

Common Stocks (continued)	Shares	Value (\$)
Utilities (continued)		
Kansas City Power & Light	19,000	466,450
NRG Energy	23,400 ^a	516,672
Pinnacle West Capital	15,900	753,660
Public Service Company of New Mexico	19,300	619,530
Puget Energy	26,000	681,200
SCANA	20,600	585,040
TECO Energy	20,100	613,050
		7,277,764
Total Common Stocks (cost \$122,187,270)		127,652,820
	Principal Amount (\$)	Value (\$)
Short-Term Investments-5.7%		
Repurchase Agreement;		
Greenwich Capital Markets, Tri-Party Repurchase Agreement, 3.98%, dated 6/29/2001, due 7/2/2001, in the amount of \$7,402,454 (fully collateralized by \$7,030,000 Federal Home Loan Mortgage Corp., Notes, 6.875%, 9/15/2010, value \$7,551,305) (cost \$7,400,000)	7,400,000	7,400,000
Total Investments (cost \$129,587,270)	103.6%	135,052,820
Liabilities, Less Cash and Receivables	(3.6%)	(4,693,324)
Net Assets	100.0%	130,359,496

^a Non-income producing.
See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2001 (Unaudited)

	Cost	Value
Assets (\$):		
Investments in securities—See Statement of Investments—Note 1 (b)	129,587,270	135,052,820
Cash		443,187
Dividends and interest receivable		51,046
Prepaid expenses		19,622
		135,566,675
Liabilities (\$):		
Due to The Dreyfus Corporation and affiliates		86,769
Payable for investment securities purchased		5,073,702
Payable for shares of Beneficial Interest redeemed		6,952
Accrued expenses		39,756
		5,207,179
Net Assets (\$)		130,359,496
Composition of Net Assets (\$):		
Paid-in capital		129,617,192
Accumulated undistributed investment income—net		101,020
Accumulated net realized gain (loss) on investments		(4,824,266)
Accumulated net unrealized appreciation (depreciation) on investments—Note 4		5,465,550
Net Assets (\$)		130,359,496
Net Asset Value Per Share		
	Initial Shares	Service Shares
Net Assets (\$)	126,820,885	3,538,611
Shares Outstanding	9,022,194	251,881
Net Asset Value Per Share (\$)	14.06	14.05

See notes to financial statements.

STATEMENT OF OPERATIONS

Six Months Ended June 30, 2001 (Unaudited)

Investment Income (\$):	
Income:	
Cash dividends	432,910
Interest	127,974
Total Income	560,884
Expenses:	
Investment advisory fee—Note 3(a)	367,535
Professional fees	33,340
Prospectus and shareholders' reports	19,290
Custodian fees—Note 3(b)	16,436
Registration fees	13,586
Distribution fees—Note 3(b)	1,658
Trustees' fees and expenses—Note 3(c)	454
Shareholder servicing costs—Note 3(b)	258
Miscellaneous	3,407
Total Expenses	455,964
Less—waiver of fees due to undertaking—Note 3(a)	(2,006)
Net Expenses	453,958
Investment Income—Net	106,926
Realized and Unrealized Gain (Loss) on Investments—Note 4 (\$):	
Net realized gain (loss) on investments	(4,341,633)
Net unrealized appreciation (depreciation) on investments	3,480,013
Net Realized and Unrealized Gain (Loss) on Investments	(861,620)
Net (Decrease) in Net Assets Resulting from Operations	(754,694)

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2001 (Unaudited)	Year Ended December 31, 2000 ^a
Operations (\$):		
Investment income—net	106,926	133,868
Net realized gain (loss) on investments	(4,341,633)	940,784
Net unrealized appreciation (depreciation) on investments	3,480,013	90,204
Net Increase (Decrease) in Net Assets Resulting from Operations	(754,694)	1,164,856
Dividends to Shareholders (\$):		
From investment income—net:		
Initial shares	(13,745)	(126,162)
Service shares	(167)	—
From net realized gain on investments:		
Initial shares	—	(659,279)
In excess of net realized gain on investments:		
Initial shares	—	(482,633)
Total Dividends	(13,912)	(1,268,074)
Beneficial Interest Transactions (\$):		
Net proceeds from shares sold:		
Initial shares	56,599,577	70,330,857
Service shares	3,955,826	500
Dividends reinvested:		
Initial shares	13,745	1,268,074
Service shares	167	—
Cost of shares redeemed:		
Initial shares	(5,736,445)	(10,274,545)
Service shares	(489,311)	—
Increase (Decrease) in Net Assets from Beneficial Interest Transactions	54,343,559	61,324,886
Total Increase (Decrease) in Net Assets	53,574,953	61,221,668
Net Assets (\$):		
Beginning of Period	76,784,543	15,562,875
End of Period	130,359,496	76,784,543
Undistributed investment income—net	101,020	8,006

	Six Months Ended June 30, 2001 (Unaudited)	Year Ended December 31, 2000 ^a
Capital Share Transactions:		
Initial Shares		
Shares sold	4,070,841	4,850,323
Shares issued for dividends reinvested	1,071	95,332
Shares redeemed	(423,272)	(729,677)
Net Increase (Decrease) in Shares Outstanding	3,648,640	4,215,978
Service Shares		
Shares sold	286,495	35
Shares issued for dividends reinvested	13	–
Shares redeemed	(34,662)	–
Net Increase (Decrease) in Shares Outstanding	251,846	35

^a Effective December 31, 2000, shares of the portfolio were redesignated as Initial shares and the portfolio commenced selling Service shares.

See notes to financial statements.

FINANCIAL HIGHLIGHTS

The following tables describe the performance for each share class for the fiscal periods indicated. All information (except portfolio turnover rate) reflects financial results for a single portfolio share. 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.

Initial Shares	Six Months Ended	Year Ended December 31,		
	June 30, 2001 (Unaudited)	2000	1999	1998 ^a
Per Share Data (\$):				
Net asset value, beginning of period	14.29	13.44	12.16	12.50
Investment Operations:				
Investment income—net	.01 ^b	.05 ^b	.03 ^b	.02
Net realized and unrealized gain (loss) on investments	(.24)	1.05	1.28	(.34)
Total from Investment Operations	(.23)	1.10	1.31	(.32)
Distributions:				
Dividends from investment income—net	.00 ^c	(.03)	(.03)	(.02)
Dividends from net realized gain on investments	—	(.13)	—	—
Dividends in excess of net realized gain on investments	—	(.09)	—	—
Total Distributions	.00 ^c	(.25)	(.03)	(.02)
Net asset value, end of period	14.06	14.29	13.44	12.16
Total Return (%)	(1.59) ^d	8.28	10.82	(2.53) ^d
Ratios/Supplemental Data (%):				
Ratio of expenses to average net assets	.46 ^d	.98	.97	.67 ^d
Ratio of net investment income to average net assets	.11 ^d	.34	.26	.18 ^d
Decrease reflected in above expense ratios due to undertakings by The Dreyfus Corporation				
	—	.06	.49	.60 ^d
Portfolio Turnover Rate	36.85 ^d	102.89	77.73	75.74 ^d
Net Assets, end of period (\$ x 1,000)	126,821	76,784	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.

	Six Months Ended June 30, 2001 (Unaudited)	Period Ended December 31, 2000 ^a
Service Shares		
Per Share Data (\$):		
Net asset value, beginning of period	14.29	14.29
Investment Operations:		
Investment income—net	.01 ^b	—
Net realized and unrealized gain (loss) on investments	(.25)	—
Total from Investment Operations	(.24)	—
Net asset value, end of period	14.05	14.29
Total Return (%)	(1.66) ^c	—
Ratios/Supplemental Data (%):		
Ratio of expenses to average net assets	.50 ^c	—
Ratio of net investment income to average net assets	.06 ^c	—
Decrease reflected in above expense ratios due to undertaking by The Dreyfus Corporation	.15 ^c	—
Portfolio Turnover Rate	36.85 ^c	102.89
Net Assets, end of period (\$ x 1,000)	3,539	1

^a The portfolio commenced offering Service shares on December 31, 2000.

^b Based on average shares outstanding at each month end.

^c Not annualized.

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS (Unaudited)

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.

Dreyfus Service Corporation (the “Distributor”), a wholly-owned subsidiary of Dreyfus, is the distributor of the portfolio’s shares, which are sold without a sales charge. The portfolio is authorized to issue an unlimited number of \$.001 par value shares of Beneficial Interest in each of the following classes of shares: Initial and Service. Each class of shares has identical rights and privileges, except with respect to the distribution plan and the expenses borne by each class and certain voting rights.

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 accounting principles generally accepted in the United States, 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 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 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 and premium on investments, is recognized on the accrual basis. Under the terms of the custody agreement, the portfolio received net earnings credits of \$13 during the period ended June 30, 2001 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 Dreyfus, 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 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 the 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, if any, 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.

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 based on prevailing market rates in effect at the time of borrowings. During the period ended June 30, 2001, 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 agreed, until December 31, 2001, to waive receipt of its fees and/or assume the expenses of the portfolio so that the expenses of neither class, exclusive of taxes, brokerage fees, interest on borrowings and extraordinary expenses, exceed 1% of the value of the average daily net assets of their class. During the period ended June 30, 2001, Dreyfus waived receipt of fees of \$2,006, pursuant to the undertaking.

(b) Under the Distribution Plan (the “Plan”) adopted pursuant to Rule 12b-1 under the Act, Service shares pay the Distributor for distributing their shares, for servicing and/or maintaining Service shares shareholder accounts and for advertising and marketing for Service shares. The Plan provides for payments to be made at an annual rate of .25 of 1% of the value of the Service shares’ average daily net assets. The Distributor may make payments to Participating Insurance Companies and to brokers and dealers acting as principal underwriter for their variable insurance products. The fees payable under the Plan are payable without regard to actual expenses incurred. During the period ended June 30, 2001, Service shares were charged \$1,658 pursuant to the Plan.

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, 2001, the portfolio was charged \$89 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, 2001, the portfolio was charged \$16,436 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”). 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. Subject to the fund’s Emeritus Program Guidelines, Emeritus Board members, if any, receive 50% of the 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, 2001, amounted to \$90,878,301 and \$35,414,110, respectively.

At June 30, 2001, accumulated net unrealized appreciation on investments was \$5,465,550, consisting of \$13,487,625 gross unrealized appreciation and \$8,022,075 gross unrealized depreciation.

At June 30, 2001, 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).

NOTES

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For More Information

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

**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 9263
Boston, MA 02205-8501

Distributor

Dreyfus Service Corporation
200 Park Avenue
New York, NY 10166

INVESCO Variable Investment Funds, Inc.

*A mutual fund sold exclusively to insurance company separate accounts
for variable annuity and variable life insurance contracts.*

VIF-UTILITIES FUND

SEMI
ANNUAL
REPORT

Market Overview

July 2001

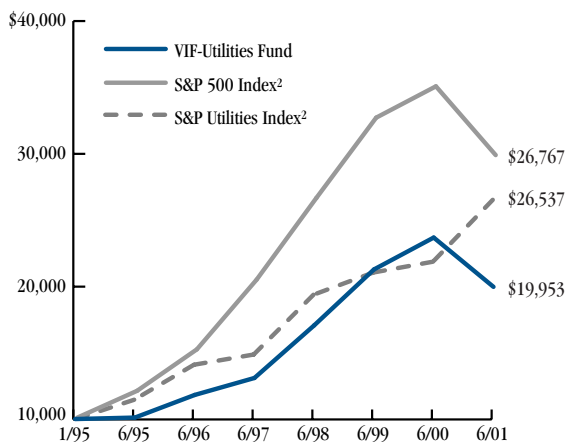
Equity market performance so far this year has truly been a tale of two quarters. In the first quarter, the declines of 2000 carried over into the New Year, despite the Federal Reserve initiating a campaign to lower interest rates and stimulate the economy. Indeed, negative news captured investors' attention. Corporate America began to feel the effects of the slowing economy, and profit warnings became a daily occurrence. Perhaps no sector felt the economic pinch more sharply than telecommunications, which saw waning demand for services and products, excess inventories and, in some sub-sectors, funding concerns and bankruptcies.

On the economic front, the first quarter's news painted a fairly grim picture. Unemployment ticked higher and manufacturing slumped abruptly. Corporate lay-off announcements were common. As a result of these developments, the "R" word (recession) surfaced with increasing frequency in discussions of the economic outlook. Surprisingly, however, consumers seemed somewhat immune to the problems plaguing corporations, and consumer spending remained robust while the housing market stayed strong relative to historical comparisons.

In the second quarter, the Fed's rate cuts fanned hopes about a second-half economic recovery. Although investor sentiment improved, corporations continued to report minimal visibility into the near-term business outlook. Meanwhile, economic data began to reveal a more stable business climate, with unemployment leveling and inflation remaining minimal. This data, along with the accommodating stance of the central bank, incited investors to bid stocks higher. By the end of June, stocks had recovered a portion of the first quarter's losses, but many of the broad market indexes remained in negative territory on a year-to-date basis.

VIF-Utilities Fund

The line graph below illustrates, for the period from inception through June 30, 2001, the value of a \$10,000 investment in the fund, plus reinvested dividends and capital gain distributions. The charts and other total return figures cited reflect the fund's operating expenses, but the indexes do not have expenses, which would, of course, have lowered their performance. (Past performance is not a guarantee of future results.)^{1,2}



For the six-month period ended June 30, 2001, the value of your shares declined 16.48%, underperforming the 6.69% decline in the S&P 500 Index, as well as the 12.40% decline in the S&P Utilities Index, which is likely a more accurate benchmark for the fund. (Of course, past performance is no guarantee of future results.)^{1,2}

Performance by utility stocks was mixed during the first half of the year as the power crisis in California spotlighted the disparity between electricity supply and demand. The fact that prices of the underlying

VIF-Utilities Fund Average Annualized Total Return as of 6/30/01¹

1 year	(15.69%)
5 years	11.05%
Since inception (1/95)	11.23%

commodities backed off their highs only increased investors' anxiety about the group's near-term prospects, and several of the fund's holdings, such as Duke Energy and Calpine Corp, declined sharply.

The news was also poor for telecommunications-related utilities, many of which guided down earnings expectations. These pressures affected incumbent providers as well as competitive local exchange carriers (CLECs). The CLECs performed particularly poorly, as many of the sub-sector's weaker participants could not secure sufficient capital to fund their operations. Indeed, several CLECs declared bankruptcy during the period. Although the fund's exposure to this group is limited to only the highest quality, best-funded CLECs, such as Time Warner Telecom and Allegiance Telecom, this exposure hurt performance nonetheless.

The fund also saw a few of its holdings resist the sector's weakness. Mirant Corp, formerly Southern Energy, which generates and distributes power around the world, advanced sharply after announcing it would likely grow faster than previously expected.

The headlines and political rhetoric have started and will likely intensify as the summer progresses — particularly when rolling blackouts occur in California. These developments will almost certainly keep energy stocks volatile for the near future. Telecommunications shares will also likely remain under pressure until we see meaningful, sustainable fundamental improvement from the sector.

Over the long term, however, the outlook for utilities is quite bright. In the energy sector, the sensational headlines will become less frequent as the year progresses, and investors will again appreciate the attractive fundamentals this group possesses. Meanwhile, telecommunications companies will also see brighter days as the economy stabilizes. With these developments in mind, we remain optimistic about the fund's long-term prospects.

Fund Management

Brian Hayward, CFA

Senior Vice President, INVESCO Funds Group. BA, MA, University of Missouri. Joined INVESCO in 1997. Began investment career in 1985.

¹Total return assumes reinvestment of dividends and capital gain distributions for the periods indicated. Investment return and principal value will fluctuate so that, when redeemed, an investor's shares may be worth more or less than when purchased. Fund returns are net of expenses, but do not reflect the additional fees and expenses of the variable annuity or variable life insurance contract. If those contract fees and expenses were included, the returns would be less than those shown.

²The S&P 500 Index is an unmanaged index considered representative of the performance of the broad U.S. stock market. The S&P Utilities Index is an unmanaged index representative of equities in the utility sector of the S&P 500 Index. The indexes are not managed; therefore, their performances do not reflect management fees and other expenses associated with the fund. Investors cannot invest directly in these or any other market index.

Sector funds may be more volatile than diversified equity funds, and are most suitable for the aggressive portion of your portfolio.

STATEMENT OF INVESTMENT SECURITIES

INVESCO Variable Investment Funds, Inc.

June 30, 2001

UNAUDITED

%	DESCRIPTION	SHARES OR PRINCIPAL AMOUNT	VALUE
Utilities Fund			
89.28	COMMON STOCKS		
41.68	ELECTRIC UTILITIES		
	AES Corp ^(a)	5,000	\$ 215,250
	Alliant Energy	12,070	351,841
	Calpine Corp ^(a)	13,500	510,300
	Constellation Energy Group	7,900	336,540
	Dominion Resources	6,700	402,871
	Duke Energy	13,352	520,862
	Exelon Corp	7,812	500,905
	FPL Group	2,500	150,525
	Mirant Corp ^(a)	13,800	474,720
	NiSource Inc	7,234	197,705
	Pinnacle West Capital	8,700	412,380
	PPL Corp	5,000	275,000
	Reliant Energy	6,200	199,702
	Reliant Resources ^(a)	12,500	308,750
	SCANA Corp	9,500	269,800
	TXU Corp	8,300	399,977
			5,527,128
0.74	IRON & STEEL		
	Oregon Steel Mills	11,600	98,600
15.69	NATURAL GAS		
	Dynegy Inc Class A Shrs	9,700	451,050
	El Paso	12,249	643,562
	Enron Corp	5,000	245,000
	Kinder Morgan Management LLC ^(a)	2,000	137,000
	ONEOK Inc	15,100	297,470
	Williams Cos	9,300	306,435
			2,080,517
2.70	OIL & GAS — EXPLORATION & PRODUCTION		
	NRG Energy ^(a)	16,200	357,696
6.54	TELECOMMUNICATIONS — CELLULAR & WIRELESS		
	Cable & Wireless PLC	40,600	238,820
	Crown Castle International ^(a)	9,100	149,240
	Nextel Communications Class A Shrs ^(a)	11,900	208,250
	Nextel Partners Class A Shrs ^(a)	10,100	156,752
	Vodafone Group PLC	51,684	114,484
			867,546
5.03	TELECOMMUNICATIONS — LONG DISTANCE		
	Allegiance Telecom ^(a)	24,700	370,253

%	DESCRIPTION	SHARES OR PRINCIPAL AMOUNT	VALUE
	Qwest Communications International	9,301	\$ 296,423
			666,676
16.90	TELEPHONE		
	ALLTEL Corp	5,200	318,552
	Amdocs Ltd ^(a)	5,700	306,945
	AT&T Canada Class B Depository Receipts ^(a)	2,900	87,377
	BellSouth Corp	9,040	364,041
	COLT Telecom Group PLC Sponsored ADR Representing 4 Ord Shrs ^(a)	1,600	44,800
	McLeodUSA Inc Class A Shrs ^(a)	22,600	103,734
	SBC Communications	7,406	296,684
	Telefonica SA Sponsored ADR Representing 3 Ord Shrs ^(a)	5,883	219,083
	Time Warner Telecom Class A Shrs ^(a)	7,000	234,640
	Verizon Communications	3,433	183,666
	WorldCom Inc-WorldCom Group ^(a)	5,795	82,289
			2,241,811
	TOTAL COMMON STOCKS (Cost \$11,041,376)		11,839,974
10.72	SHORT-TERM INVESTMENTS — REPURCHASE AGREEMENTS		
	Repurchase Agreement with State Street dated 6/29/2001 due 7/2/2001 at 3.880%, repurchased at \$1,422,460 (Collateralized by US Treasury Bonds, due 8/15/2019 at 8.125%, value \$1,454,126) (Cost \$1,422,000)	\$ 1,422,000	1,422,000
100.00	TOTAL INVESTMENT SECURITIES AT VALUE		
	(Cost \$12,463,376) (Cost for Income Tax Purposes \$12,515,570)		\$ 13,261,974

^(a) Security is non-income producing.

See Notes to Financial Statements

STATEMENT OF ASSETS AND LIABILITIES

INVESCO Variable Investment Funds, Inc.

June 30, 2001

UNAUDITED

	UTILITIES FUND
ASSETS	
Investment Securities:	
At Cost ^(a)	\$ 12,463,376
At Value ^(a)	\$ 13,261,974
Foreign Currency (Cost \$1,007)	962
Receivables:	
Investment Securities Sold	81,901
Fund Shares Sold	186,375
Dividends and Interest	14,919
Prepaid Expenses and Other Assets	479
TOTAL ASSETS	13,546,610
LIABILITIES	
Payables:	
Custodian	5,020
Investment Securities Purchased	182,989
Fund Shares Repurchased	147
Accrued Expenses and Other Payables	8,367
TOTAL LIABILITIES	196,523
Net Assets at Value	\$ 13,350,087
NET ASSETS	
Paid-in Capital ^(b)	\$ 12,420,291
Accumulated Undistributed Net Investment Income	155,097
Accumulated Undistributed Net Realized Loss on Investment Securities and Foreign Currency Transactions	(23,859)
Net Appreciation of Investment Securities and Foreign Currency Transactions	798,558
Net Assets at Value	\$ 13,350,087
Shares Outstanding	759,039
Net Asset Value, Offering and Redemption Price per Share	\$ 17.59

(a) Investment securities at cost and value at June 30, 2001 includes a repurchase agreement of \$1,422,000.

(b) INVESCO Variable Investment Funds, Inc. have 1.5 billion authorized shares of common stock, par value of \$0.01 per share. Of such shares, 100 million have been allocated to the Fund.

See Notes to Financial Statements

STATEMENT OF OPERATIONS

INVESCO Variable Investment Funds, Inc. Six Months Ended June 30, 2001

UNAUDITED

	UTILITIES FUND
INVESTMENT INCOME	
INCOME	
Dividends	\$ 94,015
Interest	31,543
Foreign Taxes Withheld	(57)
TOTAL INCOME	125,501
EXPENSES	
Investment Advisory Fees	37,772
Administrative Services Fees	21,683
Custodian Fees and Expenses	4,640
Directors' Fees and Expenses	4,675
Professional Fees and Expenses	8,241
Registration Fees and Expenses	24
Reports to Shareholders	13,595
Transfer Agent Fees	2,500
Other Expenses	465
TOTAL EXPENSES	93,595
Fees and Expenses Absorbed by Investment Adviser	(20,823)
Fees and Expenses Paid Indirectly	(365)
NET EXPENSES	72,407
NET INVESTMENT INCOME	53,094
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENT SECURITIES	
Net Realized Gain (Loss) on:	
Investment Securities	(67,285)
Foreign Currency Transactions	5,203
Total Net Realized Loss	(62,082)
Change in Net Depreciation of:	
Investment Securities	(2,268,560)
Foreign Currency Transactions	(19,242)
Total Net Depreciation	(2,287,802)
NET LOSS ON INVESTMENT SECURITIES AND FOREIGN CURRENCY TRANSACTIONS	(2,349,884)
Net Decrease in Net Assets from Operations	\$ (2,296,790)

See Notes to Financial Statements

STATEMENT OF CHANGES IN NET ASSETS

Utilities Fund

	SIX MONTHS ENDED JUNE 30 2001 UNAUDITED	YEAR ENDED DECEMBER 31 2000
OPERATIONS		
Net Investment Income	\$ 53,094	\$ 102,327
Net Realized Gain (Loss) on Investment Securities and Foreign Currency Transactions	(62,082)	43,748
Change in Net Appreciation (Depreciation) of Investment Securities and Foreign Currency Transactions	(2,287,802)	358,590
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	(2,296,790)	504,665
DISTRIBUTIONS TO SHAREHOLDERS		
Net Investment Income	0	(14,611)
Net Realized Gain on Investment Securities and Foreign Currency Transactions	0	(499,901)
TOTAL DISTRIBUTIONS	0	(514,512)
FUND SHARE TRANSACTIONS		
Proceeds from Sales of Shares	6,713,879	7,965,982
Reinvestment of Distributions	0	514,512
	6,713,879	8,480,494
Amounts Paid for Repurchases of Shares	(3,366,614)	(5,308,217)
NET INCREASE IN NET ASSETS FROM FUND SHARE TRANSACTIONS	3,347,265	3,172,277
Total Increase in Net Assets	1,050,475	3,162,430
NET ASSETS		
Beginning of Period	12,299,612	9,137,182
End of Period (Including Accumulated Undistributed Net Investment Income of \$155,097 and \$102,003, respectively)	\$ 13,350,087	\$ 12,299,612
FUND SHARE TRANSACTIONS		
Shares Sold	343,692	362,828
Shares Issued from Reinvestment of Distributions	0	26,251
	343,692	389,079
Shares Repurchased	(168,794)	(240,655)
Net Increase in Fund Shares	174,898	148,424

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

INVESCO Variable Investment Funds, Inc.

UNAUDITED

NOTE 1 — Organization And Significant Accounting Policies. INVESCO Variable Investment Funds, Inc. is incorporated in Maryland and presently consists of thirteen separate Funds: Blue Chip Growth Fund, Dynamics Fund, Equity Income Fund, Financial Services Fund, Health Sciences Fund, High Yield Fund, Market Neutral Fund, Real Estate Opportunity Fund, Small Company Growth Fund, Technology Fund, Telecommunications Fund, Total Return Fund and Utilities Fund (the "Fund", presented herein). The investment objective of the Fund is to seek capital appreciation and income through investments in a specific business sector. The INVESCO Variable Investment Funds, Inc. is registered under the Investment Company Act of 1940 (the "Act") as a diversified, open-end management investment company. The Fund's shares are not offered directly to the public but are sold exclusively to life insurance companies ("Participating Insurance Companies") as a pooled funding vehicle for variable annuity and variable life insurance contracts issued by separate accounts of the Participating Insurance Companies.

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts 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.

A. Security Valuation — Equity securities traded on national securities exchanges or in the over-the-counter market are valued at the last sales price at the close of the regular trading day on the exchange (generally 4:00 p.m. Eastern time) where such securities are primarily traded. If last sales prices are not available, securities are valued at the highest closing bid prices at the close of the regular trading day as obtained from one or more dealers making a market for such securities or by a pricing service approved by the Fund's board of directors.

Foreign securities are valued at the closing price on the principal stock exchange on which they are traded. In the event that closing prices are not available for foreign securities, prices will be obtained from the principal stock exchange at or prior to the close of the New York Stock Exchange. Foreign currency exchange rates are determined daily prior to the close of the New York Stock Exchange.

If market quotations or pricing service valuations are not readily available, securities are valued at fair value as determined in good faith under procedures established by the Fund's board of directors.

Short-term securities are stated at amortized cost (which approximates market value) if maturity is 60 days or less at the time of purchase, or market value if maturity is greater than 60 days.

Assets and liabilities initially expressed in terms of foreign currencies are translated into U.S. dollars at the prevailing market rates as quoted by one or more banks or dealers on the date of valuation.

B. Repurchase Agreements — Repurchase agreements held by the Fund are fully collateralized by U.S. Government securities and such collateral is in the possession of the Fund's custodian. The collateral is evaluated daily to ensure its market value exceeds the current market value of the repurchase agreements including accrued interest. In the event of default on the obligation to repurchase, the Fund 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.

C. Security Transactions And Related Investment Income — Security transactions are accounted for on the trade date and dividend income is recorded on the ex-dividend date. Certain dividends from foreign securities will be recorded as soon as the Fund is informed of the dividend if such information is obtained subsequent to the ex-dividend date. Interest income, which may be comprised of stated coupon rate, market discount, original issue discount or amortized premium, is recorded on the accrual basis. Income and expenses on foreign securities are translated into U.S. dollars at rates of exchange prevailing when accrued. Cost is determined on the specific identification basis. The cost of foreign securities is translated into U.S. dollars at the rates of exchange prevailing when such securities are acquired.

The Fund may invest in securities issued by other INVESCO investment companies that invest in short-term debt securities and seek to maintain a net asset value of one dollar per share.

The Fund may have elements of risk due to concentrated investments in specific industries or foreign issuers located in a specific country. Such investments may subject the Fund to additional risks resulting from future political or economic conditions and/or possible impositions of adverse foreign governmental laws or currency exchange restrictions. Net realized and unrealized gain or loss from investment securities includes fluctuations from currency exchange rates and fluctuations in market value.

The Fund's use of short-term forward foreign currency contracts may subject it to certain risks as a result of unanticipated movements in foreign exchange rates. The Fund does not hold short-term forward foreign currency contracts for trading purposes. The Fund may hold foreign currency in anticipation of settling foreign security transactions and not for investment purposes.

D. Federal And State Taxes — The Fund has complied, and continues to comply, with the provisions of the Internal Revenue Code applicable to regulated investment companies and, accordingly, has made or intends to make sufficient distributions of net investment income and net realized capital gains, if any, to relieve it from all federal and state income taxes and federal excise taxes.

The Fund incurred and elected to defer post-October 31 net capital losses of \$26,086 to the year ended December 31, 2001. To the extent future capital gains and income are offset by capital loss carryovers and deferred post-October 31 losses, such gains and income will not be distributed to shareholders.

Dividends paid by the Fund from net investment income and distributions of net realized short-term capital gains are, for federal income tax purposes, taxable as ordinary income to shareholders.

Investment income received from foreign sources may be subject to foreign withholding taxes. Dividend and interest income is shown gross of foreign withholding taxes in the accompanying financial statements.

E. Dividends And Distributions To Shareholders — Dividends and distributions to shareholders are recorded by the Fund on the ex-dividend/distribution date. The Fund distributes net realized capital gains, if any, to its shareholders at least annually, if not offset by capital loss carryovers. Income distributions and capital gain distributions are determined in accordance with income tax regulations which may differ from accounting principles generally accepted in the United States. These differences are primarily due to differing treatments for amortized premiums, expired capital loss carryforwards, foreign currency transactions, market discounts, net operating losses and nontaxable dividends.

F. Forward Foreign Currency Contracts — The Fund enters into short-term forward foreign currency contracts in connection with planned purchases or sales of securities as a hedge against fluctuations in foreign exchange rates pending the settlement of transactions in foreign securities. A forward foreign currency contract is an agreement between contracting parties to exchange an amount of currency at some future time at an agreed upon rate. These contracts are marked-to-market daily and the related appreciation or depreciation of the contracts is presented in the Statement of Assets and Liabilities. Any realized gain or loss incurred by the Fund upon the sale of securities is included in the Statement of Operations.

G. Expenses — The Fund bears expenses incurred specifically on its behalf and, in addition, the Fund bears a portion of general expenses, based on the relative net assets of the Fund.

Under an agreement between the Fund and the Fund's Custodian, agreed upon Custodian Fees and Expenses are reduced by credits granted by the Custodian from any temporarily uninvested cash. Such credits are included in Fees and Expenses Paid Indirectly in the Statement of Operations.

NOTE 2 — Investment Advisory And Other Agreements. INVESCO Funds Group, Inc. ("IFG") serves as the Fund's investment adviser. As compensation for its services to the Fund, IFG receives an investment advisory fee which is accrued daily at the applicable rate and paid monthly. Prior to June 15, 2001, the fee for the Fund was based on the annual rate of 0.60% on the first \$500 million of average net assets; reduced to 0.55% on the next \$500 million of average net assets; reduced to 0.45% of average net assets in excess of \$1 billion; reduced to 0.40% of average net assets in excess of \$4 billion; reduced to 0.375% of average net assets in excess of \$6 billion and 0.35% of average net assets over \$8 billion. Effective June 15, 2001, the investment advisory fee for the Fund is based on the annual rate of 0.60% of average net assets.

IFG receives a transfer agent fee of \$5,000 per year. The fee is paid monthly at one-twelfth of the annual fee.

In accordance with an Administrative Services Agreement, the Fund pays IFG an annual fee of \$10,000 (the "Base Fee"), plus an additional amount computed at an annual rate of 0.265% (the "Incremental Fee") of average net assets to provide administrative, accounting and clerical services. The fee is accrued daily and paid monthly. IFG may pay all or a portion of the Base Fee and the Incremental Fees to other companies that assist in providing the services.

IFG has voluntarily agreed to absorb certain fees and expenses incurred by the Fund for the six months ended June 30, 2001.

NOTE 3 — Purchases And Sales Of Investment Securities. For the six months ended June 30, 2001, the aggregate cost of purchases and proceeds from sales of investment securities (excluding all U.S. Government securities and short-term securities) were \$4,853,655 and \$1,866,453, respectively. There were no purchases or sales of U.S. Government securities.

NOTE 4 — Appreciation And Depreciation. At June 30, 2001, the gross appreciation of securities in which there was an excess of value over tax cost amounted to \$1,652,163 and the gross depreciation of securities in which there was an excess of tax cost over value amounted to \$905,759, resulting in net appreciation of \$746,404.

NOTE 5 — Transactions With Affiliates. Certain of the Fund's officers and directors are also officers and directors of IFG.

The Fund has adopted an unfunded defined benefit deferred compensation plan covering all independent directors of the Fund who will have served as an independent director for at least five years at the time of retirement. Benefits under this plan are based on an annual rate as defined in the plan agreement, as amended March 1, 2001

Pension expenses for the six months ended June 30, 2001, included in Directors' Fees and Expenses in the Statement of Operations were \$66. Unfunded accrued pension costs of \$0 and pension liability of \$455 are included in Prepaid Expenses and Accrued Expenses, respectively, in the Statement of Assets and Liabilities.

The independent directors have contributed to a deferred fee agreement plan, pursuant to which they have deferred receipt of a portion of the compensation which they would otherwise have been paid as directors of the INVESCO Funds. The deferred amounts may be invested in the shares of any of the INVESCO Funds, excluding the INVESCO Variable Investment Funds.

NOTE 6 — Securities Loaned. The Fund has entered into a securities lending arrangement with the custodian effective April 27, 2001. Under the terms of the agreement, the Fund receives annual income, recorded monthly, after deduction of other amounts payable to the custodian or to the borrower from lending transactions. In exchange for such fees, the custodian is authorized to loan securities on behalf of the Fund, against receipt of collateral at least equal in value to the value of securities loaned. Cash collateral is invested by the custodian in the INVESCO Treasurer's Money Market Reserve Fund. The Fund bears the risk of any deficiency in the amount of collateral available for return to a borrower due to a loss in an approved investment. The securities loaned income is recorded in the Statement of Operations. At June 30, 2001, there were no such securities lending arrangements for the Fund.

NOTE 7 — Interfund Borrowing and Lending. The Fund is party to an interfund lending agreement between the Fund and other INVESCO sponsored mutual funds, which permit it to borrow or lend cash, at rates beneficial to both the borrowing and lending funds. Loans totaling 10% or more of a borrowing Fund's total assets are collateralized at 102% of the value of the loan; loans of less than 10% are unsecured. The Fund may borrow up to 10% of its total assets for temporary or emergency purposes. At June 30, 2001, there were no such borrowings and/or lendings for the Fund.

NOTE 8 — Line Of Credit. The Fund has available a Redemption Line of Credit Facility ("LOC"), from a consortium of national banks, to be used for temporary or emergency purposes to fund redemptions of investor shares. The LOC permits borrowings to a maximum of 10% of the net assets at value of the Fund. The Fund agrees to pay annual fees and interest on the unpaid principal balance based on prevailing market rates as defined in the agreement. At June 30, 2001, there were no such borrowings for the Fund.

FINANCIAL HIGHLIGHTS

Utilities Fund

(For a Fund Share Outstanding Throughout Each Period)

	SIX MONTHS ENDED JUNE 30	YEAR ENDED DECEMBER 31				
	2001	2000	1999	1998	1997	1996
	UNAUDITED					
PER SHARE DATA						
Net Asset Value — Beginning of Period	\$ 21.06	\$ 20.97	\$ 17.78	\$ 14.40	\$ 11.95	\$ 10.84
INCOME FROM INVESTMENT OPERATIONS						
Net Investment Income	0.03	0.17	0.22	0.25	0.31	0.13
Net Gains or (Losses) on Securities (Both Realized and Unrealized)	(3.50)	0.87	3.17	3.41	2.48	1.26
Total from Investment Operations	(3.47)	1.04	3.39	3.66	2.79	1.39
LESS DISTRIBUTIONS						
Dividends from Net Investment Income	0.00	0.03	0.20	0.24	0.29	0.13
In Excess of Net Investment Income	0.00	0.00	0.00	0.00	0.00	0.01
Distributions from Capital Gains	0.00	0.92	0.00	0.03	0.05	0.14
In Excess of Capital Gains	0.00	0.00	0.00	0.01	0.00	0.00
Total Distributions	0.00	0.95	0.20	0.28	0.34	0.28
Net Asset Value — End of Period	\$ 17.59	\$ 21.06	\$ 20.97	\$ 17.78	\$ 14.40	\$ 11.95
TOTAL RETURN ^(a)	(16.48%) ^(b)	5.28%	19.13%	25.48%	23.41%	12.76%
RATIOS						
Net Assets — End of Period (\$000 Omitted)	\$ 13,350	\$ 12,300	\$ 9,137	\$ 6,993	\$ 4,588	\$ 2,660
Ratio of Expenses to Average Net Assets ^{(c)(d)}	0.58% ^(b)	1.22%	1.20%	1.08%	0.99%	1.16%
Ratio of Net Investment Income to Average Net Assets ^(d)	0.42% ^(b)	0.94%	1.15%	1.73%	2.92%	2.92%
Portfolio Turnover Rate	16% ^(b)	50%	40%	35%	33%	48%

(a) Total return does not reflect expenses that apply to the related insurance policies, and inclusion of these charges would reduce the total return figures for the periods shown.

(b) Based on operations for the period shown and, accordingly, is not representative of a full year.

(c) Ratio is based on Total Expenses of the Fund, less Expenses Absorbed by Investment Adviser, which is before any expense offset arrangements.

(d) Various expenses of the Fund were voluntarily absorbed by IFG for the six months ended June 30, 2001 and the years ended December 31, 2000, 1999, 1998, 1997, and 1996. If such expenses had not been voluntarily absorbed, ratio of expenses to average net assets would have been 0.74%, 1.41%, 1.53%, 1.60%, 2.07% and 5.36%, respectively, and ratio of net investment income (loss) to average net assets would have been 0.26%, 0.75%, 0.82%, 1.21%, 1.84% and (1.28%), respectively.

OTHER INFORMATION

UNAUDITED

On June 14, 2001, a special meeting of the shareholders of the Fund was held at which the twelve directors (Proposal 1) identified below were elected. The elimination of breakpoints in the investment advisory fee schedule contained in the investment advisory agreement between INVESCO Variable Investment Funds, Inc. - Utilities Fund and INVESCO Funds Group, Inc., the Investment Advisor, (Proposal 2) was ratified. The following is a report of the votes cast:

NOMINEE/PROPOSAL	FOR	AGAINST	WITHHELD/ ABSTAIN	TOTAL
Proposal 1				
Victor L. Andrews	624,354	0	5,733	630,087
Bob R. Baker	624,354	0	5,733	630,087
Charles W. Brady	624,354	0	5,733	630,087
Lawrence H. Budner	624,354	0	5,733	630,087
James T. Bunch	624,354	0	5,733	630,087
Fred A. Deering	624,354	0	5,733	630,087
Wendy L. Gramm	624,354	0	5,733	630,087
Richard W. Healey	624,354	0	5,733	630,087
Gerald J. Lewis	624,354	0	5,733	630,087
John W. McIntyre	624,354	0	5,733	630,087
Larry Soll	624,354	0	5,733	630,087
Mark H. Williamson	624,354	0	5,733	630,087
Proposal 2	543,909	57,815	28,363	630,087

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Scudder Variable Series I

Semiannual Report

June 30, 2001

An open-end management investment company that offers shares of beneficial interest in six types of diversified portfolios.

Contents

3	Letter from the Fund's President		
Growth and Income Portfolio			
4	Portfolio Management Discussion		
5	Performance Update		
6	Portfolio Summary		
7	Investment Portfolio		
11	Financial Statements		
14	Financial Highlights		
Capital Growth Portfolio			
15	Portfolio Management Discussion		
16	Performance Update		
17	Portfolio Summary		
18	Investment Portfolio		
21	Financial Statements		
24	Financial Highlights		
21st Century Growth Portfolio			
25	Portfolio Management Discussion		
26	Performance Update		
27	Portfolio Summary		
28	Investment Portfolio		
32	Financial Statements		
35	Financial Highlights		
Global Discovery Portfolio			
36	Portfolio Management Discussion		
37	Performance Update		
38	Portfolio Summary		
39	Investment Portfolio		
42	Financial Statements		
45	Financial Highlights		
		International Portfolio	
		46	Portfolio Management Discussion
		47	Performance Update
		48	Portfolio Summary
		49	Investment Portfolio
		53	Financial Statements
		56	Financial Highlights
		Health Sciences Portfolio	
		57	Portfolio Management Discussion
		58	Portfolio Summary
		59	Investment Portfolio
		61	Financial Statements
		64	Financial Highlights
		65	Notes to Financial Statements

Letter from the Fund's President



Linda C. Coughlin, President
Scudder Variable Series I

Dear Shareholders,

The long-running debate regarding the direction of the U.S. economy was the most important factor influencing the performance of the global financial markets during the first half of the year. Two schools of thought dominated the discourse regarding the fate of the economy and its potential impact on stock prices during this time: Those who were optimistic on the market's prospects said that the substantial interest rate cuts by the U.S. Federal Reserve Board, in combination with the potential stimulus that could result from the recent tax reduction, would spark a rebound in the economy and corporate earnings in the second half of the year. The more pessimistic view said that the economy is plagued by deeper problems that tax cuts and lower interest rates cannot cure quickly, meaning that the slowdown could drag on well into 2002.

Although it is still unclear which of these scenarios will ultimately prove correct, the high level of uncertainty regarding the economy and corporate earnings translated into a difficult first half for stock prices. Technology and telecommunications stocks were hit particularly hard, as were most growth-oriented shares. Overseas equities also declined as investors began to worry that the problems in the United States were spreading to Europe, and that Japan was falling into a recession. However, value stocks and smaller companies generally produced better relative performance, illustrating the continued importance of diversification.

While the environment proved difficult for equities, bonds performed well. Although many investors may have reduced their holdings in bonds during the late 1990s as stocks produced gains of 20% or more for several years in a row, the events of the recent past have shown that bonds remain critical to diversification. For the 12 months ended June 30, 2001, for example, the Lehman Brothers Aggregate Bond Index rose 11.24%, while the S&P 500 Index fell 14.82%. This does not mean, of course, that investors should sell all their stock investments and move entirely into bonds. However, the recent 25-percentage-point outperformance of bonds illustrates why fixed-income investments should continue to play a role in most shareholder portfolios.

Among the many lessons the stock market correction of 2000–2001 has taught us is the fact that diversification remains important, particularly in periods of market turmoil. For this reason, we encourage you to remain focused on the importance of holding a wide range of asset classes in your portfolio, even at the times when one or more of your investments is losing value or rallying sharply. We believe that Scudder Variable Series I, which offers access to a wide range of investment options, can help you construct a well-rounded portfolio that is positioned to perform well in any environment.

Sincerely,

A handwritten signature in cursive script that reads "Linda Coughlin".

Linda C. Coughlin
President, Scudder Variable Series I

Growth and Income Portfolio

Dear Shareholders,

The first half of 2001 proved to be a difficult period for the broader equity market, as concerns over slower economic growth worldwide weighed on stock prices. In this environment, Class A shares of the portfolio returned -6.21% , slightly ahead of the -6.70% return of its unmanaged benchmark, the S&P 500. We understand that no investor likes to lose money — even in the short term — so this may not necessarily be a consolation. However, we believe that the portfolio's strong relative performance in a falling market over the last two years underscores the effectiveness of our investment style.

On a sector basis, performance was helped by stock selection within the technology and health care sectors, but was hurt by the underperformance of our holdings in the consumer discretionary area, particularly Interpublic Group, an advertising firm. On the individual stock level, performance was boosted by our holdings in Microsoft, Peoplesoft, Bank of America, Adobe, and Genzyme, but was hurt by positions in Corning, Cisco, EMC, Merck, and Sun Microsystems.

We believe the fact that the portfolio outperformed the benchmark in all four of the months in which the market declined illustrates the value of our disciplined, three-step investment process. Our approach to managing the portfolio can be expressed in three simple phrases: valuations, fundamentals, and risk management. We look for companies with improving fundamentals whose strengths, in our view, are not being reflected in their stock prices. But over time, we believe that our research-driven approach — which includes visiting companies, interviewing management teams, and examining balance sheets — allows us to separate the winners from the losers. This is especially important when markets are as volatile as they have been in the past several months.

Our bottom-up process has led us to invest in a number of attractive companies that have become more compelling on a valuation basis. Believing that lower interest rates and a gradually improving economy will provide a better investment environment, we have taken advantage of market volatility by adding to good companies at what we believe are trough prices and attractive fundamentals. Specifically, we have added to consumer cyclicals (TJX, Mattel, May Department Stores) and industrial cyclicals (Waste Management, Union Pacific, Ingersoll-Rand, Tyco), as well as technology (Peoplesoft, Adobe). The portfolio is now about equal weight in technology as the S&P 500, after having been significantly underweight earlier in the year. We have trimmed areas of the portfolio that have provided stronger performance and have therefore become more fully valued, such as energy (Schlumberger), consumer staples (Pepsi, Anheuser-Busch, Avon), utilities (FPL), and financials (JP Morgan, Wachovia, American Express). The portfolio remains moderately overweight in financials, its largest sector holding.

Following these shifts, we believe that the Growth and Income Portfolio — with its systematic approach to building a value-oriented portfolio that includes a growth component — is well positioned to take advantage of the environment we see unfolding in the months ahead.

Sincerely,

Your Portfolio Management Team

Kathleen T. Millard

Kathleen T. Millard
Lead Portfolio Manager

Gregory S. Adams

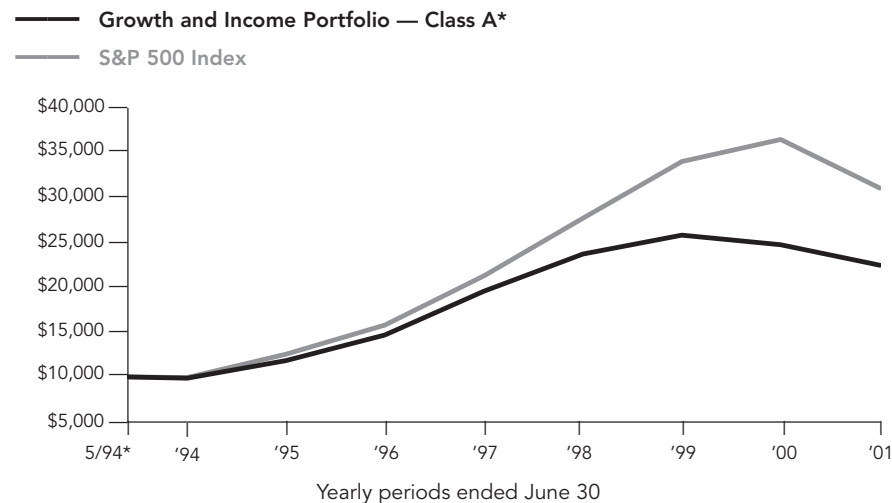
Gregory S. Adams
Portfolio Manager

Management's disciplined, three-step investment process proved instrumental in the portfolio's outperformance.

As of June 30, the following companies' percentage of the portfolio's market value were as follows: Interpublic Group 0.00%, Microsoft 3.58%, Peoplesoft 1.47%, Bank of America 2.75%, Adobe 1.00%, Genzyme 1.09%, Corning 0.71%, Cisco 0.96%, EMC 0.54%, Merck 1.14%, Sun Microsystems 0.00%, TJX 0.85%, Mattel 0.51%, May Department Stores 0.90%, Waste Management 1.53%, Union Pacific 0.93%, Ingersoll-Rand 0.72%, Tyco 0.87%, Schlumberger 0.00%, Pepsico 1.25%, Anheuser Busch 1.25%, Avon Products 1.17%, FPL 0.00%, JP Morgan 0.00%, Wachovia 0.00%, American Express 0.49%.

Growth and Income Portfolio

Growth of a \$10,000 Investment



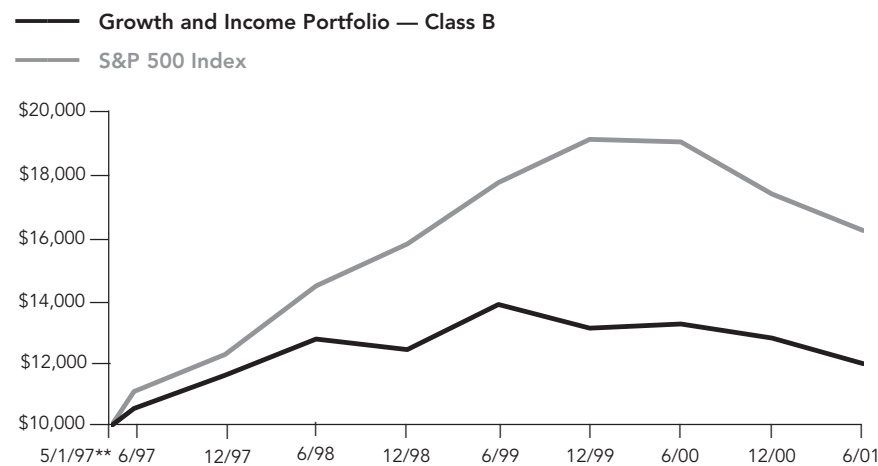
The Standard & Poor's 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Index returns assume reinvestment of dividends and, unlike Portfolio returns, do not reflect any fees or expenses.

Period Ended 6/30/2001	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 9,073	-9.27%	-9.27%
5 Year	\$ 15,279	52.79%	8.85%
Life of Portfolio*	\$ 22,935	129.35%	12.29%

Period Ended 6/30/2001	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 8,518	-14.82%	-14.82%
5 Year	\$ 19,667	96.67%	14.48%
Life of Portfolio*	\$ 30,970	209.70%	17.07%

* 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



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.

Period Ended 6/30/2001	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 9,048	-9.52%	-9.52%
Life of Portfolio**	\$ 12,677	26.77%	5.87%

Period Ended 6/30/2001	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 8,518	-14.82%	-14.82%
Life of Portfolio**	\$ 16,183	61.83%	12.24%

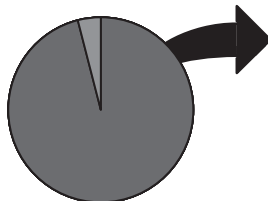
** The Portfolio commenced selling Class B shares on May 1, 1997.

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 Portfolio for Class A would have been lower if the Portfolio's expenses were not maintained.

Growth and Income Portfolio

Diversification

Equity Securities	96%
Cash Equivalents	4%
	100%



Sector breakdown of the Portfolio's equity holdings

Financial	19%
Technology	16%
Health	13%
Manufacturing	8%
Communications	7%
Energy	7%
Consumer Discretionary	7%
Consumer Staples	6%
Service Industries	5%
Other	12%
	100%

Ten Largest Equity Holdings

(26% of Portfolio)

1. Microsoft Corp.
Developer of computer software
2. General Electric Co.
Producer of electrical equipment
3. Citigroup, Inc.
Provider of diversified financial services
4. Exxon Mobil Corp.
Provider of oil internationally
5. Bank of America Corp.
Provider of commercial banking services
6. Wal-Mart Stores, Inc.
Operator of discount stores
7. American Home Products Corp.
Manufacturer and retailer of pharmaceuticals and consumer health care products
8. Verizon Communications, Inc.
Provider of telecommunication services
9. Unilever NV
Manufacturer of packaged consumer goods
10. Johnson & Johnson
Provider of health care products

Growth and Income Portfolio

	Principal Amount (\$)	Value (\$)
Short-Term Investments 3.6%		
Federal Home Loan Bank, Discount Note, 3.5%** , 7/2/2001 (Cost \$6,931,241)	6,932,000	6,931,241
	Shares	
Common Stocks 96.4%		
Consumer Discretionary 6.5%		
Department & Chain Stores 6.0%		
Home Depot, Inc.	76,900	3,579,695
May Department Stores Co.	50,900	1,743,834
TJX Companies, Inc.	51,400	1,638,118
Wal-Mart Stores, Inc.	95,000	4,636,000
		<u>11,597,647</u>
Recreational Products 0.5%		
Mattel, Inc.	51,600	976,272
Consumer Staples 5.6%		
Alcohol & Tobacco 1.3%		
Anheuser-Busch Companies, Inc.	58,700	2,418,440
Food & Beverage 3.1%		
PepsiCo, Inc.	54,500	2,408,900
Unilever NV (New York Shares)	61,500	3,663,555
		<u>6,072,455</u>
Package Goods/Cosmetics 1.2%		
Avon Products, Inc.	48,900	2,263,092
Health 13.0%		
Biotechnology 1.1%		
Genzyme Corp. — General Division*	35,600	2,098,264
Medical Supply & Specialty 2.1%		
Baxter International, Inc.	50,800	2,489,200
Biomet, Inc.	32,300	1,555,568
		<u>4,044,768</u>
Pharmaceuticals 9.8%		
Abbott Laboratories	36,900	1,771,569
American Home Products Corp.	75,500	4,412,220
Bristol-Myers Squibb Co.	27,500	1,438,250
Eli Lilly & Co.	31,700	2,345,800
Johnson & Johnson	73,000	3,650,000
Merck & Co., Inc.	34,500	2,204,895
Pfizer, Inc.	74,900	2,999,745
		<u>18,822,479</u>
Communications 7.0%		
Cellular Telephone 2.1%		
AT&T Wireless Group*	108,800	1,778,880
Nokia Oyj (ADR)	100,800	2,221,632
		<u>4,000,512</u>

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

	Shares	Value (\$)
Telephone/Communications 4.9%		
BellSouth Corp.	46,500	1,872,555
SBC Communications, Inc.	46,680	1,870,001
Sprint Corp.	86,400	1,845,504
Verizon Communications, Inc.	71,072	3,802,352
		<u>9,390,412</u>
Financial 18.3%		
Banks 6.6%		
Bank One Corp.	73,100	2,616,980
Bank of America Corp.	88,500	5,312,655
FleetBoston Financial Corp.	49,700	1,960,665
Mellon Financial Corp.	63,100	2,902,600
		<u>12,792,900</u>
Insurance 3.2%		
Allstate Corp.	59,900	2,635,001
American International Group, Inc.	42,300	3,637,800
		<u>6,272,801</u>
Consumer Finance 3.9%		
American Express Co.	24,500	950,600
Citigroup, Inc.	122,800	6,488,752
		<u>7,439,352</u>
Other Financial Companies 4.6%		
Federal National Mortgage Association	29,600	2,520,440
Marsh & McLennan Companies, Inc.	17,900	1,807,900
Morgan Stanley Dean Witter & Co.	30,300	1,946,169
Washington Mutual, Inc.	70,950	2,664,173
		<u>8,938,682</u>
Media 4.3%		
Broadcasting & Entertainment 2.8%		
AOL Time Warner, Inc.*	18,500	980,500
Viacom, Inc. "B"*	51,500	2,665,125
Walt Disney Co.	58,900	1,701,621
		<u>5,347,246</u>
Cable Television 1.5%		
Comcast Corp. "A"*	67,000	2,907,800
Service Industries 4.8%		
EDP Services 1.4%		
Automatic Data Processing, Inc.	53,400	2,653,980
Environmental Services 1.5%		
Waste Management, Inc.	96,100	2,961,802
Investment 1.0%		
Lehman Brothers Holdings, Inc.	25,500	1,982,625
Printing/Publishing 0.9%		
McGraw-Hill, Inc.	27,100	1,792,665
Durables 4.3%		
Aerospace 0.8%		
Boeing Co.	28,400	1,579,040

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

	Shares	Value (\$)
Automobiles 1.2%		
Ford Motor Co.	94,239	<u>2,313,567</u>
Construction/Agricultural Equipment 0.8%		
Deere & Co.	40,300	<u>1,525,355</u>
Telecommunications Equipment 1.5%		
Corning, Inc.	82,500	1,378,575
Scientific-Atlanta, Inc.	39,300	<u>1,595,580</u>
		<u>2,974,155</u>
Manufacturing 7.5%		
Chemicals 1.0%		
Dow Chemical Co.	55,300	<u>1,838,725</u>
Containers & Paper 1.5%		
International Paper Co.	80,500	<u>2,873,850</u>
Diversified Manufacturing 4.3%		
General Electric Co.	134,100	6,537,375
Tyco International Ltd.	30,900	<u>1,684,050</u>
		<u>8,221,425</u>
Machinery/Components/Controls 0.7%		
Ingersoll-Rand Co.	33,500	<u>1,380,200</u>
Technology 15.5%		
Computer Software 7.0%		
Adobe Systems, Inc.	41,200	1,935,988
Microsoft Corp.*	96,200	6,902,350
Oracle Corp.*	91,300	1,794,958
PeopleSoft, Inc.*	58,700	<u>2,846,950</u>
		<u>13,480,246</u>
Diverse Electronic Products 0.9%		
Hewlett-Packard Co.	59,800	<u>1,710,280</u>
EDP Peripherals 0.5%		
EMC Corp.*	36,000	<u>1,045,800</u>
Electronic Components/Distributors 1.0%		
Cisco Systems, Inc.*	95,500	<u>1,844,965</u>
Electronic Data Processing 1.6%		
Compaq Computer Corp.	114,200	1,768,958
International Business Machines Corp.	11,400	<u>1,288,200</u>
		<u>3,057,158</u>
Semiconductors 4.5%		
Applied Materials, Inc.*	68,100	3,481,953
Intel Corp.	113,000	3,428,420
Texas Instruments, Inc.	57,400	<u>1,808,100</u>
		<u>8,718,473</u>
Energy 6.6%		
Oil & Gas Production 5.6%		
Burlington Resources, Inc.	40,000	1,598,000
Exxon Mobil Corp.	64,507	5,634,686

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

	Shares	Value (\$)
Royal Dutch Petroleum Co. (New York Shares)	33,600	1,957,872
Total Fina SA (ADR)	24,690	1,733,238
		<u>10,923,796</u>
Oil Companies 1.0%		
Chevron Corp.	20,600	1,864,300
Metals & Minerals 0.9%		
Steel & Metals		
Alcoa, Inc.	45,100	1,776,940
Transportation 0.9%		
Railroads		
Union Pacific Corp.	32,600	1,790,066
Utilities 1.2%		
Electric Utilities		
Exelon Corp.	37,450	2,401,294
Total Common Stocks (Cost \$181,616,536)		186,093,829
Total Investment Portfolio — 100.0% (Cost \$188,547,777) (a)		193,025,070

* Non-income producing security.

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

(a) At June 30, 2001, the net unrealized appreciation on investments based on cost for federal income tax purposes of \$188,905,814 was as follows:

Aggregate gross unrealized appreciation for all investments in which there is an excess of value over tax cost	\$17,145,804
Aggregate gross unrealized depreciation for all investments in which there is an excess of tax cost over value	13,026,548
Net unrealized appreciation	<u>\$ 4,119,256</u>

Purchases and sales of investment securities (excluding short-term investments), for the six months ended June 30, 2001, aggregated \$68,851,935 and \$61,317,851, respectively.

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, 2001 (Unaudited)

Assets

Investments in securities, at value (cost \$188,547,777)	\$ 193,025,070
Cash	905,697
Dividends receivable	116,468
Interest receivable	21,479
Receivable for Portfolio shares sold	68,927
Foreign taxes recoverable	4,432
Total assets	194,142,073

Liabilities

Payable for investments purchased	687,885
Payable for Portfolio shares redeemed	221,632
Accrued management fee	73,069
Accrued Trustees' fees and expenses	5,413
Accrued accounting fees	8,324
Other accrued expenses and payables	23,308
Total liabilities	1,019,631

Net assets, at value \$ 193,122,442

Net Assets

Net assets consist of:	
Undistributed net investment income	818,881
Net unrealized appreciation (depreciation) on investments	4,477,293
Accumulated net realized gain (loss)	(1,011,159)
Paid-in capital	188,837,427
Net assets, at value	\$ 193,122,442

Class A

Net Asset Value, offering and redemption price per share (\$181,607,369 / 19,303,488 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized) \$ 9.41

Class B

Net Asset Value, offering and redemption price per share (\$11,515,073 / 1,226,603 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized) \$ 9.39

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

Statement of Operations for the six months ended June 30, 2001 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$30,591)	\$ 1,272,684
Interest	183,421
Total Income	<u>1,456,105</u>
Expenses:	
Management fee	450,921
Custodian fees	17,996
Accounting fees	25,252
Distribution fees (Class B)	14,904
Auditing	6,341
Legal	3,913
Trustees' fees and expenses	28,222
Reports to shareholders	3,610
Registration fees	893
Other	<u>3,551</u>
Total expenses, before expense reductions	555,603
Expense reductions	<u>(19,901)</u>
Total expenses, after expense reductions	535,702
Net investment income (loss)	920,403
Realized and unrealized gain (loss) on investment transactions	
Net realized gain (loss) from investments	<u>(580,209)</u>
Net unrealized appreciation (depreciation) during the period on investments	(13,031,634)
Net gain (loss) on investment transactions	(13,611,843)
Net increase (decrease) in net assets resulting from operations	\$ (12,691,440)

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, 2001 (Unaudited)	Year Ended December 31, 2000
Operations:		
Net investment income (loss)	\$ 920,403	\$ 2,120,107
Net realized gain (loss) on investment transactions	(580,209)	7,828,329
Net unrealized appreciation (depreciation) on investment transactions during the period	(13,031,634)	(14,888,551)
Net increase (decrease) in net assets resulting from operations	(12,691,440)	(4,940,115)
Distributions to shareholders from:		
Net investment income:		
Class A	(2,100,713)	(2,612,109)
Class B	(109,015)	(162,390)
Net realized gains:		
Class A	(3,956,573)	(3,459,899)
Class B	(262,846)	(256,077)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	36,153,472	63,758,174
Reinvestment of distributions	6,057,286	6,072,008
Cost of shares redeemed	(27,503,089)	(74,310,785)
Net increase (decrease) in net assets from Class A share transactions	14,707,669	(4,480,603)
Class B		
Proceeds from shares sold	395,709	3,915,299
Reinvestment of distributions	371,861	418,467
Cost of shares redeemed	(1,008,534)	(4,350,271)
Net increase (decrease) in net assets from Class B share transactions	(240,964)	(16,505)
Increase (decrease) in net assets	(4,653,882)	(15,927,698)
Net assets at beginning of period	197,776,324	213,704,022
Net assets at end of period (including undistributed net investment income of \$818,881 and \$2,108,206, respectively)	\$ 193,122,442	\$ 197,776,324
Other Information		
Class A		
Shares outstanding at beginning of period	17,799,855	18,237,831
Shares sold	3,729,810	5,960,868
Shares issued to shareholders in reinvestment of distributions	629,904	568,374
Shares redeemed	(2,856,081)	(6,967,218)
Net increase (decrease) in Portfolio shares	1,503,633	(437,976)
Shares outstanding at end of period	19,303,488	17,799,855
Class B		
Shares outstanding at beginning of period	1,253,011	1,266,642
Shares sold	40,329	356,199
Shares issued to shareholders in reinvestment of distributions	38,776	39,219
Shares redeemed	(105,513)	(409,049)
Net increase (decrease) in Portfolio shares	(26,408)	(13,631)
Shares outstanding at end of period	1,226,603	1,253,011

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 and other performance information derived from the financial statements.

Class A (c)

Years Ended December 31,	2001(b)	2000	1999	1998	1997	1996
Net asset value, beginning of period	\$10.38	\$10.96	\$11.25	\$11.48	\$ 9.37	\$ 7.98
<i>Income (loss) from investment operations:</i>						
Net investment income (loss) (a)	.05	.11	.22	.27	.27	.27
Net realized and unrealized gain (loss) on investment transactions	(.68)	(.33)	.46	.54	2.47	1.46
Total from investment operations	(.63)	(.22)	.68	.81	2.74	1.73
<i>Less distributions from:</i>						
Net investment income	(.12)	(.15)	(.13)	(.25)	(.26)	(.23)
Net realized gains on investment transactions	(.22)	(.21)	(.84)	(.79)	(.37)	(.11)
Total distributions	(.34)	(.36)	(.97)	(1.04)	(.63)	(.34)
Net asset value, end of period	\$ 9.41	\$10.38	\$10.96	\$11.25	\$11.48	\$ 9.37
Total Return (%)	(6.21)**	(2.10)	5.80	7.18	30.47	22.17

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	182	185	200	184	157	91
Ratio of expenses before expense reductions (%)	.56(e)*	.56	.55	.56	.58	.66
Ratio of expenses after expense reductions (%)	.55(e)*	.56	.55	.56	.58	.66
Ratio of net investment income (loss) (%)	.99*	1.06	2.01	2.41	2.54	3.14
Portfolio turnover rate (%)	66*	65	65	39	28	32

Class B

Years Ended December 31,	2001(b)	2000	1999	1998	1997(d)
Net asset value, beginning of period	\$10.35	\$10.93	\$11.24	\$11.47	\$ 9.44
<i>Income (loss) from investment operations:</i>					
Net investment income (loss) (a)	.04	.09	.19	.25	.14
Net realized and unrealized gain (loss) on investment transactions	(.69)	(.33)	.46	.54	2.02
Total from investment operations	(.65)	(.24)	.65	.79	2.16
<i>Less distributions from:</i>					
Net investment income	(.09)	(.13)	(.12)	(.23)	(.13)
Net realized gains on investment transactions	(.22)	(.21)	(.84)	(.79)	—
Total distributions	(.31)	(.34)	(.96)	(1.02)	(.13)
Net asset value, end of period	\$ 9.39	\$10.35	\$10.93	\$11.24	\$11.47
Total Return (%)	(6.37)**	(2.33)	5.48	6.95	22.89**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	12	13	14	14	7
Ratio of expenses before expense reductions (%)	.81(e)*	.81	.80	.79	.80*
Ratio of expenses after expense reductions (%)	.80(e)*	.81	.80	.79	.80*
Ratio of net investment income (loss) (%)	.74*	.81	1.76	2.20	2.13*
Portfolio turnover rate (%)	66*	65	65	39	28

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

(b) For the six months ended June 30, 2001 (Unaudited).

(c) On May 1, 1997 existing shares were redesignated as Class A shares.

(d) For the period May 1, 1997 (commencement of sales of Class B shares) to December 31, 1997.

(e) The ratios of operating expenses excluding costs incurred in connection with the reorganization before and after expense reductions were .55% and .55%, and .80% and 80% for Class A and Class B, respectively (see Notes to Financial Statements).

* Annualized

** Not annualized

Capital Growth Portfolio

Dear Shareholders,

U.S. equity markets staged a decent recovery in the second quarter as interest rate cuts by the Federal Reserve Board gave investors cause for optimism. Historically, easier monetary policy has been quite effective at stimulating the economy, corporate earnings, and ultimately stock prices. Growth stocks, after correcting dramatically in the prior two quarters, benefited most from the improving sentiment and outperformed.

For the six-month period ended June 30, 2001, the portfolio's Class A shares returned -12.50%, compared to a return of -6.70% for its unmanaged benchmark, the S&P 500 Index. The portfolio remained true to its growth-oriented style and was therefore positioned reasonably well for the period. The technology sector was the largest contributor to relative performance. This was one of the best-performing areas of the market and our higher relative weighting helped results. In fact, we added to our technology stocks on price weakness, and therefore more fully participated in the group's advance. Microsoft (5.04% of the portfolio's market value) and IBM (2.86%) led our holdings in the group. However, portfolio gains were mitigated by our holdings in the energy sector. Energy stocks, particularly exploration and production issues, performed poorly despite very strong growth fundamentals.

The technology sector was one of the best-performing sectors of the market and was the largest contributor to relative performance.

While we believe that history argues in favor of a positive response in the economy and the investment markets to reductions in interest rates, a recovery based on lower interest rates may take longer than expected in this case. Many companies spent heavily to build up production capacity and inventory before the recent downturn and, until at least some of that overcapacity and inventory is reduced, we believe a rapid recovery is unlikely. Still, we expect to see the beginnings of a rebound in some sectors, including technology, in the third and fourth quarters of the year.

Sincerely,

Your Portfolio Manager



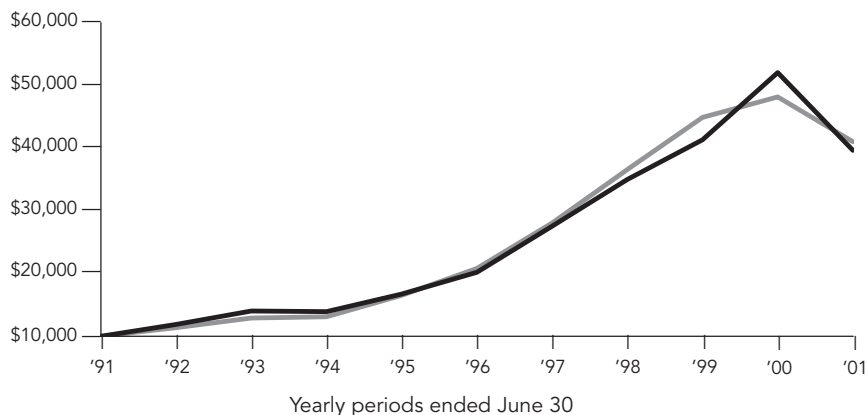
William F. Gadsden
Lead Portfolio Manager

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 6/30/2001	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 7,626	-23.74%	-23.74%
5 Year	\$ 19,639	96.39%	14.45%
10 Year	\$ 39,489	294.89%	14.72%

S&P 500 Index

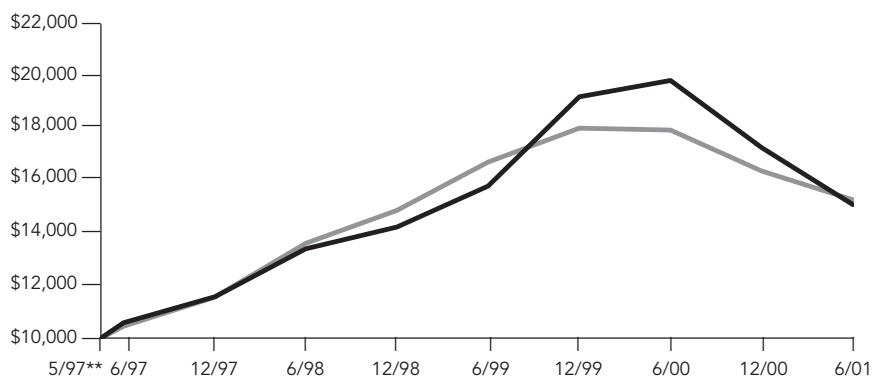
Period Ended 6/30/2001	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 8,518	-14.82%	-14.82%
5 Year	\$ 19,667	96.67%	14.48%
10 Year	\$ 40,831	308.31%	15.09%

* 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 6/30/2001	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 7,610	-23.90%	-23.90%
Life of Portfolio**	\$ 15,371	53.71%	10.97%

S&P 500 Index

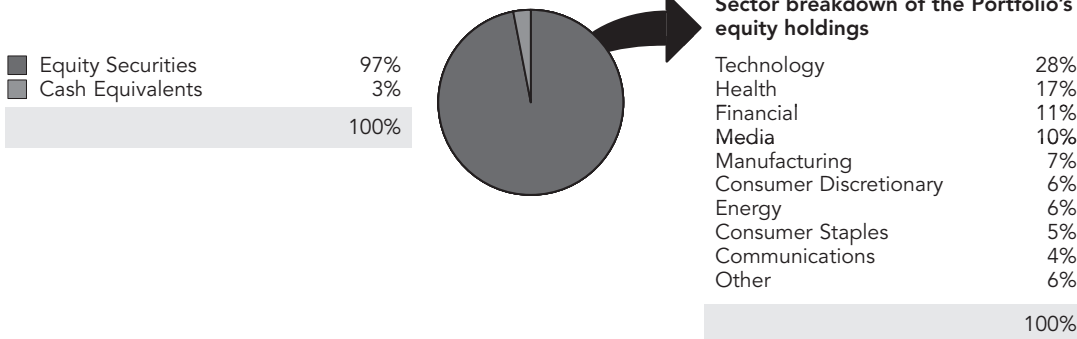
Period Ended 6/30/2001	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 8,518	-14.82%	-14.82%
Life of Portfolio**	\$ 15,254	10.89%	52.54%

** 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



Ten Largest Equity Holdings

(33% of Portfolio)

1. Microsoft Corp.
Developer of computer software
2. General Electric Co.
Producer of electrical equipment
3. Pfizer, Inc.
Manufacturer of prescription pharmaceuticals and non-prescription self-medications
4. Citigroup, Inc.
Provider of diversified financial services
5. Intel Corp.
Producer of semiconductor memory circuits
6. American International Group, Inc.
Provider of insurance services
7. International Business Machines Corp.
Manufacturer and operator of computer and business equipment
8. Applied Materials, Inc.
Producer of reactors used to manufacture thin film
9. Home Depot, Inc.
Operator of building materials and home improvement stores
10. Eli Lilly & Co.
Producer of pharmaceuticals

Capital Growth Portfolio

	Principal Amount (\$)	Value (\$)
Commercial Paper 3.4%		
Federal Home Loan Bank, Discount Note, 3.5%** , 7/2/2001 (Cost \$32,393,454)	32,397,000	32,393,454
	Shares	
Common Stocks 96.6%		
Consumer Discretionary 6.3%		
Department & Chain Stores		
Home Depot, Inc.	492,250	22,914,238
Target Corp.	423,200	14,642,720
Wal-Mart Stores, Inc.	454,400	22,174,720
		<u>59,731,678</u>
Consumer Staples 4.9%		
Food & Beverage 2.3%		
Coca-Cola Co.	200,500	9,022,500
PepsiCo, Inc.	290,700	12,848,940
		<u>21,871,440</u>
Package Goods/Cosmetics 2.6%		
Colgate-Palmolive Co.	282,900	16,688,271
Procter & Gamble Co.	131,000	8,357,800
		<u>25,046,071</u>
Health 16.3%		
Biotechnology 1.4%		
MedImmune, Inc.*	279,500	13,251,095
Hospital Management 1.2%		
Tenet Healthcare Corp.*	227,000	11,710,930
Medical Supply & Specialty 1.8%		
Baxter International, Inc.	350,000	17,150,000
Pharmaceuticals 11.9%		
Abbott Laboratories	328,000	15,747,280
Bristol-Myers Squibb Co.	186,900	9,774,870
Eli Lilly & Co.	307,400	22,747,600
Johnson & Johnson	318,600	15,930,000
Merck & Co., Inc.	222,800	14,239,148
Pfizer, Inc.	867,275	34,734,364
		<u>113,173,262</u>
Communications 4.3%		
Cellular Telephone 1.9%		
AT&T Wireless Group*	406,700	6,649,545
Nokia Oyj (ADR)	527,300	11,621,692
		<u>18,271,237</u>
Telephone/Communications 2.4%		
BroadWing, Inc.*	458,200	11,202,990
JDS Uniphase Corp.*	156,500	2,061,105
Qwest Communications International, Inc.	299,588	9,547,870
		<u>22,811,965</u>

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

	Shares	Value (\$)
Financial 10.5%		
Banks 1.2%		
State Street Corp.	227,200	<u>11,244,128</u>
Insurance 2.9%		
American International Group, Inc.	323,102	<u>27,786,772</u>
Consumer Finance 5.3%		
American Express Co.	481,400	18,678,320
Citigroup, Inc.	602,233	<u>31,821,992</u>
		<u>50,500,312</u>
Other Financial Companies 1.1%		
Marsh & McLennan Companies, Inc.	104,400	<u>10,544,400</u>
Media 9.8%		
Advertising 1.4%		
Omnicom Group, Inc.	160,200	<u>13,777,200</u>
Broadcasting & Entertainment 4.0%		
AOL Time Warner, Inc.*	377,400	20,002,200
Viacom, Inc. "B"*	342,800	<u>17,739,900</u>
		<u>37,742,100</u>
Cable Television 4.4%		
AT&T Corp. — Liberty Media Group "A"*	1,138,000	19,903,619
Comcast Corp. "A"*	510,200	<u>22,142,680</u>
		<u>42,046,299</u>
Service Industries 3.2%		
Investment		
Franklin Resources, Inc.	258,700	11,840,699
Goldman Sachs Group, Inc.	62,900	5,396,820
Merrill Lynch & Co., Inc.	223,400	<u>13,236,450</u>
		<u>30,473,969</u>
Durables 1.9%		
Aerospace 1.4%		
United Technologies Corp.	175,900	<u>12,886,434</u>
Telecommunications Equipment 0.5%		
CIENA Corp.*	127,400	<u>4,834,193</u>
Manufacturing 6.5%		
Diversified Manufacturing		
General Electric Co.	873,000	42,558,750
Tyco International Ltd.	348,500	<u>18,993,250</u>
		<u>61,552,000</u>
Technology 26.7%		
Computer Software 8.7%		
Microsoft Corp.*	669,300	48,022,275
Oracle Corp.*	827,500	16,268,650
Siebel Systems, Inc.*	228,100	10,841,593
VERITAS Software Corp.*	113,500	<u>7,661,250</u>
		<u>82,793,768</u>

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

	Shares	Value (\$)
EDP Peripherals 2.0%		
EMC Corp.*	653,100	18,972,555
Electronic Components/Distributors 2.3%		
Cisco Systems, Inc.*	867,000	16,749,573
Juniper Networks, Inc.*	164,100	5,078,895
		<u>21,828,468</u>
Electronic Data Processing 4.4%		
International Business Machines Corp.	240,800	27,210,400
Sun Microsystems, Inc.*	918,000	14,825,700
		<u>42,036,100</u>
Semiconductors 9.3%		
Applied Materials, Inc.*	465,400	23,795,902
Intel Corp.	992,800	30,121,552
Linear Technology Corp.	224,000	10,445,120
Micron Technology, Inc.*	183,000	7,521,300
Texas Instruments, Inc.	441,900	13,919,850
Vitesse Semiconductor Corp.*	157,800	3,337,470
		<u>89,141,194</u>
Energy 6.2%		
Oil & Gas Production 3.9%		
Anadarko Petroleum Corp.	332,400	17,959,572
EOG Resources, Inc.	206,300	7,333,965
Nabors Industries, Inc.*	329,000	12,238,800
		<u>37,532,337</u>
Oilfield Services/Equipment 2.3%		
Schlumberger Ltd.	405,900	21,370,635
Total Common Stocks (Cost \$874,383,631)		920,080,542
Total Investment Portfolio — 100.0% (Cost \$906,777,085) (a)		952,473,996

* Non-income producing security.

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

(a) At June 30, 2001, the net unrealized appreciation on investments based on cost for federal income tax purposes of \$907,461,434 was as follows:

Aggregate gross unrealized appreciation for all investments in which there is an excess of value over tax cost	\$ 134,438,955
Aggregate gross unrealized depreciation for all investments in which there is an excess of tax cost over value	89,426,393
Net unrealized appreciation	<u>\$ 45,012,562</u>

Purchases and sales of investment securities (excluding short-term investments) for the six months ended June 30, 2001, aggregated \$208,836,679 and \$251,106,337, 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, 2001 (Unaudited)

Assets

Investments in securities, at value (cost \$906,777,085)	\$ 952,473,996
Cash	3,022,283
Dividends receivable	278,872
Interest receivable	84,328
Receivable for Portfolio shares sold	223,245
Total assets	956,082,724

Liabilities

Payable for Portfolio shares redeemed	109,940
Accrued management fee	351,970
Accrued accounting fee	23,295
Accrued Trustees' fees and expenses	584
Other accrued expenses and payables	72,672
Total liabilities	558,461

Net assets, at value \$ 955,524,263

Net Assets

Net assets consist of:	
Undistributed net investment income	1,085,408
Net unrealized appreciation (depreciation) on investments	45,696,911
Accumulated net realized gain (loss)	(11,428,185)
Paid-in capital	920,170,129

Net assets, at value \$ 955,524,263

Class A

Net Asset Value, offering and redemption price per share (\$954,625,462 / 53,770,852 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized) \$ 17.75

Class B

Net Asset Value, offering and redemption price per share (\$898,801 / 50,724 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized) \$ 17.72

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

Statement of Operations for the six months ended June 30, 2001 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$12,046)	\$ 3,027,014
Interest	577,622
Total Income	<u>3,604,636</u>
Expenses:	
Management fee	2,311,624
Custodian fees	32,492
Accounting fees	71,624
Auditing	26,240
Legal	8,972
Distribution fees (Class B)	1,267
Trustees' fees and expenses	120,633
Reports to shareholders	10,578
Registration fees	10,498
Other	16,349
Total expenses, before expense reductions	<u>2,610,277</u>
Expense reductions	(113,125)
Total expenses, after expense reductions	<u>2,497,152</u>
Net investment income (loss)	1,107,484
Realized and unrealized gain (loss) on investment transactions	
Net realized gain (loss) from investments	(10,458,819)
Net unrealized appreciation (depreciation) during the period on investments	(130,825,546)
Net gain (loss) on investment transactions	(141,284,365)
Net increase (decrease) in net assets resulting from operations	\$ (140,176,881)

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, 2001 (Unaudited)	Year Ended December 31, 2000
Operations:		
Net investment income (loss)	\$ 1,107,484	\$ 3,765,887
Net realized gain (loss) on investment transactions	(10,458,819)	116,658,634
Net unrealized appreciation (depreciation) on investment transactions during the period	(130,825,546)	(245,068,780)
Net increase (decrease) in net assets resulting from operations	(140,176,881)	(124,644,259)
Distributions to shareholders from:		
Net investment income:		
Class A	(3,672,762)	(3,035,225)
Class B	(1,238)	—
Net realized gains:		
Class A	(116,304,156)	(149,151,554)
Class B	(113,211)	(177,202)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	119,448,301	255,484,175
Reinvestment of distributions	119,976,918	152,186,779
Cost of shares redeemed	(151,194,684)	(258,368,143)
Net increase (decrease) in net assets from Class A share transactions	88,230,535	149,302,811
Class B		
Proceeds from shares sold	32,879	370,040
Reinvestment of distributions	114,449	177,202
Cost of shares redeemed	(142,593)	(370,753)
Net increase (decrease) in net assets from Class B share transactions	4,735	176,489
Increase (decrease) in net assets	(172,032,978)	(127,528,940)
Net assets at beginning of period	1,127,557,241	1,255,086,181
Net assets at end of period (including undistributed net investment income of \$1,085,408 and \$3,651,924, respectively)	\$ 955,524,263	\$ 1,127,557,241
Other Information		
Class A		
Shares outstanding at beginning of period	48,831,124	43,044,031
Shares sold	5,936,843	9,593,674
Shares issued to shareholders in reinvestment of distributions	6,460,793	5,968,108
Shares redeemed	(7,457,908)	(9,774,689)
Net increase (decrease) in Portfolio shares	4,939,728	5,787,093
Shares outstanding at end of period	53,770,852	48,831,124
Class B		
Shares outstanding at beginning of period	50,385	44,161
Shares sold	1,464	13,466
Shares issued to shareholders in reinvestment of distributions	6,169	6,957
Shares redeemed	(7,294)	(14,199)
Net increase (decrease) in Portfolio shares	339	6,224
Shares outstanding at end of period	50,724	50,385

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 and other performance information derived from the financial statements.

Class A (c)

Years Ended December 31,	2001(b)	2000	1999	1998	1997	1996
Net asset value, beginning of period	\$23.07	\$29.13	\$23.95	\$20.63	\$16.50	\$15.08
<i>Income (loss) from investment operations:</i>						
Net investment income (loss) (a)	.02	.08	.10	.16	.18	.19
Net realized and unrealized gain (loss) on investment transactions	(2.79)	(2.63)	7.64	4.46	5.39	2.68
Total from investment operations	(2.77)	(2.55)	7.74	4.62	5.57	2.87
<i>Less distributions from:</i>						
Net investment income	(.08)	(.07)	(.07)	(.17)	(.19)	(.19)
Net realized gains on investment transactions	(2.47)	(3.44)	(2.49)	(1.13)	(1.25)	(1.26)
Total distributions	(2.55)	(3.51)	(2.56)	(1.30)	(1.44)	(1.45)
Net asset value, end of period	\$17.75	\$23.07	\$29.13	\$23.95	\$20.63	\$16.50
Total Return (%)	(12.50)**	(9.90)	35.23	23.23	35.76	20.13

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	955	1,126	1,254	901	676	440
Ratio of expenses before expense reductions (%)	.51(e)*	.49	.49	.50	.51	.53
Ratio of expenses after expense reductions (%)	.50(e)*	.49	.49	.50	.51	.53
Ratio of net investment income (loss) (%)	.22*	.30	.43	.75	.96	1.27
Portfolio turnover rate (%)	42*	55	66	55	42	66

Class B

Years Ended December 31,	2001(b)	2000	1999	1998	1997(d)
Net asset value, beginning of period	\$23.00	\$29.05	\$23.92	\$20.61	\$17.54
<i>Income (loss) from investment operations:</i>					
Net investment income (loss) (a)	.00***	.01	.04	.11	.08
Net realized and unrealized gain (loss) on investment transactions	(2.78)	(2.62)	7.62	4.45	3.08
Total from investment operations	(2.78)	(2.61)	7.66	4.56	3.16
<i>Less distributions from:</i>					
Net investment income	(.03)	—	(.04)	(.12)	(.09)
Net realized gains on investment transactions	(2.47)	(3.44)	(2.49)	(1.13)	—
Total distributions	(2.50)	(3.44)	(2.53)	(1.25)	(.09)
Net asset value, end of period	\$17.72	\$23.00	\$29.05	\$23.92	\$20.61
Total Return (%)	(12.59)**	(10.13)	34.88	22.94	18.00**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	.90	1.16	1.28	.83	.55
Ratio of expenses before expense reductions (%)	.76(e)*	.74	.74	.75	.75*
Ratio of expenses after expense reductions (%)	.75(e)*	.74	.74	.75	.75*
Ratio of net investment income (loss) (%)	(.03)*	.05	.18	.49	.64*
Portfolio turnover rate (%)	42*	55	66	55	42

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

(b) For the six months ended June 30, 2001 (Unaudited).

(c) On May 12, 1997 existing shares were redesignated as Class A shares.

(d) For the period May 12, 1997 (commencement of sales of Class B shares) to December 31, 1997.

(e) The ratios of operating expenses excluding costs incurred in connection with the reorganization before and after expense reductions were .50% and .50%, and .75%, and .75% for Class A and Class B, respectively (see Notes to Financial Statements).

* Annualized

** Not annualized

*** Less than (\$.005) per share

21st Century Growth Portfolio

Dear Shareholders,

During the first six months of calendar year 2001, small-cap stocks outperformed large-caps, and small value stocks outpaced small growth stocks. Our stock selection discipline helped us provide strong results relative to other asset classes. The portfolio's Class A shares returned -10.71% for the six-month period ended June 30, 2001, trailing the 0.15% return of its unmanaged benchmark, Russell 2000 Growth Index.

We have been scaling back in energy stocks to manage overall risk in the portfolio. Still, we remain positive regarding this sector. We believe earnings should continue to improve for this sector because the fundamental need for increased energy supplies remains intact. Federal tax incentives could help brighten the outlook for the group as well. Swift Energy (2.61% of the portfolio's market value) remains the fund's largest position within the energy sector.

We've been increasing the fund's positioning in health care stocks to take advantage of an outsourcing trend in the pharmaceutical industry as well as consolidation in the hospital industry. Health care was a significant contributor to performance during the second quarter. Many investors are looking for biotechnology, drug discovery firms and medical supply firms with sustainable growth prospects, solid business strategies, and strong product pipelines.

During the first half of fiscal year 2001, we had earnings disappointments among former top 10 holdings in several industries, including health care, technology, durable goods, and services. Within the technology sector, the profit picture remains grim for many small-cap companies. Huge multi-billion-dollar asset write downs and negative earnings surprises by high profile large-cap technology companies during May and June erased much of the positive momentum the sector enjoyed in April, when small-cap technology stocks rebounded from first quarter lows.

Overall, we believe small-cap stocks are better positioned to benefit from falling interest rates than large-caps in the coming months. The Federal Reserve Board's slashing of short-term rates by 275 basis points since January should help small companies even more than large ones, in our view. Our analysis shows that relative to large-cap stocks, small-cap stocks are generally trading at more attractive price-to-earnings (P/E) ratios.

Based on our analysis, we believe that our holdings have a substantially stronger earnings outlook on a year-over-year and longer-term basis than the market as a whole. We sometimes pay a premium to buy the best, and we strive for a portfolio of stocks with strong balance sheets. We believe small companies in niche markets, with solid franchises, and strong, predictable earnings should fare well over the long term.

Sincerely,

Your Portfolio Management Team



Peter Chin
Lead Portfolio Manager

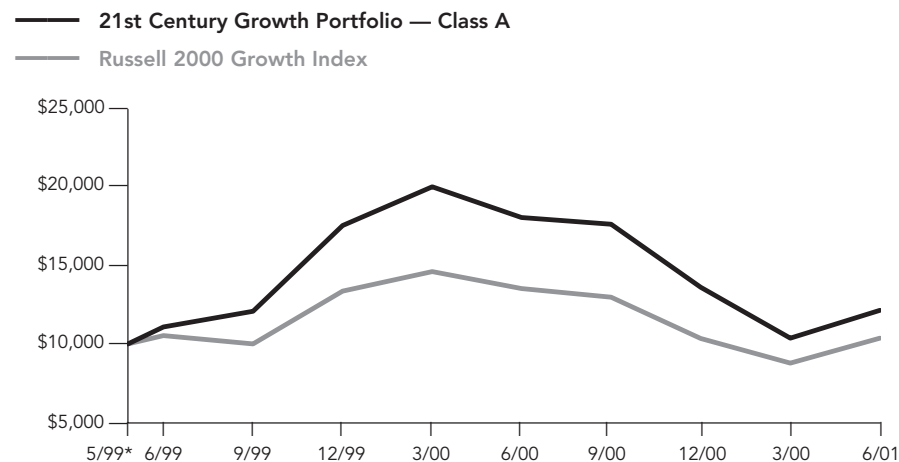


Roy C. McKay
Portfolio Manager

Management's emphasis on companies with strong earnings trends helped the portfolio outperform its benchmark during the period.

21st Century Growth Portfolio

Growth of a \$10,000 Investment



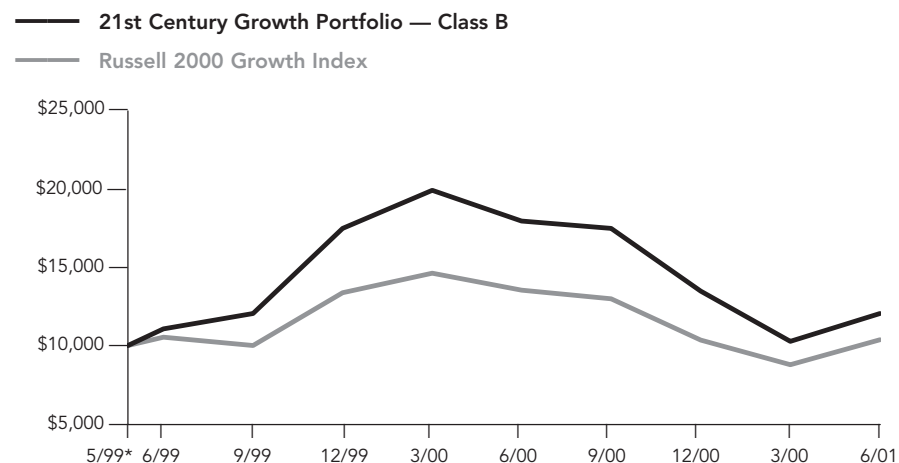
The Russell 2000 Growth Index is an unmanaged capitalization-weighted measure of the 2000 smallest capitalized U.S. companies with a greater-than-average growth orientation and whose common stocks trade on the NYSE, AMEX, and Nasdaq. Index returns assume reinvestment of dividends and, unlike Portfolio returns, do not reflect any fees or expenses.

21st Century Growth Portfolio — Class A		Total Return	
Period Ended	Growth of \$10,000	Cumulative	Average Annual
6/30/2001			
1 Year	\$ 6,726	-32.68%	-32.68%
Life of Portfolio*	\$ 12,241	22.41%	9.83%

Russell 2000 Growth Index		Total Return	
Period Ended	Growth of \$10,000	Cumulative	Average Annual
6/30/2001			
1 Year	\$ 7,674	-23.26%	-23.26%
Life of Portfolio*	\$ 10,373	3.73%	1.77%

* The Portfolio commenced operations on May 3, 1999. Index comparisons begin May 31, 1999.

Growth of a \$10,000 Investment



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		Total Return	
Period Ended	Growth of \$10,000	Cumulative	Average Annual
6/30/2001			
1 Year	\$ 6,726	-32.74%	-32.74%
Life of Portfolio*	\$ 12,141	21.41%	9.41%

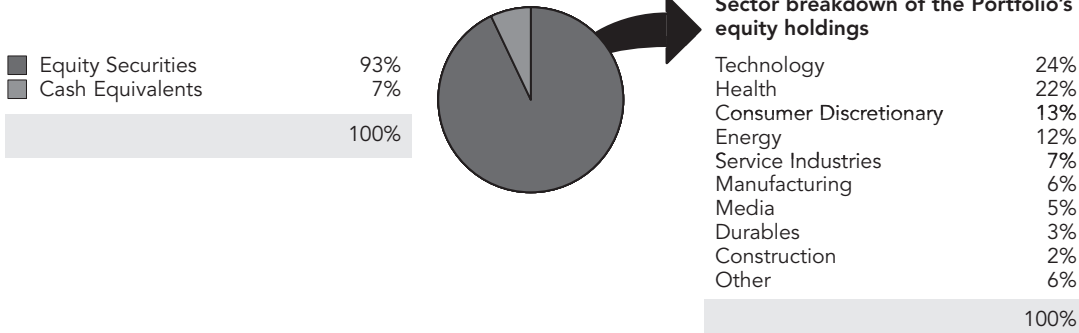
Russell 2000 Growth Index		Total Return	
Period Ended	Growth of \$10,000	Cumulative	Average Annual
6/30/2001			
1 Year	\$ 7,674	-23.26%	-23.26%
Life of Portfolio*	\$ 10,373	3.73%	1.77%

* 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



Ten Largest Equity Holdings

(29% of Portfolio)

1. CryoLife, Inc.
Provider of cryopreservation of viable human tissue for transplants
2. Copart, Inc.
Auctioneer of damaged vehicles for insurance companies
3. Advent Software, Inc.
Provider of stand-alone and client/server software products
4. Rent-A-Center, Inc.
Owner and operator of rent-to-own stores and franchises
5. Radio One, Inc. "D"
Operator of a radio broadcasting business
6. Swift Energy Co.
Explorer and producer of oil and natural gas
7. Celgene Corp.
Producer of pharmaceuticals
8. Charles River Laboratories International, Inc.
Provider of research tools and support services that enable drug discovery and development
9. Pixelworks, Inc.
Designer of semiconductor related systems
10. NPS Pharmaceuticals, Inc.
Developer of small molecule drugs

21st Century Growth Portfolio

	Principal Amount (\$)	Value (\$)
Short-Term Investments 7.0%		
Federal Home Loan Bank, Discount Note, 3.5%** , 7/2/2001 (Cost \$2,416,735)	2,416,735	2,416,735
	Shares	
Common Stocks 93.0%		
Consumer Discretionary 12.2%		
Apparel & Shoes 1.2%		
Too, Inc.*	15,500	424,700
Department & Chain Stores 4.4%		
Hot Topic, Inc.*	15,100	475,650
Rent-A-Center, Inc.*	19,800	1,063,260
		1,538,910
Hotels & Casinos 0.8%		
Anchor Gaming*	4,400	259,820
Restaurants 2.9%		
AFC Enterprises, Inc.*	3,200	61,280
Buca, Inc.*	18,600	385,950
CEC Entertainment, Inc.*	6,700	330,645
California Pizza Kitchen, Inc.*	9,600	223,200
		1,001,075
Specialty Retail 2.4%		
Cost Plus, Inc.*	20,100	577,071
Gildan Activewear, Inc. "A"*	19,300	270,200
		847,271
Miscellaneous 0.5%		
Edison Schools, Inc.*	7,300	163,447
Consumer Staples 0.9%		
Miscellaneous		
Hain Celestial Group, Inc.*	13,085	297,030
Health 20.8%		
Biotechnology 8.5%		
CryoLife, Inc.*	34,800	1,423,668
Harvard Bioscience, Inc.*	36,200	400,372
Myriad Genetics, Inc.*	6,100	383,324
Regeneration Technologies*	40,800	371,688
Regeneron Pharmaceuticals, Inc.*	10,800	370,440
		2,949,492
Health Industry Services 1.0%		
Rightchoice Managed Care, Inc.*	7,800	346,320
Unilab Corp.*	700	17,787
		364,107
Hospital Management 1.0%		
Province Healthcare Co.*	9,600	338,880

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

	Shares	Value (\$)
Medical Supply & Specialty 2.9%		
American Medical Systems Holdings, Inc.*	11,000	170,500
ArthroCare Corp.*	24,400	634,400
SurModics, Inc.*	3,500	208,250
		<u>1,013,150</u>
Pharmaceuticals 7.4%		
Amylin Pharmaceuticals, Inc.*	14,800	159,100
Celgene Corp.*	31,000	891,250
Charles River Laboratories International, Inc.*	20,100	698,475
NPS Pharmaceuticals, Inc.*	17,400	678,078
Specialty Laboratories, Inc.*	3,500	132,475
		<u>2,559,378</u>
Communications 1.1%		
Telephone/Communications		
SBA Communications Corp.*	12,900	301,215
Sunrise Telecom, Inc.*	13,300	66,500
		<u>367,715</u>
Financial 1.7%		
Insurance		
Annuity and Life Re (Holdings) Ltd.	13,000	465,140
Odyssey Re Holdings Corp.*	7,100	128,297
		<u>593,437</u>
Media 4.7%		
Broadcasting & Entertainment		
Emmis Communications Corp. "A"*	18,700	591,481
Radio One, Inc. "D"*	48,900	1,056,729
		<u>1,648,210</u>
Service Industries 6.2%		
Investment 1.6%		
Multex.com, Inc.*	34,100	549,010
Miscellaneous Commercial Services 4.6%		
Copart, Inc.*	46,800	1,376,856
Korn/Ferry International*	14,500	224,750
		<u>1,601,606</u>
Durables 2.5%		
Telecommunications Equipment		
Spectrasite Holdings, Inc.*	34,800	223,068
UTStarcom, Inc.*	26,400	640,200
		<u>863,268</u>
Manufacturing 6.0%		
Chemicals 1.9%		
Cabot Microelectronics Corp.*	10,500	656,460
Industrial Specialty 1.8%		
Polycom, Inc.*	29,700	648,945
Machinery/Components/Controls 2.3%		
Global Power Equipment Group, Inc.*	12,800	375,040
SureBeam Corp. "A"*	24,900	415,581
		<u>790,621</u>

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

	Shares	Value (\$)
Technology 21.9%		
Computer Software 10.3%		
Activision, Inc.*	4,300	169,334
Actuate Corp.*	37,200	312,480
Advent Software, Inc.*	17,600	1,135,200
I-many, Inc.*	35,400	467,280
PLATO Learning, Inc.*	17,100	529,074
Precise Software Solutions Ltd.*	16,800	509,880
THQ, Inc.*	7,300	447,490
		<u>3,570,738</u>
Diverse Electronic Products 1.3%		
Gentex Corp.*	16,900	456,300
Office/Plant Automation 1.6%		
Mercury Computer Systems, Inc.*	10,700	549,231
Precision Instruments 0.3%		
Zygo Corp.*	5,400	113,130
Semiconductors 7.9%		
AstroPower, Inc.*	7,800	376,818
Asyst Technologies, Inc.*	9,800	141,708
Microsemi Corp.*	8,700	612,393
Pixelworks, Inc.*	20,200	696,900
Therma-Wave, Inc.*	19,700	372,330
Tripath Technology, Inc.*	41,800	386,650
Veeco Instruments, Inc.*	3,500	141,820
		<u>2,728,619</u>
Miscellaneous 0.5%		
Saba Software, Inc.*	11,100	177,600
Energy 11.1%		
Oil & Gas Production 3.5%		
Swift Energy Co.*	30,100	906,913
W-H Energy Services, Inc.*	13,900	286,479
		<u>1,193,392</u>
Oilfield Services/Equipment 5.7%		
Cal Dive International, Inc.*	12,200	294,020
FMC Technologies, Inc.*	17,100	353,115
National-Oilwell, Inc.*	12,000	321,600
Precision Drilling Corp. "A"*	8,900	278,036
Tesco Corp.*	33,900	383,013
Universal Compression Holdings, Inc.*	12,300	349,320
		<u>1,979,104</u>
Miscellaneous 1.9%		
Active Power, Inc.*	21,300	344,847
Kinder Morgan Management, LLC*	4,800	328,800
		<u>673,647</u>
Construction 2.0%		
Building Materials 0.8%		
Simpson Manufacturing Co., Inc.*	4,700	284,350

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

	Shares	Value (\$)
Building Products 1.2%		
CoStar Group, Inc.*	16,100	<u>429,548</u>
Transportation 1.9%		
Air Freight 0.7%		
EGL, Inc.*	16,300	<u>259,985</u>
Marine Transportation 1.2%		
Frontline Ltd.	23,500	<u>403,854</u>
Total Common Stocks (Cost \$29,178,114)		32,296,030
Total Investment Portfolio — 100.0% (Cost \$31,594,849) (a)		34,712,765

* Non-income producing security.

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

(a) At June 30, 2001, the net unrealized depreciation on investments based on cost for federal income tax purposes of \$31,613,496 was as follows:

Aggregate gross unrealized appreciation for all investments in which there is an excess of value over tax cost	\$ 5,878,403
Aggregate gross unrealized depreciation for all investments in which there is an excess of tax cost over value	2,779,134
Net unrealized appreciation	<u>\$ 3,099,269</u>

Purchases and sales of investment securities (excluding short-term investments) for the six months ended June 30, 2001, aggregated \$26,711,053 and \$15,959,378, respectively.

At December 31, 2000, the Portfolio had a net tax basis capital loss carryforward of approximately \$1,217,000 which may be applied against any realized net taxable capital gains of each succeeding year until fully utilized or until December 31, 2008, the expiration date. In addition, from November 1 through December 31, 2000, the 21st Century Growth Portfolio incurred approximately \$2,139,000 of net realized capital losses. As permitted by tax regulations, the Portfolio intends to elect to defer these losses and treat them as arising in the year ending December 31, 2001.

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, 2001 (Unaudited)

Assets

Investments in securities, at value (cost \$31,594,849)	\$ 34,712,765
Cash	529,202
Receivable for investments sold	197,468
Dividends receivable	18,863
Interest receivable	8,910
Receivable for Portfolio shares sold	113,040
Total assets	35,580,248

Liabilities

Payable for investments purchased	367,321
Payable for Portfolio shares redeemed	112,205
Accrued management fee	22,994
Accrued accounting fees	7,895
Accrued Trustees' fees and expenses	3,300
Other accrued expenses and payables	32,440
Total liabilities	546,155

Net assets, at value	\$ 35,034,093
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Net Assets

Net assets consist of:	
Accumulated net investment loss	(76,515)
Net unrealized appreciation (depreciation) on:	
Investments	3,117,916
Foreign currency related transactions	107
Accumulated net realized gain (loss)	(9,538,780)
Paid-in capital	41,531,365
Net assets, at value	\$ 35,034,093

Class A

Net Asset Value , offering and redemption price per share (\$35,033,364 / 4,825,936 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	\$ 7.26
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Class B

Net Asset Value , offering and redemption price per share (\$729 / 101.3 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	\$ 7.20
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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, 2001 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$7,521)	\$ 43,523
Interest	59,056
Total Income	<u>102,579</u>
Expenses:	
Management fee	122,266
Custodian fees	4,669
Accounting fees	26,251
Distribution fees (Class B)	1
Auditing	9,677
Legal	1,741
Trustees' fees and expenses	8,446
Reports to shareholders	7,531
Other	2,325
Total expenses, before expense reductions	<u>182,907</u>
Expense reductions	<u>(3,813)</u>
Total expenses, after expense reductions	179,094
Net investment income (loss)	(76,515)

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	(6,077,250)
Foreign currency related transactions	(518)
	<u>(6,077,768)</u>
Net unrealized appreciation (depreciation) during the period on:	
Investments	3,321,652
Foreign currency related transactions	107
	<u>3,321,759</u>
Net gain (loss) on investment transactions	(2,756,009)
Net increase (decrease) in net assets resulting from operations	\$ (2,832,524)

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, 2001 (Unaudited)	Year Ended December 31, 2000
Operations:		
Net investment income (loss)	\$ (76,515)	\$ (247,318)
Net realized gain (loss) on investment transactions	(6,077,768)	(3,459,014)
Net unrealized appreciation (depreciation) on investment transactions during the period	3,321,759	(4,639,135)
Net increase (decrease) in net assets resulting from operations	(2,832,524)	(8,345,467)
Distributions to shareholders from:		
Net realized gains:		
Class A	—	(222,315)
Class B	—	(12)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	23,703,349	45,192,048
Reinvestment of distributions	—	222,315
Cost of shares redeemed	(12,245,968)	(25,874,881)
Net increase (decrease) in net assets from Class A share transactions	11,457,381	19,539,482
Class B		
Reinvestment of distributions	—	12
Net increase (decrease) in net assets from Class B share transactions	—	12
Increase (decrease) in net assets	8,624,857	10,971,700
Net assets at beginning of period (original capital)	26,409,236	15,437,536
Net assets at end of period (including accumulated net investment loss of \$76,515 at June 30, 2001)	\$ 35,034,093	\$ 26,409,236
Other Information		
Class A		
Shares outstanding at beginning of period	3,253,589	1,462,745
Shares sold	3,296,949	4,310,964
Shares issued to shareholders in reinvestment of distributions	—	24,217
Shares redeemed	(1,724,602)	(2,544,337)
Net increase (decrease) in Portfolio shares	1,572,347	1,790,844
Shares outstanding at end of period	4,825,936	3,253,589
Class B		
Shares outstanding at beginning of period	101	100
Shares issued to shareholders in reinvestment of distributions	—	1
Net increase (decrease) in Portfolio shares	—	1
Shares outstanding at end of period	101	101

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 and other performance information derived from the financial statements.

Class A

Years Ended December 31,	2001(b)	2000	1999(c)
Net asset value, beginning of period	\$ 8.12	\$10.55	\$ 6.00(e)
<i>Income (loss) from investment operations:</i>			
Net investment income (loss) (a)	(.02)	(.11)	(.04)
Net realized and unrealized gain (loss) on investment transactions	(.84)	(2.20)	4.59
Total from investment operations	(.86)	(2.31)	4.55
<i>Less distributions from:</i>			
Net realized gains on investment transactions	—	(.12)	—
Net asset value, end of period	\$ 7.26	\$ 8.12	\$10.55
Total Return (%) (d)	(10.71)**	(22.39)	75.83**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period (\$ millions)	35	26	15
Ratio of expenses before expense reductions (%)	1.29*(f)	1.35	2.90*
Ratio of expenses after expense reductions (%)	1.28*(f)	1.29	1.50*
Ratio of net investment income (loss) (%)	(.55)*	(1.06)	(.95)*
Portfolio turnover rate (%)	120*	109	61

Class B

Years Ended December 31,	2001(b)	2000	1999(c)
Net asset value, beginning of period	\$ 8.04	\$10.51	\$ 6.00(e)
<i>Income (loss) from investment operations:</i>			
Net investment income (loss) (a)	(.03)	(.13)	(.06)
Net realized and unrealized gain (loss) on investment transactions	(.81)	(2.22)	4.57
Total from investment operations	(.84)	(2.35)	4.51
<i>Less distributions from:</i>			
Net realized gains on investment transactions	—	(.12)	—
Net asset value, end of period	\$ 7.20	\$ 8.04	\$10.51
Total Return (%) (d)	(10.57)**	(22.79)	75.17**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period (\$ millions)	—***	—***	—***
Ratio of expenses before expense reductions (%)	1.54*(f)	1.60	3.15*
Ratio of expenses after expense reductions (%)	1.53*(f)	1.54	1.75*
Ratio of net investment income (loss) (%)	(.80)*	(1.31)	(1.20)*
Portfolio turnover rate (%)	120*	109	61

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

(b) For the six months ended June 30, 2001 (Unaudited).

(c) For the period May 3, 1999 (commencement of operations) to December 31, 1999.

(d) Total return would have been lower had certain expenses not been reduced.

(e) Original capital.

(f) The ratios of operating expenses excluding costs incurred in connection with the reorganization before and after expense reductions were 1.28% and 1.28%, and 1.53% and 1.53% for Class A and Class B, respectively (see Notes to Financial Statements).

* Annualized

** Not annualized

*** Net assets less than one million.

Global Discovery Portfolio

Dear Shareholders,

With earnings disappointments and layoffs dominating media headlines, the past six months have not been particularly cheerful for global markets. Even news of lower interest rates has been met with “too little, too late” skepticism. Selling pressure with a complete lack of fundamental earnings support has been prolific, and even solid stocks with solid share prices have been damaged.

Not surprisingly, the portfolio’s Class A shares posted a loss for the six-month period ending June 30, 2001 of –16.53%. The portfolio significantly lagged the portfolio’s benchmark, the Salomon Brothers World Extended Market Index, which declined –8.82% for the period. We can’t blame any country or region for the portfolio’s underperformance because as our global economy becomes more and more of a reality, country allocation adds value only on the margin. The portfolio’s sector allocations generally contributed to performance, particularly our stake in health care. However, our stock selection — where we typically do well — was disappointing. Our energy picks struggled when both gas and oil industries reported greater-than-expected inventories, while our technology allocation was concentrated in software rather than the more positively performing semiconductor industry. We do not think that technology as a group will bounce right back; in our view, the excesses in the system and investor expectations will take more time to be actualized. We have reduced our holdings in this area to roughly 11% of the portfolio.

Our investment approach remains focused on “bottom up” stock selection. The core of the portfolio continues to be “stable growth” holdings, which now exceed 50% of assets. We are also maintaining a large position in health care, as we believe that the sector offers outstanding opportunities. The portfolio’s holdings in this industry include steady growth companies such as Biomet (5.16% of the portfolio’s market value), as well as some of the more volatile biotech names such as Alkermes (1.39%).

Looking ahead, we will continue to look for opportunities in individual stocks. Generally speaking, the global economy seems to be in a holding pattern, as investors try to decide whether growth will pick up or if we will dip into recession. It’s clear that many investors believe that the United States is a safe haven, but we question this thinking. Additionally, our faith in Europe has been shaken and our experience with Japanese holdings has not supported the relative optimism that we had at the time of the change in political leadership. Given that globalization is upon us, investors will increasingly be focused on finding companies with good fundamentals and reasonable valuations — regardless of their location.

Sincerely,

Your Portfolio Management Team



Gerald J. Moran
Lead Portfolio Manager

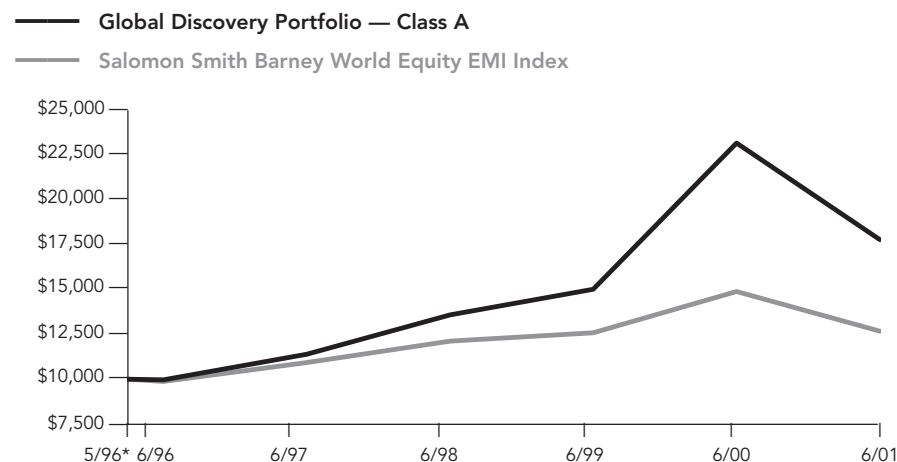


Steven T. Stokes
Portfolio Manager

The portfolio’s management team seeks what it believes are the best companies available, regardless of their location.

Global Discovery Portfolio

Growth of a \$10,000 Investment



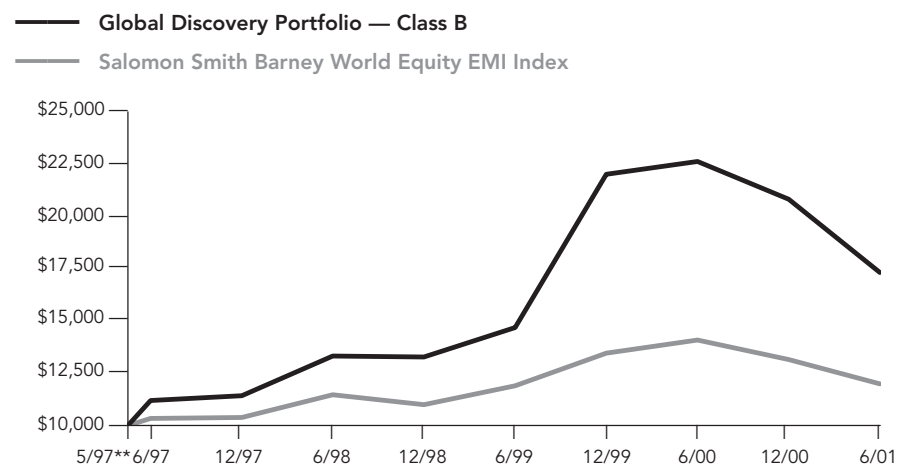
The Salomon Smith Barney World Equity Extended Market Index is an unmanaged small capitalization stock universe of 22 countries. Index returns assume reinvestment of dividends and, unlike Portfolio returns, do not reflect any fees or expenses.

Global Discovery Portfolio — Class A		Total Return	
Period Ended 6/30/2001	Growth of \$10,000	Cumulative	Average Annual
1 Year	\$ 7,680	-23.20%	-23.20%
Life of Portfolio*	\$ 18,106	81.06%	12.19%

Salomon Smith Barney World Equity EMI Index		Total Return	
Period Ended 6/30/2001	Growth of \$10,000	Cumulative	Average Annual
1 Year	\$ 8,517	-14.83%	-14.83%
Life of Portfolio*	\$ 12,667	26.67%	4.76%

* 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



The Salomon Smith Barney 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		Total Return	
Period Ended 6/30/2001	Growth of \$10,000	Cumulative	Average Annual
1 Year	\$ 7,655	-23.45%	-23.45%
Life of Portfolio**	\$ 17,273	72.73%	14.04%

Salomon Smith Barney World Equity EMI Index		Total Return	
Period Ended 6/30/2001	Growth of \$10,000	Cumulative	Average Annual
1 Year	\$ 8,517	-14.83%	-14.83%
Life of Portfolio**	\$ 11,975	19.75%	4.51%

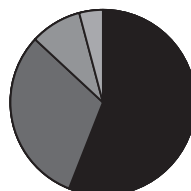
** The Portfolio commenced selling Class B shares on May 12, 1997. Index comparisons begin May 31, 1997. All performance is historical, assumes reinvestment of all dividends and capital gains, and is not indicative of future results. Investment return and principal value will fluctuate, so an investor's 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

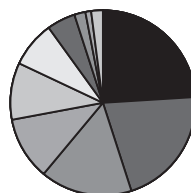
By Region (Excluding 10% Cash Equivalents)

■ U.S. & Canada	56%
■ Europe	31%
■ Japan	9%
■ Other	4%
<hr/>	
	100%



By Sector (Excluding 10% Cash Equivalents)

■ Health	24%
■ Financial	21%
■ Service Industries	16%
■ Technology	11%
■ Energy	10%
■ Consumer Discretionary	8%
■ Manufacturing	5%
■ Media	2%
■ Transportation	1%
■ Other	2%
<hr/>	
	100%



Ten Largest Equity Holdings

(34% of Portfolio)

1. Biomet, Inc.
Manufacturer of surgical implant devices
2. Fiserv, Inc.
Provider of data processing services
3. Anglo Irish Bank Corp. PLC
Provider of financial services for the business and private sectors
4. St. Jude Medical, Inc.
Manufacturer of heart valves
5. Irish Life & Permanent PLC
Operator of retail financial services group
6. Symbol Technologies, Inc.
Manufacturer of bar code laser scanners
7. Legg Mason, Inc.
Provider of various financial services
8. Nabors Industries, Inc.
Contractor of land drilling
9. Shinko Securities Co., Ltd.
Provider of financial services
10. Laboratory Corporation of America Holdings
Operator of a network of clinical laboratories and service sites

Global Discovery Portfolio

	Principal Amount (\$)	Value (\$)
Repurchase Agreements 3.4%		
Salomon Smith Barney, 4.07%, to be repurchased at \$5,297,796 on 7/2/2001** (Cost \$5,296,000)	5,296,000	5,296,000
Short-Term Investments 6.4%		
Federal National Mortgage Association, Discount Note, 3.94%***, 7/2/2001 (Cost \$9,998,906)	10,000,000	9,998,906
Convertible Bonds 0.4%		
United States		
Cephalon, Inc., 5.25%, 5/1/2006 (Developer of biopharmaceutical products) (Cost \$581,000)	581,000	663,793
	Shares	
Common Stocks 89.8%		
Australia 0.5%		
Aristocrat Leisure Ltd. (Manufacturer and seller of gaming machines)	225,319	810,849
Brazil 0.5%		
Empresa Brasileira de Aeronautica SA (ADR) (Manufacturer and marketer of aircraft)	18,108	707,117
Canada 1.5%		
Talisman Energy, Inc. (Explorer and producer of oil and gas)	60,100	2,293,211
Denmark 0.2%		
Genmab A/S* (Developer of human antibody-based products)	16,500	356,818
France 3.3%		
Altran Technologies SA (Provider of engineering and consulting services)	26,206	1,224,554
Elior (Provider of food to restaurants)	72,086	805,362
Galeries Lafayette (Operator of a department store chain)	8,336	1,232,315
JC Decaux SA* (Provider of advertising services)	55,501	745,028
Penauille Polyservices (Provider of industrial cleaning services)	20,867	1,187,817
		5,195,076
Germany 2.5%		
Deutsche Boerse AG (Provider of financial services)	70,072	2,470,628
Epcos AG (Producer of electronic components and integrated circuits)	23,703	1,288,837
Fraport AG* (Provider of airport services)	8,175	227,117
		3,986,582
Hong Kong 2.4%		
Legend Holdings Ltd. (Manufacturer of computers and related products)	2,971,000	1,656,925
Li & Fung Ltd. (Operator of an export trading business)	1,260,000	2,067,719
		3,724,644
Ireland 8.2%		
Anglo Irish Bank Corp. PLC (Provider of financial services for business and private sectors)	1,532,208	5,844,922
Irish Continental Group PLC (Transporter of passengers, freight and containers)	45,060	214,385
Irish Life & Permanent PLC (Operator of retail financial services group)	456,687	5,354,420
Jurys Doyle Hotel Group PLC (Operator of hotels and inns)	142,150	1,056,744
Ryan Hotels PLC (Owner and operator of a hotel chain)	422,556	330,283
		12,800,754

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

	Shares	Value (\$)
Japan 7.9%		
Chugai Pharmaceutical Co., Ltd. (Producer of pharmaceuticals)	108,000	1,642,490
JAFCO Co., Ltd. (Operator of venture capital company)	14,300	1,365,399
Kyorin Pharmaceutical Co., Ltd. (Manufacturer and distributor of pharmaceuticals)	44,000	1,668,497
NGK Insulators Ltd. (Manufacturer of electrical insulators)	101,000	886,640
NGK Spark Plug Co., Ltd. (Manufacturer of automotive spark plugs and parts of other electrical products)	90,000	844,190
NSK Ltd. (Manufacturer of bearings and motor vehicle machine parts)	248,000	1,071,648
Olympus Optical Co., Ltd. (Manufacturer of endoscopes and lightweight cameras)	50,000	800,898
Shinko Securities Co., Ltd. (Provider of financial services)	1,281,000	4,005,211
		<u>12,284,973</u>
Luxembourg 0.7%		
Millicom International Cellular SA* (Developer and operator of cellular telephone networks)	44,900	1,064,579
Portugal 0.1%		
PT Multimedia Servicos* (Provider of cable television, Internet and e-commerce services)	17,900	179,453
Spain 0.2%		
Industria de Diseno Textil, SA* (Manufacturer and retailer of apparel)	6,300	100,894
Sogecable SA* (Provider of cable television)	9,540	192,417
		<u>293,311</u>
Switzerland 1.4%		
Julius Baer Holding Ltd. AG "B" (Operator of holding company for international bank)	585	2,252,757
United Kingdom 11.3%		
ARM Holdings PLC (Designer of electronic components)	316,247	1,200,233
Aegis Group PLC (Operator of independent media services)	1,245,118	1,847,972
Matalan PLC (Retailer of clothing)	448,447	3,144,043
Misys PLC (Provider of computer support and data services)	236,040	1,658,203
NDS Group PLC (ADR)* (Provider of open solutions that enable data to be transferred digitally)	15,200	515,280
PizzaExpress PLC (Operator of pizza restaurants)	121,765	1,574,850
RM PLC (Provider of information technology solutions to educational markets)	194,752	1,514,050
Regus PLC* (Provider of a mix of workstations, conference rooms and support services, including Internet connections)	91,942	207,936
Serco Group PLC (Provider of facilities management services)	613,196	3,380,334
Shire Pharmaceuticals Group PLC* (Provider, marketer and researcher of pharmaceuticals)	49,018	896,573
Taylor Nelson Sofres PLC (Provider of market research)	574,447	1,660,500
		<u>17,599,974</u>
United States 49.1%		
Alexion Pharmaceuticals, Inc.* (Developer of immunoregulatory compounds)	21,000	490,980
Alkermes, Inc. (Developer of products to aid treatment of central nervous system)	62,000	2,165,660
Biomet, Inc. (Manufacturer of surgical implant devices)	167,450	8,064,392
Caremark Rx, Inc.* (Provider of pharmaceutical services in the United States)	102,000	1,677,900
Celgene Corp. (Producer of pharmaceuticals)	38,300	1,101,125
Concord EFS, Inc. (Provider of electronic transaction authorization, processing, settlement and transfer services)	54,350	3,038,165
Diamond Offshore Drilling, Inc. (Developer of offshore oil and gas wells)	90,000	2,974,500
Documentum, Inc.* (Developer of software products)	74,300	951,040
EGL, Inc. (Provider of air freight services)	77,600	1,237,720
ENSCO International, Inc. (Explorer and producer of oil and gas)	51,700	1,209,780
EOG Resources, Inc. (Explorer of oil and gas)	35,100	1,247,805
Fiserv, Inc. (Provider of data processing services)	94,400	5,852,800
Garmin Ltd.* (Developer and marketer of Global Positioning System-enabled products)	35,500	812,950

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

	Shares	Value (\$)
H & R Block, Inc. (Provider of tax consulting and preparation services)	44,400	2,866,020
Hain Celestial Group, Inc.* (Distributor and seller of natural organic and specialty food products)	38,400	871,680
Internet Security Systems, Inc. (Provider of security management solutions for the Internet)	29,100	1,445,397
Invitrogen Corp.* (Developer and provider of technologies for molecular biology research)	25,300	1,761,133
Laboratory Corporation of America Holdings* (Operator of a network of clinical laboratories and service sites)	44,200	3,398,980
Legg Mason, Inc. (Provider of various financial services)	95,600	4,757,056
Manugistics Group, Inc.* (Provider of solutions for enterprises and evolving e-business trading networks)	39,900	1,035,405
Medarex, Inc.* (Producer of pharmaceuticals)	33,600	788,928
NPS Pharmaceuticals, Inc.* (Developer of small molecule drugs)	42,400	1,652,328
Nabors Industries, Inc.* (Contractor of land drilling)	125,600	4,672,320
Polycom, Inc.* (Manufacturer of audio and data conferencing products)	35,800	782,230
Radio One, Inc. "D"* (Operator of a radio broadcasting business)	75,900	1,640,199
Regeneron Pharmaceuticals, Inc.* (Researcher and developer of pharmaceuticals)	32,700	1,121,610
Shaw Group, Inc.* (Manufacturer of piping systems)	34,800	1,395,480
St. Jude Medical, Inc. (Manufacturer of heart valves)	92,800	5,568,000
Symbol Technologies, Inc. (Manufacturer of bar code laser scanners)	240,393	5,336,725
Tiffany & Co. (Retailer of jewelry and gift items)	44,500	1,611,790
Veritas DGC, Inc.* (Provider of land, transition zone and marine-based seismic data acquisition)	43,300	1,201,575
Waters Corp.* (Provider of high-performance liquid chromatography products and services)	21,900	604,659
Zions Bancorp. (Provider of commercial banking services)	57,500	3,348,800
		<u>76,685,132</u>
Total Common Stocks (Cost \$146,962,982)		140,235,230
Total Investment Portfolio — 100.0% (Cost \$162,838,888) (a)		156,193,929

* 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) At June 30, 2001, the net unrealized depreciation on investments based on cost for federal income tax purposes of \$162,839,287 was as follows:

Aggregate gross unrealized appreciation for all investments in which there is an excess of value over tax cost	\$	16,072,716
Aggregate gross unrealized depreciation for all investments in which there is an excess of tax cost over value		22,718,074
Net unrealized depreciation	\$	6,645,358

Purchases and sales of investment securities (excluding short-term investments) for the six months ended June 30, 2001, aggregated \$55,217,251 and \$41,390,508, respectively.

From November 1, 2000 through December 31, 2000, the Portfolio incurred approximately \$1,792,000 of net realized capital losses. As permitted by tax regulations, the Portfolio intends to elect to defer these losses and treat them as arising in the fiscal year ended December 31, 2001.

Financial Statements

Global Discovery Portfolio

Statement of Assets and Liabilities as of June 30, 2001 (Unaudited)

Assets

Investments in securities, at value (cost \$162,838,888)	\$ 156,193,929
Receivable for investments sold	3,057,369
Dividends receivable	207,890
Interest receivable	5,773
Receivable for Portfolio shares sold	102,536
Foreign taxes recoverable	38,614
Total assets	159,606,111

Liabilities

Due to custodian bank	174,575
Payable for investments purchased	438,110
Payable for Portfolio shares redeemed	325,609
Accrued management fee	284,132
Accrued accounting fees	11,633
Accrued Trustee's fees and expenses	3,241
Other accrued expenses and payables	113,629
Total liabilities	1,350,929

Net assets, at value **\$ 158,255,182**

Net Assets

Net assets consist of:	
Undistributed net investment income	178,745
Net unrealized appreciation (depreciation) on:	
Investments	(6,644,959)
Foreign currency related transactions	(6,313)
Accumulated net realized gain (loss)	(16,389,883)
Paid-in capital	181,117,592
Net assets, at value	\$ 158,255,182

Class A

Net Asset Value, offering and redemption price per share (\$150,210,756 / 15,604,859 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized) **\$ 9.63**

Class B

Net Asset Value, offering and redemption price per share (\$8,044,426 / 841,741 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized) **\$ 9.56**

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

Statement of Operations for the six months ended June 30, 2001 (Unaudited)

Investment Income

Dividends (net of foreign taxes withheld of \$29,086)	\$ 662,973
Interest	464,080
Total Income	<u>1,127,053</u>
Expenses:	
Management fee	761,986
Custodian fees	61,145
Accounting fees	64,499
Distribution fees (Class B)	11,310
Auditing	8,166
Legal	1,726
Trustees' fees and expenses	24,651
Reports to shareholders	1,964
Registration fees	11,179
Other	18,756
Total expenses, before expense reductions	<u>965,382</u>
Expense reductions	<u>(17,074)</u>
Total expenses, after expense reductions	948,308
Net investment income (loss)	178,745

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	(14,410,869)
Foreign currency related transactions	(5,059)
	<u>(14,415,928)</u>
Net unrealized appreciation (depreciation) during the period on:	
Investments	(14,848,773)
Foreign currency related transactions	(11,371)
	<u>(14,860,144)</u>
Net gain (loss) on investment transactions	(29,276,072)
Net increase (decrease) in net assets resulting from operations	\$ (29,097,327)

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, 2001 (Unaudited)	Year Ended December 31, 2000
Operations:		
Net investment income (loss)	\$ 178,745	\$ (377,736)
Net realized gain (loss) on investment transactions	(14,415,928)	2,036,132
Net unrealized appreciation (depreciation) on investment transactions during the period	(14,860,144)	(16,424,584)
Net increase (decrease) in net assets resulting from operations	(29,097,327)	(14,766,188)
Distributions to shareholders from:		
Net investment income:		
Class A	—	(986,284)
Class B	—	(49,881)
Net realized gains:		
Class A	(2,677,843)	(5,917,706)
Class B	(162,230)	(438,954)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	67,855,389	177,758,322
Reinvestment of distributions	2,677,843	6,903,990
Cost of shares redeemed	(49,168,241)	(75,515,456)
Net increase (decrease) in net assets from Class A share transactions	21,364,991	109,146,856
Class B		
Proceeds from shares sold	530,712	6,835,369
Reinvestment of distributions	162,230	488,835
Cost of shares redeemed	(1,518,208)	(1,885,145)
Net increase (decrease) in net assets from Class B share transactions	(825,266)	5,439,059
Increase (decrease) in net assets	(11,397,675)	92,426,902
Net assets at beginning of period	169,652,857	77,225,955
Net assets at end of period (including undistributed net investment income of \$178,745 at June 30, 2001)	\$ 158,255,182	\$ 169,652,857
Other Information		
Class A		
Shares outstanding at beginning of period	13,514,198	5,348,352
Shares sold	6,562,465	13,444,650
Shares issued to shareholders in reinvestment of distributions	265,396	559,481
Shares redeemed	(4,737,200)	(5,838,285)
Net increase (decrease) in Portfolio shares	2,090,661	8,165,846
Shares outstanding at end of period	15,604,859	13,514,198
Class B		
Shares outstanding at beginning of period	921,916	512,155
Shares sold	52,007	510,443
Shares issued to shareholders in reinvestment of distributions	16,190	39,775
Shares redeemed	(148,372)	(140,457)
Net increase (decrease) in Portfolio shares	(80,175)	409,761
Shares outstanding at end of period	841,741	921,916

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 and other performance information derived from the financial statements.

Class A (c)

Years Ended December 31,	2001(b)	2000	1999	1998	1997	1996(d)
Net asset value, beginning of period	\$11.76	\$13.18	\$ 8.04	\$ 7.08	\$ 6.33	\$ 6.00(e)
<i>Income (loss) from investment operations:</i>						
Net investment income (loss) (a)	.01	(.03)	(.06)	(.03)	(.03)	(.01)
Net realized and unrealized gain (loss) on investment transactions	(1.95)	(.62)	5.30	1.18	.81	.34
Total from investment operations	(1.94)	(.65)	5.24	1.15	.78	.33
<i>Less distributions from:</i>						
Net investment income	—	(.11)	—	(.12)	(.02)	—
Net realized gains on investment transactions	(.19)	(.66)	(.10)	(.07)	(.01)	—
Total distributions	(.19)	(.77)	(.10)	(.19)	(.03)	—
Net asset value, end of period	\$ 9.63	\$11.76	\$13.18	\$ 8.04	\$ 7.08	\$ 6.33
Total Return (%)	(16.53)(g)**	(5.29)	65.88	16.44(g)	12.38(g)	5.50(g)**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	150	159	71	25	18	17
Ratio of expenses before expense reductions (%)	1.21(h)*	1.28	1.63	1.79	1.79	2.32*
Ratio of expenses after expense reductions (%)	1.20(h)*	1.28	1.63	1.72	1.50	1.50*
Ratio of net investment income (loss) (%)	.25*	(.25)	(.66)	(.40)	(.44)	(.13)*
Portfolio turnover rate (%)	58*	66	70	54	83	50*

Class B

Years Ended December 31,	2001(b)	2000	1999	1998	1997(f)
Net asset value, beginning of period	\$11.69	\$13.11	\$ 8.01	\$ 7.07	\$ 6.20
<i>Income (loss) from investment operations:</i>					
Net investment income (loss) (a)	.00***	(.07)	(.08)	(.05)	(.04)
Net realized and unrealized gain (loss) on investment transactions	(1.94)	(.61)	5.28	1.18	.91
Total from investment operations	(1.94)	(.68)	5.20	1.13	.87
<i>Less distributions from:</i>					
Net investment income	—	(.08)	—	(.12)	—
Net realized gains on investment transactions	(.19)	(.66)	(.10)	(.07)	—
Total distributions	(.19)	(.74)	(.10)	(.19)	—
Net asset value, end of period	\$ 9.56	\$11.69	\$13.11	\$ 8.01	\$ 7.07
Total Return (%)	(16.77)(g)**	(5.42)	65.63	16.18(g)	14.03(g)**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	8	11	7	4	2
Ratio of expenses before expense reductions (%)	1.46(h)*	1.53	1.88	2.04	2.00*
Ratio of expenses after expense reductions (%)	1.45(h)*	1.53	1.88	1.98	1.75*
Ratio of net investment income (loss) (%)	.00*	(.52)	(.91)	(.69)	(.89)*
Portfolio turnover rate (%)	58*	66	70	54	83

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

(b) For the six months ended June 30, 2001 (Unaudited).

(c) On May 2, 1997 existing shares were redesignated as Class A shares.

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

(e) Original capital.

(f) For the period May 2, 1997 (commencement of sales of Class B shares) to December 31, 1997.

(g) Total returns would have been lower had certain expenses not been reduced.

(h) The ratios of operating expenses excluding costs incurred in connection with the reorganization before and after expense reductions were 1.17% and 1.15%, and 1.91% and 1.66% for Class A and Class B, respectively (see Notes to Financial Statements).

* Annualized

** Not annualized

*** Less than (\$.005) per share

International Portfolio

Dear Shareholders,

The economic backdrop for Scudder International Portfolio remained difficult during the six-month period ended June 30, 2001. Slower economic growth and higher oil prices ate into corporate profitability and slowed consumer spending in most economies. Inventory corrections and decreased investment activity did not help either. The speed of the global slowdown caught many corporations by surprise, and as a result, the profit-warning trend in the United States last year spread to the rest of the world during the first half of 2001.

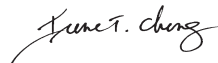
In this less-than-hospitable environment, the portfolio's Class A shares declined 18.57% for the period, compared to a loss of 14.93% for its unmanaged benchmark, the MSCI EAFE+Canada Index. Underperformance was due largely to the portfolio's positioning in the consumer discretionary sector, as well as its overweight in media and consumer electronics and its light exposure to automakers. The portfolio's underweight position in Japanese "old economy" stocks such as utilities and trading companies hurt, as did its holdings in the semiconductor sector. On a regional basis, stock selection in Japan hurt performance during the first half. On the positive side, stock selection in the telecom sector helped offset some of the trouble, and we avoided some of the worst-performing stocks in Europe. Health care picks yielded significant positive returns, as did select consumer staples, where the food producers like Nestle (1.89% of the portfolio's market value), Danone (1.40%) and British supermarket operator Sainsbury (1.22%) performed well.

From a macroeconomic point of view, we believe the outlook for the Japanese economy is poor. Exports are weakening as U.S. demand slumps, and the strength of the yen exchange rate versus the euro has eroded Japan's competitiveness. During the quarter, we reduced exposure to the Japanese banking sector by eliminating Sumitomo Mitsui Bank (0.00%) and reducing our position in Mizuho (0.15%). In Europe, where the outlook is more positive, we initiated a position in ING (0.64%), the Dutch-based insurance giant, but sold Dresdner Bank (0.00%) in Germany following the announcement of Allianz' (0.81%) bid for the shares. We also trimmed European telecom operators, but increased the energy stake with positions in businesses such as Norsk Hydro (0.67%), a diversified oil company.

Our outlook for international equity markets remains unchanged. Arguably, the lagging reaction of global economies to developments in the United States suggests that there is more pain to come. On a positive note, one major benefit of the current global economic weakness is that it may stir companies and politicians into action. This could open the door for an acceleration of structural reform in Europe and Japan. Meanwhile, our security selection remains focused on companies or industries undergoing secular change that we believe should perform relatively well under a broad range of economic scenarios.

Sincerely,

Your Portfolio Management Team



Irene T. Cheng
Lead Portfolio Manager



Marc J. Slendebroek
Portfolio Manager

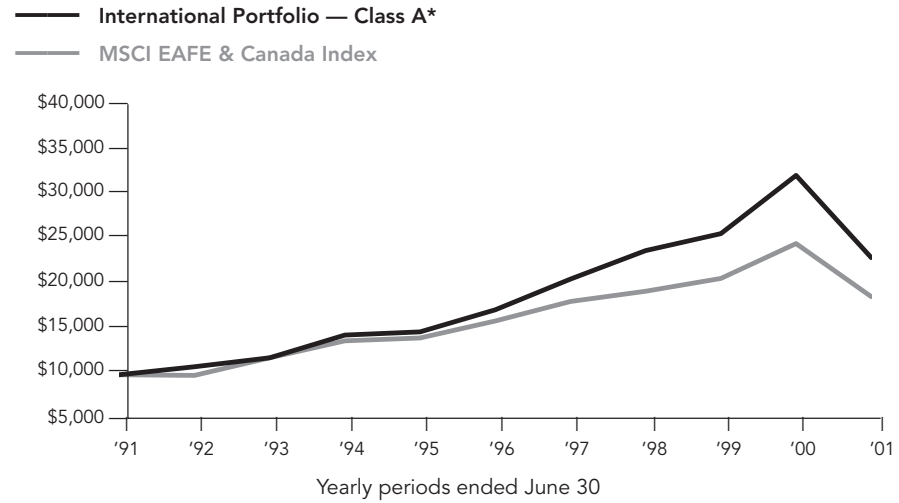


Nicholas Bratt
Portfolio Manager

A weaker economic backdrop overseas provided a difficult environment for the portfolio.

International Portfolio

Growth of a \$10,000 Investment



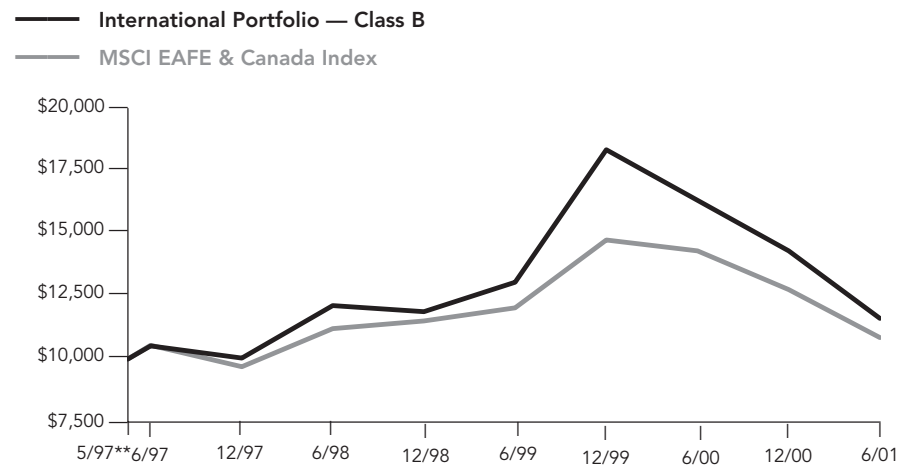
The Morgan Stanley Capital International (MSCI) Europe, Australia, the Far East (EAFE) & Canada Index is an unmanaged capitalization-weighted measure of stock markets in Europe, Australia, the Far East and Canada. Index returns assume reinvestment of dividends net of withholding tax and, unlike Portfolio returns, do not reflect any fees or expenses.

International Portfolio — Class A*			
Period Ended 6/30/2001	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 7,154	-28.46%	-28.46%
5 Year	\$ 13,376	33.76%	5.99%
10 Year*	\$ 22,995	129.95%	8.68%

MSCI EAFE & Canada Index			
Period Ended 6/30/2001	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 7,595	-24.05%	-24.05%
5 Year	\$ 11,685	16.85%	3.16%
10 Year*	\$ 18,658	86.58%	6.43%

* On May 8, 1997, existing shares were redesignated as Class A shares.

Growth of a \$10,000 Investment



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			
Period Ended 6/30/2001	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 7,126	-28.74%	-28.74%
Life of Portfolio**	\$ 11,838	18.38%	4.16%

MSCI EAFE & Canada Index			
Period Ended 6/30/2001	Growth of \$10,000	Total Return	
		Cumulative	Average Annual
1 Year	\$ 7,595	-24.05%	-24.05%
Life of Portfolio**	\$ 10,844	8.44%	2.00%

** The Portfolio commenced selling Class B shares on May 8, 1997. Index comparisons begin May 31, 1997.

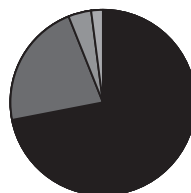
All performance is historical, assumes reinvestment of all dividends and capital gains, and is not indicative of future results. Investment return and principal value will fluctuate, so an investor's shares, when redeemed, may be worth more or less than when purchased.

International Portfolio

Diversification

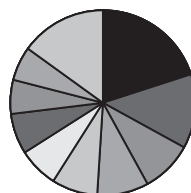
By Region (Excluding 19% Cash Equivalents)

■ Europe	72%
■ Japan	22%
■ Pacific Basin	4%
■ U.S. & Canada	2%
<hr/>	
	100%



By Sector (Excluding 19% Cash Equivalents)

■ Financial	20%
■ Manufacturing	13%
■ Energy	9%
■ Consumer Staples	9%
■ Health	8%
■ Service Industries	7%
■ Consumer Discretionary	7%
■ Technology	6%
■ Communications	6%
■ Other	15%
<hr/>	
	100%



Ten Largest Equity Holdings

(19% of Portfolio)

1. Total Fina ELF SA "B"
Explorer of oil and natural gas
2. Reed International PLC
Publisher of scientific, professional and business-to-business materials
3. Aventis SA
Manufacturer of life science products
4. BP PLC
Provider of oil internationally
5. GlaxoSmithKline PLC
Manufacturer of prescription and over-the-counter medicines
6. Nestle SA
Producer of food products
7. Shell Transport & Trading PLC
Provider of oil internationally
8. Canadian National Railway Co.
Provider of railroad services
9. Suez SA
Operator of water treatment plants
10. Serono SA "B"
Developer and marketer of biotechnology products

International Portfolio

	Principal Amount \$(c)	Value (\$)
Repurchase Agreements 3.6%		
Salomon Smith Barney, 4.07%, to be repurchased at \$25,241,558 on 7/2/2001** (Cost \$25,233,000)	25,233,000	25,233,000
Short-Term Investments 15.1%		
United States		
Federal Home Loan Bank, Discount Note, 3.5%***, 7/2/2001	50,000,000	49,995,139
Federal National Mortgage Association, Discount Note, 3.94%***, 7/2/2001	54,000,000	53,994,090
Total Commercial Paper (Cost \$103,989,229)		103,989,229
Participating Loan Note 0.3%		
Luxembourg		
Eurotunnel Finance Ltd., Step-up Coupon, 1% to 12/31/2005, 1% plus 26.45% of net available cash flows to 4/30/2040 (Cost \$2,218,612)	1,700(b)	1,841,509
	Shares	
Common Stocks 81.0%		
Australia 1.6%		
BHP Billiton Ltd.* (Bonus) (Explorer and producer of minerals)	634,788	3,450,893
Broken Hill Proprietary Co., Ltd. (Producer of petroleum, mineral and steel products)	596,000	3,160,931
WMC Ltd. (Developer of mineral products)	892,983	4,366,785
		<u>10,978,609</u>
Austria 0.3%		
OMV AG (Producer of oil and gas)	28,500	2,397,147
Belgium 0.5%		
Interbrew (Operator of brewing business)	134,900	3,621,710
Canada 1.6%		
Canadian National Railway Co. (Provider of railroad services)	257,193	10,437,261
Precision Drilling Corp.* (Provider of oilfield drilling services)	15,500	484,919
		<u>10,922,180</u>
Denmark 0.7%		
Novo Nordisk A/S* (Developer, producer and marketer of pharmaceuticals)	105,000	4,648,873
Finland 0.5%		
Nokia Oyj (Provider of telecommunication services)	151,000	3,434,314
France 16.8%		
Accor SA (Operator of hotels, travel agencies and restaurants)	47,783	2,023,733
Aventis SA (Manufacturer of life science products)	178,571	14,306,629
Banque Nationale de Paris (Provider of banking services)	91,968	8,032,385
Christian Dior (Manufacturer of luxury products)	68,523	2,474,230
Coflexip SA (Manufacturer of offshore and onshore flexible pipe)	4,415	667,300
Compagnie Francaise d'Etudes et de Construction Technip (Designer of industrial facilities)	4,298	553,215
Compagnie Generale d'Industrie et de Participations* (Producer of automobile components, diagnostic equipment and abrasive pellets)	34,156	1,037,137
Compagnie Generale d'Industrie et de Participations* (warrant) (Producer of automobile components, diagnostic equipment and abrasive pellets)	34,156	24,956

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

	Shares	Value (\$)
Compagnie Generale de Geophysique SA* (CGG) (Manufacturer of geophysical equipment)	9,372	512,384
Credit Lyonnais SA (Provider of diversified banking services)	185,171	6,705,036
Etablissements Economiques du Casino Guichard-Perrachon SA (Operator of supermarkets and convenience stores)	11,896	687,266
European Aeronautic Defence and Space Co. (Manufacturer of airplanes and military equipment)	110,666	2,044,976
Eurotunnel SA* (Designer, financier and constructor of the Eurotunnel)	5,809,439	6,070,913
Groupe Danone (Producer of yogurts, cheeses and bottled water)	70,198	9,667,684
LVMH (Producer of luxury goods)	54,864	2,773,442
Lafarge SA (Producer of cement, concrete and aggregates)	35,050	3,007,628
Orange SA* (Provider of communication services)	335,505	2,736,434
Rhodia SA (Manufacturer of drugs and chemical products)	365,113	4,032,602
Sanofi-Synthelabo SA (Manufacturer of health care products and medical and surgical equipment)	40,850	2,689,729
Schneider Electric SA (Manufacturer of electronic components and automated manufacturing systems)	107,908	5,986,617
Societe BIC SA (Manufacturer of office supplies)	66,792	2,440,100
Societe Generale "A" (Provider of full banking and financial services)	73,974	4,396,241
Suez SA (Operator of water treatment plants)	320,495	10,347,121
Total Fina ELF SA "B" (Provider of oil internationally)	114,523	16,093,218
Vivendi Universal SA (Provider of various public services)	113,116	6,616,719
		<u>115,927,695</u>
Germany 9.2%		
Allianz AG (Provider of diversified insurance services)	18,862	5,555,924
BASF AG (Explorer and producer of oil, natural gas and chemical products)	88,458	3,479,628
Bayer AG (Producer of chemical products)	240,598	9,402,959
Bayerische Hypo-und Vereinsbank (Provider of banking services)	131,569	6,449,768
Beiersdorf AG (Manufacturer of personal care products)	900	94,433
Deutsche Bank AG (Registered) (Provider of financial services)	96,309	6,905,959
Deutsche Post AG (Provider of mail delivery services)	90,218	1,433,341
Deutsche Telekom AG (Registered) (Provider of telecommunication services)	176,970	4,008,432
E.On AG (Distributor of oil and chemicals)	193,034	10,069,708
ERGO Versicherungs Gruppe AG (Provider of insurance services)	34,247	4,990,009
Heidelberger Druckmaschinen AG (Manufacturer of commercial printing presses)	20,125	1,007,084
KarstadtQuelle AG* (Operator of retail stores)	95,633	2,977,806
Metro AG (Operator of retail stores)	97,847	3,699,323
Muenchener Rueckversicherungs-Gesellschaft AG (Registered) (Provider of financial services)	9,861	2,777,277
ProSieben Sat.1 Media AG (pfd.) (Producer and broadcaster of television programming)	42,536	614,356
		<u>63,466,007</u>
Hong Kong 0.4%		
Hutchison Whampoa Ltd. (Provider of investment services)	271,400	2,740,131
Italy 3.1%		
Assicurazioni Generali SpA (Provider of insurance and financial services)	194,500	5,866,278
Mediobanca SpA (Provider of loans and credit to manufacturing and service firms)	896,900	9,616,523
Riunione Adriatica di Sicurtà SpA (Provider of insurance services)	440,450	5,433,478
Saipem SpA (Explorer of petroleum products)	102,500	563,434
		<u>21,479,713</u>
Japan 18.1%		
Asahi Glass Co., Ltd. (Manufacturer of glass products)	356,000	2,956,796
Canon, Inc. (Producer of visual image and information equipment)	74,000	2,990,019
Chugai Pharmaceutical Co., Ltd. (Producer of pharmaceuticals)	313,000	4,760,180
Dai Nippon Printing Co., Ltd. (Provider of printing services for commercial and industrial use)	76,000	927,342
Daiwa Securities Group, Inc. (Provider of financial services)	565,000	5,911,132
East Japan Railway Co. (Operator of railroads)	865	4,992,985
Fast Retailing Co., Ltd. (Operator of casual clothes retail chain)	20,700	3,601,154

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

	Shares	Value (\$)
Hitachi Ltd.* (Manufacturer of general electronics)	226,000	2,219,505
Ito-Yokado Co., Ltd. (Leading supermarket operator)	56,000	2,581,473
Matsushita Electric Industrial Co., Ltd. (Manufacturer of consumer electronic products)	436,000	6,823,041
Mitsubishi Estate Co., Ltd. (Provider of real estate services)	603,000	5,544,883
Mitsubishi Heavy Industries Ltd. (Diversified heavy machinery manufacturer and leading shipbuilder)	489,000	2,230,657
Mitsui Fudosan Co., Ltd. (Provider of real estate services)	707,000	7,617,814
Mizuho Holdings, Inc. (Provider of financial services)	225	1,046,218
Murata Manufacturing Co., Ltd. (Manufacturer of computers)	21,800	1,448,848
NEC Corp. (Manufacturer of telecommunication and computer equipment)	337,000	4,552,411
NTT DoCoMo, Inc. (Provider of various telecommunication services and equipment)	392	6,819,578
Nikko Securities Co., Ltd. (Provider of financial services)	764,000	6,118,860
Nintendo Co., Ltd. (Manufacturer of game equipment)	11,600	2,111,035
Nippon Telegraph & Telephone Corp. (Provider of telecommunication services)	560	2,918,187
Nissan Motor Co., Ltd. (Manufacturer of motor vehicles)	869,000	5,998,389
Nomura Securities Co., Ltd. (Provider of financial services)	443,000	8,488,155
Rohm Co., Ltd. (Developer of linear ICs and semiconductors)	13,200	2,050,876
Sankyo Co., Ltd. (Manufacturer of pharmaceutical products)	260,000	4,689,943
Sega Enterprises Co., Ltd.* (Manufacturer of commercial amusement equipment)	84,600	1,498,906
Sharp Corp. (Manufacturer of consumer and industrial electronics)	608,000	8,286,367
Sony Corp. (Manufacturer of consumer and industrial electronic equipment)	75,100	4,937,027
Takeda Chemical Industries (Manufacturer of pharmaceuticals)	41,000	1,906,442
Tokyo Electron Ltd. (Manufacturer of semiconductor production equipment)	28,500	1,725,057
Toshiba Corp. (Manufacturer of electric machinery)	647,000	3,418,231
Toyota Motor Corp. (Manufacturer of diversified automotive products)	101,400	3,568,734
West Japan Railway Co. (Operator of a railroad company)	93	504,013
		<u>125,244,258</u>
Korea 0.4%		
Samsung Electronics Co., Ltd. (Manufacturer of electronic equipment)	20,630	<u>3,045,721</u>
Netherlands 4.4%		
ASML Holding NV* (Developer, manufacturer and marketer of photolithography projections systems)	67,300	1,514,648
DSM NV (Manufacturer of chemicals)	52,700	1,840,209
Elsevier NV (Publisher of information books internationally)	156,900	1,959,544
Fortis (NL) NV (Provider of banking and insurance services)	81,700	1,993,523
Gucci Group NV (New York shares) (Designer and producer of personal luxury accessories and apparel)	36,500	3,056,875
Heineken NV* (Producer of beverages)	220,025	8,903,634
ING Groep NV (Provider of insurance and financial services)	67,000	4,394,473
Unilever NV (Manufacturer of branded and packaged consumer goods)	92,100	5,539,972
Wolters Kluwer (Publisher of educational and professional materials)	38,400	1,035,833
		<u>30,238,711</u>
Norway 0.7%		
Norsk Hydro ASA* (Producer of mineral fertilizers, aluminum and petroleum)	65,800	2,795,173
Statoil ASA* (Producer of oil and natural gas)	251,331	1,862,651
		<u>4,657,824</u>
Spain 1.3%		
Industria de Diseno Textil SA* (Manufacturer and retailer of apparel)	182,400	2,921,130
Repsol SA (Manufacturer of crude oil and natural gas)	349,000	5,781,955
		<u>8,703,085</u>
Sweden 0.9%		
Telefonaktiebolaget LM Ericsson LM AB "B" (Producer of advanced systems and products for wired and mobile communications)	859,000	4,707,608

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

	Shares	Value (\$)
Telefonaktiebolaget LM Ericsson LM AB (ADR) (Leading manufacturer of cellular telephone equipment)	219,200	1,179,296
		<u>5,886,904</u>
Switzerland 4.8%		
Ciba Specialty Chemicals AG (Registered) (Manufacturer of chemical products)	13,704	799,406
Nestle SA (Registered) (Producer of food products)	61,289	13,038,034
STMicroelectronics NV (Manufacturer of semiconductor integrated circuits)	75,991	2,647,041
Serono SA "B" (Developer and marketer of biotechnology products)	10,407	10,333,397
Syngenta AG* (Producer of chemicals)	6,692	352,171
UBS AG (Provider of banking and asset management services)	42,317	6,068,178
		<u>33,238,227</u>
Taiwan 0.9%		
Acer Display Technology, Inc.* (Manufacturer and marketer of film transistor-liquid crystal displays and plasma display panels)	1,501,000	1,421,220
Hon Hai Precision Industry Co., Ltd. (ADR) (Manufacturer of electronic products)	60	315
Taiwan Semiconductor Manufacturing Co.* (Manufacturer of integrated circuits)	1,576,400	2,930,282
United Microelectronics Corp., Ltd. (ADR)* (Manufacturer of integrated circuits)	1,174,000	1,558,286
		<u>5,910,103</u>
United Kingdom 14.8%		
Anglo American PLC* (Operator of an international mining firm)	127,140	1,913,936
BP PLC (Provider of oil internationally)	1,633,491	13,495,747
British Airways PLC (Provider of passenger and cargo airline services)	681,890	3,315,648
British Telecommunications PLC (Provider of telecommunication services)	682,635	4,313,122
Compass Group PLC* (Operator of catering services company)	712,736	5,732,402
EMI Group PLC (Producer of music recordings)	740,558	4,208,047
GlaxoSmithKline PLC (Manufacturer of prescription and over-the-counter medicines)	467,536	13,217,238
J Sainsbury PLC (Distributor of food through supermarkets)	1,347,347	8,441,582
PowerGen PLC (Distributor of electric power)	176,401	1,792,774
RMC Group PLC (Producer and supplier of building and construction materials)	8,560	82,882
Reed International PLC (Publisher of scientific, professional and business-to-business materials)	1,773,888	15,796,556
Reuters Group PLC (Provider of international news and information)	610,913	7,970,338
Rio Tinto PLC (Developer of mining products)	289,607	5,166,115
Shell Transport & Trading PLC (Provider of oil internationally)	1,484,312	12,399,619
Vodafone Group PLC (Provider of mobile telecommunication services)	1,973,885	4,394,385
		<u>102,240,391</u>
Total Common Stocks (Cost \$581,873,617)		558,781,603
Total Investment Portfolio — 100.0% (Cost \$713,314,458) (a)		689,845,341

* 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) At June 30, 2001, the net unrealized appreciation on investments based on cost for federal income tax purposes of \$713,373,507 was as follows:

Aggregate gross unrealized appreciation for all investments in which there is an excess of value over tax cost	\$ 36,334,645
Aggregate gross unrealized depreciation for all investments in which there is an excess of tax cost over value	59,862,811
Net unrealized depreciation	<u>\$ 23,528,166</u>

(b) Represents number of contracts. Each contract equals a nominal value of EUR 2,931.

(c) Principal amount is stated in U.S. dollars unless otherwise specified.

Purchases and sales of investment securities (excluding short-term investments) for the six months ended June 30, 2001, aggregated \$338,016,906 and \$338,424,740, respectively.

From November 1 through December 31, 2000, the International Portfolio incurred approximately \$3,349,000 of net realized capital losses. As permitted by tax regulations, the Portfolio intends to elect to defer these losses and treat them as arising in the fiscal year ended December 31, 2001.

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

Financial Statements

International Portfolio

Statement of Assets and Liabilities as of June 30, 2001 (Unaudited)

Assets

Investments in securities, at value (cost \$713,314,458)	\$ 689,845,341
Cash	33,012
Foreign currency, at value (cost \$159,889)	155,106
Receivable for investments sold	7,201,618
Dividends receivable	842,296
Interest receivable	5,715
Receivable for Portfolio shares sold	521,570
Foreign taxes recoverable	922,547
Total assets	699,527,205

Liabilities

Payable for investments purchased	5,794,334
Payable for Portfolio shares redeemed	49,319,897
Accrued management fee	443,336
Accrued accounting fees	53,377
Accrued Trustees' fees and expenses	1,629
Other accrued expenses and payables	173,548
Total liabilities	55,786,121

Net assets, at value \$ 643,741,084

Net Assets

Net assets consist of:	
Undistributed net investment income	4,471,156
Net unrealized appreciation (depreciation) on:	
Investments	(23,469,117)
Foreign currency related transactions	(73,295)
Accumulated net realized gain (loss)	(86,318,857)
Paid-in capital	749,131,197
Net assets, at value	\$ 643,741,084

Class A

Net Asset Value and redemption price per share (\$642,605,965 / 67,815,823 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized) \$ 9.48

Class B

Net Asset Value, offering and redemption price per share (\$1,135,119 / 120,409 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized) \$ 9.43

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

Statement of Operations for the six months ended June 30, 2001 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$1,398,855)	\$ 5,798,157
Interest	1,392,520
Total Income	<u>7,190,677</u>
Expenses:	
Management fee	2,804,692
Custodian fees	157,878
Accounting fees	239,684
Distribution fees (Class B)	966
Auditing	13,647
Legal	10,405
Trustees' fees and expenses	80,931
Reports to shareholders	8,802
Registration fees	7,468
Other	37,598
Total expenses, before expense reductions	3,362,071
Expense reductions	(74,892)
Total expenses, after expense reductions	<u>3,287,179</u>
Net investment income (loss)	3,903,498
Realized and unrealized gain (loss) on investment transactions	
Net realized gain (loss) from:	
Investments	(81,821,959)
Foreign currency related transactions	(124,916)
	<u>(81,946,875)</u>
Net unrealized appreciation (depreciation) during the period on:	
Investments	(41,220,016)
Foreign currency related transactions	(73,108)
	<u>(41,293,124)</u>
Net gain (loss) on investment transactions	(123,239,999)
Net increase (decrease) in net assets resulting from operations	\$ (119,336,501)

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, 2001 (Unaudited)	Year Ended December 31, 2000
Operations:		
Net investment income (loss)	\$ 3,903,498	\$ 3,955,876
Net realized gain (loss) on investment transactions	(81,946,875)	121,550,712
Net unrealized appreciation (depreciation) on investment transactions during the period	(41,293,124)	(292,581,750)
Net increase (decrease) in net assets resulting from operations	(119,336,501)	(167,075,162)
Distributions to shareholders from:		
Net investment income:		
Class A	(2,533,964)	(4,323,565)
Class B	(1,002)	(1,773)
Net realized gains:		
Class A	(118,779,550)	(87,912,485)
Class B	(132,698)	(81,114)
Portfolio share transactions:		
Class A		
Proceeds from shares sold	3,389,737,726	4,177,908,200
Reinvestment of distributions	121,313,514	92,236,050
Cost of shares redeemed	(3,347,748,269)	(4,165,548,420)
Net increase (decrease) in net assets from Class A share transactions	163,302,971	104,595,830
Class B		
Proceeds from shares sold	589,302	492,244
Reinvestment of distributions	133,700	82,887
Cost of shares redeemed	(51,589)	(218,125)
Net increase (decrease) in net assets from Class B share transactions	671,413	357,006
Increase (decrease) in net assets	(76,809,331)	(154,441,263)
Net assets at beginning of period	720,550,415	874,991,678
Net assets at end of period (including undistributed net investment income of \$4,471,156 and \$3,102,624, respectively)	\$ 643,741,084	\$ 720,550,415
Other Information		
Class A		
Shares outstanding at beginning of period	50,467,229	42,980,529
Shares sold	295,019,477	257,448,566
Shares issued to shareholders in reinvestment of distributions	11,870,206	5,610,465
Shares redeemed	(289,541,089)	(255,572,331)
Net increase (decrease) in Portfolio shares	17,348,594	7,486,700
Shares outstanding at end of period	67,815,823	50,467,229
Class B		
Shares outstanding at beginning of period	53,819	33,910
Shares sold	58,150	28,073
Shares issued to shareholders in reinvestment of distributions	13,134	5,057
Shares redeemed	(4,694)	(13,221)
Net increase (decrease) in Portfolio shares	66,590	19,909
Shares outstanding at end of period	120,409	53,819

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 and other performance information derived from the financial statements.

Class A (c)

Years Ended December 31,	2001(b)	2000	1999	1998	1997	1996
Net asset value, beginning of period	\$14.26	\$20.34	\$14.56	\$14.11	\$13.25	\$11.82
<i>Income (loss) from investment operations:</i>						
Net investment income (loss) (a)	.07	.08	.12(e)	.13	.14	.12
Net realized and unrealized gain (loss) on investment transactions	(2.55)	(4.24)	7.17	2.29	1.04	1.60
Total from investment operations	(2.48)	(4.16)	7.29	2.42	1.18	1.72
<i>Less distributions from:</i>						
Net investment income	(.05)	(.09)	(.02)	(.26)	(.21)	(.29)
Net realized gains on investment transactions	(2.25)	(1.83)	(1.49)	(1.71)	(.11)	—
Total distributions	(2.30)	(1.92)	(1.51)	(1.97)	(.32)	(.29)
Net asset value, end of period	\$ 9.48	\$14.26	\$20.34	\$14.56	\$14.11	\$13.25
Total Return (%)	(18.57)**	(21.70)	54.51	18.49	9.07	14.78
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period (\$ millions)	643	720	874	509	427	726
Ratio of expenses, before expense reductions (%)	.99(f)*	.96	1.03	1.04	1.00	1.05
Ratio of expenses, after expense reductions (%)	.98(f)*	.96	1.03	1.04	1.00	1.05
Ratio of net investment income (loss) (%)	1.18*	.48	.76	.90	.94	.95
Portfolio turnover rate (%)	108*	79	86	71	61	33

Class B

Years Ended December 31,	2001(b)	2000	1999	1998	1997(d)
Net asset value, beginning of period	\$14.19	\$20.24	\$14.51	\$14.08	\$13.76
<i>Income (loss) from investment operations:</i>					
Net investment income (loss) (a)	.05	.04	.08(e)	.10	.00***
Net realized and unrealized gain (loss) on investment transactions	(2.54)	(4.22)	7.14	2.29	.32
Total from investment operations	(2.49)	(4.18)	7.22	2.39	.32
<i>Less distributions from:</i>					
Net investment income	(.02)	(.04)	—	(.25)	—
Net realized gains on investment transactions	(2.25)	(1.83)	(1.49)	(1.71)	—
Total distributions	(2.27)	(1.87)	(1.49)	(1.96)	—
Net asset value, end of period	\$ 9.43	\$14.19	\$20.24	\$14.51	\$14.08
Total Return (%)	(18.75)**	(21.89)	54.13	18.28	2.33**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period (\$ millions)	1.14	.77	.69	.37	.35
Ratio of expenses, before expense reductions (%)	1.24(f)*	1.21	1.28	1.28	1.24*
Ratio of expenses, after expense reductions (%)	1.23(f)*	1.21	1.28	1.28	1.24*
Ratio of net investment income (loss) (%)	.93*	.23	.53	.69	(.00)(g)*
Portfolio turnover rate (%)	108*	79	86	71	61**

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

(b) For the six months ended June 30, 2001 (Unaudited).

(c) On May 8, 1997, existing shares were designated as Class A shares.

(d) For the period May 8, 1997 (commencement of sales of Class B shares) to December 31, 1997.

(e) Net investment income per share includes non-recurring dividend income amounting to \$.03 per share.

(f) The ratios of operating expenses excluding costs incurred in connection with the reorganization before and after expense reductions were .98% and .98%, and 1.23% and 1.23% for Class A and Class B, respectively (see Notes to Financial Statements).

(g) Amount shown is less than .005%.

* Annualized

** Not annualized

*** Less than (\$.005) per share

Health Sciences Portfolio

Dear Shareholders,

Scudder Health Sciences Portfolio — A shares provided solid results for the semiannual period ended June 30, returning 4.90% versus the -6.70% of its unmanaged benchmark, the S&P 500 Index.

Despite positive returns, investor enthusiasm for health care stocks has not been universal. Many large-cap pharmaceuticals face fundamental problems, and prudent stock selection has been imperative. Looming patent expirations and regulatory concerns dogged Merck (0.00% of the portfolio's market value) and Schering-Plough (0.00%), two widely held companies. We benefited from not having either of them in the portfolio.

This past quarter some biotechnology companies also reported disappointing news about products and delayed Food and Drug Administration (FDA) approvals. For the months ahead, a potential concern for drug discovery companies is that a new leadership structure has not been put in place at the FDA amid renewed political gridlock in Congress.

To help manage risk, we've been focusing on medical supply, hospital and biotechnology firms with solid finances and strong product pipelines. Within the biotechnology area, MedImmune (1.43%), a profitable company with strong earnings momentum, was one of our largest holdings as of June 30.

Even though we eliminated HMO stocks during the period, our weighting in health care services firms such as hospitals grew to 11.80% of the portfolio as of June 30. The hospital industry's financial picture is improving because hospital admissions are up and prices for services are rising.

We have diversified a bit more into international pharmaceutical firms with strong product pipelines. We believe European firms in particular could do relatively well in the coming months as global investors seek companies with stable growth prospects as Europe's economy sputters. Non-U.S. health care firms made up 2.20% of the portfolio as of June 30.

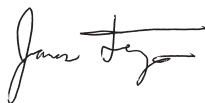
Medical products companies have also helped the portfolio deliver positive results. Our largest holdings as of June 30 were Abbott Laboratories (5.25%) and Baxter International (4.93%), and we believe each continues to enjoy strong growth prospects. Another strong engine of performance during the first half of fiscal year 2001 was Alza (0.00%), a specialty pharmaceutical maker that was purchased by Johnson & Johnson. Alza makes a drug for attention deficit disorder that does not have to be administered during school hours, a major benefit to teachers and students. Alza also makes drug-delivery systems such as skin patches and timed-release medicines.

We believe the life science area still offers enormous long-term growth potential. Slower growth at some companies appears to be related to product transition issues and a near-term slowing in capital equipment purchases. We have focused on life science equipment companies that sell smaller ticket items used for research.

We believe the long-term earnings growth potential of drug discovery, medical products and certain specialty pharmaceutical firms remains attractive, especially when viewed against the prospects of traditional industrial and consumer sectors.

Sincerely,

Your Portfolio Management Team



James E. Fenger
Lead Portfolio Manager



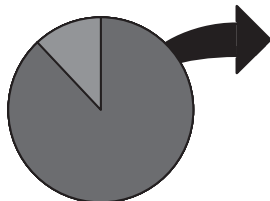
Anne Carney
Portfolio Manager

Although the health care sector lost ground in the first half of 2001, management remains optimistic on the sector's prospects.

Health Sciences Portfolio

Diversification

Equity Securities	88%
Cash Equivalents	12%
	100%



Sector breakdown of the Portfolio's equity holdings

Medical Devices & Supplies	21%
Health Care Services	18%
Major Pharmaceuticals	16%
Small Cap Biotechnology	15%
Large Cap Biotechnology	12%
Specialty Pharmaceuticals	11%
Life Science Instruments & Reagents	6%
Diversified Manufacturing	1%
	100%

Ten Largest Equity Holdings

(37% of Portfolio)

- Abbott Laboratories
Developer of health care products and services
- Baxter International, Inc.
Manufacturer and distributor of hospital and laboratory products and services
- Pfizer, Inc.
Manufacturer of prescription pharmaceuticals and non-prescription self medications
- American Home Products Corp.
Manufacturer and retailer of consumer health care products
- Tenet Healthcare Corp.
Operator of specialty and general hospitals
- HCA-The Healthcare Co.
Operator of hospitals and related health care entities
- Johnson & Johnson
Provider of health care products
- Triad Hospitals, Inc.
Provider of health care services through its ambulatory surgery centers
- NPS Pharmaceuticals, Inc.
Developer of small molecule drugs
- Eli Lilly & Co.
Producer of pharmaceuticals

Health Sciences Portfolio

	Principal Amount (\$)	Value (\$)
Short-Term Investments 11.7%		
Federal Home Loan Bank, Discount Note, 3.5%** , 7/2/2001 (Cost \$815,911)	816,000	815,911
	Shares	Value (\$)
Common Stocks 88.3%		
Health 87.5%		
Health Care Services 15.3%		
Caremark Rx, Inc.*	8,600	141,470
HCA—The Healthcare Co.	5,800	262,102
Laboratory Corp. of America Holdings*	900	69,210
Province Healthcare Co.*	2,000	70,600
Quest Diagnostics, Inc.*	500	37,425
Tenet Healthcare Corp.*	5,100	263,109
Triad Hospitals, Inc.*	5,800	170,926
Universal Health Services, Inc.*	1,100	50,050
		<u>1,064,892</u>
Large Cap Biotechnology 10.5%		
Amgen, Inc.*	2,200	136,224
Genentech, Inc.*	2,400	132,240
Genzyme Corp. (General Division)*	2,400	141,456
Human Genome Sciences, Inc.*	1,400	83,846
IDEC Pharmaceuticals Corp.*	1,000	65,000
MedImmune, Inc.*	2,100	99,561
Serono SA (ADR)	2,900	72,355
		<u>730,682</u>
Life Science Instruments & Reagents 5.2%		
Applera Corp. — Applied Biosystems Group	500	13,375
Charles River Laboratories International, Inc.*	4,000	139,000
Invitrogen Corp.*	1,800	125,298
Techne Corp.*	1,100	33,110
Waters Corp.*	1,800	49,698
		<u>360,481</u>
Major Pharmaceuticals 14.1%		
American Home Products Corp.	4,600	268,824
Eli Lilly & Co.	2,100	155,400
GlaxoSmithKline PLC (ADR)	2,350	132,070
Pfizer, Inc.	8,000	320,400
Pharmacia Corp.	1,500	68,925
Sanofi—Synthelabo SA	500	32,922
		<u>978,541</u>
Medical Devices & Supplies 18.8%		
Abbott Laboratories	7,600	364,876
Baxter International, Inc.	7,000	343,000
Becton, Dickinson & Co.	1,700	60,843
Biomet, Inc.	2,600	125,216
Diagnostic Products Corp.	1,600	53,120
Johnson & Johnson	5,000	250,000
Medtronic, Inc.	200	9,202

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

	Shares	Value (\$)
St. Jude Medical, Inc.*	1,700	102,000
		<u>1,308,257</u>
Small Cap Biotechnology 13.5%		
Alkermes, Inc.*	1,800	62,874
Amylin Pharmaceuticals, Inc.*	1,600	17,200
CV Therapeutics, Inc.*	1,500	85,350
Cambridge Antibody Technology Group PLC*	900	26,359
Celgene Corp.*	1,200	34,500
Cephalon, Inc.*	1,200	85,680
Corvas International, Inc.*	4,000	47,320
Guilford Pharmaceuticals, Inc.*	3,400	90,202
ImmunoGen, Inc.*	4,000	75,000
Inspire Pharmaceuticals, Inc.*	2,500	32,500
Medarex, Inc.*	1,700	39,916
Myriad Genetics, Inc.*	1,200	75,408
NPS Pharmaceuticals, Inc.*	4,000	155,880
OSI Pharmaceuticals, Inc.*	500	27,600
Transkaryotic Therapies, Inc.*	1,200	35,040
XOMA Ltd.*	2,600	44,356
		<u>935,185</u>
Specialty Pharmaceuticals 10.1%		
Allergan, Inc.	1,700	145,350
Altana AG	800	30,518
Chugai Pharmaceutical Co., Ltd.	1,000	15,208
Forest Laboratories, Inc.*	2,100	149,100
IVAX Corp.	1,500	58,500
King Pharmaceuticals, Inc.*	800	43,000
Kyorin Pharmaceutical Co., Ltd.	1,000	37,920
Novo Nordisk A/S*	500	22,137
Shire Pharmaceuticals Group PLC*	1,700	94,945
Teva Pharmaceutical Industries, Ltd. (ADR)	1,700	105,451
		<u>702,129</u>
Manufacturing 0.8%		
Diversified Manufacturing		
Tyco International Ltd.	1,000	54,500
Total Common Stocks (Cost \$5,991,029)		6,134,667
Total Investment Portfolio — 100.0% (Cost \$6,806,940) (a)		6,950,578

* Non-income producing security.

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

(a) At June 30, 2001, the net unrealized appreciation on investments based on cost for federal income tax purposes of \$6,806,940 was as follows:

Aggregate gross unrealized appreciation for all investments in which there is an excess of value over tax cost	\$	317,235
Aggregate gross unrealized depreciation for all investments in which there is an excess of tax cost over value		173,597
Net unrealized appreciation	\$	143,638

Purchases and sales of investment securities (excluding short-term investments) for the period May 1, 2001 (commencement of operations) to June 30, 2001, aggregated \$6,091,154 and \$77,623, respectively.

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

Financial Statements

Health Sciences Portfolio

Statement of Assets and Liabilities as of June 30, 2001 (Unaudited)

Assets

Investments in securities, at value (cost \$6,806,940)	\$	6,950,578
Cash		192,869
Dividends receivable		109
Interest receivable		2,462
Receivable for Portfolio shares sold		207,364
Foreign taxes recoverable		9
Due from Advisor		11,809
Total assets		7,365,200

Liabilities

Payable for investments purchased		484,632
Payable for Portfolio shares redeemed		5
Accrued accounting fees		8,312
Accrued Trustees' fees and expenses		167
Other accrued expenses and payables		7,551
Total liabilities		500,667

Net assets, at value	\$	6,864,533
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Net Assets

Net assets consist of:		
Undistributed net investment income		1,542
Net unrealized appreciation (depreciation) on investments		143,638
Accumulated net realized gain (loss)		(63,979)
Paid-in capital		6,783,332

Net assets, at value	\$	6,864,533
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Net Asset Value , offering and redemption price per share (\$6,864,533 / 654,407 outstanding shares of beneficial interest, no par value, unlimited number of shares authorized)	\$	10.49
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The accompanying notes are an integral part of the financial statements.

Statement of Operations for the period May 1, 2001 (commencement of operations) to June 30, 2001

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$17)	\$ 1,166
Interest	5,680
Total Income	<u>6,846</u>
Expenses:	
Management fee	4,187
Custodian fees	333
Accounting fees	8,312
Auditing	3,750
Legal	250
Trustees' fees and expenses	166
Reports to shareholders	1,167
Registration fees	1,885
Other	167
Total expenses, before expense reductions	<u>20,217</u>
Expense reductions	<u>(14,913)</u>
Total expenses, after expense reductions	5,304
Net investment income	1,542

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	(22,502)
Foreign currency related transactions	(41,477)
	<u>(63,979)</u>
Net unrealized appreciation (depreciation) during the period on investments	143,638
Net gain (loss) on investment transactions	79,659
Net increase (decrease) in net assets resulting from operations	\$ 81,201

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

Statement of Changes in Net Assets

	For the Period May 1, 2001 (commencement of operations) to June 30, 2001 (Unaudited)
Increase (Decrease) in Net Assets	
Operations:	
Net investment income (loss)	\$ 1,542
Net realized gain (loss) on investment transactions	(63,979)
Net unrealized appreciation (depreciation) on investment transactions during the period	143,638
Net increase (decrease) in net assets resulting from operations	81,201
Portfolio share transactions:	
Proceeds from shares sold	6,617,775
Cost of shares redeemed	(334,443)
Net increase (decrease) in net assets from share transactions	6,283,332
Increase (decrease) in net assets	6,364,533
Net assets at beginning of period (original capital)	500,000
Net assets at end of period (including undistributed net investment income of \$1,542)	\$ 6,864,533
Other Information	
Shares outstanding at beginning of period	50,000
Shares sold	637,159
Shares redeemed	(32,752)
Net increase (decrease) in Portfolio shares	604,407
Shares outstanding at end of period	654,407

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

Financial Highlights

Health Sciences Portfolio

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

	2001(b)
Net asset value, beginning of period	\$10.00(c)
<i>Income (loss) from investment operations:</i>	
Net investment income (loss) (a)	.00***
Net realized and unrealized gain (loss) on investment transactions	.49
Total from investment operations	.49
Net asset value, end of period	\$10.49
Total Return (%)	4.90(d)**
Ratios to Average Net Assets and Supplemental Data	
Net assets, end of period (\$ millions)	7
Ratio of expenses before expense reductions (%)	3.62*
Ratio of expenses after expense reductions (%)	.95*
Ratio of net investment income (%)	.28*
Portfolio turnover rate (%)	11*

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

(b) For the period May 1, 2001 (commencement of operations) to June 30, 2001 (Unaudited).

(c) Original capital.

(d) Total return would have been lower had certain expenses not been reduced.

* Annualized

** Not annualized

*** Less than (\$.005) per share

Notes to Financial Statements

A. Significant Accounting Policies

Scudder Variable Series I, formerly Scudder Variable Life Investments 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 six portfolios which consist of the Growth and Income Portfolio, Capital Growth Portfolio, 21st Century Growth Portfolio (formerly Small Company Growth Portfolio), Global Discovery Portfolio, International Portfolio and Health Sciences Portfolio (which commenced operations on May 1, 2001). The Fund is intended to be the underlying investment 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 Portfolios’ financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, which require the use of management estimates. Actual results could differ from those estimates. The policies described below are followed consistently by the Fund in the preparation of the financial statements for the Portfolios.

Multiple Classes of Shares of Beneficial Interest. The Health Sciences Portfolio offers one class of shares. Two classes of shares (Class A shares and Class B shares) are offered for each of the other Portfolios. Class B shares are subject to a Rule 12b-1 fees under the 1940 Act, equal to an annual rate of up to 0.25% of the average daily net assets value of the Class B shares of the applicable Portfolio. Class A shares are not subject to such fees.

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 Portfolio 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.

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 separate 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 additional distributions 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 of America. These differences primarily relate to investments in forward contracts, passive foreign investment companies, post October loss deferrals, non-taxable distributions, certain securities sold at a loss and premium amortization on debt securities. 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.

Other. 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.

All discounts and premiums are accreted/amortized for financial reporting purposes (see "Change in Accounting Principle" note).

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: Four Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 34%, 23%, 17% and 10%, 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 17% and 55%, 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: Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 35%, 35% and 19%, 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 41%, 36% and 18%, respectively. One Participating Insurance Company was owner of record of 98% of the total outstanding Class B shares of the Portfolio.

International Portfolio: Five Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class A shares of the Portfolio, each owning 30%, 13%, 12%, 12% and 11%, respectively. Three Participating Insurance Companies were owners of record of 10% or more of the total outstanding Class B shares of the Portfolio, each owning 43%, 39% and 15%, respectively.

Health Sciences Portfolio: Two Participating Insurance Companies were owners of record of 10% or more of the total outstanding shares of the Portfolio, each owning 63% and 29%, respectively.

C. Related Parties

Under the Fund's Investment Management Agreement (the "Agreement") with Zurich Scudder Investments, Inc., formerly Scudder Kemper Investments, Inc., ("ZSI" or the "Advisor"), the Fund agrees to pay the Advisor 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, .875% for the first \$500,000,000, .725% over \$500,000,000 for the International Portfolio, and .75% for the first \$250,000,000, .725% for the next \$750,000,000, .70% for the next \$1,500,000,000, .68% for the next \$2,500,000,000, .65% for the next \$2,500,000,000, .64% for the next \$2,500,000,000, .63% for the next \$2,500,000,000, and .62% over \$12,500,000,000 for the Health Sciences Portfolio, computed and accrued daily and payable monthly. The equivalent annual effective rates for the Capital Growth Portfolio and the International Portfolio were .46% and .84%, respectively. For the period May 1, 2001 to June 30, 2001 the Advisor did not impose any of its Management Fee for the Health Science Portfolio which was equivalent to an annualized effective rate of .00%. As manager of the assets of each Portfolio, the Advisor directs the investments of the Portfolios in accordance with their respective investment objectives, policies and restrictions. The Advisor 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 Advisor 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 Advisor, for determining the daily net asset value per share and maintaining the portfolio and general accounting records of the Fund. Scudder Service Corporation, a subsidiary of the Advisor, is the transfer and shareholder service agent of the Fund.

In accordance with the Master Distribution Plan, Scudder Investor Services, Inc. ("SIS"), a subsidiary of the Advisor, receives 12b-1 fees of 0.25% of average daily net assets of Class B shares. Pursuant to the Master Distribution Plan, SIS remits these fees to the Participating Insurance Companies for various costs incurred or paid by these companies in connection with marketing and distribution of Class B shares. Related fees for such services are detailed in each Portfolio's statement of operations.

Until April 30, 2002, the Advisor has agreed to maintain the expenses for the 21st Century Portfolio, the Global Discovery Portfolio and the Health Sciences Portfolio, excluding 12b-1 fees, to the extent necessary so that the Portfolios' expenses are maintained at 1.50%, 1.25% and .95%, respectively, of average daily net assets. For the Health Sciences Portfolio during the period May 1, 2001 to June 30, 2001 the Advisor waived all accounting fees and reimbursed an additional \$2,414 of portfolio expenses.

The Fund pays each Trustee not affiliated with the Advisor an annual retainer plus specified amounts for attended board and committee meetings. Allocated Trustees' fees and expenses for each Portfolio for the period ended June 30, 2001 are detailed in each Portfolio's statement of operations. In addition, a one-time fee was accrued for payment to those Trustees not affiliated with the Advisor who are not standing for re-election, under the

reorganization discussed in Note F. Inasmuch as the Advisor will also benefit from administrative efficiencies of a consolidated Board, the Advisor has agreed to bear all of such costs.

Portfolio	Trustee Severance Absorbed by ZSI (\$)
Growth and Income Portfolio	19,724
Capital Growth Portfolio	112,425
21st Century Growth Portfolio	2,636
Global Discovery Portfolio	17,074
International Portfolio	74,892

D. Line of Credit

The Fund and several affiliated 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 at the Federal Funds Rate plus .5%. 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, 21st Century Growth Portfolio and Health Sciences 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, 2001, the custodian fees were reduced as follows:

	Custody Credits (\$)
Growth and Income Portfolio	177
Capital Growth Portfolio	700
21 st Century Growth Portfolio	1,177
Health Sciences Portfolio	—

F. Reorganization

ZSI has completed a program to reorganize and combine its two fund families, Scudder and Kemper, in response to changing industry conditions and investor needs. The program streamlines the management and operations of most of the funds ZSI advises principally through the liquidation of several small funds, mergers of certain funds with similar investment objectives, the consolidation of certain Board of Directors/Trustees and the adoption of an administrative fee covering the provision of most of the services previously paid for by the affected funds. Costs incurred in connection with this restructuring initiative were borne jointly by ZSI and certain of the affected funds.

G. Change in Accounting Principle

As required, effective January 1, 2001, each Portfolio has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing discount or premium on debt securities. Prior to January 1, 2001, each Portfolio did not amortize premiums on debt securities. The Portfolios were not impacted by the adoption of the audit guide.

Notes

About the Fund's Advisor

Zurich Scudder Investments, Inc., a leading global investment management firm, is a member of the Zurich Financial Services Group. Zurich Scudder Investments is one of the largest and most experienced investment management organizations in the world, managing more than USD 345 billion in assets for corporate clients, retirement and pension plans, insurance companies, mutual fund investors, and individuals worldwide. Headquartered in New York, Zurich Scudder 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.

Headquartered in Zurich, Switzerland, Zurich Financial Services Group is one of the global leaders in the financial services industry, providing its customers with products and solutions in the area of financial protection and asset accumulation.

SCUDDER
INVESTMENTS

Investment Manager:
Zurich Scudder Investments, Inc.
222 South Riverside Plaza Chicago, IL 60606
(Tel) 800-778-1482

This information must be preceded or accompanied by a current prospectus.

Portfolio changes should not be considered recommendations for action by individual investors.

SVSI-S-61
Form-V

Scudder Variable Series II

Scudder Aggressive Growth Portfolio
Scudder Blue Chip Portfolio
Scudder Contrarian Value Portfolio
Scudder Global Blue Chip Portfolio
Scudder Government Securities Portfolio
Scudder Growth Portfolio
Scudder High Yield Portfolio
Scudder International Research Portfolio
Scudder Investment Grade Bond Portfolio
Scudder Money Market Portfolio
Scudder New Europe Portfolio
Scudder Small Cap Growth Portfolio
Scudder Small Cap Value Portfolio
Scudder Strategic Income Portfolio
Scudder Technology Growth Portfolio
Scudder Total Return Portfolio
SVS Dreman Financial Services Portfolio
SVS Dreman High Return Equity Portfolio
SVS Dynamic Growth Portfolio
SVS Focused Large Cap Growth Portfolio
SVS Focus Value+Growth Portfolio
SVS Growth And Income Portfolio
SVS Growth Opportunities Portfolio
SVS Index 500 Portfolio
SVS Mid Cap Growth Portfolio
SVS Strategic Equity Portfolio
SVS Venture Value Portfolio

Semiannual report to
shareholders for the six months
ended June 30, 2001

Contents

3 Economic Overview

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

- 5 Scudder Aggressive Growth Portfolio (formerly Kemper Aggressive Growth Portfolio)
- 10 Scudder Blue Chip Portfolio (formerly Kemper Blue Chip Portfolio)
- 15 Scudder Contrarian Value Portfolio (formerly Kemper Contrarian Value Portfolio)
- 20 Scudder Global Blue Chip Portfolio (formerly Kemper Global Blue Chip Portfolio)
- 29 Scudder Government Securities Portfolio (formerly Kemper Government Securities Portfolio)
- 36 Scudder Growth Portfolio (formerly Kemper Growth Portfolio)
- 42 Scudder High Yield Portfolio (formerly Kemper High Yield Portfolio)
- 51 Scudder International Research Portfolio (formerly Kemper International Portfolio)
- 58 Scudder Investment Grade Bond Portfolio (formerly Kemper Investment Grade Bond Portfolio)
- 64 Scudder Money Market Portfolio (formerly Kemper Money Market Portfolio)
- 68 Scudder New Europe Portfolio (formerly Kemper New Europe Portfolio)
- 75 Scudder Small Cap Growth Portfolio (formerly Kemper Small Cap Growth Portfolio)
- 82 Scudder Small Cap Value Portfolio (formerly Kemper Small Cap Value Portfolio)
- 90 Scudder Strategic Income Portfolio (formerly Kemper Strategic Income Portfolio)
- 96 Scudder Technology Growth Portfolio (formerly Kemper Technology Growth Portfolio)
- 102 Scudder Total Return Portfolio (formerly Kemper Total Return Portfolio)
- 111 SVS Dreman Financial Services Portfolio (formerly KVS Dreman Financial Services Portfolio)
- 116 SVS Dreman High Return Equity Portfolio (formerly KVS Dreman High Return Equity Portfolio)
- 122 SVS Dynamic Growth Portfolio
- 128 SVS Focused Large Cap Growth Portfolio (formerly KVS Focused Large Cap Growth Portfolio)
- 133 SVS Focus Value+Growth Portfolio (formerly Kemper Value+Growth Portfolio)
- 139 SVS Growth And Income Portfolio (formerly KVS Growth And Income Portfolio)
- 147 SVS Growth Opportunities Portfolio (formerly KVS Growth Opportunities Portfolio)
- 152 SVS Index 500 Portfolio (formerly KVS Index 500 Portfolio)
- 163 SVS Mid Cap Growth Portfolio
- 169 SVS Strategic Equity Portfolio
- 174 SVS Venture Value Portfolio
- 179 Notes To Financial Statements

The opinions and forecasts expressed are those of the portfolio managers as of June 30, 2001, 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. Past performance is no guarantee of future results.

Economic Overview

Dear Contract Holder:

The plot thickens. Can the Economy in Distress hold out until our hero, Monetary and Fiscal Policy, rides to the rescue?

Actually, we think this story can have a happy ending, although maintaining that optimism requires a leap of faith. There's no economic evidence that a bottom is near. But all of the monetary indicators — such as a steep yield curve, exploding money supply growth, and record bond issuance — give us hope. And now we have a tax cut. This suggests that the economy will escape recession — but just barely. We expect economic growth to average just under 2% for the next 18 months — and this slow advance will curtail inflation, which we expect to rise just 2.5% in 2002.

Why is aggressive monetary and fiscal policy likely to produce such anemic growth? The answer is that even Federal Reserve Board Chairman Alan Greenspan can't fix everything, especially when a certain global villain is at work. Who is this malefactor? Oil. It's likely that purchasing power in the developed world was drained by the recent jump in oil prices.

But oil's not the only culprit. When the United States ran into trouble, so did other countries. For example, European politicians continue to focus on politics, not economics. And the Japanese government has let structural problems fester during the last 10 years. We now see near-recession conditions almost everywhere.

You might expect the dollar to decline as other countries become more dependent on the United States and increase the number of goods they sell here — but astonishingly, it hasn't. That's not necessarily good news, however. More than 30% of U.S. corporate profits are earned abroad, and when the dollar rises, those earnings are worth less. Non-American companies also take advantage of their weaker currencies to aggressively price exports to the United States. That undercuts American companies' pricing power and ravages revenue growth. The result is a humdinger of a profits recession. We expect S&P 500 operating profits to be down 15% this year as a whole.

One result of the profit recession is that executives are trying to restore profitability by cutting costs. This hurts the economy. They first go after travel and entertainment, affecting hotels, airlines and restaurants. Next in line are capital spending and payroll, so we expect the unemployment rate to rise from 4.5% to 5.5% by the end of next year.

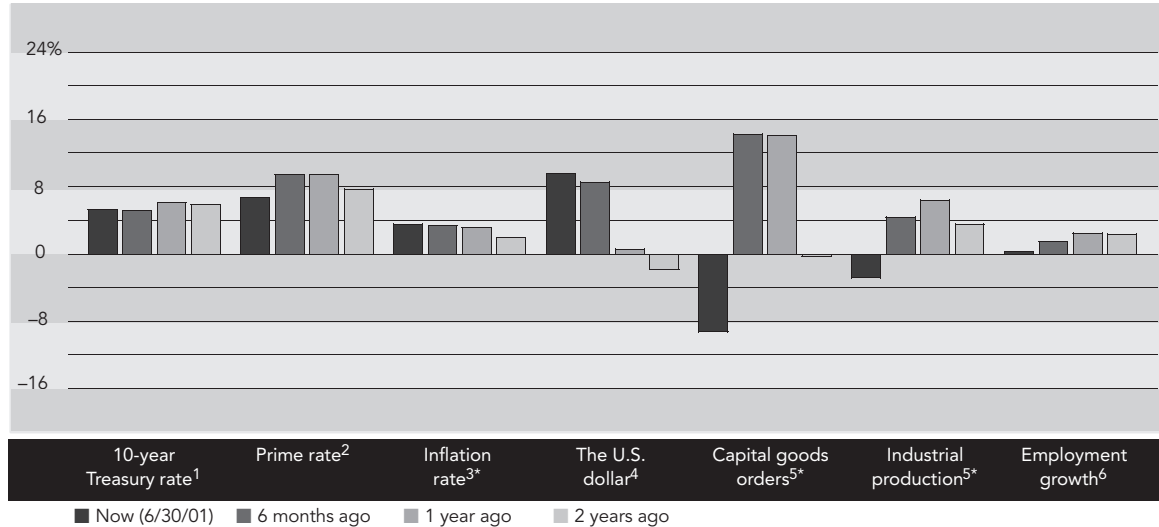
When unemployment rises, consumers feel the heat. Consumer spending won't decrease drastically, because Uncle Sam is putting almost \$40 billion in the mail this summer. Still, they won't spend too much. We expect consumption growth through the end of next year to hover around 2%.

Because consumption is two-thirds of the economy, it sets the pace for gross domestic product (GDP). And 2% GDP growth will not foster inflation. While many myths about the new economy were exaggerated, its disinflationary tendencies were not. We know that inflation is a complex phenomenon, but we don't believe it can survive under conditions of slow growth.

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 June 30, 2001.

Source: Economics Department, Zurich Scudder Investments, Inc.

Moderate growth with low inflation is not a bad end to our story. We doubt that it will feel very satisfying, however. Monetary and Fiscal Policy may well rescue the Economy in Distress, but he can't undo the shock. The convalescence is likely to be prolonged.

Sincerely,

Maureen F. Allyn

Managing Director

Zurich Scudder Investments, Inc.

July 1, 2001

The opinions and forecasts expressed are those of the economic advisors of Zurich Scudder Investments, Inc. as of July 1, 2001, and may not actually come to pass.

To obtain a Scudder Variable Series II 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.

Scudder Aggressive Growth Portfolio

The first half of fiscal year 2001 offered a volatile ride with negative results. The first quarter saw sharp declines in technology stocks. There was a tug of war between the positive effects of lower short-term interest rates and poor earnings results and near-term prospects at many technology companies. Profits remained worse than expected at many high profile firms.

In April, the portfolio enjoyed a strong rebound as aggressive growth stocks rallied. The party was short-lived as many of our holdings, including companies we thought were relatively defensive such as Symbol Technologies, fell in May and June. Generally we did not have many earnings disappointments in the portfolio. However, market rumor and speculation drove down stock prices for many of our core positions.

Although we believe the worst of the current bear market's volatility is behind us, we are still maintaining a strong cash position. As opportunities arise, we will attempt to reduce cash. We need clear signs of both an economic and market recovery before we can be fully invested. For now, we believe the smart thing to do is ride out volatility for stocks that we have a lot of confidence in, and cherry-pick companies with good products, capable management and solid fundamental prospects. We believe the Federal Reserve's interest rate cuts should begin to help reinvigorate economic growth by 2002.

Sewall F. Hodges
Lead Portfolio Manager
Zurich Scudder Investments, Inc.

Scudder Aggressive Growth Portfolio

	Principal Amount (\$)	Value (\$)	Shares	Value (\$)
Repurchase Agreements 0.2%				
State Street Bank and Trust Company, 3.93%, to be repurchased at \$124,041 on 7/2/2001** (Cost \$124,000)	124,000	124,000		
Short-Term Investments 33.5%				
Federal Home Loan Bank, 3.5%***, 7/2/2001	13,457,000	13,455,527		
Federal Home Loan Mortgage Corp., 3.9%***, 7/3/2001	10,000,000	9,997,833		
Total Short-Term Investments (Cost \$23,453,360)		23,453,360		
			Shares	
Common Stocks 66.3%				
Consumer Discretionary 3.5%				
Apparel & Shoes 0.6%				
Tommy Hilfiger Corp.*	32,200	450,800		
Recreational Products 2.9%				
Harley-Davidson, Inc.	42,700	2,010,316		
Health 6.8%				
Biotechnology 0.3%				
QLT, Inc.*	10,500	208,127		
Medical Supply & Specialty 1.3%				
Medtronic, Inc.	17,298	795,881		
Waters Corp.*	4,000	110,440		
		906,321		
Pharmaceuticals 4.8%				
Andrx Group*	34,300	2,601,312		
Biovail Corp.*	17,100	743,850		
		3,345,162		
Miscellaneous 0.4%				
DaVita, Inc.*	16,200	329,346		
Communications 3.0%				
Telephone/Communications				
JDS Uniphase Corp.*	21,660	285,262		
Sonus Networks, Inc.*	16,200	367,578		
Time Warner Telecom, Inc. "A"*	42,300	1,419,165		
		2,072,005		
Financial 4.6%				
Banks 1.8%				
State Street Corp.			25,000	1,237,250
Other Financial Companies 2.8%				
Standard & Poor's 500 Depository Receipts Trust Series I			15,800	1,948,614
Media 1.5%				
Broadcasting & Entertainment				
Univision Communication, Inc.*			15,500	663,090
Viacom, Inc. "B"*			7,206	372,911
				1,036,001
Service Industries 5.7%				
EDP Services 2.0%				
Fiserv, Inc.*			22,500	1,395,000
Miscellaneous Commercial Services 2.3%				
Concord EFS, Inc.*			7,500	419,250
Paychex, Inc.			24,100	995,330
Plexus Corp.*			6,600	205,920
				1,620,500
Printing/Publishing 1.4%				
Dow Jones & Co., Inc.			16,300	973,273
Durables 1.5%				
Telecommunications Equipment				
Corning, Inc.			17,100	285,741
Spectrasite Holdings, Inc.*			118,900	762,149
				1,047,890
Technology 34.1%				
Computer Software 16.5%				
BEA Systems, Inc.*			15,100	498,451
Check Point Software Technologies Ltd.*			27,900	1,421,784
Comverse Technology, Inc.*			12,500	721,750
Intuit, Inc.*			25,100	981,159
Mercury Interactive Corp.*			28,900	1,762,900
Micromuse, Inc.*			20,000	562,400
Microsoft Corp.*			22,700	1,628,725
PeopleSoft, Inc.*			38,600	1,872,100
RSA Security, Inc.*			18,450	572,319
SAP AG (Sponsored ADR)			15,900	557,931
Verity, Inc.*			50,000	986,500
				11,566,019
Diverse Electronic Products 1.0%				
Teradyne, Inc.*			22,400	741,440
EDP Peripherals 4.6%				
Brocade Communications Systems, Inc.*			13,000	564,330
EMC Corp.*			21,900	636,195

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

	Shares	Value (\$)		Shares	Value (\$)
Network Appliance, Inc.*	27,500	378,400	Telecommunications Equipment 0.9%		
Symbol Technologies, Inc.	74,475	1,653,345	Cisco Systems, Inc.*	31,400	606,617
		3,232,270	Miscellaneous 0.3%		
Electronic Components/ Distributors 2.6%			Cirrus Logic Inc.*	8,300	210,488
Analog Devices, Inc.*	19,000	821,750	Energy 5.1%		
Applied Micro Circuits Corp.*	20,800	369,408	Oil & Gas Production 4.1%		
Sandisk Corp.*	13,000	357,500	Anadarko Petroleum Corp.	9,500	513,285
Vishay Intertechnology, Inc.*	12,250	281,750	EOG Resources, Inc.	24,900	885,195
		1,830,408	Nabors Industries, Inc.*	15,200	565,440
Precision Instruments 2.2%			Talisman Energy, Inc.	24,300	927,205
Credence Systems Corp.*	46,000	1,071,800			2,891,125
Molecular Devices Corp.*	6,800	134,164	Oilfield Services/Equipment 1.0%		
Photon Dynamics, Inc.*	9,900	311,850	Precision Drilling Corp. "A"*	21,800	681,032
		1,517,814	Transportation 0.5%		
Semiconductors 6.0%			Air Freight		
Elantec Semiconductor, Inc.*	9,100	304,850	EGL, Inc.*	22,200	354,090
Linear Technology Corp.	17,900	834,677	Total Common Stocks (Cost \$59,181,698)		46,386,398
Microchip Technology Inc.*	11,300	364,425	Total Investment Portfolio — 100.0%		
Nanometrics, Inc.*	9,500	247,000	(Cost \$82,759,058) (a)		69,963,758
Pericom Semiconductor Corp.*	34,300	521,360			
QLogic Corp.*	11,000	707,740			
Silicon Storage Technology, Inc.*	60,700	573,008			
Siliconix, Inc.*	2,000	67,300			
Vitesse Semiconductor Corp.*	26,200	554,130			
		4,174,490			

Notes to Scudder 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 \$82,896,807. At June 30, 2001, net unrealized depreciation for all securities based on tax cost was \$12,933,049. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$2,803,187 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$15,736,236.

Financial Statements

Statement of Assets and Liabilities as of June 30, 2001 (Unaudited)

Assets

Investments in securities, at value (cost \$82,759,058)	\$ 69,963,758
Cash	176
Dividends receivable	2,531
Interest receivable	35,367
Receivable for Portfolio shares sold	10,517
Foreign taxes recoverable	334
Total assets	70,012,683

Liabilities

Payable for investments purchased	1,955,724
Payable for Portfolio shares redeemed	19,767
Accrued management fee	42,375
Other payables and accrued expenses	27,620
Total liabilities	2,045,486

Net assets, at value	\$ 67,967,197
-----------------------------	----------------------

Net Assets

Net assets consist of:

Undistributed net investment income	127,573
Net unrealized appreciation (depreciation) on investments	(12,795,300)
Accumulated net realized gain (loss)	(5,937,739)
Paid-in capital	86,572,663

Net assets, at value	\$ 67,967,197
-----------------------------	----------------------

Net Asset Value

Net Asset Value and redemption price per share (\$67,967,197 ÷ 6,082,113 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 11.17
--	-----------------

Statement of Operations for the six months ended June 30, 2001 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$920)	\$ 93,651
Interest	475,380
Total Income	569,031

Expenses:

Management fee	244,294
Custodian and accounting fees	29,340
Auditing	4,839
Legal	893
Trustees' fees and expenses	2,377
Reports to shareholders	4,865
Other	105
Total expenses, before expense reductions	286,713
Expense reductions	(747)
Total expenses, after expense reductions	285,966

Net investment income (loss)	283,065
-------------------------------------	----------------

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	(1,640,131)
Foreign currency related transactions	32
	(1,640,099)
Net unrealized appreciation (depreciation) during the period on investments	(9,227,100)

Net gain (loss) on investment transactions	(10,867,199)
---	---------------------

Net increase (decrease) in net assets resulting from operations	\$ (10,584,134)
--	------------------------

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

Statements of Changes in Net Assets

	Six Months Ended June 30, 2001 (Unaudited)	Year Ended December 31, 2000
Increase (Decrease) in Net Assets		
Operations:		
Net investment income (loss)	\$ 283,065	\$ 526,610
Net realized gain (loss) on investment transactions	(1,640,099)	(4,288,644)
Net unrealized appreciation (depreciation) on investment transactions during the period	(9,227,100)	(5,179,723)
Net increase (decrease) in net assets resulting from operations	(10,584,134)	(8,941,757)
Distribution to shareholders from:		
Net investment income	(652,558)	—
Net realized gains	—	(196,026)
Portfolio share transactions:		
Proceeds from shares sold	19,108,793	66,329,439
Reinvestment of distributions	652,558	196,026
Cost of shares redeemed	(6,425,363)	(3,189,803)
Net increase (decrease) in net assets from Portfolio share transactions	13,335,988	63,335,662
Increase (decrease) in net assets	2,099,296	54,197,879
Net assets at beginning of period	65,867,901	11,670,022
Net assets at end of period (including undistributed net investment income of \$127,573 and \$497,066, respectively)	\$ 67,967,197	\$ 65,867,901
Other Information (a)		
Shares outstanding at beginning of period	4,990,960	834,228
Shares sold	1,590,047	4,357,405
Shares issued to shareholders in reinvestment of distributions	62,858	12,110
Shares redeemed	(561,752)	(212,783)
Net increase (decrease) in Portfolio shares	1,091,153	4,156,732
Shares outstanding at end of period	6,082,113	4,990,960

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,	2001(b)	2000(a)	1999(a)(c)
Net asset value, beginning of period	\$ 13.20	13.99	10.00
<i>Income (loss) from investment operations:</i>			
Net investment income (loss) (d)	.05	.18	.06
Net realized and unrealized gain (loss) on investment transactions	(1.96)	(.87)	3.93
Total from investment operations	(1.91)	(.69)	3.99
<i>Less distributions from:</i>			
Net investment income	(.12)	—	—
Net realized gains on investment transactions	—	(.10)	—
Total distributions	(.12)	(.10)	—
Net asset value, end of period	\$ 11.17	13.20	13.99
Total Return (%)	(14.41)**	(4.96)	39.89(e)**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period (\$ millions)	68	66	12
Ratio of expenses before expense reductions (%)	.88*	.95	2.66*
Ratio of expenses after expense reductions (%)	.88*	.94	.50*
Ratio of net investment income (loss) (%)	.87*	1.22	.80*
Portfolio turnover rate (%)	51*	103	90*

(a) On June 18, 2001, the Fund implemented a 1 for 10 reverse stock split. Share and per share information, for the periods prior to June 30, 2001, have been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).

(b) For the six months ended June 30, 2001 (Unaudited).

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

(d) Based on average shares outstanding during the period.

(e) Total return would have been lower had certain expenses not been reduced.

* Annualized ** Not annualized

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

Scudder Blue Chip Portfolio

Throughout the semiannual period, we faced the familiar challenge of extremely volatile and seemingly directionless markets. While performance improved markedly in the second half of the period, gains were not enough to offset early losses.

Defensively positioned with an underweight in technology relative to the benchmark, the portfolio fell behind in January when the Federal Reserve Board dramatically reversed its monetary policy, giving a significant bounce to technology. Ironically, however, technology would prove to be the primary driver of portfolio performance overall.

In April, convinced that much of the “bad news” had been priced into the technology market, we aggressively increased semiconductor and software stocks, bringing the technology weighting to par with the benchmark Standard & Poor’s 500. Following the Fed’s April rate cut, we saw significant, sustained technology stock performance. Several new buys climbed, enabling us to take profits and recover lost ground. And long-held names, including Intel and Microsoft (both among the portfolio’s top 10-largest holdings), posted stellar performance. Health care holdings also contributed strongly, while energy and retail stocks dragged.

Evidence suggests that we may be at a cycle peak for oil services. We are now paring back the portfolio’s weighting in these stocks. On the contrary, we intend to maintain weightings in retail and media as a means of participating in what we believe is an imminent recovery of the consumer economy. Finally, we remain committed to a neutral weighting in technology and, with price paramount, will seek additional investment opportunities within the sector.

Tracy McCormick
Lead Portfolio Manager
Zurich Scudder Investments, Inc.

Scudder Blue Chip Portfolio

	Principal Amount (\$)	Value (\$)	Shares	Value (\$)
Short-Term Investments 2.1%				
Federal Home Loan Bank, 3.5%**, 7/2/2001 (Cost \$4,906,463)	4,907,000	4,906,463		
			Shares	
Common Stocks 97.9%				
Consumer Discretionary 9.3%				
Department & Chain Stores				
Costco Wholesale Corp.*	56,800	2,387,872		
Gap, Inc.	100,000	2,900,000		
Home Depot, Inc.	68,000	3,165,400		
Kohl's Corp.*	39,500	2,477,835		
Lowe's Companies, Inc.	35,000	2,539,250		
Target Corp.	89,000	3,079,400		
Wal-Mart Stores, Inc.	106,800	5,211,840		
		<u>21,761,597</u>		
Consumer Staples 4.5%				
Food & Beverage 3.1%				
Coca-Cola Co.	60,500	2,722,500		
PepsiCo, Inc.	50,000	2,210,000		
Quaker Oats Co.	13,000	1,186,250		
Unilever NV (New York Shares)	20,000	1,191,400		
		<u>7,310,150</u>		
Package Goods/Cosmetics 1.4%				
Colgate-Palmolive Co.	55,000	3,244,450		
Health 17.6%				
Biotechnology 2.8%				
Amgen, Inc.*	37,000	2,291,040		
Genentech, Inc.*	45,000	2,479,500		
Genzyme Corp. (General Division)*	28,600	1,685,684		
		<u>6,456,224</u>		
Hospital Management 1.1%				
Tenet Healthcare Corp.*	49,000	2,527,910		
Medical Supply & Specialty 2.0%				
Baxter International, Inc.	51,000	2,499,000		
Becton, Dickinson & Co.	59,000	2,111,610		
		<u>4,610,610</u>		
Pharmaceuticals 11.7%				
Abbott Laboratories	87,000	4,176,870		
Allergan, Inc.	34,400	2,941,200		
American Home Products Corp.	57,000	3,331,080		
Eli Lilly & Co.	22,000	1,628,000		
Johnson & Johnson	143,482	7,174,100		
Pfizer, Inc.	175,250	7,018,763		
Schering-Plough Corp.	30,000	1,087,200		
				<u>27,357,213</u>
Communications 2.3%				
Cellular Telephone 1.2%				
AT&T Wireless Group*	89,000	1,455,150		
QUALCOMM, Inc.*	23,000	1,309,390		
				<u>2,764,540</u>
Telephone/Communications 1.1%				
BroadWing, Inc.*	110,000	2,689,500		
Financial 18.7%				
Banks 4.6%				
Fifth Third Bancorp.	39,000	2,353,650		
JP Morgan Chase & Co.	76,000	3,389,600		
Mellon Financial Corp.	54,000	2,484,000		
National City Corp.	80,000	2,462,400		
				<u>10,689,650</u>
Insurance 8.2%				
Allstate Corp.	85,000	3,739,150		
American International Group, Inc.	64,812	5,573,832		
Hartford Financial Services Group, Inc. .	58,000	3,967,200		
Jefferson Pilot Corp.	48,525	2,344,728		
St. Paul Companies, Inc.	72,100	3,654,749		
				<u>19,279,659</u>
Consumer Finance 5.3%				
Citigroup, Inc.	125,000	6,605,000		
Household International, Inc.	33,799	2,254,393		
Provident Financial Corp.	58,000	3,433,600		
				<u>12,292,993</u>
Investment 0.6%				
Merrill Lynch & Co., Inc.	26,000	1,540,500		
Media 7.6%				
Advertising 1.2%				
Omnicom Group, Inc.	32,500	2,795,000		
Broadcasting & Entertainment 4.3%				
AOL Time Warner, Inc.*	70,000	3,710,000		
Clear Channel Communications, Inc.* ..	40,000	2,508,000		
Viacom, Inc. "B"*	73,051	3,780,389		
				<u>9,998,389</u>
Cable Television 0.8%				
AT&T Corp. — Liberty Media Group "A"*	112,000	1,958,880		
Print Media 1.3%				
Tribune Co.	76,100	3,044,761		
Service Industries 1.0%				
Miscellaneous Commercial Services				
United Parcel Service "B"	40,000	2,312,000		

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

	Shares	Value (\$)		Shares	Value (\$)
Durables 1.3%			Electronic Data Processing 1.6%		
Aerospace			International Business Machines Corp.		
General Dynamics Corp.	15,000	1,167,150	32,400	3,661,200	
United Technologies Corp.	24,500	1,794,870	Semiconductors 7.0%		
		2,962,020	Applied Materials, Inc.*	34,000	1,738,420
Manufacturing 7.5%			Intel Corp.	179,800	5,455,132
Chemicals 2.0%			KLA-Tencor Corp.*	30,000	1,765,200
PPG Industries, Inc.	49,000	2,575,930	Linear Technology Corp.	30,000	1,398,900
Praxair, Inc.	45,000	2,115,000	Micron Technology, Inc.*	40,000	1,644,000
		4,690,930	Texas Instruments, Inc.	102,000	3,213,000
Diversified Manufacturing 4.2%			Xilinx, Inc.*	30,000	1,243,500
General Electric Co.	201,800	9,837,750			16,458,152
Machinery/Components/Controls 1.3%			Energy 6.8%		
Illinois Tool Works, Inc.	46,500	2,943,450	Oil & Gas Production 5.7%		
Technology 19.5%			BP PLC (ADR)	49,100	2,447,635
Computer Software 6.9%			Exxon Mobil Corp.	72,770	6,356,460
BEA Systems, Inc.*	40,000	1,320,400	Nabors Industries, Inc.*	67,800	2,522,160
i2 Technologies, Inc.*	80,000	1,576,000	Royal Dutch Petroleum Co. (New York Shares)	36,000	2,097,720
Microsoft Corp.*	132,200	9,485,350			13,423,975
PeopleSoft, Inc.*	25,000	1,212,500	Oilfield Services/Equipment 1.1%		
Siebel Systems, Inc.*	30,000	1,425,900	BJ Services Co.*	88,000	2,497,440
VERITAS Software Corp.*	19,000	1,282,500	Transportation 1.6%		
		16,302,650	Railroads 1.6%		
Diverse Electronic Products 2.7%			Union Pacific Corp.	68,500	3,761,335
Dell Computer Corp.*	115,000	3,102,700	Utilities 0.2%		
Hewlett-Packard Co.	65,000	1,859,000	Electric Utilities		
Teradyne, Inc.*	38,000	1,257,800	Mirant Corp.*	15,300	526,320
		6,219,500	Total Common Stocks (Cost \$212,150,329)		
EDP Peripherals 0.5%					228,935,898
Brocade Communications Systems, Inc.*	25,000	1,085,250	Total Investment Portfolio — 100.0%		
Telecommunications Equipment 0.8%					(Cost \$217,056,792) (a)
Cisco Systems, Inc.*	100,000	1,931,900			233,842,361

Notes to Scudder 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 \$218,145,145. At June 30, 2001, net unrealized appreciation for all securities based on tax cost was \$15,697,216. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$22,990,342 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$7,293,126.

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

Financial Statements

Statement of Assets and Liabilities as of June 30, 2001 (Unaudited)

Assets

Investments in securities, at value (cost \$217,056,792)	\$ 233,842,361
Receivable for investments sold	1,450,732
Dividends receivable	141,982
Receivable for Portfolio shares sold	135,324
Total assets	235,570,399

Liabilities

Due to custodian bank	94,742
Payable for investments purchased	2,538,716
Payable for Portfolio shares redeemed	15
Accrued management fee	127,475
Other accrued expenses and payables	46,701
Total liabilities	2,807,649

Net assets \$ 232,762,750

Net Assets

Net assets consist of:

Undistributed net investment income	211,192
Net unrealized appreciation (depreciation) on investments	16,785,569
Accumulated net realized gain (loss)	(18,300,483)
Paid-in capital	234,066,472

Net assets, at value \$ 232,762,750

Net Asset Value

Net Asset Value and redemption price per share (\$232,762,750 ÷ 17,569,341 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized) \$ 13.25

Statement of Operations for the six months ended June 30, 2001 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$5,748)	\$ 980,339
Interest	214,136
Total Income	1,194,475

Expenses:

Management fee	716,882
Custodian fees	8,123
Auditing	14,146
Legal	3,007
Trustees' fees and expenses	10,025
Reports to shareholders	7,230
Other	321
Total expenses, before expense reductions	759,734
Expense reductions	(287)
Total expenses, after expense reductions	759,447

Net investment income (loss) 435,028

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from investments	(11,822,863)
Net unrealized appreciation (depreciation) during the period on investments	(6,597,240)

Net gain (loss) on investment transactions (18,420,103)

Net increase (decrease) in net assets resulting from operations \$ (17,985,075)

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

Statements of Changes in Net Assets

	Six Months Ended June 30, 2001 (Unaudited)	Year Ended December 31, 2000
Increase (Decrease) in Net Assets		
Operations:		
Net investment income (loss)	\$ 435,028	\$ 936,474
Net realized gain (loss) on investment transactions	(11,822,863)	(4,444,806)
Net unrealized appreciation (depreciation) on investment transactions during the period	(6,597,240)	(14,673,131)
Net increase (decrease) in net assets resulting from operations	(17,985,075)	(18,181,463)
Distributions to shareholders from:		
Net investment income	(975,786)	(776,598)
Portfolio share transactions:		
Proceeds from shares sold	32,240,052	73,308,117
Reinvestment of distributions	975,786	776,598
Cost of shares redeemed	(9,550,555)	(12,484,482)
Net increase (decrease) in net assets from Portfolio share transactions	23,665,283	61,600,233
Increase (decrease) in net assets	4,704,422	42,642,172
Net assets at beginning of period	228,058,328	185,416,156
Net assets at end of period (including undistributed net investment income of \$211,192 and \$751,950, respectively)	\$ 232,762,750	\$ 228,058,328
Other Information (a)		
Shares outstanding at beginning of period	15,830,661	11,817,153
Shares sold	2,382,098	4,787,117
Shares issued to shareholders in reinvestment of distributions	78,578	48,747
Shares redeemed	(721,996)	(822,356)
Net increase (decrease) in Portfolio shares	1,738,680	4,013,508
Shares outstanding at end of period	17,569,341	15,830,661

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,	2001(d)	2000(a)	1999(a)	1998(a)	1997(a)(b)
Net asset value, beginning of period	\$ 14.41	15.69	12.60	11.15	10.00
<i>Income (loss) from investment operations:</i>					
Net investment income (loss)	.03(c)	.07(c)	.09(c)	.10	.17
Net realized and unrealized gain (loss) on investment transactions	(1.13)	(1.29)	3.08	1.45	.98
Total from investment operations	(1.10)	(1.22)	3.17	1.55	1.15
<i>Less distributions from:</i>					
Net investment income	(.06)	(.06)	(.08)	(.10)	—
Total distributions	(.06)	(.06)	(.08)	(.10)	—
Net asset value, end of period	\$ 13.25	14.41	15.69	12.60	11.15
Total Return (%)	(7.58)**	(7.84)	25.24	13.84	11.54**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	233	228	185	78	5
Ratio of expenses before expense reductions (%)	.69*	.71	.71	.76	.95*
Ratio of expenses after expense reductions (%)	.69*	.71	.70	.76	.95*
Ratio of net investment income (loss) (%)	.39*	.44	.67	1.18	2.07*
Portfolio turnover rate (%)	111*	86	64	102	78*

(a) On June 18, 2001, the Fund implemented a 1 for 10 reverse stock split. Share and per share information, for the periods prior to June 30, 2001, have been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).

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

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

(d) For the six months ended June 30, 2001 (Unaudited).

* Annualized ** Not annualized

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

Scudder Contrarian Value Portfolio

Scudder Contrarian Value Portfolio continued to deliver strong relative performance in the first half of 2001, outperforming the Russell 1000 Value Index and the S&P 500 Composite Index.

Perhaps investors have learned a lesson from the large-cap growth and technology obsession of 1998–1999 and the ensuing steep sell-off. Speculative excesses seem to have been wrung out of the market, and investors have once again come to appreciate attractive valuations and solid fundamentals, qualities that we emphasize in our portfolio.

Financial stocks were among the portfolio's top performers, with Bank of America, First Union, Wachovia, and AmSouth Bancorp all posting solid gains. Stocks that declined included ConAgra Foods, Sara Lee, McDonald's, and Raytheon.

In terms of portfolio positioning, we trimmed a few of our more fully-valued financial holdings such as FNMA, FHMC, and sold Washington Mutual, Allstate, and Chubb. We also started to add selected technology stocks that feature name brands, healthy balance sheets, and long histories of strong earnings relative to the market. Having survived the steep technology sell-off, we believe these companies offer attractive value and excellent return opportunity during an economic recovery.

The outlook for well-run, attractively-priced companies should continue to brighten when economic growth rebounds. The Federal Reserve's aggressive monetary easing, coupled with tax rebates and lower tax rates, will generate an economic turnaround at some point. When that happens, we believe our portfolio is positioned to respond very favorably.

Thomas F. Sassi
Lead Portfolio Manager
Zurich Scudder Investments, Inc.

Scudder Contrarian Value Portfolio

	Principal Amount (\$)	Value (\$)		Shares	Value (\$)
Short-Term Investments 8.8%					
Federal Home Loan Bank, 3.5%**, 7/2/2001 (Cost \$20,479,758)	20,482,000	20,479,758			
			Shares		
Common Stocks 91.2%					
Consumer Discretionary 8.7%					
Department & Chain Stores 4.4%					
May Department Stores Co.	80,000	2,740,800			
Nordstrom, Inc.	210,000	3,895,500			
The Limited, Inc.	218,000	3,601,360			
		10,237,660			
Home Furnishings 1.8%					
Newell Rubbermaid, Inc.	163,700	4,108,870			
Restaurants 2.5%					
McDonald's Corp.	216,000	5,844,960			
Consumer Staples 13.0%					
Alcohol & Tobacco 1.5%					
Philip Morris Companies, Inc.	69,500	3,527,125			
Food & Beverage 8.2%					
Albertson's, Inc.	98,000	2,939,020			
ConAgra Foods, Inc.	158,700	3,143,847			
H.J. Heinz Co.	53,200	2,175,348			
Kellogg Co.	70,000	2,030,000			
Sara Lee Corp.	276,800	5,242,592			
Unilever NV (New York Shares)	60,714	3,616,733			
		19,147,540			
Package Goods/Cosmetics 1.7%					
Procter & Gamble Co.	61,500	3,923,700			
Textiles 1.6%					
VF Corp.	100,000	3,638,000			
Health 5.2%					
Medical Supply & Specialty 2.7%					
Becton, Dickinson & Co.	176,700	6,324,093			
Pharmaceuticals 2.5%					
Bristol-Myers Squibb Co.	82,900	4,335,670			
Merck & Co., Inc.	24,000	1,533,840			
		5,869,510			
Communications 0.6%					
Telephone/Communications					
WorldCom, Inc. – WorldCom Group* ...	85,000	1,264,800			
					43,758
					1,308,558
Financial 23.7%					
Banks 14.1%					
AmSouth Bancorp.			215,000		3,975,350
Bank of America Corp.			114,906		6,897,807
First Union Corp.			187,000		6,533,780
KeyCorp.			234,000		6,095,700
National City Corp.			98,000		3,016,440
SunTrust Banks, Inc.			18,500		1,198,430
Wachovia Mutual Corp.			70,400		5,008,960
					32,726,467
Insurance 1.5%					
AMBAC Financial Group, Inc.			20,500		1,193,100
Jefferson-Pilot Corp.			25,000		1,208,000
MBIA, Inc.			20,000		1,113,600
					3,514,700
Investment 1.1%					
J.P. Morgan Chase & Co.			56,000		2,497,600
Consumer Finance 1.6%					
American Express Co.			95,000		3,686,000
Other Financial Companies 5.4%					
Fannie Mae			76,600		6,522,490
Freddie Mac			86,600		6,062,000
					12,584,490
Media 1.5%					
Print Media					
Gannett Co., Inc.			52,700		3,472,930
Service Industries 1.8%					
Printing/Publishing					
Equifax, Inc.			114,000		4,181,520
Durables 1.4%					
Automobiles					
Dana Corp.			140,600		3,281,604
Manufacturing 11.5%					
Chemicals 3.4%					
Dow Chemical Co.			65,000		2,161,250
E.I. du Pont de Nemours & Co.			70,000		3,376,800
Praxair, Inc.			51,400		2,415,800
					7,953,850
Containers & Paper 3.0%					
Sonoco Products Co.			278,200		6,921,616
Diversified Manufacturing 2.5%					
Cooper Industries, Inc.			35,000		1,385,650
Honeywell International, Inc.			35,000		1,224,650

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

	Shares	Value (\$)		Shares	Value (\$)
Koninklijke (Royal) Philips Electronics NV (New York Shares)	34,000	898,620	Semiconductors 3.8%		
Textron, Inc.	40,200	2,212,608	Applied Materials, Inc.*	69,000	3,527,970
		<u>5,721,528</u>	Intel Corp.	171,000	5,188,140
Machinery/Components/ Controls 2.1%					<u>8,716,110</u>
Pitney Bowes, Inc.	114,800	4,835,376	Energy 7.1%		
Specialty Chemicals 0.5%			Oil & Gas Production 6.4%		
Air Products & Chemicals, Inc.	25,900	1,184,926	BP PLC (ADR)	108,944	5,430,858
Technology 12.5%			Exxon Mobil Corp.	75,600	6,603,660
Diverse Electronic Products 6.7%			Texaco, Inc.	42,200	2,810,520
Dell Computer Corp.*	50,500	1,362,490			<u>14,845,038</u>
Diebold, Inc.	181,000	5,819,150	Oil Companies 0.7%		
Gateway, Inc.*	88,400	1,454,180	Chevron Corp.	17,900	1,619,950
Hewlett-Packard Co.	137,000	3,918,200	Construction 1.8%		
SCI Systems, Inc.*	114,000	2,907,000	Building Products		
		<u>15,461,020</u>	Masco Corp.	169,000	4,218,240
Electronic Data Processing 1.0%			Transportation 2.4%		
Compaq Computer Corp.	155,000	2,400,950	Air Freight		
Military Electronics 1.0%			FedEx Corp.*	141,000	5,668,200
Raytheon Co.*	91,500	2,429,325	Total Common Stocks (Cost \$203,838,616)		211,851,456
			Total Investment Portfolio — 100.0% (Cost \$224,318,374) (a)		232,331,214

Notes to Scudder 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 \$224,431,171. At June 30, 2001, net unrealized appreciation for all securities based on tax cost was \$7,900,043. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$22,316,466 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$14,416,423.

Financial Statements

Statement of Assets and Liabilities as of June 30, 2001 (Unaudited)

Assets

Investments in securities, at value (cost \$224,318,374)	\$ 232,331,214
Dividends receivable	287,947
Receivable for investments sold	2,653,735
Receivable for Portfolio shares sold	146,716
Total assets	235,419,612

Liabilities

Due to custodian bank	12,124
Payable for investments purchased	2,831,594
Notes payable	600,000
Payable for Portfolio shares redeemed	4,006
Accrued management fee	143,622
Other accrued expenses and payables	51,338
Total liabilities	3,642,684

Net assets, at value **\$ 231,776,928**

Net Assets

Net assets consist of:	
Undistributed net investment income	1,688,869
Net unrealized appreciation (depreciation) on investments	8,012,840
Accumulated net realized gain (loss)	(19,610,375)
Paid-in capital	241,685,594

Net assets, at value **\$ 231,776,928**

Net Asset Value

Net Asset Value and redemption price per share ($\$231,776,928 \div 17,062,740$ outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized) **\$ 13.58**

Statement of Operations for the six months ended June 30, 2001 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$12,883)	\$ 2,482,569
Interest	433,182
Total Income	2,915,751
Expenses:	
Management fee	815,361
Custodian fees	5,473
Auditing	14,193
Legal	3,351
Trustees' fees and expenses	8,615
Reports to shareholders	9,703
Other	318
Total expenses, before expense reductions	857,014
Expense reductions	(8)
Total expenses, after expense reductions	857,006
Net investment income (loss)	2,058,745

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from investments	1,272,884
Net unrealized appreciation (depreciation) during the period on investments	3,802,134
Net gain (loss) on investment transactions	5,075,018

Net increase (decrease) in net assets resulting from operations **\$ 7,133,763**

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

Statements of Changes in Net Assets

	Six Months Ended June 30, 2001 (Unaudited)	Year Ended December 31, 2000
Increase (Decrease) in Net Assets		
Operations:		
Net investment income (loss)	\$ 2,058,745	\$ 5,066,929
Net realized gain (loss) on investment transactions	1,272,884	(20,825,554)
Net unrealized appreciation (depreciation) on investment transactions during the period	3,802,134	42,845,912
Net increase (decrease) in net assets resulting from operations	7,133,763	27,087,287
Distributions to shareholders from:		
Net investment income	(3,893,590)	(5,694,925)
Portfolio share transactions:		
Proceeds from shares sold	23,466,007	24,484,822
Reinvestment of distributions	3,893,590	42,711,938
Cost of shares redeemed	(18,177,765)	(69,632,226)
Net increase (decrease) in net assets from Portfolio share transactions	9,181,832	(2,435,466)
Increase (decrease) in net assets	12,422,005	(18,060,117)
Net assets at beginning of period	219,354,923	237,415,040
Net assets at end of period (including undistributed net investment income of \$1,688,869 and \$3,523,714, respectively)	\$ 231,776,928	\$ 219,354,923
Other Information (a)		
Shares outstanding at beginning of period	16,365,480	16,152,846
Shares sold	1,768,882	2,011,041
Shares issued to shareholders in reinvestment of distributions	307,046	3,891,784
Shares redeemed	(1,378,668)	(5,690,191)
Net increase (decrease) in Portfolio shares	697,260	212,634
Shares outstanding at end of period	17,062,740	16,365,480

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,	2001(c)	2000(a)	1999(a)	1998(a)	1997(a)	1996(a)(d)
Net asset value, beginning of period	\$ 13.40	14.70	17.57	15.18	11.74	10.00
<i>Income (loss) from investment operations:</i>						
Net investment income (loss)	.12(b)	.30(b)	.37(b)	.26	.31	.15
Net realized and unrealized gain (loss) on investment transactions	.30	1.40	(1.94)	2.63	3.23	1.59
Total from investment operations	.42	1.70	(1.57)	2.89	3.54	1.74
<i>Less distributions from:</i>						
Net investment income	(.24)	(.40)	(.30)	(.10)	(.10)	—
Net realized gains on investment transactions	—	(2.60)	(1.00)	(.40)	—	—
Total distributions	(.24)	(3.00)	(1.30)	(.50)	(.10)	—
Net asset value, end of period	\$ 13.58	13.40	14.70	17.57	15.18	11.74
Total Return (%)	3.21**	16.13	(10.21)	19.26	30.38	17.36**
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period (\$ millions)	232	219	237	264	162	21
Ratio of expenses before expense reductions (%)	.79*	.80	.81	.78	.80	.92*
Ratio of expenses after expense reductions (%)	.79*	.80	.80	.78	.80	.90*
Ratio of net investment income (loss) (%)	1.89*	2.55	2.14	2.02	2.38	2.42*
Portfolio turnover rate (%)	92*	56	88	57	46	57*

(a) On June 18, 2001, the Fund implemented a 1 for 10 reverse stock split. Share and per share information, for the periods prior to June 30, 2001, have been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).

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

(c) For the six months ended June 30, 2001 (Unaudited).

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

* Annualized ** Not annualized

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

Scudder Global Blue Chip Portfolio

During a period in which most global markets produced negative returns, Scudder Global Blue Chip Portfolio outperformed its benchmark. Performance was helped by an overweight position in basic materials and an underweighting in telecommunications services, but was hurt by the portfolio's position in information technology.

The portfolio remains positioned for an environment where risks remain high and an economic recovery, if it occurs, will not necessarily be accompanied by a rebound in corporate profits. Accordingly, our theme-based approach has led us to focus on “virtual businesses” that exploit knowledge, design, and research over hard assets; commodity-based businesses that should gain pricing power in an environment of reduced capacity; and companies that achieve steady, annuity-like returns on their assets. Conversely, we are avoiding companies that are exposed to deflationary forces and/or rising input prices, as well as stocks in the financial sector.

Overall, we believe that companies that have understood the strategic challenges of the current marketplace will prosper. We feel that our theme-based approach will allow us to focus on these companies, while at the same time preparing for the risks inherent in a global economic transition.

William E. Holzer
Lead Portfolio Manager
Zurich Scudder Investments, Inc.

Scudder Global Blue Chip Portfolio

	Principal Amount (\$)	Value (\$)		Shares	Value (\$)
Repurchase Agreements 1.5%					
Salomon Smith Barney, 4.07%, to be repurchased at \$500,170, on 7/2/2001* (Cost \$500,000)	500,000	500,000			
Bonds — U.S.\$ Denominated 7.5%					
Germany 3.0%					
Government of Germany, 5.25%, 7/4/2010	1,170,000	1,006,339			
Sweden 2.3%					
Bundesschatzanweisungen, 4%, 12/14/2001	965,000	818,282			
United States 2.2%					
U.S. Treasury Note, 5.25%, 5/15/2004 ..	750,000	762,893			
Total Bonds — U.S.\$ Denominated (Cost \$2,681,084)		2,587,514			
			Shares		
Preferred Stocks 0.6%					
ProSieben Sat.1 Media AG (Pfd.) (Producer and broadcaster of television programming) (Cost \$204,526)	8,745	126,306			
Common Stocks 90.4%					
Australia 1.2%					
BHP Billiton Ltd. (Bonus) (Explorer and producer of minerals)	37,697	204,932			
Broken Hill Proprietary Co., Ltd. (Producer of petroleum, mineral and steel products)	35,400	187,747			
		392,679			
Brazil 1.1%					
Aracruz Celulose SA (ADR) (Manufacturer of forest products)	13,600	254,320			
Companhia Vale do Rio Doce (pfd.) (ADR) (Operator of diverse mining and industrial complex)	5,500	126,500			
		380,820			
Canada 7.0%					
Alberta Energy Co., Ltd. (Producer of oil and gas)	16,100	664,850			
Alcan, Inc. (Manufacturer of aluminum and finished products)	10,557	445,019			
BCE, Inc. (Provider of telecommunication services)	14,103	379,248			
Barrick Gold Corp. (Explorer and producer of gold in North and South America)			29,100		440,865
Canadian National Railway Co. (Provider of railroad services)			11,200		454,512
					2,384,494
France 6.5%					
Aventis SA (Manufacturer of life science products)			9,618		770,568
Compagnie Generale des Etablissements Michelin "B" (Manufacturer of tires)			5,136		163,066
Compagnie de Saint-Gobain (Manufacturer of glass products)			1,386		188,996
Suez SA* (Operator of water treatment plants)			14,800		477,815
Vinci SA (Operator of a diverse engineering firm)			4,077		260,653
Vivendi Universal SA (Provider of various public services)			6,203		362,844
					2,223,942
Germany 6.3%					
BASF AG* (Explorer and producer of oil, natural gas and chemical products)			6,977		274,451
Bayerische Hypo-und Vereinsbank (Provider of banking services)			7,113		348,693
Deutsche Post AG (Provider of mail delivery services)			8,910		141,558
E.On AG (Distributor of oil and chemicals)			6,167		321,704
KarstadtQuelle AG* (Operator of retail stores)			8,460		263,426
Metro AG (Operator of retail stores)			9,333		352,855
Muenchener Rueckversicherungs-Gesellschaft AG (Registered) (Provider of financial services)			1,826		514,279
					2,216,966
Hong Kong 0.7%					
China Mobile Ltd.* (Provider of cellular telecommunication services)			43,600		229,741
Italy 2.0%					
Assicurazioni Generali SpA (Provider of insurance and financial services) ..			16,700		503,686
Mediobanca SpA (Provider of loans and credit to manufacturing and service firms)			15,500		166,190
					669,876
Japan 12.4%					
Canon, Inc. (Producer of visual image and information equipment) ..			6,000		242,434
Chugai Pharmaceutical Co., Ltd. (Producer of pharmaceuticals)			5,000		76,041
Daiwa Securities Group, Inc. (Provider of financial services)			24,000		251,092
Fujitsu Ltd.* (Manufacturer of computers)			9,000		94,520

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

	Shares	Value (\$)		Shares	Value (\$)
Kyorin Pharmaceutical Co., Ltd. (Manufacturer and distributor of prescription medicines)	2,000	75,841	EMI Group PLC (Producer of music recordings)	35,346	200,845
Matsushita Electric Industrial Co., Ltd. (Manufacturer of consumer electronic products)	12,000	187,790	GlaxoSmithKline PLC (Manufacturer of prescription and over-the- counter medicines)	15,193	429,514
Mitsubishi Estate Co., Ltd.* (Provider of real estate services)	35,000	321,842	Great Universal Stores PLC "A" (Operator of catalog home shopping, retailing, finance and property investment businesses)	34,809	299,397
Mitsui Fudosan Co., Ltd. (Provider of real estate services)	33,000	355,570	National Grid Group PLC (Owner and operator of electric transmission systems)	48,368	358,249
NEC Corp. (Manufacturer of telecommunication and computer equipment)	7,000	94,560	Railtrack Group PLC (Operator of railway infrastructure)	36,539	172,504
NTT Docomo, Inc. (Provider of various telecommunication services and equipment)	13	226,159	Reuters Group PLC (Provider of international news and information) . .	28,959	377,817
Nikko Securities Co., Ltd. (Provider of financial services)	13,000	104,117	Rio Tinto PLC (Developer of mining products)	38,588	688,347
Nippon Telegraph & Telephone Corp. (Provider of telecommunication services)	35	182,387	Scottish Power PLC (Provider of electric power)	53,053	392,200
Nomura Securities Co., Ltd. (Provider of financial services)	13,000	249,088	Shell Transport & Trading PLC (Provider of oil internationally)	69,072	577,012
Sankyo Co., Ltd. (Manufacturer of pharmaceutical products)	9,000	162,344	Vodafone Group PLC (Provider of mobile telecommunication services)	111,830	248,963
Sony Corp. (Manufacturer of consumer and industrial electronic equipment)	3,000	197,218			<u>4,281,527</u>
Sumitomo Mitsui Banking Corp. (Provider of commercial banking services)	33,800	279,104	United States 37.3%		
Teijin Ltd. (Manufacturer of polyester products)	71,000	399,014	AOL Time Warner, Inc.* (Provider of entertainment, news and Internet brands across converging forms of media) . . .	8,100	429,300
Toshiba Corp.* (Manufacturer of electric machinery)	36,000	190,195	AT&T Corp. — Liberty Media Group "A"* (Operator of entertainment networks)	22,600	395,274
Yamada Denki Co., Ltd. (Retailer and repairer of consumer electronic equipment)	3,300	269,852	Air Products and Chemicals, Inc. (Producer of industrial gases)	5,800	265,350
Yamanouchi Pharmaceutical Co., Ltd. (Manufacturer and marketer of pharmaceutical products)	9,000	252,535	Alexion Pharmaceuticals, Inc.* (Developer of immunoregulatory compounds)	900	21,042
		<u>4,211,703</u>	Allegheny Energy, Inc. (Provider of electric and gas power)	3,900	188,175
Switzerland 3.3%			Allstate Corp. (Provider of property, liability and life insurance)	6,200	272,738
Holcim Ltd.* (Producer of building materials)	500	101,910	American Home Products Corp. (Manufacturer and retailer of consumer health care products)	4,700	274,668
Nestle SA (Registered)* (Producer of food products)	1,767	375,896	Anadarko Petroleum Corp. (Explorer and producer of crude oil and natural gas)	16,300	880,689
Roche Holdings AG* (Manufacturer of pharmaceutical and chemical products)	2,546	183,609	Boston Properties, Inc. (Developer of commercial and industrial real estate)	9,000	368,100
STMicroelectronics NV (Manufacturer of semiconductor integrated circuits)	6,666	232,201	Burlington Resources, Inc. (Provider of oil internationally)	13,100	523,345
Syngenta AG* (Producer of chemicals) . .	4,198	220,923	Chubb Corp. (Provider of property and casualty insurance)	4,200	325,206
		<u>1,114,539</u>	Comcast Corp. "A"* (Provider of cable communication networks)	8,800	381,920
United Kingdom 12.6%			EMC Corp.* (Provider of enterprise storage systems, software, networks and services)	3,600	104,580
ARM Holdings PLC* (Designer of electronic components)	9,675	36,719	Edison International (Provider of electric power)	24,500	273,175
BOC Group PLC (Producer of chemical products)	24,674	362,718			
Carlton Communications PLC (Provider of television post production products and services)	28,897	137,242			

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

	Shares	Value (\$)		Shares	Value (\$)
Electronic Arts, Inc.* (Developer and marketer of entertainment software)	4,400	253,968	KPMG Consulting, Inc.* (Provider of consulting services)	14,200	213,710
Electronic Data Systems Corp. (Provider of information technology systems)	6,800	425,000	Lockheed Martin Corp. (Manufacturer of aircraft, missiles and space equipment)	12,200	452,010
Enron Corp. (Producer of natural gas and electricity)	4,100	200,900	Nabors Industries, Inc.* (Contractor of land drilling)	5,000	186,000
Exelon Corp. (Distributor of electricity and gas)	14,475	928,137	Newmont Mining Corp. (Explorer and developer of mineral products)	12,900	240,069
Exxon Mobil Corp. (Provider of oil internationally)	5,300	462,955	Phillips Petroleum Co. (Explorer of petroleum products)	5,800	330,600
FPL Group, Inc. (Provider of electric and gas power)	5,200	313,092	ProLogis Trust (REIT) (Global owner of corporate distribution facilities) ...	18,500	420,320
Genzyme Corp.* (General Division) (Developer and marketer of therapeutic and surgical products) ...	1,400	82,516	Sabre Group Holdings, Inc. "A"* (Provider of online travel reservation capabilities)	18,600	930,000
Human Genome Sciences, Inc.* (Developer of proprietary pharmaceutical and diagnostic products)	2,500	149,725	St. Paul Companies, Inc. (Provider of insurance services)	5,400	273,726
ImmuneX Corp.* (Developer of biopharmaceutical products)	16,600	283,694	USEC, Inc. (Provider of enriched uranium products and services)	7,000	59,010
Intel Corp. (Producer of semiconductor memory circuits)	3,600	109,224	Unocal Corp. (Explorer and producer of oil and gas)	5,000	170,750
International Business Machines Corp. (Manufacturer and operator of computer and business equipment) ..	3,100	350,300	UNUMProvident Corp. (Provider of group disability and special risk insurance)	14,300	459,316
International Paper Co. (Manufacturer of paper, pulp and wood products) ..	7,800	278,460	Viacom, Inc. "B"* (Provider of a wide range of entertainment and communication services)	2,300	119,025
Intuit, Inc.* (Provider of financial software for households and small swbusinesses)	6,800	265,812			12,661,881
			Total Common Stocks (Cost \$31,163,076)		30,768,168
			Total Investment Portfolio — 100.0% (Cost \$34,548,686) (a)		33,981,988

At June 30, 2001, the Scudder Global Blue Chip Portfolio had the following industry diversification:

Industry	Value	Percent
Financial	\$ 5,213,067	15.3%
Energy	3,997,101	11.8
Utilities	3,252,547	9.6
Service Industries	2,981,434	8.8
Manufacturing	2,783,190	8.2
Miscellaneous	2,587,514	7.6
Metals and Minerals	2,392,489	7.0
Health	1,991,529	5.9
Technology	1,729,674	5.1
Media	1,589,067	4.7
Communications	1,266,498	3.7
Consumer Discretionary	1,116,523	3.3
Consumer Staples	983,033	2.9
Durables	615,076	1.8
Transportation	627,016	1.8
Construction	356,230	1.0
Total	33,481,988	98.5
Money Market Instruments	500,000	1.5
Total Investment Portfolio	\$33,981,988	100.0%

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

Notes to Scudder Global Blue Chip Portfolio of Investments

- * Repurchase agreements are fully collateralized by U.S. Treasury or Government agency securities.
- (a) The cost for federal income tax purposes was \$34,614,896. At June 30, 2001, net unrealized depreciation for all securities based on tax cost was \$632,908. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$2,569,471 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$3,202,379.

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

Financial Statements

Statement of Assets and Liabilities as of June 30, 2001 (Unaudited)

Assets

Investments in securities, at value (cost \$34,548,686)	\$ 33,981,988
Receivable for investments sold	3,669,525
Dividends receivable	45,892
Interest receivable	83,313
Receivable for Portfolio shares sold	37,758
Foreign taxes recoverable	21,344
Total assets	37,839,820

Liabilities

Due to custodian	1,094
Payable for investments purchased	156,817
Accrued management fee	59,546
Other accrued expenses and payables	105,978
Total liabilities	323,435

Net assets, at value	\$ 37,516,385
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Net Assets

Net assets consist of:	
Undistributed net investment income	191,974
Net unrealized appreciation (depreciation) on:	
Investments	(566,698)
Foreign currency related transactions	(4,261)
Accumulated net realized gain (loss)	(2,040,797)
Paid-in capital	39,936,167
Net assets, at value	\$ 37,516,385

Net Asset Value

Net Asset Value and redemption price per share (\$37,516,385 ÷ 3,625,435 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 10.35
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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, 2001 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$20,800)	\$ 272,828
Interest	104,791
Total Income	<u>377,619</u>
Expenses:	
Management fee	166,117
Custodian and accounting fees	44,632
Auditing	1,417
Legal	609
Trustees' fees and expenses	1,496
Reports to shareholders	10,261
Other	2,099
Total expenses, before expense reductions	<u>226,631</u>
Expense reductions	<u>(25,121)</u>
Total expenses, after expense reductions	201,510
Net investment income (loss)	176,109

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	(1,135,658)
Foreign currency related transactions	13,450
	<u>(1,122,208)</u>
Net unrealized appreciation (depreciation) during the period on:	
Investments	(2,403,331)
Foreign currency related transactions	(3,982)
	<u>(2,407,313)</u>
Net gain (loss) on investment transactions	(3,529,521)
Net increase (decrease) in net assets resulting from operations	\$ (3,353,412)

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, 2001 (Unaudited)	Year Ended December 31, 2000
Operations:		
Net investment income (loss)	\$ 176,109	\$ 73,720
Net realized gain (loss) on investment transactions	(1,122,208)	194,715
Net unrealized appreciation (depreciation) on investment transactions during the period	(2,407,313)	(1,040,586)
Net increase (decrease) in net assets resulting from operations	(3,353,412)	(772,151)
Distributions to shareholders from:		
Net realized gains	(1,040,793)	(258,443)
Portfolio share transactions:		
Proceeds from shares sold	11,344,282	19,631,376
Reinvestment of distributions	1,040,793	258,443
Cost of shares redeemed	(3,859,106)	(2,883,628)
Net increase (decrease) in net assets from Portfolio share transactions	8,525,969	17,006,191
Increase (decrease) in net assets	4,131,764	15,975,597
Net assets at beginning of period	33,384,621	17,409,024
Net assets at end of period (including undistributed net investment income of \$191,974 and \$15,865, respectively)	\$ 37,516,385	\$ 33,384,621
Other Information (a)		
Shares outstanding at beginning of period	2,826,231	1,406,829
Shares sold	1,058,683	1,641,664
Shares issued to shareholders in reinvestment of distributions	103,377	20,990
Shares redeemed	(362,856)	(243,252)
Net increase (decrease) in Portfolio shares	799,204	1,419,402
Shares outstanding at end of period	3,625,435	2,826,231

(a) On June 18, 2001, the Fund implemented a 1 for 10 reverse stock split. Share and per share information, for the periods prior to June 30, 2001, have been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).

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,	2001(d)	2000(a)	1999(a)	1998(a)(b)
Net asset value, beginning of period	\$ 11.81	12.37	9.79	10.00
<i>Income (loss) from investment operations:</i>				
Net investment income (loss)	.06(c)	.03(c)	.04(c)	.03
Net realized and unrealized gain (loss) on investment transactions	(1.17)	(.44)	2.57	(.24)
Total from investment operations	(1.11)	(.41)	2.61	(.21)
<i>Less distributions from:</i>				
Net investment income	—	—	(.03)	—
Net realized gains on investment transactions	(.35)	(.15)	—	—
Total distributions	(.35)	(.15)	(.03)	—
Net asset value, end of period	\$ 10.35	11.81	12.37	9.79
Total Return (%) (e)	(9.35)**	(3.36)	26.70	(2.10)**
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period (\$ millions)	38	33	17	4
Ratio of expenses before expense reductions (%)	1.36*	1.78	3.47	12.32*
Ratio of expenses after expense reductions (%)	1.21*	1.50	1.56	1.56*
Ratio of net investment income (loss) (%)	1.06*	.28	.39	.91*
Portfolio turnover rate (%)	58*	54	65	67*

(a) On June 18, 2001, the Fund implemented a 1 for 10 reverse stock split. Share and per share information, for the periods prior to June 30, 2001, have been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).

(b) For the period from May 5, 1998 (commencement of operations) to December 31, 1998.

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

(d) For the six months ended June 30, 2001 (Unaudited).

(e) Total returns would have been lower had certain expenses not been reduced.

* Annualized

** Not annualized

Scudder Government Securities Portfolio

Late in the second quarter, the bond market began anticipating a positive economic response to the 275 basis points of interest rate cuts by the Federal Reserve. This led to higher yields on Treasury securities with maturities of two years or more. Shorter-term yields, which are more closely tied to Fed actions, fell during the period. Meanwhile, mortgages, which outperformed Treasuries in April and May, significantly underperformed Treasuries in June. As a result of these developments in June, the portfolio, which had held up relatively well in April and May versus its peer group, was hurt by an overweight in short- and intermediate-duration mortgages and Treasuries and an underweight in longer-duration mortgages and Treasuries.

Going forward, we expect no more than two additional 25-basis-point interest-rate cuts by the Fed this year, leaving the bond market in a narrow “trading range,” where we can look for opportunistic duration positions. And, unless their prices become more attractive, we do not expect to take a more aggressive position in mortgages. However, if mortgages do begin to underperform, we would expect to begin overweighting mortgages relative to our peer group. Finally, while the mortgage refinancing market has been stronger than expected, we have sought to reduce the portfolio’s exposure to refinancings by holding fewer higher-coupon mortgages while adding mortgages issued more recently with lower interest rates.

Richard L. Vandenberg
Lead Portfolio Manager
Zurich Scudder Investments, Inc.

Scudder Government Securities Portfolio

	Principal Amount (\$)	Value (\$)		Principal Amount (\$)	Value (\$)
Repurchase Agreements 3.8%					
State Street Bank and Trust Company, 3.93%, to be repurchased at \$9,621,150 on 7/2/2001* (Cost \$9,618,000)	9,618,000	9,618,000			
Short-Term Investments 10.8%					
Federal Home Loan Bank, 3.5%**, 7/15/2005 (Cost \$27,112,032)	27,115,000	27,112,032			
U.S. Government & Agency Obligations 84.5%					
U.S. Treasury Securities 3.4%					
Bonds					
6.125%, 11/15/2027	250,000	257,343			
10.375%, 11/15/2009	5,000,000	5,832,800			
12.5%, 8/15/2014 (c)	1,300,000	1,892,709			
Note					
5%, 2/15/2011	750,000	727,613			
		<u>8,710,465</u>			
Government National Mortgage Association 69.1%					
Pass-through Certificates					
6% with various maturities to 7/1/2031 (b)	16,284,610	15,791,767			
6.5% with various maturities to 7/1/2031 (b)	41,803,011	41,384,353			
7% with various maturities to 7/1/2031 (b)	46,475,791	46,988,149			
7.5% with various maturities to 7/1/2031 (b)	36,894,881	37,846,167			
8% with various maturities to 7/15/2031 (b)	24,884,008	25,830,102			
8.5% with various maturities to 7/15/2031 (b)	5,238,153	5,481,038			
9%, 8/15/2027	351,722	373,019			
9.5% with various maturities to 12/15/2022	224,317	243,057			
10% with various maturities to 3/15/2016	151,550	168,989			
		<u>174,106,641</u>			
Federal Home Loan Mortgage Corporation 7.3%					
Pass-through Certificates					
6.5%, 5/1/2029	64,170	63,362			
7% with various maturities to 8/1/2031 (b)	12,419,647	12,466,431			
7.5% with various maturities to 12/1/2030	2,853,855	2,915,070			
8% with various maturities to 11/1/2030	2,641,677	2,727,241			
8.5%, 7/1/2030	115,659	121,634			
		<u>18,293,738</u>			
Federal Housing Authority 0.1%					
Pass-through Certificates					
7.5%, 2/15/2022	13,286	13,696			
8% with various maturities to 7/15/2022	332,546	349,050			
8.5%, 3/15/2026	15,438	16,140			
		<u>378,886</u>			
Federal National Mortgage Association 4.6%					
Pass-through Certificates					
5.25%, 1/15/2009	5,000,000	4,780,451			
6% with various maturities to 4/1/2029	862,727	831,422			
6.5% with various maturities to 6/1/2030	4,876,395	4,802,225			
7% with various maturities to 10/1/2030	95,239	95,821			
7.5% with various maturities to 6/1/2030	795,828	817,589			
8%, 12/1/2024	212,220	219,758			
		<u>11,547,266</u>			
Total U.S. Government & Agency Obligations (Cost \$212,324,234)					213,036,996
Corporate Obligations 0.9%					
Federal National Mortgage Association, 7%, 7/15/2005 (Cost \$2,347,726)	2,200,000	2,324,432			
Total Investment Portfolio — 100.0% (Cost \$251,401,992) (a)					252,091,460

Notes to Scudder Government Securities Portfolio of Investments

- * 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 \$251,824,223. At June 30, 2001, net unrealized appreciation for all securities based on tax cost was \$267,237. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$913,786 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$646,549.
- (b) These securities, or a portion thereof, are when-issued or forward delivery pools.
- (c) At June 30, 2001 these securities have been pledged to cover, in whole or in part, initial margin requirements for open futures contracts.

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

At June 30, 2001, open futures purchased were as follows:

Futures	Expiration Date	Contracts	Aggregate Face Value (\$)	Value (\$)
U.S. Treasury Bond	September 19, 2001	21	2,131,001	2,106,563
Total unrealized depreciation on open futures contracts				(24,438)

The investments in mortgage-backed securities of the Government National Mortgage Association, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation are interests in separate pools of mortgages. All separate investments 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 may be shorter than stated maturities due to prepayments.

Financial Statements

Statement of Assets and Liabilities as of June 30, 2001 (Unaudited)

Assets

Investments in securities, at value (cost \$251,401,992)	\$ 252,091,460
Cash	420,798
Receivable for investments sold	24,353,528
Interest receivable	1,526,053
Receivable for Portfolio shares sold	276,240
Total assets	278,668,079

Liabilities

Payable for when-issued and forward delivery securities	43,219,605
Payable for investments purchased – mortgage dollar rolls	10,081,250
Payable for Portfolio shares redeemed	7,876
Payable for daily variation margin on open futures contracts	13,687
Accrued management fee	100,184
Other accrued expenses and payables	50,035
Total liabilities	53,472,637

Net assets, at value	\$ 225,195,442
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Net Assets

Net assets consist of:	
Undistributed net investment income	4,954,005
Net unrealized appreciation (depreciation) on:	
Investments	689,468
Futures	(24,438)
Accumulated net realized gain (loss)	(4,461,784)
Paid-in capital	224,038,191
Net assets, at value	\$ 225,195,442

Net Asset Value

Net Asset Value and redemption price per share (\$225,195,442 ÷ 18,997,329 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 11.85
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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, 2001 (Unaudited)

Investment Income

Income:	
Interest	\$ 6,260,300
Expenses:	
Management fee	545,446
Custodian fees	17,434
Auditing	11,801
Legal	2,889
Trustees' fees and expenses	6,703
Reports to shareholders	6,639
Other	2,433
Total expenses, before expense reductions	593,345
Expense reductions	(1,412)
Total expenses, after expense reductions	591,933
Net investment income (loss)	5,668,367

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	1,916,333
Futures	100,608
	2,016,941
Net unrealized appreciation (depreciation) during the period on:	
Investments	(1,267,817)
Futures	(220,555)
	(1,488,372)
Net gain (loss) on investment transactions	528,569
Net increase (decrease) in net assets resulting from operations	\$ 6,196,936

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, 2001 (Unaudited)	Year Ended December 31, 2000
Operations:		
Net investment income (loss)	\$ 5,668,367	\$ 9,257,799
Net realized gain (loss) on investment transactions	2,016,941	(1,003,928)
Net unrealized appreciation (depreciation) on investment transactions during the period	(1,488,372)	6,274,236
Net increase (decrease) in net assets resulting from operations	6,196,936	14,528,107
Distributions to shareholders from:		
Net investment income	(8,562,567)	(9,438,853)
Portfolio share transactions:		
Proceeds from shares sold	98,348,045	42,968,268
Reinvestment of distributions	8,562,567	9,438,853
Cost of shares redeemed	(31,102,522)	(52,132,339)
Net increase (decrease) in net assets from Portfolio share transactions	75,808,090	274,782
Increase (decrease) in net assets	73,442,459	5,364,036
Net assets at beginning of period	151,752,983	146,388,947
Net assets at end of period (including undistributed net investment income of \$4,954,005 and 7,848,205, respectively)	\$ 225,195,442	\$ 151,752,983
Other Information (a)		
Shares outstanding at beginning of period	12,690,900	12,662,528
Shares sold	8,191,664	3,738,828
Shares issued to shareholders in reinvestment of distributions	729,096	857,976
Shares redeemed	(2,614,331)	(4,568,432)
Net increase (decrease) in Portfolio shares	6,306,429	28,372
Shares outstanding at end of period	18,997,329	12,690,900

(a) On June 18, 2001, the Fund implemented a 1 for 10 reverse stock split. Share and per share information, for the periods prior to June 30, 2001, have been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).

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

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,	2001(b)(e)	2000(a)	1999(a)	1998(a)	1997(a)	1996(a)
Net asset value, beginning of period	\$ 11.96	11.56	12.08	12.07	12.07	12.69
<i>Income (loss) from investment operations:</i>						
Net investment income (loss)	.34(c)	.75(c)	.72(c)	.62	.84	.85
Net realized and unrealized gain (loss) on investment transactions	.05	.45	(.64)	.19	.16	(.57)
Total from investment operations	.39	1.20	.08	.81	1.00	.28
<i>Less distributions from:</i>						
Net investment income	(.50)	(.80)	(.60)	(.80)	(1.00)	(.90)
Total distributions	(.50)	(.80)	(.60)	(.80)	(1.00)	(.90)
Net asset value, end of period	\$ 11.85	11.96	11.56	12.08	12.07	12.07
Total Return (%)	3.39**	10.93	.68	7.03	8.96	2.56

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	225	152	146	123	87	84
Ratio of expenses before expense reductions (%)	.60*	.61	.63	.65	.64	.66
Ratio of expenses after expense reductions (%)	.60*	.60	.63	.65	.64	.66
Ratio of net investment income (loss) (%)	5.72*	6.60	6.13	6.27	7.12	7.09
Portfolio turnover rate (%)	255(d)*	173	150	142	179	325

(a) On June 18, 2001, the Fund implemented a 1 for 10 reverse stock split. Share and per share information, for the periods prior to June 30, 2001, have been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).

(b) For the six months ended June 30, 2001 (Unaudited).

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

(d) The portfolio turnover rate including mortgage dollar roll transactions was 290% for the six months ended June 30, 2001.

(e) As required, effective January 1, 2001, the Fund has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on debt securities. The effect of this change for the six months ended June 30, 2001 was to decrease net investment income per share by \$.02, increase net realized and unrealized gains and losses per share by \$.02 and decrease the ratio of net investment income to average net assets from 6.07% to 5.72%. Per share, ratios and supplemental data for periods prior to January 1, 2001 have not been restated to reflect this change in presentation.

* Annualized

** Not annualized

Scudder Growth Portfolio

Growth stocks continued to struggle during the first half of 2001, although there were signs that their steep decline might be nearing an end. For the six-month period ended June 30, 2001, Scudder Growth Portfolio's total return was negative, but in line with its benchmark, the Russell 1000 Growth Index. However, the second quarter was positive, with the portfolio slightly outperforming the index.

Although numerous factors accounted for the difficult environment for growth stocks, the primary culprits were concerns about economic growth, or more precisely, the lack of it, a marked downturn in capital spending, and worries about the viability of corporate profits. During the first quarter, a stream of earnings warnings and a steady flow of data indicating a drastic economic slowdown combined to undercut valuations of growth stocks. Technology firms, which already sported relatively rich valuations, were particularly susceptible to the resulting downdraft in growth stocks. While many of the high-quality, well-managed companies we own were able to avoid some of the technology rout going into the year, they eventually succumbed in the first quarter, with Cisco Systems, Intel and Applied Materials all declining significantly. The portfolio benefited from overweighted positions in the financial, consumer staples and health care sectors, but these holdings were unable to stem the tide when technology stocks tumbled, despite our underweight in the technology sector.

By April, however, confidence began to return to some technology names, and the portfolio was boosted by gains in Adobe, PeopleSoft, and Brocade. Financial stocks, including Provident and Lehman Brothers, were another bright spot. The portfolio's modest energy position retreated as oil prices began to ebb and investors took profits.

At the end of the quarter, the Russell 1000 Growth Index underwent its annual rebalancing. To keep sector weightings +/- 5% of the Index, as defined by the investment process, we used the opportunity to eliminate lower-confidence tech names and increase exposure to financials.

While the last six months — indeed, the last twelve months — have been an extremely difficult period for growth investors, we see reasons for optimism going forward. Aggressive easing by the Federal Reserve, tax refunds and lower tax rates should combine to set the stage for a rebound in economic growth and a corresponding increase in earnings and stock prices. For our part, we intend to keep emphasizing companies with excellent products, talented management, healthy balance sheets and strong earnings growth potential. We believe that if we persevere in finding such companies at attractive prices, our contract holders will be rewarded in the long run.

Gary A. Langbaum
Lead Portfolio Manager
Zurich Scudder Investments, Inc.

Scudder Growth Portfolio

	Principal Amount (\$)	Value (\$)	Shares	Value (\$)
Repurchase Agreements 0.1%				
State Street Bank and Trust Company, 3.93%, to be repurchased at \$553,181 on 7/2/2001** (Cost \$553,000)	553,000	553,000		
Short-Term Investments 4.1%				
Federal Home Loan Bank, 3.5%***, 7/2/2001 (Cost \$20,019,809)	20,022,000	20,019,809		
			Shares	
Common Stocks 95.8%				
Consumer Discretionary 6.9%				
Department & Chain Stores				
Home Depot, Inc.	330,225	15,371,974		
Kohl's Corp.*	55,760	3,497,825		
Wal-Mart Stores, Inc.	294,990	14,395,512		
		<u>33,265,311</u>		
Consumer Staples 5.4%				
Food & Beverage 3.1%				
Heineken NV*	155,250	6,282,418		
PepsiCo, Inc.	203,050	8,974,810		
		<u>15,257,228</u>		
Package Goods/Cosmetics 2.3%				
Colgate-Palmolive Co.	185,140	10,921,409		
Health 19.3%				
Biotechnology 1.6%				
Amgen, Inc.*	128,800	7,975,296		
Hospital Management 2.0%				
HCA-The Healthcare Co.	211,500	9,557,685		
Medical Supply & Specialty 1.8%				
Baxter International, Inc.	183,800	9,006,200		
Pharmaceuticals 13.9%				
Allergan, Inc.	71,950	6,151,725		
Eli Lilly & Co.	138,196	10,226,504		
Johnson & Johnson	347,086	17,354,300		
Merck & Co., Inc.	126,790	8,103,149		
Pfizer, Inc.	635,742	25,461,467		
		<u>67,297,145</u>		
Communications 1.3%				
Cellular Telephone				
Nokia Oyj (ADR)	285,200	6,285,808		
Financial 10.3%				
Banks 3.1%				
Fifth Third Bancorp.	133,700	8,068,795		
State Street Corp.	137,200	6,790,028		
		<u>14,858,823</u>		
Insurance 3.3%				
American International Group, Inc.	185,510	15,953,860		
Consumer Finance 2.7%				
Household International, Inc.	94,400	6,296,480		
Providian Financial Corp.	114,200	6,760,640		
		<u>13,057,120</u>		
Investment 1.2%				
Lehman Brothers Holdings, Inc.	70,800	5,504,700		
Media 11.4%				
Advertising 1.5%				
Omnicom Group, Inc.	88,140	7,580,040		
Broadcasting & Entertainment 8.9%				
AOL Time Warner, Inc.*	429,680	22,773,040		
Clear Channel Communications, Inc.* ..	203,250	12,743,775		
Viacom, Inc. "B"***	148,530	7,686,426		
		<u>43,203,241</u>		
Cable Television 1.0%				
Comcast Corp. "A"***	109,100	4,734,940		
Service Industries 2.8%				
EDP Services				
Electronic Data Systems Corp.	219,660	13,728,750		
Manufacturing 8.7%				
Diversified Manufacturing				
General Electric Co.	669,840	32,654,700		
Tyco International Ltd.	177,200	9,657,400		
		<u>42,312,100</u>		
Technology 28.1%				
Computer Software 10.9%				
Adobe Systems, Inc.	191,030	8,976,500		
Microsoft Corp.*	390,140	27,992,545		
PeopleSoft, Inc.*	193,200	9,370,200		
VERITAS Software Corp.*	97,600	6,588,000		
		<u>52,927,245</u>		
EDP Peripherals 1.7%				
Brocade Communications Systems, Inc.*	185,200	8,039,532		
Electronic Data Processing 4.3%				
International Business Machines Corp. .	137,100	15,492,300		
Sun Microsystems, Inc.*	336,140	5,428,661		
		<u>20,920,961</u>		

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

	Shares	Value (\$)		Shares	Value (\$)
Semiconductors 9.6%			Energy 1.6%		
Applied Materials, Inc.*	222,580	11,380,515	Oil & Gas Production		
Intel Corp.	441,140	13,384,188	Anadarko Petroleum Corp.	82,000	4,430,460
Linear Technology Corp.	235,230	10,968,775	Nabors Industries, Inc.*	92,300	3,433,560
Vitesse Semiconductor Corp.*	236,280	4,997,322			7,864,020
Xilinx, Inc.*	148,000	6,134,600	Total Common Stocks (Cost \$420,637,335)		464,952,987
		46,865,400	Total Investment Portfolio — 100.0% (Cost \$441,210,144) (a)		485,525,796
Telecommunications Equipment 1.6%					
Cisco Systems, Inc.*	405,620	7,836,173			

Notes to Scudder 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 \$441,640,973. At June 30, 2001, net unrealized appreciation for all securities based on tax cost was \$43,884,823. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$73,676,847 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$29,792,024.

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

Financial Statements

Statement of Assets and Liabilities as of June 30, 2001 (Unaudited)

Assets

Investments in securities, at value (cost \$441,210,144)	\$ 485,525,796
Cash	808
Foreign currency, at value (cost \$13,381)	12,895
Dividends receivable	147,217
Interest receivable	65,479
Receivable for Portfolio shares sold	72,186
Foreign taxes recoverable	4,972
Total assets	485,829,353

Liabilities

Payable for Portfolio shares redeemed	91,988
Accrued management fee	243,638
Other accrued expenses and payables	213,082
Total liabilities	548,708

Net assets, at value	\$ 485,280,645
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Net Assets

Net assets consist of:	
Undistributed net investment income	195,155
Net unrealized appreciation (depreciation) on:	
Investments	44,315,652
Foreign currency related transactions	(620)
Accumulated net realized gain (loss)	(48,398,249)
Paid-in capital	489,168,707
Net assets, at value	\$ 485,280,645

Net Asset Value

Net Asset Value and redemption price per share (\$485,280,645 ÷ 20,793,559 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 23.34
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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, 2001 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$17,886)	\$ 1,248,455
Interest	564,525
Total Income	<u>1,812,980</u>
Expenses:	
Management fee	1,511,140
Custodian fees	12,300
Auditing	31,145
Legal	6,143
Trustees' fees and expenses	22,091
Reports to shareholders	19,893
Registration fees	67
Other	<u>15,167</u>
Total expenses, before expense reductions	1,617,946
Expense reductions	<u>(121)</u>
Total expenses, after expense reductions	1,617,825
Net investment income (loss)	195,155

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	(35,452,297)
Foreign currency related transactions	(249)
	<u>(35,452,546)</u>
Net unrealized appreciation (depreciation) during the period on:	
Investments	(46,208,357)
Foreign currency related transactions	(620)
	<u>(46,208,977)</u>
Net gain (loss) on investment transactions	(81,661,523)
Net increase (decrease) in net assets resulting from operations	\$ (81,466,368)

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, 2001 (Unaudited)	Year Ended December 31, 2000
Operations:		
Net investment income (loss)	\$ 195,155	\$ (216,302)
Net realized gain (loss) on investment transactions	(35,452,546)	32,561,555
Net unrealized appreciation (depreciation) on investment transactions during the period	(46,208,977)	(171,597,472)
Net increase (decrease) in net assets resulting from operations	(81,466,368)	(139,252,219)
Distributions to shareholders from:		
Net realized gains	(43,827,394)	(64,685,654)
Portfolio share transactions:		
Proceeds from shares sold	22,217,448	76,609,186
Net assets acquired in tax-free reorganization	7,576,034	—
Reinvestment of distributions	43,827,394	64,685,654
Cost of shares redeemed	(45,596,715)	(92,497,968)
Net increase (decrease) in net assets from Portfolio share transactions	28,024,161	48,796,872
Increase (decrease) in net assets	(97,269,601)	(155,141,001)
Net assets at beginning of period	582,550,246	737,691,247
Net assets at end of period (including undistributed net investment income of \$195,155 at June 30, 2001)	\$ 485,280,645	\$ 582,550,246
Other Information (a)		
Shares outstanding at beginning of period	19,340,010	18,194,844
Shares sold	897,359	2,002,582
Shares issued in tax-free reorganization	318,053	—
Shares issued to shareholders in reinvestment of distributions	2,073,659	1,608,648
Shares redeemed	(1,835,522)	(2,466,064)
Net increase (decrease) in Portfolio shares	1,453,549	1,145,166
Shares outstanding at end of period	20,793,559	19,340,010

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,	2001(b)	2000(a)	1999(a)	1998(a)	1997(a)	1996(a)
Net asset value, beginning of period	\$ 30.12	40.54	29.57	30.01	33.71	32.62
<i>Income (loss) from investment operations:</i>						
Net investment income (loss)	.01(c)	(.01)(c)	(.01)(c)	.07	.12	.30
Net realized and unrealized gain (loss) on investment transactions	(4.44)	(6.81)	10.98	4.59	4.48	5.89
Total from investment operations	(4.43)	(6.82)	10.97	4.66	4.60	6.19
<i>Less distributions from:</i>						
Net investment income	—	—	—	(.10)	(.20)	(.40)
Net realized gains on investment transactions	(2.35)	(3.60)	—	(5.00)	(8.10)	(4.70)
Total distributions	(2.35)	(3.60)	—	(5.10)	(8.30)	(5.10)
Net asset value, end of period	\$ 23.34	30.12	40.54	29.57	30.01	33.71
Total Return (%)	(13.89)**	(19.06)	37.12	15.10	21.34	21.63

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	485	583	738	629	563	487
Ratio of expenses (%)	.64*	.65	.66	.66	.65	.64
Ratio of net investment income (loss) (%)	.08*	(.03)	(.04)	.28	.42	.94
Portfolio turnover rate (%)	87*	65	87	109	170	175

(a) On June 18, 2001, the Fund implemented a 1 for 10 reverse stock split. Share and per share information, for the periods prior to June 30, 2001, have been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).

(b) For the six months ended June 30, 2001 (Unaudited).

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

* Annualized ** Not annualized

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

Scudder High Yield Portfolio

It's been a bumpy ride lately for high-yield bond investors. The sector struggled in 2000, but went on to post red hot returns in 2001's first quarter. In fact, high-yield bonds blazed ahead of most equity categories in the first quarter. However, the sector has once again cooled in the second quarter of 2001. Deteriorating credit conditions, an increase in distressed securities and volatility in prominent sectors of the high-yield market — primarily in telecommunications — have contributed to these losses. Default rates, while declining slightly in June, have continued to climb to historical highs in the first half of 2001.

Investors saw the continued weakness among telecom bonds — one of the largest segments of the high-yield loan market — also eat into the solid returns posted by many other high-yield sectors. Much of the weak performance came from bonds issued by wireline telecom companies. Specifically, the wireline subsector lost about twice as much in the quarter as bonds issued by wireless or media companies, according to data from J.P. Morgan. Wireline companies have been hurt by the slowing U.S. economy, declining demand for their services and an oversupply of fiberoptic capacity.

Management's decision to boost the portfolio's stake in higher-quality BB-rated bonds in 2000's second half continued to help keep it ahead of some peers that had bulked up on junkier bonds. And although the portfolio does hold wireline companies (a stake which the team has been paring back of late), it has not been affected by the sector's more problematic issues. On the plus side, the portfolio's stakes in issues in home builders and gaming concerns have aided performance. Going forward, management will continue to seek out lower-quality credits, particularly in the B-rated area, that meet their strict criteria.

Overall, management remains optimistic about the prospects for the high-yield sector, even though the Federal Reserve Board's aggressive cuts to short-term interest rates haven't done as much good as expected for the U.S. stock market or economy. Although the high-yield bonds' default rates are currently high, the team sees defaults as a lagging indicator of the future direction of the high-yield market. In fact, during the recession of the early 1990s, the high-yield default rate peaked at more than 12% in 1991. That same year, the category delivered nearly 35%. Of course, past performance is no guarantee of future results.

Harry E. Resis, Jr.
Lead Portfolio Manager
Zurich Scudder Investments, Inc.

Scudder High Yield Portfolio

	Principal Amount (\$)	Value (\$)		Principal Amount (\$)	Value (\$)
Foreign Bonds — U.S.\$ Denominated 9.2%					
AES Drax Energy, Ltd., 11.628%, 8/30/2010	1,630,000	1,768,550	Ameristar Casinos, Inc., 10.75%, 2/15/2009	2,440,000	2,549,800
Australis Holdings, 15%, 11/1/2002* ...	3,660,000	366	Avondale Mills, 10.25%, 5/1/2006	1,590,000	1,502,550
Diamond Cable Communications PLC, 13.25%, 9/30/2004	1,990,000	1,592,000	Boca Resorts, Inc., 9.875%, 4/15/2009 ..	3,000,000	3,060,000
Esprit Telecom Group PLC:			Cinemark USA, Inc., 8.5%, 8/1/2008 ...	1,170,000	959,400
10.875%, 6/15/2008*	800,000	17,000	Color Tile, Inc., 10.75%, 12/15/2001* ..	1,470,000	14,700
11.5%, 12/15/2007*	1,625,000	34,531	Eldorado Resorts, 10.5%, 8/15/2006 ...	2,010,000	2,070,300
Euramax International PLC, 11.25%, 10/1/2006	2,060,000	1,637,700	Finlay Enterprises, Inc., 9%, 5/1/2008 ..	350,000	322,000
Kappa Beheer BV, 10.625%, 7/15/2009	530,000	556,500	Finlay Fine Jewelry Co., 8.375%, 5/1/2008	1,540,000	1,432,200
MetroNet Communications Corp.:			Galey & Lord, Inc., 9.125%, 3/1/2008 ..	1,500,000	675,000
10.625%, 11/1/2008	1,410,000	1,548,752	Guitar Center Management, 11%, 7/1/2006	1,810,000	1,791,900
12%, 8/15/2007	550,000	606,021	Harvey's Casino Resorts, 10.625%, 6/1/2006	2,210,000	2,331,550
Step-up Coupon, 0% to 6/15/2003, 9.95% to 6/15/2008	1,440,000	1,216,440	Hasbro, Inc.:		
Step-up Coupon, 0% to 11/1/2002, 10.75% to 11/1/2007	780,000	733,298	7.95%, 3/15/2003	350,000	340,560
Millicom International Cellular, SA, Step-up Coupon, 0% to 6/1/2001, 13.5% to 6/1/2006	2,860,000	2,459,600	8.5%, 3/15/2006	370,000	356,925
PTC International Finance, Step-up Coupon, 0% to 7/1/2002, 10.75% to 7/1/2007	1,440,000	1,152,000	Hines Horticulture, Inc., 12.75%, 10/15/2005	2,096,000	1,938,800
PTC International Finance II, 11.25%, 12/1/2009	360,000	352,800	Horseshoe Gaming Holdings, 8.625%, 5/15/2009	910,000	910,000
Rogers Cantel, 9.75%, 6/1/2016	3,000,000	2,940,000	Horseshoe Gaming LLC, 9.375%, 6/15/2007	540,000	569,700
Star Choice Communications, Inc., 13%, 12/15/2005	750,000	791,250	Imperial Home Decor Group, Inc., 11%, 3/15/2008*	1,050,000	5,250
Stone Container Corp., 11.5%, 8/15/2006	1,585,000	1,664,250	International Game Technology, 8.375%, 5/15/2009	1,300,000	1,332,500
TFM, SA de CV, 10.25%, 6/15/2007	1,130,000	1,090,450	Krystal, Inc., 10.25%, 10/1/2007	2,050,000	1,112,125
TeleWest Communications PLC:			MGM Grand, Inc., 9.75%, 6/1/2007	1,730,000	1,846,775
9.625%, 10/1/2006	720,000	601,200	Mandalay Resort Group:		
11% to 10/1/2007	2,895,000	2,439,037	6.45%, 2/1/2006	350,000	322,483
11.25%, 11/1/2008	1,650,000	1,468,500	9.5%, 8/1/2008	490,000	512,662
Versatel Telecom:			National Vision Association, Ltd., 12.75%, 10/15/2005*	2,480,000	1,190,400
11.875%, 7/15/2009	410,000	147,600	Perkins Finance, LP, 10.125%, 12/15/2007	1,670,000	1,586,500
Series B, 13.25%, 5/15/2008	380,000	144,400	Restaurant Co., Step-up Coupon, 0% to 5/15/2003, 11.25% to 5/15/2008	2,010,000	804,000
Series BV, 13.25%, 5/15/2008	910,000	345,800	Royal Caribbean Cruises, Ltd., 8.75% 2/2/2011	3,400,000	3,238,218
Total Foreign Bonds — U.S.\$ Denominated (Cost \$33,201,668)		25,308,045	Sealy Mattress Co.:		
			9.875%, 12/15/2007	220,000	217,250
			Series B, 9.875%, 12/15/2007	1,600,000	1,580,000
			Step-up Coupon, 0% to 12/15/2002, 10.875% to 12/15/2007	2,110,000	1,746,025
			Six Flags, Inc., 9.5%, 2/1/2009	1,750,000	1,747,812
			Specialty Retailers, Inc., 9%, 7/15/2007*	2,400,000	21,000
			Station Casinos, Inc., 9.75%, 4/15/2007	680,000	697,000
			Venetian Casino, 12.25%, 11/15/2004 ..	100,000	107,000
					<u>42,655,309</u>
Corporate Bonds 89.9%					
Consumer Discretionary 15.5%					
AFC Enterprises, 10.25%, 5/15/2007 ...	3,100,000	3,224,000			
AMF Bowling, Inc.:			Consumer Staples 1.4%		
10.875%, 3/15/2006*	2,540,000	88,900	Dyersburg Corp., 9.75%, 9/1/2007*	1,260,000	100,800
12.25%, 3/15/2006*	2,320,000	81,200			
Advantica Restaurant Co., 11.25%, 1/15/2008	614,706	368,824			

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

	Principal Amount (\$)	Value (\$)		Principal Amount (\$)	Value (\$)
Fleming Companies, Inc., 10.125%, 4/1/2008	710,000	727,750	Intermedia Communications of Florida, Inc.:		
Grove Worldwide LLC, 9.25%, 5/1/2008* ..	1,180,000	23,600	12.5%, 5/15/2006	1,880,000	1,880,000
Jafra Cosmetics International, Inc., 11.75%, 5/1/2008	1,710,000	1,675,800	Step-up Coupon, 0% to 7/15/2002, 11.25% to 7/15/2007	3,070,000	2,701,600
Salton, Inc., 12.25%, 4/15/2008	680,000	693,600	KMC Telecom Holdings, Inc.:		
U.S. Can Corp., 12.375%, 10/1/2010 ...	600,000	606,000	13.5%, 5/15/2009	2,550,000	484,500
		<u>3,827,550</u>	Step-up Coupon, 0% to 2/15/2003, 12.5% to 2/15/2008	3,840,000	326,400
Health 3.4%			Level 3 Communications Inc.:		
Dade International, Inc., 11.125%, 5/1/2006*	2,380,000	273,700	11%, 3/15/2008	4,470,000	1,966,800
MEDIQ, Inc., 11%, 6/1/2008*	400,000	4,000	Step-up Coupon, 0% to 3/15/2005, 12.875% to 3/15/2010	2,400,000	504,000
Magellan Health Services, Inc., 9%, 2/15/2008	1,570,000	1,479,725	MGC Communications, 13%, 10/1/2004	2,000,000	1,200,000
Mariner Post-Acute Network, Inc.:			McLeod USA, Inc.:		
10.5%, 8/1/2006	2,060,000	2,039,400	9.25%, 7/15/2007	350,000	203,000
Step-up Coupon, 0% to 11/1/2002, 10.5% to 11/1/2007*	4,340,000	21,700	11.375%, 1/1/2009	2,080,000	1,310,400
Tenet Healthcare Corp., 9.25%, 9/1/2010	2,680,000	3,021,700	Metromedia Fiber Network, Inc., 10%, 11/15/2008	1,180,000	448,400
Triad Hospitals, Inc., 8.75%, 5/1/2009 ..	2,410,000	2,452,175	Nextel Communications, Inc.:		
		<u>9,292,400</u>	9.375%, 11/15/2009	6,020,000	4,770,850
			9.5%, 2/1/2011	1,000,000	783,750
Communications 22.2%			Step-up Coupon, 0% to 9/15/2002, 10.65% to 9/15/2007	1,425,000	1,006,406
Airgate PCS, Inc., Step-up Coupon, 0% to 10/1/2004, 13.5% to 10/1/2009	2,360,000	1,368,800	Nextlink Communications, Inc.:		
Allegiance Telecom, Inc.:			12.5%, 4/15/2006	900,000	306,000
12.875%, 5/15/2008	1,575,000	1,386,000	Step-up Coupon, 0% to 4/15/2003, 9.45% to 4/15/2008	920,000	165,600
Step-up Coupon, 0% to 2/15/2003, 11.75% to 2/15/2008	1,300,000	741,000	Step-up Coupon, 0% to 6/1/2004, 12.25% to 6/1/2009	2,000,000	300,000
American Tower Corp., 9.375%, 2/1/2009	3,250,000	3,030,625	Price Communications Wireless, 9.125%, 12/15/2006	2,490,000	2,577,150
Call-Net Enterprises, Inc.:			SBA Communications Corp.:		
9.375%, 5/15/2009	820,000	262,400	10.25%, 2/1/2009	1,150,000	1,052,250
Step-up Coupon, 0% to 8/15/2003, 8.94% to 8/15/2008	225,000	41,625	Step-up Coupon, 0% to 3/1/2003, 12% to 3/1/2008	1,600,000	1,280,000
Step-up Coupon, 0% to 5/15/2004, 10.8% to 5/15/2009	370,000	66,600	Spectrasite Holdings, Inc.:		
Crown Castle International Corp.:			Step-up Coupon, 0% to 4/15/2004, 11.25% to 4/15/2009	1,220,000	561,200
9.375%, 8/1/2011	390,000	351,975	Step-up Coupon, 0% to 7/15/2003, 12% to 7/15/2008	3,220,000	1,730,750
Step-up Coupon, 0% to 11/15/2002, 10.625% to 11/15/2007	1,580,000	1,232,400	Telecorp PCS, Inc.:		
Dobson Communications Corp., 10.875%, 7/1/2010	460,000	460,000	10.625%, 7/15/2010	960,000	902,400
Dolphin Telecom PLC, Step-up Coupon, 0% to 5/15/2004, 14% to 5/15/2009	1,240,000	24,800	Step-up Coupon, 0% to 4/15/2004, 11.625% to 4/15/2009	350,000	218,750
Exodus Communications, Inc., 11.625%, 7/15/2010	3,290,000	1,135,050	Teligent, Inc., Step-up Coupon, 0% to 3/1/2003, 11.5% to 3/1/2008*	690,000	1,725
FairPoint Communications, 12.5%, 5/1/2010	2,410,000	2,048,500	Tritel PCS, Inc.:		
Global Crossing Holdings Ltd.:			10.375%, 1/15/2011	2,000,000	1,830,000
9.5%, 11/15/2009	2,440,000	1,909,300	Step-up Coupon, 0% to 5/1/2004, 12.75% to 5/15/2009	1,320,000	838,200
9.625%, 5/15/2008	1,000,000	790,000	Triton PCS, Inc.:		
Global Telesystems Group, 9.875%, 2/15/2005	440,000	57,200	9.375%, 2/1/2011	2,530,000	2,454,100
ICG Holdings, Inc., 13.5%, 9/15/2005* ..	4,190,000	607,550	Step-up Coupon, 0% to 5/1/2003, 11% to 5/1/2008	1,350,000	1,088,438
Impsat Corp., 12.375%, 6/15/2008	1,805,000	595,650	VoiceStream Wireless Corp., 10.375%, 11/15/2009	8,390,000	9,564,600
Insight Communications Co., Inc., 12.25%, 2/15/2011*	2,210,000	1,248,650			

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

	Principal Amount (\$)	Value (\$)		Principal Amount (\$)	Value (\$)
Western Wireless Corp., 10.5%, 2/1/2007	1,200,000	1,236,000	Renaissance Media Group, Step-up Coupon, 0% to 4/15/2003, 10% to 4/15/2008	1,860,000	1,450,800
		<u>61,051,394</u>	Rogers Cablesystems, Ltd., 10%, 3/15/2005	630,000	672,525
Financial 2.2%			Sinclair Broadcasting Group, Inc.: 8.75%, 12/15/2007	550,000	523,875
Choctaw Resort Development, 9.25%, 4/1/2009	640,000	652,800	9%, 7/15/2007	350,000	337,750
FRD Acquisition, 12.5%, 7/15/2004* ...	210,000	25,200	Transwestern Publishing: 9.625%, 11/15/2007	950,000	957,125
Felcor Lodging LP (REIT), 8.5%, 6/1/2011	1,530,000	1,461,150	Step-up Coupon, 0% to 11/15/2002, 11.875% to 11/15/2008	420,000	350,700
Golden Tree High Yield Opportunity, 13.054%, 10/31/2007	2,500,000	2,537,750	United International Holdings, Step-up Coupon, 0% to 2/15/2003, 10.75% to 2/15/2008	3,150,000	1,055,250
HMH Properties, 7.875%, 8/1/2008	1,380,000	<u>1,324,800</u>			<u>36,464,410</u>
		<u>6,001,700</u>	Service Industries 4.6%		
Media 13.2%			Allied Waste North America, Inc., 10%, 8/1/2009	2,230,000	2,291,325
AMFM, Inc., 8%, 11/1/2008	1,900,000	1,971,250	Avis Group Holdings, Inc., 11%, 5/1/2009	3,580,000	3,996,175
Adelphia Communications Corp.: 10.25%, 6/15/2011	1,540,000	1,516,900	Coinmach Corp., 11.75%, 11/15/2005 ..	2,430,000	2,490,750
10.875%, 10/1/2010	520,000	526,500	Kindercare Learning Centers, Inc., 9.5%, 2/15/2009	1,550,000	1,534,500
American Lawyer Media, Inc.: 9.75%, 12/15/2007	1,190,000	1,106,700	La Petite Academy, Inc., 10%, 5/15/2008	1,890,000	1,275,750
Step-up Coupon, 0% to 12/15/2002, 12.25% to 12/15/2008	1,470,000	940,800	Primedia Inc., 8.875%, 5/15/2011	1,210,000	1,119,250
Avalon Cable Holdings LLC, Step-up Coupon, 0% to 12/1/2003, 11.875% to 12/1/2008	1,870,000	1,430,550	Spincycle, Inc., Step-up Coupon, 0% to 5/1/2001, 12.75% to 5/1/2005	1,520,000	121,600
CSC Holdings, Inc.: 8.125%, 7/15/2009	400,000	397,183			<u>12,829,350</u>
8.125%, 8/15/2009	1,010,000	1,002,896	Durables 2.9%		
9.25%, 11/1/2005	1,000,000	1,035,000	Airxcel, 11%, 11/15/2007	880,000	453,200
9.875%, 2/15/2013	1,145,000	1,220,856	DeCrane Aircraft Holdings, Inc., 12%, 9/30/2008	1,180,000	1,122,475
10.5%, 5/15/2016	1,640,000	1,808,100	Fairchild Corp., 10.75%, 4/15/2009	1,500,000	1,218,750
Charter Communications Holdings LLC: 8.25%, 4/1/2007	2,120,000	2,008,700	Navistar International Corporation, 9.375%, 6/1/2006	1,300,000	1,319,500
11.125%, 1/15/2011	1,500,000	1,582,500	United Rentals, Inc.: 9%, 4/1/2009	760,000	703,000
13.5%, 1/15/2011	2,250,000	1,406,250	9.25%, 1/15/2009	2,350,000	2,197,250
Step-up Coupon, 0% to 1/15/2005, 11.75% to 1/15/2010	2,040,000	1,377,000	10.75%, 4/15/2008	920,000	952,200
Step-up Coupon, 0% to 5/15/2006, 11.75% to 5/15/2011	1,550,000	899,000			<u>7,966,375</u>
Comcast UK Cable Partners Ltd., 11.2%, 11/15/2007	3,230,000	2,196,400	Manufacturing 11.4%		
Echostar DBS Corp.: 9.25%, 2/1/2006	1,510,000	1,487,350	Agriculture, Mining and Chemicals, Inc., 10.75%, 9/30/2003	2,200,000	1,837,000
9.375%, 2/1/2009	1,690,000	1,656,200	Atlantis Group, Inc., 11%, 2/15/2003 ...	1,735,000	1,613,550
Frontiervision LP, 11%, 10/15/2006	860,000	890,100	BPC Holdings Corp., 12.5%, 6/15/2006 .	916,074	687,056
Interep National Radio Sales, Inc., 10%, 7/1/2008	1,530,000	1,285,200	Berry Plastics Corp., 12.25%, 4/15/2004	1,530,000	1,545,300
Key3Media Group, Inc., 11.25%, 6/15/2011	680,000	666,400	Day International Group, Inc., 11.125%, 6/1/2005	1,020,000	1,035,300
NTL, Inc.: 11.5%, 2/1/2006	320,000	216,000	Delco Remy International, 10.625%, 8/1/2006	1,230,000	1,254,600
11.5%, 10/1/2008	2,200,000	1,452,000	Eagle-Picher Holdings, Inc., 9.375%, 3/1/2008	1,380,000	928,050
Nextmedia Operating, Inc., 10.75%, 7/1/2011	500,000	492,550	Flowserve Corp., 12.25%, 8/15/2010 ...	650,000	695,500
Panavision, Inc., Step-up Coupon, 0% to 2/1/2002, 9.625% to 2/1/2006	1,360,000	544,000	Foamex, LP, 13.5%, 8/15/2005	1,130,000	892,700
			Fonda Group, 9.5%, 3/1/2007	1,340,000	1,125,600

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

	Principal Amount (\$)	Value (\$)		Principal Amount (\$)	Value (\$)
Gaylord Container Corp., 9.75%, 6/15/2007	1,620,000	1,020,600	Stone Energy Corp., 8.75%, 9/15/2007 .	870,000	887,400
Grove Holdings LLC, Step-up Coupon, 0% to 5/1/2003, 11.625% to 5/1/2009*	310,000	1,162	Triton Energy, 8.875%, 10/1/2007	820,000	840,500
Hayes Wheels International, Inc., 11%, 7/15/2006	1,500,000	1,245,000			<u>9,882,539</u>
Huntsman Package, 11.75%, 12/1/2004	2,650,000	1,921,250	Metals & Minerals 0.9%		
Knoll, Inc., 10.875%, 3/15/2006	886,000	886,000	GS Technologies:		
Lyondell Chemical Co., 10.875%, 5/1/2009	140,000	137,550	12%, 9/1/2004*	1,090,000	43,600
Motors and Gears, Inc., 10.75%, 11/15/2006	580,000	578,550	12.25%, 10/1/2005*	1,340,000	6,700
NL Industries, Inc., Senior Note, 11.75%, 10/15/2003	2,603,000	2,576,970	MMI Products, Inc., 11.25%, 4/15/2007	1,345,000	1,250,850
Plainwell, Inc., 11%, 3/1/2008*	4,445,000	44,450	Metal Management, Inc., 10%, 5/15/2008*	1,820,000	54,600
Printpack, Inc., 10.625%, 8/15/2006	1,440,000	1,461,600	Metals USA, Inc., 8.625%, 2/15/2008 ...	1,170,000	795,600
Riverwood International Corp.:			Republic Technologies International, 13.75%, 7/15/2009*	2,820,000	324,300
10.25%, 4/1/2006	570,000	572,850			<u>2,475,650</u>
10.875%, 4/1/2008	2,270,000	2,179,200	Construction 3.9%		
SF Holdings Group, Inc., Step-up Coupon, 0% to 3/15/2003, 12.75% to 3/15/2008	2,030,000	913,500	Del Webb Corp., 10.25%, 2/15/2010 ...	300,000	316,500
Stone Container Corp., 9.75%, 2/1/2011	1,790,000	1,825,800	Dimac Corp., 12.5%, 10/1/2008*	1,540,000	15,400
Tenneco Automotive, Inc., 11.625%, 10/15/2009	690,000	351,900	Fortress Group, 13.75%, 5/15/2003	450,000	256,500
Terex Corp.:			Hovnanian Enterprises, Inc.:		
8.875%, 4/1/2008	2,980,000	2,860,800	9.125%, 5/1/2009	690,000	669,300
10.375%, 4/1/2011	450,000	463,500	9.75%, 6/1/2005	670,000	644,875
Terra Industries, Inc., 10.5%, 6/15/2005 .	340,000	277,100	Lennar Corp., 9.95%, 5/1/2010	1,870,000	2,010,250
Texas Petrochemicals, 11.125%, 7/1/2006	710,000	631,900	Nortek, Inc.:		
		<u>31,564,338</u>	9.125%, 9/1/2007	1,050,000	1,029,000
Technology 0.1%			9.875%, 6/15/2011	1,300,000	1,251,250
PSINet, Inc.:			Ryland Group, 9.75%, 9/1/2010	670,000	705,175
10%, 2/15/2005*	400,000	24,000	Schuler Homes, 10.5%, 7/15/2011	530,000	532,650
11%, 8/1/2009*	1,970,000	118,200	Standard Pacific Corp.:		
11.5%, 11/1/2008*	1,490,000	89,400	8%, 2/15/2008	330,000	314,325
		<u>231,600</u>	8.5%, 4/1/2009	510,000	497,250
Energy 3.6%			Toll Corp.:		
Chesapeake Energy Corp., 8.125%, 4/1/2011	1,820,000	1,701,700	7.75%, 9/15/2007	210,000	201,862
Continental Resources, Inc., 10.25%, 8/1/2008	1,470,000	1,278,900	8.125%, 2/1/2009	100,000	96,750
El Paso Energy Partners, LP, 8.5%, 6/1/2011	300,000	300,000	8.75%, 11/15/2006	500,000	500,000
Key Energy Services, Inc., 14%, 1/15/2009	643,000	745,076	WCI Communities, Inc., 10.625%, 2/15/2011	1,580,000	1,643,200
Nuevo Energy Co., 9.375%, 10/1/2010 .	310,000	311,550			<u>10,684,287</u>
Parker Drilling Co., 9.75%, 11/15/2006 .	1,500,000	1,530,000	Transportation 0.7%		
Pen Holdings, Inc., 9.875%, 6/15/2008 .	335,000	241,200	Petro Stopping Centers, 10.5%, 2/1/2007	2,520,000	1,953,000
Pride International, Inc., 10%, 6/1/2009 .	1,470,000	1,617,000	Utilities 1.3%		
R&B Falcon Corp., 9.5%, 12/15/2008 ...	370,000	429,213	Azurix Corp., 10.375%, 2/15/2007	770,000	777,700
			Calpine Corp.:		
			7.75%, 4/15/2009	1,470,000	1,366,571
			8.5%, 2/15/2011	1,440,000	1,383,005
					<u>3,527,276</u>
			Miscellaneous 2.6%		
			Hayes Lemmerz International, Inc., 11.875%, 6/15/2006	500,000	485,000
			PAHYRS Trust, 9.373%, 6/30/2008	7,000,000	6,614,020
					<u>7,099,020</u>
			Total Corporate Bonds (Cost \$322,399,480)		247,506,198

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

	Shares	Value (\$)
Convertible Preferred Stocks 0.0%		
Communications 0.0%		
Telephone/Communications		
World Access, Inc.* (Cost \$1,389,749) ..	933	46,645
Preferred Stocks 0.8%		
Communications 0.4%		
Cellular Telephone		
Dobson Communications Corp., PIK* ..	1,092	944,580
Media 0.4%		
Broadcasting & Entertainment		
Sinclair Broadcast Group, Inc.	13,000	1,235,000
Manufacturing 0.0%		
Containers & Paper		
SF Holdings Group, Inc.*	12	26,475
SF Holdings Group, Inc., PIK*	30	66,188
		92,663
Total Preferred Stocks (Cost \$2,749,551)		2,272,243

Common Stocks and Warrants 0.1%

Communications 0.0%		
Telephone/Communications		
AT&T Canada, Inc.*	1,885	56,795
Benedek Communications Corp., Warrants*	5,000	2,500
Comunicacion Cellular, SA, Warrants*	2,200	13,200
Econophone Inc., Warrants*	1,260	13
ICG Communications, Inc.*	4,851	437
KMC Telecom Holdings, Inc., Warrants*	1,950	20
Song Networks Holdings AB*	6,340	13,060
		86,025

Durables 0.0%

Aerospace

Decrane Holdings Co., Warrants*	1,350	14
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Financial 0.0%

Other Financial Companies

Ono Finance PLC, Warrants*	1,650	49,500
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Media 0.0%

Cable Television

UIH Australia Pacific, Inc., Warrants* ...	750	188
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Service Industries 0.0%

Miscellaneous Consumer Services

Spincycle, Inc., Warrants*	1,520	15
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Manufacturing 0.1%

Containers & Paper

Gaylord Container Corp.*	92,250	96,863
SF Holdings Group, Inc.*	517	2,585
		99,448

Energy 0.0%

Oil/Gas Transmission

Empire Gas Corp., Warrants*	2,070	2,070
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Metals & Minerals 0.0%

Steel & Metals 0.0%

Gulf States Steel, Warrants*	1,810	18
Republic Technologies International, Warrants*	2,820	28
		46

Construction 0.0%

Building Materials 0.0%

Waxman Industries, Inc., Warrants*	52,274	523
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Homebuilding 0.0%

Capital Pacific Holdings, Warrants*	3,634	363
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Total Common Stock and Warrants (Cost \$760,727) 238,192

Total Investment Portfolio — 100.0%
(Cost \$360,501,175) (a) 275,371,323

Notes to Scudder 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.

(a) The cost for federal income tax purposes was \$362,360,519. At June 30, 2001, net unrealized depreciation for all securities based on tax cost was \$86,989,196. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$4,358,946 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$91,348,142.

PIK denotes that interest or dividend is paid in kind.

Financial Statements

Statement of Assets and Liabilities as of June 30, 2001 (Unaudited)

Assets

Investments in securities, at value (cost \$360,501,175)	\$ 275,371,323
Cash	26,577
Receivable for investments sold	2,506,782
Interest receivable	6,833,957
Receivable for Portfolio shares sold	29,011
Total assets	284,767,650

Liabilities

Payable for investments purchased	634,209
Notes payable	1,100,000
Payable for Portfolio shares redeemed	34,022
Accrued management fee	157,416
Other accrued expenses and payables	117,048
Total liabilities	2,042,695

Net assets, at value \$ 282,724,955

Net Assets

Net assets consist of:	
Undistributed net investment income	15,272,926
Net unrealized appreciation (depreciation) on investments	(85,129,852)
Accumulated net realized gain (loss)	(50,272,284)
Paid-in capital	402,854,165

Net assets, at value \$ 282,724,955

Net Asset Value

Net Asset Value offering and redemption price per share (\$282,724,955 ÷ 34,584,070 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized) \$ 8.18

Statement of Operations for the six months ended June 30, 2001 (Unaudited)

Investment Income

Income:	
Dividends	\$ 224,964
Interest	16,783,182
Total Income	17,008,146
Expenses:	
Management fee	922,222
Custodian fees	8,260
Auditing	18,226
Legal	83,437
Trustees' fees and expenses	6,991
Reports to shareholders	14,836
Other	8,652
Total expenses, before expense reductions	1,062,624
Expense reductions	(98)
Total expenses, after expense reductions	1,062,526
Net investment income (loss)	15,945,620

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	(9,009,136)
Futures	(320,716)
	(9,329,852)
Net unrealized appreciation (depreciation) during the period on investments	3,773,560
Net gain (loss) on investment transactions	(5,556,292)

Net increase (decrease) in net assets resulting from operations \$ 10,389,328

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, 2001 (Unaudited)	Year Ended December 31, 2000
Operations:		
Net investment income (loss)	\$ 15,945,620	\$ 37,401,064
Net realized gain (loss) on investment transactions	(9,329,852)	(15,834,192)
Net unrealized appreciation (depreciation) on investment transactions during the period	3,773,560	(48,518,517)
Net increase (decrease) in net assets resulting from operations	10,389,328	(26,951,645)
Distributions to shareholders from:		
Net investment income	(37,937,710)	(43,395,484)
Portfolio share transactions:		
Proceeds from shares sold	73,685,159	95,392,371
Reinvestment of distributions	37,937,710	43,395,484
Cost of shares redeemed	(110,355,712)	(155,637,443)
Net increase (decrease) in net assets from Portfolio share transactions	1,267,157	(16,849,588)
Increase (decrease) in net assets	(26,281,225)	(87,196,717)
Net assets at beginning of period	309,006,180	396,202,897
Net assets at end of period (including undistributed net investment income of \$15,272,926 and \$37,265,016, respectively)	\$ 282,724,955	\$ 309,006,180
Other Information (a)		
Shares outstanding at beginning of period	33,728,812	34,578,344
Shares sold	8,535,414	10,031,398
Shares issued to shareholders in reinvestment of distributions	4,563,112	4,412,081
Shares redeemed	(12,243,268)	(15,293,011)
Net increase (decrease) in Portfolio shares	855,258	(849,532)
Shares outstanding at end of period	34,584,070	33,728,812

(a) On June 18, 2001, the Fund implemented a 1 for 10 reverse stock split. Share and per share information, for the periods prior to June 30, 2001, have been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).

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,	2001(b)(d)	2000(a)	1999(a)	1998(a)	1997(a)	1996(a)
Net asset value, beginning of period	\$ 9.16	11.46	12.27	12.96	12.81	12.59
<i>Income (loss) from investment operations:</i>						
Net investment income (loss)	.46(c)	1.14(c)	1.22(c)	1.06	1.16	1.20
Net realized and unrealized gain (loss) on investment transactions	(.16)	(2.04)	(.93)	(.85)	.19	.42
Total from investment operations	.30	(.90)	.29	.21	1.35	1.62
<i>Less distributions from:</i>						
Net investment income	(1.28)	(1.40)	(1.10)	(.90)	(1.20)	(1.40)
Total distributions	(1.28)	(1.40)	(1.10)	(.90)	(1.20)	(1.40)
Net asset value, end of period	\$ 8.18	9.16	11.46	12.27	12.96	12.81
Total Return (%)	3.00**	(8.68)	2.15	1.45	11.61	14.06
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period (\$ millions)	283	309	396	442	391	289
Ratio of expenses (%)	.69*	.68	.67	.65	.65	.65
Ratio of net investment income (loss) (%)	10.37*	11.23	10.40	9.36	9.20	9.70
Portfolio turnover rate (%)	80*	54	42	74	90	98

(a) On June 18, 2001, the Fund implemented a 1 for 10 reverse stock split. Share and per share information, for the periods prior to June 30, 2001, have been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).

(b) For the six months ended June 30, 2001 (Unaudited).

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

(d) As required, effective January 1, 2001, the Fund has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on debt securities. The effect of this change for the six months ended June 30, 2001 was to decrease net investment income per share by \$.01, increase net realized and unrealized gains and losses per share by \$.01 and decrease the ratio of net investment income to average net assets from 10.66% to 10.37%. Per share, ratios and supplemental data for periods prior to January 1, 2001 have not been restated to reflect this change in presentation.

* Annualized

** Not annualized

Scudder International Research Portfolio

Please note that on May 1, 2001, the portfolio changed its name and, to some extent, its investment process. We are pleased to announce the anticipated addition of more research analysts to the team. Regional analysts focusing on the Americas and sector analysts with specialties in natural resources and financials are expected to add value to Scudder's portfolio, dedicated to one of the firm's hallmark competencies: international research and analysis.

With a standard commitment to analysts' stocks of highest conviction, Scudder International Research Portfolio roughly matched its benchmark and proved more resilient than the average underlying international fund for the semiannual period ending June 30, 2001. Per our mandate, sector and country allocations are relatively neutral, so stock selection was key to our survival. Our health care equity picks were especially helpful in this regard; several among our top ten holdings responded well to positive pharmaceuticals announcements, ranging from expanded applications to insurance companies issuing new reimbursement policies. Buy decisions also proved fortuitous. We were completely out of Ericsson prior to that company's well-publicized plunge in the first quarter. Not all of our choices worked to our advantage, however. Select European software and telecommunications picks responded poorly to the ambivalent global economy. We remain optimistic about the region, albeit concerned about the potential economic ramifications of the foot-and-mouth epidemic and its toll on travel and tourism; we have adjusted our weightings in affected holdings accordingly. In Japan, stock selection continues to be hampered by a market plagued with economic and political distress.

Elizabeth J. Allan
Terrence Gray
Andreas Waldburg-Wolfegg
Co-Lead Portfolio Managers
Zurich Scudder Investments, Inc.

	Shares	Value (\$)		Shares	Value (\$)
Benesse Corp. (Provider of educational services)	33,000	1,034,433	Samsung Electronics Co., Ltd. (Manufacturer of electronic equipment)	7,370	1,088,074
Canon, Inc. (Producer of visual image and information equipment)	16,000	646,491			3,077,599
Chugai Pharmaceutical Co., Ltd. (Producer of pharmaceuticals)	62,000	942,911	Mexico 0.7%		
Daikin Industries, Ltd. (Manufacturer of air conditioning equipment)	54,000	1,000,040	Telefonos de Mexico SA de CV "L" (ADR) (Provider of telecommunication services)	28,000	982,520
Daiwa Securities Group, Inc. (Provider of financial services)	186,000	1,945,965	Netherlands 6.7%		
Fuji Soft ABC, Inc. (Developer of software)	12,400	728,681	ASML Holdings NV* (Developer, manufacturer and marketer of photolithography projection systems)	33,100	744,946
Japan Tobacco, Inc. (Manufacturer of tobacco products)	200	1,378,923	Aegon NV (Provider of insurance)	32,580	920,359
KYORIN Pharmaceutical Co., Ltd. (Manufacturer and distributor of prescription medicines)	23,000	872,169	Getronics NV (Provider of computer consulting and solution design services)	171,400	839,860
Matsushita Electric Industrial Co., Ltd. (Manufacturer of consumer electronic products)	54,000	845,056	Heineken NV (Producer of beverages)	41,625	1,684,417
Matsushita Electric Works, Ltd. (Manufacturer of building materials and lighting equipment)	85,000	982,643	ING Groep NV (Provider of insurance and financial services)	23,270	1,526,259
Mitsubishi Corp. (Operator of a general trading company)	186,000	1,498,617	Royal Dutch Petroleum Co. (Provider of petroleum products)	46,540	2,687,956
Mitsubishi Estate Co., Ltd. (Provider of real estate services)	78,000	717,249	Vedior NV (Provider of employment services)	136,520	1,241,066
Mizuho Holdings, Inc. (Provider of financial services)	318	1,478,655			9,644,863
Murata Manufacturing Co., Ltd. (Manufacturer of computers)	7,700	511,749	Russia 1.5%		
NEC Corp. (Manufacturer of telecommunication and computer equipment)	94,000	1,269,812	Gazprom (ADR) (Producer and distributor of natural gas)	128,800	1,416,800
NTT Data Corp. (Provider of networking system services)	140	763,218	Mobile Telesystems (ADR)* (Provider of cellular phone service)	26,600	728,840
NTT DoCoMo, Inc. (Provider of various telecommunication services and equipment)	70	1,217,782			2,145,640
Nissan Motor Co., Ltd.* (Manufacturer of motor vehicles)	171,000	1,180,350	Spain 1.8%		
Shin-Etsu Chemical Co., Ltd. (Producer and distributor of synthetic resins and chemicals)	47,000	1,725,739	Banco Bilbao Vizcaya Argentaria SA (Provider of commercial banking services)	204,011	2,648,449
Sony Corp. (Manufacturer of consumer and industrial electronic equipment)	24,400	1,604,041	Sweden 0.7%		
Sumitomo Electric Industries Ltd. (Manufacturer of electric wires and cables)	62,000	702,834	Nordea AB (Provider of financial services)	171,400	978,797
Tokyo Gas Co., Ltd. (Producer and supplier of gas)	380,000	1,154,608	Switzerland 5.0%		
Toyota Motor Corp.* (Manufacturer of diversified automotive products)	54,800	1,928,665	Ciba Specialty Chemicals AG (Registered) (Manufacturer of chemical products)	22,728	1,325,811
Yamada Denki Co., Ltd. (Retailer and repairer of consumer electronic equipment)	28,000	2,289,654	Nestle SA (Registered) (Producer of food products)	10,940	2,327,271
		29,015,547	Schweizerische Ruckversicherungs-Gesellschaft AG* (Registered) (Provider of life insurance services)	349	698,117
			Serono SA "B" (Developer and marketer of biotechnology products)	1,600	1,588,684
			Syngenta AG (Producer of chemicals)	24,551	1,292,014
					7,231,897
Korea 2.1%			Taiwan 3.7%		
Hyundai Motor Co., Ltd. (Manufacturer of automobiles)	38,190	831,047	Acer Display Technology, Inc.* (Manufacturer and marketer of TFT-LCDs and PDPs)	1,016,000	961,998
Korea Telecom Corp. (ADR) (Provider of telecommunication services)	52,706	1,158,478	Asustek Computer, Inc. (Manufacturer of computer motherboards)	398,750	1,685,104
			Bank Sinopac (Provider of commercial banking services)	1,660,000	766,599

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

	Shares	Value (\$)		Shares	Value (\$)
Compeq Manufacturing Co., Ltd. (Manufacturer of multi-layer and double-sided printed circuit boards)	77,000	152,077	J Sainsbury PLC (Distributor of food through supermarkets)	289,338	1,812,800
Taiwan Semiconductor Manufacturing Co., Ltd.* (Manufacturer of integrated circuits)	964,600	1,793,041	National Grid Group PLC (Owner and operator of electric transmission systems)	149,711	1,108,870
		<u>5,358,819</u>	Railtrack Group PLC (Operator of railway infrastructure)	82,225	388,191
United Kingdom 17.5%			Reed International PLC (Publisher of scientific, professional and business- to-business materials)	232,712	2,072,311
ARM Holdings PLC* (Designer of electronic components)	114,029	432,768	Reuters Group PLC (Provider of international news and information)	73,692	961,430
BP PLC (Provider of oil internationally)	349,728	2,889,419	Scottish & Southern Energy PLC (Producer and distributor of electrical energy)	147,384	1,395,792
Barclays PLC (Provider of financial services)	91,409	2,816,703	Vodafone Group PLC (Provider of mobile telecommunication services)	2,001,371	4,455,576
British Telecommunications PLC (Provider of telecommunication services)	101,323	640,193			<u>25,232,095</u>
Compass Group PLC* (Operator of catering services company)	242,021	1,946,529	Total Common Stocks (Cost \$139,068,224)		135,993,995
GlaxoSmithKline PLC (Manufacturer of prescription and over-the-counter medicines)	152,512	4,311,513	Total Investment Portfolio — 100.0% (Cost \$147,123,342) (a)		144,049,113

At June 30, 2001, the Scudder International Research Portfolio had the following industry diversification:

Industry	Value	Percent
Financial	\$ 27,803,130	19.3%
Technology	15,429,843	10.7
Manufacturing	15,111,596	10.5
Communications	14,317,577	9.9
Consumer Staples	12,421,444	8.6
Service Industries	12,419,471	8.6
Energy	10,291,622	7.2
Health	8,635,636	6.0
Durables	5,630,991	3.9
Utilities	5,291,307	3.7
Transportation	3,729,235	2.6
Consumer Discretionary	3,044,559	2.1
Construction	1,335,180	0.9
Metals and Minerals	532,404	0.4
Total Common Stocks	135,993,995	94.4
Money Market Instruments	8,055,118	5.6
Total Investment Portfolio	\$144,049,113	100.0%

Notes to Scudder International Research 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 \$147,147,520. At June 30, 2001, net unrealized depreciation for all securities based on tax cost was \$3,098,407. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$7,277,414 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$10,375,821.

Financial Statements

Statement of Assets and Liabilities as of June 30, 2001 (Unaudited)

Assets

Investments in securities, at value (cost \$147,123,342)	\$ 144,049,113
Foreign currency, at value (cost \$2,163,263)	2,163,065
Receivable for investments sold	1,463,784
Dividends receivable	254,960
Receivable for Portfolio shares sold	4,996
Foreign taxes recoverable	271,840
Total assets	148,207,758

Liabilities

Due to custodian bank	820,831
Payable for investments purchased	2,473,100
Payable for Portfolio shares redeemed	1,232,617
Accrued management fee	93,133
Other accrued expenses and payables	158,528
Total liabilities	4,778,209

Net assets, at value	\$ 143,429,549
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Net Assets

Net assets consist of:	
Undistributed net investment income	630,377
Net unrealized appreciation (depreciation) on:	
Investments	(3,074,229)
Foreign currency related transactions	(27,949)
Accumulated net realized gain (loss)	(17,564,375)
Paid-in capital	163,465,725
Net assets, at value	\$ 143,429,549

Net Asset Value

Net Asset Value and redemption price per share (\$143,429,549 ÷ 14,123,862 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 10.16
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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, 2001 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$209,945)	\$ 1,230,945
Interest	177,003
Total Income	<u>1,407,948</u>
Expenses:	
Management fee	602,550
Custodian fees	74,375
Auditing	10,612
Legal	3,603
Trustees' fees and expenses	2,199
Reports to shareholders	31,620
Other	9,457
Total expenses	<u>734,416</u>
Net investment income (loss)	673,532

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	(17,958,343)
Foreign currency related transactions	(58,448)
	<u>(18,016,791)</u>
Net unrealized appreciation (depreciation) during the period on:	
Investments	(10,721,550)
Foreign currency related transactions	(23,478)
	<u>(10,745,028)</u>
Net gain (loss) on investment transactions	(28,761,819)
Net increase (decrease) in net assets resulting from operations	\$ (28,088,287)

Statements of Changes in Net Assets

	Six Months Ended June 30, 2001 (Unaudited)	Year Ended December 31, 2000
Increase (Decrease) in Net Assets		
Operations:		
Net investment income (loss)	\$ 673,532	\$ 993,084
Net realized gain (loss) on investment transactions	(18,016,791)	24,874,551
Net unrealized appreciation (depreciation) on investment transactions during the period	(10,745,028)	(69,693,561)
Net increase (decrease) in net assets resulting from operations	(28,088,287)	(43,825,926)
Distributions to shareholders from:		
Net investment income	(1,173,442)	—
Net realized gains	(23,234,143)	(32,378,429)
Portfolio share transactions:		
Proceeds from shares sold	247,704,008	469,913,549
Reinvestment of distributions	24,407,585	32,378,429
Cost of shares redeemed	(255,475,356)	(498,429,555)
Net increase (decrease) in net assets from Portfolio share transactions	16,636,237	3,862,423
Increase (decrease) in net assets	(35,859,635)	(72,341,932)
Net assets at beginning of period	179,289,184	251,631,116
Net assets at end of period (including undistributed net investment income of \$630,377 and \$1,130,287, respectively)	\$ 143,429,549	\$ 179,289,184
Other Information (a)		
Shares outstanding at beginning of period	12,174,799	11,731,381
Shares sold	20,794,727	28,632,007
Shares issued to shareholders in reinvestment of distributions	2,398,827	1,768,753
Shares redeemed	(21,244,491)	(29,957,342)
Net increase (decrease) in Portfolio shares	1,949,063	443,418
Shares outstanding at end of period	14,123,862	12,174,799

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,	2001(c)	2000(a)	1999(a)	1998(a)	1997(a)	1996(a)
Net asset value, beginning of period	\$ 14.73	21.45	17.00	16.15	15.64	13.71
<i>Income (loss) from investment operations:</i>						
Net investment income (loss)	.05(b)	.08(b)	.07(b)	.17	.11	.11
Net realized and unrealized gain (loss) on investment transactions	(2.54)	(3.90)	6.73	1.48	1.30	2.12
Total from investment operations	(2.49)	(3.82)	6.80	1.65	1.41	2.23
<i>Less distributions from:</i>						
Net investment income	(.10)	—	(.20)	(.20)	(.20)	(.20)
Net realized gains on investment transactions	(1.98)	(2.90)	(2.15)	(.60)	(.70)	(.10)
Total distributions	(2.08)	(2.90)	(2.35)	(.80)	(.90)	(.30)
Net asset value, end of period	\$ 10.16	14.73	21.45	17.00	16.15	15.64
Total Return (%)	(16.90)**	(20.49)	45.71	10.02	9.46	16.49
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period (\$ millions)	143	179	252	213	200	163
Ratio of expenses (%)	.91*	.84	.94	.93	.91	.96
Ratio of net investment income (loss) (%)	.84*	.47	.40	.96	.71	.89
Portfolio turnover rate (%)	189*	87	136	90	79	87

(a) On June 18, 2001, the Fund implemented a 1 for 10 reverse stock split. Share and per share information, for the periods prior to June 30, 2001, have been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).

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

(c) For the six months ended June 30, 2001 (Unaudited).

* Annualized ** Not annualized

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

Scudder Investment Grade Bond Portfolio

The second quarter brought an acceleration of the economic slowdown and aggressive interest rate cuts by the U.S. Federal Reserve. This led to relatively strong performance from the one- and two-year Treasury notes, while yields on longer-term issues rose as investors began to anticipate an improving economic backdrop in the months ahead. Corporate bonds generally performed well.

The portfolio is overweight in corporates, market-weight in mortgage-backed and asset-backed securities — both of which provide attractive income — and underweight in Treasuries. Within the corporate area, we are raising the portfolio's weighting in cyclical industries (such as autos and paper) and broadening its sector exposure. We have also been moving down the quality spectrum over the course of the year. We will look to add to the portfolio's position in corporates as opportunity permits, based on our belief that values are compelling on a historical basis. Duration (interest rate sensitivity) currently stands at roughly 4.2 years, which is short in relation to the benchmark and neutral relative to the portfolio's peer group. In anticipation of a flatter yield curve (where the difference in yield between 2-year notes and 30-year bonds shrinks), we are adopting a “barbell” strategy, where we are overweight in both shorter- and longer-term bonds and underweight in intermediate-term issues. Looking ahead, we intend to remain focused on the corporate area, where the fact that yield spreads are high by historical standards means that the sector may perform better in an environment of stable or rising short-term interest rates.

Robert S. Cessine
Lead Portfolio Manager
Zurich Scudder Investments, Inc.

Scudder Investment Grade Bond Portfolio

	Principal Amount (\$)	Value (\$)		Principal Amount (\$)	Value (\$)
Repurchase Agreements 0.2%					
State Street Bank and Trust Company, 3.93%, to be repurchased at \$166,054 on 7/2/2001* (Cost \$166,000)	166,000	166,000			
Short-Term Investments 14.4%					
Federal Home Loan Bank, 3.5%**, 7/2/2001 (Cost \$14,134,453)	14,136,000	14,134,453			
U.S. Government & Agency Obligations 31.9%					
Federal National Mortgage Association:					
6.5%, 7/1/2030	3,904,629	3,845,240			
7% with various maturities to 2/1/2031	1,452,106	1,467,682			
7.5% with various maturities to 10/1/2030	1,653,305	1,692,169			
8%, 9/1/2015	514,746	534,105			
Government National Mortgage Association Pass-through					
6.5% with various maturities to 4/15/2029	1,016,420	1,007,038			
7% with various maturities to 12/15/2028	2,190,020	2,212,533			
7.5%, 12/20/2030	1,200,444	1,226,626			
8% with various maturities to 8/15/2030	748,231	775,377			
U.S. Treasury Bonds:					
4.75%, 1/31/2003	1,550,000	1,563,082			
5%, 2/15/2011	605,000	586,941			
5.625%, 11/30/2002	550,000	561,517			
U.S. Treasury Notes:					
4.625%, 2/28/2003	1,000,000	1,006,410			
4.625%, 5/15/2006	825,000	813,656			
5.75%, 11/15/2005	7,555,000	7,737,907			
6.625%, 5/31/2002	5,000,000	5,122,050			
6.75%, 5/15/2005	1,000,000	1,064,680			
Total U.S. Government & Agency Obligations (Cost \$30,854,645)		31,217,013			
Foreign Bonds — U.S.\$ Denominated 6.8%					
Apache Finance Canada, 7.75%, 12/15/2029	900,000	948,420			
British Sky Broadcasting, 6.875%, 2/23/2009	450,000	411,966			
Gulf Canada Resources Ltd., 7.125%, 1/15/2011	900,000	926,658			
Petroleum Geo-Services, 7.5%, 3/31/2007	1,000,000	982,240			
Province of Ontario, 5.5%, 10/1/2008 ..	900,000	874,053			
Province of Quebec, 5.5%, 4/11/2006 ..	900,000	886,401			
Stora Enso Oyj, 7.375%, 5/15/2011	725,000	732,816			
TELUS Corp., 7.5%, 6/1/2007	875,000	885,596			
Total Foreign Bonds — U.S.\$ Denominated (Cost \$6,614,452)		6,648,150			
Asset Backed 2.5%					
Automobile Receivables 1.1%					
Capital Auto Receivables Asset Trust, Series 2000-2 A3, 6.46%, 1/15/2004	325,000	331,825			
Daimler Chrysler Auto Trust:					
Series 2000-C A3, 6.82%, 9/6/2004	425,000	437,978			
Series 2000-D A3, 6.66%, 1/8/2005	350,000	360,518			
					1,130,321
Credit Card Receivables 1.4%					
Citibank Credit Card Issuance Trust, Series 2000-A1, 6.9%, 10/17/2007 ...	375,000	390,996			
MBNA Master Credit Card Trust, Series 2000-I A, 6.9%, 1/15/2008	900,000	939,984			
					1,330,980
Total Asset Backed (Cost \$2,374,324)		2,461,301			
Corporate Bonds 44.2%					
Consumer Discretionary 1.8%					
Park Place Entertainment, Inc., 8.5%, 11/15/2006	200,000	210,394			
Tricon Global Restaurants, 7.65%, 5/15/2008	450,000	439,875			
Wal-Mart Stores, 6.875%, 8/10/2009 ...	1,100,000	1,139,622			
					1,789,891
Consumer Staples 2.9%					
Delhaize America, Inc., 8.125%, 4/15/2011	775,000	805,473			
Pepsi Bottling Group, Inc., 7%, 3/1/2029	400,000	399,076			
Pepsi Bottling Holdings, Inc., 5.625%, 2/17/2009	500,000	479,825			
Unilever Capital Corp., 7.125%, 11/1/2010	1,075,000	1,113,765			
					2,798,139
Communications 5.3%					
Citizens Communications, 8.5%, 5/15/2006	950,000	968,905			
McLeodUSA, Inc.:					
8.125%, 2/15/2009	250,000	132,500			
11.375%, 1/1/2009	500,000	315,000			
Nextel Communications, Inc.:					
9.375%, 11/15/2009	450,000	356,625			
9.5%, 2/1/2011	375,000	293,906			
Qwest Communications International, 7.5%, 11/1/2008	1,150,000	1,166,008			

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

	Principal Amount (\$)	Value (\$)		Principal Amount (\$)	Value (\$)
Sprint Capital Corp., 7.625%, 1/30/2011	925,000	914,196	Northrop Grumman Corp., 7.125%, 2/15/2011	875,000	865,734
WorldCom, Inc., 8.25%, 5/15/2031	1,000,000	977,060			1,964,895
		5,124,200	Manufacturing 1.9%		
Financial 10.5%			Dow Chemical, 7%, 8/15/2005	900,000	940,302
Capital One Bank, 6.875%, 2/1/2006 ...	625,000	611,475	International Paper Co., 8.125%, 7/8/2005	825,000	875,886
Citigroup, Inc., 7.25%, 10/1/2010	1,100,000	1,141,855			1,816,188
ERAC USA Finance Co., 7.35%, 6/15/2008	950,000	949,439	Energy 5.6%		
Federal National Mortgage Association: 5.25%, 6/15/2006	650,000	640,653	Anadarko Finance Co., 7.5%, 5/1/2031	900,000	914,931
7%, 7/15/2005	675,000	713,178	Barrett Resources Corp., 7.55%, 2/1/2007	600,000	615,242
Felcor Lodging LP (REIT), 8.5%, 6/1/2011	475,000	453,625	Occidental Petroleum Corp., 8.45%, 2/15/2029	875,000	970,322
Firststar Bank NA, 7.125%, 12/1/2009 ...	300,000	309,057	Phillips Petroleum Co., 8.75%, 5/25/2010	650,000	742,183
FleetBoston Financial Corp., Series 2000-C, 7.25%, 9/15/2005	625,000	654,575	Pioneer Natural Resources, 9.625%, 4/1/2010	400,000	446,000
Ford Motor Credit Co., 7.875%, 6/15/2010	900,000	943,794	Progress Energy, Inc., 6.75%, 3/1/2006	650,000	661,693
General Electric Capital Corp., 6.5%, 12/10/2007	750,000	772,297	Texas Eastern Transmission Corp., 7.3%, 12/1/2010	1,100,000	1,129,546
General Motors Acceptance Corp., 7.25%, 3/2/2011	375,000	380,790			5,479,917
PNC Funding Corp., 7%, 9/1/2004	650,000	672,412	Construction 0.9%		
Prudential Insurance Co., 6.375%, 7/23/2006	1,000,000	1,001,240	Georgia Pacific Corp., 8.125%, 5/15/2011	900,000	901,521
Wells Fargo & Co., 7.55%, 6/21/2010 ..	1,000,000	1,059,050			
		10,303,440	Utilities 8.0%		
Media 5.3%			Alabama Power Co., 7.125%, 8/15/2004	1,000,000	1,039,430
CSC Holdings, Inc., 7.875%, 12/15/2007	750,000	752,587	Cleveland Electric Illumination Co., 7.67%, 7/1/2004	1,050,000	1,086,204
Charter Communications Holdings LLC, 13.5%, 1/15/2011	275,000	171,875	DTE Energy Co., 6.45%, 6/1/2006	500,000	503,185
Comcast Cable Communications, 7.125%, 6/15/2013	900,000	891,378	Detroit Edison Co., 7.5%, 2/1/2005	650,000	677,547
Cox Communications, Inc., 7.75%, 11/1/2010	725,000	759,423	Exelon Corp., 6.75%, 5/1/2011	925,000	905,825
Liberty Media Group, 7.875%, 7/15/2009	900,000	860,238	Exelon Generation Co., LLC, 6.95%, 6/15/2011	75,000	74,495
News America Holdings, Inc., 9.25%, 2/1/2013	225,000	253,240	KeySpan Corp.: 6.15%, 6/1/2006	275,000	275,261
News America, Inc., 7.25%, 5/18/2018	225,000	206,926	7.625%, 11/15/2010	1,075,000	1,137,146
Time Warner, Inc., 9.125%, 1/15/2013 ..	1,150,000	1,316,600	NiSource Finance Corp., 7.875%, 11/15/2010	1,125,000	1,184,164
		5,212,267	TXU Corp., 6.375%, 6/15/2006	975,000	966,839
Durables 2.0%					7,850,096
Lockheed Martin Corp., 7.7%, 6/15/2008	1,050,000	1,099,161	Total Corporate Bonds (Cost \$43,216,379)		43,240,554
			Total Investment Portfolio — 100.0% (Cost \$97,360,253) (a)		97,867,471

Notes to Scudder Investment Grade Bond Portfolio of Investments

* 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 \$97,471,907. At June 30, 2001, net unrealized appreciation for all securities based on tax cost was \$395,564. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$1,346,334 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$950,770.

The investments in mortgage-backed securities of the Government National Mortgage Association and Federal National Mortgage Association are interests in separate pools of mortgages. All separate investments 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 may 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, 2001 (Unaudited)

Assets

Investments in securities, at value (cost \$97,360,253)	\$ 97,867,471
Cash	836
Interest receivable	1,144,898
Receivable for Portfolio shares sold	450,353
Total assets	99,463,558

Liabilities

Accrued management fee	49,660
Other accrued expenses and payables	24,320
Total liabilities	73,980

Net assets, at value	\$ 99,389,578
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Net Assets

Net assets consist of:	
Undistributed net investment income	1,938,833
Net unrealized appreciation (depreciation) on investments	507,218
Accumulated net realized gain (loss)	(2,979,976)
Paid-in capital	99,923,503

Net assets, at value	\$ 99,389,578
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Net Asset Value

Net Asset Value and redemption price per share (\$99,389,578 ÷ 8,908,937 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 11.16
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Statement of Operations for the six months ended June 30, 2001 (Unaudited)

Investment Income

Income:	
Interest	\$ 2,861,703
Expenses:	
Management fee	263,999
Custodian fees	7,408
Auditing	4,787
Legal	1,395
Trustees' fees and expenses	814
Reports to shareholders	3,409
Other	1,692
Total expenses, before expense reductions	283,504
Expense reductions	(1,247)
Total expenses, after expense reductions	282,257
Net investment income (loss)	2,579,446

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from investments	892,103
Net unrealized appreciation (depreciation) during the period on investments	(1,370,408)
Net gain (loss) on investment transactions	(478,305)

Net increase (decrease) in net assets resulting from operations	\$ 2,101,141
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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, 2001 (Unaudited)	Year Ended December 31, 2000
Operations:		
Net investment income (loss)	\$ 2,579,446	\$ 4,499,099
Net realized gain (loss) on investment transactions	892,103	(1,826,804)
Net unrealized appreciation (depreciation) on investment transactions during the period	(1,370,408)	4,069,145
Net increase (decrease) in net assets resulting from operations	2,101,141	6,741,440
Distributions to shareholders from:		
Net investment income	(4,623,273)	(3,737,486)
Portfolio share transactions:		
Proceeds from shares sold	29,542,820	14,249,355
Reinvestment of distributions	4,623,273	3,737,486
Cost of shares redeemed	(9,794,300)	(14,428,513)
Net increase (decrease) in net assets from Portfolio share transactions	24,371,793	3,558,328
Increase (decrease) in net assets	21,849,661	6,562,282
Net assets at beginning of period	77,539,917	70,977,635
Net assets at end of period (including undistributed net investment income of \$1,938,833 and \$3,982,660, respectively)	\$ 99,389,578	\$ 77,539,917
Other Information (a)		
Shares outstanding at beginning of period	6,770,947	6,447,508
Shares sold	2,591,128	1,291,758
Shares issued to shareholders in reinvestment of distributions	414,684	352,836
Shares redeemed	(867,822)	(1,321,155)
Net increase (decrease) in Portfolio shares	2,137,990	323,439
Shares outstanding at end of period	8,908,937	6,770,947

(a) On June 18, 2001, the Fund implemented a 1 for 10 reverse stock split. Share and per share information, for the periods prior to June 30, 2001, have been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).

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

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,	2001(d)(e)	2000(a)	1999(a)	1998(a)	1997(a)	1996(a)(b)
Net asset value, beginning of period	\$ 11.45	11.00	11.65	11.18	10.36	10.00
<i>Income (loss) from investment operations:</i>						
Net investment income (loss)	.33(c)	.69(c)	.60(c)	.32	.66	.31
Net realized and unrealized gain (loss) on investment transactions	(.02)	.36	(.85)	.55	.26	.05
Total from investment operations	.31	1.05	(.25)	.87	.92	.36
<i>Less distributions from:</i>						
Net investment income	(.60)	(.60)	(.30)	(.30)	(.10)	—
Net realized gains on investment transactions	—	—	(.10)	(.10)	—	—
Total distributions	(.60)	(.60)	(.40)	(.40)	(.10)	—
Net asset value, end of period	\$ 11.16	11.45	11.00	11.65	11.18	10.36
Total Return (%)	2.68**	9.90	(2.06)	7.93	9.04	3.57**
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period (\$ millions)	99	78	71	52	16	2
Ratio of expenses before expense reductions (%)	.64*	.68	.65	.67	.80	.87*
Ratio of expenses after expense reductions (%)	.64*	.67	.65	.67	.80	.87*
Ratio of net investment income (loss) (%)	5.86*	6.36	5.42	5.50	6.23	4.93*
Portfolio turnover rate (%)	168*	311	131	130	311	75*

(a) On June 18, 2001, the Fund implemented a 1 for 10 reverse stock split. Share and per share information, for the periods prior to June 30, 2001, have been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).

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

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

(d) For the six months ended June 30, 2001 (Unaudited).

(e) As required, effective January 1, 2001, the Fund has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on debt securities. The effect of this change for the six months ended June 30, 2001 was to decrease net investment income per share by \$.01, increase net realized and unrealized gains and losses per share by \$.01 and decrease the ratio of net investment income to average net assets from 5.98% to 5.86%. Per share, ratios and supplemental data for periods prior to January 1, 2001 have not been restated to reflect this change in presentation.

* Annualized

** Not annualized

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

Scudder Money Market Portfolio

Most economic releases in early 2001 confirmed fourth quarter 2000 reports that U.S. economic growth is slowing. These releases prompted the Federal Reserve Board to lower the Federal Funds Rate six times from January to June of this year. The magnitude of these actions by the Fed was unprecedented, and arose from concern that the pace of the U.S. economic slowdown could lead to a recession. Warning signs included slumping corporate profits, capital expenditure reductions, higher unemployment, and sliding retail sales. The Fed's dramatic actions combined to substantially reduce the yields for money market securities. As of June 30 2001, three-month Treasury bills yielded 3.66%, more than two percentage points less than 30-year Treasury bonds.

In managing the portfolio, we focus on maintaining its average maturity within a target range (currently 35 to 50 days) and in selecting securities that will benefit the portfolio given current interest rate trends. As a result, we generally do not make large asset allocation shifts within the portfolio. We attempt to maintain exposure to a broad selection of securities, including high quality commercial paper, variable- and floating-rate securities, U.S. government agency obligations, certificates of deposit, and repurchase agreements. The majority of the portfolio remained invested in asset-backed commercial paper over the period because of its attractive value and high relative yields. In addition, in the current economic environment, credit quality remains paramount due to concerns that U.S. companies are not delivering sufficient earnings at present.

Frank J. Rachwalski, Jr.
Lead Portfolio Manager
Zurich Scudder Investments, Inc.

An investment in the Scudder 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.

Scudder Money Market Portfolio

	Principal Amount (\$)	Value (\$)		Principal Amount (\$)	Value (\$)
Repurchase Agreements 10.2%					
Merrill Lynch, 4.1%, to be repurchased at \$45,645,590 on 7/2/2001** (Cost \$45,630,000)	45,630,000	45,630,000	Galaxy Funding, 4.68%*, 9/13/2001	10,000,000	9,903,800
			Goldman Sachs & Co., 4.125%, 12/20/2001	10,000,000	10,000,000
			Greenwich Funding Corp., 4.22%*, 7/26/2001	10,000,000	9,970,694
			Greyhawk Funding LLC, 4.15%*, 9/14/2001	10,000,000	9,913,437
			Hatteras Funding, 3.76%*, 8/24/2001	10,000,000	9,943,600
			Heller Financial, Inc., 4.96%*, 7/17/2001	7,000,000	6,999,847
			Household Finance Corp., 4.77%*, 7/20/2001	4,500,000	4,499,797
			Jupiter Securitization Corp., 4.7%*, 7/12/2001	10,000,000	9,985,639
			K2 (USA) LLC, 3.68%*, 2/12/2002	10,000,000	9,768,978
			Monte Rosa Capital Corp., 3.78%*, 8/2/2001	10,000,000	9,966,400
			Moriarty LLC, 5.37%*, 7/19/2001	10,000,000	9,973,150
			NATC California LLC, 4.18%–4.22%*, 7/24/2001	20,000,000	19,946,333
			Pennine Funding LLC, 5%*, 8/3/2001	10,000,000	9,954,167
			Philip Morris Companies Inc., 4.24%, 12/4/2001	8,700,000	8,707,155
			Preferred Receivable Funding, 3.97%*, 7/23/2001	10,000,000	9,975,739
			Quincy Capital Corp., 3.8%*, 8/17/2001	10,000,000	9,950,389
			Scaldis Capital LLC, 3.76%*, 9/14/2001	10,197,000	10,117,123
			Sheffield Receivables Corp., 3.72%*, 8/27/2001	10,000,000	9,941,100
			Sigma Finance, 4.88%*, 7/9/2001	10,000,000	9,989,155
			Stellar Funding Group, 4.26%*, 7/25/2001	5,797,000	5,780,536
			Surrey Funding Corp., 3.7%*, 9/26/2001	10,000,000	9,910,583
			Sweetwater Capital Corp., 3.8%*, 8/13/2001	10,000,000	9,954,611
			Verizon Network Funding Corp., 3.76%–3.92%*, 7/30/2001–8/14/2001	10,000,000	9,961,233
			WCP Funding, Inc., 3.7%*, 9/12/2001	10,000,000	9,924,972
			Total Commercial Paper (Cost \$387,325,110)		387,325,110
			Total Investment Portfolio — 100.0% (Cost \$447,954,495) (a)		447,954,495

Notes to Scudder Money Market Portfolio of Investments

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

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

(a) The cost for federal income tax purposes was \$447,954,495.

Financial Statements

Statement of Assets and Liabilities as of June 30, 2001 (Unaudited)

Assets

Investments in securities, at value (cost \$447,954,495)	\$ 447,954,495
Cash	609
Interest receivable	279,584
Receivable for Portfolio shares sold	8,592,076
Total assets	456,826,764

Liabilities

Dividends payable	701,311
Payable for Portfolio shares redeemed	323,272
Accrued management fee	179,601
Other accrued expenses and payables	72,371
Total liabilities	1,276,555

Net assets, at value \$ 455,550,209

Net Assets

Net assets consist of:	
Accumulated net realized gain (loss)	6,801
Paid-in capital	455,543,408

Net assets, at value \$ 455,550,209

Net Asset Value

Net Asset Value and redemption price per share (\$455,550,209 ÷ 455,540,031 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized) \$ 1.000

Statement of Operations for the six months ended June 30, 2001 (Unaudited)

Investment Income

Income:	
Dividends	\$ 1,581,072
Interest	7,754,806
	<u>9,335,878</u>
Expenses:	
Management fee	893,265
Custodian fees	3,821
Auditing	16,739
Legal	4,001
Trustees' fees and expenses	7,967
Reports to shareholders	18,434
Registration fees	12,038
Other	2,773
Total expenses, before expense reductions	959,038
Expense reductions	(982)
Total expenses, after expense reductions	958,056
Net investment income	8,377,822

Realized gain (loss) on investment transactions 6,801

Net increase (decrease) in net assets resulting from operations \$ 8,384,623

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

Statements of Changes in Net Assets

	Six Months Ended June 30, 2001 (Unaudited)	Year Ended December 31, 2000
Increase (Decrease) in Net Assets		
Operations:		
Net investment income	\$ 8,372,383	\$ 14,182,564
Net realized gain (loss) on investment transactions	6,801	—
Net increase (decrease) in net assets resulting from operations	8,379,184	14,182,564
Distributions to shareholders from:		
Net investment income	(8,372,383)	(14,182,564)
Portfolio share transactions:		
Proceeds from shares sold	1,754,015,796	1,379,647,587
Reinvestment of distributions	8,372,383	14,051,715
Cost of shares redeemed	(1,585,670,981)	(1,345,972,420)
Net increase (decrease) in net assets from Portfolio share transactions	176,717,198	47,726,882
Increase (decrease) in net assets	176,723,999	47,726,882
Net assets at beginning of period	278,826,210	231,099,328
Net assets at end of period	\$ 455,550,209	\$ 278,826,210
Other Information		
Shares outstanding at beginning of period	278,826,210	231,099,328
Shares sold	1,754,011,722	1,379,647,587
Shares issued to shareholders in reinvestment of distributions	8,372,383	14,051,715
Shares redeemed	(1,585,670,284)	(1,345,972,420)
Net increase (decrease) in Portfolio shares	176,713,821	47,726,882
Shares outstanding at end of period	455,540,031	278,826,210

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,	2001(a)	2000	1999	1998	1997	1996
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	.024	.059	.050	.050	.050	.050
Total from investment operations	.024	.059	.050	.050	.050	.050
<i>Less distributions from:</i>						
Net investment income	(.024)	(.059)	(.050)	(.050)	(.050)	(.050)
Total distributions	(.024)	(.059)	(.050)	(.050)	(.050)	(.050)
Net asset value, end of period	\$ 1.000	1.000	1.000	1.000	1.000	1.000
Total Return (%)	2.40**	6.10	4.84	5.15	5.25	5.03
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period (\$ millions)	456	279	231	152	100	71
Ratio of expenses (%)	.54*	.58	.54	.54	.55	.60
Ratio of net investment income (loss) (%)	4.71*	5.94	4.77	5.02	5.14	4.90

(a) For the six months ended June 30, 2001 (Unaudited).

* Annualized

** Not annualized

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

Scudder New Europe Portfolio

Europe's delayed reaction to the U.S. initial downturn of last year finally hit during the semiannual period, resulting in a spate of high-profile earnings disappointments. European markets rebounded during April and May, but withered as it became clear that prospects were waning for a rapid recovery in the global economy. The protracted tug of war between depressed profits coupled with poor earnings visibility, as well as lower interest rates, continued throughout the quarter. Indeed, rate cuts by the U.S. Fed, the Bank of England, and the European Central Bank (ECB) did little to foster sustained investor enthusiasm. Scudder New Europe Portfolio struggled, but it did not slip as far as its benchmark, the MSCI Europe Index. And while our country and sector decisions made a modest impact, our stock picks in general offset losses the most, particularly in health care. Our financials also helped. Not all our choices worked to our advantage, however. Our media position, which we have trimmed, worked early on in the year, but as businesses have recently cut back on advertising spending, the sector has performed poorly, and so have our media picks. Meanwhile, the most notable shift in portfolio structure during the period our overweight in energy appears defensive in nature, but is more a reflection of where we see exciting opportunities. Looking ahead, given rising unemployment, declining consumer confidence and persistent inflationary pressure, the ECB may lower interest rates to stimulate economic growth in the region. This could revive the positive trends created by tax and pension reform as well as continued restructuring activity.

Carol L. Franklin
Lead Portfolio Manager
Zurich Scudder Investments, Inc.

	Shares	Value (\$)		Shares	Value (\$)
Gruppo Coin SpA* (Operator of department stores)	5,740	69,834	BOC Group PLC* (Producer of chemical products)	9,123	134,112
Mediobanca SpA (Provider of loans and credit to manufacturing and service firms)	9,100	97,570	BP Amoco PLC (Provider of oil internationally)	50,697	418,854
Riunione Adriatica di Sicurtà SpA (Provider of insurance services)	8,920	110,039	Barclays PLC (Provider of financial services)	11,112	342,408
Saipem SpA (Explorer of petroleum products)	42,000	230,870	British Telecommunications PLC (Provider of telecommunication services)	15,097	95,388
		<u>1,065,719</u>	Cable and Wireless PLC (Provider of telecommunication services)	105	621
Netherlands 6.6%			Compass Group PLC* (Operator of catering services company)	36,251	291,560
Heineken Holding NV "A" (Producer and distributor of beverages)	5,452	166,753	Cordiant Communications Group PLC (Provider of advertising, marketing and media services)	41,322	108,056
Heineken NV* (Producer of beverages)	125	5,058	Diageo PLC (Distributor of food products)	12,241	134,961
IHC Caland NV (Provider of supplies for offshore oilfields)	3,440	173,896	EMI Group PLC (Producer of music recordings)	104	591
ING Groep NV (Provider of insurance and financial services)	3,300	216,444	Enterprise Oil PLC (Explorer and producer of oil and gas)	13,492	112,900
Royal Dutch Petroleum Co. (Provider of petroleum products)	9,520	549,835	GlaxoSmithKline PLC (Manufacturer of prescription and over-the-counter medicines)	19,489	550,954
Vedior NV (Provider of employment services)	6,300	57,272	J Sainsbury PLC (Distributor of food through supermarkets)	40,676	254,849
		<u>1,169,258</u>	Marconi PLC (Provider of telecommunications equipment)	19,580	70,021
Norway 0.3%			Misys PLC (Provider of computer support and data services)	5,390	37,865
Statoil ASA* (Producer of oil and natural gas)	5,900	43,726	Powergen PLC (Distributor of electric power)	537	5,458
Spain 5.8%			RMC Group PLC (Producer and supplier of building and construction materials)	8,596	83,230
Banco Popular Espanol SA (Provider of commercial banking services)	12,190	427,625	Reed International PLC (Publisher of scientific, professional and business-to-business materials)	38,566	343,432
Grupo Dragados SA (Operator of a construction company)	9,880	124,652	Reuters Group PLC (Provider of international news and information)	11,343	147,988
Industria de Diseno Textil SA* (Manufacturer and retailer of apparel)	600	9,609	Rio Tinto PLC (Developer of mining products)	9,337	166,557
Repsol YPF SA (Manufacturer of crude oil and natural gas)	7,480	123,923	Royal & Sun Alliance Insurance Group PLC (Provider of insurance services)	19,470	147,236
Telefonica SA* (Provider of telecommunication services)	16,858	208,536	Royal Bank of Scotland Group PLC (Provider of banking services)	8,625	191,040
Union Electrica Fenosa SA (Distributor of electric power)	7,916	148,296	Serco Group PLC (Provider of management support services)	19,819	109,255
		<u>1,042,641</u>	Taylor Nelson Sofres PLC (Operator of a market research company)	33,552	96,986
Sweden 0.3%			Vodafone Group PLC (Provider of mobile telecommunication services)	126,044	280,607
Eniro AB (Publisher of catalogues and telephone directories)	4,500	44,556			<u>4,361,703</u>
Switzerland 4.7%			Total Common Stocks (Cost \$18,265,590)		17,457,712
Nestle SA (Registered) (Producer of food products)	2,118	450,563	Total Investment Portfolio — 100.0%		17,857,712
STMicroelectronics NV (Manufacturer of semiconductor integrated circuits)	4,646	161,837	(Cost \$18,665,590) (a)		
Serono SA "B" (Developer and marketer of biotechnology products)	233	231,352			
		<u>843,752</u>			
United Kingdom 24.4%					
ARM Holdings PLC* (Designer of electronic components)	14,350	54,462			
Aegis Group PLC (Operator of independent media services)	122,837	182,312			

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

At June 30, 2001, the Scudder New Europe Portfolio had the following industry diversification:

Industry	Value	Percent
Financial	\$ 4,625,160	25.9%
Energy	2,269,256	12.7
Service Industries	1,749,539	9.8
Manufacturing	1,641,940	9.2
Consumer Staples	1,437,347	8.1
Health	1,425,614	8.0
Communications	1,293,803	7.3
Technology	829,302	4.6
Consumer Discretionary	783,675	4.4
Utilities	521,575	2.9
Construction	342,523	1.9
Media	218,170	1.2
Metals and Minerals	166,557	0.9
Durables	153,251	0.9
Total Common Stocks	17,457,712	97.8
Money Market Instruments	400,000	2.2
Total Investment Portfolio	\$17,857,712	100.0%

Notes to Scudder New Europe 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 \$18,687,812. At June 30, 2001, net unrealized depreciation for all securities based on tax cost was \$830,100. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$384,572 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$1,214,672.

Financial Statements

Statement of Assets and Liabilities as of June 30, 2001 (Unaudited)

Assets

Investments in securities, at value (cost \$18,665,590)	\$	17,857,712
Cash		3,587,717
Foreign currency, at value (cost \$171)		171
Receivable for investments sold		1,690,937
Dividends receivable		12,316
Interest receivable		90
Foreign taxes recoverable		20,390
Total assets		23,169,333

Liabilities

Payable for investments purchased		3,037,490
Notes payable		550,000
Payable for Portfolio shares redeemed		1,867,977
Accrued management fee		2,110
Other accrued expenses and payables		36,835
Total liabilities		5,494,412
Net assets, at value	\$	17,674,921

Net Assets

Net assets consist of:		
Undistributed net investment income		58,240
Net unrealized appreciation (depreciation) on:		
Investments		(807,878)
Foreign currency related transactions		3,671
Accumulated net realized gain (loss)		(2,439,313)
Paid-in capital		20,860,201
Net assets, at value	\$	17,674,921

Net Asset Value

Net Asset Value and redemption price per share (\$17,674,921 ÷ 2,338,022 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$	7.56
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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, 2001 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$19,327)	\$ 159,007
Interest	36,242
Total Income	<u>195,249</u>
Expenses:	
Management fee	75,298
Custodian and accounting fees	58,323
Auditing	293
Legal	767
Reports to shareholders	2,772
Other	712
Total expenses, before expense reductions	<u>138,165</u>
Expense reductions	<u>(53,836)</u>
Total expenses, after expense reductions	84,329
Net investment income (loss)	110,920

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	(2,142,834)
Foreign currency related transactions	(17,910)
	<u>(2,160,744)</u>
Net unrealized appreciation (depreciation) during the period on:	
Investments	(1,002,054)
Foreign currency related transactions	3,423
	<u>(998,631)</u>
Net gain (loss) on investment transactions	(3,159,375)
Net increase (decrease) in net assets resulting from operations	\$ (3,048,455)

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

Statements of Changes in Net Assets

	Six Months Ended June 30, 2001 (Unaudited)	Year Ended December 31, 2000
Increase (Decrease) in Net Assets		
Operations:		
Net investment income (loss)	\$ 110,920	\$ 307,610
Net realized gain (loss) on investment transactions	(2,160,744)	(257,562)
Net unrealized appreciation (depreciation) on investment transactions during the period	(998,631)	(492,555)
Net increase (decrease) in net assets resulting from operations	(3,048,455)	(442,507)
Distributions to shareholders from:		
Net investment income	(345,862)	(23,685)
Net realized gains	—	(23,647)
Portfolio share transactions:		
Proceeds from shares sold	52,869,504	15,004,778
Reinvestment of distributions	345,862	47,332
Cost of shares redeemed	(45,632,201)	(7,752,735)
Net increase (decrease) in net assets from Portfolio share transactions	7,583,165	7,299,375
Increase (decrease) in net assets	4,188,848	6,809,536
Net assets at beginning of period	13,486,073	6,676,537
Net assets at end of period (including undistributed net investment income of \$58,240 and \$293,182, respectively)	\$ 17,674,921	\$ 13,486,073
Other Information (a)		
Shares outstanding at beginning of period	1,397,393	645,384
Shares sold	6,532,856	1,534,703
Shares issued to shareholders in reinvestment of distributions	44,351	4,572
Shares redeemed	(5,636,578)	(787,266)
Net increase (decrease) in Portfolio shares	940,629	752,009
Shares outstanding at end of period	2,338,022	1,397,393

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,	2001(d)	2000(a)	1999(a)	1998(a)(b)
Net asset value, beginning of period	\$ 9.65	10.35	9.12	10.00
<i>Income (loss) from investment operations:</i>				
Net investment income (loss)	.06(c)	.31(c)	.13(c)	.03
Net realized and unrealized gain (loss) on investment transactions	(1.95)	(.95)	1.15	(.91)
Total from investment operations	(1.89)	(.64)	1.28	(.88)
<i>Less distributions from:</i>				
Net investment income	(.20)	(.03)	(.05)	—
Net realized gains on investment transactions	—	(.03)	—	—
Total distributions	(.20)	(.06)	(.05)	—
Net asset value, end of period	\$ 7.56	9.65	10.35	9.12
Total Return (%) (e)	(19.76)**	(6.17)	14.09	(8.80)**
Ratios to Average Net Assets and Supplemental Data				
Net assets, end of period (\$ millions)	18	13	7	3
Ratio of expenses before expense reductions (%)	1.83*	2.65	4.30	19.55*
Ratio of expenses after expense reductions (%)	1.12*	1.14	1.10	1.13*
Ratio of net investment income (loss) (%)	1.47*	3.14	1.44	1.13*
Portfolio turnover rate (%)	166*	105	146	100*

(a) On June 18, 2001, the Fund implemented a 1 for 10 reverse stock split. Share and per share information, for the periods prior to June 30, 2001, have been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).

(b) For the period from May 5, 1998 (commencement of operations) to December 31, 1998.

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

(d) For the six months ended June 30, 2001 (Unaudited).

(e) Total return would have been lower had certain expenses not been reduced.

* Annualized ** Not annualized

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

Scudder Small Cap Growth Portfolio

During the first half of calendar year 2001, small-cap stocks generally outperformed large-caps, but value outperformed growth. Our stock selection efforts in biotechnology and financials helped the portfolio provide attractive results in the second quarter, and this helped the portfolio recover from a setback in the first quarter, when technology stocks dropped sharply.

We believe the wind is now at our backs given that the Federal Reserve Board has reduced interest rates by 275 basis points through June. In our view, this has set the stage for the market's potential recovery. How long the recovery may take is unclear, especially in technology where there is not yet broad evidence of a turnaround. We believe stronger, better-capitalized companies will survive the current economic slowdown and will be well-positioned to succeed over the long term. One non-cyclical industry group we like is biotechnology, an industry whose fundamental outlook is stronger than it has been in 10 years.

Historically, technology stocks have performed well about 9 to 12 months after the Fed begins cutting the cost of borrowings. First, technology companies are gradually getting rid of their excess inventory. This has positive implications for growth, since companies will be able to ramp up production and possibly raise prices. We would be more optimistic if more analysts would reduce their expectations for 2002 earnings growth — which we believe are still too high.

In our opinion, selected technology and health care firms continue to offer the best long-term growth prospects, but investors need to be more selective and diversified than ever. By focusing on well-run companies with well-defined business plans and a clear earnings outlook, we are attempting to manage the increased risks of investing in small companies.

J.C. Cabrera
Lead Portfolio Manager
Zurich Scudder Investments, Inc.

Scudder Small Cap Growth Portfolio

	Principal Amount (\$)	Value (\$)		Shares	Value (\$)
Repurchase Agreements 0.1%					
State Street Bank and Trust Company, 3.93%, to be repurchased at \$266,087 on 7/2/2001** (Cost \$266,000)	266,000	266,000			
Short-Term Investments 10.5%					
Federal Home Loan Bank, 3.5%***, 7/2/2001 (Cost \$29,131,811)	29,135,000	29,131,811			
			Shares		
Preferred Stocks 2.4%					
Health 0.9%					
Pharmaceuticals					
Biovail Corp.	32,000	2,512,000			
Communications 0.6%					
Miscellaneous					
Convergent Networks, Inc. (b)	113,149	1,572,771			
Technology 0.6%					
Computer Software					
fusionOne (b)	230,203	1,063,538			
Planetweb (b)	137,868	750,002			
		1,813,540			
Miscellaneous 0.3%					
Miscellaneous					
Applianceware LP (b)	218,659	750,000			
Total Preferred Stocks (Cost \$6,199,990)		6,648,311			
Common Stocks 86.3%					
Consumer Discretionary 4.3%					
Apparel & Shoes 2.4%					
Reebok International Ltd.*	80,800	2,581,560			
Tommy Hilfiger Corp.*	180,500	2,527,000			
Venator Group, Inc.*	92,500	1,415,250			
		6,523,810			
Department & Chain Stores 0.8%					
Men's Wearhouse, Inc.*	85,200	2,351,520			
Specialty Retail 1.1%					
Cost Plus, Inc.*	43,750	1,256,063			
Pier 1 Imports, Inc.	161,900	1,861,850			
		3,117,913			
Health 24.2%					
Biotechnology 7.8%					
Alexion Pharmaceuticals, Inc.*	67,600	1,580,488			
Enzon, Inc.*	17,500	1,083,425			
Genentech, Inc.*	38,300	2,110,330			
IDEC Pharmaceuticals Corp.*	55,400	3,601,000			
Invitrogen Corp.*	45,000	3,132,450			
MedImmune, Inc.*	46,100	2,185,601			
Sepracor, Inc.*	72,400	2,886,588			
Transkaryotic Therapies, Inc.*	97,500	2,847,000			
Vertex Pharmaceuticals, Inc.*	47,000	2,279,500			
		21,706,382			
Medical Supply & Specialty 0.3%					
Fisher Scientific International, Inc.*	31,600	916,400			
Pharmaceuticals 15.0%					
Biovail Corp.*	336,200	14,624,700			
CV Therapeutics, Inc.*	107,100	6,093,990			
Caremark Rx, Inc.*	190,100	3,127,145			
Celgene Corp.*	86,800	2,495,500			
Cubist Pharmaceuticals, Inc.*	86,800	3,313,156			
ICN Pharmaceuticals, Inc.	41,100	1,303,692			
ILEX Oncology, Inc.*	158,600	4,226,690			
NPS Pharmaceuticals, Inc.*	139,774	5,446,993			
Praecis Pharmaceutical, Inc.*	82,600	1,166,312			
		41,798,178			
Miscellaneous 1.1%					
DaVita, Inc.*	147,300	2,994,609			
Communications 2.9%					
Cellular Telephone 1.2%					
QUALCOMM, Inc.*	46,500	2,647,245			
Research in Motion Ltd.*	25,500	825,064			
		3,472,309			
Telephone/Communications 0.7%					
McLeodUSA Inc. "A"*	148,300	648,071			
Time Warner Telecom, Inc. "A"*	39,900	1,338,645			
		1,986,716			
Miscellaneous 1.0%					
Entercom Communications Corp.*	51,600	2,766,276			
Financial 4.4%					
Banks 0.8%					
Texas Regional Bancshares, Inc.	57,820	2,316,847			
Consumer Finance 0.7%					
Providian Financial Corp.	33,900	2,006,880			
Business Finance 1.4%					
Heller Financial, Inc.	98,700	3,948,000			

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

	Shares	Value (\$)		Shares	Value (\$)
Precision Drilling Corp. "A"*	56,000	1,749,440	Purchased Options 0.7%		
		4,271,610			
Miscellaneous 1.0%			Put on BEA Systems, Inc., strike at \$35.00, expires 9/23/2001	1,350	904,500
Covanta Energy Corp.*	148,400	2,739,464	Put on i2 Technologies, Inc., strike at \$17.50, expires 11/18/2001	2,050	799,500
Metals & Minerals 1.0%			Put on Mercury Interactive Corp., strike at \$50.00, expires 8/19/2001	400	88,000
Steel & Metals			Put on Nasdaq 100, strike at \$44.00, expires 8/19/2001	920	156,400
Precision Castparts Corp.	78,400	2,933,728	Total Purchased Options (Cost \$2,509,938)		1,948,400
Miscellaneous 0.5%			Total Investment Portfolio — 100.0%		278,446,296
Miscellaneous			(Cost \$274,725,692) (a)		
RenaissanceRe Holdings Ltd.	18,200	1,348,620			
Total Common Stocks (Cost \$236,617,953)		240,451,774			

Notes to Scudder Small Cap 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 \$274,725,692. At June 30, 2001, net unrealized appreciation for all securities based on tax cost was \$3,720,604. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$38,830,768 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$35,110,164.

(b) Securities valued in good faith by the Valuation Committee of the Trustees at fair value amounted to \$4,136,311 (1.57% of net assets). Their values have been estimated by the Trustees in the absence of readily ascertainable market values. However, because of the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the difference could be material. The cost of these securities at June 30, 2001 aggregated \$4,599,990. These securities may also have certain restrictions as to resale.

At June 30, 2001, outstanding written options were as follows:

Put Options	Shares	Expiration Date	Strike Price (\$)	Value (\$)
BEA Systems, Inc.	1,350	7/22/2001	30.00	216,000
i2 Technologies, Inc.	2,050	11/18/2001	12.50	256,250
i2 Technologies, Inc.	2,050	11/18/2001	15.00	656,000
Total outstanding written options (Premiums received \$1,257,170)				1,128,250

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

Financial Statements

Statement of Assets and Liabilities as of June 30, 2001 (Unaudited)

Assets

Investments in securities, at value (cost \$274,725,692)	\$ 278,446,296
Cash	248
Foreign currency, at value (cost \$7,750)	7,750
Receivable for investments sold	2,256,090
Dividends receivable	33,530
Interest receivable	74,891
Receivable for Portfolio shares sold	938,290
Total assets	281,757,095

Liabilities

Payable for investments purchased	14,774,664
Payable for Portfolio shares redeemed	2,029,178
Written options, at value (premiums received \$1,257,170)	1,128,250
Accrued management fee	145,584
Other accrued expenses and payables	80,035
Total liabilities	18,157,711

Net assets, at value \$ 263,599,384

Net Assets

Net assets consist of:	
Accumulated net investment loss	(27,974)
Net unrealized appreciation (depreciation) on:	
Investments	3,720,604
Written options	128,920
Accumulated net realized gain (loss)	(54,122,295)
Paid-in capital	313,900,129
Net assets, at value	\$ 263,599,384

Net Asset Value

Net Asset Value and redemption price per share (\$263,599,384 ÷ 17,454,992 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized) \$ 15.10

Statement of Operations for the six months ended June 30, 2001 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$344)	\$ 300,486
Interest	535,835
Total Income	836,321
Expenses:	
Management fee	829,997
Custodian fees	4,399
Auditing	18,030
Legal	6,150
Trustees' fees and expenses	2,122
Reports to shareholders	3,002
Other	1,009
Total expenses, before expense reductions	864,709
Expense reductions	(414)
Total expenses, after expense reductions	864,295
Net investment income (loss)	(27,974)
Realized and unrealized gain (loss) on investment transactions	
Net realized gain (loss) from	
Investments	(34,986,818)
Foreign currency related transactions	61
	(34,986,757)
Net unrealized appreciation (depreciation) during the period on:	
Investments	(13,257,866)
Written options	128,920
	(13,128,946)
Net gain (loss) on investment transactions	(48,115,703)
Net increase (decrease) in net assets resulting from operations	\$ (48,143,677)

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

Statements of Changes in Net Assets

	Six Months Ended June 30, 2001 (Unaudited)	Year Ended December 31, 2000
Increase (Decrease) in Net Assets		
Operations:		
Net investment income (loss)	\$ (27,974)	\$ (1,102,467)
Net realized gain (loss) on investment transactions	(34,986,757)	17,785,414
Net unrealized appreciation (depreciation) on investment transactions during the period	(13,128,946)	(61,612,670)
Net increase (decrease) in net assets resulting from operations	(48,143,677)	(44,929,723)
Distributions to shareholders from:		
Net realized gains	(34,998,810)	(30,002,611)
Portfolio share transactions:		
Proceeds from shares sold	147,948,839	245,915,262
Reinvestment of distributions	34,998,810	30,002,611
Cost of shares redeemed	(137,232,017)	(164,561,314)
Net increase (decrease) in net assets from Portfolio share transactions	45,715,632	111,356,559
Increase (decrease) in net assets	(37,426,855)	36,424,225
Net assets at beginning of period	301,026,239	264,602,014
Net assets at end of period (including accumulated net investment loss of \$27,974 at June 30, 2001)	\$ 263,599,384	\$ 301,026,239
Other Information (a)		
Shares outstanding at beginning of period	13,908,178	9,970,060
Shares sold	9,093,228	9,386,132
Shares issued to shareholders in reinvestment of distributions	2,772,424	1,016,416
Shares redeemed	(8,318,838)	(6,464,430)
Net increase (decrease) in Portfolio shares	3,546,814	3,938,118
Shares outstanding at end of period	17,454,992	13,908,178

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,	2001(d)	2000(a)	1999(a)	1998(a)	1997(a)	1996(a)
Net asset value, beginning of period	\$ 21.64	26.54	19.71	19.69	16.77	13.46
<i>Income (loss) from investment operations:</i>						
Net investment income (loss)	—(b)(c)	(.09)(b)	(.06)(b)	—	.04	.02
Net realized and unrealized gain (loss) on investment transactions	(3.99)	(2.01)	6.89	3.42	4.88	3.69
Total from investment operations	(3.99)	(2.10)	6.83	3.42	4.92	3.71
<i>Less distributions from:</i>						
Net investment income	—	—	—	—	(.10)	—
Net realized gains on investment transactions	(2.55)	(2.80)	—	(3.40)	(1.90)	(.40)
Total distributions	(2.55)	(2.80)	—	(3.40)	(2.00)	(.40)
Net asset value, end of period	\$ 15.10	21.64	26.54	19.71	19.69	16.77
Total Return (%)	(16.14)**	(10.71)	34.56	18.37	34.20	28.04

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	264	301	264	208	137	69
Ratio of expenses (%)	.68*	.72	.71	.70	.71	.75
Ratio of net investment income (loss) (%)	(.02)*	(.34)	(.30)	(.01)	.20	.15
Portfolio turnover rate (%)	161*	124	208	276	330	156

(a) On June 18, 2001, the Fund implemented a 1 for 10 reverse stock split. Share and per share information, for the periods prior to June 30, 2001, have been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).

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

(c) Amount is less than one half of \$.01.

(d) For the six months ended June 30, 2001 (Unaudited).

* Annualized

** Not annualized

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

Scudder Small Cap Value Portfolio

The Scudder Small Cap Value Portfolio outperformed its Russell 2000 Value Index benchmark during its most recent semiannual period ended June 30, 2001. Stock market performance was markedly different during each of the first two quarters of 2001: During the first quarter all major indices except the Russell 2000 Value Index declined. In the second quarter, all major indices posted gains, and small cap stocks continued to outperform large cap stocks. The markets moved higher during the first half of the year in response to the Federal Reserve Board's series of interest rate cuts, the latest a quarter point reduction at the end of June. Investors' belief that corporate profitability and the economy had bottomed out, and that an economic rebound was due during the second half of 2001, fueled the gains. Our disciplined investment approach favorably positioned the portfolio in this environment. In particular, the portfolio's holdings exceeded the index's return in the technology and consumer staples sectors. Favorable stock selection in basic industry compared with the index also helped performance, while an underweight in financial stocks during the period detracted from performance. The portfolio's lower market capitalization, higher earnings growth rate, and lower earnings variability compared with its benchmark also had a positive impact on its return for the period. The Scudder Small Cap Value Portfolio, with a weighted average price-to-earnings ratio of 13.77x, versus 16.17x for the Russell 2000 Value Index, remains focused on attractively valued small company stocks.

Robert D. Tymoczko
Stephen Marsh
Co-Lead Portfolio Managers
Zurich Scudder Investments, Inc.

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

Scudder Small Cap Value Portfolio

	Principal Amount (\$)	Value (\$)		Shares	Value (\$)
Repurchase Agreements 0.3%					
State Street Bank and Trust Company, 3.93%, to be repurchased at \$351,115 on 7/2/2001** (Cost \$351,000)	351,000	351,000			
Short-Term Investments 1.6%					
Federal Home Loan Bank, 3.5%***, 7/2/2001 (Cost \$2,046,776)	2,047,000	2,046,776			
			Shares		
Common Stocks 98.1%					
Consumer Discretionary 12.6%					
Apparel & Shoes 2.2%					
Chico's FAS, Inc.*	10,200	303,450			
Genesco, Inc.*	17,500	588,000			
K-Swiss, Inc."A"	10,900	259,965			
Phillips-Van Heusen Corp.	31,700	456,480			
Stride Rite Corp.	83,400	708,900			
Tarrant Apparel Group*	9,000	57,870			
The Buckle, Inc.*	18,200	343,980			
		<u>2,718,645</u>			
Department & Chain Stores 2.7%					
Burlington Coat Factory Warehouse Corp.	12,500	250,000			
Casey's General Stores, Inc.	24,100	313,300			
Cato Corp.	26,300	511,535			
Charming Shoppes, Inc.	114,900	705,486			
Deb Shops, Inc.	14,700	277,830			
Dress Barn, Inc.*	21,800	500,310			
Hot Topic, Inc.*	9,200	289,800			
Longs Drug Stores, Inc.	18,000	387,900			
Shopko Stores, Inc.	22,600	164,528			
		<u>3,400,689</u>			
Home Furnishings 0.4%					
American Woodmark Corp.	8,500	330,990			
Haverty Furniture Co., Inc.	10,400	155,480			
		<u>486,470</u>			
Hotels & Casinos 0.4%					
Anchor Gaming*	6,400	377,920			
Pinnacle Entertainment, Inc.*	10,900	80,115			
		<u>458,035</u>			
Recreational Products 1.5%					
4Kids Entertainment, Inc.*	26,900	515,135			
Handleman Co.*	52,900	886,075			
WMS Industries, Inc.*	15,800	508,286			
		<u>1,909,496</u>			
Restaurants 3.2%					
Applebee's International, Inc.	9,200	278,300			
Bob Evans Farms, Inc.	35,500	651,780			
CEC Entertainment, Inc.*	12,200	602,070			
Jack in the Box, Inc.*	13,900	362,790			
Landry's Seafood Restaurants, Inc.	16,900	287,300			
NPC International, Inc.*	27,100	298,100			
O'Charley's, Inc.*	24,100	421,991			
Ruby Tuesday, Inc.	39,000	666,900			
Ryan's Family Steak Houses, Inc.*	31,300	406,900			
					<u>3,976,131</u>
Specialty Retail 2.2%					
CSK Auto Corp.*	28,500	236,550			
Fossil, Inc.*	22,000	455,180			
Spiegel Inc. "A"	66,200	534,234			
The Topps Co., Inc.	60,100	695,357			
Trans World Entertainment Corp.*	45,400	335,506			
Wilsons Leather Experts*	22,400	436,800			
					<u>2,693,627</u>
Consumer Staples 6.8%					
Alcohol & Tobacco 0.6%					
Schweitzer-Mauduit International, Inc. ...	16,900	398,840			
Universal Corp.	9,000	356,940			
					<u>755,780</u>
Consumer Electronic & Photographic 0.6%					
Applica, Inc.	30,200	240,392			
Salton, Inc.*	24,400	434,320			
					<u>674,712</u>
Consumer Specialties 0.2%					
Russ Berrie & Co., Inc.	7,900	232,260			
Food & Beverage 4.3%					
Corn Products International	47,900	1,532,800			
Earthgrains Co.	14,700	382,200			
Fresh Del Monte Produce, Inc.*	55,000	606,650			
International Multifoods Corp.	22,300	462,725			
J & J Snack Foods Corp.*	18,600	412,920			
Lance, Inc.	60,000	804,600			
Performance Food Group Co.*	34,000	929,900			
Pilgrim's Pride Corp.	21,300	267,315			
					<u>5,399,110</u>
Package Goods/Cosmetics 0.1%					
Chattem, Inc.*	13,200	139,920			
Textiles 1.0%					
Nautica Enterprises, Inc.*	29,800	606,430			
Springs Industries, Inc. "A"	14,400	635,040			
					<u>1,241,470</u>

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

	Shares	Value (\$)		Shares	Value (\$)
Health 13.5%					
Biotechnology 0.7%					
Bio-Rad Laboratories, Inc. "A"*	16,700	831,660	International FiberCom, Inc.*	44,000	134,640
Pharmacoepia, Inc.*	4,200	87,654	Lightbridge, Inc.*	18,316	345,073
		919,314	North Pittsburgh Systems, Inc.	19,300	279,078
			Plantronics, Inc.*	9,400	217,610
					2,664,641
Health Industry Services 4.9%			Financial 16.6%		
Accredo Health, Inc.*	8,700	317,115	Banks 7.5%		
AdvancePCS*	11,500	727,375	BankAtlantic Bancorp., Inc.	45,300	393,657
AmeriPath, Inc.*	18,300	528,870	Banner Corp.	13,640	290,532
Covance, Inc.*	8,100	183,465	Corus Bankshares, Inc.	7,900	473,210
DVI, Inc.*	9,700	170,720	Dime Community Bancshares	17,600	589,600
Hooper Holmes, Inc.	23,600	241,900	Downey Financial Corp.	10,800	510,408
IMPATH, Inc.*	6,600	289,410	First Citizens BancShares, Inc. "A"	2,200	237,050
Mid Atlantic Medical Services, Inc.*	37,900	679,547	First Federal Capital Corp.	27,200	443,360
PAREXEL International Corp.*	70,300	1,370,850	First Federal Financial Corp.*	17,700	527,460
RehabCare Group, Inc.*	6,800	327,760	First Financial Holdings, Inc.	10,300	236,900
Res-Care, Inc.*	29,100	239,202	First Indiana Corp.	12,500	317,875
Rightchoice Managed Care, Inc.*	6,800	301,920	First Republic Bank*	15,600	382,200
Syncor International Corp.*	24,300	734,346	First Source Corp.	13,940	338,184
		6,112,480	GBC Bancorp	23,800	641,410
			Hancock Holding Co.	11,600	484,532
Hospital Management 1.7%			Independent Bank Corp.	10,300	201,880
Coventry Health Care, Inc.*	20,300	410,060	International Bancshares Corp.	3,375	129,938
Province Healthcare Co.*	14,300	504,790	MAF Bancorp, Inc.	27,100	837,661
Triad Hospitals, Inc.*	23,070	679,873	Mississippi Valley Bancshares, Inc.	4,300	171,570
US Oncology, Inc.*	53,800	457,838	PFF Bancorp, Inc.	23,100	575,190
		2,052,561	Provident Bankshares Corp.	12,600	314,244
			R&G Financial Corp.	18,900	305,235
Medical Supply & Specialty 4.5%			Sandy Spring Bancorp, Inc.	6,000	195,960
ArthroCare Corp.*	11,200	291,200	St. Francis Capital Corp.	14,000	303,800
Bacou USA, Inc.*	16,600	467,788	W Holding Co., Inc.	10,000	123,000
Conmed Corp.*	44,400	1,158,840	Westcorp, Inc.	13,200	279,840
Cooper Companies, Inc.	15,800	812,120			9,304,696
INAMED Corp.*	21,100	535,940	Insurance 4.4%		
Polymedica Industries, Inc.*	4,500	179,505	Alfa Corp.	32,100	802,179
ResMed, Inc.*	8,100	409,455	AmerUS Group, Inc.	13,500	478,845
Theragenics Corp.*	60,500	675,785	First American Financial Co.	15,700	297,358
Vital Signs, Inc.	18,300	598,227	National Western Life Insurance Co.*	2,000	212,840
Zoll Medical Corp.*	18,500	501,350	PMA Capital Corp.	12,900	230,910
		5,630,210	Philadelphia Consolidated Holding Corp.*	16,100	561,085
			RLI Corp.	10,600	476,152
Pharmaceuticals 1.7%			SCPIE Holdings, Inc.	5,200	105,040
Alpharma, Inc. "A"	17,600	479,600	Selective Insurance Group, Inc.	25,400	675,386
Noven Pharmaceuticals, Inc.*	5,600	220,024	State Auto Financial Corp.	12,800	213,632
Pharmaceutical Product Development*	17,600	617,408	Stewart Information Services Corp.	11,100	216,339
Sicor, Inc.*	38,500	829,675	The Midland Co.	8,900	389,909
		2,146,707	Triad Guaranty, Inc.*	5,800	228,520
			White Mountains Insurance Group, Inc.	1,600	602,000
					5,490,195
Communications 2.1%					
Telephone/Communications					
Anixter International, Inc.*	16,700	512,690			
CT Communications, Inc.	18,800	348,176			
Commonwealth Telephone Enterprises, Inc.*	3,900	164,112			
General Communication, Inc. "A"*	34,000	408,000			
Hickory Tech Corp.	14,200	232,312			
IDT Corp.*	1,700	22,950			

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

	Shares	Value (\$)		Shares	Value (\$)
Consumer Finance 0.2%					
Tucker Anthony Sutro Corp.	12,500	275,000			
Other Financial Companies 2.6%					
iShares Russell 2000 Index Fund	28,000	2,837,800			
Irwin Financial Corp.	4,300	108,145			
NCO Group, Inc.*	8,500	262,905			
		3,208,850			
Investment 1.1%					
Raymond James Financial, Inc.	18,500	566,100			
Southwest Securities Group, Inc.	36,750	760,725			
		1,326,825			
Real Estate 0.8%					
Prentiss Properties Trust (REIT)	36,500	959,950			
Media 0.1%					
Advertising					
ADVO, Inc.*	3,800	129,770			
Service Industries 4.9%					
EDP Services 0.0%					
Analysts International Corp.	11,800	52,628			
Environmental Services 0.4%					
URS Corp.*	17,400	469,800			
Miscellaneous Commercial Services 3.3%					
AnswerThink, Inc.*	30,300	265,731			
Encompass Services Corp.*	80,626	713,540			
First Consulting Group, Inc.*	4,500	36,000			
IT Group, Inc.*	15,800	100,330			
iGATE Capital Corp.*	2,000	6,660			
Illuminet Holdings, Inc.*	9,700	290,612			
Insurance Auto Auctions, Inc.*	7,500	115,875			
Integrated Electrical Services, Inc.*	88,100	858,975			
Kelly Services, Inc. "A"	17,600	427,680			
Modis Professional Services, Inc.*	78,600	542,340			
Source Information Management Co.* ..	4,400	24,376			
Syntel, Inc.*	24,800	213,280			
Volt Information Sciences, Inc.*	15,900	278,250			
Zomax, Inc.*	19,400	172,854			
		4,046,503			
Miscellaneous Consumer Services 0.5%					
CDI Corp.*	14,800	251,452			
Hall, Kinion & Associates*	15,900	131,334			
Infocus Corp.*	16,200	271,350			
		654,136			
Printing/Publishing 0.7%					
John H. Harland Co.	24,800	577,840			
Mail-Well, Inc.*	65,600	278,800			
		856,640			
Durables 5.6%					
Aerospace 1.1%					
Aeroflex, Inc.*	32,550	345,681			
Alliant Techsystems, Inc.*	8,100	728,190			
Kaman Corp. "A"	18,900	340,011			
		1,413,882			
Automobiles 1.6%					
A.O. Smith Corp.	28,000	501,200			
Borg-Warner Automotive, Inc.	16,300	808,806			
Dura Automotive Systems, Inc.*	23,400	353,340			
Oshkosh Truck Corp.	8,250	363,000			
		2,026,346			
Construction/Agricultural Equipment 0.6%					
NACCO Industries, Inc. "A"	3,800	296,362			
Terex Corp.*	19,500	413,400			
		709,762			
Leasing Companies 1.5%					
Aaron Rents, Inc.	8,100	137,700			
Dollar Thrifty Automotive Group, Inc.* ..	70,500	1,692,000			
Rent-Way, Inc.*	6,900	75,210			
		1,904,910			
Telecommunications Equipment 0.5%					
Spectralink Corp.*	29,500	359,015			
Tollgrade Communications, Inc.*	9,100	262,717			
		621,732			
Tires 0.3%					
Cooper Tire & Rubber Co.	28,700	407,540			
Manufacturing 11.3%					
Chemicals 0.3%					
A. Schulman, Inc.	21,900	287,547			
Albany Molecular Research, Inc.*	2,200	86,812			
		374,359			
Containers & Paper 0.9%					
Ivex Packaging Corp.*	20,900	397,100			
P.H. Glatfelter Co.	48,800	695,888			
		1,092,988			
Diversified Manufacturing 2.5%					
Ball Corp.	13,500	642,060			
Briggs & Stratton Corp.	18,300	770,430			
II-VI, Inc.*	20,500	317,750			
MKS Instruments, Inc.*	9,800	275,576			
Myers Industries, Inc.	54,111	817,076			
SPS Technologies, Inc.	4,800	227,520			
		3,050,412			
Electrical Products 0.5%					
C&D Technologies, Inc.	5,600	173,600			
MagneTek, Inc.*	19,100	238,750			
Methode Electronics "A"	2,100	18,123			
Stoneridge, Inc.*	20,600	221,450			
		651,923			
Industrial Specialty 2.2%					
Concord Camera Corp.*	32,200	192,878			
FSI International, Inc.*	20,200	266,236			

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

	Shares	Value (\$)		Shares	Value (\$)
General Cable Corp.	27,700	513,835	Esterline Technologies Corp.*	8,500	184,875
Interlogix, Inc.*	10,500	363,300			842,600
JLG Industries, Inc.	18,600	229,710	EDP Peripherals 0.3%		
Jakks Pacific, Inc.*	23,500	435,220	Gerber Scientific, Inc.	22,700	248,565
Keithley Instruments, Inc.	12,500	266,250	NeoMagic Corp.*	26,400	84,480
Polaris Industries, Inc.	3,900	178,620			333,045
UNOVA, Inc.*	49,100	337,808	Electronic Components/ Distributors 1.5%		
		<u>2,783,857</u>	Arrow Electronics, Inc.	2,600	101,062
Machinery/Components/ Controls 3.6%			Avnet, Inc.	8,961	200,906
American Axle & Manufacturing Holdings, Inc.*	49,400	839,800	Brightpoint, Inc.*	29,000	87,870
Astec Industries, Inc.*	30,300	519,645	CTS Corp.	13,600	278,800
CIRCOR International, Inc.	10,500	189,525	Imation Corp.*	18,800	473,760
Intermet Corp.	61,600	351,120	Maxwell Technologies, Inc.*	4,700	94,047
Penn Engineering & Manufacturing swCorp.	11,800	206,500	Pioneer-Standard Electronics, Inc.	40,200	514,158
RadiSys Corp.*	2,700	61,641	Rogers Corp.*	6,300	166,950
Tecumseh Products Co. "A"	6,800	334,900			1,917,553
Watts Industries, Inc. "A"	46,000	779,700	Electronic Data Processing 0.5%		
Woodward Governor Co.	14,300	1,218,360	Epresence, Inc.*	10,700	39,376
		<u>4,501,191</u>	Sunquest Information Systems, Inc.* ...	25,800	613,782
Office Equipment/Supplies 0.2%					653,158
United Stationers, Inc.*	9,500	292,030	Military Electronics 0.2%		
			Titan Corp.	8,700	199,230
Specialty Chemicals 0.3%			Office/Plant Automation 1.2%		
Albemarle Corp.	9,800	227,066	CACI International, Inc.*	21,500	925,575
			FileNet Corp.*	13,300	198,170
Wholesale Distributors 0.8%			Mercury Computer Systems, Inc.*	1,800	92,394
Cascade Corp.	23,400	498,420	Radiant Systems, Inc.*	14,450	224,409
WESCO International, Inc.*	54,800	498,680			1,440,548
		<u>997,100</u>	Precision Instruments 0.9%		
Technology 11.0%			Analogic Corp.	7,100	324,683
Computer Software 4.1%			Moog, Inc. "A"*	10,800	420,660
Advanced Digital Information Corp.* ...	19,600	368,480	Photon Dynamics, Inc.*	10,300	324,450
Advent Software, Inc.*	6,800	438,600			1,069,793
Factset Research Systems, Inc.	13,100	467,670	Semiconductors 1.6%		
Hyperion Solutions Corp.*	7,500	112,350	Actel Corp.*	7,700	187,418
InteliData Technologies Corp.*	12,500	68,750	Alliance Semiconductor Corp.*	30,800	366,828
IntraNet Solutions, Inc.*	2,000	73,200	Alpha Industries, Inc.*	8,800	248,600
MAPICS, Inc.*	15,000	90,000	Exar Corp.*	12,800	251,008
MICROS Systems, Inc.*	5,000	105,400	General Semiconductor, Inc.*	30,800	322,168
MTS Systems Corp.	31,100	406,477	Microsemi Corp.*	4,700	330,833
MapInfo Corp.*	7,350	159,495	Pericom Semiconductor Corp.*	15,900	241,680
Metro Information Services, Inc.*	21,700	94,395	White Electronic Designs	7,800	34,710
Progress Software Corp.*	53,700	893,568			1,983,245
Structural Dynamics Research Corp.* ...	16,000	391,680	Energy 3.1%		
THQ, Inc.*	15,800	968,540	Oil & Gas Production 2.4%		
Unigraphics Solutions, Inc.*	5,600	177,800	Cabot Oil & Gas Corp. "A"	16,400	400,160
Verity, Inc.*	13,900	274,247	Clayton Williams Energy, Inc.*	16,000	248,480
		<u>5,090,652</u>	Comstock Resources, Inc.*	21,900	224,475
Diverse Electronic Products 0.7%			HS Resources, Inc.*	3,300	213,840
Cable Design Technologies Corp.*	20,250	327,240	Houston Exploration Co.*	6,900	215,625
DSP Group, Inc.*	15,700	330,485			

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

	Shares	Value (\$)		Shares	Value (\$)
Key Production Co., Inc.*	21,600	359,640	Ryland Group, Inc.	4,000	202,400
Patina Oil & Gas Corp.	17,100	453,150	Standard Pacific Corp.	13,200	305,580
Penn Virginia Corp.	10,400	342,160			2,648,702
Swift Energy Co.*	3,300	99,429	Transportation 1.5%		
XTO Energy, Inc.	30,225	433,729	Airlines 0.2%		
		2,990,688	America West Holding Corp.*	22,100	220,337
Oil Companies 0.6%			Railroads 0.4%		
Frontier Oil Corp.	24,400	323,300	Trinity Industries, Inc.	26,500	543,250
Giant Industries, Inc.	18,500	162,800	Trucking 0.9%		
Stone Energy Corp.	6,199	274,616	Arkansas Best Corp.	11,700	270,036
		760,716	Roadway Express, Inc.	14,500	344,665
Oilfield Services/Equipment 0.1%			Yellow Corp.	22,800	442,320
Seitel, Inc.*	12,300	161,130			1,057,021
Metals & Minerals 0.9%			Utilities 3.5%		
Steel & Metals			Electric Utilities 2.1%		
AK Steel Holding Corp.	22,900	287,165	Black Hills Corp.	7,400	297,702
Gibraltar Steel Corp.	5,100	97,359	El Paso Electric Co.*	55,500	887,445
Quanex Corp.	26,100	675,990	Public Service Co. of New Mexico	26,100	837,810
		1,060,514	WPS Resources Corp.	15,600	549,900
Construction 4.2%					2,572,857
Building Materials 0.8%			Natural Gas Distribution 1.4%		
Florida Rock Industries, Inc.	10,200	478,380	Energen Corp.	7,300	201,480
Pope & Talbot, Inc.	27,400	353,734	Laclede Gas Co.	27,600	701,040
Universal Forest Products, Inc.	9,100	201,474	ONEOK, Inc.	25,200	496,440
		1,033,588	South Jersey Industries, Inc.	11,200	348,880
Building Products 1.2%					1,747,840
Dal-Tile International, Inc.*	20,400	378,420	Automobile Receivables 0.4%		
Emcor Group, Inc.*	10,000	361,500	Miscellaneous		
Genlyte Group, Inc.*	15,400	476,014	Sonic Automotive, Inc.*	24,600	469,860
Nortek, Inc.*	8,600	268,492			
		1,484,426	Total Common Stocks (Cost \$102,766,934)		121,723,102
Homebuilding 2.2%			Total Investment Portfolio — 100.0%		
Del Webb Corp.	26,200	1,013,678	(Cost \$105,164,710) (a)		124,120,878
MDC Holdings, Inc.	13,860	490,644			
NVR, Inc.*	4,300	636,400			

Notes to Scudder Small Cap Value 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 \$105,168,208. At June 30, 2001, net unrealized appreciation for all securities based on tax cost was \$18,952,670. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$26,612,875 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$7,660,205.

Financial Statements

Statement of Assets and Liabilities as of June 30, 2001 (Unaudited)

Assets

Investments in securities, at value (cost \$105,164,710)	\$ 124,120,878
Cash	873
Dividends receivable	85,303
Interest receivable	77
Receivable for investments sold	298,938
Receivable for Portfolio shares sold	396,497
Total assets	124,902,566

Liabilities

Payable for Portfolio shares redeemed	58,437
Accrued management fee	73,125
Other accrued expenses and payables	28,396
Total liabilities	159,958

Net assets, at value \$ 124,742,608

Net Assets

Net assets consist of:	
Undistributed net investment income	124,121
Net unrealized appreciation (depreciation) on investments	18,956,168
Accumulated net realized gain (loss)	(6,758,802)
Paid-in capital	112,421,121

Net assets, at value \$ 124,742,608

Net Asset Value

Net Asset Value and redemption price per share (\$124,742,608 ÷ 9,544,123 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized) \$ 13.07

Statement of Operations for the six months ended June 30, 2001 (Unaudited)

Investment Income

Income:	
Dividends	\$ 439,857
Interest	56,708
Total Income	496,565

Expenses:

Management fee	354,426
Custodian fees	4,581
Auditing	4,770
Legal	610
Trustees' fees and expenses	1,552
Reports to shareholders	2,351
Registration fees	375
Other	286
Total expenses, before expense reductions	368,951
Expense reductions	(146)
Total expenses, after expense reductions	368,805

Net investment income (loss) 127,760

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from investments	(2,132,085)
Net unrealized appreciation (depreciation) during the period on investments	17,709,806

Net gain (loss) on investment transactions 15,577,721

Net increase (decrease) in net assets resulting from operations \$ 15,705,481

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

Statements of Changes in Net Assets

	Six Months Ended June 30, 2001 (Unaudited)	Year Ended December 31, 2000
Increase (Decrease) in Net Assets		
Operations:		
Net investment income (loss)	\$ 127,760	\$ 128,161
Net realized gain (loss) on investment transactions	(2,132,085)	5,269,539
Net unrealized appreciation (depreciation) on investment transactions during the period	17,709,806	(2,407,889)
Net increase (decrease) in net assets resulting from operations	15,705,481	2,989,811
Distributions to shareholders from:		
Net investment income	—	(485,490)
Fund share transactions:		
Proceeds from shares sold	32,414,812	11,276,061
Reinvestment of distributions	—	485,490
Cost of shares redeemed	(7,347,559)	(25,489,438)
Net increase (decrease) in net assets from Portfolio share transactions	25,067,253	(13,727,887)
Increase (decrease) in net assets	40,772,734	(11,223,566)
Net assets at beginning of period	83,969,874	95,193,440
Net assets at end of period (including undistributed net investment income of \$124,121 and accumulated distributions in excess of net investment income of \$3,639, respectively)	\$ 124,742,608	\$ 83,969,874
Other Information (a)		
Shares outstanding at beginning of period	7,479,350	8,773,727
Shares sold	2,693,176	1,059,307
Shares issued to shareholders in reinvestment of distributions	—	44,942
Shares redeemed	(628,403)	(2,398,626)
Net increase (decrease) in Portfolio shares	2,064,773	(1,294,377)
Shares outstanding at end of period	9,544,123	7,479,350

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,	2001(c)	2000(a)	1999(a)	1998(a)	1997(a)	1996(a)(d)
Net asset value, beginning of period	\$ 11.23	10.85	10.65	12.27	10.19	10.00
<i>Income (loss) from investment operations:</i>						
Net investment income (loss)	.01(b)	.02(b)	.07(b)	.09	.12	.13
Net realized and unrealized gain (loss) on investment transactions	1.83	.42	.23	(1.41)	2.06	.06
Total from investment operations	1.84	.44	.30	(1.32)	2.18	.19
<i>Less distributions from:</i>						
Net investment income	—	(.06)	(.10)	—	(.10)	—
Net realized gains on investment transactions	—	—	—	(.30)	—	—
Total distributions	—	(.06)	(.10)	(.30)	(.10)	—
Net asset value, end of period	\$ 13.07	11.23	10.85	10.65	12.27	10.19
Total Return (%)	16.38**	4.05	2.80	(11.25)	21.73	1.86**
Ratios to Average Net Assets and Supplemental Data						
Net assets, end of period (\$ millions)	125	84	95	102	76	13
Ratio of expenses before expense reductions (%)	.78*	.82	.84	.80	.84	.92*
Ratio of expenses after expense reductions (%)	.78*	.82	.83	.80	.84	.90*
Ratio of net investment income (loss) (%)	.27*	.15	.69	1.15	1.18	2.23*
Portfolio turnover rate (%)	34*	36	72	43	22	61*

(a) On June 18, 2001, the Fund implemented a 1 for 10 reverse stock split. Share and per share information, for the periods prior to June 30, 2001, have been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).

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

(c) For the six months ended June 30, 2001 (Unaudited).

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

* Annualized ** Not annualized

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

Scudder Strategic Income Portfolio

As interest rates in the United States continue to decline, portfolio assets were shifted out of Treasuries, where the managers see less value, and into high-yield U.S. securities, which are expected to benefit as the economy gradually rebounds in coming months. A number of coincident leading indicators have shown some bottoming of the economic slowdown, as we expect this trend to continue as the year progresses.

During the second quarter, emerging markets witnessed an increase in volatility, sparked by concerns over Argentina's financing, growth, and short-term fiscal outlook. Brazil has seen its share of weakness as well, witnessed by the weakness in its currency. Contagion from Argentina, political noise, and the looming energy crisis have all pushed the *Real* to historical lows. In addition, the global backdrop has provided little support with the yen weakness and persistent equity market volatility. Until we see signs of long-term sustainable growth out of Argentina as well as meaningful progress towards addressing fiscal solvency, we will remain defensive with our portfolio construction. At the same time, the portfolio's overweight position in Russia has helped performance, as the Russian economy has benefited from economic growth, structural reforms, and firmness in oil prices. Meanwhile, the portfolio was underweight euro-bloc bond exposure due to the weak euro and persistent inflationary pressure.

J. Patrick Beimford

Jan C. Faller

Co-Lead Portfolio Managers

Zurich Scudder Investments, Inc.

Scudder Strategic Income Portfolio

	Principal Amount	Value (\$)		Principal Amount	Value (\$)
Short-Term Investments 35.8%			Japanese Yen 7.1%		
Federal Home Loan Bank, 3.5%*, 7/2/2001	3,411,000	3,410,627	European Investment Bank, 2.125%, 9/20/2007	59,000,000	518,804
Federal National Mortgage Association, 3.72%*, 7/9/2001	1,500,000	1,498,783	KFW International Finance, 1.75%, 3/23/2010	52,000,000	448,175
Total Short-Term Investments (Cost \$4,909,410)		4,909,410			966,979
U.S. Government & Agency Obligations 34.2%			U.S. Dollars 11.7%		
Federal National Mortgage Association, Pass-through Certificates, 7.5%, 10/1/2030	2,288,919	2,336,597	Federative Republic of Brazil:		
U.S. Treasury Bonds:			5.5%, 4/15/2009	14,118	11,541
6.5%, 2/15/2010	1,600,000	1,718,496	7.688%, 4/15/2009	70,588	57,706
8.5%, 2/15/2020	135,000	174,340	8%, 4/15/2014	123,141	91,278
U.S. Treasury Notes:			10.125%, 5/15/2027	115,000	83,490
5.625%, 12/31/2002	325,000	331,958	11.625%, 4/15/2004	62,000	63,085
6.5%, 10/15/2006	125,000	133,115	12.75%, 1/15/2020	65,000	58,012
Total U.S. Government & Agency Obligations (Cost \$4,644,972)		4,694,506	Government Of Jamaica, 11.75%, 5/15/2011	90,000	94,950
Bonds 30.0%			Republic of Bulgaria:		
British Pounds 1.7%			Collateralized Discount Bond, Series A, LIBOR plus .8125% (6.312%), 7/28/2024	100,000	78,375
United Kingdom Treasury Bonds:			Interest Arrears Bond, LIBOR plus .8125% (6.312%), 7/28/2011	53,000	41,737
7.75%, 9/8/2006	50,000	77,679	Republic of Colombia, 9.75%, 4/23/2009	132,000	126,060
9%, 7/12/2011	85,000	154,546	Republic of Panama:		
		232,225	4.5%, 7/17/2014	50,000	44,250
Canadian Dollars 4.4%			10.75%, 5/15/2020	80,000	84,800
Government of Canada, 7.25%, 6/1/2007	850,000	604,239	Republic of Philippines, 10.625%, 3/16/2025	130,000	117,650
Euro 5.1%			Republic of Venezuela Global Bond, 9.25%, 9/15/2027	150,000	103,500
Federal Republic of Germany, 6.25%, 1/4/2024	180,000	162,433	Russian Federation:		
French Treasury Note, 4.5%, 7/12/2003	200,000	170,481	Step-up Coupon, 5% to 3/31/2007, 7.5% to 3/31/2030	125,000	59,219
Government of Germany Obligation, 5%, 11/12/2002	250,000	214,184	5%, 3/31/2030	180,000	84,780
Kredit Fuer Wiederaufbau, 5%, 7/4/2011	180,000	147,866	8.25%, 3/31/2010	100,000	76,625
		694,964	10%, 6/26/2007	40,000	35,500
			United Mexican States:		
			11.375%, 9/15/2016	125,000	150,813
			11.5%, 5/15/2026	115,000	144,900
					1,608,271
			Total Bonds (Cost \$4,149,965)		4,106,678
			Total Investment Portfolio — 100.0% (Cost \$13,704,347) (a)		13,710,594

Notes to Scudder Strategic Income Portfolio of Investments

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

(a) The cost for federal income tax purposes was \$13,712,964. At June 30, 2001, net unrealized depreciation for all securities based on tax cost was \$2,370. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$146,054 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$148,424.

The investments in mortgage-backed securities of the Government National Mortgage Association, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation are interests in separate pools of mortgages. All separate investments 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 may 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, 2001 (Unaudited)

Assets

Investments in securities, at value (cost \$13,704,347)	\$ 13,710,594
Cash	69,904
Receivable for investments sold	1,011,066
Dividends receivable	3,347
Interest receivable	154,533
Receivable for Portfolio shares sold	42,584
Unrealized appreciation on forward currency exchange contracts	23,867
Total assets	15,015,895

Liabilities

Payable for investments purchased	965,515
Unrealized depreciation on forward currency exchange contracts	9,243
Accrued management fee	7,300
Other accrued expenses and payables	20,726
Total liabilities	1,002,784

Net assets, at value	\$ 14,013,111
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Net Assets

Net assets consist of:	
Undistributed net investment income	288,893
Net unrealized appreciation (depreciation) on:	
Investments	6,248
Foreign currency related transactions	58,746
Accumulated net realized gain (loss)	(378,327)
Paid-in capital	14,037,551

Net assets, at value	\$ 14,013,111
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Net Asset Value

Net Asset Value and redemption price per share (\$14,013,111 ÷ 1,400,908 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 10.00
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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, 2001 (Unaudited)

Investment Income

Income:	
Dividends	\$ 19,382
Interest	338,833
Total Income	<u>358,215</u>
Expenses:	
Management fee	36,418
Custodian fees	2,669
Auditing	805
Legal	686
Trustees' fees and expenses	240
Reports to shareholders	932
Other	<u>349</u>
Total expenses, before expense reductions	42,099
Expense reductions	<u>(740)</u>
Total expenses, after expense reductions	41,359
Net investment income (loss)	316,856

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	(41,467)
Foreign currency related transactions	<u>(3,302)</u>
	(44,769)
Net unrealized appreciation (depreciation) during the period on:	
Investments	(106,749)
Foreign currency related transactions	<u>92,118</u>
	(14,631)
Net gain (loss) on investment transactions	(59,400)
Net increase (decrease) in net assets resulting from operations	\$ 257,456

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, 2001 (Unaudited)	Year Ended December 31, 2000
Operations:		
Net investment income (loss)	\$ 316,856	\$ 379,684
Net realized gain (loss) on investment transactions	(44,769)	(373,641)
Net unrealized appreciation (depreciation) on investment transactions during the period	(14,631)	261,469
Net increase (decrease) in net assets resulting from operations	<u>257,456</u>	<u>267,512</u>
Distributions to shareholders from:		
Net investment income	(110,157)	(148,964)
Portfolio share transactions:		
Proceeds from shares sold	6,549,175	5,677,622
Reinvestment of distributions	110,157	148,964
Cost of shares redeemed	(1,787,383)	(2,549,925)
Net increase (decrease) in net assets from Portfolio share transactions	<u>4,871,949</u>	<u>3,276,661</u>
Increase (decrease) in net assets	5,019,248	3,395,209
Net assets at beginning of period	8,993,863	5,598,654
Net assets at end of period (including undistributed net investment income of \$288,893 and \$82,194, respectively)	\$ 14,013,111	\$ 8,993,863
Other Information (a)		
Shares outstanding at beginning of period	912,080	567,879
Shares sold	656,973	590,588
Shares issued to shareholders in reinvestment of distributions	11,091	15,543
Shares redeemed	(179,236)	(261,930)
Net increase (decrease) in Portfolio shares	<u>488,828</u>	<u>344,201</u>
Shares outstanding at end of period	1,400,908	912,080

(a) On June 18, 2001, the Fund implemented a 1 for 10 reverse stock split. Share and per share information, for the periods prior to June 30, 2001, have been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).

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

Financial Highlights

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,	2001(d)(e)	2000(a)	1999(a)	1998(a)	1997(a)(b)
Net asset value, beginning of period	\$ 9.86	9.86	11.09	10.29	10.00
<i>Income (loss) from investment operations:</i>					
Net investment income (loss)	.28(c)	.51(c)	.47(c)	.24	.36
Net realized and unrealized gain (loss) on investment transactions	(.04)	(.26)	(1.10)	.86	(.07)
Total from investment operations	.24	.25	(.63)	1.10	.29
<i>Less distributions from:</i>					
Net investment income	(.10)	(.25)	(.40)	(.20)	—
Net realized gains on investment transactions	—	—	(.20)	(.10)	—
Total distributions	(.10)	(.25)	(.60)	(.30)	—
Net asset value, end of period	\$ 10.00	9.86	9.86	11.09	10.29
Total Return (%)	2.56**	2.57	(5.85)	10.98	2.87**
Ratios to Average Net Assets and Supplemental Data					
Net assets, end of period (\$ millions)	14	9	6	5	2
Ratio of expenses before expense reductions (%)	.75*	1.14	1.03	1.08	1.10*
Ratio of expenses after expense reductions (%)	.74*	1.10	1.01	1.08	1.10*
Ratio of net investment income (loss) (%)	5.66*	5.26	4.57	4.32	5.36*
Portfolio turnover rate (%)	35*	154	212	330	290*

(a) On June 18, 2001, the Fund implemented a 1 for 10 reverse stock split. Share and per share information, for the periods prior to June 30, 2001, have been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).

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

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

(d) For the six months ended June 30, 2001 (Unaudited).

(e) As required, effective January 1, 2001, the Fund has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on debt securities. The effect of this change for the six months ended June 30, 2001 was to decrease net investment income per share by an amount less than one half of \$.01, increase net realized and unrealized gains and losses per share by an amount less than one half of \$.01 and decrease the ratio of net investment income to average net assets from 5.74% to 5.66%. Per share, ratios and supplemental data for periods prior to January 1, 2001 have not been restated to reflect this change in presentation.

* Annualized

** Not annualized

Scudder Technology Growth Portfolio

Like tulips, technology stocks blossomed in April after an exceptionally harsh winter and first quarter. The sector's renewed vibrancy soon withered amid a torrent of negative earnings pre-announcements and massive asset write-downs at high-profile technology companies. Many companies have reduced sales and growth expectations for the balance of 2001.

Scudder Technology Growth Portfolio finished the three months ended June 30, 2001 in positive territory, but the gains were modest. Volatile market conditions made cash management challenging and severely tested investors' patience.

Without question, we are passing through one of the most painful periods in market history, with calendar year-to-date returns and 12-month returns deeply in the red. Still, because of tough investment decisions we have made; we believe we are emerging with portfolios that are generally in better shape than many of our peers.

Since the start of calendar year 2001, there has been a tug-of-war between the positive effects of lower short-term interest rates and continuing poor earnings prospects at many technology companies. The Federal Reserve has cut interest rates 275 basis points, but profits have been worse than expected at many high-profile firms, and this has further destabilized the market.

We are striving to keep our positioning in line with that of the benchmark. We are focusing on reasonably valued companies that have the potential to show fundamental strength. While this approach won't necessarily help performance on a day-to-day basis during a bear market (when even the best stocks can fall sharply), we feel that if we own companies with the strongest potential, it can translate into strong performance potential over the long term. We feel that a high level of diversification is important given the speed at which companies are falling in and out of favor.

Reflecting the makeup of the market, one of the largest positions is in the semiconductor area. Earnings expectations for the group may still be too high, but following the most recent round of negative news from companies in the sector (in early June, after the close of the reporting period), it appears that earnings estimates may be approaching realistic levels. We have been looking to increase the portfolio's position in this area.

Issues such as reduced spending by telephone carriers and smaller capital budgets across many industries have plagued the networking sector. The network-building frenzy of 1999 to early 2000 is over, and stock prices in the area have reflected that. However, we have added stocks of market-leading companies such as Cisco Systems that we believe have cutting edge products that will help their customers cut costs. In the software area, our focus has been on companies that specialize in applications that are mission-critical and/or enable their clients to save money.

Robert L. Horton
Lead Portfolio Manager
Zurich Scudder Investments, Inc.

Scudder Technology Growth Portfolio

	Principal Amount (\$)	Value (\$)	Shares	Value (\$)
Repurchase Agreements 0.4%				
State Street Bank and Trust Company, 3.93%, to be repurchased at \$1,519,497 on 7/2/2001** (Cost \$1,519,000)	1,519,000	1,519,000		
Short-Term Investments 22.3%				
Federal Home Loan Bank, 3.5%***, 7/2/2001 (Cost \$82,582,961)	82,592,000	82,582,961		
			Shares	
Common Stocks 77.3%				
Financial 2.5%				
Other Financial Companies				
iShares Goldman Sachs Technology Index Fund*	154,500	9,254,550		
Media 3.6%				
Broadcasting & Entertainment				
AOL Time Warner, Inc.*	254,700	13,499,100		
Networking 6.7%				
Telecommunications Equipment				
CIENA Corp.*	58,700	2,227,372		
Corning, Inc.	72,100	1,204,791		
Corvis Corp.*	195,700	837,596		
JDS Uniphase Corp.*	121,640	1,601,999		
Lucent Technologies, Inc.	316,900	1,964,780		
Nokia Oyj (ADR)	316,200	6,969,048		
Nortel Networks Corp.	264,400	2,403,396		
QUALCOMM, Inc.*	77,900	4,434,847		
Sonus Networks, Inc.*	103,400	2,346,146		
Tellabs, Inc.*	53,974	998,519		
		<u>24,988,494</u>		
Service Industries 7.5%				
EDP Services 5.9%				
Automatic Data Processing, Inc.	89,600	4,453,120		
Electronic Data Systems Corp.	125,200	7,825,000		
First Data Corp.	67,200	4,317,600		
Fiserv, Inc.*	48,200	2,988,400		
VeriSign, Inc.*	39,700	2,306,570		
		<u>21,890,690</u>		
Miscellaneous Commercial Services 0.7%				
Paychex, Inc.	63,600	2,626,680		
Miscellaneous Consumer Services 0.9%				
eBay, Inc.*	46,000	3,119,260		
Technology 57.0%				
Computer Software 18.4%				
Adobe Systems, Inc.	109,100	5,126,609		
BEA Systems, Inc.*	55,458	1,830,669		
Cadence Design Systems, Inc.*	91,900	1,712,097		
Check Point Software Technologies, Ltd.*	91,000	4,637,360		
Computer Associates International, Inc.	82,300	2,962,800		
Compuware Corp.*	166,000	2,274,200		
Comverse Technology, Inc.*	56,000	3,233,440		
i2 Technologies, Inc.*	63,446	1,249,886		
Intuit, Inc.*	72,877	2,848,762		
Mercury Interactive Corp.*	66,000	4,026,000		
Microsoft Corp.*	232,173	16,658,413		
Oracle Corp.*	471,100	9,261,826		
Palm, Inc.*	166,500	1,012,318		
PeopleSoft, Inc.*	49,800	2,415,300		
Siebel Systems, Inc.*	51,000	2,424,030		
VERITAS Software Corp.*	98,417	6,643,148		
		<u>68,316,858</u>		
Diverse Electronic Products 5.0%				
Dell Computer Corp.*	235,375	6,350,418		
Hewlett-Packard Co.	163,300	4,670,380		
Motorola, Inc.	256,120	4,241,347		
Teradyne, Inc.*	95,100	3,147,810		
		<u>18,409,955</u>		
EDP Peripherals 4.0%				
Brocade Communications Systems, Inc.*	129,100	5,604,231		
EMC Corp.*	189,600	5,507,880		
Network Appliance, Inc.*	104,800	1,442,048		
Symbol Technologies, Inc.	101,700	2,257,740		
		<u>14,811,899</u>		
Electronic Components/Distributors 2.7%				
Altera Corp.*	32,300	957,695		
Analog Devices, Inc.*	126,200	5,458,150		
Flextronics International, Ltd.*	89,100	2,378,079		
Juniper Networks, Inc.*	32,329	1,000,583		
		<u>9,794,507</u>		
Electronic Data Processing 7.1%				
Compaq Computer Corp.	313,600	4,857,664		
International Business Machines Corp. .	128,300	14,497,900		
Sun Microsystems, Inc.*	428,848	6,925,895		
		<u>26,281,459</u>		
Semiconductors 15.8%				
Applied Materials, Inc.*	94,860	4,850,192		
Intel Corp.	404,400	12,269,496		
KLA-Tencor Corp.*	180,900	10,644,156		
Linear Technology Corp.	62,400	2,909,712		
Maxim Integrated Products, Inc.*	75,200	3,539,664		
Micron Technology, Inc.*	170,000	6,987,000		

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

	Shares	Value (\$)		Shares	Value (\$)
Novellus Systems, Inc.*	41,800	2,328,260	Miscellaneous 0.6%		
STMicroelectronics NV (New York shares)	100,000	3,400,000	Agilent Technologies, Inc.*	73,000	2,372,500
Texas Instruments, Inc.	254,544	8,018,136			
Vitesse Semiconductor Corp.*	57,500	1,216,125	Total Common Stocks (Cost \$359,788,140)		286,498,261
Xilinx, Inc.*	60,200	2,495,290	Total Investment Portfolio — 100.0% (Cost \$443,890,101) (a)		370,600,222
		58,658,031			
Telecommunications Equipment 3.4%					
Cisco Systems, Inc.*	645,700	12,474,278			

Notes to Scudder Technology 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 \$443,890,101. At June 30, 2001, net unrealized depreciation for all securities based on tax cost was \$73,289,879. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$16,315,828 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$89,605,707.

At June 30, 2001, outstanding written options were as follows:

Call Options	Shares	Expiration Date	Strike Price (\$)	Market Value (\$)
PeopleSoft, Inc.	498	7/22/2001	47.50	184,260
Total outstanding written options (Premium received \$154,380)				184,260

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

Financial Statements

Statement of Assets and Liabilities as of June 30, 2001 (Unaudited)

Assets

Investments in securities, at value (cost \$443,890,101)	\$ 370,600,222
Cash	103
Receivable for investments sold	1,904,960
Dividends receivable	43,041
Interest receivable	241,613
Receivable for Portfolio shares sold	120,607
Foreign taxes recoverable	400
Total assets	372,910,946

Liabilities

Payable for investments purchased	13,719,262
Written options, at value (premiums received \$154,380)	184,260
Accrued management fee	206,981
Other accrued expenses and payables	77,759
Total liabilities	14,188,262

Net assets, at value \$ 358,722,684

Net Assets

Net assets consist of:	
Undistributed net investment income	422,630
Net unrealized appreciation (depreciation) on:	
Investments	(73,289,879)
Written options	(29,880)
Accumulated net realized gain (loss)	(78,501,390)
Paid-in capital	510,121,203
Net assets, at value	\$ 358,722,684

Net Asset Value

Net Asset Value and redemption price per share (\$358,722,684 ÷ 32,713,309 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized) \$ 10.97

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

Statement of Operations for the six months ended June 30, 2001 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$9,620)	\$ 690,440
Interest	1,184,796
Total Income	<u>1,875,236</u>
Expenses:	
Management fee	1,177,109
Custodian and accounting fees	44,418
Auditing	17,282
Legal	1,750
Trustees' fees and expenses	9,879
Reports to shareholders	39,279
Other	431
Total expenses, before expense reductions	<u>1,290,148</u>
Expense reductions	(2,585)
Total expenses, after expense reductions	<u>1,287,563</u>
Net investment income (loss)	587,673
Realized and unrealized gain (loss) on investment transactions	
Net realized gain (loss) from investments	<u>(35,654,527)</u>
Net unrealized appreciation (depreciation) during the period on:	
Investments	(36,869,271)
Written options	(29,880)
	<u>(36,899,151)</u>
Net gain (loss) on investment transactions	(72,553,678)
Net increase (decrease) in net assets resulting from operations	\$ (71,966,005)

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, 2001 (Unaudited)	Year Ended December 31, 2000
Operations:		
Net investment income (loss)	\$ 587,673	\$ 478,166
Net realized gain (loss) on investment transactions	(35,654,527)	(42,846,863)
Net unrealized appreciation (depreciation) on investment transactions during the period	(36,899,151)	(56,318,845)
Net increase (decrease) in net assets resulting from operations	<u>(71,966,005)</u>	<u>(98,687,542)</u>
Distributions to shareholders from:		
Net investment income	(547,146)	—
Net realized gains	<u>—</u>	<u>(873,790)</u>
Portfolio share transactions:		
Proceeds from shares sold	195,320,430	296,670,353
Reinvestment of distributions	547,146	873,790
Cost of shares redeemed	(34,306,983)	(12,516,859)
Net increase (decrease) in net assets from Portfolio share transactions	<u>161,560,593</u>	<u>285,027,284</u>
Increase (decrease) in net assets	<u>89,047,442</u>	<u>185,465,952</u>
Net assets at beginning of period	269,675,242	84,209,290
Net assets at end of period (including undistributed net investment income of \$422,630 and \$382,103, respectively)	\$ 358,722,684	\$ 269,675,242
Other Information (a)		
Shares outstanding at beginning of period	19,442,070	4,738,845
Shares sold	16,140,167	15,397,268
Shares issued to shareholders in reinvestment of distributions	54,906	41,109
Shares redeemed	(2,923,834)	(735,152)
Net increase (decrease) in Portfolio shares	<u>13,271,239</u>	<u>14,703,225</u>
Shares outstanding at end of period	<u>32,713,309</u>	<u>19,442,070</u>

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,	2001(b)	2000(a)	1999(a)(c)
Net asset value, beginning of period	\$ 13.87	17.77	10.00
<i>Income (loss) from investment operations:</i>			
Net investment income (loss) (d)	.02	.04	.05
Net realized and unrealized gain (loss) on investment transactions	(2.90)	(3.84)	7.72
Total from investment operations	(2.88)	(3.80)	7.77
<i>Less distributions from:</i>			
Net investment income	(.02)	—	—
Net realized gains on investment transactions	—	(.10)	—
Total distributions	(.02)	(.10)	—
Net asset value, end of period	\$ 10.97	13.87	17.77
Total Return (%)	(20.76)**	(21.57)	77.70(e)**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	359	270	84
Ratio of expenses before expense reductions (%)	.81*	.82	1.19*
Ratio of expenses after expense reductions (%)	.81*	.82	.94*
Ratio of net investment income (loss) (%)	.37*	.21	.60*
Portfolio turnover rate (%)	57*	107	34*

(a) On June 18, 2001, the Fund implemented a 1 for 10 reverse stock split. Share and per share information, for the periods prior to June 30, 2001, have been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).

(b) For the six months ended June 30, 2001 (Unaudited).

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

(d) Based on average shares outstanding during the period.

(e) Total return would have been lower had certain expenses not been reduced.

* Annualized ** Not annualized

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

Scudder Total Return Portfolio

Low levels of investor conviction coupled with high anxiety resulted in extremely fickle equity markets. At the period's onset, the portfolio was more aggressively positioned than its competitors. As economic concerns intensified, we pared back stock holdings and raised bonds. Our competitors' larger bond position, and perhaps their earlier purchase of them, enabled them to capture greater gains during the first half of the period. Further, an underweight in technology caused the portfolio to slip when in January the Federal Reserve Board reversed its monetary policy, giving tech a bounce.

Bond holdings helped temper the volatile equity markets and mitigate losses. Risk-averse investors raised demand for higher-quality bonds, which contributed to positive returns. Notably, U.S. Treasury and agency securities — the largest component of bond holdings — benefited from a favorable supply/demand dynamic.

In the second half, the 60/40 split between stocks and bonds proved advantageous amidst a more bullish equity environment. While performance improved markedly, gains were not sufficient to offset earlier losses. In April we increased technology, bringing the portfolio's weighting to par with the benchmark. Following the April rate cut, we began to see significant, sustained technology stock performance. Several new buys climbed, enabling us to take profits and recover lost ground. Long-held names, including Intel and Microsoft (both among the top 10 largest holdings), posted stellar performance.

We intend to maintain the current asset allocation until corporate earnings and economic growth improve. We'll then move to expand equity holdings again. While we do not foresee major changes in industry allocations, we are making the portfolio somewhat more aggressive.

Gary A. Langbaum
Lead Portfolio Manager
Zurich Scudder Investments, Inc.

Scudder Total Return Portfolio

	Principal Amount (\$)	Value (\$)		Principal Amount (\$)	Value (\$)
Short-Term Investments 2.7%			Asset Backed 0.7%		
Federal Home Loan Bank, 3.5%**, 7/2/2001 (Cost \$24,212,350)	24,215,000	24,212,350	Citibank Credit Card Issuance Trust, Series 2000-A1, 6.9%, 10/17/2007 ...	1,750,000	1,824,649
U.S. Government & Agency Obligations 29.0%			Daimler Chrysler Auto Trust, Series 2000-C A3, 6.82%, 9/6/2004	2,000,000	2,061,071
Federal National Mortgage Association:			MBNA Master Credit Card Trust, Series 2000-I A, 6.9%, 1/15/2008	2,050,000	2,141,075
6.5%, 7/1/2030	17,719,763	17,450,245	Total Asset Backed (Cost \$5,797,970)		6,026,795
7% with various maturities to 2/1/2031	7,104,415	7,177,988	Corporate Bonds 8.4%		
7.5% with various maturities to 10/1/2030	7,625,821	7,804,815	Consumer Discretionary 0.6%		
8%, 9/1/2015	2,342,980	2,431,100	AFC Enterprises, 10.25%, 5/15/2007 ...	700,000	728,000
Government National Mortgage Association:			Cinemark USA, Inc., 8.5%, 8/1/2008 ...	800,000	656,000
6.5% with various maturities to 4/15/2029	4,744,289	4,700,491	MGM Grand, Inc., 9.75%, 6/1/2007	1,450,000	1,547,875
7% with various maturities to 6/15/2028	9,642,839	9,741,967	Park Place Entertainment, Inc., 8.5%, 11/15/2006	1,000,000	1,051,971
7.5%, 12/20/2030	4,777,769	4,881,972	Wal-Mart Stores, 6.875%, 8/10/2009 ...	1,625,000	1,683,533
8% with various maturities to 9/15/2030	3,372,792	3,495,157			<u>5,667,379</u>
U.S. Treasury Bonds:			Consumer Staples 0.3%		
5.625%, 11/30/2002	19,485,000	19,893,016	Pepsi Bottling Holdings, Inc., 5.625%, 2/17/2009	1,625,000	1,559,431
6.125%, 8/15/2029	6,350,000	6,577,203	Unilever Capital Corp., 7.125%, 11/1/2010	1,525,000	1,579,992
6.25%, 5/15/2030	5,150,000	5,454,931			<u>3,139,423</u>
9.375%, 2/15/2006	33,275,000	39,238,545	Health 0.2%		
U.S. Treasury Notes:			Magellan Health Services, Inc., 9%, 2/15/2008	2,270,000	2,139,475
4.625%, 5/15/2006	9,125,000	8,999,531	Communications 1.3%		
4.75%, 1/31/2003	8,100,000	8,168,364	Intermedia Communications, 8.6%, 6/1/2008	1,930,000	1,891,400
5%, 2/15/2011	4,450,000	4,317,167	McLeod USA, Inc., Step-up Coupon, 0% to 3/1/2002, 10.5% to 3/1/2007 .	1,650,000	874,500
5.375%, 2/15/2031	6,300,000	5,969,250	Nextel Communications, Inc.:		
5.75%, 11/15/2005	23,680,000	24,253,293	9.375%, 11/15/2009	2,080,000	1,648,400
5.75%, 8/15/2010	19,415,000	19,864,457	9.5%, 2/1/2011	1,650,000	1,293,187
6.25%, 2/28/2002	18,040,000	18,330,264	Qwest Communications International, Inc., 7.5%, 11/1/2008	2,350,000	2,382,712
6.75%, 5/15/2005	40,110,000	42,704,315	Rogers Cantel, Inc., 8.8%, 10/1/2007 ...	2,100,000	1,963,500
Total U.S. Government & Agency Obligations (Cost \$257,535,683)		261,454,071	Sprint Capital Corp., 7.625%, 1/30/2011	1,625,000	1,606,020
Foreign Bonds — U.S.\$ Denominated 0.4%					<u>11,659,719</u>
Esprit Telecom Group PLC, 11.5%, 12/15/2007	630,000	13,387	Financial 2.7%		
MetroNet Communications Corp., Step-up Coupon, 0% to 6/15/2003, 9.95%, 6/15/2008	1,900,000	1,605,025	Capital One Bank, 6.875%, 2/1/2006 ...	1,375,000	1,345,245
Province of Quebec, 5.5%, 4/11/2006 ..	1,500,000	1,477,335	Citigroup, Inc., 7.25%, 10/1/2010	1,625,000	1,686,831
Total Foreign Bonds — U.S.\$ Denominated (Cost \$3,820,070)		3,095,747	Federal National Mortgage Association:		
			5.25%, 6/15/2006	2,875,000	2,833,658
			7%, 7/15/2005	9,480,000	10,016,189
			Fistar Bank NA, 7.125%, 12/1/2009	800,000	824,152

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

	Principal Amount (\$)	Value (\$)
FleetBoston Financial Corp., Series 2000-C, 7.25%, 9/15/2005	1,450,000	1,518,614
Ford Motor Credit Co., 7.6%, 8/1/2005	1,450,000	1,521,804
General Electric Capital Corp., 6.5%, 12/10/2007	1,625,000	1,673,311
PNC Funding Corp., 7.5%, 11/1/2009 ..	825,000	863,313
Wells Fargo & Co.:		
7.25%, 8/24/2005	1,625,000	1,714,895
7.55%, 6/21/2010	625,000	661,906
		<u>24,659,918</u>
Media 1.0%		
CSC Holdings, Inc., 7.875%, 12/15/2007	2,000,000	2,006,898
Charter Communications Holdings LLC, 8.625%, 4/1/2009	500,000	475,000
Comcast Cable Communications, 7.125%, 6/15/2013	1,625,000	1,609,433
News America Holdings, Inc., 9.25%, 2/1/2013	800,000	900,408
Sinclair Broadcasting Group, Inc., 8.75%, 12/15/2007	850,000	809,625
TeleWest Communications PLC, 11% to 10/1/2007	1,975,000	1,663,937
Time Warner, Inc., 9.125%, 1/15/2013	1,625,000	1,860,414
		<u>9,325,715</u>
Service Industries 0.2%		
NTL, Inc., 11.5%, 2/1/2006	2,270,000	1,532,250
Manufacturing 0.4%		
Dow Chemical, 7%, 8/15/2005	1,625,000	1,697,767
International Paper Co., 8%, 7/8/2003	1,625,000	1,700,562
Plainwell, Inc., 11%, 3/1/2008*	1,020,000	10,200
		<u>3,408,529</u>
Technology 0.0%		
PSINet, Inc.:		
10%, 2/15/2005*	810,000	48,600
11.5%, 11/1/2008*	1,040,000	62,400
		<u>111,000</u>
Energy 0.7%		
Petroleum Geo-Services, 7.5%, 3/31/2007	1,625,000	1,596,140
Phillips Petroleum Co., 8.75%, 5/25/2010	1,625,000	1,855,457
Progress Energy, Inc., 6.75%, 3/1/2006	950,000	967,090
Texas Eastern Transmission Corp., 7.3%, 12/1/2010	1,625,000	1,668,648
		<u>6,087,335</u>
Construction 0.5%		
Del Webb Corp., 9.75%, 1/15/2008	2,250,000	2,311,875
Hovnanian Enterprises, Inc., 10.5%, 10/1/2007	1,725,000	1,772,438
		<u>4,084,313</u>

	Principal Amount (\$)	Value (\$)
Utilities 0.5%		
Alabama Power Co., 7.125%, 8/15/2004	800,000	831,544
DTE Energy Co., 6.45%, 6/1/2006	1,550,000	1,559,874
KeySpan Corp., 7.625%, 11/15/2010 ...	1,750,000	1,851,168
		<u>4,242,586</u>
Total Corporate Bonds (Cost \$79,824,030)		<u>76,057,642</u>

Shares

Common Stocks and Warrants 58.8%

Consumer Discretionary 6.0%

Department & Chain Stores

Costco Wholesale Corp.*	135,500	5,696,420
Gap, Inc.	243,100	7,049,900
Home Depot, Inc.	168,100	7,825,055
Kohl's Corp.*	128,900	8,085,897
Lowe's Companies, Inc.	76,600	5,557,330
Target Corp.	234,500	8,113,700
Wal-Mart Stores, Inc.	244,400	11,926,720
		<u>54,255,022</u>

Consumer Staples 2.7%

Food & Beverage 1.9%

Coca-Cola Co.	144,800	6,516,000
PepsiCo, Inc.	120,100	5,308,420
Quaker Oats Co.	32,000	2,920,000
Unilever NV (New York shares)	47,000	2,799,790
		<u>17,544,210</u>

Package Goods/Cosmetics 0.8%

Colgate-Palmolive Co.	120,400	7,102,396
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Health 10.5%

Biotechnology 1.8%

Amgen, Inc.*	89,500	5,541,840
Genentech, Inc.*	98,800	5,443,880
Genzyme Corp. (General Division)*	85,400	5,033,476
		<u>16,019,196</u>

Hospital Management 0.7%

Tenet Healthcare Corp.	128,300	6,618,997
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Medical Supply & Specialty 1.2%

Baxter International, Inc.	121,400	5,948,600
Becton, Dickinson & Co.	132,500	4,742,175
		<u>10,690,775</u>

Pharmaceuticals 6.8%

Abbott Laboratories	218,300	10,480,583
Allergan, Inc.	81,300	6,951,150
American Home Products Corp.	125,200	7,316,688
Eli Lilly & Co.	50,700	3,751,800
Johnson & Johnson	293,866	14,693,300
Pfizer, Inc.	390,075	15,622,504

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

	Shares	Value (\$)		Shares	Value (\$)
Schering-Plough Corp.	68,000	2,464,320			
		61,280,345			
Communications 1.4%			Durables 0.8%		
Cellular Telephone 0.7%			Aerospace		
AT&T Wireless Services, Inc.*	216,600	3,541,410	General Dynamics Corp.	37,400	2,910,094
QUALCOMM, Inc.*	56,000	3,188,080	United Technologies Corp.	53,900	3,948,714
		6,729,490			6,858,808
Telephone/Communications 0.7%			Manufacturing 4.6%		
BroadWing, Inc.*	248,200	6,068,490	Chemicals 1.2%		
Olivetti SpA, Warrants	960	272	PPG Industries, Inc.	112,600	5,919,382
		6,068,762	Praxair, Inc.	107,000	5,029,000
					10,948,382
Financial 11.1%			Diversified Manufacturing 2.6%		
Banks 2.7%			General Electric Co.	479,400	23,370,750
Fifth Third Bancorp.	80,000	4,828,000	Siemens AG	675	41,004
J.P. Morgan Chase & Co.	174,450	7,780,470			23,411,754
Mellon Financial Corp.	131,500	6,049,000	Machinery/Components/Controls 0.8%		
National City Corp.	178,900	5,506,542	Illinois Tool Works, Inc.	104,835	6,636,056
		24,164,012			
Insurance 4.6%			Technology 11.6%		
Allstate Corp.	185,700	8,168,943	Computer Software 4.2%		
American International Group, Inc.	133,937	11,518,582	BEA Systems, Inc.*	92,600	3,056,726
Hartford Financial Services Group, Inc. .	121,400	8,303,760	i2 Technologies, Inc.*	189,900	3,741,030
Jefferson Pilot Corp.	115,874	5,599,032	Microsoft Corp.*	308,300	22,120,525
St. Paul Companies, Inc.	149,000	7,552,810	PeopleSoft, Inc.*	60,000	2,910,000
		41,143,127	Siebel Systems, Inc.*	65,000	3,089,450
Consumer Finance 3.3%			VERITAS Software Corp.*	41,850	2,824,875
Citigroup, Inc.	290,099	15,328,831			37,742,606
Household International, Inc.	118,662	7,914,755	Diverse Electronic Products 1.6%		
Providian Financial Corp.	118,200	6,997,440	Dell Computer Corp.*	278,400	7,511,232
		30,241,026	Hewlett-Packard Co.	145,000	4,147,000
Investment 0.5%			Teradyne, Inc.*	100,000	3,310,000
Merrill Lynch & Co., Inc.	68,500	4,058,625			14,968,232
Media 4.5%			EDP Peripherals 0.3%		
Advertising 0.7%			Brocade Communications Systems,		
Omnicom Group, Inc.	71,100	6,114,600	Inc.*	58,500	2,539,485
Broadcasting & Entertainment 2.7%			Electronic Data Processing 1.0%		
AOL Time Warner, Inc.*	172,000	9,116,000	International Business Machines Corp. .	80,800	9,130,400
Clear Channel Communications, Inc.* ..	103,200	6,470,640			
Viacom, Inc. "B"*	168,639	8,727,068	Semiconductors 4.0%		
		24,313,708	Applied Materials, Inc.*	81,200	4,151,756
Cable Television 0.4%			Intel Corp.	392,000	11,893,280
AT&T Corp. — Liberty Media Group			KLA-Tencor Corp.*	69,800	4,107,032
"A"*	233,500	4,083,915	Linear Technology Corp.	65,200	3,040,276
			Micron Technology, Inc.*	100,000	4,110,000
Print Media 0.7%			Texas Instruments, Inc.	193,900	6,107,850
Tribune Co.	157,800	6,313,578	Xilinx, Inc.*	66,000	2,735,700
					36,145,894
Service Industries 0.6%			Telecommunications		
Miscellaneous Commercial Services			Equipment 0.5%		
United Parcel Service "B"	98,200	5,675,960	Cisco Systems, Inc.*	227,000	4,385,413
			Energy 3.9%		
			Oil & Gas Production 3.2%		
			BP PLC (ADR)	101,600	5,064,760

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

	Shares	Value (\$)
Exxon Mobil Corp.	161,929	14,144,498
Nabors Industries, Inc.*	132,500	4,929,000
Royal Dutch Petroleum Co. (New York shares)	88,900	5,180,203
		<u>29,318,461</u>
Oilfield Services/Equipment 0.7%		
BJ Services Co.*	212,000	6,016,560
Transportation 0.9%		
Railroads		
Union Pacific Corp.	144,100	7,912,531

	Shares	Value (\$)
Utilities 0.2%		
Electric Utilities		
Mirant Corp.	47,900	1,647,760
Total Common Stocks and Warrants (Cost \$463,077,156)		530,080,086
Total Investment Portfolio — 100.0% (Cost \$834,267,259) (a)		900,926,691

Notes to Scudder Total Return Portfolio of Investments

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

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

(a) The cost for federal income tax purposes was \$836,010,215. At June 30, 2001, net unrealized appreciation for all securities based on tax cost was \$64,916,476. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$88,333,563 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$23,417,087.

The investments in mortgage-backed securities of the Government National Mortgage Association and Federal National Mortgage Association are interests in separate pools of mortgages. All separate investments 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 may 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, 2001 (Unaudited)

Assets

Investments in securities, at value (cost \$834,267,259)	\$ 900,926,691
Cash	3,462
Foreign currency, at value (cost \$37,220)	36,871
Receivable for investments sold	2,176,114
Dividends receivable	207,656
Interest receivable	5,381,718
Receivable for Portfolio shares sold	314,102
Foreign taxes recoverable	29,302
Total assets	909,075,916

Liabilities

Payable for investments purchased	4,272,809
Notes payable	1,300,000
Payable for Portfolio shares redeemed	212,004
Accrued management fee	429,303
Other accrued expenses and payables	275,762
Total liabilities	6,489,878

Net assets, at value **\$ 902,586,038**

Net Assets

Net assets consist of:	
Undistributed net investment income	9,997,536
Net unrealized appreciation (depreciation) on:	
Investments	66,150,933
Foreign currency related transactions	(3,666)
Accumulated net realized gain (loss)	(16,225,558)
Paid-in capital	842,666,793
Net assets, at value	\$ 902,586,038

Net Asset Value

Net Asset Value and redemption price per share (\$902,586,038 ÷ 38,808,296 outstanding shares of beneficial interest, \$0.01 par value, unlimited number of shares authorized) **\$ 23.26**

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

Statement of Operations for the six months ended June 30, 2001 (Unaudited)

Investment Income

Income:	
Dividends	\$ 2,417,136
Interest	11,504,701
Total Income	13,921,837
Expenses:	
Management fee	2,308,552
Custodian fees	15,100
Auditing	52,482
Legal	10,209
Trustees' fees and expenses	33,162
Other	4,530
Total expenses, before expense reductions	2,424,035
Expense reductions	(466)
Total expenses, after expense reductions	2,423,569
Net investment income (loss)	11,498,268

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	(13,772,820)
Foreign currency related transactions	(1,644)
	(13,774,464)
Net unrealized appreciation (depreciation) during the period on:	
Investments	(25,669,278)
Foreign currency related transactions	(786)
	(25,670,064)
Net gain (loss) on investment transactions	(39,444,528)

Net increase (decrease) in net assets resulting from operations	\$ (27,946,260)
--	------------------------

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, 2001 (Unaudited)	Year Ended December 31, 2000
Operations:		
Net investment income (loss)	\$ 11,498,268	\$ 24,855,323
Net realized gain (loss) on investment transactions	(13,774,464)	29,572,830
Net unrealized appreciation (depreciation) on investment transactions during the period	(25,670,064)	(77,942,993)
Net increase (decrease) in net assets resulting from operations	(27,946,260)	(23,514,840)
Distributions to shareholders from:		
Net investment income	(25,554,195)	(29,012,969)
Net realized gains	(30,345,606)	(43,519,453)
Portfolio share transactions:		
Proceeds from shares sold	18,952,400	17,090,676
Net assets acquired in tax-free reorganizations	109,998,831	—
Reinvestment of distributions	55,899,801	72,532,422
Cost of shares redeemed	(49,028,155)	(95,451,365)
Net increase (decrease) in net assets from Portfolio share transactions	135,822,877	(5,828,267)
Increase (decrease) in net assets	51,976,816	(101,875,529)
Net assets at beginning of period	850,609,222	952,484,751
Net assets at end of period (including undistributed net investment income of \$9,997,536 and \$24,053,463, respectively)	\$ 902,586,038	\$ 850,609,222
Other Information (a)		
Shares outstanding at beginning of period	32,828,444	33,047,701
Shares sold	800,580	628,530
Shares issued in tax-free reorganizations	4,693,137	—
Shares issued to shareholders in reinvestment of distributions	2,497,199	2,680,132
Shares redeemed	(2,011,064)	(3,527,919)
Net increase (decrease) in Portfolio shares	5,979,852	(219,257)
Shares outstanding at end of period	38,808,296	32,828,444

(a) On June 18, 2001, the Fund implemented a 1 for 10 reverse stock split. Share and per share information, for the periods prior to June 30, 2001, have been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).

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,	2001(b)(d)	2000(a)	1999(a)	1998(a)	1997(a)	1996(a)
Net asset value, beginning of period	\$ 25.91	28.82	27.35	28.22	28.15	25.79
<i>Income (loss) from investment operations:</i>						
Net investment income (loss)	.32(c)	.74(c)	.84(c)	.86	.90	.84
Net realized and unrealized gain (loss) on investment transactions	(1.22)	(1.40)	3.03	3.17	3.77	3.22
Total from investment operations	(.90)	(.66)	3.87	4.03	4.67	4.06
<i>Less distributions from:</i>						
Net investment income	(.80)	(.90)	(.90)	(.90)	(.90)	(.90)
Net realized gains on investment transactions	(.95)	(1.35)	(1.50)	(4.00)	(3.70)	(.80)
Total distributions	(1.75)	(2.25)	(2.40)	(4.90)	(4.60)	(1.70)
Net asset value, end of period	\$ 23.26	25.91	28.82	27.35	28.22	28.15
Total Return (%)	(3.22)**	(2.63)	14.81	15.14	19.96	16.76

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	903	851	952	865	787	697
Ratio of expenses (%)	.58*	.61	.61	.60	.60	.59
Ratio of net investment income (loss) (%)	2.74*	2.75	3.12	3.33	3.32	3.21
Portfolio turnover rate (%)	111*	107	80	81	122	90

(a) On June 18, 2001, the Fund implemented a 1 for 10 reverse stock split. Share and per share information, for the periods prior to June 30, 2001, have been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).

(b) For the six months ended June 30, 2001 (Unaudited).

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

(d) As required, effective January 1, 2001, the Fund has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on debt securities. The effect of this change for the six months ended June 30, 2001 was to decrease net investment income per share by \$.01, increase net realized and unrealized gains and losses per share by \$.01 and decrease the ratio of net investment income to average net assets from 2.78% to 2.74%. Per share, ratios and supplemental data for periods prior to January 1, 2001 have not been restated to reflect this change in presentation.

* Annualized

** Not annualized

SVS Dreman Financial Services Portfolio

Despite a favorable environment characterized by falling interest rates and a resurgence of interest in conventional value stocks, performance of the financial sector was lackluster overall. While the broadening of the market was positive for financials, low levels of investor conviction coupled with high anxiety resulted in extremely fickle markets.

Our more conservative approach precluded us from participating in more speculative sub-sectors, including some brokerage houses, online trading companies, and lenders. While this caused the portfolio to lose ground early on, it provided a distinct advantage when the groups reversed, ultimately pushing the portfolio past the benchmark.

Performance was hampered by the portfolio's overweighted positions in major regional banks, which remained unpopular with investors, and money center banks, which, due to their exposure to credit card losses, were vulnerable to the weak consumer economy. Normally strong contributors Fannie Mae and Freddie Mac (among the portfolio's largest positions) suffered setbacks. Similarly, American International Group (AIG) slipped, along with most insurers.

Given our ongoing economic concerns, we intend to maintain the portfolio's defensive positioning. We will remain underweighted in money center banks, which, in addition to credit card risk, have greater exposure to a recession in Europe or the Third World. We expect continued consolidation within the insurance industry and will seek to build our position in property and casualty companies. Finally, we will remain overweighted in regional banks. We're optimistic that investors soon will recognize their attractive combination of fundamental strength and depressed valuations, which should help drive up demand and prices.

David N. Dreman
Lead Portfolio Manager
Dreman Value Management LLC
Subadvisor to the Portfolio

SVS Dreman Financial Services Portfolio

	Principal Amount (\$)	Value (\$)		Shares	Value (\$)
Short-Term Investments 7.7%					
Federal Home Loan Bank, Discount Note, 3.5%** ^{7/2/2001} (Cost \$6,952,239)	6,953,000	6,952,239			
			Shares		
Convertible Preferred Stocks 0.2%					
Financial					
Corrections Corporation (Cost \$170,079)	10,099	140,378			
Common Stocks 92.1%					
Health 1.1%					
Health Industry Services					
CIGNA Corp.	10,100	967,782			
Financial 91.0%					
Banks 40.9%					
BancWest Corp.	48,550	1,670,120			
Bank of America Corp.	73,473	4,410,584			
Bank One Corp.	79,852	2,858,702			
Banknorth Group, Inc.	19,200	432,192			
Colonial BancGroup, Inc.	36,450	524,151			
Corus Bankshares, Inc.	15,150	907,485			
First Union Corp.	54,200	1,893,748			
FleetBoston Financial Corp.	102,349	4,037,668			
Golden West Financial Corp.	8,500	546,040			
J.P. Morgan Chase & Co.	89,895	4,009,317			
KeyCorp.	84,675	2,205,784			
Mellon Financial Corp.	30,100	1,384,600			
National Bank of Canada	94,200	1,804,955			
North Fork Bancorp, Inc.	18,650	578,150			
PNC Financial Services Group	53,300	3,506,607			
Popular, Inc.	24,800	803,768			
Provident Financial Group	10,715	354,238			
SunTrust Banks, Inc.				16,700	1,081,826
Wells Fargo & Co.				82,500	3,830,475
					36,840,410
Insurance 19.4%					
Aegon NV (ADR)				9,760	277,183
Allstate Corp.				23,005	1,011,989
American International Group, Inc.				96,073	8,262,278
Chubb Corp.				10,050	778,172
Jefferson Pilot Corp.				7,213	348,508
Lincoln National Corp.				12,350	639,113
Ohio Casualty Corp.				100,500	1,306,500
Safeco Corp.				82,850	2,455,674
St. Paul Companies, Inc.				36,750	1,862,858
The Phoenix Companies, Inc.*				4,600	85,560
Torchmark Corp.				9,750	392,048
					17,419,883
Investment 5.3%					
Bear Stearns Companies, Inc.				10,940	645,132
Charles Schwab Corp.				9,800	149,940
Franklin Resources, Inc.				13,050	597,299
Lehman Brothers Holdings, Inc.				11,336	881,374
Merrill Lynch & Co., Inc.				42,700	2,529,975
					4,803,720
Consumer Finance 8.3%					
American Express Co.				55,600	2,157,279
Citigroup, Inc.				81,200	4,290,608
Household International, Inc.				16,000	1,067,200
					7,515,087
Other Financial Companies 17.1%					
Corrections Corporation				15,360	244,992
Fannie Mae				73,540	6,261,931
Freddie Mac				70,595	4,941,650
Marsh & McLennan Companies, Inc.				11,450	1,156,450
USA Education, Inc.				12,550	916,150
Washington Mutual, Inc.				49,180	1,846,709
					15,367,882
Total Common Stocks (Cost \$73,974,131)					82,914,764
Total Investment Portfolio — 100.0% (Cost \$81,096,449) (a)					90,007,381

Notes to SVS Dreman Financial Services 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 \$81,466,185. At June 30, 2001, net unrealized appreciation for all securities based on tax cost was \$8,541,196. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$11,349,780 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$2,808,584.

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

Financial Statements

Statement of Assets and Liabilities as of June 30, 2001 (Unaudited)

Assets

Investments in securities, at value (cost \$81,096,449)	\$ 90,007,381
Cash	70,106
Receivable for investments sold	88,508
Dividends receivable	91,230
Interest receivable	18,909
Receivable for Portfolio shares sold	139,437
Total assets	90,415,571

Liabilities

Payable for Portfolio shares redeemed	3,747
Accrued management fee	53,355
Other accrued expenses and payables	17,341
Total liabilities	74,443

Net assets, at value	\$ 90,341,128
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Net Assets

Net assets consist of:	
Undistributed net investment income	376,865
Net unrealized appreciation (depreciation) on:	
Investments	8,910,932
Foreign currency related transactions	23
Accumulated net realized gain (loss)	(836,638)
Paid-in capital	81,889,946
Net assets, at value	\$ 90,341,128

Net Asset Value

Net Asset Value and redemption price per share ($\$90,341,128 \div 8,016,435$ outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 11.27
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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, 2001 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$6,410)	\$ 726,021
Interest	119,207
Total income	<u>845,228</u>
Expenses:	
Management fee	278,006
Custodian and accounting fees	31,749
Auditing	7,679
Legal	2,108
Trustees' fees and expenses	3,059
Reports to shareholders	5,931
Other	311
Total expenses, before expense reductions	<u>328,843</u>
Expense reductions	(738)
Total expenses, after expense reductions	<u>328,105</u>
Net investment income (loss)	517,123

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	(420,034)
Foreign currency related transactions	160
	<u>(419,874)</u>
Net unrealized appreciation (depreciation) during the period on:	
Investments	289,942
Foreign currency related transactions	23
	<u>289,965</u>
Net gain (loss) on investment transactions	(129,909)
Net increase (decrease) in net assets resulting from operations	\$ 387,214

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

Statements of Changes in Net Assets

	Six Months Ended June 30, 2001 (Unaudited)	Year Ended December 31, 2000
Increase (Decrease) in Net Assets		
Operations:		
Net investment income (loss)	\$ 517,123	\$ 819,945
Net realized gain (loss) on investment transactions	(419,874)	33,637
Net unrealized appreciation (depreciation) on investment transactions during the period	289,965	10,768,704
Net increase (decrease) in net assets resulting from operations	387,214	11,622,286
Distributions to shareholders from:		
Net investment income	(854,423)	(497,354)
Net realized gains	(328,624)	(66,314)
Portfolio share transactions:		
Proceeds from shares sold	36,753,664	37,137,247
Reinvestment of distributions	1,183,047	563,668
Cost of shares redeemed	(12,658,591)	(10,219,358)
Net increase (decrease) in net assets from Portfolio share transactions	25,278,120	27,481,557
Increase (decrease) in net assets	24,482,287	38,540,175
Net assets at beginning of period	65,858,841	27,318,666
Net assets at end of period (including undistributed net investment income of \$376,865 and \$714,165, respectively)	\$ 90,341,128	\$ 65,858,841
Other Information (a)		
Shares outstanding at beginning of period	5,713,070	2,955,670
Shares sold	3,354,205	3,787,834
Shares issued to shareholders in reinvestment of distributions	114,361	61,573
Shares redeemed	(1,165,201)	(1,092,007)
Net increase (decrease) in Portfolio shares	2,303,365	2,757,400
Shares outstanding at end of period	8,016,435	5,713,070

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,	2001(d)	2000(a)	1999(a)	1998(a)(b)
Net asset value, beginning of period	\$ 11.53	9.24	9.78	10.00
<i>Income (loss) from investment operations:</i>				
Net investment income (loss)	.08(c)	.19(c)	.18(c)	.04
Net realized and unrealized gain (loss) on investment transactions	(.16)	2.27	(.67)	(.26)
Total from investment operations	(.08)	2.46	(.49)	(.22)
<i>Less distributions from:</i>				
Net investment income	(.13)	(.15)	(.05)	—
Net realized gains on investment transactions	(.05)	(.02)	—	—
Total distributions	(.18)	(.17)	(.05)	—
Net asset value, end of period	\$ 11.27	11.53	9.24	9.78
Total Return (%)	(.53)**	27.04	(5.05)(e)	(2.20)(e)**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	90	66	27	16
Ratio of expenses before expense reductions (%)	.89*	.91	1.04	1.73*
Ratio of expenses after expense reductions (%)	.89*	.89	.99	.99*
Ratio of net investment income (loss) (%)	1.40*	2.01	1.75	1.29*
Portfolio turnover rate (%)	3*	13	13	6*

(a) On June 18, 2001, the Fund implemented a 1 for 10 reverse stock split. Share and per share information, for the periods prior to June 30, 2001, have been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).

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

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

(d) For the six months ended June 30, 2001 (Unaudited).

(e) Total return would have been lower had certain expenses not been reduced.

* Annualized ** Not annualized

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

SVS Dreman High Return Equity Portfolio

Value stocks continued to outperform their growth counterparts, reversing an aberrant trend that had lasted several years. The shift was the result of the renewed price consciousness and reemphasis on company fundamentals of investors wearied by stock market volatility and crippling losses. Also, despite the Federal Reserve Board's dramatic attempts to stimulate the economy (ultimately including six interest rate cuts) fears of recession intensified, turning investors toward traditionally defensive industries.

Our strictly disciplined value investing strategy enabled the portfolio to decisively outperform its benchmark and peers. Unlike many value managers, in 1998 and 1999 we resisted the temptation to slip in technology or other growth stocks to boost returns. While we gave up some ground initially, our unwillingness to compromise our investment criteria has provided a significant advantage since technology reversed and value returned to favor.

During the period, we capitalized on rare opportunities to buy fundamentally sound consumer cyclical and conventional growth companies that had declined sharply, including a few high-end retailers and blue chip technology names. We reduced holdings in health care and took profits on oil services stocks that had appreciated considerably. We maintained our weightings in financials, tobacco, and in integrated oil companies, which should benefit from rising oil and gas prices.

We intend to keep the portfolio somewhat defensively positioned, due to ongoing economic concerns, while at the same time being aggressively opportunistic. Exceptional opportunities now exist to find fast-growing companies that have been knocked down into value territory.

David N. Dreman
Lead Portfolio Manager
Dreman Value Management LLC
Subadvisor to the Portfolio

SVS Dreman High Return Equity Portfolio

	Principal Amount (\$)	Value (\$)		Shares	Value (\$)
Repurchase Agreements 1.5%					
State Street Bank and Trust Company, 3.93%, to be repurchased at \$4,273,399 on 7/2/2001** (Cost \$4,272,000)	4,272,000	4,272,000			
Commercial Paper 1.8%					
Ciesco LP, 3.78%***, 8/1/2001 (Cost \$4,983,725)	5,000,000	4,983,725			
Short-Term Investments 7.7%					
Federal Home Loan Bank, 3.5%***, 7/2/2001 (Cost \$21,221,677)	21,224,000	21,221,677			
			Shares		
Convertible Preferred Stocks 0.1%					
Financial					
Other Financial Companies					
Corrections Corp. (Cost \$204,908)	12,167	169,127			
Common Stocks 88.9%					
Consumer Discretionary 11.0%					
Department & Chain Stores 5.2%					
Best Buy Co., Inc.*	70,950	4,506,744			
Federated Department Stores, Inc.*	65,400	2,779,500			
Gap, Inc.	214,020	6,206,580			
Nordstrom, Inc.	46,855	869,160			
		14,361,984			
Specialty Retail 5.8%					
Borders Group, Inc.*	403,450	9,037,280			
Staples, Inc.*	171,415	2,591,795			
Toys "R" Us, Inc.*	175,890	4,353,278			
		15,982,353			
Consumer Staples 21.6%					
Alcohol & Tobacco					
Imperial Tobacco Group ADR	46,895	1,111,412			
Philip Morris Companies, Inc.	615,620	31,242,715			
R.J. Reynolds Tobacco Holdings, Inc. ...	189,073	10,323,386			
UST, Inc.	391,590	11,301,287			
Universal Corp.	141,220	5,600,785			
		59,579,585			
Health 13.3%					
Health Industry Services 5.6%					
Humana, Inc.*	881,030	8,678,146			
McKesson HBOC, Inc.	187,600	6,963,712			
		15,641,858			
Hospital Management 3.9%					
Tenet Healthcare Corp.*			209,400		10,802,946
Pharmaceuticals 3.8%					
Bristol-Myers Squibb Co.			48,800		2,552,240
Merck & Co., Inc.			81,100		5,183,101
Schering-Plough Corp.			73,400		2,660,016
					10,395,357
Communications 1.8%					
Telephone/Communications					
Lucent Technologies, Inc.			305,450		1,893,790
Nortel Networks Corp.			325,670		2,960,340
					4,854,130
Financial 23.9%					
Banks 11.3%					
Bank One Corp.			223,705		8,008,653
Bank of America Corp.			86,296		5,180,349
First Union Corp.			113,071		3,950,701
FleetBoston Financial Corp.			136,203		5,373,208
KeyCorp.			176,315		4,593,006
PNC Financial Services Group			61,749		4,062,467
					31,168,384
Insurance 1.5%					
Ohio Casualty Corp.			20,030		260,390
Safeco Corp.			41,135		1,219,241
St. Paul Companies, Inc.			44,635		2,262,548
The Phoenix Companies, Inc.*			14,000		260,400
					4,002,579
Other Financial Companies 11.1%					
Freddie Mac			191,841		13,428,870
Fannie Mae			160,973		13,706,851
Washington Mutual, Inc.			97,770		3,671,264
					30,806,985
Service Industries 2.1%					
Environmental Services					
Transocean Sedo Forex, Inc.			45,300		1,868,625
Waste Management, Inc.			129,865		4,002,439
					5,871,064
Manufacturing 0.0%					
Office Equipment/Supplies					
Xerox Corp.			11,700		111,969
Technology 5.4%					
Computer Software 0.7%					
Oracle Corp.*			105,155		2,067,347
Diverse Electronic Products 2.5%					
Hewlett-Packard Co.			199,320		5,700,552
Motorola, Inc.			72,450		1,199,772
					6,900,324

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

	Shares	Value (\$)		Shares	Value (\$)
Electronic Data Processing 1.2%			Oilfield Services/Equipment 0.2%		
Apple Computer, Inc.*	133,950	3,232,213	Santa Fe International Corp.	22,100	640,900
Semiconductors 1.0%			Utilities 0.0%		
Intel Corp.	91,750	2,783,695	Natural Gas Distribution		
Energy 9.7%			NiSource, Inc.*		
Oil & Gas Production 9.5%			43,290		
BP PLC (ADR)	56,434	2,813,235	Miscellaneous 0.1%		
Conoco, Inc.	109,900	3,176,110	Miscellaneous		
Conoco, Inc. "A"	376,795	10,625,619	Corrections Corporation		
Nabors Industries, Inc.*	10,000	372,000	18,506		
Texaco, Inc.	138,175	9,202,455	Total Common Stocks (Cost \$223,086,626)		
		26,189,419	245,790,860		
			Total Investment Portfolio — 100.0%		
			(Cost \$253,768,936) (a)		
			276,437,389		

Notes to SVS Dreman High Return Equity 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 \$254,792,685. At June 30, 2001, net unrealized appreciation for all securities based on tax cost was \$21,644,704. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$35,136,676 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$13,491,972.

At June 30, 2001, open futures purchased were as follows:

Futures	Expiration Date	Contracts	Aggregate Face Value (\$)	Value (\$)
S&P 500 Futures	September 20, 2001	41	13,097,267	12,669,001
Total net unrealized depreciation on open futures contracts				(428,266)

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

Financial Statements

Statement of Assets and Liabilities as of June 30, 2001 (Unaudited)

Assets

Investments in securities, at value (cost \$253,768,936)	\$ 276,437,389
Cash	708,229
Receivable for investments sold	613,645
Dividends receivable	579,221
Interest receivable	71,111
Receivable for Portfolio shares sold	1,096,028
Receivable for daily variation margin on open futures contracts	92,250
Total assets	279,597,873

Liabilities

Payable for investments purchased	4,435,499
Payable for Portfolio shares redeemed	220,266
Accrued management fee	159,266
Other accrued expenses and payables	21,227
Total liabilities	4,836,258

Net assets, at value	\$ 274,761,615
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Net Assets

Net assets consist of:	
Undistributed net investment income	1,433,770
Net unrealized appreciation (depreciation) on:	
Investments	22,668,453
Futures	(428,266)
Accumulated net realized gain (loss)	(1,380,500)
Paid-in capital	252,468,158
Net assets, at value	\$ 274,761,615

Net Asset Value

Net Asset Value and redemption price per share (\$274,761,615 ÷ 24,548,336 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 11.19
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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, 2001 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$6,931)	\$ 2,124,879
Interest	511,971
Total Income	<u>2,636,850</u>
Expenses:	
Management fee	773,777
Custodian and accounting fees	29,121
Auditing	11,523
Legal	1,047
Trustees' fees and expenses	3,978
Reports to shareholders	2,210
Other	2,211
Total expenses, before expense reductions	<u>823,867</u>
Expense reductions	(55)
Total expenses, after expense reductions	823,812
Net investment income (loss)	1,813,038

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	890,402
Futures	(475,132)
	<u>415,270</u>
Net unrealized appreciation (depreciation) during the period on:	
Investments	9,269,737
Futures	(428,266)
	<u>8,841,471</u>
Net gain (loss) on investment transactions	9,256,741
Net increase (decrease) in net assets resulting from operations	\$ 11,069,779

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

Statements of Changes in Net Assets

	Six Months Ended June 30, 2001 (Unaudited)	Year Ended December 31, 2000
Increase (Decrease) in Net Assets		
Operations:		
Net investment income (loss)	\$ 1,813,038	\$ 3,402,482
Net realized gain (loss) on investment transactions	415,270	(1,077,610)
Net unrealized appreciation (depreciation) on investment transactions during the period	8,841,471	31,915,716
Net increase (decrease) in net assets resulting from operations	11,069,779	34,240,588
Distributions to shareholders from:		
Net investment income	(2,559,657)	(2,301,095)
Net realized gains	—	(5,752,737)
Fund share transactions:		
Proceeds from shares sold	101,631,425	44,557,632
Reinvestment of distributions	2,559,657	8,053,832
Cost of shares redeemed	(5,874,075)	(24,311,394)
Net increase (decrease) in net assets from Portfolio share transactions	98,317,007	28,300,070
Increase (decrease) in net assets	106,827,129	54,486,826
Net assets at beginning of period	167,934,486	113,447,660
Net assets at end of period (including undistributed net investment income of \$1,433,770 and \$2,180,389, respectively)	\$ 274,761,615	\$ 167,934,486
Other Information (a)		
Shares outstanding at beginning of period	15,588,218	12,655,334
Shares sold	9,262,245	4,768,093
Shares issued to shareholders in reinvestment of distributions	245,103	990,570
Shares redeemed	(547,230)	(2,825,779)
Net increase (decrease) in Portfolio shares	8,960,118	2,932,884
Shares outstanding at end of period	24,548,336	15,588,218

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,	2001(d)	2000(a)	1999(a)	1998(a)(b)
Net asset value, beginning of period	\$ 10.77	8.96	10.28	10.00
<i>Income (loss) from investment operations:</i>				
Net investment income (loss)	.09(c)	.26(c)	.26(c)	.08
Net realized and unrealized gain (loss) on investment transactions	.47	2.25	(1.38)	.20
Total from investment operations	.56	2.51	(1.12)	.28
<i>Less distributions from:</i>				
Net investment income	(.14)	(.20)	(.10)	—
Net realized gains on investment transactions	—	(.50)	(.10)	—
Total distributions	(.14)	(.70)	(.20)	—
Net asset value, end of period	\$ 11.19	10.77	8.96	10.28
Total Return (%)	5.27**	30.52	(11.16)	2.80(e)**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	275	168	113	59
Ratio of expenses before expense reductions (%)	.80*	.85	.86	1.20*
Ratio of expenses after expense reductions (%)	.80*	.84	.86	.87*
Ratio of net investment income (loss) (%)	1.75*	2.85	2.57	2.77*
Portfolio turnover rate (%)	12*	37	24	5*

(a) On June 18, 2001, the Fund implemented a 1 for 10 reverse stock split. Share and per share information, for the periods prior to June 30, 2001, have been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).

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

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

(d) For the six months ended June 30, 2001 (Unaudited).

(e) Total return would have been lower had certain expenses not been reduced.

* Annualized ** Not annualized

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

SVS Dynamic Growth Portfolio

Since its inception, the portfolio declined, lagging both the S&P MidCap 400 Index and the Russell MidCap Growth Index. Hindering performance was the portfolio's weighting in transportation and energy stocks. Falling oil and gas prices, uncertainties over the legal environment in California, and the build-up of inventories negatively impacted the energy sector as a whole.

Among the sectors that contributed to the portfolio's showing were leisure, technology and financial services. The portfolio's health care stocks also made strong contributions to performance during the period, led by Forest Laboratories. Forest continues to gain traction with both new and existing products, and Wall Street has started to take notice of the company's healthy long-term growth prospects. King Pharmaceuticals also advanced after the company received approval from the FDA to sell its thyroid treatment.

Other individual standouts included VeriSign Inc., whose software secures transactions on the Internet. VeriSign Inc. rallied sharply after reporting a 500% year-on-year surge in first quarter revenues. Later in the period, the company announced it would expand its Web site registration services. Investors also bid shares of online auction site eBay Inc. higher as it continued to build on its dominant U.S. market position through acquisitions in foreign markets.

Despite recent setbacks, we continue to believe the combined effect of the Federal Reserve's interest rate reduction, as well as the recently approved tax cut, will lead to a better economy and a better stock market during the second half of the year. We have positioned the portfolio accordingly.

Until the economy turns, volatility will likely persist over the next few months as investors weigh corporate earnings against the promise of tomorrow. If there's an upside to the soft economy and the concurrent poor earnings results, it's that easy earnings comparisons are being established today, meaning that the earnings growth off of today's base should be compelling in the coming years. With this in mind, we are confident the market will reward patient investors.

Timothy J. Miller
Thomas R. Wald
Portfolio Managers
INVESCO
Subadvisor to the Portfolio

Scudder Dynamic Growth Portfolio

	Principal Amount (\$)	Value (\$)		Shares	Value (\$)
Repurchase Agreements 2.3%					
State Street Bank and Trust Company, 3.93%, to be repurchased at \$102,033 on 7/2/2001** (Cost \$102,000)	102,000	102,000			
Short-Term Investments 22.7%					
Federal Home Loan Bank, 3.5%***, 7/2/2001	572,000	571,937			
Federal Home Loan Mortgage Corp., 3.72%***, 7/17/2001	425,000	424,297			
Total Short-Term Investments (Cost \$996,234)		996,234			
			Shares		
Common Stocks 75.0%					
Consumer Discretionary 2.8%					
Department & Chain Stores 1.2%					
Kohl's Corp.*	850	53,321			
Hotels & Casinos 0.6%					
MGM Mirage, Inc.*	850	25,466			
Restaurants 0.4%					
Starbucks Corp.*	900	19,935			
Specialty Retail 0.6%					
CDW Computer Centers, Inc.*	650	25,805			
Health 12.0%					
Biotechnology 3.5%					
Genzyme Corp.*	1,100	64,834			
Human Genome Sciences, Inc.*	250	14,972			
IDEC Pharmaceuticals Corp.*	200	13,000			
MedImmune, Inc.*	300	14,223			
Millennium Pharmaceuticals, Inc.*	750	25,575			
Protein Design Labs, Inc.*	250	21,057			
		153,661			
Health Industry Services 0.8%					
Bergen Brunswig Corp. "A"	900	17,298			
First Health Group Corp.*	700	18,823			
		36,121			
Medical Supply & Specialty 2.0%					
Laboratory Corp. of America Holdings*	600	46,140			
St. Jude Medical, Inc.*	350	21,000			
Varian Medical Systems, Inc.*	250	17,875			
		85,015			
Pharmaceuticals 5.7%					
Allergan, Inc.	400	34,200			
AmeriSource Health Corp.*	250	13,825			
Andrx Group*	750	56,880			
Forest Laboratories, Inc.*	1,300	92,300			
Gilead Sciences, Inc.*	200	11,852			
King Pharmaceuticals, Inc.*	800	43,000			
		252,057			
Communications 4.5%					
Cellular Telephone 0.9%					
Nextel Partners, Inc.*	2,100	32,445			
Western Wireless Corp.*	200	8,336			
		40,781			
Telephone/Communications 3.0%					
Allegiance Telecom, Inc.*	1,600	24,000			
Crown Castle International Corp.*	1,100	18,040			
McLeodUSA Inc., "A"*	2,200	9,614			
Sonus Networks, Inc.*	1,100	24,959			
Time Warner Telecom, Inc. "A"*	1,600	53,680			
		130,293			
Miscellaneous 0.6%					
Entercom Communications Corp.*	500	26,805			
Financial 10.1%					
Banks 1.3%					
Banknorth Group, Inc.	600	13,506			
Golden West Financial Corp.	300	19,272			
Northern Trust Corp.	400	25,800			
		58,578			
Insurance 0.3%					
AMBAC Financial Group, Inc.	200	11,640			
Consumer Finance 1.6%					
AmeriCredit Corp.*	400	20,780			
Capital One Financial Corp.	400	24,000			
Synovus Financial Corp.	800	25,104			
		69,884			
Investment 2.7%					
Bear Stearns Companies, Inc.	500	29,485			
Lehman Brothers Holdings, Inc.	300	23,325			
SEI Investments Co.	200	9,450			
T. Rowe Price Group, Inc.	300	11,109			
Waddell & Reed Financial, Inc. "A"	1,400	44,450			
		117,819			
Other Financial Companies 4.2%					
A.G. Edwards, Inc.	800	36,000			
John Hancock Financial Services, Inc. ...	900	36,234			
Legg Mason, Inc.	800	39,808			
The BISYS Group, Inc.*	750	44,887			
USA Education, Inc.	400	29,200			
		186,129			

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

	Shares	Value (\$)		Shares	Value (\$)
Media 5.9%			Technology 27.1%		
Advertising 3.1%			Computer Software 10.8%		
Interpublic Group of Companies, Inc.	700	20,545	Adobe Systems, Inc.	900	42,291
Lamar Advertising Co.*	900	41,535	Amdocs Ltd.*	850	45,772
Omnicom Group, Inc.	300	25,800	Art Technology Group, Inc.*	400	2,284
TMP Worldwide, Inc.*	850	50,295	BEA Systems, Inc.*	1,200	39,612
		<u>138,175</u>	Comverse Technology, Inc.*	300	17,322
Broadcasting & Entertainment 1.2%			Extreme Networks, Inc.*	950	26,885
Cox Radio, Inc.*	200	5,570	i2 Technologies, Inc.*	1,500	29,550
Hispanic Broadcasting Corp.*	200	5,738	Intuit, Inc.*	300	11,727
USA Networks, Inc.*	1,500	41,775	Liberate Technologies, Inc.*	1,100	10,285
		<u>53,083</u>	Macromedia, Inc.*	100	1,790
Cable Television 1.4%			McDATA Corp. "A"*	400	7,980
Cablevision Systems Corp. "A"*	300	17,550	McDATA Corp. "B"*	200	4,534
Cablevision Systems Corp.-Rainbow Media Group*	400	10,320	Mercury Interactive Corp.*	500	30,500
EchoStar Communications Corp. "A"*	1,050	33,075	Micromuse, Inc.*	1,000	28,120
		<u>60,945</u>	NVIDIA Corp.*	350	32,095
Miscellaneous 0.2%			Openwave Systems, Inc.*	1,050	34,178
Gemstar-TV Guide International, Inc*	200	8,470	PeopleSoft, Inc.*	400	19,400
Service Industries 7.1%			Rational Software Corp.*	1,400	39,508
Asset Management 0.3%			Siebel Systems, Inc.*	400	19,012
Federated Investors, Inc. "B"*	400	12,880	Sycamore Networks, Inc.*	300	2,640
EDP Services 1.7%			webMethods, Inc.*	1,400	29,456
DiamondCluster International, Inc.*	300	3,462			<u>474,941</u>
Exodus Communications, Inc.*	3,600	7,488	Diverse Electronic Products 1.6%		
Sapient Corp.*	400	3,920	Molex Inc.	800	29,040
VeriSign, Inc.*	1,000	58,100	New Focus, Inc.*	900	6,606
		<u>72,970</u>	RF Micro Devices, Inc.*	1,200	31,740
Miscellaneous Commercial Services 2.2%			Teradyne, Inc.*	100	3,310
Fluor Corp.	200	9,030			<u>70,696</u>
KPMG Consulting, Inc.*	2,100	31,605	EDP Peripherals 1.0%		
Paychex, Inc.	1,200	49,560	Brocade Communications Systems, Inc.*	1,000	43,410
Redback Networks, Inc.*	1,000	8,710	Electronic Components/Distributors 3.0%		
		<u>98,905</u>	Advanced Micro Devices, Inc.*	1,000	28,880
Miscellaneous Consumer Services 2.9%			Altera Corp.*	1,300	38,545
eBay, Inc.*	1,050	71,200	Analog Devices, Inc.*	850	36,762
Peregrine Systems, Inc.*	900	27,549	Applied Micro Circuits Corp.*	1,400	24,864
Robert Half International, Inc.*	1,250	31,113	PMC-Sierra, Inc.*	200	6,242
		<u>129,862</u>			<u>135,293</u>
Durables 0.9%			Precision Instruments 1.2%		
Telecommunications Equipment			Finisar Corp.*	1,200	22,368
CIENA Corp.*	1,000	37,945	ONI Systems Corp.*	1,100	29,634
Manufacturing 1.3%					<u>52,002</u>
Electrical Products 0.5%			Semiconductors 8.2%		
Power-One, Inc.*	1,400	23,100	Cree Research, Inc.*	1,000	26,650
Machinery/Components/Controls 0.8%			Cypress Semiconductor Corp.*	800	19,080
Cooper Cameron Corp.	400	22,320	GlobeSpan, Inc.*	1,000	14,100
Newport Corp.	400	10,560	Integrated Device Technology, Inc.*	200	5,972
		<u>32,880</u>	KLA-Tencor Corp.*	200	11,768
			LSI Logic Corp.*	300	5,640
			Linear Technology Corp.	450	20,984
			Maxim Integrated Products, Inc.*	800	37,656
			Microchip Technology, Inc.*	1,000	32,250

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

	Shares	Value (\$)		Shares	Value (\$)
Micron Technology, Inc.*	950	39,045	Kerr-McGee Corp.	200	13,254
Novellus Systems, Inc.*	500	27,850	Nabors Industries, Inc.*	500	18,600
QLogic Corp.*	500	32,170			68,363
Sanmina Corp.*	300	7,248	Oilfield Services/Equipment 1.0%		
Transwitch Corp.*	1,300	12,818	BJ Services Co.*	400	11,352
Vitesse Semiconductor Corp.*	1,100	23,265	Noble Drilling Corp.*	450	14,738
Xilinx, Inc.*	1,100	45,595	Smith International, Inc.*	300	17,970
		362,091			44,060
Miscellaneous 1.3%			Miscellaneous 0.4%		
Digital Lightwave, Inc.*	100	3,540	Dynegy, Inc.	400	18,600
Homestore.Com, Inc.*	500	17,405			
Quest Software, Inc.*	900	33,930	Metals & Minerals 0.3%		
XO Communications, Inc.*	900	1,800	Precious Metals		
		56,675	Newmont Mining Corp.	700	13,027
Energy 3.0%					
Oil & Gas Production 1.6%			Total Common Stocks (Cost \$3,352,717)		3,301,683
Anadarko Petroleum Corp.	300	16,209	Total Investment Portfolio — 100.0%		
Apache Corp.	400	20,300	(Cost \$4,450,951) (a)		4,399,917

Notes to Scudder Dynamic 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 \$4,450,951. At June 30, 2001, net unrealized depreciation for all securities based on tax cost was \$51,034. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$127,044 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$178,078.

Financial Statements

Statement of Assets and Liabilities as of June 30, 2001 (Unaudited)

Assets

Investments in securities, at value (cost \$4,450,951)	\$ 4,399,917
Cash	40
Receivable for investments sold	36,430
Dividends receivable	288
Interest receivable	1,907
Receivable for Portfolio shares sold	81,386
Total assets	4,519,968

Liabilities

Payable for investments purchased	121,248
Payable for Portfolio shares redeemed	95
Other accrued expenses and payables	5,397
Total liabilities	126,740

Net assets, at value	\$ 4,393,228
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Net Assets

Net assets consist of:	
Undistributed net investment income	2,053
Net unrealized appreciation (depreciation) on investments	(51,034)
Accumulated net realized gain (loss)	(18,555)
Paid-in capital	4,460,764

Net assets, at value	\$ 4,393,228
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Net Asset Value

Net Asset Value and redemption price per share (\$4,393,228 ÷ 459,971 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 9.55
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Statement of Operations for the two months ended June 30, 2001 (Unaudited)

Investment Income

Income:	
Dividends	\$ 3,427
Interest	4,023
Total Income	7,450
Expenses:	
Management fee	4,137
Custodian and accounting fees	30,429
Auditing	5,625
Legal	578
Trustees' fees and expenses	934
Reports to shareholders	3,787
Other	250
Total expenses, before expense reductions	45,740
Expense reductions	(40,343)
Total expenses, after expense reductions	5,397
Net investment income (loss)	2,053

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from investments	(18,555)
Net unrealized appreciation (depreciation) during the period on investments	(51,034)
Net gain (loss) on investment transactions	(69,589)

Net increase (decrease) in net assets resulting from operations	\$ (67,536)
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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	Period Ended June 30, 2001(a)
Operations:	
Net investment income (loss)	\$ 2,053
Net realized gain (loss) on investment transactions	(18,555)
Net unrealized appreciation (depreciation) on investment transactions during the period	(51,034)
Net increase (decrease) in net assets resulting from operations	(67,536)
Portfolio share transactions:	
Proceeds from shares sold	4,592,984
Cost of shares redeemed	(132,220)
Net increase (decrease) in net assets from Portfolio share transactions	4,460,764
Increase (decrease) in net assets	4,393,228
Net assets at beginning of period	—
Net assets at end of period (including undistributed net investment income of \$2,053 at June 30, 2001)	\$ 4,393,228
Other Information	
Shares outstanding at beginning of period	—
Shares sold	474,157
Shares redeemed	(14,186)
Net increase (decrease) in Portfolio shares	459,971
Shares outstanding at end of period	459,971

(a) For the period from May 1, 2001 (commencement of operations) to June 30, 2001 (Unaudited).

Financial Highlights

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

	2001(a)
Net asset value, beginning of period	\$10.00
<i>Income (loss) from investment operations:</i>	
Net investment income (loss) (b)	.01
Net realized and unrealized gain (loss) on investment transactions	(.46)
Total from investment operations	(.45)
Net asset value, end of period	\$ 9.55
Total Return (%) (c)	(4.50)**
Ratios to Average Net Assets and Supplemental Data	
Net assets, end of period (\$ millions)	4
Ratio of expenses before expense reductions (%)	11.06*
Ratio of expenses after expense reductions (%)	1.30*
Ratio of net investment income (loss) (%)	.50*
Portfolio turnover rate (%)	130*

(a) For the period from May 1, 2001 (commencement of operations) to June 30, 2001 (Unaudited).

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

(c) Total return would have been lower had certain expenses not been reduced.

* Annualized

** Not annualized

SVS Focused Large Cap Growth Portfolio

In the first half of the year, we witnessed sluggish demand, an inventory correction, job cuts, corporate earnings warnings, and a general deceleration of economic growth. The Federal Reserve, however, is now in an easing mode, having cut rates six times since the beginning of the year and thereby bringing the federal funds rate down to levels not seen in years. In addition, President Bush lowered marginal tax rates and is attempting to stimulate the economy through a one-time tax rebate.

Entering the year we strategically positioned the portfolio with an emphasis on steady growth companies in traditionally defensive sectors such as consumer stocks. This decision helped our first half performance, as consumer stocks in particular were one of the strongest sectors due to the amazing resiliency exhibited by the American consumer. Our first half performance was negatively impacted by our technology and health care holdings as earnings issues continued to plague many of the industry leaders in these sectors.

In our view, the market backdrop is slightly more positive today than it was a year ago. While we expect continued volatility in the near term, we believe that a recovery in the U.S. equity markets is not far off because of the decisive actions taken by the Fed in cutting interest rates, the continued strength in consumer spending, easier earnings comparisons going forward, and falling energy prices. Our advice to investors is to stay the course. We believe that now is a terrific time to buy great growth companies at compelling prices that will reward those long-term investors who had the foresight to recognize this opportunity.

Ashi Parikh
Lead Portfolio Manager
Eagle Asset Management, Inc.
Subadvisor to the Portfolio

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

SVS Focused Large Cap Growth Portfolio

	Principal Amount (\$)	Value (\$)		Shares	Value (\$)
Short-Term Investments 6.9%					
Federal Home Loan Bank, 3.5%**, 7/2/2001 (Cost \$2,646,710)	2,647,000	2,646,710			
	Shares				
Common Stocks 93.1%					
Consumer Discretionary 4.8%					
Department & Chain Stores					
Home Depot, Inc.	23,125	1,076,469			
Wal-Mart Stores, Inc.	15,800	771,040			
		<u>1,847,509</u>			
Consumer Staples 8.0%					
Alcohol & Tobacco 4.7%					
Anheuser-Busch Companies, Inc.	27,100	1,116,520			
Philip Morris Companies, Inc.	13,600	690,200			
		<u>1,806,720</u>			
Food & Beverage 2.2%					
Kroger Co.*	33,500	837,500			
Package Goods/Cosmetics 1.1%					
Procter & Gamble Co.	6,800	433,840			
Health 16.4%					
Biotechnology 1.5%					
Genentech, Inc.*	10,000	551,000			
Medical Supply & Specialty 1.8%					
Baxter International, Inc.	8,850	433,650			
Medtronic, Inc.	5,900	271,459			
		<u>705,109</u>			
Pharmaceuticals 13.1%					
American Home Products Corp.	12,000	701,280			
Bristol-Myers Squibb Co.	15,850	828,955			
Merck & Co., Inc.	15,950	1,019,365			
Pfizer, Inc.	32,850	1,315,643			
Pharmacia Corp.	18,850	866,158			
Praecis Pharmaceutical, Inc.*	19,500	275,340			
		<u>5,006,741</u>			
Financial 13.3%					
Insurance 2.0%					
American International Group, Inc.	8,675	746,050			
Investment 6.3%					
Goldman Sachs Group, Inc.	12,250	1,051,050			
Lehman Brothers Holdings, Inc.	9,000	699,750			
Merrill Lynch & Co., Inc.	10,700	633,975			
		<u>2,384,775</u>			
Consumer Finance 5.0%					
American Express Co.	13,600	527,680			
Citigroup, Inc.			25,916	1,369,401	1,897,081
Media 9.5%					
Broadcasting & Entertainment 4.5%					
AOL Time Warner, Inc.*			32,100	1,701,298	
Cable Television 5.0%					
Comcast Corp. "A"*			16,000	694,400	
Gemstar-TV Guide International, Inc.* ..			29,150	1,234,503	1,928,903
Service Industries 2.9%					
Miscellaneous Commercial Services					
United Parcel Service "B"			19,300	1,115,540	
Manufacturing 4.8%					
Diversified Manufacturing					
General Electric Co.			25,200	1,228,500	
Minnesota Mining & Manufacturing Co.			5,300	604,730	1,833,230
Technology 33.4%					
Computer Software 6.7%					
Microsoft Corp.*			35,900	2,575,825	
Diverse Electronic Products 4.1%					
Dell Computer Corp.*			37,200	1,003,656	
Solectron Corp.*			30,350	555,405	1,559,061
EDP Peripherals 2.9%					
EMC Corp.*			38,400	1,115,520	
Electronic Components/ Distributors 3.2%					
Agre Systems, Inc. "A"*			39,200	294,000	
Altera Corp.*			10,000	296,500	
Celestica, Inc.*			12,050	620,575	1,211,075
Semiconductors 12.7%					
Intel Corp.			46,500	1,410,810	
LSI Logic Corp.*			53,500	1,005,800	
Mattson Technology, Inc.*			22,600	383,974	
National Semiconductor Corp.*			40,100	1,167,712	
Texas Instruments, Inc.			28,300	891,450	4,859,746
Telecommunications Equipment 3.8%					
Cisco Systems, Inc.*			75,450	1,457,619	
Total Common Stocks (Cost \$36,764,906)					35,574,142
Total Investment Portfolio — 100.0% (Cost \$39,411,616) (a)					38,220,852

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

Notes to SVS Focused Large Cap Growth 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 \$40,144,438. At June 30, 2001, net unrealized depreciation for all securities based on tax cost was \$1,923,586. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$951,964 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$2,875,550.

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

Financial Statements

Statement of Assets and Liabilities as of June 30, 2001 (Unaudited)

Assets

Investments in securities, at value (cost \$39,411,616)	\$ 38,220,852
Cash	15
Receivable for investments sold	23,800
Dividends receivable	12,269
Interest receivable	6,156
Receivable for Portfolio shares sold	142,078
Total assets	38,405,170

Liabilities

Payable for investments purchased	1,191,639
Payable for Portfolio shares redeemed	1,195
Accrued management fee	33,191
Other accrued expenses and payables	6,695
Total liabilities	1,232,720

Net assets, at value	\$ 37,172,450
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Net Assets

Net assets consist of:	
Accumulated net investment loss	(33,011)
Net unrealized appreciation (depreciation) on investments	(1,190,764)
Accumulated net realized gain (loss)	(6,304,607)
Paid-in capital	44,700,832

Net assets, at value	\$ 37,172,450
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Net Asset Value

Net Asset Value and redemption price per share (\$37,172,450 ÷ 3,631,371 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 10.24
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Statement of Operations for the six months ended June 30, 2001 (Unaudited)

Investment Income

Income:	
Dividends	\$ 82,713
Interest	37,106
Total Income	119,819

Expenses:

Management fee	144,045
Custodian and accounting fees	22,320
Auditing	2,135
Legal	1,250
Trustees' fees and expenses	1,054
Reports to shareholders	3,635
Other	67
Total expenses, before expense reductions	174,506
Expense reductions	(21,676)
Total expenses, after expense reductions	152,830

Net investment income (loss)	(33,011)
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Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from investments	(3,691,558)
Net unrealized appreciation (depreciation) during the period on investments	536,215

Net gain (loss) on investment transactions	(3,155,343)
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Net increase (decrease) in net assets resulting from operations	\$ (3,188,354)
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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, 2001 (Unaudited)	Year Ended December 31, 2000
Operations:		
Net investment income (loss)	\$ (33,011)	\$ (58,031)
Net realized gain (loss) on investment transactions	(3,691,558)	(2,603,357)
Net unrealized appreciation (depreciation) on investment transactions during the period	536,215	(2,082,719)
Net increase (decrease) in net assets resulting from operations	(3,188,354)	(4,744,107)
Distributions to shareholders from:		
Net realized gains	—	(198,306)
Portfolio share transactions:		
Proceeds from shares sold	13,901,219	35,121,631
Reinvestment of distributions	—	198,306
Cost of shares redeemed	(1,680,585)	(5,157,366)
Net increase (decrease) in net assets from Fund share transactions	12,220,634	30,162,571
Increase (decrease) in net assets	9,032,280	25,220,158
Net assets at beginning of period	28,140,170	2,920,012
Net assets at end of period (including accumulated net investment loss of \$33,011 at June 30, 2001)	\$ 37,172,450	\$ 28,140,170
Other Information (a)		
Shares outstanding at beginning of period	2,467,850	227,410
Shares sold	1,321,662	2,619,567
Shares issued to shareholders in reinvestment of distributions	—	13,829
Shares redeemed	(158,141)	(392,956)
Net increase (decrease) in Portfolio shares	1,163,521	2,240,440
Shares outstanding at end of period	3,631,371	2,467,850

Financial Highlights

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

Periods Ended December 31,	2001(c)	2000(a)	1999(a)(d)
Net asset value, beginning of period	\$ 11.40	12.84	10.00
<i>Income (loss) from investment operations:</i>			
Net investment income (loss) (b)	(.01)	(.05)	—
Net realized and unrealized gain (loss) on investment transactions	(1.15)	(1.04)	2.84
Total from investment operations	(1.16)	(1.09)	2.84
<i>Less distributions from:</i>			
Net realized gains on investment transactions	—	(.35)	—
Total distributions	—	(.35)	—
Net asset value, end of period	\$ 10.24	11.40	12.84
Total Return (%) (e)	(10.18)**	(9.02)	28.40**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period (\$ millions)	37	28	3
Ratio of expenses before expense reductions (%)	1.13*	1.33	7.49*
Ratio of expenses after expense reductions (%)	1.01*	1.02	1.10*
Ratio of net investment income (loss) (%)	(.22)*	(.37)	(.19)*
Portfolio turnover rate (%)	133*	323	336*

(a) On June 18, 2001, the Fund implemented a 1 for 10 reverse stock split. Share and per share information, for the periods prior to June 30, 2001, have been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).

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

(c) For the six months ended June 30, 2001 (Unaudited).

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

(e) Total return would have been lower had certain expenses not been reduced.

* Annualized ** Not annualized

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

SVS Focus Value+Growth Portfolio

Scudder Focus Value+Growth Portfolio outperformed its benchmark, the S&P 500, in the second quarter. Growth stocks performed modestly better than value stocks during the quarter, responding most favorably to a surprise interest rate cut by the Federal Reserve in April, and some marginally positive economic data indicating that the economy may be showing signs of recovery. Technology stocks in particular were able to rebound after a dismal first quarter.

Please note that on May 1, 2001, the portfolio changed its name and, to some extent, its investment process. Scudder Focus Value+Growth Portfolio will continue to seek growth of capital. However, its value and growth “sleeves” will be managed separately by specialists in their investment field. In addition, each sleeve will be more concentrated, with the number of holdings limited to between 15 and 30 of the managers’ best ideas. The portfolio will be evenly split between value and growth holdings and will be rebalanced periodically to maintain equal allocations.

During the last two months, the portfolio’s managers repositioned the portfolio to reflect its new mandate. While the market may continue to struggle near term with the downward trend in corporate profit expectations, stocks should rally when the economic picture becomes clearer. When that happens, we believe the portfolio is well-positioned to provide strong results.

Lois Roman
Co-Lead Portfolio Manager
Zurich Scudder Investments, Inc.

Spiros Segalas
Co-Lead Portfolio Manager
Jennison Associates LLC
(Subadvisor for the Growth Component)

SVS Focus Value+Growth Portfolio

	Principal Amount (\$)	Value (\$)	Shares	Value (\$)
Short-Term Investments 2.2%				
Federal Home Loan Bank, 3.5%**, 7/2/2001 (Cost \$3,272,642)	3,273,000	3,272,642		
	Shares			
Common Stocks 97.8%				
Consumer Discretionary 11.9%				
Apparel & Shoes 3.4%				
Jones Apparel Group, Inc.*	57,800	2,496,960		
Reebok International Ltd.*	75,700	2,418,615		
		4,915,575		
Department & Chain Stores 5.6%				
Home Depot, Inc.	93,950	4,373,373		
Kohl's Corp.*	59,900	3,757,527		
		8,130,900		
Specialty Retail 2.9%				
Tiffany & Co.	115,700	4,190,654		
Health 12.6%				
Biotechnology 2.5%				
Amgen, Inc.*	59,200	3,665,664		
Medical Supply & Specialty 2.0%				
Laboratory Corporation of America Holdings	38,200	2,937,580		
Pharmaceuticals 8.1%				
American Home Products Corp.	60,100	3,512,244		
Johnson & Johnson	79,500	3,975,000		
Pharmacia Corp.	93,100	4,277,945		
		11,765,189		
Communications 4.3%				
Telephone/Communications				
BellSouth Corp.	76,500	3,080,655		
SBC Communications, Inc.	77,900	3,120,674		
		6,201,329		
Financial 23.9%				
Banks 10.6%				
Bank of America Corp.	58,400	3,505,752		
First Union Corp.	65,500	2,288,570		
FleetBoston Financial Corp.	87,400	3,447,930		
J.P. Morgan Chase & Co.	66,000	2,943,600		
Mellon Financial Corp.	69,100	3,178,600		
		15,364,452		
Insurance 5.0%				
Hartford Financial Services Group, Inc. .	107,500	7,353,000		
Consumer Finance 7.7%				
Citigroup, Inc.	134,261	7,094,351		
Household International, Inc.	62,500	4,168,750		
		11,263,101		
Other Financial Companies 0.6%				
Marsh & McLennan Cos., Inc.	8,500	858,500		
Media 10.3%				
Advertising 1.6%				
Omnicom Group, Inc.	26,600	2,287,600		
Broadcasting & Entertainment 6.1%				
AOL Time Warner, Inc.*	85,250	4,518,250		
Viacom, Inc. "B"*	84,500	4,372,875		
		8,891,125		
Cable Television 2.6%				
AT&T Corp. — Liberty Media Corp. "A"	214,700	3,755,103		
Manufacturing 6.8%				
Chemicals 4.6%				
E.I. du Pont de Nemours & Co.	63,500	3,063,240		
PPG Industries, Inc.	69,200	3,637,844		
		6,701,084		
Diversified Manufacturing 2.2%				
Cooper Industries, Inc.	81,500	3,226,585		
Technology 21.3%				
Computer Software 3.4%				
Microsoft Corp.*	69,900	5,015,325		
Diverse Electronic Products 4.6%				
Dell Computer Corp.*	140,500	3,790,690		
Harris Corp.	105,500	2,870,655		
		6,661,345		
EDP Peripherals 1.6%				
Symbol Technologies, Inc.	104,300	2,315,460		
Electronic Components/Distributors 5.5%				
Advanced Micro Devices, Inc.*	110,100	3,179,688		
Avnet, Inc.	77,800	1,744,276		
Jabil Circuit, Inc.*	100,800	3,110,688		
		8,034,652		

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

	Shares	Value (\$)		Shares	Value (\$)
Semiconductors 6.2%			Oilfield Services/Equipment 1.9%		
Intel Corp.	100,200	3,040,068	BJ Services Co.*	97,200	<u>2,758,536</u>
Micron Technology, Inc.*	53,300	2,190,630	Transportation 1.6%		
Texas Instruments, Inc.	118,600	<u>3,735,900</u>	Airlines		
		<u>8,966,598</u>	Delta Air Lines, Inc.	52,400	<u>2,309,792</u>
Energy 5.1%			Total Common Stocks (Cost \$141,821,712)		
Oil & Gas Production 3.2%			142,207,434		
Exxon Mobil Corp.	53,100	<u>4,638,285</u>	Total Investment Portfolio — 100.0%		
			(Cost \$145,094,354) (a)		
			145,480,076		

Notes to SVS Focus Value+Growth 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 \$145,094,354. At June 30, 2001, net unrealized appreciation for all securities based on tax cost was \$385,722. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$5,648,318 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$5,262,596.

Financial Statements

Statement of Assets and Liabilities as of June 30, 2001 (Unaudited)

Assets

Investments in securities, at value (cost \$145,094,354)	\$ 145,480,076
Cash	68,315
Receivable for investments sold	7,503,468
Dividends receivable	133,776
Receivable for Portfolio shares sold	27,516
Foreign taxes recoverable	330
Total assets	153,213,481

Liabilities

Payable for investments purchased	4,083,894
Payable for Portfolio shares redeemed	31,214
Accrued management fee	98,794
Other accrued expenses and payables	38,206
Total liabilities	4,252,108

Net assets, at value	\$ 148,961,373
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Net Assets

Net assets consist of:	
Undistributed net investment income	396,853
Net unrealized appreciation (depreciation) on investments	385,722
Accumulated net realized gain (loss)	3,727,309
Paid-in capital	144,451,489
Net assets, at value	\$ 148,961,373

Net Asset Value

Net Asset Value and redemption price per share (\$148,961,373 ÷ 10,193,591 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 14.61
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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, 2001 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$5,473)	\$ 864,998
Interest	289,632
Total Income	<u>1,154,630</u>
Expenses:	
Management fee	551,769
Custodian fees	5,367
Auditing	9,074
Legal	5,453
Trustees' fees and expenses	6,140
Reports to shareholders	10,056
Registration fees	1,444
Total expenses, before expense reductions	589,303
Expense reductions	(110)
Total expenses, after expense reductions	<u>589,193</u>
Net investment income (loss)	565,437

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	4,049,657
Foreign currency related transactions	5,135
	<u>4,054,792</u>
Net unrealized appreciation (depreciation) during the period on:	
Investments	(11,334,130)
Foreign currency related transactions	(58)
	<u>(11,334,188)</u>
Net gain (loss) on investment transactions	(7,279,396)
Net increase (decrease) in net assets resulting from operations	\$ (6,713,959)

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

Statements of Changes in Net Assets

	Six Months Ended June 30, 2001 (Unaudited)	Years Ended December 31, 2000
Increase (Decrease) in Net Assets		
Operations:		
Net investment income (loss)	\$ 565,437	\$ 1,071,993
Net realized gain (loss) on investment transactions	4,054,792	9,677,690
Net unrealized appreciation (depreciation) on investment transactions during the period	(11,334,188)	(17,248,843)
Net increase (decrease) in net assets resulting from operations	(6,713,959)	(6,499,160)
Distributions to shareholders from:		
Net investment income	(914,440)	(863,094)
Net realized gains	(9,601,639)	(14,672,601)
Portfolio share transactions:		
Proceeds from shares sold	12,460,741	16,565,355
Reinvestment of distributions	10,516,079	15,535,695
Cost of shares redeemed	(9,964,386)	(28,953,182)
Net increase (decrease) in net assets from Portfolio share transactions	13,012,434	3,147,868
Increase (decrease) in net assets	(4,217,604)	(18,886,987)
Net assets at beginning of period	153,178,977	172,065,964
Net assets at end of period (including undistributed net investment income of \$396,853 and \$745,856, respectively)	\$ 148,961,373	\$ 153,178,977
Other Information (a)		
Shares outstanding at beginning of period	9,252,858	9,077,951
Shares sold	809,326	959,926
Shares issued to shareholders in reinvestment of distributions	768,798	864,882
Shares redeemed	(637,391)	(1,649,901)
Net increase (decrease) in Portfolio shares	940,733	174,907
Shares outstanding at end of period	10,193,591	9,252,858

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,	2001(c)	2000(a)	1999(a)	1998(a)	1997(a)	1996(a)(d)
Net asset value, beginning of period	\$ 16.55	18.96	16.71	14.25	11.46	10.00
<i>Income (loss) from investment operations:</i>						
Net investment income (loss)	.05(b)	.12(b)	.08(b)	.08	.12	.08
Net realized and unrealized gain (loss) on investment transactions	(.84)	(.73)	2.62	2.78	2.77	1.38
Total from investment operations	(.79)	(.61)	2.70	2.86	2.89	1.46
<i>Less distributions from:</i>						
Net investment income	(.10)	(.10)	(.10)	—	(.10)	—
Net realized gains on investment transactions	(1.05)	(1.70)	(.35)	(.40)	—	—
Total distributions	(1.15)	(1.80)	(.45)	(.40)	(.10)	—
Net asset value, end of period	\$ 14.61	16.55	18.96	16.71	14.25	11.46
Total Return (%)	(4.33)**	(3.90)	16.52	20.17	25.47	14.60**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	149	153	172	152	69	10
Ratio of expenses before expense reductions (%)	.80*	.81	.83	.78	.84	1.01*
Ratio of expenses after expense reductions (%)	.80*	.81	.82	.78	.84	.90*
Ratio of net investment income (loss) (%)	.76*	.66	.46	.80	.95	.97*
Portfolio turnover rate (%)	234*	39	102	102	50	25*

(a) On June 18, 2001, the Fund implemented a 1 for 10 reverse stock split. Share and per share information, for the periods prior to June 30, 2001, have been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).

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

(c) For the six months ended June 30, 2001 (Unaudited).

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

* Annualized ** Not annualized

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

SVS Growth And Income Portfolio

For the six months ended June 30, 2001, the portfolio outperformed its benchmark, the S&P 500 Index. Although the Federal Reserve took decisive action to revive the stalled economy, cutting short-term interest rates six times, its aggressive moves took some time to bolster investor confidence. Stocks retreated during February and March, pressured by a deteriorating earnings picture, mounting job layoffs, and high energy prices. Equity markets reclaimed lost ground in April and May, but those gains were moderated in June in response to lackluster economic news and negative earnings warnings.

While the portfolio initially gave ground in this volatile environment, it kept pace with its benchmark. Supporting our performance was AOL Time Warner, whose shares got a boost after the world's largest Internet service merged with the world's largest entertainment and media corporation. The portfolio also benefited from strong gains in core holdings such as Viacom, AT&T Liberty Media, and Household International.

Working against us was our investment in Enron, a leading power producer pressured by its perceived financial exposure to bankrupt California utilities and by worries that Enron's sale of utility Portland General might take longer than expected. The stock's high valuation made it a target for selling, leading us to trim our position in the company. Another disappointment was drug maker Bristol-Myers Squibb Co., which found its performance hindered by the regulatory climate and questions about its planned purchase of DuPont's pharmaceuticals business.

Going forward, we will stay focused on the fundamentals, employing our hands-on stock-picking approach to uncover companies that can perform in a variety of market conditions.

David J. Corkins
Lead Portfolio Manager
Janus Capital Corporation
Subadvisor to the Portfolio

SVS Growth and Income Portfolio

	Principal Amount (\$)	Value (\$)		Principal Amount (\$)	Value (\$)
Repurchase Agreements 0.4%					
State Street Bank and Trust Company, 3.93%, to be repurchased at \$554,181 on 7/2/2001** (Cost \$554,000)	554,000	554,000			
Short-Term Investments 18.0%					
Federal Home Loan Bank, 3.5%***, 7/2/2001 (Cost \$23,674,409)	23,677,000	23,674,409			
U.S. Government Obligations 3.4%					
U.S. Treasury Notes:					
5.25%, 8/15/2003	2,050,000	2,087,782			
5.25%, 5/15/2004	2,370,000	2,410,740			
Total U.S. Government Obligations (Cost \$4,453,503)		4,498,522			
Corporate Bonds 5.8%					
Consumer Discretionary 0.7%					
Mattel, Inc.:					
6%, 7/15/2003	85,000	83,529			
6.125%, 7/15/2005	155,000	147,128			
Wal-Mart Stores, Inc., 6.875%, 8/1/2002	650,000	668,005			
		898,662			
Consumer Staples 0.1%					
Safeway, Inc., 7%, 9/15/2002	100,000	102,375			
Communications 0.4%					
American Tower Corp., 5%, 2/15/2010	460,000	370,875			
CenturyTel, Inc., 8.375%, 10/15/2010 ..	160,000	167,587			
		538,462			
Financial 3.2%					
Firstar Bank NA, 7.125%, 12/1/2009 ...	250,000	257,548			
Ford Motor Credit Co.:					
6.550%, 9/10/2002	225,000	228,236			
6.875%, 2/1/2006	470,000	479,109			
General Electric Capital Corp.:					
5.350%, 3/30/2006	850,000	838,585			
5.375%, 4/23/2004	75,000	75,425			
6.810%, 11/3/2003	75,000	78,182			
7%, 3/1/2002	885,000	901,222			
7%, 2/3/2003	700,000	725,333			
Merrill Lynch & Co.:					
6.15%, 1/26/2006	120,000	120,880			
6.80%, 11/3/2003	395,000	409,030			
Qwest Capital Funding, 7.75%, 8/15/2006	80,000	83,946			
		4,197,496			
Manufacturing 0.1%					
Daimler Chrysler, 6.67%, 2/15/2002	150,000	151,386			
Energy 0.1%					
Devon Energy Corp., Zero Coupon, 6/27/2020	215,000	101,856			
Utilities 1.2%					
Reliant Energy, Inc., 0.291%, 9/15/2029	19,657	1,578,713			
Total Corporate Bonds (Cost \$7,352,876)		7,568,950			
Convertible Bonds 0.4%					
Communications 0.2%					
Cellular Telephone 0.1%					
American Tower Corp., 5%, 2/5/2010 ..	200,000	161,250			
Telephone/Communications 0.1%					
NTL, Inc.:					
5.75%, 12/15/2009	285,000	92,981			
7%, 12/15/2008	65,000	31,931			
		124,912			
Technology 0.2%					
Computer Software					
BEA Systems, Inc., 4%, 12/15/2006	280,000	337,400			
Total Convertible Bonds (Cost \$907,663)		623,562			
Shares					
Preferred Stocks 0.9%					
Durables 0.9%					
Automobiles					
Porche AG* (Cost \$1,051,548)	3,550	1,227,545			
Common Stocks 71.1%					
Consumer Discretionary 4.1%					
Department & Chain Stores 0.5%					
Gap, Inc.	21,705	629,445			
Hotels & Casinos 1.3%					
Park Place Entertainment, Inc.*	77,155	933,576			
Royal Caribbean Cruises Ltd.	38,305	846,924			
		1,780,500			
Recreational Products 1.3%					
Harley-Davidson, Inc.	15,120	711,850			

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

	Shares	Value (\$)		Shares	Value (\$)
Mattel, Inc.	53,585	1,013,828			
		<u>1,725,678</u>			
Restaurants 0.8%					
McDonald's Corp.	38,430	1,039,916			
Specialty Retail 0.2%					
Tiffany & Co.	6,960	252,091			
Consumer Staples 3.6%					
Alcohol & Tobacco 1.1%					
Anheuser-Busch Cos., Inc.	36,065	1,485,878			
Consumer Electronic & Photographic 0.4%					
Sony Corp.	7,200	473,323			
Food & Beverage 1.0%					
Albertson's, Inc.	8,990	269,610			
PepsiCo, Inc.	12,140	536,588			
Quaker Oats Co.	5,490	500,963			
		<u>1,307,161</u>			
Package Goods/Cosmetics 1.1%					
Procter & Gamble Co.	22,765	1,452,407			
Health 5.8%					
Medical Supply & Specialty 1.5%					
Guidant Corp.*	19,065	686,340			
Medtronic, Inc.	28,890	1,329,229			
		<u>2,015,569</u>			
Pharmaceuticals 4.3%					
Allergan, Inc.	10,695	914,423			
Bristol-Myers Squibb Co.	40,725	2,129,918			
Merck & Co., Inc.	17,235	1,101,489			
Pfizer, Inc.	39,575	1,584,979			
		<u>5,730,809</u>			
Communications 3.6%					
Cellular Telephone 1.8%					
AT&T Wireless Group*	47,855	782,429			
America Movil SA de CV "L" (ADR)	5,725	119,424			
Nokia Oyj (ADR)	67,200	1,481,088			
		<u>2,382,941</u>			
Telephone/Communications 0.6%					
McLeodUSA Inc. "A"*	18,084	79,027			
Telefonica SA	38,480	476,010			
Telefonos de Mexico SA de CV "L" (ADR)	5,725	200,890			
		<u>755,927</u>			
Miscellaneous 1.2%					
Cox Communications, Inc. "A"*	34,825	1,542,748			
Financial 16.4%					
Banks 2.0%					
Bank of America Corp.	10,185	611,406			
U.S. Bancorp.	88,542	2,017,872			
		<u>2,629,278</u>			
Insurance 4.7%					
American General Corp.	52,600	2,443,270			
American International Group, Inc.	22,670	1,949,620			
PartnerRe Holdings Ltd.	14,140	783,356			
Willis Group Holdings Ltd.*	29,565	524,779			
Zurich Financial Services AG	1,549	528,784			
		<u>6,229,809</u>			
Investment 1.7%					
Charles Schwab Corp.	39,860	609,858			
Goldman Sachs Group, Inc.	4,320	370,656			
J.P. Morgan Chase & Co.	17,975	801,685			
Merrill Lynch & Co., Inc.	7,310	433,118			
		<u>2,215,317</u>			
Consumer Finance 5.1%					
Citigroup, Inc.	97,328	5,142,817			
Household International, Inc.	24,380	1,626,146			
		<u>6,768,963</u>			
Other Financial Companies 2.9%					
Berkshire Hathaway, Inc. "B"*	415	954,500			
John Hancock Financial Services, Inc. ...	30,355	1,222,092			
Marsh & McLennan Companies, Inc. ...	16,880	1,704,880			
		<u>3,881,472</u>			
Media 10.4%					
Broadcasting & Entertainment 4.6%					
AOL Time Warner, Inc.*	70,510	3,737,018			
Viacom, Inc. "B"*	45,115	2,334,701			
		<u>6,071,719</u>			
Cable Television 5.4%					
AT&T Corp. — Liberty Media Group "A"*	190,955	3,339,803			
Comcast Corp. "A"*	86,980	3,774,932			
		<u>7,114,735</u>			
Print Media 0.4%					
Valassis Communications, Inc.*	15,260	546,308			
Service Industries 2.5%					
EDP Services 0.5%					
VeriSign, Inc.*	11,833	687,497			
Miscellaneous Commercial Services 1.9%					
Arbitron, Inc.*	5,464	131,682			
Fluor Corp.	12,295	555,119			
KPMG Consulting, Inc.*	16,965	255,323			
Nova Corp. of Georgia*	12,265	385,734			
Paychex, Inc.	28,907	1,193,859			
		<u>2,521,717</u>			
Miscellaneous Consumer Services 0.1%					
Robert Half International, Inc.*	6,050	150,585			
Durables 1.6%					
Aerospace 0.3%					
Boeing Co.	7,045	391,702			

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

	Shares	Value (\$)		Shares	Value (\$)
Automobiles 1.3%			Semiconductors 3.9%		
Bayerische Motoren Werke (BMW) AG ..	19,887	657,254	Advanced Micro Devices, Inc.*	42,470	1,226,534
Delphi Automotive Systems Corp.	61,980	987,341	Linear Technology Corp.	23,260	1,084,614
		<u>1,644,595</u>	Maxim Integrated Products, Inc.*	36,225	1,705,111
Manufacturing 7.3%			Texas Instruments, Inc.	35,145	<u>1,107,068</u>
Chemicals 1.4%					<u>5,123,327</u>
E.I. du Pont de Nemours & Co.	32,925	1,588,302	Energy 6.7%		
Solutia, Inc.	22,830	291,083	Oil & Gas Production 4.5%		
		<u>1,879,385</u>	Burlington Resources, Inc.	27,515	1,099,224
Diversified Manufacturing 5.9%			Conoco, Inc. "A"	16,280	459,096
Canadian Pacific Ltd.	26,540	1,028,283	El Paso Corp.	25,390	1,333,991
General Electric Co.	73,885	3,601,894	Exxon Mobil Corp.	34,770	<u>3,037,160</u>
Honeywell International, Inc.	25,705	899,418			<u>5,929,471</u>
Minnesota Mining & Manufacturing Co.	2,415	275,552	Oil/Gas Transmission 2.2%		
Textron, Inc.	8,495	467,565	Enron Corp.	51,575	2,527,175
Tyco International Ltd.	27,506	1,499,073	Kinder Morgan, Inc.	7,880	<u>395,970</u>
		<u>7,771,785</u>			<u>2,923,145</u>
Technology 8.6%			Utilities 0.5%		
Computer Software 2.3%			Electric Utilities		
Electronic Arts, Inc.	9,580	552,958	Duke Energy Corp.	14,830	<u>578,518</u>
Microsoft Corp.*	23,050	1,653,838			
VERITAS Software Corp.*	12,027	811,823			
		<u>3,018,619</u>	Total Common Stocks (Cost \$96,764,399)		
EDP Peripherals 1.0%					<u>93,816,726</u>
EMC Corp.*	46,650	1,355,183	Total Investment Portfolio — 100.0%		
			(Cost \$134,758,398) (a)		
					<u>131,963,714</u>
Electronic Data Processing 1.4%					
Apple Computer, Inc.*	42,405	1,023,233			
Ceridian Corp.*	41,000	785,970			
		<u>1,809,203</u>			

Notes to SVS Growth and Income 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 \$134,926,903. At June 30, 2001, net unrealized depreciation for all securities based on tax cost was \$2,963,189. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$6,819,917 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$9,783,106.

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

Financial Statements

Statement of Assets and Liabilities as of June 30, 2001 (Unaudited)

Assets

Investments in securities, at value (cost \$134,758,398)	\$ 131,963,714
Cash	848
Foreign currency, at value (cost \$18,918)	18,519
Receivable for investments sold	169,114
Dividends receivable	43,388
Interest receivable	253,495
Receivable for Portfolio shares sold	142,663
Foreign taxes recoverable	4,654
Total assets	132,596,395

Liabilities

Payable for investments purchased	949,274
Payable for Portfolio shares redeemed	448
Accrued management fee	124,881
Other accrued expenses and payables	22,058
Total liabilities	1,096,661

Net assets, at value \$ 131,499,734

Net Assets

Net assets consist of:	
Undistributed net investment income	422,274
Net unrealized appreciation (depreciation) on:	
Investments	(2,794,684)
Foreign currency related transactions	(519)
Accumulated net realized gain (loss)	(15,218,353)
Paid-in capital	149,091,016
Net assets, at value	\$ 131,499,734

Net Asset Value

Net Asset Value and redemption price per share ($\$131,499,734 \div 13,587,926$ outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized) \$ 9.68

Statement of Operations for the six months ended June 30, 2001 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$7,070)	\$ 391,165
Interest	741,775
Total Income	<u>1,132,940</u>
Expenses:	
Management fee	527,800
Custodian and accounting fees	38,520
Auditing	8,147
Legal	3,946
Trustees' fees and expenses	3,201
Reports to shareholders	6,198
Other	2,029
Total expenses, before expense reductions	589,841
Expense reductions	<u>(36,065)</u>
Total expenses, after expense reductions	553,776
Net investment income (loss)	579,164

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	(9,431,508)
Foreign currency related transactions	(5,192)
	<u>(9,436,700)</u>
Net unrealized appreciation (depreciation) during the period on:	
Investments	1,817,960
Foreign currency related transactions	(1,005)
	<u>1,816,955</u>
Net gain (loss) on investment transactions	(7,619,745)
Net increase (decrease) in net assets resulting from operations	\$ (7,040,581)

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, 2001 (Unaudited)	Year Ended December 31, 2000
Operations:		
Net investment income (loss)	\$ 579,164	\$ 711,525
Net realized gain (loss) on investment transactions	(9,436,700)	(5,562,190)
Net unrealized appreciation (depreciation) on investment transactions during the period	1,816,955	(5,826,583)
Net increase (decrease) in net assets resulting from operations	<u>(7,040,581)</u>	<u>(10,677,248)</u>
Distributions to shareholders from:		
Net investment income	(764,939)	(179,619)
Portfolio share transactions:		
Proceeds from shares sold	37,849,619	107,839,456
Reinvestment of distributions	764,939	179,619
Cost of shares redeemed	(3,770,493)	(8,494,560)
Net increase (decrease) in net assets from Portfolio share transactions	<u>34,844,065</u>	<u>99,524,515</u>
Increase (decrease) in net assets	27,038,545	88,667,648
Net assets at beginning of period	104,461,189	15,793,541
Net assets at end of period (including undistributed net investment income of \$422,274 and \$608,049, respectively)	\$ 131,499,734	\$ 104,461,189
Other Information (a)		
Shares outstanding at beginning of period	10,046,981	1,374,095
Shares sold	3,835,273	9,398,418
Shares issued to shareholders in reinvestment of distributions	83,812	14,539
Shares redeemed	(378,140)	(740,071)
Net increase (decrease) in Portfolio shares	<u>3,540,945</u>	<u>8,672,886</u>
Shares outstanding at end of period	13,587,926	10,046,981

(a) On June 18, 2001, the Fund implemented a 1 for 10 reverse stock split. Share and per share information, for the periods prior to June 30, 2001, have been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).

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,	2001(c)(f)	2000(a)	1999(a)(d)
Net asset value, beginning of period	\$ 10.40	11.49	10.00
<i>Income (loss) from investment operations:</i>			
Net investment income (loss) (b)	.05	.12	—
Net realized and unrealized gain (loss) on investment transactions	(.70)	(1.16)	1.49
Total from investment operations	(.65)	(1.04)	1.49
<i>Less distributions from:</i>			
Net investment income	(.07)	—	—
Net realized gains on investment transactions	—	(.05)	—
Total distributions	(.07)	(.05)	—
Net asset value, end of period	\$ 9.68	10.40	11.49
Total Return (%) (e)	(6.18)**	(9.18)	14.93**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period (\$ millions)	131	104	16
Ratio of expenses before expense reductions (%)	1.05*	1.10	2.58*
Ratio of expenses after expense reductions (%)	1.00*	1.01	1.10*
Ratio of net investment income (loss) (%)	1.04*	1.07	(.05)*
Portfolio turnover rate (%)	46*	39	53*

(a) On June 18, 2001, the Fund implemented a 1 for 10 reverse stock split. Share and per share information, for the periods prior to June 30, 2001, have been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).

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

(c) For the six months ended June 30, 2001 (Unaudited).

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

(e) Total return would have been lower had certain expenses not been reduced.

(f) As required, effective January 1, 2001, the Fund has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium on debt securities. The effect of this change for the six months ended June 30, 2001 was to decrease net investment income by an amount less than one half of \$.01, increase net realized and unrealized gains and losses by an amount less than one half of \$.01 and decrease the ratio of net investment income to average net assets from 1.09% to 1.04%. Per share, ratios and supplemental data for periods prior to January 1, 2001 have not been restated to reflect this change in presentation.

* Annualized

** Not annualized

SVS Growth Opportunities Portfolio

For the six months ended June 30, 2001, the portfolio, underperformed our benchmark, the S&P 500 Index. In a period marked by dramatic volatility, stocks nose-dived after an early rally, then rebounded sharply in April before moderating once again. Negative earnings news was partially offset by the Federal Reserve's continuing campaign to stave off recession through short-term interest rate cuts. As a result, in June the major markets recorded their first positive quarter in more than a year.

The portfolio was supported by gains from top performers in semiconductors and media. We further reduced our exposure to technology by trimming or eliminating holdings in Applied Materials, VeriSign, Cisco Systems, and Sun Microsystems, some of which had been top performers for the portfolio. We further narrowed our focus in technology primarily to software and semiconductor companies, retaining solid performers Oracle and Microsoft. Viacom and AOL Time Warner also gained as the advertising market stabilized, but Cablevision gave ground. Other disappointments included energy positions Enron and Anadarko Petroleum, as well as cellular phone manufacturer Nokia. Meanwhile, we increased our exposure to financial services companies.

Looking forward, it is still not clear exactly when the U.S. economy will rebound, and signs that the U.S. economic slowdown has spread to Europe are troubling. Still, we believe the monetary medicine administered by the Federal Reserve will eventually succeed in reinvigorating the economy. We will continue to search for companies that report excellent results regardless of the economic environment, leveraging the analytical talent of our research staff as we strive to generate benchmark-beating performance.

E. Marc Pinto
Lead Portfolio Manager
Janus Capital Corporation
Subadvisor to the Portfolio

SVS Growth Opportunities Portfolio

	Principal Amount (\$)	Value (\$)		Shares	Value (\$)
Repurchase Agreements 0.2%					
State Street Bank and Trust Company, 3.93%, to be repurchased at \$328,107 on 7/2/2001** (Cost \$328,000)	328,000	328,000			
Short-Term Investments 4.2%					
Federal Home Loan Bank, 3.5%***, 7/2/2001 (Cost \$6,711,265)	6,712,000	6,711,265			
			Shares		
Common Stocks 95.6%					
Consumer Discretionary 3.9%					
Department & Chain Stores 2.5%					
Home Depot, Inc.	34,063	1,585,609			
Wal-Mart Stores, Inc.	48,015	2,343,132			
		3,928,741			
Hotels & Casinos 1.4%					
MGM Grand, Inc.*	76,075	2,279,207			
Consumer Staples 2.9%					
Alcohol & Tobacco 1.4%					
Anheuser-Busch Companies, Inc.	53,775	2,215,530			
Package Goods/Cosmetics 1.5%					
Colgate-Palmolive Co.	40,615	2,395,879			
Health 8.9%					
Biotechnology 3.1%					
Genentech, Inc.*	88,235	4,861,749			
Medical Supply & Specialty 0.3%					
Applera Corp. — Applied Biosystems Group	17,835	477,086			
Pharmaceuticals 5.5%					
Bristol-Myers Squibb Co.	43,445	2,272,174			
Pfizer, Inc.	128,462	5,144,903			
Schering-Plough Corp.	38,930	1,410,823			
		8,827,900			
Communications 6.5%					
Cellular Telephone 4.6%					
Nokia Oyj (ADR)	243,960	5,376,878			
Sprint Corp. — PCS Group*	48,700	1,176,105			
Vodafone Group PLC (ADR)	37,600	840,360			
		7,393,343			
Telephone/Communications 1.9%					
Qwest Communications International, Inc.			95,495		3,043,426
Financial 15.3%					
Banks 2.8%					
Bank of New York Co., Inc.			93,150		4,471,200
Consumer Finance 5.1%					
Citigroup, Inc.			152,928		8,080,716
Investment 1.6%					
Charles Schwab Corp.			168,338		2,575,564
Other Financial Companies 5.8%					
Federal National Mortgage Association			72,650		6,186,148
Morgan Stanley Dean Witter & Co.			48,375		3,107,126
					9,293,274
Media 19.6%					
Broadcasting & Entertainment 9.9%					
AOL Time Warner, Inc.*			136,825		7,251,723
Metro Goldwyn Mayer, Inc.*			71,320		1,615,398
Viacom, Inc. "B"			132,800		6,872,400
					15,739,521
Cable Television 9.7%					
AT&T Corp. — Liberty Media Group "A"			242,600		4,243,074
Cablevision Systems Corp. "A"			55,100		3,223,350
Cablevision Systems Corp. — Rainbow Media Group*			21,763		561,473
Comcast Corp. "A"			171,955		7,462,847
					15,490,744
Service Industries 1.0%					
Miscellaneous Commercial Services					
Fluor Corp.			35,875		1,619,756
Durables 2.1%					
Aerospace					
Boeing Co.			61,470		3,417,732
Manufacturing 4.7%					
Diversified Manufacturing					
General Electric Co.			155,575		7,584,281
Technology 24.6%					
Computer Software 6.8%					
Microsoft Corp.*			56,390		4,045,983
Oracle Corp.*			139,730		2,747,092
Siebel Systems, Inc.*			85,000		4,040,050
					10,833,125

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

	Shares	Value (\$)		Shares	Value (\$)
Diverse Electronic Products 1.2%					
General Motors Corp. "H"*	95,775	1,939,444	Linear Technology Corp.	129,675	6,046,745
			Texas Instruments, Inc.	102,000	3,213,000
					13,025,725
EDP Peripherals 2.9%			Energy 6.1%		
EMC Corp.*	125,550	3,647,228	Oil & Gas Production 4.7%		
Symbol Technologies, Inc.	47,575	1,056,165	Anadarko Petroleum Corp.	90,800	4,905,924
		4,703,393	Exxon Mobil Corp.	30,085	2,627,925
Electronic Components/Distributors 3.4%					7,533,849
Advanced Micro Devices, Inc.*	55,915	1,614,825	Oil/Gas Transmission 1.4%		
Flextronics International Ltd.*	140,865	3,759,687	Enron Corp.	44,475	2,179,275
		5,374,512			
Precision Instruments 2.1%			Total Common Stocks (Cost \$168,116,516)		
ASM Lithography Holding NV*	150,475	3,393,211			152,678,183
Semiconductors 8.2%			Total Investment Portfolio — 100.0%		
Applied Materials, Inc.*	73,655	3,765,980			(Cost \$175,155,781) (a)
					159,717,448

Notes to SVS Growth Opportunities 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 \$175,191,508. At June 30, 2001, net unrealized depreciation for all securities based on tax cost was \$15,474,060. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$6,861,610 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$22,335,670.

Financial Statements

Statement of Assets and Liabilities as of June 30, 2001 (Unaudited)

Assets

Investments in securities, at value (cost \$175,155,781)	\$ 159,717,448
Cash	561
Dividends receivable	8,490
Interest receivable	17,685
Receivable for Portfolio shares sold	308,396
Total assets	160,052,580

Liabilities

Payable for investments purchased	832,499
Payable for Portfolio shares redeemed	302
Accrued management fee	123,412
Other accrued expenses and payables	22,367
Total liabilities	978,580

Net assets, at value	\$ 159,074,000
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Net Assets

Net assets consist of:	
Accumulated net investment loss	(154,098)
Net unrealized appreciation (depreciation) on investments	(15,438,333)
Accumulated net realized gain (loss)	(22,467,995)
Paid-in capital	197,134,426

Net assets, at value	\$ 159,074,000
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Net Asset Value

Net Asset Value and redemption price per share (\$159,074,000 ÷ 17,300,898 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 9.19
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Statement of Operations for the six months ended June 30, 2001 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$7,178)	\$ 352,908
Interest	202,050
Total Income	554,958
Expenses:	
Management fee	685,370
Custodian and accounting fees	82,272
Auditing	15,662
Legal	1,609
Trustees' fees and expenses	1,957
Reports to shareholders	2,585
Other	821
Total expenses, before expense reductions	790,276
Expense reductions	(81,220)
Total expenses, after expense reductions	709,056
Net investment income (loss)	(154,098)

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from investments	(19,637,614)
Net unrealized appreciation (depreciation) during the period on investments	3,091,848
Net gain (loss) on investment transactions	(16,545,766)

Net increase (decrease) in net assets resulting from operations	\$ (16,699,864)
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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, 2001 (Unaudited)	Year Ended December 31, 2000
Increase (Decrease) in Net Assets		
Operations:		
Net investment income (loss)	\$ (154,098)	\$ (176,711)
Net realized gain (loss) on investment transactions	(19,637,614)	(2,830,381)
Net unrealized appreciation (depreciation) on investment transactions during the period	3,091,848	(19,746,291)
Net increase (decrease) in net assets resulting from operations	(16,699,864)	(22,753,383)
Portfolio share transactions:		
Proceeds from shares sold	40,097,989	153,246,406
Cost of shares redeemed	(3,364,403)	(8,611,327)
Net increase (decrease) in net assets from Portfolio share transactions	36,733,586	144,635,079
Increase (decrease) in net assets	20,033,722	121,881,696
Net assets at beginning of period	139,040,278	17,158,582
Net assets at end of period (including accumulated net investment loss of \$154,098 at June 30, 2001)	\$ 159,074,000	\$ 139,040,278
Other Information (a)		
Shares outstanding at beginning of period	13,481,590	1,473,697
Shares sold	4,169,695	12,719,830
Shares redeemed	(350,387)	(711,937)
Net increase (decrease) in Portfolio shares	3,819,308	12,007,893
Shares outstanding at end of period	17,300,898	13,481,590

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,	2001(c)	2000(a)	1999(a)(d)
Net asset value, beginning of period	\$ 10.31	11.64	10.00
<i>Income (loss) from investment operations:</i>			
Net investment income (loss) (b)	(.01)	(.02)	—
Net realized and unrealized gain (loss) on investment transactions	(1.11)	(1.31)	1.64
Total from investment operations	(1.12)	(1.33)	1.64
Net asset value, end of period	\$ 9.19	10.31	11.64
Total Return (%) (e)	(10.86)**	(11.42)	16.43**

Ratios to Average Net Assets and Supplemental Data

Net assets, end of period (\$ millions)	159	139	17
Ratio of expenses before expense reductions (%)	1.09*	1.06	2.60*
Ratio of expenses after expense reductions (%)	.98*	1.01	1.10*
Ratio of net investment income (loss) (%)	(.21)*	(.20)	(.34)*
Portfolio turnover rate (%)	42*	14	1*

(a) On June 18, 2001, the Fund implemented a 1 for 10 reverse stock split. Share and per share information, for the periods prior to June 30, 2001, have been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).

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

(c) For the six months ended June 30, 2001 (Unaudited).

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

(e) Total return would have been lower had certain expenses not been reduced.

* Annualized

** Not annualized

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

SVS Index 500 Portfolio

First quarter performance was a continuation of the sharp decline that began in 2000. The market's performance resulted in the worst quarterly performance for the S&P 500 since the third quarter of 1990 and the worst start to a year since the 16.9% decline during the first quarter of 1939. Despite three interest rate cuts by the Federal Reserve Board totaling 150 basis points, the decline that was sparked by a sharp inventory correction in technology and telecommunication companies broadened during the first quarter to impact most industries. Companies in many of the economic sectors were hurt as earnings estimates continued to be cut throughout the quarter. While 2000's negative performance was concentrated in large capitalization technology and telecommunication issues, the first quarter of this year saw a much wider negative impact, with 328 issues declining with only 171 advancing and one remaining unchanged. Following the trend of last year, value stocks continued to outperform growth stocks in the quarter.

Sector performance was generally negative across the board with the best performance coming from Transportation and Consumer Cyclical, which were up less than 1% each. Declining sectors were led by Technology with a decline of 24.72%, which accounted for almost one-half of the S&P 500's performance over the quarter followed by Health Care and Capital Goods, down 15.15% and 13.68% respectively. Best performing stocks were Advanced Micro Devices (up 92.1%), Dillard's Inc. (up 85.7%) and Kmart Corporation (up 76.9%). The worst stock performers all came from the Information Technology and Telecommunications Services sectors. Declining issues were led by Applied Micro Circuits (down 78.0%), Network Appliances (down 73.8%) and QLogic Corporation (down 70.8%).

Index additions and deletions were relatively light after the record number of changes in 2000. There were six changes in the S&P 500 during the first quarter, well off last year's pace which resulted in 58 changes over the course of the year. In addition, the quarterly index rebalance that took place on March 16th, was the smallest in terms of turnover percentage, in quite some time.

After the sharp decline of the first quarter, equity markets rebounded in the second quarter for the first positive quarterly performance since the first quarter of 2000. Equities performed better as the Federal Reserve continued its policy of monetary easing to stimulate the economy. The Fed lowered rates three more times during the quarter for a total of 125 basis points. This quarter, mid-cap stocks and small-cap stocks performed better than large-cap stocks. During this same period, large-cap growth outperformed large-cap value for the first time since the second quarter of 2000.

Sector performance was much more balanced than in the first quarter with the best performance coming from a rebound in Capital Goods (up 12.05%) and Technology (up 11.89%). These two sectors accounted for over one-half of this quarter's performance. The worst performing sector was Utilities with a decline of 8.81%. Due to the stronger performance of technology stocks relative to interest-sensitive issues, the Technology Sector regained its position as the largest weight in the S&P 500, accounting for 19.4% of the market capitalization followed by Financials at 17.9%. Best performing stocks included QLogic Corporation, one of the worst performers last quarter, (up 186.4%), PeopleSoft Inc. (up 110.1%) and Cabletron Systems (up 77.1%). The worst stock performers all came from the Information Technology and Telecommunications Services sectors. Tellabs Inc. (down 52.4%), Lucent Technologies (down 37.8) and Global Crossing (down 36.0%) led declining issues.

Index additions and deletions continued the first quarter's moderate pace with eight additional changes for a total of fifteen for the year. During the quarterly rebalance of the index which occurred on June 15th, turnover accounted for only 37 basis points each way.

The equity markets must still contend with a weak near-term profit outlook with sluggish growth and narrowing profit margins continuing to weigh heavily on bottom lines. The conditions in the equity market should start to improve as the economy rebounds. If the U.S. is unable to return fully to the elevated growth rates of recent years, the revival in the equity market could be limited to trend-like gains.

Patrick Cannon
Kai Yee Wong
Denise M. Krisko
Portfolio Managers
Deutsche Asset Management, Inc.
Subadvisor to the Portfolio

SVS Index 500 Portfolio

	Principal Amount (\$)	Value (\$)		Shares	Value (\$)
Repurchase Agreements 0.4%					
State Street Bank and Trust Company, 3.93%, to be repurchased at \$643,211 on 7/2/2001** (Cost \$643,000)	643,000	643,000			
Short-Term Investments 3.0%					
Federal Home Loan Bank, 3.5%***, 7/2/2001 (Cost \$4,428,515)	4,429,000	4,428,515			
U.S. Government Obligations 0.4%					
U.S. Treasury Bill, 3.7%, 7/19/2001 (Cost \$583,968) (b)	585,000	583,968			
			Shares		
Common Stocks 96.2%					
Consumer Discretionary 6.8%					
Apparel & Shoes 0.1%					
Liz Claiborne, Inc.	683	34,457			
Nike, Inc. "B"	3,489	146,503			
Reebok International Ltd.*	718	22,940			
		203,900			
Department & Chain Stores 5.2%					
Bed Bath & Beyond, Inc.*	3,680	112,608			
Best Buy Co., Inc.*	2,723	172,965			
Big Lots, Inc.	1,492	20,411			
CVS Corp.	5,084	196,242			
Costco Wholesale Corp.*	5,803	243,958			
Dillard's Inc.	1,051	16,049			
Dollar General Corp.	4,212	82,134			
Federated Department Stores, Inc.*	2,528	107,440			
Gap, Inc.	11,084	321,436			
Home Depot, Inc.	29,956	1,394,429			
J.C. Penney Co., Inc.	3,367	88,754			
Kmart Corp.	6,266	71,871			
Kohl's Corp.*	4,241	266,038			
Lowe's Companies, Inc.	4,924	357,236			
May Department Stores Co.	3,800	130,188			
Nordstrom, Inc.	1,738	32,240			
Sears, Roebuck & Co.	4,223	178,675			
TJX Companies, Inc.	3,552	113,202			
Target Corp.	11,529	398,903			
The Limited, Inc.	5,481	90,546			
Wal-Mart Stores, Inc.	57,496	2,805,805			
Walgreen Co.				13,079	446,648
					7,647,778
Home Furnishings 0.1%					
Newell Rubbermaid, Inc.				3,446	86,495
Tupperware Corp.				809	18,955
					105,450
Hotels & Casinos 0.4%					
Carnival Corp. "A"				7,547	231,693
Harrah's Entertainment, Inc.*				1,519	53,621
Hilton Hotels Corp.				4,640	53,824
Marriott International, Inc. "A"				3,155	149,358
Starwood Hotels & Resorts Worldwide, Inc. (REIT)				2,563	95,549
					584,045
Recreational Products 0.2%					
Brunswick Corp.				1,121	26,938
Harley-Davidson, Inc.				3,830	180,316
Hasbro, Inc.				2,127	30,735
Mattel, Inc.				5,463	103,360
					341,349
Restaurants 0.5%					
Darden Restaurants, Inc.				1,555	43,385
McDonald's Corp.				16,638	450,224
Starbucks Corp.*				4,880	108,092
Tricon Global Restaurants, Inc.*				1,877	82,400
Wendy's International, Inc.				1,511	38,591
					722,692
Specialty Retail 0.3%					
AutoZone, Inc.*				1,409	52,838
Circuit City Stores, Inc.				2,623	47,214
Office Depot, Inc.*				3,803	39,475
Radioshack Corp				2,370	72,285
Staples, Inc.*				5,893	89,102
Tiffany & Co.				1,900	68,818
Toys "R" Us, Inc.*				2,492	61,677
					431,409
Consumer Staples 6.9%					
Alcohol & Tobacco 1.4%					
Adolph Coors Co.				468	23,484
Anheuser-Busch Companies, Inc.				11,518	474,542
Brown-Forman Corp. "B"				890	56,907
Philip Morris Companies, Inc.				28,205	1,431,404
UST, Inc.				2,011	58,037
					2,044,374
Consumer Electronic & Photographic 0.2%					
Eastman Kodak Co.				3,759	175,470
Maytag Corp.				948	27,738
Whirlpool Corp.				899	56,188
					259,396

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

	Shares	Value (\$)		Shares	Value (\$)
Consumer Specialties 0.0%					
American Greeting Corp. "A"	800	8,800			
Farming 0.1%					
Archer Daniels Midland Co.	8,125	105,625			
Food & Beverage 3.5%					
Albertson's, Inc.	5,204	156,068			
Campbell Soup Co.	5,299	136,449			
Coca-Cola Co.	31,956	1,438,020			
Coca-Cola Enterprises	5,376	87,898			
ConAgra Foods, Inc.	6,922	137,125			
General Mills, Inc.	3,693	161,680			
H.J. Heinz Co.	4,459	182,329			
Hershey Foods Corp.	1,776	109,597			
Kellogg Co.	5,182	150,278			
Kroger Co.*	10,389	259,725			
Pepsi Bottling Group, Inc.	1,800	72,180			
PepsiCo, Inc.	18,796	830,783			
Quaker Oats Co.	1,702	155,308			
Ralston Purina Group	3,955	118,729			
SUPERVALU, Inc.	1,670	29,309			
Safeway, Inc.*	6,471	310,608			
Sara Lee Corp.	10,106	191,408			
Unilever NV (New York Shares)	7,326	436,410			
William Wrigley Jr. Co.	2,870	134,460			
Winn-Dixie Stores, Inc.	1,857	48,523			
		5,146,887			
Package Goods/Cosmetics 1.7%					
Alberto-Culver Co. "B"	700	29,428			
Avon Products, Inc.	3,053	141,293			
Clorox Co.	3,030	102,566			
Colgate-Palmolive Co.	7,251	427,736			
Gillette Co.	13,589	393,945			
International Flavors & Fragrances, Inc. .	1,211	30,432			
Kimberly-Clark Corp.	6,881	384,648			
Procter & Gamble Co.	16,691	1,064,886			
		2,574,934			
Textiles 0.0%					
VF Corp.	1,421	51,696			
Health 12.4%					
Biotechnology 0.8%					
Amgen, Inc.*	13,414	830,595			
Biogen, Inc.*	1,925	103,835			
Chiron Corp.*	2,400	124,944			
MedImmune, Inc.*	2,748	130,283			
		1,189,657			
Health Industry Services 0.7%					
CIGNA Corp.	1,884	180,525			
Cardinal Health, Inc.	5,732	395,474			
HealthSouth Corp.*	4,935	78,812			
Humana, Inc.*	2,100	20,685			
IMS Health, Inc.	3,716	105,906			
McKesson HBOC, Inc.	3,590	133,261			
PerkinElmer, Inc.	1,320	36,340			
Quintiles Transnational Corp.*	1,611	41,048			
Wellpoint Health Networks, Inc.*	857	80,764			
		1,072,815			
Hospital Management 0.6%					
HCA-The Healthcare Co.	6,921	312,760			
Manor Care, Inc.*	1,338	42,482			
Tenet Healthcare Corp.	4,115	212,293			
UnitedHealth Group, Inc.	4,024	248,482			
		816,017			
Medical Supply & Specialty 1.3%					
Applera Corp. — Applied Biosystems Group	2,641	70,647			
Bausch & Lomb, Inc.	782	28,340			
Baxter International, Inc.*	7,618	373,282			
Becton, Dickinson & Co.	3,359	120,219			
Biomet, Inc.	2,308	111,153			
Boston Scientific Corp.*	5,277	89,709			
C.R. Bard, Inc.	658	37,473			
Guidant Corp.	3,967	142,812			
Medtronic, Inc.	15,573	716,514			
St. Jude Medical, Inc.*	1,115	66,900			
Stryker Corp.	2,599	142,555			
		1,899,604			
Pharmaceuticals 9.0%					
Abbott Laboratories	19,982	959,336			
Allergan, Inc.	1,691	144,581			
American Home Products Corp.	16,853	984,889			
Bristol-Myers Squibb Co.	24,931	1,303,891			
Eli Lilly & Co.	14,465	1,070,410			
Forest Laboratories, Inc.*	2,210	156,910			
Johnson & Johnson	38,844	1,942,202			
King Pharmaceuticals, Inc.*	2,124	114,165			
Merck & Co., Inc.	29,409	1,879,529			
Pfizer, Inc.	81,073	3,246,974			
Pharmacia Corp.	16,705	767,595			
Schering-Plough Corp.	18,747	679,391			
Watson Pharmaceuticals, Inc.*	1,350	83,214			
		13,333,087			
Communications 6.4%					
Cellular Telephone 0.7%					
Nextel Communications, Inc. "A"*	9,946	173,856			
QUALCOMM, Inc.*	9,714	553,018			
Sprint Corp. — PCS Group*	12,120	292,698			
		1,019,572			
Telephone/Communications 5.7%					
ADC Telecommunications, Inc.*	9,907	68,259			
AT&T Corp.	44,257	973,654			
Alltel Corp.	4,047	247,919			
BellSouth Corp.	24,167	973,205			
CenturyTel, Inc.	1,733	52,510			
Citizens Communications	3,600	43,308			
Global Crossing Ltd.*	11,208	96,837			

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

	Shares	Value (\$)		Shares	Value (\$)
JDS Uniphase Corp.*	16,832	221,677	MBIA, Inc.	1,826	101,644
Lucent Technologies, Inc.	43,669	270,748	MGIC Investment Corp.	1,377	100,025
Nortel Networks Corp.	40,912	371,890	MetLife, Inc.	9,700	300,506
Qwest Communications International, Inc.	21,296	678,704	Progressive Corp.	937	126,673
SBC Communications, Inc.	43,283	1,733,917	Safeco Corp.	1,605	47,572
Sprint Corp.	11,378	243,034	St. Paul Companies, Inc.	2,742	138,992
Verizon Communications, Inc.	34,710	1,856,985	Torchmark Corp.	1,589	63,894
WorldCom, Inc.*	37,063	551,490	UNUMProvident Corp.	3,116	100,086
WorldCom, Inc. — MCI Group*	1	8			<u>5,447,395</u>
		<u>8,384,145</u>	Consumer Finance 3.3%		
Financial 17.1%			American Express Co.	16,975	658,630
Banks 5.4%			Capital One Financial Corp.	2,651	159,060
AmSouth Bancorp.	4,745	87,735	Citigroup, Inc.	64,588	3,412,850
BB&T Corp.	5,242	192,381	Household International, Inc.	5,899	393,463
Bank One Corp.	14,962	535,640	Providian Financial Corp.	3,614	213,949
Bank of America Corp.	20,623	1,237,999	Synovus Financial Corp.	3,682	115,541
Bank of New York Co., Inc.	9,479	454,992			<u>4,953,493</u>
Comerica, Inc.	2,246	129,370	Investment 2.0%		
Fifth Third Bancorp.	7,425	448,087	Bear Stearns Companies, Inc.	1,385	81,673
First Union Corp.	12,594	440,034	Charles Schwab Corp.	17,822	272,669
FleetBoston Financial Corp.	13,880	547,566	Franklin Resources, Inc.	3,390	155,160
Golden West Financial Corp.	2,103	135,097	J.P. Morgan Chase & Co.	25,449	1,135,016
Huntington Bancshares, Inc.	3,210	51,874	Lehman Brothers Holdings, Inc.	3,191	248,100
KeyCorp.	5,460	142,233	Mellon Financial Corp.	6,117	281,382
MBNA Corp.	10,914	359,616	Merrill Lynch & Co., Inc.	10,799	639,841
National City Corp.	7,670	236,083	Stilwell Financial, Inc.	2,856	95,847
Northern Trust Corp.	2,849	183,761	T. Rowe Price Group, Inc.	1,653	61,211
PNC Financial Services Group	3,737	245,857			<u>2,970,899</u>
Regions Financial Corp.	2,964	93,366	Other Financial Companies 2.7%		
SouthTrust Corp.	4,338	112,788	Charter One Financial, Inc.	2,621	83,610
State Street Corp.	4,190	207,363	Countrywide Credit Industries, Inc.	1,531	70,242
SunTrust Banks, Inc.	3,695	239,362	Fannie Mae	12,865	1,095,455
US Bancorp	24,447	557,147	Freddie Mac	8,845	619,150
Union Planters Corp.	1,784	77,782	John Hancock Financial Services, Inc.	4,144	166,837
Wachovia Mutual Corp.	2,691	191,465	Marsh & McLennan Companies, Inc.	3,511	354,611
Wells Fargo & Co.	22,016	1,022,203	Moody's Corp.	2,094	70,149
Zions Bancorp.	1,200	69,888	Morgan Stanley Dean Witter & Co.	14,334	920,673
		<u>7,999,689</u>	USA Education, Inc.	2,043	149,139
Insurance 3.7%			Washington Mutual, Inc.	11,369	426,887
AFLAC, Inc.	6,812	214,489			<u>3,956,753</u>
AMBAC Financial Group, Inc.	1,367	79,559	Media 4.9%		
Allstate Corp.	9,224	405,764	Advertising 0.3%		
American General Corp.	6,430	298,674	Interpublic Group of Companies, Inc.	5,499	161,396
American International Group, Inc.	29,924	2,573,464	Omnicom Group, Inc.	2,331	200,466
Aon Corp.	3,283	114,905	TMP Worldwide, Inc.*	1,356	80,235
Atena, Inc.*	1,850	47,860			<u>442,097</u>
Chubb Corp.	2,187	169,339	Broadcasting & Entertainment 3.8%		
Cincinnati Financial Corp.	1,981	79,299	AOL Time Warner, Inc.*	56,740	3,007,220
Conseco, Inc.	4,417	60,292	Clear Channel Communications, Inc.*	7,626	478,150
Hartford Financial Services Group, Inc.	3,064	209,578	Univision Communications, Inc.*	2,800	119,784
Jefferson Pilot Corp.	1,874	90,528	Viacom, Inc. "B"*	22,914	1,185,800
Lincoln National Corp.	2,401	124,252	Walt Disney Co.	26,946	778,470
					<u>5,569,424</u>

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

	Shares	Value (\$)		Shares	Value (\$)
Cable Television 0.4%			Durables 2.7%		
Comcast Corp. "A"*	12,140	526,876	Aerospace 1.2%		
Print Media 0.4%			B.F. Goodrich Co.	1,332	50,589
Gannett Co., Inc.	3,332	219,579	Boeing Co.	11,168	620,941
Harcourt General, Inc.	832	48,414	General Dynamics Corp.	2,580	200,750
Knight-Ridder, Inc.	934	55,386	Lockheed Martin Corp.	5,544	205,405
Meredith Corp.	1,000	35,810	Northrop Grumman Corp.	1,125	90,113
New York Times Co. "A"	2,061	86,562	Rockwell International Corp.	2,656	101,247
Tribune Co.	3,988	159,560	United Technologies Corp.	6,057	443,736
		605,311			1,712,781
Service Industries 2.5%			Automobiles 0.9%		
EDP Services 0.9%			Cummins Engine Co., Inc.	562	21,749
Automatic Data Processing, Inc.	8,038	399,489	Dana Corp.	1,857	43,342
Computer Sciences Corp.*	2,136	73,906	Delphi Automotive Systems Corp.	7,183	114,425
Electronic Data Systems Corp.	6,040	377,500	Ford Motor Co.	23,500	576,925
First Data Corp.	5,040	323,820	General Motors Corp.	7,034	452,638
Fiserv, Inc.*	1,601	99,262	Genuine Parts Co.	2,109	66,434
Sapient Corp.*	1,472	14,426	Navistar International Corp.*	721	20,282
		1,288,403			1,295,795
Environmental Services 0.3%			Construction/Agricultural Equipment 0.3%		
Allied Waste Industries*	2,539	47,429	Caterpillar, Inc.	4,417	221,071
Transocean Sedo Forex, Inc.	4,024	166,000	Deere & Co.	3,058	115,745
Waste Management, Inc.	7,982	246,005	PACCAR, Inc.	949	48,589
		459,434			385,405
Miscellaneous Commercial Services 0.7%			Leasing Companies 0.0%		
Cintas Corp.	2,200	104,038	Ryder System, Inc.	1,252	24,539
Concord EFS, Inc.*	3,057	170,886	Telecommunications Equipment 0.3%		
Convergys Corp.*	2,147	64,947	Andrew Corp.*	980	17,993
Ecolab, Inc.	1,643	67,314	Avaya, Inc.*	3,737	51,197
Fluor Corp.	1,025	46,279	Corning, Inc.	11,934	199,417
NCR Corp.*	1,194	56,118	Scientific-Atlanta, Inc.	2,068	83,961
Paychex, Inc.	4,748	196,092	Tellabs, Inc.*	5,224	96,644
Sabre Group Holdings, Inc. "A"	1,662	83,100			449,212
Sysco Corp.	8,624	234,142	Tires 0.0%		
Tektronix, Inc.*	1,224	33,232	Cooper Tire & Rubber Co.	849	12,056
		1,056,148	Goodyear Tire & Rubber Co.	2,120	59,360
Miscellaneous Consumer Services 0.4%					71,416
Cendant Corp.*	10,916	212,862	Manufacturing 9.0%		
H & R Block, Inc.	1,138	73,458	Chemicals 1.0%		
Robert Half International, Inc.*	2,400	59,736	Dow Chemical Co.	11,591	385,401
TXU Corp.	3,326	160,280	E.I. du Pont de Nemours & Co.	13,390	645,934
Yahoo!, Inc.*	6,766	132,275	Eastman Chemical Co.	1,043	49,678
		638,611	Engelhard Corp.	1,700	43,843
Printing/Publishing 0.2%			Great Lakes Chemicals Corp.	700	21,595
Deluxe Corp.	909	26,270	Hercules, Inc.	1,507	17,029
Dow Jones & Co., Inc.	1,120	66,875	Mead Corp.	1,238	33,599
Equifax, Inc.	1,824	66,904	PPG Industries, Inc.	2,205	115,917
McGraw-Hill, Inc.	2,427	160,546	Praxair, Inc.	2,134	100,298
R.R. Donnelley & Sons Co.	1,464	43,481	Rohm & Haas Co.	2,826	92,975
		364,076	Sigma-Aldrich Corp.	968	39,204
					1,545,473

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

	Shares	Value (\$)		Shares	Value (\$)
Containers & Paper 0.3%					
Bemis Co., Inc.	656	26,352	Timken Co.	685	11,604
Boise Cascade Corp.	769	27,046	Visteon Corp.	1,694	31,136
International Paper Co.	6,152	219,626			674,903
Pactiv Corp.*	1,998	26,773	Office Equipment/Supplies 0.1%		
Sealed Air Corp.*	1,095	40,789	Lexmark International Group, Inc.*	1,670	112,308
Temple-Inland, Inc.	668	35,598	Xerox Corp.	8,984	85,977
Willamette Industries	1,374	68,013			198,285
		444,197	Specialty Chemicals 0.1%		
Diversified Manufacturing 6.3%			Air Products and Chemicals, Inc.	2,985	136,564
Ball Corp.	400	19,024	FMC Corp.*	443	30,372
Cooper Industries, Inc.	1,551	61,404			166,936
Crane Co.	714	22,134	Wholesale Distributors 0.0%		
Dover Corp.	2,578	97,062	W.W. Grainger, Inc.	1,174	48,322
Fortune Brands, Inc.	2,009	77,065	Technology 16.1%		
General Electric Co.	127,672	6,224,010	Computer Software 5.6%		
Honeywell International, Inc.	10,313	360,852	Adobe Systems, Inc.	3,070	144,259
ITT Industries, Inc.	1,119	49,516	Autodesk, Inc.	709	26,389
Leggett & Platt	2,457	54,128	BMC Software, Inc.*	3,108	70,054
Loews Corp.	2,534	163,266	Broadvision, Inc.*	3,600	18,396
Minnesota Mining & Manufacturing Co.	5,110	583,051	Citrix Systems, Inc.*	2,364	82,149
National Service Industries, Inc.	500	11,285	Computer Associates International, Inc.	7,365	265,140
TRW, Inc.	1,600	65,600	Compuware Corp.*	4,646	63,650
Textron, Inc.	1,743	95,935	Comverse Technology, Inc.*	2,173	125,469
Thermo Electron Corp.*	2,305	50,756	Intuit, Inc.*	2,600	101,634
Tyco International Ltd.	24,842	1,353,915	Mercury Interactive Corp.*	990	60,390
		9,289,003	Microsoft Corp.*	69,174	4,963,235
Electrical Products 0.3%			Oracle Corp.*	72,125	1,417,978
American Power Conversion Corp.*	3,323	49,413	Palm, Inc.*	7,378	44,858
Emerson Electric Co.	5,362	324,401	Parametric Technology Corp.*	3,291	42,520
Power-One, Inc.*	982	16,203	PeopleSoft, Inc.*	3,764	182,554
Thomas & Betts Corp.	1,627	35,908	Siebel Systems, Inc.*	5,759	273,725
		425,925	VERITAS Software Corp.*	5,080	342,900
Hand Tools 0.1%					8,225,300
Black & Decker Corp.	994	39,223	Diverse Electronic Products 1.8%		
Danaher Corp.	1,847	103,432	Agilent Technologies, Inc.*	5,848	190,072
Snap-On, Inc.	693	16,743	Dell Computer Corp.*	33,447	902,400
Stanley Works	1,085	45,440	Gateway, Inc.*	4,177	68,712
		204,838	Hewlett-Packard Co.	24,963	713,942
Industrial Specialty 0.3%			Molex, Inc.	2,492	90,451
Avery Dennison Corp.	1,415	72,236	Motorola, Inc.	28,230	467,489
Centex Corp.	784	31,948	Solectron Corp.*	8,340	152,622
Johnson Controls, Inc.	1,115	80,804	Teradyne, Inc.*	2,174	71,959
Novellus Systems, Inc.*	1,801	100,316			2,657,647
Pall Corp.	1,553	36,542	EDP Peripherals 0.6%		
Sherwin-Williams Co.	2,204	48,929	EMC Corp.*	28,348	823,509
		370,775	Network Appliance, Inc.*	4,212	57,957
Machinery/Components/Controls 0.5%			Symbol Technologies, Inc.	2,950	65,490
Eaton Corp.	916	64,212			946,956
Illinois Tool Works, Inc.	3,918	248,009	Electronic Components/Distributors 0.5%		
Ingersoll-Rand Co.	2,011	82,853	Advanced Micro Devices, Inc.*	4,395	126,928
Millipore Corp.	631	39,109	Altera Corp.*	4,946	146,649
Parker-Hannifin Corp.	1,498	63,575	Analog Devices, Inc.*	4,628	200,161
Pitney Bowes, Inc.	3,191	134,405			

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

	Shares	Value (\$)		Shares	Value (\$)
Applied Micro Circuits Corp.*	3,900	69,264	Royal Dutch Petroleum Co. (New York Shares)	27,585	1,607,378
Broadcom Corp. "A"*	3,352	143,533	Texaco, Inc.	6,954	463,136
Jabil Circuit, Inc.*	2,400	74,064	Tosco Corp.	1,929	84,972
		<u>760,599</u>			<u>7,375,630</u>
Electronic Data Processing 2.5%			Oil Companies 0.9%		
Apple Computer, Inc.*	4,491	108,368	Amerada Hess Corp.	1,176	95,021
Compaq Computer Corp.	21,771	337,233	Ashland, Inc.	915	36,692
International Business Machines Corp.	22,291	2,518,883	Chevron Corp.	8,220	743,910
Sun Microsystems, Inc.*	41,882	676,394	Phillips Petroleum Co.	3,256	185,592
Unisys Corp.*	3,980	58,546	USX Marathon Group	4,122	121,640
		<u>3,699,424</u>	Unocal Corp.	3,059	104,465
Military Electronics 0.1%					<u>1,287,320</u>
Raytheon Co.*	4,497	119,395	Oil/Gas Transmission 0.8%		
Office/Plant Automation 0.1%			Dynegy, Inc.	4,184	194,556
Cabletron Systems, Inc.*	2,493	56,965	Enron Corp.	9,568	468,832
Novell, Inc.*	3,775	19,894	Kinder Morgan, Inc.	1,464	73,566
		<u>76,859</u>	Niagara Mohawk Holdings, Inc.	2,039	36,070
Semiconductors 3.6%			Sempra Energy	2,676	73,162
Applied Materials, Inc.*	10,403	531,905	Progress Energy, Inc.*	3,437	118,224
Conexant Systems, Inc.*	3,180	28,620	Sunoco, Inc.	1,402	51,355
Intel Corp.	86,428	2,622,226	Williams Companies, Inc.	6,150	202,643
KLA-Tencor Corp.*	2,395	140,922			<u>1,218,408</u>
LSI Logic Corp.*	4,613	86,724	Oilfield Services/Equipment 0.5%		
Linear Technology Corp.	4,100	191,183	Baker Hughes, Inc.	4,332	145,122
Maxim Integrated Products, Inc.*	4,190	197,223	Halliburton Co.	5,491	195,480
Micron Technology, Inc.*	7,703	316,593	Noble Drilling Corp.	1,700	55,675
National Semiconductor Corp.*	2,201	64,093	Rowan Companies, Inc.	1,177	26,012
QLogic Corp.*	1,141	73,412	Schlumberger Ltd.	7,321	385,451
Sanmina Corp.*	4,032	97,413			<u>807,740</u>
Texas Instruments, Inc.	22,295	702,293	Metals & Minerals 0.6%		
Vitesse Semiconductor Corp.*	2,400	50,760	Precious Metals 0.1%		
Williams Communications Group, Inc.	1	2	Barrick Gold Corp.	5,093	77,159
Xilinx, Inc.*	4,230	175,334	Freeport-McMoRan Copper & Gold, Inc. "B"	1,887	20,851
		<u>5,278,703</u>	Homestake Mining Co.	3,303	25,598
Telecommunications Equipment 1.3%			Newmont Mining Corp.	2,515	46,804
Cisco Systems, Inc.*	94,149	1,818,865	Placer Dome, Inc.	4,146	40,542
					<u>210,954</u>
Energy 7.2%			Steel & Metals 0.5%		
Engineering 0.0%			Alcan, Inc.	4,082	172,072
McDermott International, Inc.	677	7,887	Alcoa, Inc.	11,097	437,222
Oil & Gas Production 5.0%			Allegheny Technologies, Inc.	967	17,493
Anadarko Petroleum Corp.	3,188	172,248	Inco Ltd.	2,318	40,009
Apache Corp.	1,613	81,860	Nucor Corp.	976	47,717
Burlington Resources, Inc.	2,714	108,424	Phelps Dodge Corp.	954	39,591
Conoco, Inc.	7,938	229,408	USX-US Steel Group, Inc.	1,161	23,394
Devon Energy Corp.	1,631	85,628	Worthington Industries, Inc.	1,026	13,954
EOG Resources, Inc.	1,439	51,156			<u>791,452</u>
El Paso Corp.	6,541	343,664	Construction 0.4%		
Exxon Mobil Corp.	44,347	3,873,710	Building Materials 0.1%		
Kerr-McGee Corp.	1,170	77,536	Vulcan Materials Co.	1,310	70,413
Nabors Industries, Inc.*	1,898	70,606	Building Products 0.2%		
Occidental Petroleum Corp.	4,735	125,904	Georgia-Pacific Group	2,841	96,168

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

	Shares	Value (\$)		Shares	Value (\$)
Masco Corp.	5,926	147,913	CINergy Corp.	2,049	71,613
		<u>244,081</u>	CMS Energy Corp.	1,656	46,120
Forest Products 0.1%			Calpine Corp.*	3,780	142,884
Louisiana-Pacific Corp.	1,280	15,014	Consolidated Edison, Inc.	2,744	109,211
Potlatch Corp.	400	13,764	Constellation Energy Group	2,110	89,886
Westvaco Corp.	1,307	31,747	DTE Energy Co.	2,146	99,660
Weyerhaeuser Co.	2,732	150,178	Dominion Resources, Inc.	3,222	193,739
		<u>210,703</u>	Duke Energy Corp.	9,928	387,291
Homebuilding 0.0%			Edison International	4,167	46,462
KB Home	527	15,900	Energy Corp.	2,831	108,682
Pulte Corp.	595	25,365	Exelon Corp.	4,102	263,020
		<u>41,265</u>	FPL Group, Inc.	2,208	132,944
Transportation 0.7%			FirstEnergy Corp.	2,848	91,592
Air Freight 0.1%			GPU, Inc.	1,480	52,022
FedEx Corp.*	3,996	160,639	Mirant Corp.*	4,383	150,791
			PG&E Corp.	4,931	55,227
Airlines 0.2%			Pinnacle West Capital Corp.	1,108	52,519
AMR Corp.*	1,947	70,345	Public Service Enterprise Group	2,674	130,759
Delta Air Lines, Inc.	1,594	70,264	Southern Co.	8,798	204,554
Southwest Airlines Co.	9,699	179,325			<u>3,072,179</u>
US Airways Group, Inc.*	890	21,627	Natural Gas Distribution 0.4%		
		<u>341,561</u>	KeySpan Corp.	1,732	63,183
Railroads 0.4%			NICOR, Inc.	606	23,622
Burlington Northern Santa Fe Corp.	4,979	150,216	NiSource, Inc.	2,651	72,452
CSX Corp.	2,774	100,530	ONEOK, Inc.	800	15,760
Norfolk Southern Corp.	4,885	101,120	PPL Corp.	1,879	103,345
Union Pacific Corp.	3,205	175,987	Peoples Energy Corp.	428	17,206
		<u>527,853</u>	Reliant Energy, Inc.	3,765	121,271
Utilities 2.5%			Xcel Energy, Inc.	4,387	124,810
Electric Utilities 2.1%					<u>541,649</u>
AES Corp.*	6,871	295,797	Total Common Stocks (Cost \$155,392,575)		142,023,128
Allegheny Energy, Inc.	1,610	77,683	Total Investment Portfolio — 100.0%		
Ameren Corp.	1,797	76,732	(Cost \$161,048,058) (a)		147,678,611
American Electric Power Co.	4,180	192,991			

Notes to SVS Index 500 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 \$161,680,098. At June 30, 2001, net unrealized depreciation for all securities based on tax cost was \$14,001,487. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$7,497,025 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of 21,498,512.

(b) At June 30, 2001, these securities, in part or in whole, have been segregated to cover initial margin requirements for open futures contracts.

At June 30, 2001, open futures contracts purchased were as follows:

Futures	Expiration Date	Contracts	Aggregate Face Value (\$)	Value (\$)
S&P 500 Index	September 20, 2001	10	3,064,635	3,090,000
Total unrealized appreciation on open futures contracts				25,365

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

Financial Statements

Statement of Assets and Liabilities as of June 30, 2001 (Unaudited)

Assets

Investments in securities, at value (cost \$161,048,058)	\$ 147,678,611
Cash	68
Receivable for investments sold	11,220
Dividends receivable	99,031
Interest receivable	18,962
Receivable for Portfolio shares sold	2,509,591
Receivable for daily variation margin on open futures contracts	20,357
Other assets	127
Total assets	150,337,967

Liabilities

Payable for investments purchased	1,933,417
Payable for Portfolio shares redeemed	116
Accrued management fee	36,487
Other accrued expenses and payables	15,069
Total liabilities	1,985,089

Net assets, at value \$ 148,352,878

Net Assets

Net assets consist of:	
Undistributed net investment income	316,403
Net unrealized appreciation (depreciation) on:	
Investments	(13,369,447)
Futures	25,365
Accumulated net realized gain (loss)	(3,092,384)
Paid-in capital	164,472,941
Net assets, at value	\$ 148,352,878

Net Asset Value

Net Asset Value and redemption price per share (\$148,352,878 ÷ 16,324,147 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized) \$ 9.09

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

Statement of Operations for the six months ended June 30, 2001 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$4,008)	\$ 681,196
Interest	91,358
Total Income	<u>772,554</u>
Expenses:	
Management fee	252,592
Custodian and accounting fees	116,802
Auditing	6,771
Legal	2,455
Trustees' fees and expenses	3,157
Reports to shareholders	4,232
Other	1,724
Total expenses, before expense reductions	<u>387,733</u>
Expense reductions	(102,116)
Total expenses, after expense reductions	<u>285,617</u>
Net investment income (loss)	486,937

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	(1,629,429)
Futures	(161,938)
	<u>(1,791,367)</u>
Net unrealized appreciation (depreciation) during the period on:	
Investments	(6,606,502)
Futures	16,995
	<u>(6,589,507)</u>
Net gain (loss) on investment transactions	(8,380,874)
Net increase (decrease) in net assets resulting from operations	\$ (7,893,937)

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

Statements of Changes in Net Assets

	Six Months Ended June 30, 2001 (Unaudited)	Year Ended December 31, 2000
Increase (Decrease) in Net Assets		
Operations:		
Net investment income (loss)	\$ 486,937	\$ 653,655
Net realized gain (loss) on investment transactions	(1,791,367)	(1,288,940)
Net unrealized appreciation (depreciation) on investment transactions during the period	(6,589,507)	(8,578,040)
Net increase (decrease) in net assets resulting from operations	(7,893,937)	(9,213,325)
Distributions to shareholders from:		
Net investment income	(599,089)	(254,548)
Net realized gains	—	(254,548)
Portfolio share transactions:		
Proceeds from shares sold	60,104,818	92,692,730
Reinvestment of distributions	599,089	509,096
Cost of shares redeemed	(6,247,427)	(13,422,943)
Net increase (decrease) in net assets from Portfolio share transactions	54,456,480	79,778,883
Increase (decrease) in net assets	45,963,454	70,056,462
Net assets at beginning of period	102,389,424	32,332,962
Net assets at end of period (including undistributed net investment income of \$316,403 and \$428,555, respectively)	\$ 148,352,878	\$ 102,389,424
Other Information (a)		
Shares outstanding at beginning of period	10,470,034	2,951,293
Shares sold	6,487,637	8,765,173
Shares issued to shareholders in reinvestment of distributions	70,710	45,920
Shares redeemed	(704,234)	(1,292,352)
Net increase (decrease) in Portfolio shares	5,854,113	7,518,741
Shares outstanding at end of period	16,324,147	10,470,034

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,	2001(c)	2000(a)	1999(a)(d)
Net asset value, beginning of period	\$ 9.78	10.96	10.00
<i>Income (loss) from investment operations:</i>			
Net investment income (loss) (b)	.08	.10	.10
Net realized and unrealized gain (loss) on investment transactions	(.72)	(1.18)	.86
Total from investment operations	(.64)	(1.08)	.96
<i>Less distributions from:</i>			
Net investment income	(.05)	(.05)	—
Net realized gains on investment transactions	—	(.05)	—
Total distributions	(.05)	(.10)	—
Net asset value, end of period	\$ 9.09	9.78	10.96
Total Return (%) (e)	(6.50)**	(9.93)	9.55**
Ratios to Average Net Assets and Supplemental Data			
Net assets, end of period (\$ millions)	148	102	32
Ratio of expenses before expense reductions (%)	.68*	.88	.84*
Ratio of expenses after expense reductions (%)	.50*	.54	.55*
Ratio of net investment income (loss) (%)	.85*	.90	3.72*
Portfolio turnover rate (%)	5*	20	1*

(a) On June 18, 2001, the Fund implemented a 1 for 10 reverse stock split. Share and per share information, for the periods prior to June 30, 2001, have been restated to reflect the effect of the split. Shareholders received 1 share for every 10 shares owned and net asset value per share increased correspondingly (see Notes to Financial Statements).

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

(c) For the six months ended June 30, 2001 (Unaudited).

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

(e) Total return would have been lower had certain expenses not been reduced.

* Annualized ** Not annualized

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

SVS Mid Cap Growth Portfolio

From its inception on May 1 through June 30, the SVS Mid Cap Growth Portfolio slightly underperformed its benchmark, the Russell Midcap Growth Index. Four of the portfolio's 10 sector positions outperformed their corresponding index sectors. Contributing the most to performance were our consumer discretionary/services, health care, and financial services holdings, which exceeded the results of the corresponding Russell Midcap Growth Index sectors. Those holdings amounted to 30% of the portfolio's weightings.

Conversely, our technology holdings, which accounted for the portfolio's largest position, 29%, detracted most from results; they declined 8%, versus a loss of 6% for the index's tech sector. The sizable weighting in technology stocks reflected the portfolio's policy of sector neutrality to the benchmark, i.e., its weighting in technology stocks closely resembled that of the Russell Midcap Growth Index, as is the case for weightings in every sector.

Going forward, we expect growth stocks, absent a sharp increase in interest rates, to do relatively well in both the short and long run primarily because of their strong earnings potential. In our view, growth companies are likely to produce the best earnings partly due to the nature of today's economic reality. For companies today, pricing power is weak, a consequence of increasingly fierce global competition. So companies have had to increase their *sales* volumes (instead of their *prices*) in an effort to boost earnings. Those companies that have increased their sales volumes most successfully have mainly been growth companies. The key to their success: the effective application of technology to innovate, boost productivity, and temper costs and prices.

Christopher K. McHugh
Portfolio Manager
Turner Investment Partners, Inc.
Subadvisor to the Portfolio

SVS Mid Cap Growth Portfolio

	Principal Amount (\$)	Value (\$)	Shares	Value (\$)
Repurchase Agreements 3.1%				
State Street Bank and Trust Company, 3.93%, to be repurchased at \$232,076 on 7/2/2001** (Cost \$232,000)	232,000	232,000		
Short-Term Investments 17.6%				
Federal Home Loan Bank, 3.5%***, 7/2/2001	503,000	502,890		
Federal National Mortgage Association, 3.72%***, 7/9/2001	800,000	799,256		
Total Short-Term Investments (Cost \$1,302,146)		1,302,146		
			Shares	
Common Stocks 79.3%				
Consumer Discretionary 5.7%				
Apparel & Shoes 0.8%				
Abercrombie & Fitch Co. "A"*	680	30,260		
Coach, Inc.*	790	30,060		
		60,320		
Department & Chain Stores 1.9%				
Barnes & Noble, Inc.	1,510	59,419		
Bed Bath & Beyond, Inc.*	1,150	35,190		
Best Buy Co., Inc.*	700	44,464		
		139,073		
Hotels & Casinos 0.3%				
Starwood Hotels & Resorts Worldwide, Inc. (REIT)	680	25,350		
Recreational Products 1.2%				
International Game Technology	700	43,925		
Mattel, Inc.	2,460	46,543		
		90,468		
Restaurants 0.4%				
Tricon Global Restaurants, Inc.*	660	28,974		
Specialty Retail 1.1%				
CDW Computer Centers, Inc.	1,250	49,625		
Tiffany & Co.	810	29,338		
		78,963		
Consumer Staples 2.0%				
Food & Beverage				
General Mills, Inc.	1,700	74,426		
Pepsi Bottling Group, Inc.	730	29,273		
Suiza Foods Corp.*	840	44,604		
		148,303		
Health 16.8%				
Biotechnology 3.0%				
Genzyme Corp. (General Division)*	1,320	77,801		
IDEC Pharmaceuticals Corp.*	1,140	74,100		
Invitrogen Corp.*	1,030	71,698		
		223,599		
Health Industry Services 2.6%				
Express Scripts, Inc. "A"	800	43,456		
HealthSouth Corp.	1,980	31,621		
Henry Schein, Inc.*	1,180	43,459		
IMS Health, Inc.	2,490	70,965		
		189,501		
Hospital Management 1.0%				
Triad Hospitals, Inc.*	530	15,619		
Universal Health Services, Inc.*	1,280	58,240		
		73,859		
Medical Supply & Specialty 4.4%				
Biomet, Inc.	880	42,380		
Cytoc Corp.*	1,270	29,274		
DENTSPLY International, Inc.	940	41,783		
Laboratory Corporation of America Holdings*	690	53,061		
St. Jude Medical, Inc.	940	56,400		
Varian Medical Systems, Inc.*	820	58,630		
Waters Corp.*	1,590	43,900		
		325,428		
Pharmaceuticals 5.8%				
Allergan, Inc.	420	35,910		
AmeriSource Health Corp.*	1,260	69,678		
Andrx Group*	350	26,544		
Cephalon, Inc.*	650	46,410		
Forest Laboratories, Inc.*	440	31,240		
Inhale Therapeutic Systems, Inc.*	1,150	27,888		
King Pharmaceuticals, Inc.	1,980	106,425		
Watson Pharmaceuticals, Inc.	1,410	86,912		
		431,007		
Communications 3.0%				
Telephone/Communications 2.5%				
BroadWing, Inc.	1,900	46,455		
McLeodUSA, Inc. "A"	8,210	35,878		
Sonus Networks, Inc.*	3,440	78,054		
Time Warner Telecom, Inc. "A"*	850	28,517		
		188,904		
Miscellaneous 0.5%				
Tellium, Inc.*	2,080	35,693		
Financial 3.7%				
Consumer Finance 0.7%				
Providian Financial Corp.	920	54,464		
Insurance 1.1%				
Nationwide Financial Services, Inc. "A" ..	660	28,809		

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

	Shares	Value (\$)		Shares	Value (\$)
The Phoenix Companies, Inc.*	1,640	30,504	Industrial Specialty 0.5%		
Willis Group Holdings Ltd.*	1,340	23,785	Polycom, Inc.*	1,800	39,330
		83,098			
Investment 1.0%			Machinery/Components/Controls 2.2%		
Neuberger Berman, Inc.	450	30,600	Capstone Turbine Corp.*	1,400	30,940
SEI Investments Co.	960	45,360	Cooper Cameron Corp.	1,500	83,700
		75,960	Millipore Corp.	630	39,047
					153,687
Other Financial Companies 0.2%			Specialty Chemicals 0.3%		
TCF Financial Corp.	360	16,672	Air Products and Chemicals, Inc.	550	25,162
Miscellaneous 0.7%			Technology 29.4%		
Instinet Group, Inc.*	2,650	48,813	Computer Software 11.7%		
			DST Systems, Inc.*	520	27,404
Media 5.1%			Electronic Arts, Inc.*	1,600	92,352
Advertising 3.3%			Extreme Networks, Inc.*	2,260	63,958
DoubleClick, Inc.*	3,350	45,996	i2 Technologies, Inc.*	2,640	52,008
Getty Images, Inc.*	2,900	76,502	Interwoven, Inc.*	1,580	28,440
Lamar Advertising Co.	650	29,998	Macrovision Corp.*	970	66,038
TMP Worldwide, Inc.	1,590	94,080	McData Corp.*	1,300	29,471
		246,576	Mercury Interactive Corp.*	490	29,890
			Micromuse, Inc.*	2,060	57,927
Broadcasting & Entertainment 1.4%			NVIDIA Corp.*	460	42,182
Univision Communication, Inc.*	1,760	75,292	Netegrity, Inc.	1,530	48,654
Westwood One, Inc.	730	26,901	Openwave Systems, Inc.	1,500	48,825
		102,193	Rational Software Corp.*	2,090	58,980
			SmartForce Public Limited Co.*	1,540	54,285
Cable Television 0.4%			Storagenetworks, Inc.*	4,240	71,826
Mediacom Communications Corp.*	1,690	29,998	THQ, Inc.	790	48,427
			Vignette Corp.	5,380	47,236
					867,903
Service Industries 4.3%			EDP Peripherals 1.3%		
EDP Services 1.6%			Brocade Communications Systems, Inc.*	2,250	97,672
Fiserv, Inc.	920	57,040			
VeriSign, Inc.*	1,080	62,748	Electronic Components/Distributors 3.8%		
		119,788	Advanced Micro Devices, Inc.*	2,750	79,421
Miscellaneous Commercial Services 1.1%			Applied Micro Circuits Corp.*	3,280	58,252
Apollo Group, Inc. "A"	1,180	50,150	Broadcom Corp. "A"	700	29,974
Tetra Tech, Inc.	1,130	30,329	Jabil Circuit, Inc.	2,290	70,669
		80,479	PMC-Sierra, Inc.*	1,200	37,452
					275,768
Miscellaneous Consumer Services 1.6%			Electronic Data Processing 0.8%		
Cendant Corp.*	1,880	36,660	Apple Computer, Inc.	1,820	43,917
Peregrine Systems, Inc.*	2,540	77,749	Internet Security Systems, Inc.	290	14,404
		114,409			58,321
			Precision Instruments 3.0%		
Durables 1.8%			Finisar Corp.	3,760	70,086
Automobiles 1.1%			Lam Research Corp.*	3,080	92,154
SPX Corp.	630	78,863	ONI Systems Corp.*	2,310	62,231
					224,471
Telecommunications Equipment 0.7%			Semiconductors 8.0%		
UTStarcom, Inc.*	2,110	51,168	Integrated Device Technology, Inc.*	1,610	48,074
			Intersil Holding Corp.*	810	27,937
Manufacturing 4.4%			KLA-Tencor Corp.	1,660	97,674
Chemicals 0.6%			LSI Logic Corp.	3,240	60,912
Cabot Microelectronics Corp.*	730	45,640			
Diversified Manufacturing 0.8%					
MKS Instruments, Inc.*	1,180	33,182			
Thermo Electron Corp.	1,310	28,846			
		62,028			

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

	Shares	Value (\$)		Shares	Value (\$)
Lattice Semiconductor Corp.*	1,300	32,175	Miscellaneous 0.4%		
Marvell Technology Group Ltd.*	1,220	32,940	Aquila, Inc.*	1,180	29,087
Novellus Systems, Inc.	1,700	94,690	Metals & Minerals 0.4%		
QLogic Corp.*	1,000	64,340	Steel & Metals		
Sanmina Corp.*	4,270	103,163	Alcan, Inc.	720	30,351
Semitech Corp.*	930	29,490	Utilities 0.8%		
		591,395	Electric Utilities 0.4%		
Miscellaneous 0.8%			Orion Power Holdings, Inc.*	1,260	30,001
Homestore.Com, Inc.*	790	27,500	Natural Gas Distribution 0.4%		
Quest Software, Inc.	830	31,291	Reliant Resources, Inc.*	1,170	28,899
		58,791			
Energy 1.9%					
Oil & Gas Production 1.5%					
Kerr-McGee Corp.	640	42,413	Total Common Stocks (Cost \$5,741,596)		5,869,284
Noble Affiliates, Inc.	680	24,038	Total Investment Portfolio — 100.0%		
Ocean Energy, Inc.	2,430	42,404	(Cost \$7,275,742) (a)		7,403,430
		108,855			

Notes to SVS Mid Cap 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 \$7,275,742. At June 30, 2001, net unrealized appreciation for all securities based on tax cost was \$127,688. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$270,552 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$142,864.

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

Financial Statements

Statement of Assets and Liabilities as of June 30, 2001 (Unaudited)

Assets

Investments in securities, at value (cost \$7,275,742)	\$ 7,403,430
Cash	584
Receivable for investments sold	144,010
Dividends receivable	326
Interest receivable	2,078
Receivable for Portfolio shares sold	176,236
Total assets	7,726,664

Liabilities

Payable for investments purchased	971,588
Payable for Portfolio shares redeemed	4
Other accrued expenses and payables	6,299
Total liabilities	977,891

Net assets, at value **\$ 6,748,773**

Net Assets

Net assets consist of:	
Accumulated net investment loss	(545)
Net unrealized appreciation (depreciation) on investments	127,688
Accumulated net realized gain (loss)	(116,043)
Paid-in capital	6,737,673

Net assets, at value **\$ 6,748,773**

Net Asset Value

Net Asset Value and redemption price per share ($\$6,748,773 \div 681,126$ outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized) **\$ 9.91**

Statement of Operations for the two months ended June 30, 2001 (Unaudited)

Investment Income

Income:	
Dividends (net of foreign taxes withheld of \$3)	\$ 580
Interest	5,174
Total Income	5,754
Expenses:	
Management fee	4,827
Custodian and accounting fees	30,429
Auditing	5,625
Legal	578
Trustees' fees and expenses	934
Reports to shareholders	3,787
Other	250
Total expenses, before expense reductions	46,430
Expense reductions	(40,131)
Total expenses, after expense reductions	6,299

Net investment income (loss) **(545)**

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from investments	(116,043)
Net unrealized appreciation (depreciation) during the period on investments	127,688

Net gain (loss) on investment transactions **11,645**

Net increase (decrease) in net assets resulting from operations **\$ 11,100**

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

Statement of Changes in Net Assets

	Period Ended June 30, 2001(a)
Increase (Decrease) in Net Assets	
Operations:	
Net investment income (loss)	\$ (545)
Net realized gain (loss) on investment transactions	(116,043)
Net unrealized appreciation (depreciation) on investment transactions during the period	127,688
Net increase (decrease) in net assets resulting from operations	11,100
Portfolio share transactions:	
Proceeds from shares sold	7,769,331
Cost of shares redeemed	(1,031,658)
Net increase (decrease) in net assets from Portfolio share transactions	6,737,673
Increase (decrease) in net assets	6,748,773
Net assets at beginning of period	—
Net assets at end of period (including accumulated net investment loss of \$545 at June 30, 2001)	\$ 6,748,773
Other Information	
Shares outstanding at beginning of period	—
Shares sold	783,977
Shares redeemed	(102,851)
Net increase (decrease) in Portfolio shares	681,126
Shares outstanding at end of period	681,126

(a) For the period from May 1, 2001 (commencement of operations) to June 30, 2001 (Unaudited).

Financial Highlights

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

	2001(a)
Net asset value, beginning of period	\$10.00
<i>Income (loss) from investment operations:</i>	
Net investment income (loss) (b)	—(d)
Net realized and unrealized gain (loss) on investment transactions	(.09)
Net asset value, end of period	\$ 9.91
Total Return (%) (c)	(.90)**
Ratios to Average Net Assets and Supplemental Data	
Net assets, end of period (\$ millions)	7
Ratio of expenses before expense reductions (%)	9.62*
Ratio of expenses after expense reductions (%)	1.30*
Ratio of net investment income (loss) (%)	(.11)*
Portfolio turnover rate (%)	206*

(a) For the period from May 1, 2001 (commencement of operations) to June 30, 2001 (Unaudited).

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

(c) Total return would have been lower had certain expenses not been reduced.

(d) Amount is less than one half of \$.01.

* Annualized

** Not annualized

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

SVS Strategic Equity Portfolio

Unfortunately, the weak economic environment has spread around most of the world. Nevertheless, the stock market has acted well since early April, particularly the Nasdaq, rising by 31.9% off its low on April 4. Historically, the stock market has always led economic recovery, and as every week goes by we have more conviction that the lows in the market have been seen; however, the rise will probably be of a sawtooth nature from here forward. The SVS Strategic Equity Portfolio underperformed the benchmark since inception of May 1, 2001.

The portfolio started as the market was bouncing off of lows for many of the holdings, especially within technology. Foundry Networks and Express Scripts gained over 20%. CIENA, Corning, EMC, JDS Uniphase, Juniper Networks, PMC-Sierra and Vitesse Semiconductor lost more than 20% as earnings pre-announcement season took the wind out of the technology recovery sails.

Companies within technology continue to have poor visibility, which means they did not have much in the way of orders and no one has much in the way of earnings expectations. These companies have taken this as an opportunity to announce large layoffs and make large write-offs, particularly for excess inventories.

Although earnings for the quarter will be dismal, what will be more important is what the managements say in their conference calls following the release of their earnings. If managements, in general, continue to say they see weak visibility and nothing to be excited about, the market is likely to remain lackluster. If, however, managements indicate some strengthening of orders, this could be a significant catalyst for a good market rally in the third quarter. We are optimistic that companies will start to see better prospects. We don't know if it will be this quarter, next quarter or further out. Our guess is we will start to see some improving predictions in the ensuing months.

Within the health care industry, the stocks remained stable to down slightly due to increasing concerns of pipeline viability and patent expirations. The long-term horizon for these companies remains intact with the aging U.S. population playing in their favor.

Financials bounced off of depressed levels as investors began to look toward a healthier capital markets environment. We are currently in a low inflation, falling interest rate environment, which is good for financial assets. There has been and will be a tremendous amount of wealth created, particularly in the U.S. This wealth must be managed, benefiting the companies within the portfolio.

Although this correction has been very painful on the downslope, we believe the portfolio is in the right position for the rally and will continue to evaluate the situation to make sure that we are in the sectors which we think will do the best on a relative basis as the rally continues — which we expect it will do.

James D. Oelschlager
Portfolio Manager
Oak Associates, Ltd.
Subadvisor to the Portfolio

SVS Strategic Equity Portfolio

	Principal Amount (\$)	Value (\$)	Shares	Value (\$)
Short-Term Investments 17.7%				
Federal National Mortgage Association, 3.72%***, 7/9/2001 (Cost \$1,998,347)	2,000,000	1,998,347		
			Shares	
Common Stocks 82.3%				
Health 12.6%				
Medical Supply & Specialty 2.5%				
Medtronic, Inc.	6,000	276,060		
Pharmaceuticals 10.1%				
Eli Lilly & Co.	5,000	370,000		
Merck & Co., Inc.	6,300	402,633		
Pfizer, Inc.	9,100	364,455		
		1,137,088		
Communications 3.6%				
Telephone/Communications				
JDS Uniphase Corp.*	30,500	401,685		
Financial 15.0%				
Banks 3.7%				
MBNA Corp.	12,700	418,465		
Insurance 3.7%				
American International Group, Inc.	4,900	421,400		
Consumer Finance 3.8%				
Citigroup, Inc.	8,000	422,720		
Other Financial Companies 3.8%				
Morgan Stanley Dean Witter & Co.	6,600	423,918		
Durables 6.0%				
Telecommunications Equipment				
CIENA Corp.*	10,100	383,244		
Corning, Inc.	17,500	292,425		
		675,669		
Technology 45.1%				
Computer Software 6.8%				
Openwave Systems Inc.*	10,300	335,265		
VERITAS Software Corp.*	6,500	438,750		
		774,015		
Diverse Electronic Products 3.3%				
Foundry Networks, Inc.*	19,000	370,310		
EDP Peripherals 6.7%				
Brocade Communications Systems, Inc.*	8,700	377,668		
EMC Corp.*	12,600	366,030		
		743,698		
Electronic Components/Distributors 6.6%				
Juniper Networks, Inc.*	11,100	343,545		
PMC-Sierra, Inc.*	12,800	399,488		
		743,033		
Semiconductors 17.0%				
Applied Materials, Inc.*	7,300	373,249		
Linear Technology Corp.	7,600	354,388		
Maxim Integrated Products, Inc.*	7,750	364,792		
Vitesse Semiconductor Corp.*	20,500	433,575		
Xilinx, Inc.*	9,200	381,340		
		1,907,344		
Telecommunications Equipment 4.7%				
Cisco Systems, Inc.*	18,800	363,197		
Express Scripts Inc. "A"*	3,200	173,824		
		537,021		
Total Common Stocks (Cost \$9,341,006)				9,252,426
Total Investment Portfolio — 100.0% (Cost \$11,339,353) (a)				11,250,773

Notes to SVS Strategic Equity 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 \$11,339,353. At June 30, 2001, net unrealized depreciation for all securities based on tax cost was \$88,580. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$170,906 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$259,486.

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

Financial Statements

Statement of Assets and Liabilities as of June 30, 2001 (Unaudited)

Assets

Investments in securities, at value (cost \$11,339,353)	\$ 11,250,773
Cash	16,598
Dividends receivable	556
Interest receivable	2,949
Receivable for Portfolio shares sold	245,073
Total assets	11,515,949

Liabilities

Payable for investments purchased	1,629,226
Payable for Portfolio shares redeemed	4
Other accrued expenses and payables	5,733
Total liabilities	1,634,963
Net assets, at value	\$ 9,880,986

Net Assets

Net assets consist of:	
Undistributed net investment income	2,726
Net unrealized appreciation (depreciation) on investments	(88,580)
Accumulated net realized gain (loss)	(69)
Paid-in capital	9,966,909
Net assets, at value	\$ 9,880,986

Net Asset Value

Net Asset Value and redemption price per share (\$9,880,986 ÷ 1,102,020 outstanding shares of beneficial interest, \$.01 par value, unlimited number of shares authorized)	\$ 8.97
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The accompanying notes are an integral part of the financial statements.

Statement of Operations for the two months ended June 30, 2001 (Unaudited)

Investment Income

Income:	
Dividends	\$ 1,107
Interest	7,353
Total Income	<u>8,460</u>
Expenses:	
Management fee	4,738
Custodian and accounting fees	21,286
Auditing	5,625
Legal	578
Trustees' fees and expenses	934
Reports to shareholders	3,787
Other	250
Total expenses, before expense reductions	<u>37,198</u>
Expense reductions	<u>(31,464)</u>
Total expenses, after expense reductions	5,734
Net investment income (loss)	2,726

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from investments	(69)
Net unrealized appreciation (depreciation) during the period on investments	(88,580)
Net gain (loss) on investment transactions	(88,649)
Net increase (decrease) in net assets resulting from operations	\$ (85,923)

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

Statement of Changes in Net Assets

Increase (Decrease) in Net Assets	Period Ended June 30, 2001(a)
Operations:	
Net investment income (loss)	\$ 2,726
Net realized gain (loss) on investment transactions	(69)
Net unrealized appreciation (depreciation) on investment transactions during the period	(88,580)
Net increase (decrease) in net assets resulting from operations	(85,923)
Portfolio share transactions:	
Proceeds from shares sold	9,972,870
Cost of shares redeemed	(5,961)
Net increase (decrease) in net assets from Portfolio share transactions	9,966,909
Increase (decrease) in net assets	9,880,986
Net assets at beginning of period	—
Net assets at end of period (including undistributed net investment income of \$2,726 at June 30, 2001)	\$ 9,880,986
Other Information	
Shares outstanding at end of period	—
Shares sold	1,102,635
Shares redeemed	(615)
Net increase (decrease) in Portfolio shares	1,102,020
Shares outstanding at end of period	1,102,020

(a) For the period from May 1, 2001 (commencement of operations) to June 30, 2001 (Unaudited).

Financial Highlights

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

	2001(a)
Net asset value, beginning of period	\$10.00
<i>Income (loss) from investment operations:</i>	
Net investment income (loss) (b)	.01
Net realized and unrealized gain (loss) on investment transactions	(1.04)
Total from investment operations	(1.03)
Net asset value, end of period	\$ 8.97
Total Return (%) (c)	(10.30)**
Ratios to Average Net Assets and Supplemental Data	
Net assets, end of period (\$ millions)	10
Ratio of expenses before expense reductions (%)	7.46*
Ratio of expenses after expense reductions (%)	1.15*
Ratio of net investment income (loss) (%)	.55*
Portfolio turnover rate (%)	1*

(a) For the period from May 1, 2001 (commencement of operations) to June 30, 2001 (Unaudited).

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

(c) Total return would have been lower had certain expenses not been reduced.

* Annualized

** Not annualized

SVS Venture Value Portfolio

The stock market has continued to experience strong volatility, as a result of mixed economic data. Investors remain concerned about the ultimate direction of the U.S. economy. We believe we are in a trading range market in the 10,000 to 15,000 range. What we are seeing is a kind of tug-of-war between lower interest rates, which favor higher valuations on stocks, and deteriorating earnings and profits, which are unfavorable for growth rates and therefore valuations. The Federal Reserve appears to be trying to put a floor under the market around the low end of that trading range. If evidence surfaces that the economy is turning around, as it normally does in a garden-variety recession with an active Fed, then the market will have a strong rally and perhaps go to new highs.

The SVS Venture Value Portfolio maintains strategic long-term allocations to financial, health care, and select technology companies. These allocations reflect long-term investment themes, based on the strong influences of demographic trends, globalization, consolidation, and business capital spending trends. It is important to recognize that we have chosen to maintain exposures to businesses that we believe will fare better over full market cycles rather than attempt to rotate from sector to sector in the short term.

Our investment discipline remains the same throughout a full market cycle, regardless of the volatility conditions in the stock market. We select only high quality, well-managed companies with strong growth prospects for the portfolio. We will buy these stocks when the market presents us with value prices. Our research team is dedicated to identifying company management teams with smart business plans, strong track records for delivering results, entrepreneurial cultures, wise allocation of capital, and smart application of technology. Once we build a position, we will hold for the long term. We will not change our investment discipline in reaction to market volatility, momentum, or investor “fads.” We confidently believe this method is successful in building wealth over the long term.

Christopher C. Davis
Kenneth Charles Feinberg
Co-Portfolio Managers
Davis Selected Advisers, L.P.
Subadvisor to the Portfolio

SVS Venture Value Portfolio

	Principal Amount (\$)	Value (\$)		Shares	Value (\$)
Repurchase Agreements 1.2%					
State Street Bank and Trust, 3.93%, to be repurchased at \$217,071 on 7/2/2001** (Cost \$217,000)	217,000	217,000			
Short-Term Investments 18.8%					
Federal Home Loan Bank, 3.5%***, 7/2/2001	2,494,000	2,493,727			
Federal National Mortgage Association, 3.72%***, 7/9/2001	900,000	899,256			
Total Short-Term Investments (Cost \$3,392,983)		3,392,983			
			Shares		
Common Stocks 80.0%					
Consumer Discretionary 5.0%					
Department & Chain Stores 2.4%					
Costco Wholesale Corp.*	10,500	441,420			
Hotels & Casinos 0.6%					
Marriott International, Inc. "A"	2,100	99,414			
Restaurants 1.6%					
McDonald's Corp.	10,500	284,130			
Specialty Retail 0.4%					
Radioshack Corp.	2,500	76,250			
Consumer Staples 5.2%					
Alcohol & Tobacco 4.0%					
Philip Morris Companies, Inc.	14,200	720,650			
Food & Beverage 1.1%					
General Mills, Inc.	2,400	105,072			
Kraft Foods, Inc.*	2,900	89,900			
		194,972			
Package Goods/Cosmetics 0.1%					
Gillette Co.	900	26,091			
Health 9.7%					
Pharmaceuticals					
American Home Products Corp.	6,800	397,392			
Bristol-Myers Squibb Co.	7,000	366,100			
Eli Lilly & Co.	5,200	384,800			
Merck & Co., Inc.	9,100	581,581			
Pharmacia Corp.	500	22,975			
		1,752,848			
Communications 0.3%					
Telephone/Communications 0.0%					
Lucent Technologies, Inc.			600		3,720
Miscellaneous 0.3%					
Tycom Ltd.*			3,200		55,040
Financial 31.5%					
Banks 5.5%					
Bank One Corp.			4,300		153,940
Golden West Financial Corp.			5,700		366,168
Wells Fargo & Co.			10,500		487,515
					1,007,623
Insurance 5.6%					
American International Group, Inc.			6,900		593,400
Aon Corp.			1,300		45,500
Chubb Corp.			700		54,201
Progressive Corp.			1,600		216,304
Transatlantic Holdings, Inc.			900		110,259
					1,019,664
Business Finance 0.6%					
New Dun and Bradstreet Corp.*			3,800		107,160
Consumer Finance 14.3%					
American Express Co.			24,200		938,960
Citigroup, Inc.			11,900		628,796
Household International, Inc.			11,000		733,700
Providian Financial Corp.			4,900		290,080
					2,591,536
Investment 0.7%					
Stilwell Financial, Inc.			3,600		120,816
Sun Life Financial Services of Canada* ..			400		9,596
					130,412
Other Financial Companies 3.9%					
Berkshire Hathaway Inc. "B"*			9		20,700
Federal Home Loan Mortgage Corp. ...			4,300		301,000
Moody's Investors Services			3,600		120,600
Morgan Stanley Dean Witter & Co.			4,100		263,343
					705,643
Real Estate 0.9%					
CenterPoint Properties Corp. (REIT)			3,100		155,620
Media 0.7%					
Advertising 0.1%					
WPP Group PLC (ADR)			300		15,075
Print Media 0.6%					
Gannett Co., Inc.			500		32,950
Tribune Co.			2,000		80,020
					112,970

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

	Shares	Value (\$)		Shares	Value (\$)
Service Industries 2.1%			Molex, Inc.	1,300	47,190
EDP Services 0.1%					376,090
First Data Corp.	200	12,850	Electronic Components/Distributors 1.3%		
Miscellaneous Commercial Services 1.8%			Agere Systems, Inc., "A"*	30,700	230,250
United Parcel Service "B"	5,900	341,020	Office/Plant Automation 0.1%		
Printing/Publishing 0.2%			Novell, Inc.*	1,200	6,324
Dow Jones & Co., Inc.	500	29,855	Semiconductors 0.6%		
Durables 2.0%			Intel Corp.	1,300	39,442
Aerospace 0.2%			Texas Instruments, Inc.	2,300	72,450
Rockwell International Corp.	800	30,496			111,892
Telecommunications Equipment 1.8%			Miscellaneous 0.4%		
Tellabs, Inc.*	17,700	327,450	Agilent Technologies, Inc.*	2,400	78,000
Manufacturing 11.1%			Energy 3.8%		
Containers & Paper 0.9%			Oil & Gas Production 1.6%		
Sealed Air Corp.*	4,400	163,900	Devon Energy Corp.	3,300	173,250
Diversified Manufacturing 8.8%			EOG Resources, Inc.	3,400	120,870
Dover Corp.	2,900	109,185			294,120
Loews Corp.	2,300	148,189	Oil Companies 1.5%		
Minnesota Mining &			Phillips Petroleum Co.	4,600	262,200
Manufacturing Co.	1,800	205,380	Oil/Gas Transmission 0.7%		
Tyco International Ltd.	20,700	1,128,150	Kinder Morgan, Inc.	2,500	125,625
		1,590,904	Construction 3.7%		
Industrial Specialty 0.1%			Building Materials 1.3%		
Loral Space & Communications Ltd.* ...	1,200	3,360	Martin Marietta Materials, Inc.	1,700	84,133
Office Equipment/Supplies 1.3%			Vulcan Materials Co.	2,900	155,875
Lexmark Group, Inc.*	3,600	242,100			240,008
Technology 4.9%			Building Products 2.4%		
Computer Software 0.4%			Masco Corp.	16,900	421,824
BMC Software, Inc.*	3,500	78,890	Total Common Stocks (Cost \$14,614,212)		14,467,396
Diverse Electronic Products 2.1%			Total Investment Portfolio — 100.0%		
Hewlett-Packard Co.	11,500	328,900	(Cost \$18,224,195) (a)		18,077,379

Notes to SVS Venture Value 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 \$18,224,195. At June 30, 2001, net unrealized depreciation for all securities based on tax cost was \$146,816. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of \$273,539 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of \$420,355.

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

Financial Statements

Statement of Assets and Liabilities as of June 30, 2001 (Unaudited)

Assets

Investments in securities, at value (cost \$18,224,195)	\$ 18,077,379
Cash	372
Dividends receivable	7,669
Interest receivable	4,940
Receivable for Portfolio shares sold	290,939
Total assets	18,381,299

Liabilities

Payable for investments purchased	2,759,450
Payable for Portfolio shares redeemed	14
Other accrued expenses and payables	11,599
Total liabilities	2,771,063

Net assets, at value	\$ 15,610,236
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Net Assets

Net assets consist of:	
Undistributed net investment income	10,873
Net unrealized appreciation (depreciation) on investments	(146,816)
Accumulated net realized gain (loss)	(3,478)
Paid-in capital	15,749,657

Net assets, at value	\$ 15,610,236
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Net Asset Value

Net Asset Value and redemption price per share (\$15,610,236 ÷ 1,573,680 outstanding shares of beneficial interest, \$0.01 par value, unlimited number of shares authorized)	\$ 9.92
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Statement of Operations for the two months ended June 30, 2001 (Unaudited)

Investment Income

Income:	
Dividends	\$ 10,077
Interest	12,395
Total Income	22,472
Expenses:	
Management fee	9,583
Custodian and accounting fees	21,286
Auditing	5,625
Legal	578
Trustees' fees and expenses	934
Reports to shareholders	3,787
Other	250
Total expenses, before expense reductions	42,043
Expense reductions	(30,444)
Total expenses, after expense reductions	11,599
Net investment income (loss)	10,873

Realized and unrealized gain (loss) on investment transactions

Net realized gain (loss) from:	
Investments	(3,502)
Foreign currency related transactions	24
	(3,478)
Net unrealized appreciation (depreciation) during the period on investments	(146,816)
Net gain (loss) on investment transactions	(150,294)

Net increase (decrease) in net assets resulting from operations	\$ (139,421)
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The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets

	Period Ended June 30, 2001(a)
Increase (Decrease) in Net Assets	
Operations:	
Net investment income (loss)	\$ 10,873
Net realized gain (loss) on investment transactions	(3,478)
Net unrealized appreciation (depreciation) on investment transactions during the period	(146,816)
Net increase (decrease) in net assets resulting from operations	(139,421)
Portfolio share transactions:	
Proceeds from shares sold	16,098,513
Cost of shares redeemed	(348,856)
Net increase (decrease) in net assets from Portfolio share transactions	15,749,657
Increase (decrease) in net assets	15,610,236
Net assets at beginning of period	—
Net assets at end of period (including undistributed net investment income of \$10,873 at June 30, 2001)	\$ 15,610,236
Other Information	
Shares outstanding at beginning of period	—
Shares sold	1,607,819
Shares redeemed	(34,139)
Net increase (decrease) in Portfolio shares	1,573,680
Shares outstanding at end of period	1,573,680

(a) For the period from May 1, 2001 (commencement of operations) to June 30, 2001 (Unaudited).

Financial Highlights

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

	2001(a)
Net asset value, beginning of period	\$10.00
<i>Income (loss) from investment operations:</i>	
Net investment income (loss) (b)	.02
Net realized and unrealized gain (loss) on investment transactions	(.10)
Total from investment operations	(.08)
Net asset value, end of period	\$ 9.92
Total Return (%) (c)	(.80)**
Ratios to Average Net Assets and Supplemental Data	
Net assets, end of period (\$ millions)	16
Ratio of expenses before expense reductions (%)	4.17*
Ratio of expenses after expense reductions (%)	1.15*
Ratio of net investment income (loss) (%)	1.08*
Portfolio turnover rate (%)	8*

(a) For the period from May 1, 2001 (commencement of operations) to June 30, 2001 (Unaudited).

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

(c) Total return would have been lower had certain expenses not been reduced.

* Annualized

** Not annualized

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

A. Significant Accounting Policies

Scudder Variable Series II (the “Trust”), formerly Kemper Variable 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. Effective May 1, 2001, the Trust commenced offering four additional portfolios: SVS Dynamic Growth Portfolio, SVS Mid Cap Growth Portfolio, SVS Strategic Equity Portfolio and SVS Venture Value Portfolio. The Trust offers twenty-seven portfolios (the “portfolio(s)”).

The Trust’s financial statements are prepared in accordance with accounting principles generally accepted in the United States which require the use of management estimates. Actual results could differ from those 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 Scudder Small Cap Growth Portfolio purchased put options on securities and other financial instruments as a hedge against potential adverse price movements in the value of portfolio assets. In addition, during the period, the Scudder Small Cap Growth Portfolio wrote put options on securities to enhance potential gain. During the period, Scudder Technology Growth Portfolio wrote call options on securities as a hedge against potential adverse price movements in the value of portfolio assets.

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 Scudder Government Securities Portfolio purchased interest rate futures to manage the duration of the portfolio; the SVS Index 500 Portfolio and SVS Dreman High Return Equity Portfolio purchased securities index futures as a temporary substitute for purchasing selected investments. In addition, the Scudder Government Securities Portfolio and Scudder 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 Scudder Strategic Income 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.

Mortgage Dollar Rolls. The Scudder Government Securities Portfolio may enter into mortgage dollar rolls in which the Portfolio sells mortgage securities for delivery in the current month and simultaneously contracts to repurchase similar, but not identical, securities on a fixed date. The Portfolio receives compensation as consideration for entering into the commitment to repurchase. The compensation is paid in the form of a fee which is amortized to income over the roll period. The counterparty receives all principal and interest payments, including prepayments, made in respect of the security while it is the holder. Mortgage dollar rolls may be renewed with a new purchase and repurchase price fixed and a cash settlement made at each renewal without physical delivery of the securities subject to 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, 2000, the following portfolios had an approximate 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
Scudder Aggressive Growth Portfolio	3,153,000	12/31/2008
Scudder Contrarian Value Portfolio	20,400,000	12/31/2008
Scudder 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
	933,000	12/31/2008
Scudder Investment Grade Bond Portfolio	946,000	12/31/2007
	2,780,000	12/31/2008
Scudder High Yield Portfolio	6,999,000	12/31/2002
	2,026,000	12/31/2003
	12,052,000	12/31/2007
	16,113,000	12/31/2008
Scudder Blue Chip Portfolio	2,007,000	12/31/2006
	2,837,000	12/31/2008
Scudder New Europe Portfolio	131,000	12/31/2008
Scudder Small Cap Value Portfolio	3,910,000	12/31/2007
Scudder Strategic Income Portfolio	177,000	12/31/2007
	153,000	12/31/2008
Scudder Technology Growth Portfolio	8,613,000	12/31/2008
SVS Dreman High Return Equity Portfolio	771,000	12/31/2008
SVS Focused Large Cap Growth Portfolio	1,336,000	12/31/2008
SVS Growth and Income Portfolio	3,871,000	12/31/2008
SVS Growth Opportunities Portfolio	2,379,000	12/31/2008
SVS Index 500 Portfolio	448,000	12/31/2008

In addition, from November 1, 2000 through December 31, 2000, the following portfolios approximately incurred net realized capital losses as follows:

Portfolio	Net Realized Capital Loss (\$)
Scudder Aggressive Growth Portfolio	1,007,000
Scudder Blue Chip Portfolio	353,000
Scudder Global Blue Chip Portfolio	653,000
Scudder Growth Portfolio	11,701,000
Scudder High Yield Portfolio	1,722,000
Scudder International Research Portfolio	1,507,000
Scudder Investment Grade Bond Portfolio	13,000
Scudder New Europe Portfolio	118,000
Scudder Small Cap Growth Portfolio	17,300,000
Scudder Small Cap Value Portfolio	730,000
Scudder Technology Growth Portfolio	33,192,000
SVS Focused Large Cap Growth Portfolio	276,000
SVS Focus Value+Growth Portfolio	72,000
SVS Growth and Income Portfolio	1,400,000

SVS Growth Opportunities Portfolio	45,000
SVS Index 500 Portfolio	175,000

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, 2001.

Distribution of Income and Gains. Distributions of net investment income, if any, for all portfolios except the Scudder 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 Scudder Money Market Portfolio is declared as a daily dividend and is distributed to shareholders monthly.

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. 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, a portfolio may periodically make reclassifications among certain of its capital accounts without impacting the net asset value of the portfolio.

Other. 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. All discounts and premiums are accreted/amortized for financial reporting purposes (see “Change in Accounting Principle” note).

B. Investment Transactions

For the six months ended June 30, 2001, investment transactions (excluding short-term instruments) are as follows:

Portfolio	Purchases (\$)	Proceeds from sales (\$)
Scudder Aggressive Growth Portfolio	23,504,702	11,199,189
Scudder Blue Chip Portfolio	149,934,355	119,961,691
Scudder Contrarian Value Portfolio	95,298,310	91,569,666
Scudder Global Blue Chip Portfolio	16,438,846	9,036,936
Scudder Government Securities Portfolio:		
excluding direct U.S. Government obligations, short-term investments and mortgage dollar roll transactions	—	3,135,190
direct U.S. Government obligations	313,233,791	247,462,566
mortgage dollar roll transactions	44,623,453	34,523,453
Scudder Growth Portfolio	209,841,886	215,092,251
Scudder High Yield Portfolio	117,627,570	133,313,850
Scudder International Research Portfolio	146,779,203	158,964,626
Scudder Investment Grade Bond Portfolio	77,012,834	68,762,666
Scudder New Europe Portfolio	19,594,855	11,686,363
Scudder Small Cap Growth Portfolio	207,418,617	194,138,493
Scudder Small Cap Value Portfolio	40,270,117	16,290,310
Scudder Strategic Income Portfolio	1,849,559	1,480,842
Scudder Technology Growth Portfolio	214,644,238	74,203,432
Scudder Total Return Portfolio	463,983,564	457,117,758
SVS Dreman Financial Services Portfolio	21,641,402	1,130,032
SVS Dreman High Return Equity Portfolio	97,552,388	11,101,663
SVS Dynamic Growth Portfolio	3,901,969	530,698
SVS Focused Large Cap Growth Portfolio	31,071,516	19,598,251
SVS Focus Value+Growth Portfolio	170,419,247	158,865,057
SVS Growth and Income Portfolio	50,178,712	22,021,783
SVS Growth Opportunities Portfolio	71,767,843	27,987,500
SVS Index 500 Portfolio	53,788,695	3,781,196
SVS Mid Cap Growth Portfolio	7,277,658	1,420,031
SVS Strategic Equity Portfolio	9,346,050	4,975
SVS Venture Value Portfolio	14,704,676	86,962

For the six months ended June 30, 2001, transactions for written options were as follows for the Scudder Small Cap Growth Portfolio:

	Contracts	Premium (\$)
Beginning of period	—	—
Written	5,450	1,257,170
Expired	—	—
Closed	—	—
End of period	5,450	1,257,170

For the six months ended June 30, 2001, transactions for written options were as follows for the Scudder Technology Growth Portfolio:

	Contracts	Premium (\$)
Beginning of period	—	—
Written	498	154,380
Expired	—	—
Closed	—	—
End of period	498	154,380

C. Transactions with Affiliates

Management Agreement. Under the Trust's management agreement with Zurich Scudder Investments, Inc., ("ZSI" or the "Advisor"), formerly Scudder Kemper Investments, Inc., 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
Scudder Blue Chip Portfolio	0.65%
Scudder Contrarian Value Portfolio	0.75%
Scudder Government Securities Portfolio	0.55%
Scudder Growth Portfolio	0.60%
Scudder High Yield Portfolio	0.60%
Scudder International Research Portfolio	0.75%
Scudder Investment Grade Bond Portfolio	0.60%
Scudder Money Market Portfolio	0.50%
Scudder Small Cap Growth Portfolio	0.65%
Scudder Small Cap Value Portfolio	0.75%
Scudder Strategic Income Portfolio	0.65%
Scudder Total Return Portfolio	0.55%
SVS Focus Value+Growth Portfolio	0.75%

The Scudder Aggressive Growth Portfolio, Scudder Technology Growth Portfolio, SVS Dreman Financial Services Portfolio and SVS Dreman High Return Equity Portfolio each pay ZSI 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, 2001, the portfolios incurred the following management fees:

Portfolio	Management Fee Imposed (\$)	Fees Waived by Advisor (\$)	Effective Rate (%)
Scudder Aggressive Growth Portfolio	244,294	—	0.75
Scudder Technology Growth Portfolio	1,177,109	—	0.74
SVS Dreman Financial Services Portfolio	278,006	—	0.75
SVS Dreman High Return Equity Portfolio	773,777	—	0.75

SVS Dynamic Growth Portfolio, SVS Focused Large Cap Growth Portfolio, SVS Growth and Income Portfolio, SVS Growth Opportunities Portfolio, SVS Mid Cap Growth Portfolio, SVS Strategic Equity Portfolio and SVS Venture Value Portfolio each pay ZSI 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	1.000%
\$250 million–\$500 million	0.975%
\$500 million–\$1 billion	0.950%
\$1 billion–\$2.5 billion	0.925%
Over \$2.5 billion	0.900%

For the six months ended June 30, 2001, the portfolios incurred the following management fees:

Portfolio	Management Fee Imposed (\$)	Fees Waived by Advisor (\$)	Effective Rate (%)
SVS Dynamic Growth Portfolio	—	4,137	—
SVS Focused Large Cap Growth Portfolio	144,045	—	0.79
SVS Growth and Income Portfolio	527,800	—	0.95
SVS Growth Opportunities Portfolio	685,370	—	0.95
SVS Mid Cap Growth Portfolio	—	4,827	—
SVS Strategic Equity Portfolio	—	4,738	—
SVS Venture Value Portfolio	—	9,583	—

In addition, the Advisor has temporarily agreed to absorb certain operating expenses of the SVS Dynamic Growth Portfolio, SVS Mid Cap Growth Portfolio, SVS Strategic Equity Portfolio and SVS Venture Value Portfolio. Under these arrangements, ZSI waived and absorbed expenses of \$9,206, \$8,304, \$7,869 and \$2,004, respectively, for the six months ended June 30, 2001.

The SVS Index 500 Portfolio pays ZSI 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	0.440%
\$200 million–\$750 million	0.400%
\$750 million–\$2 billion	0.380%
\$2 billion–\$5 billion	0.365%
Over \$5 billion	0.335%

For the six months ended June 30, 2001, SVS Index 500 Portfolio paid ZSI its management fee amounting to \$252,592, which was equivalent to an annual effective rate of 0.44%.

The Scudder Global Blue Chip Portfolio and Scudder New Europe Portfolio each pay ZSI 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–\$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, 2001, the portfolios incurred the following management fees:

Portfolio	Management Fee Imposed (\$)	Fees Waived by Advisor (\$)	Effective Rate (%)
Scudder Global Blue Chip Portfolio	166,117	—	1.00
Scudder New Europe Portfolio	21,462	53,836	0.29

Scudder Investments Ltd. (U.K.), serves as sub-advisor with respect to foreign securities investments in the Scudder International Research and Scudder Strategic Income Portfolios, and is paid by ZSI for its services.

Dreman Value Management, L.L.C. serves as sub-advisor with respect to the investment and reinvestment of assets in the SVS Dreman Financial Services and SVS Dreman High Return Equity Portfolios, and is paid by Scudder for its services.

Invesco Funds Group, Inc. serves as sub-advisor with respect to the investment and reinvestment of assets in the SVS Dynamic Growth Portfolio, and is paid by ZSI for its services.

Eagle Asset Management, Inc. serves as sub-advisor with respect to the investment and reinvestment of assets in the SVS Focused Large Cap Growth Portfolio, and is paid by ZSI for its services.

Janus Capital Corporation serves as sub-advisor with respect to investment and reinvestment of assets in the SVS Growth and Income and SVS Growth Opportunities Portfolios, and is paid by ZSI for its services.

Davis Selected Advisors, Inc. serves as sub-advisor with respect to investment and reinvestment of assets in the SVS Index 500 Portfolio, and is paid by ZSI for its services.

Turner Investment Partners, Inc. serves as sub-advisor with respect to the investment and reinvestment of assets in the SVS Mid Cap Growth Portfolio, and is paid by ZSI for its services.

Oak Associates, Inc. serves as sub-advisor with respect to investment and reinvestment of assets in the SVS Strategic Equity Portfolio, and is paid by ZSI for its services.

Scudder Investments Ltd. (U.K.), serves as sub-advisor with respect to foreign securities investments in the SVS Venture Value Portfolio, and is paid by ZSI for its services.

Effective June 18, 2001, Jennison Associates serves as sub-advisor for the growth portion of the portfolio with respect to the investment and reinvestment of assets in the SVS Focus Value+Growth Portfolio, and is paid by ZSI 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, 2001, SFAC received the following fee for its services for the following portfolios:

Portfolio	Fee Imposed (\$)	Fees Waived by Advisor (\$)	Unpaid at June 30, 2001
Scudder Aggressive Growth Portfolio	22,939	—	10,511
Scudder Global Blue Chip Portfolio	—	25,121	—
Scudder New Europe Portfolio	4,894	—	4,894
Scudder Technology Growth Portfolio	31,610	—	7,548
SVS Dreman Financial Services Portfolio	25,553	—	6,157
SVS Dreman High Return Equity Portfolio	24,359	—	10,775
SVS Dynamic Growth Portfolio	—	27,000	—
SVS Focused Large Cap Growth Portfolio	—	18,596	—
SVS Growth and Income Portfolio	—	28,646	—
SVS Growth Opportunities Portfolio	—	77,123	—
SVS Index 500 Portfolio	—	102,070	—
SVS Mid Cap Growth Portfolio	—	27,000	—
SVS Strategic Equity Portfolio	—	18,857	—
SVS Venture Value Portfolio	—	18,857	—

Officers and Trustees. Certain officers or trustees of the Trust are also officers of the Advisor. For the six months ended June 30, 2001, the Trust made no direct payments to its officers and incurred trustees' fees of \$151,347 to independent trustees.

D. Expense Off-Set Arrangements

The portfolios have entered into arrangements with their custodian whereby credits realized as a result of uninvested cash balances were used to reduce a portion of the portfolio's expenses. During the six months ended June 30, 2001, the portfolios' custodian fees were reduced as follows under these arrangements:

Portfolio	Amount (\$)
Scudder Aggressive Growth Portfolio	747
Scudder Blue Chip Portfolio	287
Scudder Contrarian Value Portfolio	8
Scudder Government Securities Portfolio	1,412

Scudder Growth Portfolio	121
Scudder High Yield Portfolio	98
Scudder Investment Grade Bond Portfolio	1,247
Scudder Money Market Portfolio	982
Scudder Small Cap Growth Portfolio	414
Scudder Small Cap Value Portfolio	146
Scudder Strategic Income Portfolio	740
Scudder Technology Growth Portfolio	2,585
Scudder Total Return Portfolio	466
SVS Dreman Financial Services Portfolio	738
SVS Dreman High Return Equity Portfolio	55
SVS Focused Large Cap Growth Portfolio	3,080
SVS Focus Value+Growth Portfolio	110
SVS Growth and Income Portfolio	7,419
SVS Growth Opportunities Portfolio	4,097
SVS Index 500 Portfolio	46

E. Commitments

As of June 30, 2001, the portfolio had entered into the following forward foreign currency exchange contracts resulting in the following:

Scudder Strategic Income Portfolio:

Contracts to Deliver		In Exchange For		Settlement Date	Net Unrealized Appreciation (Depreciation) (U.S.\$)
CAD	941,514	USD	612,765	7/9/01	(9,243)
EUR	404,209	USD	362,798	7/9/01	19,421
JPY	120,013,545	USD	968,632	8/3/01	3,251
GBP	157,236	USD	222,960	8/30/01	1,195
					14,624

Abbreviations

USD	United States Dollar
CAD	Canadian Dollar
GBP	Great British Pound
EUR	Euro
JPY	Japanese Yen

F. Line of Credit

The Trust and several affiliated funds (the "Participants") share in a \$750 million revolving credit facility with J.P. Morgan Chase & Co. 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 upon net assets, among each of the Participants. Interest is calculated at the Federal Funds Rate plus 0.5%. Under the agreement the following portfolios may borrow up to a maximum percentage of their net assets.

Portfolio	Facility Borrowing Limit
Scudder Aggressive Growth Portfolio	5%
Scudder Blue Chip Portfolio	33
Scudder Contrarian Value Portfolio	33
Scudder Global Blue Chip Portfolio	5
Scudder Government Securities Portfolio	33
Scudder Growth Portfolio	33
Scudder High Yield Portfolio	33
Scudder International Research Portfolio	33
Scudder Investment Grade Bond Portfolio	33
Scudder Money Market Portfolio	33
Scudder New Europe Portfolio	5
Scudder Small Cap Growth Portfolio	33
Scudder Small Cap Value Portfolio	33
Scudder Strategic Income Portfolio	33
Scudder Technology Growth Portfolio	5

Scudder Total Return Portfolio	33
SVS Dreman Financial Services Portfolio	33
SVS Dreman High Return Equity Portfolio	33
SVS Dynamic Growth Portfolio	5
SVS Focused Large Cap Growth Portfolio	5
SVS Focus Value+Growth Portfolio	33
SVS Growth and Income Portfolio	5
SVS Growth Opportunities Portfolio	5
SVS Index 500 Portfolio	5
SVS Mid Cap Growth Portfolio	5
SVS Strategic Equity Portfolio	5
SVS Venture Value Portfolio	5

The following portfolios utilized the line of credit as follows:

Portfolio	Weighted Average Outstanding Daily Balance (\$)	Weighted Average Interest Rate (%)	Interest Expense for six months ended June 30, 2001 (\$)
Scudder Contrarian Value Portfolio	600,000	4.625	154
Scudder High Yield Portfolio	1,553,846	4.692	2,565
Scudder New Europe Portfolio	327,778	5.188	815
Scudder Total Return Portfolio	1,300,000	4.625	334

G. Acquisition of Assets

On April 27, 2001, the Scudder Total Return Portfolio (“Acquiring Portfolio”) acquired all the net assets of the Kemper Horizon 20+ Portfolio, Kemper Horizon 10+ Portfolio and the Kemper Horizon 5 Portfolio (“Acquired Portfolios”) pursuant to a plan of reorganization approved by the shareholders. The acquisition was accomplished by a tax-free exchange of 46,931,368 shares of the Acquiring Portfolio for the 95,474,323 shares of the Acquired Portfolios (unadjusted for June 18, 2001 stock split) outstanding on April 30, 2001. Kemper Horizon 20+ Portfolio, Kemper Horizon 10+ Portfolio and the Kemper Horizon 5 Portfolio’s net assets at that date (\$25,401,631, \$50,410,127 and \$34,187,073, respectively), including \$1,924,485, \$2,012,619 and \$651,382, respectively, of net unrealized appreciation, were combined with those of Scudder Total Return Portfolio. The aggregate net assets of Scudder Total Return Portfolio immediately before the acquisition were \$803,790,624. The combined net assets of the Scudder Total Return Portfolio immediately following the acquisition were \$913,789,455.

Additionally, on April 30, 2001, the Scudder Growth Portfolio (“Acquiring Portfolio”) acquired all the net assets of the Scudder Variable Life Large Company Growth Portfolio (“Acquired Portfolio”) pursuant to a plan of reorganization approved by the shareholders. The acquisition was accomplished by a tax-free exchange of 3,180,533 shares of the Acquiring Portfolio (unadjusted for June 18, 2001 stock split) for the 1,317,680 shares of the Acquired Portfolio outstanding on May 1, 2001. The Acquired Portfolio’s net assets at that date (\$7,576,034), including \$1,226,003 of net unrealized depreciation, were combined with those of Scudder Growth Portfolio. The aggregate net assets of Scudder Growth Portfolio immediately before the acquisition were \$491,110,861. The combined net assets of the Scudder Growth Portfolio immediately following the acquisition were \$498,686,895.

H. Change In Accounting Principle

As required, effective January 1, 2001, each Portfolio has adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing discount or premium on debt securities. Prior to January 1, 2001, each Portfolio did not amortize premiums on debt securities. The following portfolios were impacted by the adoption of the audit guide as follows:

Scudder Government Securities Portfolio

The cumulative effect of this accounting change had no impact on total net assets of the Portfolio, but resulted in a \$386,300 reduction in cost of securities and a corresponding \$386,300 increase in net unrealized appreciation, based on securities held by the Scudder Government Securities Portfolio on January 1, 2001.

The effect of this change for the six months ended June 30, 2001 was to decrease net investment income by \$346,485: increase net unrealized appreciation by \$35,931 and increase net realized gains by \$310,554. The statement of changes in net assets and financial highlights for prior periods have not been restated to reflect this change in presentation.

Scudder High Yield Portfolio

The cumulative effect of this accounting change had no impact on total net assets of the Portfolio, but resulted in a \$1,106,980 reduction in cost of securities and a corresponding \$1,106,980 increase in net unrealized appreciation, based on securities held by the Scudder High Yield Portfolio on January 1, 2001.

The effect of this change for the six months ended June 30, 2001 was to decrease net investment income by \$443,561; increase net unrealized appreciation by \$16,228 and increase net realized gains by \$427,333. The statement of changes in net assets and financial highlights for prior periods have not been restated to reflect this change in presentation.

Scudder Investment Grade Bond Portfolio

The cumulative effect of this accounting change had no impact on total net assets of the Portfolio, but resulted in a \$56,481 reduction in cost of securities and a corresponding \$56,481 increase in net unrealized appreciation, based on securities held by the Scudder Investment Grade Bond Portfolio on January 1, 2001.

The effect of this change for the six months ended June 30, 2001 was to decrease net investment income by \$52,127; increase net unrealized appreciation by \$14,551 and increase net realized gains by \$37,576. The statement of changes in net assets and financial highlights for prior periods have not been restated to reflect this change in presentation.

Scudder Strategic Income Portfolio

The cumulative effect of this accounting change had no impact on total net assets of the Portfolio, but resulted in a \$2,068 reduction in cost of securities and a corresponding \$2,068 increase in net unrealized appreciation, based on securities held by the Scudder Strategic Income Portfolio on January 1, 2001.

The effect of this change for the six months ended June 30, 2001 was to decrease net investment income by \$4,582; increase net unrealized appreciation by \$6,550 and decrease net realized gains by \$1,968. The statement of changes in net assets and financial highlights for prior periods have not been restated to reflect this change in presentation.

Scudder Total Return Portfolio

The cumulative effect of this accounting change had no impact on total net assets of the Portfolio, but resulted in a \$235,309 reduction in cost of securities and a corresponding \$235,309 increase in net unrealized appreciation, based on securities held by the Scudder Total Return Portfolio on January 1, 2001.

The effect of this change for the six months ended June 30, 2001 was to decrease net investment income by \$176,530; decrease net unrealized appreciation by \$155,163 and increase net realized gains by \$331,693. The statement of changes in net assets and financial highlights for prior periods have not been restated to reflect this change in presentation.

SVS Growth and Income Portfolio

The cumulative effect of this accounting change had no impact on total net assets of the Portfolio, but resulted in a \$204,242 reduction in cost of securities and a corresponding \$204,242 increase in net unrealized appreciation, based on securities held by the SVS Growth and Income Portfolio on January 1, 2001.

The effect of this change for the six months ended June 30, 2001 was to decrease net investment income by \$24,325; increase net unrealized depreciation by \$188,100 and increase net realized gains by \$212,425. The statement of changes in net assets and financial highlights for prior periods have not been restated to reflect this change in presentation.

I. Stock Split

On June 18, 2001, each of the portfolios conducted a 1 for 10 reverse stock split for the shareholders of the Trust, excluding Scudder Money Market Portfolio, SVS Dynamic Growth Portfolio, SVS Mid Cap Growth Portfolio, SVS Strategic Equity Portfolio and SVS Venture Value Portfolio. All capital share activity on the Statements of Changes in Net Assets and per share data on the Financial Highlights tables have been restated to reflect the reverse stock split.

Notes

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:
Zurich Scudder Investments, Inc.
222 South Riverside Plaza Chicago, IL 60606
(Tel) 800-778-1482

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Janus|Aspen Series

2001 Semiannual Report

Janus Aspen Growth Portfolio



JANUS

Janus Aspen Growth Portfolio



Blaine Rollins
portfolio manager

Janus Aspen Growth Portfolio declined 11.58% for its Institutional Shares and fell 11.67% for its Service Shares in the six months ended June 30, 2001, lagging the negative 6.69% return of its benchmark, the S&P 500 Index.⁽¹⁾

The period proved increasingly challenging for stocks as investors found few havens from the slowing U.S. economy. Negative

sentiment was widespread, spurred by sluggish business investment, mounting corporate earnings misses, rising unemployment and volatile energy prices. The damage, initially confined to the technology, telecommunications and media sectors, soon spilled over to the broader market.

With the outlook for the record 10-year economic expansion uncertain, the Federal Reserve swung into action in early January with a surprise half-point interest rate cut. Still, the economy continued to weaken. Fed policymakers responded by slashing borrowing costs five more times in as many months to 3.75%, the lowest in seven years. While stocks soared after each reduction, they later surrendered those gains on worries about declining company profits. As a result, all three major market measures finished the period in the red, led by the technology-laden Nasdaq Composite Index.

All in all, this almost constant barrage of bad news weighed heavily on the Portfolio. It goes without saying that I'm dissatisfied with our poor performance. I'm no different from you in that I expected better results than we delivered. But despite our disappointing showing, I look at the Portfolio and I like what I see: a good balance of high-quality, top-tier companies with exceptional management teams and superior business models. That can certainly be said of Boeing, one of the dominant forces in commercial and military aircraft as well as commercial satellites. Although this diversified approach should bode well for the company's long-term prospects, Boeing's fortunes are still largely tied to the fortunes of its commercial aircraft group. Consequently, the stock retreated on concerns that a global slowdown would result in reduced air travel and, therefore, lower demand for new planes. Regardless, ordering cycles, previously subject to sizable peaks and troughs, are now far more controlled. Furthermore, industry consolidation has sharply curtailed price wars, allowing Boeing to concentrate on growing profitability rather than sacrificing earnings for market share.

Telecommunications equipment maker Nokia also worked against us. The company slumped in tandem with sagging cellular phone demand worldwide as wireless service providers turned their attention to building next-generation networks. But while its competitors are losing money selling handsets,

Nokia continues to achieve healthy margins and develop the best products in the market, which should translate into strong gains when the industry picks up again. A rebound would also likely boost revenues in Nokia's wireless infrastructure business as service providers focus on upgrading older networks and building out new systems.

The Portfolio also absorbed losses from energy wholesaler Enron Corp., although we took some profits before it tumbled. As natural gas and electricity prices declined from a spike and government intervention increased in response to the California power crisis, stock prices fell from levels that didn't allow for missteps or future risk. Enron was caught in the down-draft, however, we still like its business model. The company continues to execute on its strategy of taking advantage of deregulated energy markets by being a very efficient intermediary in buying, selling and delivering energy.

Among the Portfolio's top performers was multimedia and entertainment giant AOL Time Warner. In May, the company's America Online unit announced it was raising its base Internet service subscription fee by \$1.95 a month, which represents a considerable revenue bump from an entity with 30 million total subscribers. The online service is also persevering in an advertising market some observers characterize as the worst in a decade. While slowing ad sales make it difficult to attract first-time online advertisers, AOL's large subscriber base gives the corporation a competitive edge as it seeks to gain a larger share of existing Internet advertising budgets. Moreover, AOL Time Warner is already seeing benefits from cross-promotional efforts among its Internet, music and publishing properties.

With fear and panic characterizing the past few months, we've seen that a hostile market can punish even the best of companies. The upside is that the Portfolio is better positioned from a diversification and valuation standpoint and, hopefully, will reap substantial rewards when the market eventually rebounds.

Thank you for your investment in Janus Aspen Growth Portfolio.

Portfolio Asset Mix (% of Assets)	June 30, 2001	December 31, 2000
Equities	94.1%	93.6%
Foreign	8.5%	8.2%
Europe	3.9%	4.8%
Top 10 Equities	43.8%	37.9%
Number of Stocks	94	88
Cash, Cash Equivalents and Fixed Income Securities	5.9%	6.4%

(1) All returns include reinvested dividends and capital gains.
Past performance does not guarantee future results.

Average Annual Total Return⁽¹⁾

For the Periods Ended June 30, 2001

Institutional Shares (Inception Date 9/13/93)	
1 Year	(25.73)%
5 Year	14.13%
From Inception	14.99%
S&P 500 Index	
1 Year	(14.82)%
5 Year	14.48%
From Inception Date of Institutional Shares	15.48%
Service Shares (Inception Date 12/31/99)	
1 Year	(25.89)%
5 Year	13.81%
From Portfolio Inception	14.64%

Returns shown for 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 Service Shares.

In recent years returns have sustained significant gains and losses due to market volatility in the technology sector.

Due to market volatility, current performance may be lower than the figures shown. Call 1-800-504-4440 or visit janus.com for more current performance information.

(1) Past performance is no guarantee of future results and investment results and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Total return includes reinvestment of dividends and capital gains. Standard & Poor's is a corporation that rates stocks and corporate and municipal bonds according to risk profiles. The S&P 500 is an index of 500 major, large-cap US corporations. The Portfolio may differ significantly from the securities held in the index. The index is not available for direct investment; therefore its performance does not reflect the expenses associated with the active management of an actual portfolio. These returns do not reflect the charges and expenses of any particular insurance product or qualified plan.

SCHEDULE OF INVESTMENTS (unaudited)

Shares or Principal Amount	Market Value	Shares or Principal Amount	Market Value
Common Stock – 94.1%		Casino Hotels – 0.6%	
Aerospace and Defense – 6.1%		1,502,972 Park Place Entertainment Corp.*	\$ 18,185,961
2,785,850 Boeing Co.	\$154,893,260	Cellular Telecommunications – 1.3%	
401,495 General Dynamics Corp.	31,240,326	2,468 NTT DoCoMo, Inc.**	42,942,189
331,775 Lockheed Martin Corp.	12,292,264	Chemicals – Specialty – 0.5%	
	198,425,850	312,535 Eastman Chemical Co.	14,886,042
Airlines – 0.8%		Commercial Banks – 0.4%	
278,915 Ryanair Holdings PLC (ADR)*	14,489,634	153,920 M&T Bank Corp.	11,620,960
637,915 Southwest Airlines Co.	11,795,048	Commercial Services – 0.1%	
	26,284,682	87,011 Arbitron, Inc.*	2,096,965
Applications Software – 0.6%		Commercial Services – Financial – 0.9%	
252,605 Microsoft Corp.*	18,339,123	719,342 Psychex, Inc.	28,773,680
Beverages – Non-Alcoholic – 0.2%		Computer Services – 0.3%	
472,580 Coca-Cola Enterprises, Inc.	7,726,683	525,755 Ceridian Corp.*	10,078,723
Broadcast Services and Programming – 3.1%		Computers – Memory Devices – 0.9%	
1,992,399 AT&T Corp./Liberty Media Group – Class A*	34,847,059	464,915 EMC Corp.*	13,505,781
1,030,303 Clear Channel Communications, Inc.*	64,599,998	215,215 VERITAS Software Corp.*	14,318,254
	99,447,057		27,824,035
Business To Business/E-Commerce – 0.2%		Cosmetics and Toiletries – 3.4%	
310,312 i2 Technologies, Inc.*	6,144,178	1,218,638 Colgate-Palmolive Co.	71,887,456
Cable Television – 7.6%		620,658 Procter & Gamble Co.	39,597,980
87,425 Cablevision Systems Corp.*	2,255,565		111,485,436
159,850 Cablevision Systems Corp. – Class A*	9,351,225	Data Processing and Management – 0.8%	
4,288,997 Comcast Corp. – Special Class A*	186,142,470	328,445 Automatic Data Processing, Inc.	16,323,717
1,060,920 Cox Communications, Inc. – Class A*	46,998,756	139,980 Fiserv, Inc.*	8,955,920
	244,748,016		25,279,637

See Notes to Schedules of Investments.

Janus | Aspen Growth Portfolio

SCHEDULE OF INVESTMENTS (unaudited)

Shares or Principal Amount	Market Value	Shares or Principal Amount	Market Value
Diversified Operations – 5.8%		Medical – Biomedical and Genetic – 0.7%	
570,478 Bombardier, Inc. - Class B	\$ 8,570,929	408,281 Genentech, Inc.*	\$ 22,496,283
766,985 Cendant Corp.*	14,956,208	Medical – Drugs – 0.3%	
1,743,293 General Electric Co.	84,985,534	251,510 Pfizer, Inc.	10,072,975
460,195 Honeywell International, Inc.	16,102,223	Medical – Hospitals – 1.8%	
39,225 Illinois Tool Works, Inc.	2,482,943	210,380 HCA, Inc.	9,507,072
116,490 Minnesota Mining and Manufacturing Co.	13,291,509	944,515 Tenet Healthcare Corp.*	48,727,529
858,155 Tyco International, Ltd.	46,769,447		58,234,601
	187,158,793	Medical Products – 0.6%	
E-Commerce/Services – 0.4%		496,610 Becton, Dickinson and Co.	17,773,672
178,187 eBay, Inc.*	12,204,028	23,845 Stryker Corp.	1,307,898
Electric – Generation – 0.6%			19,081,570
461,100 AES Corp.*	19,850,355	Multi-Line Insurance – 0.8%	
Electronic Components – 0.5%		444,588 Aegon N.V.	12,514,435
1,176,000 NEC Corp.**	15,888,632	338,195 Allstate Corp.	14,877,198
Electronic Components – Semiconductors – 1.4%			27,391,633
174,935 International Rectifier Corp.*	5,965,283	Multimedia – 16.6%	
222,665 National Semiconductor Corp.*	6,484,005	6,749,958 AOL Time Warner, Inc.*	357,747,774
98,335 NVIDIA Corp.*	9,120,571	3,423,794 Viacom, Inc. – Class B*	177,181,340
723,851 Texas Instruments, Inc.	22,801,307	23,530 Walt Disney Co.	679,782
	44,371,166		535,608,896
Enterprise Software and Services – 0.5%		Networking Products – 1.1%	
371,197 BEA Systems, Inc.*	11,399,460	1,938,549 Cisco Systems, Inc.*	35,281,592
168,625 Micromuse, Inc.*	4,719,814	Oil Companies – Integrated – 0.3%	
	16,119,274	357,095 Petroleo Brasileiro S.A. (ADR)	9,284,470
Fiduciary Banks – 2.6%		Pipelines – 1.7%	
1,749,821 Bank of New York Company, Inc.	83,991,408	1,116,491 Enron Corp.	54,708,059
Finance – Investment Bankers/Brokers – 3.7%		Retail – Discount – 0.5%	
409,265 Goldman Sachs Group, Inc.	35,114,937	384,504 Costco Wholesale Corp.*	15,795,424
1,430,759 Merrill Lynch & Company, Inc.	84,772,471	Retail – Drug Store – 1.1%	
	119,887,408	1,013,475 Walgreen Co.	34,610,171
Financial Guarantee Insurance – 0.9%		Semiconductor Components/Integrated Circuits – 6.9%	
417,270 MGIC Investment Corp.	30,310,493	253,412 Integrated Device Technology, Inc.*	8,030,626
Food – Retail – 0.6%		2,681,280 Linear Technology Corp.	118,566,202
194,035 Albertson's, Inc.	5,819,110	2,073,601 Maxim Integrated Products, Inc.*	91,673,900
536,670 Kroger Co.*	13,416,750	273,450 Vitesse Semiconductor Corp.*	5,753,388
	19,235,860		224,024,116
Hotels and Motels – 0.8%		Semiconductor Equipment – 2.1%	
655,985 Starwood Hotels & Resorts Worldwide, Inc.	24,455,121	839,295 Applied Materials, Inc.*	41,209,384
Human Resources – 0.1%		211,300 KLA-Tencor Corp.*	12,354,711
186,970 Robert Half International, Inc.*	4,653,683	270,930 Novellus Systems, Inc.*	15,386,115
Identification Systems and Devices – 0.9%			68,950,210
1,377,169 Symbol Technologies, Inc.	30,573,152	Super-Regional Banks – 0.6%	
Instruments – Scientific – 1.5%		324,477 Northern Trust Corp.	20,279,812
1,071,413 Dionex Corp.*	35,624,482	Telecommunication Equipment – 2.3%	
211,710 Millipore Corp.	13,121,786	282,571 Nokia Oyj	6,403,801
	48,746,268	3,073,600 Nokia Oyj (ADR)	67,742,144
Insurance Brokers – 0.4%			74,145,945
405,055 Aon Corp.	14,176,925	Telecommunication Services – 1.5%	
Internet Brokers – 1.6%		207,970 Amdocs, Ltd.*	11,199,184
3,283,021 Charles Schwab Corp.	50,230,221	843,590 Qwest Communications International, Inc.	26,885,213
Life and Health Insurance – 1.2%		300,760 Time Warner Telecom, Inc. – Class A*	10,081,475
306,905 AFLAC, Inc.	9,664,438		48,165,872
637,355 StanCorp Financial Group, Inc.	30,204,253		
	39,868,691		

See Notes to Schedules of Investments.

SCHEDULE OF INVESTMENTS (unaudited)

Shares or Principal Amount	Market Value
Telephone – Integrated – 1.2%	
475,409 America Movil S.A. de C.V. – Series L (ADR)	\$ 9,917,032
1,169,860 Telefonica S.A.*	14,419,730
389,539 Telefonos de Mexico S.A. (ADR)	13,668,924
	38,005,686
Television – 1.6%	
1,230,691 Univision Communications, Inc. – Class A*	52,648,961
Transportation – Railroad – 0%	
11,262 Canadian National Railway Co.	455,805
11,970 Canadian National Railway Co. – New York Shares	484,785
	940,590
Transportation – Services – 1.1%	
627,755 United Parcel Service, Inc. – Class B	36,284,239
Total Common Stock (cost \$2,833,264,287)	3,042,021,800
Corporate Bonds – 0%	
Web Hosting/Design – 0%	
\$ 4,085,000 Exodus Communications, Inc., 4.75% convertible subordinated notes due 7/15/08 (cost \$3,432,450)	714,875
Repurchase Agreement – 5.8%	
185,900,000 BankAmerica Securities L.L.C., 4.12% dated 6/29/01, maturing 7/2/01 to be repurchased at \$185,963,826 collateralized by \$957,074,589 in U.S. Government Agencies, 0%-26.5218% 1/20/12-5/15/31; with a value of \$189,618,000 (cost \$185,900,000)	185,900,000
U.S. Government Agency – 0.8%	
25,000,000 Federal Home Loan Bank System 3.66%, 7/17/01 (amortized cost \$24,959,333)	24,959,333
Total Investments (total cost \$3,047,556,070) – 100.7%	3,253,596,008
Liabilities, net of Cash, Receivables and Other Assets – (0.7%)	(22,175,702)
Net Assets – 100%	\$3,231,420,306

Summary of Investments by Country, June 30, 2001

Country	% of Investment Securities	Market Value
Bermuda	1.4%	\$ 46,769,447
Brazil	0.3%	9,284,470
Canada	0.3%	9,511,519
Finland	2.3%	74,145,945
Ireland	0.5%	14,489,634
Japan	1.8%	58,830,821
Mexico	0.7%	23,585,956
Netherlands	0.4%	12,514,435
Spain	0.4%	14,419,730
United Kingdom	0.3%	11,199,184
United States††	91.6%	2,978,844,867
Total	100.0%	\$3,253,596,008

††Includes Short-Term Securities (85.1% excluding Short-Term Securities)

Forward Currency Contracts, Open at June 30, 2001

Currency Sold and Settlement Date	Currency Units Sold	Currency Value in \$ U.S.	Unrealized Gain/(Loss)
Japanese Yen 10/26/01	479,300,000	\$ 3,893,560	\$ 79,582
Japanese Yen 11/9/01	1,750,000,000	14,237,597	154,554
Total		\$18,131,157	\$234,136

See Notes to Schedules of Investments.

Statement of Assets and Liabilities

As of June 30, 2001 (unaudited) (all numbers in thousands
except net asset value per share)

Janus Aspen
Growth
Portfolio

Assets:	
Investments at cost	\$3,047,556
Investments at value:	\$3,253,596
Cash	1,665
Receivables:	
Investments sold	7,932
Portfolio shares sold	2,551
Dividends	537
Interest	132
Due from Advisor	—
Other assets	4
Forward currency contracts	234
Total Assets	3,266,651
Liabilities:	
Payables:	
Investments purchased	29,536
Portfolio shares repurchased	3,788
Advisory fees	1,770
Accrued expenses	137
Total Liabilities	35,231
Net Assets	\$3,231,420
Net Assets – Institutional Shares	\$3,072,999
Shares Outstanding, \$0.001 Par Value (unlimited shares authorized)	131,542
Net Asset Value Per Share	\$ 23.36
Net Assets – Service Shares	\$ 158,421
Shares Outstanding, \$0.001 Par Value (unlimited shares authorized)	6,816
Net Asset Value Per Share	\$ 23.24

See Notes to Financial Statements.

Statement of Operations

For the six months ended June 30, 2001
(all numbers in thousands)

Janus Aspen
Growth
Portfolio

Investment Income:	
Interest	\$ 4,923
Dividends	8,099
Foreign tax withheld	(203)
Total Investment Income	12,819
Expenses:	
Advisory fees	11,064
Transfer agent expenses	2
Registration fees	120
System fees	9
Custodian fees	114
Insurance expense	3
Audit fees	8
Distribution fees – Service Shares	165
Other expenses	12
Total Expenses	11,497
Expense and Fee Offsets	(17)
Net Expenses	11,480
Excess Expense Reimbursement	—
Net Expenses After Reimbursement	11,480
Net Investment Income/(Loss)	1,339
Net Realized and Unrealized Gain/(Loss) on Investments:	
Net realized gain/(loss) from securities transactions	(544,225)
Net realized gain/(loss) from foreign currency transactions	6,201
Net realized gain/(loss) from futures contracts	—
Change in net unrealized appreciation or depreciation of investments and foreign currency	97,742
Net Realized and Unrealized Gain/(Loss) on Investments	(440,282)
Net Increase/(Decrease) in Net Assets Resulting from Operations	\$(438,943)

See Notes to Financial Statements.

Statement 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
Portfolio

2001 2000

Operations:		
Net investment income/(loss)	\$ 1,339	\$ 6,890
Net realized gain/(loss) from investment transactions	(538,024)	109,117
Change in unrealized net appreciation or depreciation of investments and foreign currency	97,742	(795,678)
Net Increase in Net Assets Resulting from Operations	(438,943)	(679,671)
Dividends and Distributions to Shareholders:		
Net investment income*	(1,312)	(7,413)
Net realized gain from investment transactions*	(6,013)	(264,479)
Distributions (in excess of realized gains)*	—	(53,260)
Tax Return of Capital	—	—
Net Decrease from Dividends and Distributions	(7,325)	(325,152)
Capital Share Transactions:		
Shares sold		
Institutional Shares	272,256	1,526,722
Retirement Shares	—	153,079
Service Shares	82,474	125,070
Reinvested dividends and distributions		
Institutional Shares	7,030	309,764
Retirement Shares	—	14,214
Service Shares	295	1,174
Shares repurchased		
Institutional Shares	(307,348)	(312,403)
Retirement Shares	—	(19,033)
Service Shares	(11,482)	(4,460)
Shares transferred – Retirement Shares ⁽²⁾	N/A	(156,824)
Net Increase/(Decrease) from Capital Share Transactions	43,225	1,637,303
Net Increase/(Decrease) in Net Assets	(403,043)	632,480
Net Assets:		
Beginning of period	3,634,463	3,001,983
End of period	\$3,231,420	\$ 3,634,463
Net Assets Consist of:		
Capital (par value and paid-in surplus)*	\$3,622,085	\$ 3,578,860
Undistributed net investment income/(loss)*	27	—
Undistributed net realized gain/(loss) from investments*	(596,955)	(52,918)
Unrealized appreciation/(depreciation) of investments and foreign currency	206,263	108,521
	\$3,231,420	\$ 3,634,463
Transactions in Portfolio Shares – Institutional Shares		
Shares sold	10,638	45,926
Reinvested dividends and distributions	301	9,910
Total	10,939	55,836
Shares Repurchased	(12,716)	(9,974)
Net Increase/(Decrease) in Portfolio Shares	(1,777)	45,862
Shares Outstanding, Beginning of Period	133,319	87,457
Shares Outstanding, End of Period	131,542	133,319
Transactions in Portfolio Shares - Retirement Shares ⁽¹⁾		
Shares sold	N/A	4,483,356
Reinvested dividends and distributions	N/A	455,506
Total	N/A	4,938,862
Shares Repurchased	N/A	(560,239)
Shares Transferred ⁽²⁾	N/A	(6,143,154)
Net Increase/(Decrease) in Portfolio Shares	N/A	(1,764,531)
Shares Outstanding Beginning of Period	N/A	1,764,531
Shares Outstanding End of Period	N/A	—
Transactions in Portfolio Shares – Service Shares ⁽¹⁾		
Shares sold	3,319,456	4,084,302
Reinvested dividends and distributions	12,710	37,963
Total	3,332,166	4,122,265
Shares Repurchased	(485,917)	(152,075)
Net Increase/(Decrease) in Portfolio Shares	2,846,249	3,970,190
Shares Outstanding, Beginning of Period	3,970,190	—
Shares Outstanding, End of Period	6,816,439	3,970,190
Purchases and Sales of Investment Securities: (excluding short-term securities)		
Purchases of securities	\$ 877,569	\$ 3,172,066
Proceeds from sales of securities	788,364	1,649,395
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.

(2) A reorganization of the Retirement Shares of the Trust occurred at the close of business on July 31, 2000. All Capital and Shares were transferred to the corresponding fund of the newly formed Janus Adviser Series. See Note 1 in Notes to Financial Statements.

See Notes to Financial Statements.

Financial | Highlights — Institutional Shares

For a share outstanding during the six months ended June 30 (unaudited)
and through each fiscal year ended December 31

	2001	Janus Aspen Growth Portfolio			
	2001	2000	1999	1998	1997
Net Asset Value, Beginning of Period	\$26.48	\$33.65	\$23.54	\$18.48	\$15.51
Income from Investment Operations:					
Net investment income/(loss)	.01	.05	.07	.05	.15
Net gains/(losses) on securities (both realized and unrealized)	(3.08)	(4.59)	10.24	6.36	3.34
Total from Investment Operations	(3.07)	(4.54)	10.31	6.41	3.49
Less Distributions:					
Dividends (from net investment income)	(.01)	(.06)	(.06)	(.05)	(.15)
Distributions (from capital gains)	(.04)	(2.14)	(.14)	(1.30)	(.37)
Distributions (in excess from capital gains)	—	(.43)	—	—	—
Total Distributions	(.05)	(2.63)	(.20)	(1.35)	(.52)
Net Asset Value, End of Period	\$23.36	\$26.48	\$33.65	\$23.54	\$18.48
Total Return*	(11.58)%	(14.55)%	43.98%	35.66%	22.75%
Net Assets, End of Period (in thousands)	\$3,072,999	\$3,529,807	\$2,942,649	\$1,103,549	\$608,281
Average Net Assets for the Period (in thousands)	\$3,299,704	\$3,734,449	\$1,775,373	\$789,454	\$477,914
Ratio of Gross Expenses to Average Net Assets** ⁽¹⁾	0.67%	0.67%	0.67%	0.68%	0.70%
Ratio of Net Expenses to Average Net Assets** ⁽¹⁾	0.66%	0.67%	0.67%	0.68%	0.69%
Ratio of Net Investment Income to Average Net Assets**	0.09%	0.19%	0.30%	0.26%	0.91%
Portfolio Turnover Rate**	49%	47%	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) See footnote #5 in Notes to Financial Statements.

See Notes to Financial Statements.

Financial Highlights – Service Shares

For a share outstanding during the
six months ended June 30 (unaudited)
and through the fiscal year ended December 31

Janus Aspen
Growth Portfolio
2001 2000

Net Asset Value, Beginning of Period	\$26.36	\$33.52
Income from Investment Operations:		
Net investment income/(loss)	(.01)	(.01)
Net gains/(losses) on securities (both realized and unrealized)	(3.07)	(4.58)
Total from Investment Operations	(3.08)	(4.59)
Less Distributions:		
Dividends (from net investment income)	—	—
Distributions (from capital gains)	(.04)	(2.14)
Distributions (in excess from capital gains)	—	(.43)
Total return of capital	—	—
Total Distributions	(.04)	(2.57)
Net Asset Value, End of Period	\$23.24	\$26.36
Total Return*	(11.67)%	(14.75)%
Net Assets, End of Period (in thousands)	\$158,421	\$104,656
Average Net Assets for the Period (in thousands)	\$132,773	\$ 29,782
Ratio of Gross Expenses to Average Net Assets**(1)	0.92%	0.92%
Ratio of Net Expenses to Average Net Assets**(1)	0.92%	0.92%
Ratio of Net Investment Income/(Loss) to Average Net Assets**	(0.18)%	(0.07)%
Portfolio Turnover Rate**	49%	47%

*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

GDR Global Depository Receipt

EUR Euro

*Non-income producing security

**A portion of this security has been segregated to cover segregation requirements on forward currency contracts.

† Securities are exempt from the registration requirements of the Securities Act of 1933 and may be deemed to be restricted for resale.

Ω Step-up bonds are obligations which increase the interest payment rate at a specified point in time. Rate shown reflects current rate which may step up at a future date.

§ Restricted/Illiquid Securities are valued at fair value determined in good faith under procedures established by and under the supervision of the Trustees.

Δ Security is a defaulted security with accrued interest in the amount of \$40,000 for Aspen Global Technology Portfolio and \$39,840 for Aspen Flexible Income Portfolio.

Security Transactions

Restricted securities held by a Portfolio may not be sold except in exempt transactions or in a public offering registered under the Securities Act of 1933. The risk of investing in such securities is generally greater than the risk of investing in the securities of widely held, publicly traded companies. Lack of a secondary market and resale restrictions may result in the inability of a Portfolio to sell a security at a fair price and may substantially delay the sale of the security that each portfolio seeks to sell. In addition, these securities may exhibit greater price volatility than securities for which secondary markets exist.

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, 2001.

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 fifteen Portfolios or series of shares with differing investment objectives and policies. Twelve 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, Janus Aspen Global Technology Portfolio and Janus Aspen Global Value 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, Strategic Value Portfolio and Global 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 were issued and redeemed only in connection with certain qualified retirement plans.

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.

Aspen Global Value Portfolio began operations on May 1, 2001. The Portfolio offers the Service Shares only and Janus Capital Corporation ("Janus Capital") invested \$2,000,000 of initial seed capital.

Janus Capital redeemed its investment in the Retirement Shares of the High-Yield Portfolio on July 26, 2000, since it was the only shareholder.

A reorganization of the Retirement Shares of the Trust occurred at the close of business on July 31, 2000. Each of the reorganized Portfolios of Janus Aspen Series allocated a pro rata share (percentage of the Retirement Shares to the total Portfolio) of each security position to the corresponding Fund of the newly formed Janus Adviser Series except for securities that were subject to restrictions on resale or transfer, such as private placement securities. Each pro rata share was rounded to eliminate fractional shares and odd lots of securities. Janus Capital, the investment adviser of both Janus Aspen Series and Janus Adviser Series, has agreed to limit expenses of the Funds formed from this reorganization so that they will not increase before July 31, 2003. Specifically, Janus Capital will limit the expenses of each of the new Funds (excluding brokerage commissions, interest, taxes and extraordinary expenses) to the expense ratio of the corresponding Janus Aspen Series Portfolio set forth in the May 1, 2000, Janus Aspen Series Prospectus. These limitations will stay in place until at least July 31, 2003. In addition, Janus Capital paid all the fees associated with the reorganization.

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.

The Portfolios do not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held at fiscal year-end. Net unrealized appreciation or depreciation on investments and foreign currency translation arise from changes in the value of assets and liabilities, including investments in securities at fiscal year end, resulting from changes in the exchange rates and changes in market prices of securities held.

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.

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," which was effective for fiscal years beginning after June 15, 1999. In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities-Deferral of Effective Date of FASB Statement No. 133," delaying by one year the effective date of SFAS No. 133. The effective date for the Portfolios was January 1, 2001. In June 2000, the FASB issued No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," an amendment of SFAS No. 133. SFAS 133, as amended, may affect the accounting treatment of the Funds' derivative instruments and related assets. The Portfolios have determined that the impact on the financial statements, resulting from the adoption of this new standard, will be insignificant.

In November 2000, a revised AICPA Audit and Accounting Guide, *Audits of Investment Companies*, was issued, and is effective for fiscal years beginning after December 15, 2000. The Portfolios have determined that the impact on the Financial Statements, resulting from the adoption of this new standard, will be insignificant.

Notes to Financial Statements *(continued)*

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 their 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. Dividends are declared daily and distributed monthly for the Money Market Portfolio. The majority of 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

Each equity Portfolio is subject to advisory fees payable to Janus Capital based upon an annual rate of .65% of average net assets. 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 the rate 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 Service 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 also agreed to reduce its fee to the extent that normal operating expenses exceed 1.25% of the average net assets of the Equity Income, Strategic Value and Global Value Portfolios.

Janus Capital has agreed to continue these fee waivers and reductions until at least the next annual renewal of the advisory contracts. The distribution fee applicable to the Service Shares, is 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 Distributors, Inc., a wholly owned subsidiary of Janus Capital, is a distributor of the Portfolios. The 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 Service Shares at an annual rate, as determined from time to time by the Board of Trustees, of up to .25% of the 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, 2001, are noted below:

Portfolio	DST Securities, Inc. Commissions Paid*	Portfolio Expense Reduction*	DST Systems Costs
Janus Aspen Growth Portfolio	\$ 652	\$ 489	\$ 12,015

*The difference between commissions paid to DST Securities, Inc. and expenses reduced constituted commissions paid to an unaffiliated clearing broker.

Notes to Financial Statements *(continued)*

3. FEDERAL INCOME TAX

Net investment income distributions and capital gains distributions are determined in accordance with income tax regulations that may differ from generally accepted accounting principles. These differences are due to differing treatments for items such as deferral of wash sales, foreign currency transactions, net operating losses and capital loss carryforwards.

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 December 31, 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, 2008.

In 2001, the Portfolios noted below incurred "Post-October" losses during the period from November 1 through December 31, 2000. These losses will be deferred for tax purposes and recognized in 2001.

The aggregate cost of investments and the composition of unrealized appreciation and depreciation of investments for federal income tax purposes as of June 30, 2001, are also noted below.

<i>Portfolio</i>	<i>Net Capital Loss Carryovers</i>	<i>Post-October</i>		<i>Federal Tax Cost</i>	<i>Unrealized Appreciation</i>	<i>Unrealized (Depreciation)</i>	<i>Net Appreciation/ (Depreciation)</i>
		<i>Capital Losses</i>	<i>Currency Losses</i>				
Janus Aspen Growth Portfolio	—	\$(54,709,276)	—	\$3,055,758,530	\$471,693,005	\$(273,855,527)	\$ 197,837,478

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). Both expense ratios reflect expenses after waivers.

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 advisory fee to the effective rate of the corresponding Janus retail fund. Expense ratios are annualized for all periods less than one year.

<i>Portfolio</i>	<i>Institutional Shares</i>					<i>Service Shares</i>	
	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>	<i>2001</i>	<i>2000</i>
Janus Aspen Growth Portfolio	0.67%	0.67%	0.69%	0.75%	0.78%	0.92%	0.92%

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 the 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 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.

4. 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 Realized and Unrealized 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.

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 the majority 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

2001 Semiannual Report

Janus Aspen Growth and Income Portfolio



JANUS

Janus Aspen Growth and Income Portfolio



David Corkins
portfolio manager

For the six months ended June 30, 2001, Janus Aspen Growth and Income Portfolio lost 6.72% for its Institutional Shares and declined 6.86% for its Service Shares, slightly lagging its benchmark, the S&P 500 Index, which returned a negative 6.69%.⁽¹⁾

Relentless volatility in equity markets took its toll on technology and nontechnology stocks alike during the first six months of

the year. Slowing business investment, deteriorating corporate earnings, mounting job layoffs and high energy prices triggered the extreme swings, further straining an economy that appeared headed toward a recession.

Amid growing signs of economic weakness, the Federal Reserve took aggressive action in early January and surprised investors by lowering interest rates a half-point. Later, scant evidence of a turnaround persuaded central bankers to follow that intermeeting move with five additional rate cuts. By the end of June, borrowing costs had been slashed to 3.75%, the lowest in seven years. Although stocks rallied after each reduction, they later gave back their gains on fears of ongoing weakness in company profits. All three major market indices ended the period down, with the technology-laden Nasdaq Composite Index suffering the biggest loss.

Naturally, I am not pleased our performance did not quite measure up to that of our benchmark. As I've stressed before, my goal is and always has been to beat the S&P 500 Index. The good news is, with the boom and bust in technology mostly behind us, the market has clearly broadened out. Given the Portfolio's emphasis on an eclectic and diverse group of attractively priced, well-managed companies, I believe this "stock-picker's market" offers enormous opportunities as it plays to our strengths.

Turning to a detailed discussion of the Portfolio's holdings, Enron Corp. proved a disappointment. The world's largest energy trader suffered from a slump in natural gas prices as well as its exposure to the California energy crisis. Enron is among the power generators accused of price gouging by the state, which could result in the company being ordered to refund billions in alleged overcharges. Even so, Enron recently announced it is still on track to meet both second-quarter and annual earnings targets.

EMC Corp., the leading manufacturer of corporate data-storage systems, also worked against us. The company has struggled lately as businesses slashed spending on computer gear amid a cooling economy. On top of that, EMC is facing competitive threats from new entrants in the storage industry. Still, with businesses facing the monumental challenge of managing

ever-increasing amounts of electronic data, EMC, as the clear leader in the storage market, stands to benefit. Ultimately, whether EMC grows 20% a year or 50% a year may well depend on the health of the economy.

On the plus side, shares of AOL Time Warner soared after the merger of the world's largest Internet service provider with the world's largest entertainment and media corporation was given the green light in early January. Since then, AOL's management has put a new organizational structure in place that will allow Time Warner's cable, movie, music and magazine businesses to work together more effectively. This, in turn, has enhanced the media giant's ability to negotiate attractive cross-property advertising deals and helped it weather an advertising slowdown better than its competitors. All of this adds up to a great franchise – and a great stock.

Another standout was AT&T Liberty Media, which owns an impressive portfolio of media investments, including sizable stakes in cable channels Starz, Encore and Discovery. The company continues to capitalize on its broad distribution and production capabilities while expanding its presence internationally. Most recently, Liberty Media announced plans to purchase six of Deutsche Telekom's German cable television operators – a deal that would further its bid to establish a cross-border European cable empire. Also encouraging is the news that AT&T will complete the spin-off of Liberty Media later this summer, which we believe could work in favor of our shares.

Looking ahead, while I view the Federal Reserve's six rate cuts as a definite step in the right direction, it will take a few months to turn this battleship of an economy around. That said, we are using market volatility to our advantage, employing our rigorous, hands-on approach to seek out a variety of compelling investments able to grow in a slower-growth economy.

Thank you for your investment in Janus Aspen Growth and Income Portfolio.

Portfolio Asset Mix (% of Assets)	June 30, 2001	December 31, 2000
Equities	81.0%	76.2%
Top 10 Equities	26.1%	27.2%
Number of Stocks	85	79
Fixed-Income Securities	9.9%	8.8%
Cash and Cash Equivalents	9.1%	15.0%

(1) All returns include reinvested dividends and capital gains.

Past performance does not guarantee future results.

Average Annual Total Return⁽¹⁾

For the Periods Ended June 30, 2001

Institutional Shares (Inception Date 5/1/98)	
1 Year	(16.92)%
From Inception	17.61%
S&P 500 Index	
1 Year	(14.82)%
From Inception of Institutional Shares	4.42%
Service Shares (Inception Date 12/31/99)	
1 Year	(17.10)%
From Portfolio Inception	17.30%

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.

In recent years returns have sustained significant gains and losses due to market volatility in the technology sector.

Due to market volatility, current performance may be lower than the figures shown. Call 1-800-504-4440 or visit janus.com for more current performance information.

(1) Past performance is no guarantee of future results and investment results and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Total return includes reinvestment of dividends and capital gains. Standard & Poor's is a corporation that rates stocks and corporate and municipal bonds according to risk profiles. The S&P 500 is an index of 500 major, large-cap US corporations. The Portfolio may differ significantly from the securities held in the index. The index is not available for direct investment; therefore its performance does not reflect the expenses associated with the active management of an actual portfolio. These returns do not reflect the charges and expenses of any particular insurance product or qualified plan.

SCHEDULE OF INVESTMENTS (unaudited)

Shares or Principal Amount	Market Value
Common Stock – 78.4%	
Aerospace and Defense – 0.3%	
12,030 Boeing Co.	\$ 668,868
Applications Software – 1.3%	
34,295 Microsoft Corp.*	2,489,817
Audio and Video Products – 0.6%	
12,400 Sony Corp.	815,295
5,316 Sony Corp. (ADR)	349,793
	1,165,088
Automotive – Cars and Light Trucks – 0.6%	
33,315 BMW A.G.	1,097,113
Automotive – Truck Parts and Equipment – 0.8%	
92,030 Delphi Automotive Systems Corp.	1,466,038
Beverages – Non-Alcoholic – 0.5%	
20,955 PepsiCo, Inc.	926,211
Brewery – 1.2%	
53,493 Anheuser-Busch Companies, Inc.	2,203,912
Broadcast Services and Programming – 2.9%	
315,243 AT&T Corp./Liberty Media Group – Class A*	5,513,600
Cable Television – 4.3%	
134,188 Comcast Corp. – Special Class A*	5,823,759
51,651 Cox Communications, Inc. – Class A*	2,288,139
	8,111,898
Casino Hotels – 0.8%	
133,185 Park Place Entertainment Corp.*	1,611,538
Cellular Telecommunications – 0.6%	
71,410 AT&T Wireless Group, Inc.*	1,167,553

See Notes to Schedules of Investments.

Shares or Principal Amount	Market Value
Chemicals – Diversified – 1.7%	
56,668 E.I. du Pont de Nemours and Co.	\$2,733,664
38,060 Solutia, Inc.	485,265
	3,218,929
Commercial Services – 0.1%	
9,522 Arbitron, Inc.*	229,480
Commercial Services – Financial – 1.3%	
18,245 NOVA Corp.*	573,805
47,572 Paychex, Inc.	1,902,880
	2,476,685
Computer Services – 0.6%	
60,345 Ceridian Corp.*	1,156,814
Computers – 0.8%	
64,335 Apple Computer, Inc.*	1,495,789
Computers – Memory Devices – 2.0%	
79,678 EMC Corp.*	2,314,646
20,867 VERITAS Software Corp.*	1,388,282
	3,702,928
Consulting Services – 0.2%	
24,970 KPMG Consulting, Inc.*	383,290
Cosmetics and Toiletries – 1.2%	
34,500 Procter & Gamble Co.	2,201,100
Cruise Lines – 0.7%	
56,392 Royal Caribbean Cruises, Ltd.	1,246,827
Diversified Financial Services – 4.2%	
149,880 Citigroup, Inc.	7,919,659

Janus Aspen Growth and Income Portfolio

SCHEDULE OF INVESTMENTS (unaudited)

Shares or Principal Amount	Market Value	Shares or Principal Amount	Market Value
Diversified Operations – 5.5%		Motorcycle and Motor Scooter Manufacturing – 0.6%	
110,248 General Electric Co.	\$5,374,590	25,953 Harley-Davidson, Inc.	\$ 1,221,867
38,355 Honeywell International, Inc.	1,342,041	Multi-Line Insurance – 2.8%	
4,165 Minnesota Mining and Manufacturing Co.	475,226	35,908 American International Group, Inc.	3,088,088
14,785 Textron, Inc.	813,766	23,230 PartnerRe, Ltd.	1,286,942
44,840 Tyco International, Ltd.	2,443,780	2,653 Zurich Financial Services A.G.	904,826
	10,449,403		5,279,856
Electric – Integrated – 0.5%		Multimedia – 5.1%	
22,470 Duke Energy Corp.	876,555	111,885 AOL Time Warner, Inc.*	5,929,905
Electronic Components – Semiconductors – 2.0%		72,364 Viacom, Inc. – Class B*	3,744,837
73,425 Advanced Micro Devices, Inc.*	2,120,514		9,674,742
53,256 Texas Instruments, Inc.	1,677,564	Oil Companies – Exploration and Production – 0.9%	
	3,798,078	42,235 Burlington Resources, Inc.	1,687,288
Engineering – Research and Development – 0.4%		Oil Companies – Integrated – 2.7%	
18,025 Fluor Corp.	813,829	24,555 Conoco, Inc. – Class A	692,451
Entertainment Software – 0.5%		50,655 Exxon Mobil Corp.	4,424,714
16,485 Electronic Arts, Inc.*	954,482		5,117,165
Finance – Consumer Loans – 1.5%		Pipelines – 3.3%	
41,990 Household International, Inc.	2,800,733	37,378 El Paso Corp.	1,963,840
Finance – Investment Bankers/Brokers – 0.7%		75,858 Enron Corp.	3,717,042
7,455 Goldman Sachs Group, Inc.	639,639	12,321 Kinder Morgan, Inc.	619,130
12,615 Merrill Lynch & Company, Inc.	747,439		6,300,012
	1,387,078	Printing – Commercial – 0.5%	
Food – Diversified – 0.4%		26,286 Valassis Communications, Inc.*	941,039
8,140 Quaker Oats Co.	742,775	Reinsurance – 0.8%	
Food – Retail – 0.2%		630 Berkshire Hathaway, Inc. – Class B*	1,449,000
13,620 Albertson's, Inc.	408,464	Retail – Apparel and Shoe – 0.5%	
Human Resources – 0.1%		30,810 Gap, Inc.	893,490
9,165 Robert Half International, Inc.*	228,117	Retail – Jewelry – 0.2%	
Insurance Brokers – 2.0%		12,070 Tiffany & Co.	437,175
28,879 Marsh & McLennan Companies, Inc.	2,916,779	Retail – Restaurants – 0.9%	
44,805 Willis Group Holdings, Ltd.*	795,289	61,000 McDonald's Corp.	1,650,660
	3,712,068	Semiconductor Components/Integrated Circuits – 2.2%	
Internet Brokers – 0.6%		34,710 Linear Technology Corp.	1,534,876
69,716 Charles Schwab Corp.	1,066,655	61,874 Maxim Integrated Products, Inc.*	2,735,450
Internet Security – 0.7%			4,270,326
22,246 VeriSign, Inc.*	1,334,982	Super-Regional Banks – 1.6%	
Life and Health Insurance – 2.8%		131,758 U.S. Bancorp	3,002,765
76,265 American General Corp.	3,542,509	Telecommunication Equipment – 1.3%	
45,909 John Hancock Financial Services, Inc.	1,848,296	114,545 Nokia Oyj (ADR)	2,524,572
	5,390,805	Telephone – Integrated – 1.0%	
Medical – Drugs – 4.8%		9,790 America Movil S.A. de C.V. – Series L (ADR)	204,219
18,422 Allergan, Inc.	1,575,081	31,216 McLeodUSA, Inc. – Class A*	143,281
67,455 Bristol-Myers Squibb Co.	3,527,897	93,664 Telefonica S.A.*	1,154,505
27,195 Merck & Company, Inc.	1,738,032	9,790 Telefonos de Mexico S.A. (ADR)	343,531
57,375 Pfizer, Inc.	2,297,869		1,845,536
	9,138,879	Toys – 0.8%	
Medical Instruments – 1.8%		82,370 Mattel, Inc.	1,558,440
30,085 Guidant Corp.*	1,083,060	Transportation – Railroad – 0.8%	
49,579 Medtronic, Inc.	2,281,130	38,670 Canadian Pacific, Ltd. – New York Shares	1,498,463
	3,364,190	Total Common Stock (cost \$152,519,131)	148,556,587
Money Center Banks – 1.2%		Corporate Bonds – 5.8%	
17,805 Bank of America Corp.	1,068,834	Automotive – Cars and Light Trucks – 0.2%	
27,245 J.P. Morgan Chase & Co.	1,215,127	\$300,000 DaimlerChrysler N.A. Holdings Corp., 6.67% company guaranteed notes, due 2/15/02	303,375
	2,283,961		

See Notes to Schedules of Investments.

Shares or Principal Amount	Market Value
Cellular Telecommunications – 0.1%	
\$ 89,000 VoiceStream Wireless Corp., 10.375% senior notes, due 11/15/09	\$ 101,460
Diversified Financial Services – 2.1%	
General Electric Capital Corp.:	
1,115,000 7.00%, notes, due 3/1/02	1,137,300
580,000 7.00%, notes, due 2/3/03	601,025
493,000 6.81%, notes, due 11/3/03	512,720
370,000 5.375%, notes, due 4/23/04	372,312
1,360,000 5.35%, notes, due 3/30/06	1,343,000
	3,966,357
Enterprise Software/Services – 0.3%	
478,000 BEA Systems, Inc., 4.00% convertible subordinated notes due 12/15/06†	567,028
Finance – Auto Loans – 0.7%	
Ford Motor Credit Co.:	
400,000 6.55%, notes, due 9/10/02	407,500
915,000 6.875%, notes, due 2/1/06	926,437
	1,333,937
Finance – Investment Bankers/Brokers – 0.3%	
Merrill Lynch & Company, Inc.:	
445,000 6.80%, notes, due 11/3/03	460,019
200,000 6.15%, notes, due 1/26/06	200,500
	660,519
Food – Retail – 0.1%	
150,000 Safeway, Inc., 7.00% notes, due 9/15/02	152,813
Oil Companies – Exploration and Production – 0.1%	
363,000 Devon Energy Corp., 0% convertible debenture, due 6/27/20	169,249
Retail – Discount – 0.6%	
1,075,000 Wal-Mart Stores, Inc., 6.875% notes, due 8/1/02	1,101,875
Super-Regional Banks – 0.2%	
443,000 Firststar Bank N.A., 7.125% subordinated notes, due 12/1/09	452,414
Telecommunication Services – 0.1%	
150,000 Qwest Capital Funding, Inc., 7.75% company guaranteed notes, due 8/15/06	157,125
Telephone – Integrated – 0.3%	
270,000 CenturyTel, Inc., 8.375% notes, due 10/15/10	281,475
NTL, Inc.:	
111,000 7.00%, convertible subordinated notes due 12/15/08	54,945
712,000 5.75%, convertible subordinated notes due 12/15/09†	233,180
	569,600
Toys – 0.2%	
Mattel, Inc.:	
140,000 6.00%, notes, due 7/15/03	138,425
250,000 6.125%, notes, due 7/15/05	238,438
	376,863

Shares or Principal Amount	Market Value
Wireless Equipment – 0.5%	
\$ 1,312,000 American Tower Corp., 5.00% convertible notes, due 2/15/10†	\$ 1,023,360
Total Corporate Bonds (cost \$11,384,637)	10,935,975
Preferred Stock – 2.6%	
Automotive – Cars and Light Trucks – 1.1%	
5,947 Porsche A.G.	2,049,058
Electric – Integrated – 1.5%	
35,996 Reliant Energy, Inc., convertible, 2.00% (AOL Time Warner, Inc.)	2,884,179
Total Preferred Stock (cost \$4,383,681)	4,933,237
U.S. Government Obligations – 4.1%	
U.S. Treasury Notes:	
\$ 3,765,000 5.25%, due 8/15/03	3,832,582
3,880,000 5.25%, due 5/15/04	3,948,172
Total U.S. Government Obligations (cost \$7,695,079)	7,780,754
Repurchase Agreement – 8.9%	
16,800,000 Morgan Stanley Dean Witter & Co. 4.1158%, dated 6/29/01, maturing 7/2/01 to be repurchased at \$16,805,754 collateralized by \$74,666,563 in U.S. Government Agencies, 0%-1,180.00% 10/25/02-6/1/31; with a value of \$17,290,021 (cost \$16,800,000)	16,800,000
Total Investments (total cost \$192,782,528) – 99.8%	189,006,553
Cash, Receivables and Other Assets, net of Liabilities – 0.2%	437,276
Net Assets – 100%	\$189,443,829

Summary of Investments by Country, June 30, 2001

Country	% of Investment Securities	Market Value
Bermuda	2.0%	\$ 3,730,722
Canada	0.8%	1,498,463
Finland	1.3%	2,524,572
Germany	1.7%	3,146,171
Japan	0.6%	1,165,088
Mexico	0.3%	547,750
Spain	0.6%	1,154,505
Switzerland	0.5%	904,826
United States††	92.2%	174,334,456
Total	100.0%	\$189,006,553

††Includes Short-Term Securities (83.3% excluding Short-Term Securities)

See Notes to Schedules of Investments.

Statements of Assets and Liabilities

Janus Aspen
Growth and
Income
Portfolio

As of June 30, 2001 (unaudited) (all numbers in thousands
except net asset value per share)

Assets:	
Investments at cost	\$ 192,783
Investments at value:	\$ 189,006
Cash	88
Receivables:	
Investments sold	289
Portfolio shares sold	172
Dividends	79
Interest	310
Due from Advisor	—
Other assets	—
Forward currency contracts	—
Total Assets	189,944
Liabilities:	
Payables:	
Investments purchased	139
Portfolio shares repurchased	193
Advisory fees	101
Accrued expenses	67
Total Liabilities	500
Net Assets	\$189,444
Net Assets – Institutional Shares	\$109,677
Shares Outstanding, \$0.001 Par Value (unlimited shares authorized)	6,805
Net Asset Value Per Share	\$ 16.12
Net Assets – Service Shares	\$ 79,767
Shares Outstanding, \$0.001 Par Value (unlimited shares authorized)	4,960
Net Asset Value Per Share	\$ 16.08

See Notes to Financial Statements.

Statements of Operations

Janus Aspen
Growth and
Income
Portfolio

For the six months ended June 30, 2001
(all numbers in thousands)

Investment Income:	
Interest	\$ 1,164
Dividends	696
Foreign tax withheld	(12)
Total Investment Income	1,848
Expenses:	
Advisory fees	596
Transfer agent expenses	1
Registration fees	9
System fees	7
Custodian fees	26
Insurance expense	2
Audit fees	6
Distribution fees – Service Shares	86
Other expenses	3
Total Expenses	736
Expense and Fee Offsets	(1)
Net Expenses	735
Excess Expense Reimbursement	—
Net Expenses After Reimbursement	735
Net Investment Income/(Loss)	1,113
Net Realized and Unrealized Gain/(Loss) on Investments:	
Net realized gain/(loss) from securities transactions	(12,117)
Net realized gain/(loss) from foreign currency transactions	—
Net realized gain/(loss) from futures contracts	—
Change in net unrealized appreciation or depreciation of investments and foreign currency	(2,232)
Net Realized and Unrealized Gain/(Loss) on Investments	(14,349)
Net Increase/(Decrease) in Net Assets Resulting from Operations	\$(13,236)

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

2001 2000

Operations:		
Net investment income/(loss)	\$ 1,113	\$ 1,504
Net realized gain/(loss) from investment transactions	(12,117)	(4,264)
Change in unrealized net appreciation or depreciation of investments and foreign currency	(2,232)	(25,126)
Net Increase in Net Assets Resulting from Operations	(13,236)	(27,886)
Dividends and Distributions to Shareholders:		
Net investment income*	(1,206)	(1,255)
Net realized gain from investment transactions*	—	—
Distributions (in excess of realized gains)*	—	(2,330)
Tax Return of Capital	—	—
Net Decrease from Dividends and Distributions	(1,206)	(3,585)
Capital Share Transactions:		
Shares sold		
Institutional Shares	4,021	74,754
Retirement Shares	—	15,655
Service Shares	35,175	59,784
Reinvested dividends and distributions		
Institutional Shares	813	3,199
Retirement Shares	—	237
Service Shares	393	148
Shares repurchased		
Institutional Shares	(9,823)	(14,889)
Retirement Shares	—	(1,929)
Service Shares	(4,717)	(1,032)
Shares transferred – Retirement Shares ⁽¹⁾	N/A	(17,894)
Net Increase/(Decrease) from Capital Share Transactions	25,862	118,033
Net Increase/(Decrease) in Net Assets	11,420	86,352
Net Assets:		
Beginning of period	178,024	91,462
End of period	\$189,444	\$178,024
Net Assets Consist of:		
Capital (par value and paid-in surplus)*	\$209,468	\$183,607
Undistributed net investment income/(loss)*	186	279
Undistributed net realized gain/(loss) from investments*	(16,434)	(4,318)
Unrealized appreciation/(depreciation) of investments and foreign currency	(3,776)	(1,544)
	\$189,444	\$178,024
Transactions in Portfolio Shares – Institutional Shares		
Shares sold	243	3,626
Reinvested dividends and distributions	50	167
Total	293	3,793
Shares Repurchased	(599)	(749)
Net Increase/(Decrease) in Portfolio Shares	(306)	3,044
Shares Outstanding, Beginning of Period	7,111	4,067
Shares Outstanding, End of Period	6,805	7,111
Transactions in Portfolio Shares - Retirement Shares ⁽²⁾		
Shares sold	N/A	670,648
Reinvested dividends and distributions	N/A	12,309
Total	N/A	682,957
Shares Repurchased	N/A	(92,538)
Shares Transferred ⁽¹⁾	N/A	(928,105)
Net Increase/(Decrease) in Portfolio Shares	N/A	(337,686)
Shares Outstanding Beginning of Period	N/A	337,686
Shares Outstanding End of Period	N/A	—
Transactions in Portfolio Shares – Service Shares ⁽²⁾		
Shares sold	2,097,045	3,170,558
Reinvested dividends and distributions	24,497	8,192
Total	2,121,542	3,178,750
Shares Repurchased	(285,777)	(54,597)
Net Increase/(Decrease) in Portfolio Shares	1,835,765	3,124,153
Shares Outstanding, Beginning of Period	3,124,153	—
Shares Outstanding, End of Period	4,959,918	3,124,153
Purchases and Sales of Investment Securities: (excluding short-term securities)		
Purchases of securities	\$ 67,235	\$156,034
Proceeds from sales of securities	33,929	43,629
Purchases of long-term U.S. government obligations	5,900	5,674
Proceeds from sales of long-term U.S. government obligations	4,006	—

*See Note 3 in Notes to Financial Statements.

(1) A reorganization of the Retirement Shares of the Trust occurred at the close of business on July 31, 2000. All Capital and Shares were transferred to the corresponding fund of the newly formed Janus Adviser Series. See Note 1 in Notes to Financial Statements.

(2) 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)
and through each fiscal year or period ended December 31

Janus Aspen Growth and Income Portfolio
2001 2000 1999 1998⁽¹⁾

Net Asset Value, Beginning of Period	\$17.41	\$20.77	\$11.96	\$10.00
Income from Investment Operations:				
Net investment income/(loss)	.11	.19	.04	.02
Net gains/(losses) on securities (both realized and unrealized)	(1.28)	(3.08)	8.81	1.96
Total from Investment Operations	(1.17)	(2.89)	8.85	1.98
Less Distributions:				
Dividends (from net investment income)	(.12)	(.16)	(.04)	(.02)
Distributions (in excess from capital gains)	—	(.31)	—	—
Total Distributions	(.12)	(.47)	(.04)	(.02)
Net Asset Value, End of Period	\$16.12	\$17.41	\$20.77	\$11.96
Total Return*	(6.72)%	(14.10)%	74.04%	19.80%
Net Assets, End of Period (in thousands)	\$109,677	\$123,812	\$84,480	\$6,413
Average Net Assets for the Period (in thousands)	\$115,254	\$124,282	\$28,838	\$2,883
Ratio of Gross Expenses to Average Net Assets** ⁽²⁾	0.71%	0.78%	1.06%	1.25%
Ratio of Net Expenses to Average Net Assets** ⁽²⁾	0.71%	0.78%	1.05%	1.25%
Ratio of Net Investment Income to Average Net Assets**	1.31%	1.07%	0.56%	0.66%
Portfolio Turnover Rate**	48%	37%	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 — Service Shares

For a share outstanding during the
six months ended June 30 (unaudited)
and through the fiscal year ended December 31

Janus Aspen
Growth and Income Portfolio
2001 2000

Net Asset Value, Beginning of Period	\$17.35	\$20.63
Income from Investment Operations:		
Net investment income/(loss)	.07	.07
Net gains/(losses) on securities (both realized and unrealized)	(1.26)	(2.99)
Total from Investment Operations	(1.19)	(2.92)
Less Distributions:		
Dividends (from net investment income)	(.08)	(.05)
Distributions (from capital gains)	—	—
Distributions (in excess from capital gains)	—	(.31)
Total Distributions	(.08)	(.36)
Net Asset Value, End of Period	\$16.08	\$17.35
Total Return*	(6.86)%	(14.31)%
Net Assets, End of Period (in thousands)	\$79,767	\$54,212
Average Net Assets for the Period (in thousands)	\$69,530	\$12,868
Ratio of Gross Expenses to Average Net Assets** ⁽¹⁾	0.96%	1.11%
Ratio of Net Expenses to Average Net Assets** ⁽¹⁾	0.96%	1.10%
Ratio of Net Investment Income/(Loss) to Average Net Assets**	1.05%	1.20%
Portfolio Turnover Rate**	48%	37%

*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

GDR Global Depository Receipt

EUR Euro

*Non-income producing security

**A portion of this security has been segregated to cover segregation requirements on forward currency contracts.

† Securities are exempt from the registration requirements of the Securities Act of 1933 and may be deemed to be restricted for resale.

Ω Step-up bonds are obligations which increase the interest payment rate at a specified point in time. Rate shown reflects current rate which may step up at a future date.

§ Restricted/Illiquid Securities are valued at fair value determined in good faith under procedures established by and under the supervision of the Trustees.

Δ Security is a defaulted security with accrued interest in the amount of \$40,000 for Aspen Global Technology Portfolio and \$39,840 for Aspen Flexible Income Portfolio.

Security Transactions

Restricted securities held by a Portfolio may not be sold except in exempt transactions or in a public offering registered under the Securities Act of 1933. The risk of investing in such securities is generally greater than the risk of investing in the securities of widely held, publicly traded companies. Lack of a secondary market and resale restrictions may result in the inability of a Portfolio to sell a security at a fair price and may substantially delay the sale of the security that each portfolio seeks to sell. In addition, these securities may exhibit greater price volatility than securities for which secondary markets exist.

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, 2001.

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 fifteen Portfolios or series of shares with differing investment objectives and policies. Twelve 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, Janus Aspen Global Technology Portfolio and Janus Aspen Global Value 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, Strategic Value Portfolio and Global 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 were issued and redeemed only in connection with certain qualified retirement plans.

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.

Aspen Global Value Portfolio began operations on May 1, 2001. The Portfolio offers the Service Shares only and Janus Capital Corporation ("Janus Capital") invested \$2,000,000 of initial seed capital.

Janus Capital redeemed its investment in the Retirement Shares of the High-Yield Portfolio on July 26, 2000, since it was the only shareholder.

A reorganization of the Retirement Shares of the Trust occurred at the close of business on July 31, 2000. Each of the reorganized Portfolios of Janus Aspen Series allocated a pro rata share (percentage of the Retirement Shares to the total Portfolio) of each security position to the corresponding Fund of the newly formed Janus Adviser Series except for securities that were subject to restrictions on resale or transfer, such as private placement securities. Each pro rata share was rounded to eliminate fractional shares and odd lots of securities. Janus Capital, the investment adviser of both Janus Aspen Series and Janus Adviser Series, has agreed to limit expenses of the Funds formed from this reorganization so that they will not increase before July 31, 2003. Specifically, Janus Capital will limit the expenses of each of the new Funds (excluding brokerage commissions, interest, taxes and extraordinary expenses) to the expense ratio of the corresponding Janus Aspen Series Portfolio set forth in the May 1, 2000, Janus Aspen Series Prospectus. These limitations will stay in place until at least July 31, 2003. In addition, Janus Capital paid all the fees associated with the reorganization.

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.

The Portfolios do not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held at fiscal year-end. Net unrealized appreciation or depreciation on investments and foreign currency translation arise from changes in the value of assets and liabilities, including investments in securities at fiscal year end, resulting from changes in the exchange rates and changes in market prices of securities held.

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.

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," which was effective for fiscal years beginning after June 15, 1999. In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities-Deferral of Effective Date of FASB Statement No. 133," delaying by one year the effective date of SFAS No. 133. The effective date for the Portfolios was January 1, 2001. In June 2000, the FASB issued No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," an amendment of SFAS No. 133. SFAS 133, as amended, may affect the accounting treatment of the Funds' derivative instruments and related assets. The Portfolios have determined that the impact on the financial statements, resulting from the adoption of this new standard, will be insignificant.

In November 2000, a revised AICPA Audit and Accounting Guide, *Audits of Investment Companies*, was issued, and is effective for fiscal years beginning after December 15, 2000. The Portfolios have determined that the impact on the Financial Statements, resulting from the adoption of this new standard, will be insignificant.

Notes to Financial Statements *(continued)*

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 their 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. Dividends are declared daily and distributed monthly for the Money Market Portfolio. The majority of 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

Each equity Portfolio is subject to advisory fees payable to Janus Capital based upon an annual rate of .65% of average net assets. 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 the rate 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 Service 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 also agreed to reduce its fee to the extent that normal operating expenses exceed 1.25% of the average net assets of the Equity Income, Strategic Value and Global Value Portfolios.

Janus Capital has agreed to continue these fee waivers and reductions until at least the next annual renewal of the advisory contracts. The distribution fee applicable to the Service Shares, is 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 Distributors, Inc., a wholly owned subsidiary of Janus Capital, is a distributor of the Portfolios. The 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 Service Shares at an annual rate, as determined from time to time by the Board of Trustees, of up to .25% of the 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, 2001, are noted below:

Portfolio	DST Securities, Inc. Commissions Paid*	Portfolio Expense Reduction*	DST Systems Costs
Janus Aspen Growth and Income Portfolio	\$83	\$62	\$8,791

*The difference between commissions paid to DST Securities, Inc. and expenses reduced constituted commissions paid to an unaffiliated clearing broker.

Notes to Financial Statements *(continued)*

3. FEDERAL INCOME TAX

Net investment income distributions and capital gains distributions are determined in accordance with income tax regulations that may differ from generally accepted accounting principles. These differences are due to differing treatments for items such as deferral of wash sales, foreign currency transactions, net operating losses and capital loss carryforwards.

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 December 31, 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, 2008.

In 2001, the Portfolios noted below incurred "Post-October" losses during the period from November 1 through December 31, 2000. These losses will be deferred for tax purposes and recognized in 2001.

The aggregate cost of investments and the composition of unrealized appreciation and depreciation of investments for federal income tax purposes as of June 30, 2001, are also noted below.

<i>Portfolio</i>	<i>Net Capital Loss Carryovers</i>	<i>Post-October</i>		<i>Federal Tax Cost</i>	<i>Unrealized Appreciation</i>	<i>Unrealized (Depreciation)</i>	<i>Net Appreciation/ (Depreciation)</i>
		<i>Capital Losses</i>	<i>Currency Losses</i>				
Janus Aspen Growth and Income Portfolio	\$(4,122,093)	—	\$(27)	\$193,176	\$14,957	\$(19,126)	\$(4,169)

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). Both expense ratios reflect expenses after waivers.

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 advisory fee to the effective rate of the corresponding Janus retail fund. Expense ratios are annualized for all periods less than one year.

<i>Portfolio</i>	<i>Institutional Shares</i>					<i>Service Shares</i>	
	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>	<i>2001</i>	<i>2000</i>
Janus Aspen Growth and Income Portfolio	0.71%	0.78%	1.15%	3.06% ⁽¹⁾	N/A	0.96%	1.11%

(1) Period May 1, 1998 (inception) to December 31, 1998.

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 the 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 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.

4. 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 Realized and Unrealized 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.

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 the majority 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.

Notes

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